

Regd. Office:

Bajaj Auto Limited Complex,
Mumbai-Pune Road,
Akurdi, Pune 411 035

NOTICE

Notice is hereby given that the Seventh annual general meeting of the shareholders of Bajaj Finserv Ltd. will be held on **Wednesday, 16 July 2014 at 4.15 p.m.** at the registered office of the company at Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune 411 035 to transact the following business:

ORDINARY 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 Auditors' Reports thereon.
2. To declare a dividend.
3. To appoint a director in place of Rahul Bajaj (DIN 00014529), 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 consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED that pursuant to the provisions of section 139 and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder, the retiring auditors, Dalal & Shah, Chartered Accountants, (Firm Registration No. 102021W), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the 10th annual general meeting of the Company, subject to ratification by shareholders at each annual general meeting to be held hereafter, on a remuneration ₹ 650,000 (Rupees six lakh fifty thousand only) plus service tax thereon and re-imbursement of travelling and other out-of-pocket expenses for the year 2014-15."

SPECIAL BUSINESS:

5. Appointment of Dr. Gita Piramal as an independent director

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

"RESOLVED THAT Dr. 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 a notice in writing pursuant to section 160 of the Companies Act, 2013 has been received in the prescribed manner, be and is hereby appointed as an independent director of the Company pursuant to section 149 of the Companies Act, 2013 and Rules made thereunder, for a period of 5 years with effect from 16 July 2014 upto 15 July 2019.

RESOLVED FURTHER THAT pursuant to the provisions of section 149, 197 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Dr. Piramal be paid such fees and remuneration and profit-related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

6. Appointment of S H Khan as an independent director

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

"RESOLVED THAT pursuant to section 149 and other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder, approval be and is hereby accorded to the appointment of S H Khan (DIN 00006170), in respect of whom a notice in writing pursuant to section 160 of the Companies Act, 2013 has been received in the prescribed manner, as an independent director on the Board of the Company for a consecutive period of five years, effective from 1 April 2014 upto 31 March 2019.

"RESOLVED FURTHER THAT pursuant to the provisions of section 149, 197 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, S H Khan be paid such fees and remuneration and profit-related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

7. Appointment of Nanoo Pamnani as an independent director

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

"RESOLVED THAT pursuant to section 149 and other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder, approval be and is hereby accorded to the appointment of Nanoo Pamnani (DIN 00053673), in respect of whom a notice in writing pursuant to section 160 of the Companies Act, 2013 has been received in the prescribed manner, as an independent director on the Board of the Company for a consecutive period of five years, effective from 1 April 2014 upto 31 March 2019.

RESOLVED FURTHER THAT pursuant to the provisions of section 149, 197 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Nanoo Pamnani be paid such fees and remuneration and profit-related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

8. Appointment of Naresh Chandra as an independent director

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

"RESOLVED THAT pursuant to section 149 and other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder, approval be and is hereby accorded to the appointment of Naresh Chandra (DIN 00015833), in respect of whom a notice in writing pursuant to section 160 of the Companies Act, 2013 has been received in the prescribed manner, as an independent director on the Board of the Company for a consecutive period of five years, effective from 1 April 2014 upto 31 March 2019.

RESOLVED FURTHER THAT pursuant to the provisions of section 149, 197 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Naresh Chandra be paid such fees and remuneration and profit-related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

9. Appointment of D J Balaji Rao as an independent director

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

"RESOLVED THAT pursuant to section 149 and other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder, approval be and is hereby accorded to the appointment of D J Balaji Rao (DIN 00025254), in respect of whom a notice in writing pursuant to section 160 of the Companies Act, 2013 has been received in the prescribed manner, as an independent director on the Board of the Company for a consecutive period of five years, effective from 1 April 2014 upto 31 March 2019.

RESOLVED FURTHER THAT pursuant to the provisions of section 149, 197 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, D J Balaji Rao be paid such fees and remuneration and profit-related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

By order of the Board of Directors
for Bajaj Finserv Ltd.



Sonal R Tiwari
Company Secretary
Date: 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 of the Companies Act, 2013 forms part of this Notice.
- 4 Brief details of the directors, who are seeking appointment/re-appointment, are annexed hereto as per requirements of 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 10th annual general meeting, to be scheduled in 2017 and the fixing of their remuneration for the year 2014-15 has been put up for the approval of members.
- 6 Pursuant to the provisions of section 91 of the Companies Act, 2013, 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.
- 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 21 July 2014 and 22 July 2014 as under:
 - a) to all those beneficial owners holding shares in electronic form, as per the beneficial ownership data as may be 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
 - b) 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 Pvt. Ltd.) on or before the closing hours on Friday, 4 July 2014.
- 8 Dividend will be preferably paid through NECS, wherever the facility is available. Where dividend payments are made through NECS, intimations regarding such remittances would be sent separately to the members. In cases where the dividends cannot be paid through NECS, the same will be paid by account payee/non-negotiable instruments.
- 9 To ensure timely delivery of shareholders' communications and also credit of dividend through National Electronic Clearing Service (NECS) or dividend warrants/payment instruments, members are requested to notify change of address, or particulars of their bank account, if changed, along with the 9 digit MICR/NECS details, to the respective depository participant in case of shares held in demat and to the share transfer agent of the Company in case of shares held in physical, on or before 4 July 2014.
- 10 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 Pvt. Ltd). Members are requested to keep the same updated.
- 11 The Securities and Exchange Board of India has mandated the 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 Company or Karvy Computershare Pvt. Ltd.
- 12 In terms of section 101 and 136 of the Companies Act, 2013 read together with the Rules made thereunder, the listed companies may send the notice of annual general meeting and the Annual Report, including Financial statements, Board 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 shareholders' 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 Pvt. Ltd. on mohsin.mohd@karvy.com.**
- 14 Documents referred to in the Notice and the explanatory statement shall be 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 Company has been maintaining, inter alia, the following statutory registers at its registered office at Akurdi, Pune, which are open for inspection in terms of the applicable provisions of Companies Act, 2013 by members and others as specified below:
- Register of contracts or arrangements in which directors are interested under section 301 of the Companies Act, 1956 and section 189 of the Companies Act, 2013, on all working days during business hours. The said Registers shall also be produced at the commencement of the annual general meeting of the Company and shall remain open and accessible during the continuance of the meeting to a person having the right to attend the meeting.
 - Register of directors' shareholdings under section 307 of the Companies Act, 1956 and Register of directors & Key Managerial Personnel and their shareholding under section 170 of the Companies Act, 2013, on all working days during business hours. The said Registers shall be kept open for inspection at the annual general meeting of the Company and shall be made accessible to a person attending the meeting.
- 16 Pursuant to section 72 of the Companies Act, 2013, members holding shares in physical form are advised to file nomination in the prescribed Form SH-13 (a copy of which is available on the website of the Company) with the Company's share transfer agent. In respect of shares held in electronic/demat form, the members may please contact their respective depository participant.
- 17 Corporate members are requested to send in advance, duly certified copy of the Board Resolution/Power of Attorney authorising their representative to attend the annual general meeting.
- 18 Members/Proxies are requested to bring the copies of Annual Reports to the meeting.
- 19 Please note that for security reasons, no article/baggage will be allowed at the venue of the meeting.

20 Voting through electronic means –

In terms of the provisions 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 Pvt. Ltd. (Karvy).

The instructions for E-voting are as under:

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

- Use the following URL for e-voting:
<https://evoting.karvy.com>
- 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.
- After entering the details appropriately, click on "LOGIN".
- 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.). The system will prompt you to change your password. 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 Finserv 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 Scrutiniser through e-mail 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 shareholders and e-voting User Manual available at the "download" section of <https://evoting.karvy.com> or contact Karvy on 1800 345 4001 (toll free).
- xiii. Members may alternatively cast their votes using the Ballot Form which is sent along with 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.
- ii. Members may alternatively opt for e-voting, for which the USER ID & initial password is provided at the bottom of the Ballot Form. 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 enclosed with the Notice (a copy of the same is also part of the soft copy of the Notice) and submit the same in a sealed envelope to the Scrutiniser, Shyamprasad D. Limaye, Practising Company Secretary, Unit: Bajaj Finserv Limited. C/o.Karvy Computershare Pvt. Ltd., 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 Scrutiniser 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 on 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) having address as 32, Navketan Society, Kothrud, Pune – 411038 as the Scrutiniser to the e-voting process, (including voting through Ballot Form received from the members) in a fair and transparent manner.
- iii. The Scrutiniser 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 Scrutiniser'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/ through ballot form as above shall not be eligible to vote by way of poll at the meeting. The poll process shall be conducted and report thereon will be prepared in accordance with section 109 of the Companies Act, 2013 read with the relevant Rules. In such an event, votes cast under Poll taken together with the votes cast through e-voting and using ballot form shall be counted for the purpose of passing of resolution(s).
- v. Subject to the receipt of sufficient votes, the resolutions shall be deemed to be passed at the 7th 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 Scrutinisers Report shall be placed on the Company's website www.bajajfinserv.in and on the website of Karvy - www.evoting.karvy.com, within two days of the passing of the resolutions at the 7th annual general meeting of the Company and shall also be communicated to the Stock Exchanges.

ANNEXURE TO THE NOTICE

BRIEF RESUME OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Item No. 3 of the Notice

Rahul Bajaj (DIN 00014529)

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

As regards re-appointment of Rahul Bajaj referred to in item no. 3 of the Notice, following necessary disclosures are made for the information of the members:

A brief profile of Rahul Bajaj is given below:

Rahul Bajaj, (born on 10 June 1938), 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 (C/1-1979-80/1999-2000). He was President of Society of Indian Automobile Manufacturers (SIAM) and Maharashtra Chamber of Commerce, Industry and Agriculture (MCC/A) and Chairman of the Development Council for Automobiles and Allied Industries.

He was appointed by the Government of India the Chairman (1986-89) of the Government owned domestic carrier, Indian Airlines. He was nominated by the President of India the Chairman of the Board of Governors of the Indian Institute of Technology, Bombay during 2003-06. He is a Member and 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. He is Chairman of a number of social organisations including Bharatiya Yuva Shakti Trust and Ruby Hall Clinic, a large hospital in Pune.

Directorships

Bajaj Finserv Ltd. (since 30 April 2007)
Bajaj Auto Ltd.
Bajaj Finance Ltd.
Bajaj Holdings & Investment Ltd.
Bajaj Allianz General Insurance Co Ltd.
Bajaj Allianz Life Insurance Co Ltd.
Kamalnayan Investment & Trading Pvt Ltd.
Rahul Securities Pvt Ltd.
Rupa Equities Pvt Ltd.
Bajaj Electoral Trust
Bhoopati Shikshan Pratishthan
Mahakalp Arogya Pratishthan
Indian School of Business

Committee Chairmanships: Nil

Committee position: Nil

Rahul Bajaj is not disqualified from being appointed as a Director in terms of section 164 of the Act.

He holds 1,667,085 Equity Shares of ₹ 5/- each in the company as on 31 March 2014.

None of the directors, except Rahul Bajaj and his relatives Rajiv Bajaj and Sanjiv Bajaj, are concerned or interested in the said resolution.

The Board recommends the ordinary resolution set out at Item No. 3 of the Notice for approval by shareholders.

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013 AND DISCLOSURE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

Item No.5 of the notice

Dr. Gita Piramal (DIN 01080602) was appointed by the Board of Directors of the Company as Additional Director on 27 March 2014. She holds office until the ensuing annual general meeting under Sec 161(1) of the Companies Act, 2013.

She has submitted the Declaration of Independence, as required pursuant to section 149(6) of the Companies Act, 2013 stating that she meets the criteria of independence as provided in sub-section (6). Dr. Piramal is not disqualified from being appointed as a Director in terms of section 164 of the Act.

In respect of the appointment of Dr. Piramal, a notice in writing in the prescribed manner, as required by section 160 of the Companies Act, 2013 and Rules made thereunder has been received by the Company, regarding her candidature for the office of the director.

According to section 152 of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, in the opinion of the Board, the proposed appointment of Dr. Gita Piramal as an independent director, fulfills the conditions specified in the Act and the Rules made thereunder as also the new clause 49 of the listing agreement and that the proposed appointment of Dr. Gita Piramal is independent of the management.

Brief Profile and particulars of Dr. Gita Piramal are given below:

Dr. Gita Piramal (born on 4 September, 1954) 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 conceptualised 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.

Directorships

Bajaj Finserv Ltd. (since 27 March 2014)

Bajaj Finance Ltd.

Bajaj Holdings & Investment Ltd.

Piramal Properties Pvt. Ltd.

Prism Management Consultancy Pvt. Ltd.

Trimode Properties Pvt. Ltd.

Shareholding in the Company: Nil

This Statement may also be regarded as a disclosure under clause 49 of the listing agreement with the Stock Exchanges.

None of the directors/key managerial personnel/their relatives, except Dr. Gita Piramal, is directly or indirectly concerned or interested, financially or otherwise, except to the extent of his respective shareholding, if any, in the Company, in the resolution set out in item No. 5 of the Notice.

The board recommends the ordinary resolution set out in item no. 5 of the Notice for approval by the shareholders.

Item No. 6 to 9 of the Notice

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 S H Khan, Nanoo Pamnani, D J Balaji Rao, Naresh Chandra and Dr. Gita Piramal, as independent directors pursuant to erstwhile 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, appointed S H Khan, Nanoo Pamnani, D J Balaji Rao and Naresh Chandra, directors, as independent directors of the Company pursuant to section 149, Schedule IV and other applicable provisions, of the Companies Act, 2013, for a consecutive period of 5 years from 1 April 2014 to 31 March 2019, subject to the approval of shareholders.

Therefore, as required under Schedule IV, appointment of these independent directors is set out in the items 6 to 9 of the Notice for approval of shareholders. Dr. Gita Piramal being appointed as an additional director under section 161(1) of the Act, her appointment as an independent director is set out in item 5 of the Notice.

In respect of the appointments of the aforesaid directors, a notice in writing in the prescribed manner as required by section 160 of the Companies Act, 2013 and Rules made thereunder has been received by the Company, regarding candidature of the aforesaid directors for the office of the director.

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 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.

The Board 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.

Further, 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.

Detailed profiles of independent directors are given below:

1. S H Khan (DIN 00006170)

S H Khan, (born on 1 July 1938), is the former Chairman and Managing Director of Industrial Development Bank of India (IDBI). He holds a Master's Degree in Commerce and is a university Gold Medalist.

His professional career spanning over 37 years includes initial five years with the Reserve Bank of India (RBI) and the remaining with IDBI, which he served in various positions, including as its Chairman and Managing Director for five years. By virtue of his association with IDBI, he possesses deep knowledge of Indian industry and finance. During his tenure as Chairman, IDBI recorded impressive growth in its operations and profits. He was instrumental in setting up a commercial bank (IDBI Bank Ltd.) with which IDBI got later merged. He was also associated with the promotion of institutions like National Stock Exchange of India Ltd., National Securities Depository Ltd. and Credit Analysis and Research Ltd. and guided their operations as their non-executive Chairman in the initial years.

During his official career, S H Khan served on the Boards of a number of important institutions, including Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation, Industrial Finance Corporation of India, Exim Bank, Small Industries Development Bank of India, Air India and Indian Airlines. He also served as a Member on several Committees set up by the Government of India/Reserve Bank of India to study issues relating to the financial sector in the country. Currently, he serves as an independent Director on the Boards of several Indian companies including ITC Ltd., Bajaj Auto Ltd. and IDFC Ltd.

His directorships/committee positions are as under:

Directorships

Bajaj Finserv Ltd. (since 30 January 2008)

Bajaj Auto Ltd.

Bajaj Holdings & Investment Ltd.

Bajaj Allianz General Insurance Company Ltd.

Bajaj Allianz Life Insurance Company Ltd.

Infrastructure Development Finance Company Ltd.
ITC Ltd.
JM Financial Asset Reconstruction Company Pvt. Ltd.

Committee Chairmanships

Bajaj Allianz General Insurance Company Ltd.
Bajaj Allianz Life Insurance Company Ltd.
Infrastructure Development Finance Company Ltd.

Committee positions

Bajaj Auto Ltd.
Bajaj Finserv Ltd.
Bajaj Holdings & Investment Ltd.

Shareholding in the company: Nil

2. Nanoo Pamnani (DIN 00053673)

Nanoo Pamnani (born on 26 February 1945) is B A (Hons) from Bombay University (stood first in the University in Economic Major) & B Sc (Economics) from London School of Economics (Majored in Economics and Econometrics).

In his 40-year long career, he held many key positions and handled a range of senior assignments both in India and abroad, which include the following;

- Director for Citibank N.A., Asia Pacific Group, based in Singapore.
- Non-Executive Chairman of Citibank, N.A., India
- Chief Executive Officer, Citibank, N.A., India
- Vice President, Citibank, N.A., Emerging Markets, (Asia, Latin America, Central and Eastern Europe, and Middle East and Africa) based in London.
- Vice President, Citibank, N.A., Asia Pacific Private Banking Group, based in Singapore.
- Chief Executive Officer, Citibank, N.A., Philippines, based in Manila.
- Chief Executive Officer, Citibank, N.A., India

His directorships/committee positions are as under:

Directorships

Bajaj Finserv Ltd. (since 30 January 2008) –Vice Chairman
Bajaj Auto Ltd.
Bajaj Finance Ltd. (Vice Chairman)
Bajaj Holdings & Investment Ltd.

Committee Chairmanships

Bajaj Auto Ltd.
Bajaj Finserv Ltd.
Bajaj Finance Ltd.
Bajaj Holdings & Investment Ltd.

Committee positions

Bajaj Finance Ltd.
Bajaj Holdings & Investment Ltd.

Shareholding in the company: Nil

3. Naresh Chandra (DIN 00015833)

Ambassador Naresh Chandra (born on 1 August, 1934), a former career civil servant has served as the Chief Secretary in the State of Rajasthan; Commonwealth Secretariat Adviser on Export Industrialisation and Policy in Colombo; Adviser to Government of Jammu & Kashmir; and successively Secretary to the crucial Ministries of Water Resources, Defence, Home and Justice in the Federal Indian Government.

In December 1990, he became Cabinet Secretary, the highest post in the Indian Civil Service. In August 1992, he was appointed Senior Adviser to the Prime Minister of India. He was the Governor of the State of Gujarat in 1995-96. He was the Ambassador of India to the United States in April 1996 and served there till February 2001.

Following the economic liberalisation programme in India, he led the first official delegation to the US in 1992 to promote US investments in India. Ambassador Chandra chaired the Committee on Corporate Governance and also the Committee on Private Companies and Ltd. Companies Partnerships in 2002-03. He worked as Chairman of the Committee on Civil Aviation Policy set up by the Government of India and submitted its Report on 2nd November 2004. In 2007, he was awarded Padma Vibhushan. He also chaired National Security Advisory Board, Government of India.

His directorships/committee positions are as under:

Directorships

Bajaj Finserv Ltd. (since 11 September 2008)
Bajaj Auto Ltd.
Bajaj Holdings & Investment Ltd.
Balrampur Chini Mills Ltd.
Cairn India Ltd.
Electrosteel Castings Ltd.
EROS International Media Ltd.
Gammon Infrastructure Projects Ltd.
AVTEC Ltd.
Emergent Ventures Pvt. Ltd.
Eros International p.l.c. UK
G-4S Corporate Services (India) Pvt. Ltd.
Sesa Sterlite Ltd.

Committee positions

Bajaj Auto Ltd.
Bajaj Finserv Ltd.
Bajaj Holdings & Investment Ltd.
Cairn India Ltd.
Electrosteel Castings Ltd.
EROS International Media Ltd.
Gammon Infrastructure Projects Ltd.
Sesa Sterlite Ltd.

Shareholding in the company: Nil

4. D J Balaji Rao (DIN 00025254)

D. J. Balaji Rao (born on 15 December, 1939), holds a B.E. Degree in Mechanical Engineering and Associate Member of Indian Institution of Industrial Engineering (AMIIIE). He attended the advanced management programme at the European Institute of Business Administration (INSEAD) at Fountainebleau, France in 1990.

He pursued his career as an Industrial Engineer for about 8 years before joining erstwhile ICICI Ltd. (since merged with ICICI Bank Ltd.) in 1970. After wide ranging responsibilities in different locations, he reached the position of Deputy Managing Director. He subsequently took over as the Vice Chairman and Managing Director of SCICI Ltd., in August 1996. With the merger of SCICI Ltd. with ICICI Ltd., he moved to Infrastructure Development Finance Co. Ltd. (IDFC), as its first Managing Director, which he served till his superannuation in January 2000. He has served with distinction on the boards of many leading companies, including Bajaj Auto Ltd., Ashok Leyland, MICO, Wipro and Bharat Forge.

His directorships/committee positions are as under:-

Directorships

3M India Ltd. - Chairman of the Board
Bajaj Finserv Ltd. (Since 30 January 2008)
Bajaj Auto Ltd.
Bajaj Finance Ltd.
Bajaj Holdings & Investment Ltd.
Ashok Leyland Ltd.
CMI-FPE Ltd.
Graphite India Ltd.
Hinduja Foundries Ltd.
JSW Energy Ltd.

Committee Chairmanships

Bajaj Auto Ltd.
3M India Ltd.
Hinduja Foundries Ltd.
CMI-FPE Ltd.

Committee positions

Bajaj Auto Ltd.
Bajaj Finserv Ltd.
Ashok Leyland Ltd.
3M India Ltd.
JSW Energy Ltd.

Shareholding in the company: Nil

This Statement may also be regarded as a disclosure under clause 49 of the listing agreement with the Stock Exchanges.

None of the directors/key managerial personnel/their relatives, except the concerned independent director, is directly or indirectly concerned or interested, financially or otherwise, except to the extent of his respective shareholding, if any, in the Company, in the resolutions set out from item No. 6 to 9 of the Notice.

The Board recommends the ordinary resolutions set out in items no. 6 to 9 of the Notice for approval by the shareholders.

By order of the Board of Directors
for Bajaj Finserv Ltd.



Sonal R Tiwari

Company Secretary
Date: 14 May 2014

BAJAJ FINSERV LIMITED

(CIN: L65923PN2007PLC130075)

Registered office:Bajaj Auto Limited Complex,
Mumbai - Pune Road, Pune 411035Email: investors@bajajfinserv.inWebsite: www.bajajfinserv.in

Phone: (020)66107458, Fax: (020)27407380

**7th 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 : L65923PN2007PLC130075
Name of the Company : BAJAJ FINSERV LIMITED
Registered office : Mumbai-Pune Road, Akurdi, Pune 411035
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 SEVENTH annual general meeting of the company, to be held on the **Wednesday 16th July** at **4.15 p.m.** at Mumbai-Pune road, Akurdi, Pune 411035 and at any adjournment thereof in respect of such resolutions as are indicated below:**Ordinary Business**

- 1 Adoption of Financial statements for the year ended 31 March 2014 and the Directors' and Auditors' Reports thereon .
- 2 To declare dividend.
- 3 Re-appointment of Rahul Bajaj, who retires by rotation.
- 4 Appointment of Dalal & Shah, Chartered Accountants, as Auditors and fixing their remuneration for the year 2014-15.

Special Business

- 5 Appointment of Dr. Gita Piramal as an Independent Director.
- 6 Appointment of S H Khan as an Independent Director.
- 7 Appointment of Nanoo Pamnani as an Independent Director.
- 8 Appointment of Naresh Chandra as an Independent Director.
- 9 Appointment of D J Balaji Rao as an Independent Director.

Signed this _____ day of _____ 2014



Signature of shareholder

Signature of Proxy holder(s)

Note:

1. 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.
2. Notwithstanding the above, Proxies can vote on such other items which may be tabled at the meeting by the shareholders present.

BAJAJ FINSERV LIMITED

(CIN: L65923PN2007PLC130075)

Registered office:Bajaj Auto Limited Complex,
Mumbai-Pune Road, Pune 411 035**E-mail:** investors@bajajfinserv.in**Website:** www.bajajfinserv.in**Phone:** (020) 66107458; **Fax:** (020) 27407380**BALLOT FORM**

(In lieu of E-voting)

**7th Annual Report 2013-14**

1. Name :
Registered Address :
of the sole/first named Shareholder

2. Name (s) of the Joint Shareholder (s) if any :

3. Registered Folio/DPID & Client ID No. :

4. No. of Shares held :

I/We hereby exercise my/our vote in respect of the Resolution(s) to be passed for the business stated in the Notice of Seventh annual general meeting of the Company to be held 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 dividend.			
3	Re-appointment of Rahul Bajaj, who retires by rotation.			
4	Appointment of Dalal & Shah, Chartered Accountants, as Auditors and fixing their remuneration for the year 2014-15.			
5	Appointment of Dr. Gita Piramal as an Independent Director.			
6	Appointment of S H Khan as an Independent Director.			
7	Appointment of Nanoo Pamnani as an Independent Director.			
8	Appointment of Naresh Chandra as an Independent Director.			
9	Appointment of D J Balaji Rao as an Independent Director.			

Place: _____

Date: _____

Signature of Shareholder

NOTE: Kindly read the instructions printed overleaf before filling the form. Only valid Ballot Forms received by the Scrutiniser 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
---------------------------	---------	----------

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 Scrutiniser, Shyamprasad D. Limaye, Practising Company Secretary, Unit: Bajaj Finserv Limited. C/o. Karvy Computershare Pvt. Ltd., Plot No.17-24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad – 500081 or to his email id 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 a member casts his votes through both the processes, i.e., e-voting and Ballot Form, the votes in the electronic system will be considered and the Ballot Form will 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 Pvt. Ltd). 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 members.
8. In case of joint holders, the Ballot Form should be signed by the first named shareholder and in his/her absence by the next named shareholders. 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 signed by other joint holders.
9. Where the Ballot Form has been signed by an authorised 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 the e-voting procedure are available in the Notice of the annual general meeting and are also placed on the website of the Company.



**BAJAJ
FINSERV**

**7th Annual Report 2013-14
Bajaj Finserv Limited**



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Board of Directors

Rahul Bajaj
Chairman

Nanoo Pamnani
Vice Chairman

Sanjiv Bajaj
Managing Director

Madhur Bajaj

Rajiv Bajaj

D J Balaji Rao

S H Khan

Naresh Chandra

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

Management

Sanjiv Bajaj
Managing Director

Ranjit Gupta
President
(Insurance)

Kevin D'sa
CFO and President
(Business Development)

S Sreenivasan
President (Finance)

V Rajagopalan
President (Legal)

Rajeev Jain
CEO, Bajaj Finance Ltd.

Tapan Singhel
MD and CEO, Bajaj Allianz General
Insurance Company Ltd.

Anuj Agarwal
MD and CEO, Bajaj Allianz Life
Insurance Company Ltd.

Company Secretary

Sonal R Tiwari

Auditors

Dalal & Shah
Chartered Accountants

Bankers

Citibank N A

HDFC Bank

**Registered under the
Companies Act, 1956**

Registered Office

Bajaj Auto Ltd. Complex,
Mumbai-Pune Road,
Akurdi, Pune-411 035.

CIN: L65923PN2007PLC130075

Corporate Office

Survey No. 208/1-B, 6th Floor,
Behind Weikfield IT Park,
Off Pune-Ahmednagar Road,
Viman Nagar, Pune-411 014.

Leading the Way



Sitting left to right

Nanoo Pamnani
Vice Chairman

Sanjiv Bajaj
Managing Director

Standing left to right

V Rajagopalan
President (Legal)

Ranjit Gupta
President (Insurance)

Tapan Singhel
MD and CEO,
Bajaj Allianz General
Insurance Company Ltd.

Anuj Agarwal
MD and CEO,
Bajaj Allianz Life
Insurance Company Ltd.

Rajeev Jain
CEO, Bajaj Finance Ltd.

S Sreenivasan
President (Finance)

Kevin D'sa
CFO and President
(Business Development)



Chairman's Letter

Dear Shareholder,

Bajaj Finserv is the holding company under which there are three key financial sector businesses: (i) lending through Bajaj Finance Ltd. (BFL), which is a listed company; (ii) life insurance, under Bajaj Allianz Life Insurance Company Ltd., or BALIC; and (iii) general insurance, under Bajaj Allianz General Insurance Company Ltd., or BAGIC.

In addition, there are wind-farm assets in Maharashtra with an installed capacity of 65.2 MW.

Let me use this letter to briefly share with you the key achievements of your Company in FY2014 under BFL, BALIC and BAGIC.

Lending: Bajaj Finance Ltd. (BFL)

Despite the difficult macroeconomic situation in India in FY2014 which was a continuation, even worsening, of the situation in the previous year, BFL has performed very well. Here are some key facts:

- In FY2014, BFL's total income was up 31% to ₹ 4,073 crore.
- Profit before tax (PBT) grew 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 rose by 34% to ₹ 26,024 crore. Consumer lending grew by 37% and small and medium enterprise (SME) lending by 51%. Commercial lending, however, de-grew by 11% due to BFL's cautious stance on the precarious state of India's infrastructure sector.
- Capital adequacy as on 31 March 2014 was 19.13%, which was well above the RBI norms.
- In FY2014, BFL opted for extra prudence through an accelerated provisioning of ₹ 38.4 crore, which increased its 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.

Life Insurance: BALIC

FY2014 continued to see challenges in the life insurance industry. Some of these were on account of the poor economic environment and lack of growth across sectors; others were industry specific, sometimes triggered by changes promulgated by the Insurance Regulatory and Development Authority (IRDA). An example of the latter was the set of regulations that the IRDA issued in February 2013 on Par and Non-Par offerings, which led to the loss of several flagship products across the industry and a negative growth for private players in the second half of FY2014.

- BALIC's new business premium de-grew by 13%, from ₹ 2,988 crore in FY2013 to ₹ 2,592 crore in FY2014.
- Within the private sector, BALIC's market share of new business was 8.8% in FY2014, compared to 9.7% in FY2013.
- BALIC was ranked fourth among the private life insurers in terms of new business premiums for FY2014, which was the same as in the previous year.
- Renewal premium reduced by 17%, from ₹ 3,905 crore in FY2013 to ₹ 3,251 crore in FY2014.
- Consequently, BALIC's gross premium written in FY2014 was ₹ 5,843 crore, which was 15% lower than it was in FY2013.
- Nevertheless, BALIC posted a shareholders' PAT of ₹ 1,025 crore. Of this, Bajaj Finserv's share stood at ₹ 758 crore.
- As on 31 March 2014, BALIC's Policyholder assets under management (AUM) was ₹ 32,969 crore.
- BALIC's solvency ratio was 734% as on 31 March 2014 — which is well in excess of the minimum regulatory requirement of 150%.

General Insurance: BAGIC

The general insurance industry grew by 12% in FY2014, which was significantly lower than the 19% growth recorded in the previous year. Growth for most companies slowed in the year, with some even showing de-growth. Much of this is believed to be on account of a significant decline in car and motor vehicles sales.

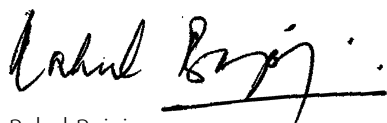
- Gross Written Premium (GWP) for FY2014, excluding premium from the Indian Motor Third Party Declined Risk Insurance Pool / IMTPIP, grew by 12.7%, from ₹ 4,063 crore in FY2013 to ₹ 4,580 crore in FY2014.
- BAGIC accounted for a market share of 6.4%, excluding specialised insurers. This was the same share as the previous year. It was ranked the second largest non-life private sector insurer.
- The net earned premium for FY2014, excluding premium from the Motor Third Party Pool, was ₹ 3,489 crore, which represented a growth of 29% over the previous year.
- During FY2014, BAGIC issued 6.7 million policies, versus 6.3 million in FY2013.
- PBT for FY2014 was up by 39% to ₹ 587 crore. PAT, too, was up by 39% to ₹ 409 crore.
- Excluding pool losses, BAGIC's underwriting profit was ₹ 146 crore in FY2014, compared to ₹ 180 crore in the previous year.
- The return on average equity for FY2014 is 28% as against 26.7% in the previous year.
- The combined ratio (including pool losses) was 98.1% in FY2014. BAGIC is consistently among the best in the market in combined ratio, a vindication of the Company's strong underwriting and claims management skills.

On balance, despite serious economic headwinds, I do believe that FY2014 has been a relatively good year for your Company. I have no doubt that there will be economic challenges in FY2015. And all the three businesses will have to continue being proactive and nimble in dealing with possible adversities as they chart their own growth trajectories.

The three companies are blessed with sound managerial abilities and a will to make good things happen irrespective of difficulties. Therefore, I believe we will continue to see sound results going forward.

Thank you for your support.

Yours sincerely,



Rahul Bajaj
Chairman

Management Discussion and Analysis

Bajaj Finserv Ltd. ('Bajaj Finserv' or 'the Company') is the financial services arm of the Bajaj group. It is also the holding company under which various financial services businesses reside. These are:

Lending and Wealth Management

- Under Bajaj Finance Ltd. (BFL), earlier Bajaj Auto Finance, a company listed on the Bombay Stock Exchange and the National Stock Exchange.

Protection

- Life Insurance, under the Bajaj Allianz Life Insurance Company (BALIC).
- General Insurance, under the Bajaj Allianz General Insurance Company (BAGIC).

In addition, Bajaj Finserv has wind-farm assets, comprising 138 windmills in Maharashtra with an installed capacity of 65.2 MW.

A brief overview of the economy is in order. FY2014 has been yet another difficult year. FY2013 ended with a real GDP growth of 4.5%. FY2014 is not much better — and is expected to post 4.9% growth. Indeed, it may be lower. In any case, this represents two consecutive years of sub-5% GDP growth — something that cannot be good for the health of businesses that deal with financial sector products and services.

That is not all. With serious political uncertainties throughout FY2014 and overhang of many corruption scandals, the government's ability to take fair yet proactive and growth oriented decisions went into the deep freeze. There was more. In an environment of rapidly worsening investment climate, there were the twin dangers of high inflation and a dangerously high current account deficit. The Reserve Bank of India (RBI) responded swiftly by tightening monetary policy — which while taming the current account problem and temporarily dampening inflation expectations, increased the financial costs of doing business, which continues until the present.

These factors taken together created extremely challenging times for those businesses in the financial sector. The fact that one business of Bajaj Finserv has done exceptionally well (BFL) and the other two (BALIC and BAGIC) have held their ground speaks volumes of the managerial abilities across these enterprises. Having said so, it is time now to move on to the main businesses of the Company.

Lending

Bajaj Finance Ltd. (BFL)

Bajaj Finance Ltd. (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 follows:

Performance highlights, FY2014

- 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 by 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: 19.13%, 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 ₹ 38.4 crore. Adjusting for accelerations in both years, the loan losses 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
Consumer lending	Two wheeler and three wheeler
	Consumer durables
	Lifestyle products
	Personal loan cross sell
	Salaried personal loans
	Co-branded credit card
	Home loans
SME lending	Loan against property
	Lease rental discounting against property
	Working capital loans
	Loan against securities
Commercial lending	Construction equipment finance
	Infrastructure finance
	Auto component manufacturer financing
Rural lending	Gold loans
	Refinance loans
Wealth management and fee based products	Fixed deposits
	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 37% and SME lending by 51%. 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.

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.

As on 31 March 2014, the Company's total borrowings stood at ₹19,750 crore. Its capital adequacy remains at a healthy 19.13% as on 31 March 2014; and it remains well capitalised to fuel its growth for the next few years.

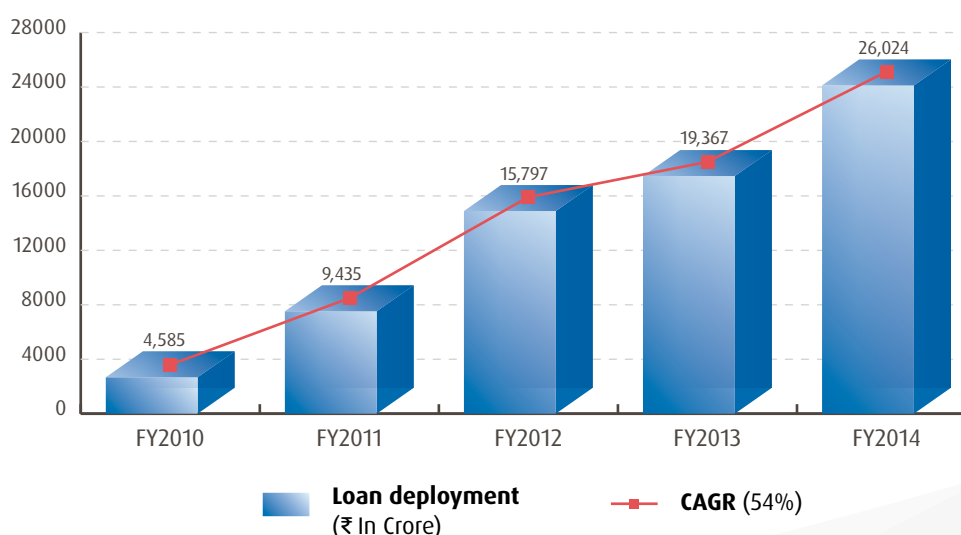
Deployment snapshot

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

Table 1: BFL's deployment mix

Deployment	(₹ In Crore)		
	FY2013	FY2014	% Change
Consumer lending	9,783	13,359	37%
SME lending	6,573	9,908	51%
Rural lending	-	77	-
Commercial lending	3,011	2,680	(11%)
Total	19,367	26,024	34%

Chart A: BFL's Loan deployment



Receivables under financing

Table 2 gives the data of BFL's receivables under financing

Table 2: BFL's receivables under financing

(₹ In Crore)			
Receivables under financing	FY2013	FY2014	Change
Consumer lending	7,070	9,327	32%
SME lending	7,764	11,783	52%
Rural lending	-	50	-
Commercial lending	1,910	1,811	(5%)
Total	16,744	22,971	37%

Business update

Consumer lending

BFL was the largest financier of Bajaj motorcycles in FY2014 and acquired over 650,000 customers. It 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.

In FY2014, BFL 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, it 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 for BFL grew by 50% in FY2014. It acquired over 2.4 million new customers and is currently present in over 5,000 points of sale across the country. BFL 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, the Company 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 FY2014, with BFL tying up with leading digital product manufacturers like Samsung, Apple, Dell and others.

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 products financing 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. At present, the number of EMI cards in force exceeds 1.8 million versus 1 million in FY2013.



**'GOOD' PUSHES YOU
TO UPGRADE YOUR LIFESTYLE**

**'GREAT' ENSURES
YOU DON'T WASTE TIME
GETTING THERE**

We've simplified the processes for Durable and Lifestyle Finance and cut the approval time from 3 days to 3 minutes. Your delight at getting your favourite brands home faster, is a motivation for us to continue to shrink the approval time further. Discover more of our products at www.bajajfinserv.in **LET'S GO FOR GREAT**

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. It 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'.

BFL also offers unsecured working capital loans to affluent small business customers, doctors and other professionals across 80 cities in India. It launched India's first online working capital loan facility in the current year. BFL 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 the infrastructure 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. Moreover, with the problems that are plaguing this sector, it has been very selective in its lending. During the year, it approved no new loans in the infrastructure lending vertical; and has decided to review this area very carefully and remain focused on maintaining the quality of its portfolio. In FY2014, the infrastructure receivable 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 BFL raising over ₹ 200 crore from over 7,300 customers in less than 90 days of its launch. The strategy would be to start offering broader wealth management services to these customers in the forthcoming years.

BFL has partnered with BAGIC to launch health insurance distribution for its existing customers in FY2014 and is among the largest health insurance distributors for BAGIC in India. Similarly, it continued to grow its life insurance distribution, partnering with BALIC and is a significant distributor for the group entity.

A photograph of a person's feet resting in a bright pink hammock. The hammock is strung between two palm trees against a clear blue sky. The text is overlaid on the right side of the image.

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Our 100% end-to-end online Personal Loans, Business Loans and Loans Against Shares are a first in many ways. Instant approval, fast cash in bank and a delightfully transparent process are just some of the benefits. Learn more about how we can partner your growing financial needs faster than you'd expect at www.bajajfinserv.in **LET'S GO FOR GREAT**

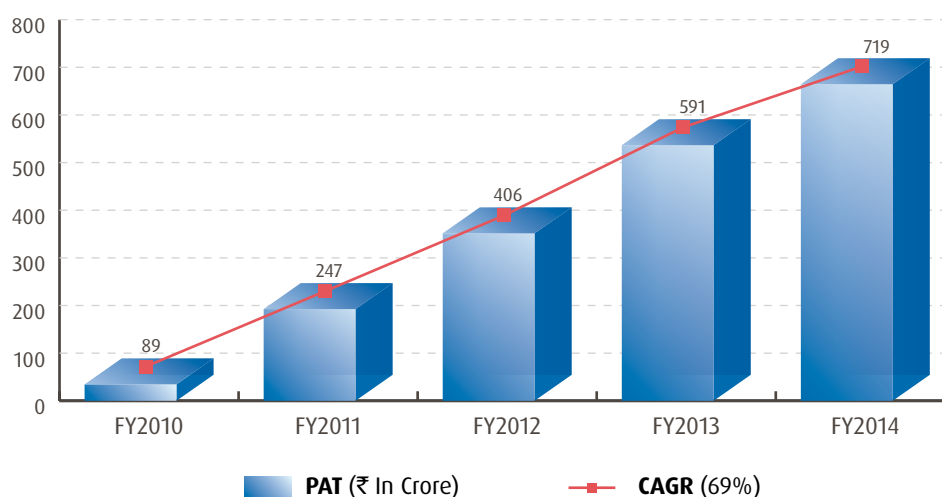
Financial performance

Table 3 gives the Company's financial performance for FY2014 vis-à-vis the previous year. Chart B plots profit after tax over the last five years.

Table 3: BFL's financials

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

Chart B: BFL's PAT



Asset Liability Management (ALM)

BFL had a total borrowing of ₹ 19,750 crore as on 31 March 2014. Its 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.

Fulfilment of RBI's norms and standards

BFL always 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 and others. The capital adequacy ratio of BFL for FY2014 was 19.13%, which was well above the RBI norm of 15%.

Protection

Bajaj Allianz Life Insurance Company Ltd. (BALIC)

The Life Insurance Market

With two years of sub-5% real GDP growth, it is not surprising that the country's life insurance industry has faced headwinds. In addition to inadequate financial savings and macroeconomic growth, life insurance has also had to deal with sector- and regulation-specific issues. As it was slowly coping with significant regulatory changes brought about by the IRDA regarding unit-linked products in September 2010 — which directed insurers to fundamentally reorient their product mix and distribution channels — the sector faced the growth slowdown in FY2013 and FY2014. Thereafter, in February 2013, the IRDA issued new regulations relating to participating and non-participating products while further modifying the guidelines for unit-linked policies. Practically, the entire product suite of most companies had to be revamped leading to the loss of many flagship products of most companies. These new regulations took effect from 1 January 2014 for individual products. Hence, for the private sector players, Q4 of FY2014 saw a negative growth of around 11% over the same quarter of the previous year, resulting into a negative growth of 4.1% for the whole fiscal year. Moreover, the industry may yet again witness a difficult period in FY2015 as the industry grapples with the new products.

Table 4 gives the data on new business premiums over the last five fiscal years.

Table 4: New business premiums including single premiums and growth rates

Particulars	(₹ In Crore)				
	FY2010	FY2011	FY2012	FY2013	FY2014
New business premiums					
BALIC	4,451	3,466	2,717	2,988	2,592
Private sector	38,372	39,386	32,080	30,765	29,518
Life Insurance Corp of India (LIC)	71,522	87,012	81,862	76,246	90,124
Industry	109,894	126,398	113,942	107,011	119,642
Growth rates					
BALIC	-1%	-22%	-22%	10%	-13%
Private sector	12%	3%	-19%	-4%	-4%
Life Insurance Corp of India (LIC)	34%	22%	-6%	-7%	18%
Industry	26%	15%	-10%	-6%	12%

Source: IRDA, Annual Report 2012-13 and IRDA, New Business Report, March 2014

As Table 4 shows, while new business premiums for the industry as a whole have increased by 12% in FY2014, the private sector life insurance players have, in the aggregate, witnessed a drop of 4%, coming on the back of a 4% decline in FY2013 and a 19% de-growth in FY2012.

BALIC's new business premiums dropped by 13% in FY2014, after a 10% growth in the previous year. To put it in perspective, BALIC's new business premiums in FY2014 were almost 25% lower than what these were in FY2011, before the first of the new regulations came into play.

After the new regulations which came into effect from August 2013 and January 2014 for group and individual products respectively, the industry will have to move more towards long-term products. Therefore, insurers will have to achieve better persistency ratios and be more cost effective. This, in the long-term, ought to be good for the industry. However, in the short and medium-term, there will be pain as the companies need to re-train their agents and business partners on the value propositions of the new products.

As Table 5 shows, group premiums (single and non-single) still contribute to the majority of business for the industry. For the industry as a whole, these accounted for 49% of the overall new business premium in FY2014, compared to 42% in FY2013.

Table 5: New business premiums in FY2014

(₹ In Crore)

Particulars	BALIC	Private sector	LIC	Industry
Individual single premium	196	2,158	14,729	16,887
Individual non-single premium	982	17,027	26,713	43,740
Group single premium	798	6,577	43,871	50,448
Group non-single premium	616	3,756	4,811	8,567
Total	2,592	29,518	90,124	119,642

Business performance

- BALIC's new business premiums reduced by 13% in FY2014 — to ₹ 2,592 crore versus ₹ 2,988 crore in the previous year.
- Within the private sector, BALIC's market share of new business was 8.8% in FY2014, compared to 9.7% in FY2013.
- In FY2014, in terms of new business premiums, it was ranked fourth among the private life insurers — a position that remained unchanged over the previous year.
- BALIC's renewal premium reduced by 17%, from ₹ 3,905 crore in FY2013 to ₹ 3,251 crore in FY2014.
- Consequently, BALIC's gross premium written in FY2014 was ₹ 5,843 crore, which was 15% lower than it was in FY2013.

Traditional premiums accounted for 82% of overall new business premiums in FY2014 compared to 81% in FY2013. The impact of the unit-linked guidelines of 2010 and the poor performance of equity markets over the last few years have resulted in a shift in the product mix towards traditional products. Chart C plots the change in the product mix of BALIC over the last few years. Incidentally, this is almost the same for most private sector players.

A woman in a red sari is holding a large red cloth, possibly a shawl or a large piece of fabric, against a background of vertical red and orange stripes. The scene is lit with warm, reddish light.

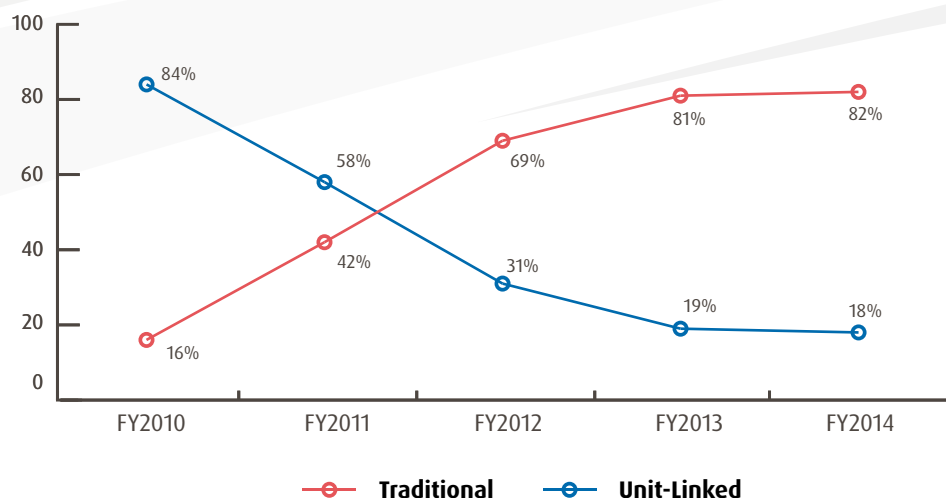
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Chart C: BALIC's mix between Traditional and Unit Linked Policies



Financial performance

BALIC's financial performance in FY2013 and FY2014 is summarised in Table 6.

Table 6: Financial performance of BALIC

Particulars	₹ In Crore)	
	FY2013	FY2014
Gross written premium	6,893	5,843
New business premium	2,988	2,592
Renewal premium	3,905	3,251
Annualised Premium Earning (APE)*	2,074	1,698
Policyholders' surplus/(deficit) (after transfer to Shareholder)	30	10
Shareholders' profit/(loss)**	1,286	1,025
Profit/(loss)	1,231	1,035

Notes: * Annualised Premium Earning (APE) = 10% of single premium and 100% of first premium.

**The Shareholders profit of BALIC for FY2014 was ₹ 1,025 crore (previous year: ₹ 1,286 crore). This comprises distribution of surplus from the Policyholders' Account of ₹ 633 crore (previous year: ₹ 833 crore) and the income from shareholders' investments of ₹ 392 crore (previous year: ₹ 368 crore). In FY2013, there was a release of ₹ 85 crore from the Reserve for unit-linked policies unlikely to be revived.

Your Company's share of BALIC's profit after tax is, therefore, ₹ 758 crore (previous year: ₹ 952 crore).

Investments

As on 31 March 2014, BALIC's Policyholder asset under management (AUM) stood at ₹ 32,969 crore, which included unit linked funds of ₹ 21,288 crore and discontinued fund of ₹ 145 crore. The unit-linked funds have decreased by 13%, from ₹ 24,497 crore as on 31 March 2013, as all the policies issued prior to the unit-linked guidelines in 2010 completed their mandatory three-year minimum lock-in period. BALIC's unit-linked funds have performed well, with many of its funds generating returns that are better than the returns from benchmark indices.

Table 7 shows how some of BALIC's major funds have performed versus the benchmark for the last two financial years.

Table 7: Returns on unit-linked funds, FY2014

(₹ In Crore)

Fund Name	Absolute returns		AUM as at 31 March 2014
	FY2013	FY2014	
Equity Gain Fund	4.40%	23.81%	443
Equity Plus Fund	7.20%	22.16%	580
Equity Growth Fund	7.50%	22.55%	4,548
Equity Fund	7.17%	18.10%	217
Equity Index Fund	8.70%	19.50%	108
Equity Index Fund II	6.80%	18.67%	4,977
CNX Nifty Index	7.30%	17.98%	
Asset Allocation Fund	5.76%	17.43%	2,385
Crisil Balanced Fund Index	7.60%	13.38%	

Note: These funds contributed around 60% of total unit-linked AUM of BALIC. Red is worse and blue is better than the Benchmark.

The traditional portfolios are carefully managed, keeping in mind the regulatory asset allocation requirements and the duration of the policy liabilities. The realised yield on the policyholders' investments for the year is 9.06% and yield on shareholders' investments is 9.46%.

Including shareholders' funds, the total AUM at 31 March 2014, stood at ₹ 38,779 crore as compared to ₹ 38,003 crore at 31 March 2013, an increase of ₹ 776 crore.

Capital and capital adequacy

- The total capital infused in BALIC by shareholders was ₹ 1,211 crore as on 31 March 2014. No new capital was infused during the year.
- Including accumulated profits of ₹ 4,661 crore as on 31 March 2014 (previous year: ₹ 3,636 crore), the shareholders' equity at 31 March 2014 was ₹ 5,871 crore (previous year: 4,844 crore).
- BALIC is soundly capitalised. As at 31 March 2014, BALIC's solvency ratio was 734%, which is well in excess of the minimum regulatory requirement of 150%.

Bajaj Allianz General Insurance Company Ltd. (BAGIC)

The General Insurance Market

Since the entry of private sector companies in general insurance from 2000, the industry has grown from 4 public sector companies to 28 enterprises. These are 17 private sector companies, 4 public sector entities, 5 specialised health insurance companies and 2 government sponsored insurers, namely the Agricultural Insurance Corporation and the Export Credit and Guarantee Corporation.

Gross direct premiums of the industry, excluding the specialised insurers, have grown from ₹ 16,037 crore in FY2004 to ₹ 70,602 crore in FY2014 with a 10-year CAGR of 16%.

Nevertheless, penetration of general insurance remains very low relative to other emerging markets let aside developed nations, indicating the long-term potential for growth in the industry. As per the IRDA Annual Report, 2012-13, the general insurance penetration in India was just 0.78% of GDP, which was, at best, a modest increase from 0.64% recorded in 2004. The general insurance penetration is very low also in comparison to other countries like Russia (1.2%), Brazil (1.7%), Thailand (2.1%) and China (1.3%).

The general insurance industry posted a growth of 12% for FY2014, which was significantly lower than 19% growth recorded in FY2013. A major reason for declining growth across the industry was the sharp decline in the volume of car and commercial vehicle sales in FY2014. The industry's and BAGIC's growth rates are shown in Table 8.

Table 8: Gross direct premium in India

(₹ In Crore)					
Particulars	FY2010	FY2011	FY2012	FY2013	FY2014
Bajaj Allianz	2,482	2,870	3,287	4,001	4,516
Private sector	13,977	17,425	22,395	27,927	31,994
Public sector	21,839	26,417	30,539	35,001	38,608
Industry	35,816	43,842	52,934	62,928	70,602
Growth rates					
Bajaj Allianz	-5%	16%	15%	22%	13%
Private sector	13%	25%	29%	25%	15%
Public sector	14%	21%	16%	15%	10%
Industry	14%	22%	21%	19%	12%

Source: GI Council figures, IRDA website and IRDA, Handbook of Insurance Statistics. Figures upto FY2012 are on the basis of gross written premiums (GWP); and from FY2013 are based on gross direct premiums (GDP).

The IRDA, which regulates the sector in India, disbanded the Indian Motor Third Party Insurance Pool (IMTPIP) with effect from 1 April 2012. It provided insurers with an option of absorbing their share of losses altogether in a single year or to amortise these over three years. BAGIC chose the option of amortising losses over three years. As a consequence, provisions were made for losses, excluding interest, amounting to ₹ 120 crore in FY2013 and ₹ 120 crore in FY2014 which have completely absorbed the IMTPIP losses.

The IRDA replaced IMTPIP by the new Indian Motor Third Party Declined Risk Insurance Pool (IMTPDRIP, or the Declined Pool) with effect from 1 April 2012 to cover losses arising out of mandatory third party insurance of commercial vehicles.

As compared to the IMTPIP, the IMTPDRIP is much smaller in size. Only companies that do not meet their quota need to share the losses from the Declined Pool, compared to a situation under the IMTPIP where all companies had to bear the losses in proportion to their market share. The ceding companies are also required to retain 25% (FY2013 - 20%) of the risk on their books. BAGIC wrote ₹ 133 crore of standalone commercial vehicles third party premiums as against the estimated quota of ₹ 148 crore of such business it expected to write during FY2014. During the year, BAGIC has made provisions of ₹ 14 crore towards its share of losses from the Declined Pool.

The decision of the IRDA to index future annual increases in Motor Third Party premium is a much needed move which has paved the way for reducing the mounting pool losses for the industry. From 1 April 2014, the IRDA has further increased the Motor Third Party premium rates by upto 20%, with the estimated impact on BAGIC's portfolio would be an increase of under 12%.

Business performance

In FY2014, BAGIC has continued its focus on balancing growth with profitability, done so by

- Strong and prudent underwriting practices.
- Technological innovations, such as the Ezee TAB platform for policy issuance and claim settlement.
- Emphasising uniformly high quality customer service.
- Focused marketing efforts on retail channels such as agency and bancassurance as well as improving presence in the online segment.
- Retention of customers.
- Generation of cash flows through strong policy retention and prudent investment thereof.

The key figures are:

- Gross Written Premiums (GWP) for FY2014, excluding premiums from the Declined Risk Pool/IMTPIP, grew by around 13%, from ₹ 4,063 crore in FY2013 to ₹ 4,580 crore in FY2014.
- BAGIC accounted for a market share 6.4%, excluding specialised insurers. In the previous year also, the market share was 6.4%.
- The net earned premium for FY2014, excluding premiums from the Motor Third Party Pool, was ₹ 3,489 crore, an increase of 29% over the previous year.
- During FY2014, BAGIC issued 6.7 million policies, compared to 6.3 million in FY2013.
- In the course of FY2014, there were 824,455 reported claims, versus 583,117 in FY2013.

Business mix and channel performance

BAGIC's focus continues to be on retail business, where it has strengths in distribution and claims handling. The business mix is given in Table 9.

Table 9: BAGIC's business mix

Line of business	FY2010	FY2011	FY2012	FY2013	FY2014
Motor	58%	59%	58%	59%	59%
Health	12%	12%	13%	15%	16%
Property	14%	13%	13%	12%	12%
Engineering	4%	4%	4%	4%	3%
Marine	3%	3%	3%	2%	3%
Others	9%	9%	9%	8%	7%
Total	100%	100%	100%	100%	100%

The channel-wise contribution to BAGIC's GWP is given in Table 10.

Table 10: Gross Written Premium (GWP) from the different channels

Channel-mix	FY2010	FY2011	FY2012	FY2013	FY2014
Agency and Motor	53.0%	57.3%	57.2%	58.9%	59.2%
Bancassurance	17.3%	14.0%	13.9%	11.1%	10.2%
Brokers	12.4%	9.4%	9.3%	9.4%	10.1%
Direct	15.0%	14.9%	15.1%	16.0%	16.0%
Others	2.3%	4.4%	4.5%	4.6%	4.5%
Total	100%	100%	100%	100%	100%

Retail channels like agency and bancassurance continue to be the mainstay of BAGIC's channel mix, contributing to over 69% of the business. The Company has one of the largest networks of independent partner banks including nationalised banks with strong regional presence, as well as cooperative and rural banks.

BAGIC's online sales channel, which offers 24x7 ease of buying, has grown substantially during FY2014 and is ideally suited for off-the-shelf retail products like Motor and Health.

Financial performance

BAGIC's financial performance for FY2014 is summarised in Table 11.

Table 11: Financial performance of BAGIC

Particulars	(₹ In Crore)	
	FY2013	FY2014
Gross written premium	4,063	4,580
Net written premium	3,230	3,838
Underwriting ex Motor Pool losses	180	146
Motor Pool losses	(235)	(148)
Profit before tax	422	587
Profit after tax	295	409
Claims ratio	72.4%	72.3%
Combined ratio (excluding Pool losses)*	89.4%	94.2%
Combined ratio (including Pool losses)*	99.5%	98.1%

Note: Combined ratio is according to the Master Circular on 'Preparation of Financial Statements of General Insurance Business' issued by the IRDA effective from 1 April 2013. Previous year's ratios are revised according to that circular.

- GWP (excluding inward reinsurance from the Pool) grew by 12.7% during FY2014.
- Profit before tax for FY2014 was ₹ 587 crore, compared to ₹ 422 crore in the previous year, or a growth of 39.1%.
- Profit after tax for FY2014 was ₹ 409 crore, versus ₹ 295 crore in the previous year, representing a growth of 38.6%.

- Excluding losses from the Motor Pool, BAGIC's underwriting profit was ₹ 146 crore in FY2014, versus ₹ 180 crore in the previous year.
- Including losses from the Motor Pool, BAGIC's underwriting loss was ₹ 2 crore in FY2014, compared to a loss of ₹ 55 crore in FY2013.
- The combined ratio signifies the profitability of the general insurance business. For BAGIC, this ratio excluding losses from the Motor Pool, stood at 94.2% in FY2014, versus 89.4% in FY2013. Including losses from the Motor Pool, it was 98.1% in FY2014 versus 99.5% in FY2013.
- BAGIC has been consistently among the best in the market in combined ratio, which is a vindication of its strong underwriting and claims management skills.
- The return on average equity for FY2014 is 28% versus 26.7% in the previous year.

Capital and solvency

- Paid up capital, including share premium stood at ₹ 277 crore as on 31 March 2014. No new capital was needed in FY2014.
- As at 31 March 2014, BAGIC's solvency margin was at 196%, well above the normal regulatory requirement of 150%.
- The shareholders' equity of BAGIC stood at ₹ 1,664 crore as on 31 March 2014, compared to ₹ 1,255 crore a year earlier.

Investments

BAGIC's cash and investments as on 31 March 2014 stood at ₹ 6,967 crore versus ₹ 5,845 crore in the previous year.

Wind energy

Bajaj Finserv has 138 windmills in Maharashtra with total installed capacity of 65.2 MW. During FY2014 the project generated net wind energy of 931 lakh units of electricity, versus 888 lakh units in FY2013. The electricity generated in FY2014 was valued at ₹ 60 crore, compared to ₹ 61 crore in FY2013. The wind energy generated was predominantly sold to Bajaj Auto Ltd., to cater to power consumption requirements of its establishments at Akurdi, Chakan and Waluj. Surplus units were sold to third parties.

Brand campaign

Bajaj Finserv 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, 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. For Bajaj Finance Ltd., the Bajaj Finserv Lending logo has been replaced by the refreshed Bajaj Finserv logo in all communication. Bajaj Allianz, in itself being a strong brand will continue in its current form.

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

Financials

Standalone

The standalone results of Bajaj Finserv Ltd. are given in Table 12 below.

Table 12: Standalone results of Bajaj Finserv

(₹ In Crore)		
Particulars	FY2013	FY2014
A. Income from Wind-farm activity	73	60
Administrative expenses	18	23
Profit from Wind-farm activity	55	37
B. Income from Investment and Others	79	97
Other expenses	28	28
Profit before exceptional item and tax	106	106
Less: Provision for diminution in value of investment	27	-
Profit before tax	79	106
Tax expense	28	22
Profit after tax	51	84

Consolidated financials

The consolidated results are given in Table 13. These include its subsidiaries and joint venture, in accordance with the accounting standards issued by The Institute of Chartered Accountants of India.

Table 13: Summarised consolidated results of Bajaj Finserv

Segment revenue			Segment results-profit from each segment		
Particulars	FY2013	FY2014	Particulars	FY2013	FY2014
Insurance	11,270	11,297	Insurance	1,765	1,749
Windmill	73	60	Windmill	55	37
Retail finance	3,109	4,073	Retail finance	843	1,087
Investments and others	157	189	Investments and other	45	29
	14,609	15,619	Profit before tax	2,708	2,902
Less:			Tax expense	494	711
Inter-segment	40	65	Minority interest	640	647
Total	14,569	15,554	Group profit after tax	1,574	1,544

Cautionary Statement

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

Corporate Governance

The commitment of Bajaj Group to the highest standards of good corporate governance practices predates SEBI and clause 49 of the listing agreements. Transparency, fairness, disclosure and accountability are the main thrust to the working of the Bajaj Group. Bajaj Finserv Ltd. ('BFS' or 'the Company' or 'Bajaj Finserv') maintains the same tradition and commitment.

Given below are the Company's corporate governance policies and practices for 2013-14. As will be seen, Bajaj Finserv'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 the year 2013-14.

Board of Directors

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

Composition

As on 31 March 2014, the Board of the Company consisted of nine directors, of whom one was executive (Managing Director), five were non-executive independent (including one woman director) and three were non-executive and non-independent. The Board has no institutional nominee directors. 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 Table 1 shows, this provision is met at Bajaj Finserv.

Attendance record of directors

Table 1: Composition of the Board and attendance record of directors for 2013-14

Name of director	Category	Meetings attended	Whether attended last AGM
Rahul Bajaj	Chairman, non-executive	7/7	Yes
Nanoo Pamnani	Vice Chairman (non-executive and independent)	7/7	Yes
Madhur Bajaj	Non-executive	7/7	Yes
Rajiv Bajaj	Non-executive	6/7	Yes
Sanjiv Bajaj	Managing Director, executive	7/7	Yes
D J Balaji Rao	Non-executive, independent	6/7	Yes
S H Khan	Non-executive, independent	6/7	Yes
Naresh Chandra	Non-executive, independent	4/7	Yes

Dr. Gita Piramal was appointed w.e.f. 27 March 2014 as non-executive, independent director.

Non-executive directors' compensation

As fixed by the Board of Directors at its meeting held on 30 January 2008, a sitting fee of ₹ 20,000 per meeting is paid to non-executive directors, including independent directors, for every meeting of the Board or Committees of the Board attended after 20 February 2008 till 31 March 2014.

Further as decided by the Board of Directors at its meeting held on 27 March 2014, a sitting fee of ₹ 50,000 per meeting is payable to non-executive directors, including independent directors, for every meeting of the Board or Committees of the Board attended by them as member effective 1 April 2014 or the date from which the relevant Rules under the Companies Act, 2013 become effective, whichever is later. The Rules are now effective.

The shareholders 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 the directors (other than the Managing Director and whole-time directors) as may be decided by the Board of directors in respect of the profits of the Company for each year for a period commencing from 20 February 2013 upto 31 March 2017.

In terms of the approvals given by the Board and shareholders, commission is paid to non-executive directors (independent and non-independent) at the rate of ₹ 25,000 per meeting of Board and Committee meetings attended by them, subject to the aggregate being within the overall ceiling of one percent of the net profits.

In view of the increased demands on non-executive directors' participation in Board and Committee meetings, the Board of Directors at its meeting held on 27 March 2014, increased commission for non-executive directors to ₹ 50,000 per meeting of Board and Committee meetings attended by them during the balance term upto 31 March 2017, with effect from 1 April 2014.

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

Board procedures

During 2013-14, 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.

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 different functional heads on important matters from time to time. 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. Progress made in putting in place a progressive risk management system, risk management policy and strategy followed.
- ii. Conformity with the prescribed corporate governance standards.

- iii. Minutes of Risk Management Committee and Asset Liability Management Committee meetings.

Directorships and memberships of Board Committees

Table 2: Number of directorships/committee positions of directors as on 31 March 2014

Name of director	Directorships		Committee positions	
	In listed companies	In unlisted public limited companies	As Chairman	As Member
Rahul Bajaj	4	2	—	—
Rajiv Bajaj	4	1	—	1
Sanjiv Bajaj	6	4	1	5
Nanoo Pamnani	4	—	5	2
Madhur Bajaj	6	—	—	—
D J Balaji Rao	10	—	4	6
S H Khan	5	2	4	5
Naresh Chandra	9	1	—	10
Dr. 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' Grievance Committee are considered for the purpose of committee positions as per listing agreement.

None of the directors was a member in more than 10 committees, nor a chairman in more than 5 committees across all companies, in which he was a director.

Review of legal compliance reports

During the year, the Board periodically reviewed 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 at its meeting on 30 January 2008 laid down a code of conduct for all directors and senior management of the Company, which has been posted on the Company's website www.bajajfinserv.in

All directors and senior management personnel have affirmed compliance with the code for 2013-14. A declaration to this effect signed by the Managing Director is given in this Annual Report.

Audit Committee

Constitution and composition

With a view to complying with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement, the Company set up its Audit Committee on 30 January 2008. The Company has been reviewing 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, 1956, clause 49 of the listing agreement and NBFC regulations.

The Committee consisted of the following members as on 31 March 2014:

1. Nanoo Pamnani, Chairman
2. S H Khan
3. D J Balaji Rao
4. Naresh Chandra

All members of the Audit Committee are independent, non-executive directors and are 'financially literate' as required by clause 49. Moreover, the Audit Committee has members who have 'accounting or related financial management expertise'.

Meetings, attendance and topics discussed

During 2013-14, 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, internal audit functions and the statutory auditor of the Company and those executives who were considered necessary for providing inputs to the Committee.

The Company Secretary acted as the secretary to the Audit Committee.

The terms of reference of the Audit Committee are extensive and go beyond what is mandated in clause 49 of the listing agreement, section 292A of the Companies Act, 1956 and under NBFC regulations.

Table 3: Composition of the Audit Committee and attendance record of members for 2013-14

Name of director	Category	Meetings attended
Nanoo Pamnani	Chairman, non-executive and independent	4/4
D J Balaji Rao	Non-executive, independent	4/4
S H Khan	Non-executive, independent	4/4
Naresh Chandra	Non-executive, independent	3/4

Subsidiary companies

During the year, the Audit Committee reviewed the financial statements (in particular, the investments made) of each unlisted subsidiary company, viz., Bajaj Allianz General Insurance Company Ltd., Bajaj Allianz Life Insurance Company Ltd., Bajaj Financial Solutions Ltd. and Bajaj Financial Securities Ltd., to the extent applicable. Minutes of the Board meetings of these subsidiary companies were regularly placed before the Board of the Company. So too was a statement of significant transactions and arrangements entered into by these subsidiary companies, as applicable.

Disclosures

A summary statement of transactions with related parties was placed periodically before the Audit Committee during the year. 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 Board has laid down procedures to inform it of the Company's risk assessment and minimisation procedures. These are periodically reviewed to ensure that Management identifies and controls risks through a properly defined framework.

There was no public issue, rights issue, bonus issue or preferential issue etc. during the year.

Remuneration and Nomination Committee

Bajaj Finserv constituted the Remuneration Committee of the Board on 30 January 2008. Subsequently, the Board of Directors at its meeting held on 15 January 2009, extended the terms of reference of the said Committee to include nomination functions and restyled the said Committee as 'Remuneration and Nomination Committee'.

The Board of Directors at its meeting held on 12 January 2010 extended the terms of reference of this Committee to ensure 'Fit and Proper' status of proposed/existing directors as required under the RBI Guidelines on Corporate Governance.

The Committee consisted of the following members as on 31 March 2014:

1. S H Khan, Chairman
2. D J Balaji Rao
3. Nanoo Pamnani
4. Rahul Bajaj
5. Naresh Chandra

During the year under review, the Committee met two times on 15 May 2013 and 27 March 2014.

On 15 May 2013, all the members of this Committee except Naresh Chandra attended this meeting and the Committee, inter alia, recommended revised remuneration for Managing Director.

On 27 March 2014, all the members of this Committee except S H Khan and Naresh Chandra attended this meeting and the Committee, inter alia, recommended for consideration of Board:

- i) appointment of non-executive independent director viz; Dr. Gita Piramal,
- ii) appointment of independent directors for a period of 5 years w.e.f. 1 April 2014 under the Companies Act, 2013.
- iii) the change in position of non-retiring director viz; Rahul Bajaj to position of director liable to retire by rotation;
- iv) constitution of Corporate Social Responsibility (CSR) Committee and fixing of its terms of reference; and
- v) re-appointment of Rahul Bajaj at the ensuing annual general meeting, who was due for retirement by rotation. The Committee also ascertained and ensured his 'Fit and Proper' status.

Remuneration of directors

Pecuniary relationship or transactions of non-executive directors

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

The register of contracts is maintained by the Company under section 301 of the Companies Act, 1956. The register is signed by all the directors present at the respective Board meetings.

A statement showing the disclosure of transactions with related parties as required under Accounting Standard - 18 is set out separately in this Annual Report.

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 as approved by the Board has been put on the Company's website www.bajajfinserv.in

Non-executive directors

Non-executive directors are paid sitting fees and commission as earlier stated in this Report. Table 4 gives details of the remuneration paid or payable to directors during the year 2013-14.

Managing Director

During the year under review, the Company has paid remuneration to Sanjiv Bajaj, Managing Director of the Company as given at Table 4.

Managing Director is entitled to superannuation benefits payable in the form of an annuity from an approved life insurance company which forms part of the perquisites allowed to him. No pension is paid by the Company.

Remuneration to directors during the year

The Company currently has no stock option plans for any of its directors and hence it does not form a part of the remuneration package payable to any executive and/or non-executive director. During the year under review, none of the directors was paid any performance-linked incentive.

In 2013-14, the Company did not advance any loans to any of the non-executive directors and/or Managing Director. Table 4 gives details of the remuneration paid or payable to directors during 2013-14.

Table 4: Remuneration paid/payable to directors for 2013-14

(Amount in ₹)

Name of director	Relationship with other directors	Sitting fees	Salary and perquisites	Commission	Total
Rahul Bajaj	Father of Rajiv Bajaj and Sanjiv Bajaj	180,000	—	225,000	405,000
Madhur Bajaj	—	140,000	—	175,000	315,000
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj	140,000	—	175,000	315,000
Sanjiv Bajaj	Son of Rahul Bajaj, brother of Rajiv Bajaj	—	12,379,736	25,200,000	37,579,736
D J Balaji Rao	—	240,000	—	300,000	540,000
S H Khan	—	220,000	—	275,000	495,000
Nanoo Pamnani	—	280,000	—	350,000	630,000
Naresh Chandra	—	140,000	—	175,000	315,000

Notes: Salary and perquisites include all elements of remuneration i.e. salary, allowances and benefits. No bonus, pension or incentive is paid to any of the directors. The Company has not issued any stock options to any of the directors. The term of Managing Director does not exceed five years.

Shares held by non-executive directors

The non-executive directors who held shares in the Company as on 31 March 2014 are:

Name of director	Number of shares held as on 31 March 2014
Rahul Bajaj	1,667,085
Madhur Bajaj	933,716
Rajiv Bajaj	3,450

Management

Management discussion and analysis

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

Disclosure of material transactions

Under clause 49, senior management is required to make periodical 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. Provision regarding the above has been adhered to during the year.

Compliances regarding insider trading

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

Shareholders

Appointment and/or re-appointment of directors

During the year under review, Dr. Gita Piramal was appointed as an Additional Director in the category of non-executive, independent director of the Company, in the meeting of the Board held on 27 March 2014, to hold office upto the date of the ensuing Annual General Meeting (AGM) of the Company. Resolution for appointment of Dr. Gita Piramal is put up for the approval of shareholders in the Notice of AGM.

Pursuant to the provisions of the Companies Act, 2013 which have been enacted with effect from 1 April 2014, Dr. Gita Piramal, if appointed at the forthcoming AGM shall be an 'independent director' under the said Act for a period of 5 years with effect from the date of the AGM.

On appointment of Dr. Gita Piramal, the provisions of section 149(1) of the Companies Act, 2013 of having at least one woman director on the Board of the Company, stand complied.

In light of the provisions of the Companies Act, 2013, Rahul Bajaj has now become a retiring director, thus Rahul Bajaj retires from the Board by rotation this year and being eligible, offers himself for re-appointment. The information as required to be disclosed under clause 49 of the listing agreement in case of re-appointment of director is provided in the Notice of the ensuing AGM.

Pursuant to section 149(4) of the Companies Act, 2013, every listed company is required to appoint at least one third of its directors as independent directors. The Board already has one half of its directors in the category of independent directors in terms of the provisions of clause 49 of

the listing agreement. The Board therefore, in its meeting held on 27 March 2014 appointed the existing independent directors under clause 49 as 'independent directors' pursuant to Companies Act, 2013, subject to approval of shareholders.

As required under the said Act and the Rules made thereunder, the same is now put up for approval of members at the ensuing annual general meeting. Necessary details have been annexed to the Notice of the meeting in terms of section 102(1) of the Companies Act, 2013.

The independent directors have submitted the declaration of independence, as required pursuant to section 149(6) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section(6).

With the appointment of independent directors, the conditions specified in the Act and the Rules made thereunder as also under new clause 49 of the listing agreement stand complied.

Communication to shareholders

Quarterly, half-yearly and annual financial results are published in numerous leading dailies such as Business Standard and Kesari. The official press release is also issued. The Company also sends the half-yearly financial results, alongwith a detailed write-up, to each household of shareholders.

The Company has its own website, www.bajajfinserv.in which contains all important public domain information including presentations made to the media, analysts and institutional investors. The website also contains information on matters such as dividend history, answers to Frequently Asked Questions (FAQs) by the various shareholder categories, details of the corporate contact persons and share transfer agent of the Company. All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the Company's website.

Ministry of Corporate Affairs as a 'Green Initiative in the Corporate Governance' has issued a circular no. 17/2011 on 21 April 2011, permitting companies to service delivery of documents electronically on the registered members'/shareholders' email addresses under section 53 of the Companies Act, 1956. The Company, during the year under review sent documents, such as notice calling the general meeting, audited financial statements, directors' report, auditors' report etc. in electronic form at the email addresses provided by the shareholders and made available by them to the Company through the depositories. Shareholders desiring to receive the said documents in physical form continued to get the same in physical form, upon request.

The Company also files the following information, statements, reports on the website as specified by SEBI:

- Full version of the Annual Report including the Balance Sheet, Statement of Profit and Loss, directors' report, corporate governance report, auditors' report, cash flow statements, half-yearly financial statements and quarterly financial statements.
- Shareholding pattern.

Information on general body meetings

During the previous three years, the annual general meeting (AGM) of the Company has been held at the registered office of the Company on the following dates and time:-

4th AGM	13 July 2011 at 3.30 p.m.
5th AGM	17 July 2012 at 4.15 p.m.
6th AGM	18 July 2013 at 4.15 p.m.

Details of special resolution(s) passed during the previous three AGMs and resolution(s) passed through postal ballot during the previous year

No special resolution was passed at the general meetings held during the years 2011 and 2013.

At the fifth AGM held on 17 July 2012, special resolutions were passed regarding the following:

- i) Approval of re-appointment and remuneration of Sanjiv Bajaj as the Managing Director of the Company for a five year term commencing from 1 April 2012.
- ii) Payment of commission to non-executive directors of the Company, not exceeding the limit of one percent of the net profits of the Company as provided under section 309 of the Companies Act, 1956 for a period commencing from 20 February 2013 to 31 March 2017.
- iii) Approval under section 372A for increasing the limit from ₹ 2,000 crore to ₹ 3,000 crore with regard to inter-company loans and investment.
- iv) Approval for raising of equity funds upto ₹ 1,000 crore.

During the previous year, the Company has not adopted postal ballot for passing any resolution by the shareholders.

Material disclosure of related party transactions

There was no material transaction entered into with related parties, during the period under review, which had any potential conflict with the interests of the Company.

Details of capital market non-compliance, if any

There was no non-compliance by the Company of any legal requirements; nor has there been any penalty, stricture imposed on the Company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets during the last three years.

Shareholders' and Investors' Grievance Committee

The Board of Directors of the Company constituted its Shareholders' and Investors' Grievance Committee in its meeting held on 30 January 2008. This Committee has been constituted to specifically look into the shareholders' and investors' complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of dividend, payment of unclaimed dividends etc. In addition, the Committee also looks into matters that can facilitate better investor services and relations. The Committee regularly kept the Board of Directors apprised of all the major developments on investors' issues through various reports and statements furnished to the Board from time to time throughout the year.

The Committee consisted of the following directors (of whom the Chairman is an independent director) as on 31 March 2014:

1. Nanoo Pamnani, Chairman
2. Rajiv Bajaj
3. Sanjiv Bajaj

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 (who is also the compliance officer) were also present. All the members of this Committee attended the meeting. The Committee expressed its whole-hearted satisfaction on the overall status of compliance and actions taken on various matters.

Pursuant to circular issued by SEBI in December 2010 for dealing with physical unclaimed shares, the Company, after sending three reminders to the concerned shareholders, has already opened a demat account with HDFC Bank titled 'Bajaj Finserv Ltd. unclaimed suspense account' to which all the unclaimed shares stand transferred in terms of the said circular.

More details on this subject have been furnished in the chapter on General Shareholder Information.

CEO/CFO certification

The CEO and CFO have 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 2013-14.

Auditors' certificate on corporate governance

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

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:

1. The Board

The non-executive Chairman has an office at the Company's premises. None of the independent directors of the Company has tenures exceeding a period of nine years on the Board.

2. Remuneration Committee

The Company has a Remuneration Committee known as 'Remuneration and Nomination Committee'. A detailed note on this Committee is provided in the Annual Report.

3. Shareholder rights

A half-yearly declaration of financial performance including summary of significant events in the preceding six months is sent to each household of shareholder.

4. Audit qualifications

There are no qualifications in the financial statements of the Company for the year 2013-14.

5. Whistle blower policy

The Company has a whistle blower policy to enable its employees to report to the Management their concerns about unethical behavior, 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.

General Shareholder Information

Annual General Meeting

Date	16 July 2014
Time	4.15 p.m.
Venue	Registered office of the Company at Bajaj Auto Ltd. Complex Mumbai - Pune Road, Akurdi, Pune - 411 035.

Financial calendar

Audited annual results for year ending 31 March	May
Mailing of annual reports	June
Annual general meeting	July
Unaudited first quarter financial results	July
Unaudited second quarter financial results	October
Unaudited third quarter financial results	January

Dividend

The Board of Directors of the Company has proposed a dividend of ₹ 1.75 per equity share (35 per cent) for the financial year 2013-14, subject to approval by the shareholders at the annual general meeting. Dividend paid in the previous year was ₹ 1.50 per equity share (30 percent).

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 21 July 2014 and 22 July 2014 as under:

- to all those beneficial owners holding shares in electronic form as per the beneficial ownership data as may be made available to the Company by National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as of the end-of-the-day on Friday, 4 July 2014, and
- to all those shareholders 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 Pvt. Ltd.) 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), 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 in all major cities to cover maximum number of shareholders, as per applicable guidelines. Shareholders 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, shareholders are welcome to contact the registered office of the Company.

Securities and Exchange Board of India (SEBI) vide its circular No. CIR/MRD/DP/10/2013 dated 21 March 2013 has stipulated that all listed companies shall use approved electronic mode of payment viz., ECS, NECS, NEFT etc., for the purpose of making payments to the shareholders.

All the shareholders are requested to immediately update their Bank Account No. with 9-digit MICR Code (either Bank Account No. or 9-digit MICR No. or both), if the same has not been updated with the Company's share transfer agent or the depository participant, as the case may be.

Unclaimed dividends

The shareholders who have not encashed their dividend warrants for the years 2007-08 onwards are requested to claim the amount from Karvy Computershare Pvt. Ltd. or registered office of the Company.

As per section 205 of the Companies Act, 1956, 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 shall be transferred to a fund called 'the Investor Education and Protection Fund' set up by the Central Government. No claims shall lie against the fund or the Company in respect of the amount so transferred.

Further, the Ministry of Corporate Affairs (MCA) vide its notification dated 10 May 2012 prescribed the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 which mandates all the companies to file the particulars of all the unclaimed and unpaid amounts through eForm 5 INV on the web portal of MCA <http://www.iepf.gov.in/IEPF/services.html> and subsequently also upload the data on the website of the Company.

The Company has accordingly filed the necessary Forms on 31 July 2012, on 17 October 2012 and 16 September 2013 for the financial year ended 31 March 2011, 31 March 2012 and 31 March 2013 respectively. The details of unclaimed dividends for the financial years 2007-08 to 2011-12 have been uploaded on the Company's website www.bajajfinserv.in

Share transfer agent

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

Share transfer system

Share transfers received by the Company and the share transfer agent are registered within 15 days from the date of receipt, provided the documents are complete in all respects.

Total number of shares transferred in physical category was 11,441 shares during 2013-14 versus 1,048,691 shares during 2012-13.

Dematerialisation of shares

During 2013-14, 301,655 shares were dematerialised compared to 1,521,968 during 2012-13. Shares held in physical and electronic mode as on 31 March 2014 are given in Table 1.

Table 1: Shares held in physical and electronic mode

(₹ In Crore)

Particulars	Position as on 31 March 2014		Position as on 31 March 2013		Net change during 2013-14	
	No. of shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	%
Physical	9,555,187	6.00	9,856,147	6.19	-300,960	-0.19
Demat:						
NSDL	146,352,714	91.98	146,089,662	91.81	263,052	0.17
CDSL	3,214,451	2.02	3,176,543	2.00	37,908	0.02
Sub total	149,567,165	94.00	149,266,205	93.81	300,960	0.19
Total	159,122,352	100.00	159,122,352	100.00	-	-

Global Depository Receipts (GDRs)

The Company issued and allotted Global Depository Receipts (GDRs) on 3 April 2008 to the shareholders of BHIL (formerly BAL) pursuant to the scheme of demerger sanctioned by the Hon'ble High Court vide its order dated 18 December 2007 and the underlying shares against each GDR were issued in the name of the overseas depository i.e. Deutsche Bank Trust Company Americas. The Company has entered into a deposit agreement with Deutsche Bank Trust Company Americas on 21 August 2008 in respect of these GDRs.

Stock code

1. BSE, Mumbai	532978
2. National Stock Exchange	BAJAJFINSV
3. ISIN for depositories (NSDL and CDSL)	INE918I01018
4. Bloomberg	BJFIN IN
5. Reuters	BJFS.BO

Listing on stock exchanges

The shares of the Company are currently listed on the following stock exchanges:

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

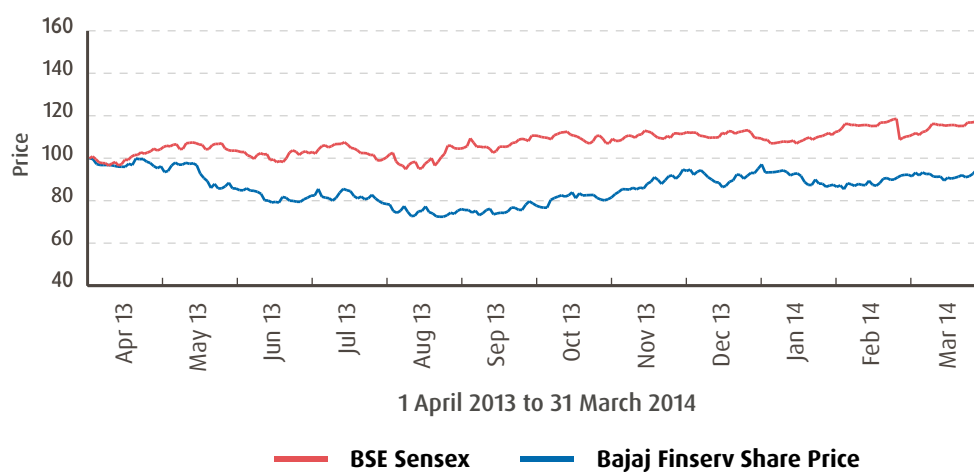
During 2013-14, the listing fees payable to these stock exchanges have been paid in full.

Market price data

Table 2: Monthly highs and lows of Bajaj Finserv Ltd. shares during 2013-2014
(₹ vis-à-vis BSE Sensex)

Month	BSE		NSE		Closing BSE Sensex
	High	Low	High	Low	
Apr 13	825.00	740.00	795.00	740.10	19,504.18
May 13	780.00	661.50	781.10	661.15	19,760.30
Jun 13	685.00	613.00	684.90	613.00	19,395.81
Jul 13	678.85	581.30	678.00	586.25	19,345.70
Aug 13	615.00	563.30	616.00	561.00	18,619.72
Sep 13	632.90	568.05	632.70	565.70	19,379.77
Oct 13	663.30	595.30	664.70	595.00	21,164.52
Nov 13	744.90	638.65	738.35	637.00	20,791.93
Dec 13	749.95	669.10	749.95	671.00	21,170.68
Jan 14	766.00	669.00	767.00	661.05	20,513.85
Feb 14	731.85	661.00	731.00	658.35	21,120.12
Mar 14	794.00	692.50	795.00	694.25	22,386.27

Bajaj Finserv Ltd. vs BSE Sensex, indexed to 100 on 1 April 2013



Distribution of shareholding

Table 3 gives details about the pattern of shareholdings 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 as on 31 March 2014

Categories	31 March 2014		31 March 2013	
	No. of Shares	% to total capital	No. of Shares	% to total capital
Promoters	93,703,259	58.89	93,703,259	58.89
Friends and associates of promoters	15,591,570	9.80	15,741,201	9.89
GDRs *	41,132	0.03	47,869	0.03
Foreign Institutional Investors	17,492,274	10.99	17,556,988	11.03
Public Financial Institutions	5,649,613	3.55	5,075,207	3.19
Mutual Funds	1,346,688	0.85	1,715,750	1.08
Nationalised and other banks	48,091	0.03	105,092	0.07
NRIs and OCBs	730,315	0.46	750,787	0.47
Others	24,519,410	15.40	24,426,199	15.35
Total	159,122,352	100.00	159,122,352	100.00

*Under the deposit agreement, the depository exercises the voting rights on the shares underlying the GDRs as directed by the promoters of the Company.

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

No. of shares	No. of shareholders		Shares held in each class	
	Number	%	Number	%
1 to 500	46,519	90.78	2,765,296	1.74
501 to 1000	1,726	3.37	1,235,558	0.78
1001 to 2000	1,188	2.32	1,696,776	1.07
2001 to 3000	533	1.04	1,327,250	0.83
3001 to 4000	267	0.52	933,966	0.59
4001 to 5000	160	0.31	722,455	0.45
5001 to 10000	397	0.78	2,672,651	1.68
10001 and above	453	0.88	147,768,400	92.86
Total	51,243	100.00	159,122,352	100.00

Shareholders' and investors' grievances

The Company currently has a Shareholders' and Investors' Grievance Committee consisting of three directors to specifically look into the shareholders'/investors' complaints on various matters. Routine queries/complaints received from shareholders are promptly attended to and replied. Queries/complaints received during the period under review related to non-receipt of dividend by warrants as well as through electronic clearing service, non-receipt of annual report, non-receipt of transferred shares and change of address and/or bank particulars. There was no pending issue to be addressed or resolved.

During the year, letters were received from SEBI/ROC/Stock Exchanges/Investors concerning 21 complaints filed by the shareholders on various matters. In respect of each of these complaints, replies were sent to SEBI/ROC/Stock Exchanges/Investors and no action remained to be taken at the Company's end.

Demat suspense account with HDFC Bank

In accordance with the provisions contained in clause 5A of the listing agreement with the Stock Exchanges, as amended by SEBI vide circular dated 16 December 2010, the Company was required to send three reminders at the registered addresses of the shareholders whose shares were lying "Undelivered/Unclaimed" with the Company, requesting for the correct particulars to dispatch such share certificates. If no response was received, the shares were required to be transferred to an "Unclaimed Share Suspense Account", which shall be maintained by the Company in an electronic form. As and when any shareholder approaches at a later date, the Company shall deliver the shares to him/her from the said account, after proper verification/identification. Further, voting rights on such shares are to remain frozen till the rightful owner claims the shares.

Accordingly, the Company sent three reminders to these shareholders, followed by opening of the said suspense account with HDFC Bank.

After completing the necessary formalities, 17,947 shares held by 100 shareholders were transferred to the said suspense account in April 2012. The Company, acting as a trustee in respect of the unclaimed shares, follows the modalities for the operation of the said account in the manner set out in clause 5A of the listing agreement. The summary of this account for the year 2013-14 is as follows:

Sr.No.	Particulars	No. of shareholders	Outstanding shares
i.	Aggregate no. of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year i.e. 1 April 2013	100	17,947
ii.	No. of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year	5	640
iii.	No. of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	5	640
iv.	Aggregate no. of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year i.e. 31 March 2014	95	17,307

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s). The prescribed nomination form will be sent by the share transfer agent of the Company upon such request. Nomination facility for shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

Voting through electronic means

Pursuant to section 108 of the Companies Act, 2013 and the Rules made thereunder, every listed company is required to provide its members facility to exercise their right to vote at general meetings by electronic means.

The Company has entered into an arrangement with Karvy Computershare Pvt. Ltd., the authorised agency for this purpose, to facilitate such e-voting for its members.

The shareholders would therefore be able to exercise their voting rights on the items put up in the Notice of annual general meeting, through such e-voting method.

E-Voting shall be open for a period of three days, from 10 July 2014 (9 a.m.) to 12 July 2014 (6 p.m.). The Board has appointed Shyamprasad Limaye, Practising Company Secretary as the Scrutiniser for the e-voting process.

Detailed procedure is given in the Notice of the Seventh annual general meeting and also placed on the website of the Company.

Shareholders may get in touch with the Company Secretary for further assistance.

Address for correspondence

Investors and shareholders can correspond with the share transfer agent or at registered office of the Company at the following address:

Karvy Computershare Pvt. Ltd.

Plot No.17 to 24, Vittalrao Nagar
Near Image Hospital
Madhapur, Hyderabad 500 081.

Contact persons

M S Madhusudhan
Mohd.Mohsinuddin
Tel No.: (040) 44655000
Fax No.: (040) 44655024
E-mail: mohsin.mohd@karvy.com
Website: www.karvy.com

Bajaj Finserv Ltd.

Bajaj Auto Ltd. Complex
Mumbai-Pune Road
Akurdi, Pune 411 035.

Compliance Officer

Sonal R Tiwari
Tel No.: (020) 66107458, 27472851
Fax No.: (020) 27407380
E-mail: investors@bajajfinserv.in
Website: www.bajajfinserv.in

Directors' Report

The directors present their Seventh Annual Report and audited statement of accounts for the year ended 31 March 2014. Since this Report pertains to financial year that commenced prior to 1 April 2014 the contents therein 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.

Financial results

The financial results of the Company are elaborated in the annexed Management Discussion and Analysis Report.

The highlights of the **Standalone Financial Results** are as under:

(₹ In Crore)

Particulars	FY2014	FY2013
Total revenue	157.30	152.25
Gross profit before interest and depreciation	106.81	107.44
Depreciation	1.30	1.28
Profit before exceptional item and tax	105.51	106.16
Exceptional item- Provision for diminution in value of investment	-	(27.00)
Profit before tax	105.51	79.16
Tax expense	22.00	28.32
Profit after tax	83.51	50.84
Profit for the year	83.39	50.84
Add: Balance brought forward from previous year	161.53	149.81
Profit available for appropriation	244.92	200.65
Transfer to Reserve fund u/s 45-IC(1) of Reserve Bank of India Act, 1934	16.68	10.17
Transfer to General reserve	8.34	5.08
Proposed dividend	27.85	23.87
Balance carried to Balance Sheet	192.05	161.53
Earnings per share (₹)	5.2	3.3

The highlights of the Consolidated Financial Results are as under:

(₹ In Crore)

Particulars	FY2014	FY2013
Gross revenue:		
i. Gross written premium		
a) Life insurance - Bajaj Allianz Life Insurance Co. Ltd.	5,843.14	6,892.70
b) General insurance - Bajaj Allianz General Insurance Co. Ltd.	4,583.89	4,109.39
ii. Gross income - Bajaj Finance Ltd.	4,073.33	3,109.66
iii. Income from windpower generation - Bajaj Finserv Ltd.	60.44	73.38
iv. Investment income (excluding accretions on unit linked investment)	2,059.57	1,548.72
v. Others	91.78	77.97
Total	16,712.15	15,811.82

(₹ In Crore)

Particulars	FY2014	FY2013
Revenue from operations and other income	5,385.89	4,155.70
Amount transferred from the policyholders' account	639.10	917.48
Total revenue	6,024.99	5,073.18
Profit before tax	2,901.61	2,708.11
Tax expense	710.49	493.94
Profit after tax	2,191.12	2,214.17
Minority interest	646.85	640.53
Profit for the year	1,544.08	1,573.64
Earnings per share (₹)	97.0	103.0

Banking Licence application

The 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 Bajaj Finserv/Finance Ltd. to get a licence. Unfortunately, we did not get it.

The process of approving new bank licences may re-commence soon. It is hoped that the Company would be successful at that time.

Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of ₹ 1.75 per share (35 per cent) for the year ended 31 March 2014. The amount of dividend and the tax thereon to the extent applicable aggregates to ₹ 27.85 crore.

Dividend paid for the year ended 31 March 2013 was ₹1.50 per share (30 per cent). The amount of dividend and the tax thereon to the extent applicable aggregated to ₹ 23.87 crore.

Registration as a Systemically Important Non-Deposit taking NBFC

Your Company has been registered on 30 October 2009 by Reserve Bank of India as a Non-Banking Financial Institution (Non-Deposit taking). In terms of provisions of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, your Company is categorised as a 'Systemically Important Non-Deposit taking Non-Banking Financial Company'. The Company has not accepted public deposits during the year under review.

Operations

Detailed information on the operations of the different business lines of the Company are covered in the Management Discussion and Analysis Report.

Conservation of energy

The Company, is engaged in wind-farm activities in addition to its financial services activities, hence the subject of conservation of energy is applicable to the Company only with regard to its wind-farm business. Information on this is contained in the Management Discussion and Analysis Report.

Foreign exchange earnings and outgo

Total foreign exchange earned by the Company was ₹ Nil during the year under review, as against ₹ 0.25 crore during the previous year.

Total foreign exchange outflow during the year under review was ₹ 1.96 crore, as against ₹ 1.92 crore during the previous year.

Subsidiaries and joint venture

Following are the subsidiary and joint venture companies of the Company as at 31 March 2014:

Name of the company	% Shareholding of Bajaj Finserv Ltd. as on 31 March 2014	Status
Bajaj Allianz Life Insurance Company Ltd.	74%	Subsidiary
Bajaj Allianz General Insurance Company Ltd.	74%	Subsidiary
Bajaj Finance Ltd.	61.54%	Subsidiary
Bajaj Financial Solutions Ltd.	100%	Subsidiary
Bajaj Financial Securities Ltd. (100% subsidiary of Bajaj Financial Solutions Ltd.)	100%	Subsidiary
Bajaj Financial Holdings Ltd. (incorporated on 7 February 2014)	100%	Subsidiary
Bajaj Allianz Financial Distributors Ltd.	50%	Joint venture

Detailed information on the operations of each subsidiary of the Company is covered in the Management Discussion and Analysis Report.

Corporate Social Responsibility

The Companies Act, 2013 notified section 135 of the Act concerning Corporate Social Responsibility alongwith the Rules thereunder and revised Schedule VII to the Act 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 –

1. Rahul Bajaj, Chairman
2. Sanjiv Bajaj
3. Nanoo Pamnani

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

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 Corporate Social Responsibility (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 the year under review, Dr. Gita Piramal was appointed as an Additional Director in the category of non-executive, independent director of the Company, in the meeting of the Board held on 27 March 2014, to hold office upto the date of the ensuing Annual General Meeting (AGM) of the Company. Resolution for appointment of Dr. Gita Piramal is put up for the approval of shareholders in the Notice of AGM.

Pursuant to the provisions of the Companies Act, 2013 which have been enacted with effect from 1 April 2014, Dr. Gita Piramal, if appointed at the forthcoming AGM shall be an 'independent director' under the said Act for a period of 5 years with effect from the date of the AGM.

On appointment of Dr. Gita Piramal, the provisions of section 149(1) of the Companies Act, 2013 of having at least one woman director on the Board of the Company, stand complied.

In light of the provisions of the Companies Act, 2013, Rahul Bajaj has now become a retiring director, thus Rahul Bajaj retires from the Board by rotation this year and being eligible, offers himself for re-appointment. The information as required to be disclosed under clause 49 of the listing agreement in case of re-appointment of director is provided in the Notice of the ensuing annual general meeting.

Pursuant to section 149(4) of the Companies Act, 2013, every listed company is required to appoint at least one third of its directors as independent directors. The Board already has one half of its directors in the category of independent directors in terms of the provisions of clause 49 of the listing agreement. The Board therefore, in its meeting held on 27 March 2014 appointed the existing independent directors under clause 49 as 'independent directors' pursuant to Companies Act, 2013, subject to approval of shareholders.

As required under the said Act and the Rules made thereunder, the same is now put up for approval of members at the ensuing annual general meeting. Necessary details have been annexed to the Notice of the meeting in terms of section 102(1) of the Companies Act, 2013.

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).

With the appointment of independent directors, the conditions specified in the Act and the Rules made thereunder as also under new clause 49 of the listing agreement stand complied.

Directors' responsibility statement

As required by sub-section (2AA) of section 217 of the Companies Act, 1956, directors state:

- that in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that the directors had prepared the annual accounts on a going concern basis.

Presentation of financial results

The financial results 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 Circular No. 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs.

Consolidated financial statements

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

Information in aggregate for each subsidiary company is disclosed separately in the consolidated Balance Sheet.

Statutory disclosures

Ministry of Corporate Affairs General circular no. 2/2011 dated 8 February 2011 has given general exemption with regard to attaching of the Balance Sheet, Statement of Profit and Loss and other documents of its subsidiary companies subject to fulfillment of conditions mentioned therein. The Company has fulfilled all the necessary conditions in this regard and hence is not attaching Balance Sheet, Statement of Profit and Loss and other documents of its subsidiary companies.

The summary of the key financials of the Company's subsidiaries is included in this Annual Report. The annual accounts of the subsidiary companies and the related detailed information will be made available to the members of the Company and its subsidiary companies, seeking such information at any point of time. The annual accounts of the subsidiary companies will be kept for inspection by any member of the Company at its registered office and also at the registered office of the concerned subsidiary company.

As required under the provisions of sub-section (2A) of section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of the employees are set out in an Annexure to the Directors' Report. As per provisions of section 219(1)(b) (iv) of the said Act, these particulars will be made available to any shareholder on request.

The Company, being by and large a financial services company, there are no particulars regarding technology absorption required to be given under section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of Board of directors) Rules, 1988 for the year under review. Particulars required to be given relating to conservation of energy in its wind energy generation business and foreign exchange earnings and outgo have been set out separately in this Report.

Directors' responsibility statement as required by section 217(2AA) of the Companies Act, 1956 appears in a preceding paragraph.

Certificate from auditors of the Company regarding compliance of conditions of corporate governance is annexed to this Report.

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

A Cash Flow Statement for the year 2013-14 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 was no case reported during the year under review under the said Policy.

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, alongwith 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 the year 2013-14. A declaration to this effect signed by the Managing Director/CEO of the Company is contained in this Annual Report.

The Managing Director/CEO and CFO have certified to the Board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is contained in this Annual Report.

Secretarial Standards of ICSI

Companies Act, 2013 has now mandated certain Secretarial Standards specified by the Institute of Company Secretaries of India from time to time. The Company is, however, complying with the Secretarial Standards for many years now.

Auditors' report

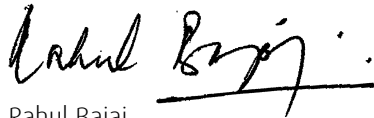
The observations made in the Auditors' Report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

Auditors

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 only.

The members are therefore requested to appoint Dalal & Shah, Chartered Accountants, (registration number: 102021W) as auditors for three years from the conclusion of the ensuing annual general meeting till the conclusion of the 10th annual general meeting scheduled in 2017 and to fix their remuneration for the year 2014-15.

On behalf of the Board of Directors,



Rahul Bajaj
Chairman

14 May 2014

Annexure 1

Auditors' certificate regarding compliance of conditions of Corporate Governance

To the Members of **Bajaj Finserv Ltd.**

We have examined the compliance of conditions of Corporate Governance by Bajaj Finserv Ltd., for the year ended 31 March 2014, as stipulated in clause 49 of the listing agreements of the said Company with stock exchanges 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.

In our opinion and to the best of our information and according to the explanations given to us, 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 P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Annexure 2

Declaration by Chief Executive Officer (CEO)

I, Sanjiv Bajaj, Managing Director of Bajaj Finserv Ltd. 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.

Sanjiv Bajaj
Managing Director
Pune: 14 May 2014

Annexure 3

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

We, Sanjiv Bajaj, Managing Director and Kevin D'sa, CFO and President (Business Development) of Bajaj Finserv Ltd., certify to the board:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2014 and that to the best of our knowledge and belief;
 - these statements do not contain any materially untrue statement nor omit any material fact or 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 our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls for financial reporting, we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the Audit Committee of:
 - i. significant changes in internal control 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 we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

Sanjiv Bajaj
Managing Director
Pune: 14 May 2014

Kevin D'sa
CFO and President (Business Development)

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 each 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

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)

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



Consolidated Financial Statements

Independent Auditors' Report on the Consolidated Financial Statements

To the Board of Directors of **Bajaj Finserv Ltd.**

1. We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of Bajaj Finserv Ltd. ("the Company") and its subsidiaries and its jointly controlled entity; hereinafter referred to as the "Group" (refer Note 1 to the attached consolidated financial statements) which comprise the consolidated Balance Sheet as at 31 March 2014, and the consolidated Statement of Profit and Loss and the consolidated 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 consolidated financial statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements and Accounting Standard (AS) 27 – Financial Reporting of Interests in Joint Ventures notified under section 211(3C) of the Companies Act, 1956.
7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to in paragraph 9 below, and to the best of our information and according to the explanations given to us, in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Emphasis of matter

8. Without qualifying our opinion, we draw attention to Note 4B(m)(ii) to the financial statements, relating to the dismantling of the Indian Motor Third Party Insurance Pool, wherein Bajaj Allianz General Insurance Company Ltd. has opted to amortise the transitional liability on straight line basis over three years beginning with the financial year ended 31 March 2012. Accordingly ₹ 119.89 crore (previous year ₹ 119.89 crore) has been charged to Revenue Account and the unamortised transitional liability amounting to ₹ Nil (previous year ₹ 119.89 crore) has been carried forward pursuant to the exercise of option for accounting treatment for the same prescribed under paragraph 3(b) of the Insurance Regulatory and Development Authority Order No. IRDA/F&A/ORD/MTAP/070/03/2012 dated 22 March 2012.

Other matters

9. We did not audit the financial statements of two subsidiaries and one jointly controlled entity included in the consolidated financial statements, which constitute total assets of ₹ 48,486.02 crore and net assets of ₹ 7,307.99 crore as at 31 March 2014, total revenue of ₹ 11,387.57 crore, net profit of ₹ 1,435.03 crore and net cash flows amounting to ₹ 109.36 crore for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Consolidated Balance Sheet

(₹ In Crore)

As at 31 March

Particulars	Note No.	2014	2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	5	79.56	79.56
Reserves and surplus	6	9,231.59	7,723.53
Fair value change account		-	(1.61)
		9,311.15	7,801.48
Funds for future appropriations	7	183.95	174.06
Minority interest		3,541.51	2,898.92
Non-current liabilities			
Long-term borrowings	8	10,300.26	7,360.58
Deferred tax liabilities (net)		10.46	8.82
Policy liabilities		10,603.70	8,043.37
Linked liabilities		1,956.12	1,708.15
Discontinued fund liabilities		145.50	48.98
Other long-term liabilities	9	60.58	42.80
Long-term provisions	10	119.64	83.91
		23,196.26	17,296.61
Current liabilities			
Short-term borrowings	11	5,472.78	2,080.14
Trade payables	12	5,060.89	4,568.79
Policy liabilities		1,104.75	725.16
Linked liabilities		19,331.48	22,788.43
Other current liabilities	12	4,608.47	4,974.32
Short-term provisions	10	2,582.42	2,071.13
		38,160.79	37,207.97
Total		74,393.66	65,379.04

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 P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Consolidated Balance Sheet (Contd.)

(₹ In Crore)

Particulars	Note No.	As at 31 March	
		2014	2013
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	799.94	754.96
Intangible assets	13	33.45	23.88
Capital work-in-progress		1.38	1.79
		834.77	780.63
Goodwill on consolidation of subsidiary/associates		429.03	429.03
Non-current investments	14	11,456.64	9,249.25
Policyholders' investments		10,374.12	8,162.20
Assets held to cover linked liabilities		2,909.84	3,295.22
Deferred tax assets (net)		171.06	131.22
Long-term loans and advances	15	307.73	216.31
Receivables under financing activity	16	13,852.42	9,548.19
Other non-current assets	18	853.72	871.70
		41,189.33	32,683.75
Current assets			
Current investments	14	888.29	686.65
Policyholders' investments		1,162.10	607.25
Assets held to cover linked liabilities		18,377.76	21,201.36
Assets held to cover discontinued funds		145.50	48.98
Receivables under financing activity	16	9,118.53	7,195.45
Trade receivables	17	370.38	353.02
Cash and bank balances	19	2,060.99	1,603.11
Short-term loans and advances	15	392.71	369.63
Other current assets	18	688.07	629.84
		33,204.33	32,695.29
Total		74,393.66	65,379.04

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Consolidated Statement of Profit and Loss

(₹ In Crore)

For the year ended 31 March

Particulars	Note No.	2014	2013
Revenue from operations	20	4,908.01	3,819.38
Other income	21	3.97	2.46
Operating result from general insurance business	22	473.91	333.86
Amount transferred from the policyholders' account		639.10	917.48
Total revenue		6,024.99	5,073.18
Expenses:			
Contribution to the policyholders' fund		6.94	2.35
Employee benefits expense	23	440.73	334.28
Loan losses and provisions	24	257.81	181.75
Finance costs	25	1,561.87	1,203.58
Depreciation and amortisation	26	30.88	21.69
Other expenses	27	825.15	621.42
Total expenses		3,123.38	2,365.07
Profit before tax		2,901.61	2,708.11
Tax expense			
Current tax		748.04	516.44
Share of current tax of joint venture		0.65	1.00
Deferred tax		(38.22)	(23.45)
Share of deferred tax of joint venture		0.02	(0.05)
Total tax expense		710.49	493.94
Profit after tax		2,191.12	2,214.17
Tax (debits)/credits pertaining to earlier years		(0.06)	-
Share of tax (debits)/credits pertaining to earlier years of joint venture		(0.13)	-
Minority interest		646.85	640.53
Profit for the year		1,544.08	1,573.64
Basic and diluted Earnings per share (In ₹)	28	97.0	103.0
(Nominal value per share ₹ 5)			

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 P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee

Notes to consolidated financial statements for the year ended 31 March 2014

- 1 (a) The consolidated financial statements include results of the following subsidiaries and joint ventures of Bajaj Finserv Ltd., consolidated in accordance with AS-21 "Consolidated Financial Statements" and AS-27 "Financial Reporting of Interests in Joint Ventures".

Name of the company	Country of incorporation	% Shareholding of Bajaj Finserv Ltd.	Consolidated as
Bajaj Allianz General Insurance Company Ltd.	India	74%	Subsidiary
Bajaj Allianz Life Insurance Company Ltd.	India	74%	Subsidiary
Bajaj Finance Ltd.	India	61.54%	Subsidiary
Bajaj Financial Solutions Ltd.*	India	100%	Subsidiary
Bajaj Financial Holdings Ltd.**	India	100%	Subsidiary
Bajaj Allianz Financial Distributors Ltd.	India	50%	Joint venture

* The consolidated financial results of Bajaj Financial Solutions Ltd. include 100% interest in Bajaj Financial Securities Ltd. as a subsidiary.

** The Company was incorporated on 7 February 2014. The first financial statements of the Company will be prepared on 31 March 2015.

- (b) 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 from the Ministry of Corporate Affairs, vide General Circular 08/2014 dated 4 April 2014, these financial statements have been prepared in accordance with the relevant provisions/Schedules/Rules 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 the RBI guidelines/regulations to the extent applicable.
- 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.
- (c) Considering that the accounts of the two insurance companies have been prepared in accordance with and in the manner prescribed by the regulations of the Insurance Regulatory and Development Authority and the lack of homogeneity of the business, the financial statements of the insurance companies have been consolidated, to the extent possible in the format as adopted by the parent, as required by AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- 2 Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosures.
- 3 No adjustments have been made to the financial statements of the two insurance subsidiaries on account of diverse accounting policies as the same, being insurance companies, have been prepared under a regulated environment in contrast to those of Bajaj Finserv Ltd. and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.
- 4 **Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent.** (The accounting policies of the parent are best viewed in its independent financial statements, Note 2).

A. Bajaj Allianz Life Insurance Company Ltd.

Significant accounting policies followed by the Company

Basis of preparation

The accompanying financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in compliance with the Accounting Standards ('AS') prescribed in the

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

Companies Act, 1956 and Rules there under, to the extent applicable, and in accordance with the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations'), Insurance Regulatory and Development Authority Act, 1999, various circulars issued by IRDA and the practices prevailing in the insurance industry in India. The accounting policies have been consistently applied by the Company.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 the current and future periods.

a) Revenue recognition

Revenues are recognised as under. However, recognition is postponed where ultimate collectability lacks reasonable certainty.

Premium income

Premium is recognised as income when due. For linked business, premium is recognised when the associated units are allotted.

Premium on lapsed policies is recognised as income when such policies are reinstated.

In case of linked business, top up premiums paid by policyholders are unitised and considered as single premium. This premium is recognised when associated units are allotted.

Commission received on reinsurance ceded is recognised as income in the period in which reinsurance premium is ceded.

Income earned on investments

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive dividend is established.

Premium or discount on acquisition, as the case may be, in respect of debt securities, pertaining to non-linked investments is amortised over the period of maturity/holding and offset against interest income.

The realised gains or losses on equity shares and mutual fund units for other than linked business is the difference between the net sale consideration and the weighted average cost in the books of the Company.

Profit/loss on sale/redemption of such securities other than linked investments is recognised on trade/redemption date and includes effects of accumulated fair value changes, as applicable and previously recognised, for specific investments sold/redeemed during the year. Cost of security is determined on weighted average cost basis.

The realised gains or losses on the debt securities for other than linked business is the difference between the net sale consideration and the amortised cost computed on weighted average basis as on the date of sale.

The realised gains or losses on securities held for linked business is the difference between the net sale consideration and the weighted average cost as on the date of sale.

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

Fund management charges, policy/fund administration charges and cost of insurance are accounted for on accrual basis in accordance with terms and conditions described in the issued policies.

b) Reinsurance premium

Reinsurance premium ceded is accounted in accordance with the treaty with reinsurers.

c) Benefits paid (including claims)

Death and surrender claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Reinsurance recoveries are accounted for in the same period as the related claims and netted off against the claim expense incurred.

Repudiated claims disputed before judicial authorities are provided for based on the best judgment of the Management considering the facts and evidence in respect of each such claim.

Withdrawals under unit linked policies are accounted in respective schemes when the associated units are cancelled.

Surrender charges recovered are netted off against the claim expense incurred.

d) Acquisition costs

Acquisition costs such as commission, policy issue expenses etc. are costs that vary with and are primarily relatable to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred. Additional first year commission is accounted for on an accrual basis, after considering estimated lapsations. Claw back in future, if any, for the first year commission paid, is accounted for in the year in which it is recovered.

e) Liability for life policies

- (i) The Company provides for liabilities in respect of all "in force" policies and "lapsed policies" that are likely to be revived in future, based on actuarial valuation done by the Appointed Actuary as per gross premium method in accordance with accepted actuarial practices, requirements of IRDA and the Institute of Actuaries of India.
- (ii) Accordingly, liabilities in respect of unit linked policies which have lapsed and are not likely to be revived, are shown as a separate item under the head "Funds for future appropriations", until expiry of the revival period. This is as per IRDA Circular No. 041/IRDA/ACTL/MAR-2006 dated 29 March 2006.
- (iii) Linked liabilities comprise unit liability representing the fund value of policies and non-unit liability for meeting insurance claims and expenses etc. This is based on an actuarial valuation carried out by the Appointed Actuary.

Actuarial policies and assumptions are given in 29 A 1 below.

f) Investments

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, as amended and circulars/notifications issued by IRDA from time to time.

Investments are recorded on trade date at cost, which includes brokerage, fees and related taxes, if any and excludes pre-acquisition interest, if any.

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

i) Classification

Investments maturing within twelve months from the Balance Sheet date and investments made with the specific intention to dispose of within twelve months from Balance Sheet date are classified as short-term investments. Investments other than short-term are classified as long-term investments.

Investments are specifically procured and held for policyholders and shareholders independently and the income relating to these investments is recognised in the Revenue Account and Profit and Loss Account respectively.

ii) Valuation – Shareholders’ investments and non-linked Policyholders’ investments

All debt securities are considered as ‘held to maturity’ and accordingly stated at historical cost adjusted for amortisation of premium or accretion of discount over the period held to maturity/sale. Investment in unlisted equity, venture capital fund, security receipts and loans are valued at cost.

Listed equity shares and mutual fund units are stated at fair value, in accordance with IRDA Investment (Amendment) Regulations 2001. Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE. Fair value for mutual fund units is the per unit net asset value on the Balance Sheet date declared by respective mutual fund. Unrealised gains/losses on changes in fair values of listed equity shares and mutual funds are taken to the Fair value change account and carried forward in the Balance Sheet.

iii) Valuation – linked business

Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE.

Government securities are valued at prices obtained from Credit Rating Information Services of India Ltd. (CRISIL).

Corporate bonds and debentures are valued on the basis of CRISIL Bond Valuer. Treasury bills, Certificate of Deposits and Commercial Papers are valued at cost plus accretion using the straight line method. Loans are valued at cost.

Mutual fund units have been valued at the last available per unit Net Asset Value declared by the respective mutual fund. Venture Capital Funds are valued at NAV.

iv) Valuation – discontinued fund

Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE.

Government securities are valued at prices obtained from Credit Rating Information Services of India Ltd. (CRISIL).

Corporate bonds and debentures are valued on the basis of CRISIL Bond Valuer. Treasury bills, Certificate of Deposits and Commercial Papers are valued at cost plus accretion using the straight line method.

Mutual fund units have been valued at the last available per unit Net Asset Value declared by the respective mutual fund.

v) Transfer of investments

Transfer of investments from Shareholders’ fund to the Policyholders’ fund is at book value or market price; whichever is lower.

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

Transfer of debt securities is at lower of amortised cost or market price.

Inter fund transfer of Treasury Bills, Certificate of Deposits and Commercial Papers between unit linked funds is done at cost plus accretion. Inter fund transfer of loans is done at cost. All other transfer of investments between unit linked funds is done at prevailing price.

g) Loans

Loans are stated at historical cost, net of provision for impairment, if any.

h) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition includes incidental expenses relating to acquisition and installation. In respect of liabilities incurred in acquisition of fixed assets in foreign exchange, the net gains or losses arising on conversion/settlement is charged to Revenue Account.

Intangible assets comprising software are stated at cost less amortisation.

Depreciation/amortisation is provided on straight line method (SLM) with reference to the Management's assessment of the estimated useful life of the assets or the rates specified by the Schedule XIV of the Companies Act, 1956, whichever is higher.

Depreciation/amortisation is provided at the following rates:

Asset class	Rate of depreciation/ amortisation (SLM)	Rate of depreciation as per Sch. XIV (SLM)
Intangibles – computer software	33.33% p.a.	16.21% p.a.
Leasehold improvements	Over the balance period of lease	Over the balance period of lease
Buildings	2.00% p.a.	1.63% p.a.
Electrical fittings	6.33% p.a.	4.75% p.a.
Furniture and fittings	6.33% p.a.	6.33% p.a.
Information technology equipment	33.33% p.a.	16.21% p.a.
Air conditioner	10.00% p.a.	4.75% p.a.
Vehicles	20.00% p.a.	7.07% p.a.
Office equipment	25.00% p.a.	4.75% p.a.

The Company provides pro rata depreciation from the month in which the asset is acquired/first put to use and upto the month in which the asset is sold/discarded.

Assets costing individually less than ₹ 5,000 are charged off as revenue expenses. Assets costing individually ₹ 5,000 and above, upto ₹ 20,000, are fully depreciated in the year of acquisition.

Impairment of assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognised if such recoverable amount of the asset is less than its carrying amount. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

i) 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 reliable 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.

j) Service tax

Service tax liability on premium and charges is setoff against available service tax credits from service tax payments made for Insurance Auxiliary and other eligible services. Unutilised credits, if any, are carried forward under "Advances and other assets" for adjustments/setoff in subsequent periods, after creating a provision based on estimated realisation of the unutilised credit. Such provisions are subsequently reversed only on reasonable certainty that the credits will be utilised in future periods.

B. Bajaj Allianz General Insurance Company Ltd.

Significant accounting policies followed by the Company

Basis of preparation

The financial statements are prepared and presented in accordance with the Generally Accepted Accounting Principles followed in India under the historical cost convention and accrual basis of accounting and in accordance with the statutory requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('The Regulations') and orders and directions issued by the IRDA in this behalf, the Companies Act, 1956 ('The Act') and 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 to the extent applicable and comply with the notified accounting standards issued by Companies Accounting Standard Rules, 2006 (to the extent applicable) and current practices prevailing in the insurance industry.

Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires Management to make estimates and assumption that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent liabilities. The estimates and assumptions used in 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 may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

a. Revenue recognition

i) Premium

Premium (net of service tax), including reinstatement premium, on direct business and reinsurance accepted, is recognised as income over the contract period or the period of risk, whichever is appropriate, on a gross basis. Any subsequent revisions to or cancellations of premiums are recognised in the year in which they occur.

ii) Interest/dividend income

Interest income is recognised on accrual basis and dividend income is recognised when the right to receive the dividend is established.

iii) Premium/discount on purchase of investments

Premium or discount on acquisition, as the case may be, in respect of fixed income securities, is amortised/accreted on constant yield to maturity basis over the period of maturity/holding.

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

B. Bajaj Allianz General Insurance Company Ltd. (Contd.)

iv) Profit/loss on sale of securities

Profit or loss on sale/redemption of securities is recognised on trade date basis and includes effects of accumulated fair value changes, previously recognised and credited to Fair value reserve, for specific investments sold/redeemed during the year.

v) Commission on reinsurance ceded

Commission received on reinsurance ceded is recognised as income in the period in which reinsurance premium is ceded. Profit commission under re-insurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by reinsurer.

b. Reinsurance ceded

Reinsurance cost, in respect of proportional reinsurance ceded, is accrued at policy inception. Non-proportional reinsurance cost is recognised when incurred and due. Any subsequent revision to, refunds or cancellations of premiums are recognised in the year in which they occur.

c. Reinsurance accepted

Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.

d. Acquisition costs

Acquisition costs, defined as costs that vary with, and are primarily related to, the acquisition of new and renewal insurance contracts viz., commission, policy issue expenses etc., are expensed in the year in which they are incurred.

e. Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the Balance Sheet date.

f. Reserve for unexpired risk

Represents that part of the net premium (i.e., premium, net of reinsurance ceded) which is attributable to, and set aside for subsequent risks to be borne by the Company under contractual obligations on contract period basis or risk period basis, whichever is appropriate, subject to a minimum of 100% in case of marine hull business and 50% in case of other businesses based on net premium written during the year as required by section 64 V(1)(ii)(b) of the Insurance Act, 1938. (Also refer clause m.).

g. Premium deficiency

Premium deficiency is recognised if the ultimate amount of expected net claim costs, related expenses and maintenance costs exceeds the sum of related premium carried forward to the subsequent accounting period as the reserve for unexpired risk. The Company considers maintenance costs as relevant direct costs incurred for ensuring claim handling operations. Further, as per IRDA circular IRDA/F&A/CIR/FA/126/07/2013, dated 3 July 2013 (Corrigendum on Master Circular IRDA/F&I/CIR/F&A/231/10/2012, dated 5 October 2012), Premium Deficiency, if any has been recognised for the Company as a whole.

h. Claims incurred

Claims are recognised as and when reported. Claims incurred comprises of claims paid, change in the outstanding provision of claims and estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER'). It also includes survey fees, legal expenses and other costs directly attributable

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

B. Bajaj Allianz General Insurance Company Ltd. (Contd.)

to claims. Claims paid (net of recoveries including salvage retained by the insured and includes interest paid towards claims) are charged to the respective Revenue Account when approved for payment. Where salvage is retained by the Company, the recoveries from sale of salvage are recognised at the time of sale. Provision is made for estimated value of outstanding claims at the Balance Sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, as anticipated and estimated by the Management in light of past experience and subsequently modified for changes, as appropriate. Amounts received/receivable from the reinsurers/coinsurers, under the terms of the reinsurance and coinsurance arrangements respectively, are recognised together with the recognition of the claim.

i. IBNR and IBNER (Claims incurred but not reported and claims incurred but not enough reported)

IBNR represents that amount of all claims that may have been incurred prior to the end of the current accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims incurred but not enough reported (IBNER). The said liability is determined based on actuarial principles by the Appointed Actuary. The methodology and assumptions on the basis of which the liability has been determined has also been certified by the Actuary to be appropriate, in accordance with guidelines and norms issued by the Institute of Actuaries of India in concurrence with the IRDA and, accordingly, the liability determined is certified as adequate by the Actuary.

j. Income from investments and other income

Income earned from investments and fixed deposits with banks, gains or losses on sale of investments and other income is allocated to the Revenue Accounts and the Profit and Loss Account on the basis of funds available from insurance operations and shareholders funds and are further allocated to the lines of business in proportion of their respective Gross Written Premium.

k. Fixed assets and depreciation/amortisation

Fixed assets are stated at cost (including incidental expenses relating to acquisition and installation) less accumulated depreciation. Assets costing upto ₹ 20,000 are depreciated fully in the year of acquisition.

Depreciation on other assets are provided on straight line method ('SLM') with reference to the Management's assessment of the estimated useful life of the assets or at the rates and in the manner specified by the Schedule XIV of the Companies Act, 1956 whichever is higher, as follows:

Nature of assets	Depreciation rates as per books(SLM)	Depreciation rates as per Sch XIV(SLM)
Information technology equipment	33.33%	16.21%
Computer software (Intangibles)	33.33%	16.21%
Vehicles	20.00%	7.07%
Office equipment	25.00%	4.75%
Furniture and fixtures	6.33%	6.33%
Building	2.00%	1.63%
Air conditioner (part of office equipments)	10.00%	4.75%
Electrical fittings (part of furniture and fittings)	33.33%	4.75%
Leasehold improvements	33.33%	–
Freehold improvements on investment properties leased out	33.33%	–

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

B. Bajaj Allianz General Insurance Company Ltd. (Contd.)

The Company provides pro rata depreciation from/to the month in which the asset is acquired or put to use/disposed off as appropriate.

Impairment of assets

- (i) The carrying amounts of all assets are reviewed by the Company at each Balance Sheet date. If there is any indication of impairment based on internal/external factors, an impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's, net selling price and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the assets and from its disposal at the end of its useful life. In assessing value in use the estimated future cash flows are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the asset, as determined by the Management.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life, if any.

I. Investments

Investments are recorded on trade date at cost. Cost includes brokerage, transfer charges, transaction taxes as applicable, etc. and excludes pre-acquisition interest, if any.

Classification:

Investments maturing within twelve months from Balance Sheet date and investments made with the specific intention to dispose off within twelve months from Balance Sheet date are classified as short-term investments. Investments other than short-term investments are classified as long-term investments.

Valuation:

Debt securities

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortisation of premium or accretion of discount on constant yield to maturity basis in the Revenue Accounts and Profit and Loss Account over the period held to maturity/holding.

The realised gains or losses on the securities is the difference between the sale consideration and the amortised cost in the books of the Company as on the date of sale determined on weighted average cost basis.

Equities (listed and actively traded)

Listed and actively traded securities are stated at the lower of the last quoted closing prices on the National Stock Exchange of India Ltd. or the Bombay Stock Exchange Ltd. Unrealised gains or losses are credited/debited to the Fair value change account.

The realised gains or losses on the listed and actively traded equities is the difference between the sale consideration and the carrying cost as on the date of sale, determined on a weighted average cost basis and includes the accumulated changes in the fair value previously taken to the Fair value change account, in respect of the particular security; such gains or losses is transferred to revenue on the trade date.

Mutual fund units

Mutual fund units are stated at their Net Asset Value ('NAV') at the Balance Sheet date. Unrealised gains or losses are credited/debited to the Fair value change account.

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

B. Bajaj Allianz General Insurance Company Ltd. (Contd.)

The realised gains or losses on the mutual fund units is the difference between the sale consideration and the carrying cost as on the date of sale, determined on a weighted average cost basis and includes the accumulated changes in the fair value previously taken to the Fair value change account, in respect of the particular security; such gains or losses is transferred to revenue on the trade date.

Fair value change account

Fair value change account represents unrealised gains or losses in respect of investments in equity securities, derivative instruments and mutual fund units outstanding at the close of the year. The balance in the account is considered as a component of shareholders' funds and not available for distribution as dividend.

Unrealised loss on listed and actively traded investments held for long-term are not considered to be of a permanent nature and hence not considered as impaired. However, the Company, at each Balance Sheet date, assesses investments for any impairment and necessary provisions are made for the same where required.

Real estate – investment property

Investment property is measured at historical cost less accumulated depreciation and impairment loss, if any.

m. Contributions to Terrorism and Third Party Insurance Pools

i) Terrorism pool

In accordance with the requirements of IRDA, the Company, together with other insurance companies, participated in the Terrorism pool. This pool is managed by the General Insurance Corporation of India ('GIC'). Amounts collected as terrorism premium in accordance with the requirements of the Tariff Advisory Committee ('TAC') are ceded at 100% of the terrorism premium collected to the Terrorism pool, subject to conditions and an overall limit of ₹ 10 billion (previous year ₹ 10 billion) per location/compound.

In accordance with the terms of the agreement, GIC retro cedes, to the Company, terrorism premium to the extent of the share agreed to be borne by the Company in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism pool has been recorded only upto 31 December 2013.

The entire amount of reinsurance accepted for the current year on this account, net of claims and expenses, upto the above date, has been carried forward to the subsequent accounting period as 'Unexpired risk reserve' for subsequent risks, if any, to be borne by the Company.

ii) The Indian Motor Third Party Insurance Pool ('IMTPIP')

In accordance with the directions of IRDA, the Company, together with other direct general insurance companies, participated in the Indian Motor Third Party Insurance Pool ('IMTPIP'). The IMTPIP was administered by the General Insurance Corporation of India ('GIC'). The IMTPIP covered reinsurance of the entire third party risks of specified commercial motor vehicles (specified risks). Amounts collected as premium in respect of specified risks were ceded at 100% of such premium, to the IMTPIP. The terms of the IMTPIP were covered by the provisions of a multi-lateral reinsurance arrangement, executed by all direct insurers licensed to carry on motor insurance business with effect from 1 April 2007.

As per the directions of the IRDA and the terms of the agreement between participant companies:

- a) The General Insurance Corporation of India ('GIC') participated in the pooled business at such percentage of the motor business that was ceded to it by all insurers as statutory reinsurance cessions under section 101A of the Insurance Act.
- b) The business remaining after such cession to GIC was shared among all general insurers writing motor insurance business in the proportion that their gross direct general insurance premium in India from all

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

B. Bajaj Allianz General Insurance Company Ltd. (Contd.)

classes of general insurance underwritten by them in that financial year bore to the aggregate gross direct general insurance premium from all classes of general insurance business written by all participant companies. Such share of business was computed by GIC and was applicable to all insurance companies, who were members of the IMTPIP.

The Company's share of premiums, claims, reinsurance commissions and expenses of the Pool was recorded as inward reinsurance business, based on the returns submitted by GIC, under the respective heads of income or expense as the case may be and included within the Motor Third Party sub-segment of the Miscellaneous Revenue Account.

IRDA vide Orders IRDA/NL/ORD/MPL/277/12/2011 dated 23 December 2011, IRDA/NL/ORD/MPL/003/01/2012 dated 3 January 2012 directed the dismantling of the IMTPIP and advised recognition of actuarially estimated liabilities relating to IMTPIP for all underwriting years commencing from 1 April 2007 and ending with 31 March 2012. Further, IRDA, vide Order No IRDA/F&A/ORD/MTPP/070/03-2012 dated 22 March 2012, amongst other things, provided an option to insurers for a deferred absorption of the transitional liability on straight line basis, subject to the conditions listed in the said Order. In terms of the aforesaid order, the Company has carried forward the transitional liability of ₹ 239.77 crore for the underwriting years 2009-10, 2010-11 and 2011-12, which has to be absorbed equally over two financial years 2012-13 and 2013-14. Accordingly, Company has accounted total deferred loss of ₹ 119.89 crore in FY 2012-13 and ₹ 119.88 crore in 2013-14 and as a result as on 31 March 2014 deferred loss has been absorbed completely.

iii) The Indian Motor Third Party Declined Risk Insurance Pool ('IMTPDRIP')

After dismantling of the Motor Pool, IRDA has formed a Declined Risk Insurance Pool with effect from 1 April 2012 vide order IRDA/NL/ORD/MPL/277/12/2011. The Indian Motor Third Party Declined Risk Insurance Pool (DR Pool), administered by the GIC, is an arrangement among all the existing general insurers to share in the stand alone third party liability of commercial vehicles i.e. Act only policies. Any business relating to Act only policies of commercial vehicles which does not fall within the underwriting parameters of respective insurer shall be ceded to the DR Pool. The premium to the extent of 20% in respect of specified risks is to be retained by the Company, 5% is to be ceded to GIC under obligatory cession and residual 75% is to be ceded to DR Pool. The Company has to underwrite a minimum percentage as prescribed of Act only commercial vehicle third party insurance. DR pool shall be extinguished at the end of every underwriting year on a clean cut basis by transferring the risk at par to the members who have not fulfilled their mandatory obligation.

Accordingly, GIC has circulated the settlement statement upto 31 December 2013 stating the details of premium ceded to the pool, shortfall of obligation and share of the Company in the DR Pool premium. The Company has recorded its share of premiums and claims as inward reinsurance business, based on the returns submitted by the GIC, under the respective heads of income or expense as the case may be and included within the Motor Third Party sub-segment of the Miscellaneous Revenue Account. Accordingly, such share has been recorded by the Company upto 31 December 2013 and for the period from 1 January 2014 to 31 March 2014 the losses from the pool of ₹ 8.70 crore (previous year ₹ 1.50 crore) are provided based on the Management's estimate and recorded net under claims incurred.

n. Contributions to Solatium funds

The Company provides for contribution to Solatium fund as 0.10% of total TP Premium of direct business as per requirements of IRDA circular.

o. Service tax

Service tax collected is considered as a liability against which service tax paid for eligible input services, to the extent claimable, is adjusted and the net liability is remitted to the appropriate authority as stipulated. Unutilised credits, if any, are carried forward under "Others - Unutilised service tax carried forward" for adjustments in subsequent periods and service tax liability to be remitted to the appropriate authority is disclosed under "Others-Service tax payable". Service tax paid for eligible input services not recoverable by way of credits are recognised in the Revenue Account as expenses forming as separate line item.

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

B. Bajaj Allianz General Insurance Company Ltd. (Contd.)

p. Provisions and contingent liabilities

A provision is recognised when an enterprise has a present obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

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.

Contingent assets neither recognised nor disclosed.

C. Bajaj Finance Ltd.

Significant accounting policies followed by the Company

a. 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 pro-rata 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.

b. 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.

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

C. Bajaj Finance Ltd. (Contd.)

- 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.

c. 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 the financial statements as required and considered necessary.

d. 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 any 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.

D. Bajaj Financial Solutions Ltd.

Background

Bajaj Financial Solutions Ltd. was incorporated, as wholly owned subsidiary of Bajaj Finserv Ltd., on 13 June 2008 with the main object of undertaking, inter alia, financial advisory, distribution of all kinds of financial products and to act as corporate agent under the provisions of IRDA Act, 1999.

Significant accounting policies followed by the Company

a) Revenue recognition

- i) Income from financial advisory service charges is recognised net of service tax when due.
- ii) Commission on sale of life and general insurance policies is recognised net of service tax on due basis.
- iii) Profit/loss on sale/redemption of investments is recognised on the contract date.

b) Fixed assets, depreciation and amortisation

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss if any thereon. Depreciation is charged using the straight line method based on the useful life of fixed assets as estimated by the Management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, whichever is higher.

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

D. Bajaj Financial Solutions Ltd. (Contd.)

Estimated useful life of the assets is as under:

Assets	Estimated useful life
Furniture and fixtures – leased premises	5 years
Furniture and fixtures – other premises	10 years
Communication equipments	5 years
Electric installation	3 years
IT installation	3 years
Customised and licensed softwares	3 years
Office equipment	5 years
Vehicles	5 years

Depreciation is charged from the month in which new assets are put to use. Depreciation on assets sold, discarded or demolished during the year is being provided at their rates upto the month in which such assets are sold, discarded or demolished.

Individual assets/group of similar assets costing less than ₹ 5,000 has been depreciated in full in the year of purchase.

E. Bajaj Financial Securities Ltd.

Background

Bajaj Financial Securities Ltd. was incorporated, as a wholly owned subsidiary of Bajaj Financial Solutions Ltd., on 7 April 2010 with the main object of undertaking, inter alia, stock/share broking business and to act as Depository Participant, within the provisions of Securities and Exchange Board of India Act, 1992 and relevant rules and regulations.

Significant accounting policies followed by the Company

a) Revenue recognition

- Income from broking operations includes brokerage on purchase/sale of listed securities, which is recognised when due, on trade date of transaction. Brokerage on purchase/sale of listed tradable securities is recognised net of service tax and other taxes, levies etc. Commission from Asset Management Companies is recognised on accrual basis, net of service tax.
- Profit/loss on sale/redemption of investments is recognised on the contract date.
- Interest on fixed deposits is recognised when due.

F. Bajaj Allianz Financial Distributors Ltd.

Background

Bajaj Allianz Financial Distributors Ltd. is a Joint venture between Bajaj Finserv Ltd. and Allianz SE incorporated on 16 March 2007 with an objective to engage in the business of distribution of variety of financial products and services such as mutual funds, personal loans, credit cards and home loans and providing manpower and recruitment support services under the name of Bajaj Allianz Staffing Solutions, a Division of Bajaj Allianz Financial Distributors Ltd.

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

F. Bajaj Allianz Financial Distributors Ltd. (Contd.)

Significant accounting policies followed by the Company

Accounting assumptions

The financial statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 ('the Rules') and in conformity with accounting principles generally accepted in India ('Indian GAAP') as applicable, and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

Use of estimate

The presentation of financial statements in conformity with the Indian GAAP requires the Management to make estimates and assumptions to be made that may affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from those estimated.

a) Revenue recognition

Income from distribution of financial products operations includes brokerage and commission on sale of mutual fund units, life and general insurance policies, personal loans, receipts from mutual funds which is recognised when due, on completion of transaction.

Income from manpower and recruitment support services are recognised on the basis of contractual service agreement entered.

Brokerage and commission on sale of mutual fund units and life and general insurance policies is recognised net of service tax.

b) Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current/short-term or long-term based on the Management's intention at the time of purchase. Long-term Investments are carried at cost less any permanent diminution in value, determined separately for each individual investment. Current/short-term Investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

c) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts.

Contingent assets are not recognised.

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

5 Share capital

Particulars	(₹ In Crore)	
	As at 31 March 2014	2013
Authorised:		
200,000,000 equity shares of ₹ 5 each	100.00	100.00
Issued, subscribed and fully paid-up shares:		
159,122,352 equity shares of ₹ 5 each	79.56	79.56
	79.56	79.56

a. Further, of the above:

- 101,183,510 equity shares were allotted as fully paid up pursuant to the scheme of arrangement for demerger of erstwhile Bajaj Auto Ltd. (now Bajaj Holdings & Investment Ltd.) by the Company on 3 April 2008.
- 1,805,071 equity shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date. Outstanding GDRs at the close of the year were 41,132 (47,869)

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 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.

c. Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	62,314,214	39.16%	62,314,214	39.16%
Jamnallal Sons Pvt. Ltd.	15,106,424	9.49%	15,106,424	9.49%

d. Shares reserved for issue at a subsequent date

29,509 equity shares of ₹ 5 each offered by way of right in an earlier year, have been held in abeyance pending adjudication of title and subscription thereafter.

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

5 Share capital (Contd.)

e. Utilisation of funds raised on issue of equity shares

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Amount receivable from rights issue – as per letter of offer	940.44	940.44
Less: Amount not received on shares kept in abeyance	1.92	1.92
Amount received from rights issue – (A)	938.52	938.52
Deployment of rights issue proceeds:		
(a) Investment in Bajaj Finance Ltd. – conversion of warrants	63.96	63.96
(b) Investment in Bajaj Finance Ltd. – subscription to rights issue	478.67	478.67
(c) Share issue expenses	3.16	3.16
(d) General corporate purposes – investment in mutual funds	185.36	185.36
Total deployment of rights issue proceeds – (B)	731.15	731.15
Balance amount to be utilised (A – B)	207.37	207.37
Interim utilisation of balance rights issue proceeds:		
(a) Investment in debentures	101.02	101.02
(b) Investment in money market instruments and mutual funds	106.35	106.35
Total	207.37	207.37

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

6 Reserves and surplus

Particulars	As at 31 March	
	2014	2013
Securities premium account		
Balance as per the last financial statements	1,835.95	907.66
Add: Received during the year	17.05	931.31
Less: Share issue expenses, net of service tax availed	-	3.02
Closing balance	1,853.00	1,835.95
Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		
Balance as per the last financial statements	253.44	167.26
Add: Adjustment because of change in shareholding in subsidiary	(1.53)	2.24
Add: Transferred from surplus in Statement of Profit and Loss	105.29	83.94
Closing balance	357.20	253.44
Infrastructure reserve in terms of section 36 (1) (viii) of the Income Tax Act, 1961		
Balance as per the last financial statements	1.27	0.09
Add: Adjustment because of change in shareholding in subsidiary	(0.01)	-
Add: Transferred from surplus in Statement of Profit and Loss	0.98	1.18
Closing balance	2.24	1.27
General reserve		
Balance as per the last financial statements	1,651.43	1,398.05
Add: Adjustment because of change in reserves of subsidiary	(9.95)	211.11
Add: Transferred from surplus in Statement of Profit and Loss	52.65	42.27
Closing balance	1,694.13	1,651.43
Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	3,981.44	2,554.73
Add: Adjustment because of change in shareholding in subsidiary	(13.73)	4.33
Profit for the year	1,544.08	1,573.64
Less: Appropriations		
Transfer to Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	105.29	83.94
Transfer to Infrastructure reserve in terms of section 36 (1) (viii) of the Income Tax Act, 1961	0.98	1.18
Transfer to General reserve	52.65	42.27
Proposed dividend	27.85	23.87
Total appropriations	186.77	151.26
Balance in the Statement of Profit and Loss	5,325.02	3,981.44
	9,231.59	7,723.53

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

7 Funds for future appropriations in policyholders' account

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Premiums earned – net		
(a) Premium	5,843.14	6,892.70
(b) Reinsurance ceded	(67.82)	(57.64)
Sub-total	5,775.32	6,835.06
Income from investment		
(a) Interest, dividend and rent – gross	1,523.43	1,353.21
(b) Profit on sale/redemption of investments	3,244.34	3,744.89
(c) Loss on sale/redemption of investments	(1,379.70)	(1,371.79)
(d) Transfer/gain on revaluation/change in fair value	1,399.56	(897.10)
(e) Other investment income	126.54	196.56
Other income	30.06	16.98
Contribution from the shareholders' account	6.94	2.35
Sub-total	4,951.17	3,045.10
Total (A)	10,726.49	9,880.16
Commission	148.25	280.42
Operating expenses related to insurance business	1,472.89	1,600.30
Provision for income tax	146.92	169.28
Total (B)	1,768.06	2,050.00
Benefits paid (Net)	8,477.25	9,303.77
Interim bonuses paid	4.73	3.17
Change in valuation of liability against life policies in force		
(a) Gross	2,939.92	3,114.66
(b) Fund reserve	(3,208.98)	(5,487.25)
(c) Reserve for discontinuance fund	96.52	33.35
Total (C)	8,309.44	6,967.70
Surplus/(deficit) (D) = (A) – (B) – (C)	648.99	862.46
Opening balance of funds for future appropriations	174.06	229.08
Less: Transfer to shareholders' account	639.10	917.48
Closing balance of funds for future appropriations	183.95	174.06

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

8 Long-term borrowings*

(₹ In Crore)

Particulars	Non-current portion		Current maturities	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Secured				
Privately placed redeemable non convertible debentures	3,587.30	2,201.90	898.00	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
	9,403.97	6,566.90	3,376.33	3,185.00
Amount disclosed under the head "other current liabilities" [See note 12]	-	-	(3,376.33)	(3,185.00)
	9,403.97	6,566.90	-	-
Unsecured				
Privately placed redeemable non convertible debentures	-	310.00	310.00	364.80
Privately placed Sub-ordinated (Tier II) Redeemable Non Convertible Debentures of ₹ 10 lakh each	533.30	483.30	-	-
Term loans from banks	200.00	-	-	-
Fixed deposits	162.99	0.38	47.48	0.21
	896.29	793.68	357.48	365.01
Amount disclosed under the head "other current liabilities" [See note 12]	-	-	(357.48)	(365.01)
	896.29	793.68	-	-
	10,300.26	7,360.58	-	-

* For details and terms of repayment refer note 29 C. 3

9 Other long-term liabilities

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Trade payables	35.20	22.71
Share of trade payables of joint venture	0.03	0.03
Security deposits	20.15	15.94
Others	5.20	4.12
	60.58	42.80

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

10 Provisions

(₹ In Crore)

Particulars	Long-term		Short-term	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Provision for employee benefits				
Provision for gratuity	3.44	3.05	-	-
Share of provision for gratuity of joint venture	1.20	1.21	0.13	0.15
Provision for compensated absences	-	-	53.64	43.78
Share of provision for compensated absences of joint venture	-	-	2.11	1.90
Provision for long-term service awards	2.68	15.04	31.69	5.96
	7.32	19.30	87.57	51.79
Other provisions				
Fair value change account	-	-	67.71	5.17
Reserve for unexpired risk	-	-	2,046.89	1,779.14
Premium deficiency	-	-	-	2.64
General provision on standard assets	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 tax paid in advance)	-	-	351.15	205.93
Share of provision for tax (net of tax paid in advance) of joint venture	1.85	-	0.65	2.34
Proposed dividend	-	-	27.85	23.87
	112.32	64.61	2,494.85	2,019.34
	119.64	83.91	2,582.42	2,071.13

11 Short-term borrowings*

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Secured		
From banks, against hypothecation of assets under finance, book debts and other receivables		
Cash credit and demand loans	1,674.65	748.58
Other short-term loans	1,200.00	-
	2,874.65	748.58
Unsecured		
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
	2,598.13	1,331.56
	5,472.78	2,080.14

* For details and terms of repayment refer note 29 C. 4

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

12 Current liabilities

Particulars	(₹ In Crore)	
	As at 31 March 2014	2013
Trade payables		
Share of other dues of joint venture	0.01	0.03
Other than dues to micro and small enterprises	466.98	466.85
	466.99	466.88
Outstanding claims	3,237.08	2,821.53
Agents' balances	111.47	263.03
Balances due to other insurance companies	333.59	291.04
Claims settled but not paid	66.50	64.55
Unallocated premiums	101.87	86.31
Premium and other deposits	106.58	70.62
Due to policyholders/insured	636.81	504.83
	5,060.89	4,568.79
Other current liabilities		
Current maturities of long-term borrowings [See note 8]		
Secured	3,376.33	3,185.00
Unsecured	357.48	365.01
Premiums received in advance	177.45	146.41
Solatium fund	2.46	1.62
Unsettled investment contract payable	197.16	209.93
Interest accrued but not due	305.10	311.42
Interest accrued and due	0.01	0.17
Income received in advance	0.24	0.83
Share of income received in advance of joint venture	0.20	-
Security deposits	3.34	5.77
Unclaimed dividend	0.83	0.73
Book overdraft	1.66	564.29
Directors' remuneration and commission payable	2.69	2.13
Share of employee benefits payable of joint venture	0.29	0.39
Employee benefits payable	110.63	107.13
Share of taxes payable of joint venture	0.91	0.87
Taxes payable	37.55	43.01
Share of other payables of joint venture	1.26	1.29
Other payables	32.88	28.32
	4,608.47	4,974.32
	9,669.36	9,543.11

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

13 Fixed assets (tangible and intangible assets)

(₹ In Crore)

Particulars	Gross block				Depreciation			Net block		
	As at 31 Mar 13	Additions	Deductions/ adjustments	As at 31 Mar 14	As at 31 Mar 13	Deductions/ adjustments	For the year	As at 31 Mar 14	As at 31 Mar 14	As at 31 Mar 13
Tangible assets:										
Land freehold	13.02	-	-	13.02	-	-	-	-	13.02	13.02
Buildings	675.39	19.24	-	694.63	43.87	-	17.53	61.40	633.23	631.52
Leasehold improvements	74.74	12.35	7.25	79.84	71.12	7.23	4.25	68.14	11.70	3.62
Freehold improvements	2.46	0.02	0.06	2.42	1.71	-	0.43	2.14	0.28	0.75
Information technology equipment	264.83	28.73	12.23	281.33	240.25	11.84	19.64	248.05	33.28	24.58
Electric installations	0.07	-	0.07	-	0.05	0.06	0.01	-	-	0.02
Office equipment	54.75	19.22	4.78	69.19	39.99	3.82	6.59	42.76	26.43	14.76
Furniture and fixtures	92.57	29.32	9.55	112.34	51.23	7.77	13.39	56.85	55.49	41.34
Electric fittings	3.31	-	-	3.31	0.68	-	0.20	0.88	2.43	2.63
Vehicles	13.09	5.04	2.50	15.63	4.56	1.48	2.66	5.74	9.89	8.53
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19	14.19
Plant and machinery	17.64	-	-	17.64	17.64	-	-	17.64	-	-
Total	1,495.59	113.92	36.44	1,573.07	740.63	32.20	64.70	773.13	799.94	754.96
Share of fixed assets of joint ventures	0.15	-	-	0.15	0.11	-	-	0.11	0.04	0.04
Previous year total	1,307.19	208.69	20.29	1,495.59	702.78	17.12	54.97	740.63	754.96	
Share of fixed assets of joint ventures - previous year	0.15	-	-	0.15	0.12	0.01	-	0.11	0.04	
Intangible assets:										
Computer softwares	50.36	26.98	7.52	69.82	26.48	0.91	10.80	36.37	33.45	23.88
Previous year total	40.23	14.55	4.42	50.36	21.91	-	4.57	26.48	23.88	

14 Investments

(₹ In Crore)

Particulars	Non-current portion		Current maturities	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
In Government and Trust Securities	5,276.70	3,854.81	29.34	155.93
In Equity Shares				
Others	-	-	1.25	37.46
In Debentures, Bonds and Secured Premium Notes	5,606.04	4,715.18	548.44	242.70
In Mutual Fund Units	356.67	275.00	129.52	56.11
Share of joint ventures	3.48	3.35	1.91	-
In Certificate of Deposits	-	-	22.87	46.66
In Fixed Deposits with banks	213.75	400.91	153.96	145.79
In Other Investments	-	-	1.00	2.00
	11,456.64	9,249.25	888.29	686.65

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

15 Loans and advances

(Unsecured, good, unless stated otherwise)

(₹ In Crore)

Particulars	Long-term		Short-term	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Capital advances	4.86	6.54	-	-
Security deposits	46.35	42.98	4.22	11.70
Share of security deposits of joint venture	0.04	0.04	-	-
Policy loans	43.04	22.52	3.20	1.62
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	14.97	12.74	18.79	20.28
Unsecured considered good	29.86	20.04	55.62	104.66
Doubtful	0.82	0.88	1.34	1.27
	45.65	33.66	75.75	126.21
Provision for doubtful advances	0.82	0.88	1.34	1.27
	44.83	32.78	74.41	124.94
Other loans and advances				
Prepaid expenses	9.04	0.36	26.33	16.47
VAT refund receivable	1.31	0.85	-	-
CENVAT credit receivable	0.15	0.18	41.05	24.76
Share of CENVAT credit receivable of joint venture	-	-	0.20	0.05
Advance income-tax (net of provision for tax)	137.40	89.87	0.01	0.01
Share of advance income-tax (net of provision for tax) of joint venture	4.62	4.28	-	-
MAT credit entitlement	15.70	15.70	-	-
Share of others advances of joint venture	-	-	0.16	0.34
Other advances	0.39	0.21	0.88	0.88
	168.61	111.45	68.63	42.51
	307.73	216.31	392.71	369.63

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

16 Receivables under financing activity

(Good, unless stated otherwise)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
(I) Secured:				
(i) (a) Against hypothecation of automobiles, equipments, durables etc. (Includes overdue instalments ₹ 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 Instalments under Finance Agreements considered doubtful	-	-	177.22	116.81
Less: Provision:				
(i) Against NPAs	-	-	(129.53)*	(100.87)*
(ii) Against loss estimation of delinquent assets not yet NPAs	-	-	(47.69)*	(15.94)*
	-	-	-	-
	1,297.07	1,583.78	5,468.85	4,429.20
(ii) Against equitable mortgage of immovable property under finance agreements (Includes overdue instalments ₹ 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 NPAs	-	-	(4.06)*	(1.13)*
(ii) Against loss estimation of delinquent assets 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 instalments ₹ 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
Total (I)	10,778.74	7,524.97	6,637.29	5,367.81

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

16 Receivables under financing activity (Contd.)
(Good, unless stated otherwise)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
(II) Unsecured:-				
(i) Loans at agreement values less instalments received (includes overdue instalments ₹ 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 NPAs	-	-	(76.29)*	(52.67)*
(ii) Against loss estimation of delinquent assets not yet NPAs	-	-	(16.83)*	(13.61)*
	-	-	-	-
	3,073.68	2,023.22	2,481.24	1,827.64
(ii) Receivables under loan assignments	-	-	-	-
Total (II)	3,073.68	2,023.22	2,481.24	1,827.64
Total (I + II)	13,852.42	9,548.19	9,118.53	7,195.45

* See note 4 C. c.

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

17 Trade receivables
(Unsecured, considered good, unless stated otherwise)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Outstanding for a period exceeding six months from the date they are due for payment	0.41	0.46	15.19	-
Share of trade receivables, Others, Good of joint venture	-	-	0.52	0.48
Others, Good	-	0.05	66.01	62.21
Outstanding premiums	-	-	288.66	290.33
	0.41	0.51	370.38	353.02
Provision for doubtful receivable	0.41	0.51	-	-
	-	-	370.38	353.02
Amount disclosed under the head "other non-current assets" [See note 18]	-	-	-	-
	-	-	370.38	353.02

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

18 Other assets

(Unsecured, good, unless stated otherwise)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Long-term trade receivables [See note 17]	-	-	-	-
Non-current bank balances [See note 19]	409.40	663.61	-	-
	409.40	663.61	-	-
Interest receivable on investments	440.92	204.95	550.53	542.88
Investments redemption proceeds receivable	-	-	48.89	1.00
Credit receivable for windpower generated	-	-	3.80	4.78
REC receivable	-	-	0.01	6.70
Other finance charges receivable	-	-	70.46	61.19
Others	-	-	14.16	13.02
Share of other assets of joint venture	3.40	3.14	0.22	0.27
	853.72	871.70	688.07	629.84

19 Cash and bank balances

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Cash and cash equivalents				
Balances with banks:				
In current accounts	-	-	953.55	753.67
Share of current accounts of joint venture	-	-	0.46	1.15
Earmarked balances with bank	-	-	0.77	0.69
Cash on hand	-	-	109.22	111.67
Cash equivalents				
Cheques/drafts on hand	-	-	195.89	217.51
Deposits with original maturity of less than three months	-	-	14.63	35.46
Certificate of Deposits with maturity of less than three months from date of acquisition	-	-	574.90	268.82
	-	-	1,849.42	1,388.97
Other bank balances				
In unclaimed dividend account	-	-	0.20	0.19
Deposits with residual maturity for more than 12 months	409.40	663.61	-	-
Deposits with residual maturity for less than 12 months	-	-	211.37	213.95
	409.40	663.61	211.57	214.14
Amount disclosed under non-current assets [See note 18]	(409.40)	(663.61)	-	-
	-	-	2,060.99	1,603.11

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

20 Revenue from operations

Particulars	(₹ In Crore)	
	For the year ended 31 March 2014	2013
Windfarm activity:		
Income from power generation	59.88	60.55
Income from Renewable Energy Certificates (REC)*	0.56	12.83
	60.44	73.38
Investment activity:		
Interest:		
Financial charges from assets under finance and secured loans	2,705.88	2,146.16
Interest on loans	925.81	668.30
Service and administration charges	156.86	108.62
Interest income on		
Bank deposits	4.35	0.66
Long-term investments	131.97	105.20
Others	604.83	483.03
Share of interest of joint venture	0.10	0.08
Amortisation of (premium)/discount on acquisition of fixed income securities on		
Long-term investments	3.28	(0.70)
Current investments	4.98	4.24
	4,538.06	3,515.59
Other financial services:		
Sundry credit balances appropriated	7.96	4.01
Bad debt recoveries	22.50	25.10
Profit on sale of investments, net	107.82	54.26
Share of profit on sale of investments, net of joint venture	0.13	-
Provision for diminution in value of investment written back, net	0.24	0.09
Income from advisory business	-	0.22
Share of manpower and recruitment services of joint venture	85.23	71.16
Share of brokerage of joint venture	5.50	5.66
Miscellaneous income	80.13	69.91
	4,847.57	3,746.00
	4,908.01	3,819.38

* Due to the sudden drop in the demand for Renewable Energy Certificates (RECs) on the energy exchange during the year, considerable uncertainty has emerged over the ultimate recoverability of this "Green Initiative" incentive. Hence in accordance with the accounting policy followed by the Company, revenue from RECs is recognised only to the extent of reasonable certainty and the uncertain portion is deferred for recognition as and when collected.

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

21 Other income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Interest – others	0.56	0.29
Business support service	2.21	1.79
Miscellaneous receipts	0.61	0.37
Provision no longer required	0.59	0.01
	3.97	2.46

22 Operating result from general insurance business (Revenue Account for the year ended 31 March 2014)

Particulars		(₹ In Crore)	
		For the year ended 31 March	
		2014	2013
Premiums earned – (net)	1	3,493.05	2,924.33
Profit/(loss) on sale/redemption of investments (net)		5.75	(3.67)
Other income – miscellaneous income		10.57	10.88
Amortisation of discount/(premium)		7.66	9.97
Interest, dividend and rent-gross		449.96	376.49
	2	473.94	393.67
	1+2	3,966.99	3,318.00
Claims incurred (Net)		2,525.27	2,118.15
Commission		135.20	99.10
Contribution to solatium fund		0.84	(2.05)
Change in premium deficiency		(2.64)	2.00
Operating expenses related to insurance business		834.41	766.94
	3	3,493.08	2,984.14
Operating profit/(loss) from general insurance business	1+2-3	473.91	333.86
Balance carried to the Statement of Profit and Loss		473.91	333.86

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

23 Employee benefits expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Salaries, wages and bonus to employees	324.00	241.54
Share of salaries, wages and bonus to employees of joint venture	78.40	65.14
Remuneration to whole-time director	3.36	2.64
Contribution to provident and other funds	16.86	10.32
Share of contribution to provident and other funds of joint venture	5.65	5.09
Staff welfare expenses	11.87	9.15
Share of staff welfare expenses of joint venture	0.59	0.40
	440.73	334.28

24 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
	257.81	181.75

25 Finance costs

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Interest expense	1,235.34	952.16
Discount in respect of "Commercial Papers"	312.66	241.55
Others	13.87	9.87
	1,561.87	1,203.58

26 Depreciation and amortisation

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Depreciation on tangible assets	24.16	17.27
Depreciation on intangible assets	6.72	4.42
	30.88	21.69

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

27 Other expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Repairs to buildings	0.93	1.08
Repairs to machinery – windmill	7.87	7.63
Repairs to others	0.09	0.12
Energy generation expenses	13.81	8.89
Rent	11.55	7.56
Share of rent of joint venture	0.12	0.12
REC registration, issuance and brokerage charges	0.38	0.39
Rates and taxes	2.08	0.86
Insurance	0.03	–
Payment to auditor	0.65	0.44
Share of payment to auditor of joint venture	0.04	0.03
Directors' fees and travelling expenses	0.13	0.12
Commission to non-executive directors	1.53	1.40
Loss on sale of assets	0.44	0.11
Travelling (including foreign travel) expenses	37.74	28.95
Share of travelling (including foreign travel) expenses of joint venture	2.70	2.29
Business support service expenses	1.99	3.81
Interest paid on income tax	1.40	–
Outsourcing/back office expenses	108.63	76.03
Miscellaneous expenses	233.30	178.42
Share of miscellaneous expenses of joint venture	1.20	0.93
Marketing commission	92.76	82.18
Recovery costs	167.85	119.58
Dealer incentive	137.93	100.48
	825.15	621.42

28 Earnings Per Share (EPS)

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

Particulars	For the year ended 31 March	
	2014	2013
Profit for the year (₹ In Crore)	1,544.08	1,573.64
Number of shares before rights issue (Nos)	159,122,352	144,683,510
Adjustment factor for bonus element		1.02
Weighted average number of shares before rights issue (Nos)	–	80,459,887
Number of shares after rights issue (Nos)	159,122,352	159,122,352
Weighted average number of shares after rights issue (Nos)	159,122,352	72,367,974
Weighted average number of shares outstanding during the year (Nos)	159,122,352	152,827,861
Earnings per share (Basic and Diluted) ₹	97.0	103.0
Face value per share ₹	5.0	5.0

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

29 Notes pertaining to subsidiaries and joint venture, to the extent required to fairly present the needed disclosures. The figures disclosed in this note are at full value and not the proportionate share of the parent company.

A. Bajaj Allianz Life Insurance Company Ltd.

1. Actuarial valuation

Liabilities for life insurance policies are determined by the Appointed Actuary in accordance with the IRDA regulations and relevant guidance notes issued by the Institute of Actuaries of India.

Non-linked business is reserved using the prospective gross premium method of valuation. The non-linked business is predominantly participating and the reserves are established having regard to the assumptions as to future experience, including the interest rate that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business has been reserved using an interest rate of 7.50% per annum, which is same as last year assumption.

Single premium participating business has been reserved using an interest rate of 6.25% per annum, which is the same as used in valuation as at 31 March 2013. The discount rate is determined after having regard to the yield likely to be obtained on relevant matching assets.

Assumptions as to the future bonus rates are set to be consistent with the interest rate assumptions. Provision has been made for bonus distribution in respect of business in force at the valuation date on a basis considered appropriate by the Appointed Actuary having taken into account the reasonable expectations of policyholders.

The non-linked non-par business written under Invest Plus and Invest Plus Premier has been reserved using an interest rate of 8.25% and the Guaranteed Investment Return (GIR) consistent with the interest rate assumption.

Linked business has been reserved using the unit price of the respective unit funds plus a non unit reserve to allow for the cost of insurance and any expenses and commissions in excess of future charges.

Mortality assumptions are based on the published IALM (2006-2008) Ultimate Mortality Table with adjustment to reflect expected experience and with an allowance for adverse deviation.

Assumptions for morbidity and for the incidence of accidental death are based on terms available from reinsurers and the standard morbidity rate table CIBT 93 (Critical Illness Base Table for year 93).

The reserve is sufficient to allow for any adverse lapse experience. Further it has been ensured that for each policy the reserve is sufficient to pay the minimum guaranteed surrender value.

Commission has been allowed for at the Company's table rates with an allowance for service tax. Maintenance expenses have been allowed for in accordance with pricing assumptions, which have been duly validated by the actual experience of the Company during the last one year. An additional reserve has been included to allow for the possible adverse deviations in experience in excess of offsetting adjustments in bonus rates and to allow for the contingency of closure to new business as is required by guidance notes (APS1) issued by the Institute of Actuaries of India.

The reserve for the group term business has been calculated having regard to the unearned gross premium and expenses already incurred. The group non-linked non-par savings business has been valued having regard to the accrued account value of the members of the group schemes.

Provision has been made for the possible revival of the lapsed policies, which have lapsed before the valuation date, having regard to the experience of the Company. As per IRDA circular No: 041/IRDA/ACTL/MAR-2006 dated 29 March 2006, a reserve for lapsed unit linked policies not likely to be revived is held as a separate item under the head "Funds for future appropriations" which is applicable for the products launched before 1 September 2010.

As per the IRDA (Treatment of Discontinued Linked Insurance Policies) Regulations, 2010, a segregated fund called "Discontinued policy fund" is maintained for the discontinued policies of the products which are launched on or after

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

1 September 2010. The fund value as at the date of discontinuance after deducting the discontinuance charges as applicable by said regulations is credited to the discontinued fund.

Provision has been made for the Incurred But Not Reported death claims (IBNR) based on the Company's past experience of delay in reporting the event of deaths.

Where minimum surrender value is guaranteed, the minimum reserve under those policies has been set as the guaranteed surrender value. In all other cases the minimum reserve has been set to zero.

The Appointed Actuary is satisfied that the nature and extent of reinsurance arrangements require no additional reserve to be set aside. All reserves have been calculated using gross exposure and gross office premiums.

2. Claims

(a) Claims settled, undisputed and remaining unpaid for a period of more than six months at year-end amount to ₹ 66.69 crore (previous Year: ₹ 50.44 crore).

(b) Disclosure of unclaimed amounts of policyholders as required vide Circular No. IRDA/F&I/CIR/CMP/174/11/2010 dated 4 November 2010 is as follows:

(₹ In Crore)

Particulars	Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholder^	Sum due to the insured/policyholders on maturity or otherwise	Cheques issued but not encashed by the policyholder/insured*	Current year total
0 - 30 days	74.52	79.68	19.95	174.15
01 - 06 months	7.50	61.29	29.25	98.04
07 - 12 months	1.79	13.66	77.79	93.24
13 - 18 months	2.11	21.54	28.57	52.22
19 - 24 months	1.01	6.38	60.36	67.75
25 - 30 months	0.61	10.37	9.78	20.76
31 - 36 months	0.52	2.19	6.20	8.91
Beyond 36 months	1.91	4.60	22.52	29.03
Total amount	89.97	199.71	254.42	544.10

(₹ In Crore)

Particulars	Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholder^	Sum due to the insured/policyholders on maturity or otherwise	Cheques issued but not encashed by the policyholder/insured*	Previous year total
0 - 30 days	113.87	23.88	51.42	189.17
01 - 06 months	16.99	29.52	23.07	69.58
07 - 12 months	6.77	11.16	73.56	91.49
13 - 18 months	2.34	18.49	10.92	31.75
19 - 24 months	1.06	3.90	6.68	11.64
25 - 30 months	1.35	2.63	5.38	9.36
31 - 36 months	0.92	0.22	3.42	4.56
Beyond 36 months	0.60	1.00	13.86	15.46
Total amount	143.90	90.80	188.31	423.01

* represents cheques, exceeding the validity period, issued to policyholders.

^ Includes all title open cases (Individual and Group).

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

3. Expenses attributable to shareholders are charged to the Shareholders' account.
4. The shareholders of the Company, in their Extra Ordinary General Meeting held on 7 May 2010 have authorised the Board of Directors of the Company to decide on the transfer of amounts from the Shareholders' account to the Policyholders' account to make good the deficit, if any, in the Policyholders' funds in respect of any financial year, which shall be subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting of the respective years.
5. Reinsurance is in place on lives where cover is in excess of the Company's retention limit and this has been reflected in the accounts.

6. Discontinued policy fund

- i. In pursuance to IRDA's notification dated 1 July 2010 and circular IRDA/LIFE/CIR/MISC/235/10/2011 dated 13 October 2011, the following details are disclosed with respect to the policies discontinued:

(₹ In Crore)

Particulars (Current year)	On account of non-payment of premium amount within the grace period	On account of others
Opening balance as on 1 April 2013	48.98	-
Add: Amount transferred to funds for discontinued policies*	96.52	-
Less: Amount refunded to policyholders	-	-
Closing balance as on 31 March 2014	145.50	-

(₹ In Crore)

Particulars (Previous year)	On account of non-payment of premium amount within the grace period	On account of others
Opening balance as on 1 April 2012	15.63	-
Add: Amount transferred to funds for discontinued policies	33.35	-
Less: Amount refunded to policyholders	-	-
Closing balance as on 31 March 2013	48.98	-

- ii. Number of policies discontinued during the financial year 2013-2014* #: 13,962 (previous year: 11,548)
- iii. Percentage of discontinued to total policies (product wise) financial year 2013-2014* #:

Product name	Percentage of discontinued to total policies	
	2013-14	2012-13
Bajaj Allianz Max Advantage Insurance Plan	14.18%	10.58%
Bajaj Allianz Assured Protection Insurance Plan	15.91%	15.08%
Bajaj Allianz iGain III Insurance Plan	7.85%	9.28%
Bajaj Allianz Smart Insurance Plan III	13.93%	5.61%
Bajaj Allianz Money Secure Insurance Plan	14.69%	20.29%

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

A. Bajaj Allianz Life Insurance Company Ltd. (Contd.)

iv. Number and percentage of the policies revived during the financial year 2013-2014* #:

Particulars	2013-14	2012-13
Number of policies revived	1,450	784
% of policies revived	1.50%	0.90%

v. Charges imposed on account of discontinued policies during the financial year 2013-2014* #: ₹ 1.83 crore (previous year ₹ 1.41 crore).

* Net of revival

excluding policies discontinued and revived during current year

B. Bajaj Allianz General Insurance Company Ltd.

- The Appointed Actuary has certified to the Company that actuarial estimates for IBNR (including IBNER) have been determined using actuarial principles. In the determination, the Guidance Notes issued by the Institute of Actuaries of India with the concurrence of the Authority and any directions issued by the Authority in this behalf have been followed. Where sufficient data is available, the actuary has chosen to adopt the chain ladder method. The chain ladder method has accordingly been applied to motor, fire, marine, engineering, personal accident, workmen's compensation and health. These constitute 99.3% (Previous year 99.5%) of the Company's total net written business excluding Third Party premium of commercial vehicle business. For liability line of business and commercial vehicle TP business, the expected ultimate loss ratio method has been used to arrive at the estimate of IBNR. For aviation line of business, a flat IBNR of ₹ 1 crore has been adopted, as adopted last year.

Net IBNR reserves have been arrived at on the basis of actuarial estimates based on the claim data, after allowance for reinsurance recoveries.

2. Contribution to Environment relief fund

The Company has collected an amount of ₹ 0.89 crore (previous year – ₹ 0.64 crore) towards Environment fund from public liability policies. The Company has paid all the funds collected towards Environment fund upto 28 February 2014 to United India Insurance Company, the implementing agency for the fund. The balance payable has been disclosed under the head "Current liabilities".

- IRDA has vide circular no. IRDA/F&I/CIR/CMP/174/11/2010 advised all insurers to disclose under "Current liabilities" an Unclaimed amount of the policyholders/insured on accounts of claims settled but not paid (except under litigation), excess collection of the premium/tax which is refundable and cheques issued but not encashed by policy holders/insured. Age wise analysis of the amount due to policyholders/insured is disclosed as below:

	(₹ In Crore)						
Ageing	Upto 6 months	7 to 12 months	13 to 18 months	19 to 24 months	25 to 30 mmonths	31 to 36 months	Beyond 36 months
Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholders	66.52	-	-	-	-	-	-
Sum due to the insured/policyholders on maturity or otherwise	-	-	-	-	-	-	-
Any excess collection of the premium/tax or any other charges which is refundable to the policyholders either as terms of conditions of the policy or as per law or as may be directed by the authority but not refunded so far	5.36	0.97	0.96	1.02	0.03	0.01	0.02
Cheques issued but not encashed by the policyholder/insured*	1.02	1.65	1.48	0.99	1.89	2.47	8.34

* Does not include cheques issued to policyholders and appearing in bank reconciliation as on 31 March 2014.

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

C. Bajaj Finance Ltd.

1. 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, four grants have been made, details of which as on 31 March 2014, are given as under:

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

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 proforma net profit and earnings per share have been estimated on the date of grant using the Black - Scholes Model. The key assumptions used in 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

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

C. Bajaj Finance Ltd. (Contd.)

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

Had compensation cost for the stock option plans 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:

(₹ In Crore)

Particulars	As at 31 March	
	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 (proforma)	14.98	12.85
Net profit (proforma)	704.03	578.46
Basic earnings per share (as reported)	144.79	135.88
Basic earnings per share (proforma)	141.77	132.93
Diluted earnings per share (as reported)	143.65	134.56
Diluted earnings per share (proforma)	140.66	131.64

2. 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	1090.41

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

C. Bajaj Finance Ltd. (Contd.)

3. Details and terms of repayment of long-term borrowings

a) Details of privately placed secured redeemable non convertible debentures

(₹ In Crore)

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

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

C. Bajaj Finance Ltd. (Contd.)

b) Terms of repayment of bank loans – secured

(₹ In Crore)

Date of maturity	Repayment schedule	Non-current	
		As at 31 March	
		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 ₹ 12.5 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

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

C. Bajaj Finance Ltd. (Contd.)

b) Terms of repayment of bank loans – secured (Contd.)

(₹ In Crore)

Date of maturity	Repayment schedule	Non-current	
		As at 31 March	
		2014	2013
Dec 14	Bullet repayment	–	400.00
Nov 14	Bullet repayment	–	100.00
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
		5,816.67	4,365.00

Note:

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

c) Details of privately placed unsecured redeemable non convertible debentures

(₹ In Crore)

Date of maturity	Of face value		Non-current	
			As at 31 March	
	₹ 1 Crore	₹ 10 crore	2014	2013
Jan 15	–	37.00	–	37.00
Oct 14	10.00	–	–	10.00
Jun 14	6.00	–	–	6.00
Apr 14	200.00	57.00	–	257.00
			–	310.00

Note:

As on 31 March 2014, of the total Non-current Unsecured Zero Coupon Bonds issued, ₹ 37.00 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 consolidated financial statements for the year ended 31 March 2014 (Contd.)

C. Bajaj Finance Ltd. (Contd.)

d) Details of privately placed unsecured redeemable non convertible debentures – subordinated debt issued at face value of ₹ 0.10 crore:

(₹ In Crore)

Date of maturity	Non-current	
	As at 31 March	
	2014	2013
Apr 23	50.00	–
Jan 23	49.70*	49.70
Aug 22	157.40	157.40
May 21	50.00	50.00
Oct 20	36.20*	36.20
Sep 20	27.50	27.50
Jul 20	50.00	50.00
Jun 20	50.00*	50.00
Apr 20	65.00	65.00
	535.80	485.80

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).

e) 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	–
		200.00	–

Note:

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

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

C. Bajaj Finance Ltd. (Contd.)

f) Terms of repayment of fixed deposits

(₹ In Crore)

		Non-current	
		As at 31 March	
Date of maturity	Repayment schedule	2014	2013
Mar 15		–	0.16
Mar 16		8.85	0.22
Mar 17		148.01	–
Mar 18		0.22	–
Mar 19		5.91	–
		162.99	0.38

Note:

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

4. Details and terms of repayment of short-term borrowings

Terms of repayment of secured short-term loans

(₹ In Crore)

		As at 31 March	
Date of maturity		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	–
		1,200.00	–

Note:

Interest rates stood at 10.25% p.a. payable monthly as at 31 March 2014.

Terms of repayment of unsecured short-term loans

(₹ In Crore)

		As at 31 March	
Date of maturity		2014	2013
Apr-13		–	250.00
		–	250.00

Note:

Interest rate is 10.25% p.a. payable monthly as at 31 March 2013.

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

C. Bajaj Finance Ltd. (Contd.)

Terms of repayment of commercial papers

(₹ In Crore)

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
	2,582.25	1,057.00

Note:

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

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

C. Bajaj Finance Ltd. (Contd.)

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

Type of restructuring		Under CDR Mechanism					Under SWE Debt Restructuring Mechanism					Others					Total				
		Asset Classification Details					Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
Restructured Accounts as on April 1 of the FY (opening figures)	No of borrowers	1				1						1	13			14	2	13	-		15
	Amount outstanding	55.50				55.50						33.00	19.27			52.27	88.50	19.27	-		107.77
	provision thereon	-										-	5.10			5.10	-	5.10	-		5.10
	No of borrowers	-											2			2	-	2	-		2
Fresh restructuring during the year	Amount outstanding	1.37\$				1.37							8.21			8.21	1.37	8.21	-		9.58
	provision thereon	-				-							0.82			0.82	-	0.82	-		0.82
	No of borrowers											3	(3)			-	3	(3)	-		-
	Amount outstanding											2.19	(6.28)			(4.09)	2.19	(6.28)	-		(4.09)
Upgradations to restructured standard category during the FY	provision thereon											0.06	(1.08)			(1.02)	0.06	(1.08)	-		(1.02)
	No of borrowers																-	-	-		-
	Amount outstanding																-	-	-		-
	provision thereon																-	-	-		-
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	No of borrowers											(1)	1			-	(1)	1	-		-
	Amount outstanding											(19.24)	19.24			-	(19.24)	19.24	-		-
	provision thereon											-	1.92			1.92	-	1.92	-		1.92
	No of borrowers	-				-							(4)			(4)	-	(4)	-		(4)
Write-offs of restructured accounts during the FY #	Amount outstanding	(0.30)				(0.30)						(13.76)	(5.23)			(18.99)	(14.06)	(5.23)	-		(19.29)
	provision thereon	-				-						-	(0.06)			(0.06)	-	(0.06)	-		(0.06)
	No of borrowers	1				1						3	9			12	4	9	-		13
	Amount outstanding	56.57				56.57						2.19	35.21			37.40	58.76	35.21	-		93.97
Restructured Accounts as on March 31 of the FY (Closing figures*)	provision thereon	1.56*				1.56						0.06*	6.70			6.76	1.62	6.70	-		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 consolidated financial statements for the year ended 31 March 2014 (Contd.)

30 Contingent liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
a. Claims against the Company not acknowledged as debts	18.90	15.92
b. Taxes, duties and other sums due	83.56	48.23
c. Claims, under policies, not acknowledged as debts	19.57	18.98

31 Capital and other commitments

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
Capital commitments, net of capital advances	167.07	237.33

32 Cash flow statement

Due to the different methods of computing cash flows adopted by two of the subsidiaries carrying on the business of Insurance, which is mandated by the Insurance Regulatory and Development Authority, consolidated cash flows for the year could be better viewed when summarised as follows:

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
From operating activities	(9,807.38)	(6,921.70)
From investing activities	3,763.94	2,952.71
From financing activities	6,521.46	4,592.48
Net change	478.02	623.49
Cash and cash flow equivalents at the beginning of the year	1,395.84	772.35
Cash and cash flow equivalents at the end of the year**	1,873.86	1,395.84
** Cash and cash flow equivalents at the end of the year		
Cash and bank balance as per note 19	1,849.42	1,388.97
Other bank balances as per note 19	620.77	877.56
Cash and bank balances for unit linked business	24.44	6.87
Less: Fixed deposits having maturity more than 3 months	620.77	877.56
	1,873.86	1,395.84

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

33 Disclosure of transactions with related parties as required by the Accounting Standard -18

(₹ In Crore)

		2013-14		2012-13	
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, subsidiaries and fellow subsidiary:					
Since consolidated financial statements present information about the holding and its subsidiaries as a single reporting enterprise, it is unnecessary to disclose intra – group transactions.					
B. Associates, joint ventures and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party – holds 39.16% shares of Bajaj Finserv Ltd.)	Purchase of shares by BHIL (62,314,214 shares of ₹ 5 each)	–	(31.16)	2.84	(31.16)
	Dividend paid	9.35	–	8.50	–
	business support services received	2.47	–	0.27	–
	business support services rendered	1.57	–	1.42	–
	Sale of investments	–	–	–	–
	Income tax cross-adjustment paid to BHIL	7.24	–	–	–
	Interest paid on income tax cross-adjustment	1.25	–	–	–
	Purchase of investments	5.00	–	5.09	–
	Insurance premium received	0.01	–	0.01	–
Bajaj Allianz Financial Distributors Ltd. (a joint venture – 50% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (1,200,000 shares of ₹ 10 each)	–	1.20	–	1.20
	Services received	0.32	(0.03)	0.23	–
	Billable expenses incurred on behalf	0.01	–	0.45	–
	Rental income	0.24	–	0.24	–
	Insurance premium received	0.44	0.01	1.51	–
	Premium received as an agent	165.92	–	157.23	–
	Insurance claim paid	0.65	–	1.10	–
	Unallocated premium	–	–	–	0.12
	Manpower supply charges	162.47	0.35	138.36	0.19
	Insurance commission paid/payable	10.93	0.68	11.00	0.72
	Other expenses paid	–	–	–	–
Allianz Cornhill Information Services Pvt. Ltd.	insurance premia received	0.03	–	0.53	–
	insurance claims paid	0.49	–	0.16	–
Allianz SE	Contribution to equity of BALICL including premium	–	(1,099.13)	–	(1,099.13)
	Contribution to equity of BAGICL including premium	–	(195.27)	–	(195.27)
	Billable expenses incurred on behalf of Allianz SE	0.14	–	0.01	–
	Reimbursement of revenue expenses paid	–	–	0.08	0.01
	Reimbursement of revenue expenses received	0.01	–	0.01	–
Allianz Insurance Management Asia Pacific Pte.	Billable expenses incurred	0.04	–	–	(0.02)
	Reimbursement received of revenue expenditure	0.01	(0.05)	0.05	0.19
	Paid towards revenue expenditure	0.03	–	–	–
Allianz Investment Management Singapore Pte. Ltd.	Data provision charges	3.19	(0.72)	3.19	(0.72)
	Investment management	0.32	0.07	0.32	–
AGCS Marine Insurance Company	Reinsurance premium paid/payable	1.79	(0.52)	0.50	0.06
	Commission on reinsurance premium	0.28	–	0.13	–
	Claims recovery on reinsurance	1.13	–	0.39	–
Allianz Global Risks US Insurance Company	Reinsurance premium paid/payable	1.32	0.66	1.15	0.02
	Commission on reinsurance premium	0.25	–	0.16	–
	Claims recovery on reinsurance	–	–	0.37	–
Allianz Global Corporate & Speciality AG, Canada	Reinsurance premium paid/payable	0.01	–	0.01	0.01
	Commission on reinsurance received/receivable	0.01	–	0.01	–
Allianz Global Corporate & Speciality AG, Spain	Reinsurance premium paid/payable	0.12	0.10	–	–
	Commission on reinsurance received/receivable	0.02	–	–	–
	Claims recovery on reinsurance	–	–	–	–
Allianz Global Corporate & Speciality AG, UK	Reinsurance premium paid/payable	3.20	2.54	4.41	1.05
	Commission on reinsurance received/receivable	0.50	–	0.51	–
	Claims recovery on reinsurance	0.04	–	0.28	–
	Reinsurance premium received/receivable	–	–	0.52	–
	Commission on reinsurance premium	–	–	0.04	–

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

33 Disclosure of transactions with related parties as required by the Accounting Standard -18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2013-14		2012-13	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
Allianz Global Corporate & Speciality AG, Netherlands	Reinsurance premium paid/payable	0.30	0.13	0.15	0.10
	Commission on reinsurance received/receivable	0.09	-	0.06	-
Allianz Global Corporate & Speciality AG, Italy	Reinsurance premium paid/payable	0.42	0.35	0.13	-
	Commission on reinsurance received/receivable	0.08	-	0.06	-
	Claims recovery on reinsurance	-	-	0.04	-
Allianz Global Corporate & Speciality AG, Australia	Reinsurance premium paid/payable	-	-	0.07	-
	Commission on reinsurance received/receivable	-	-	0.01	-
Allianz Global Corporate & Speciality AG, Switzerland	Reinsurance premium paid/payable	6.78	0.25	0.24	0.10
	Commission on reinsurance received/receivable	0.12	-	0.08	-
Allianz Global Corporate & Speciality AG, Denmark	Reinsurance premium paid/payable	0.44	0.77	0.45	0.38
- Nordic Region	Commission on reinsurance received/receivable	0.05	-	0.07	-
Allianz Global Corporate & Speciality - Malaysia	Reinsurance premium paid/payable	0.49	-	-	-
	Commission on reinsurance received/receivable	0.03	-	-	-
	Billable expenses	0.01	0.01	-	-
Insurance Joint Stock Company Allianz, Russia	Reinsurance premium paid/payable	-	0.01	0.02	0.01
	Commission on reinsurance received/receivable	-	-	0.01	-
Allianz Global Corporate & Speciality AG, Munich	Reinsurance premium paid/payable	56.24	23.14	49.72	26.42
	Commission on reinsurance received/receivable	5.64	-	4.23	-
	Claims recovery on reinsurance	12.49	-	9.49	-
Allianz SE Reinsurance, branch Asia Pacific	Reinsurance premium paid/payable	76.41	(4.63)	54.98	(8.77)
	Commission on reinsurance received/receivable	14.04	1.09	10.35	0.93
	Claims recovery on reinsurance	24.98	7.56	26.32	3.37
	Reinsurance profit commission receivable	0.71	-	4.47	-
	Portfolio premium withdrawal	4.19	-	17.21	-
	Portfolio claims withdrawal	11.61	-	52.78	-
	Portfolio premium entry	-	-	3.22	-
	Portfolio claims entry	-	-	9.87	-
	CAT XOL premium paid/payable	12.55	-	5.33	-
Allianz Hongkong-	Reinsurance premium paid/payable	-	0.01	0.01	0.01
(Formerly known as Allianz China)	Commission on reinsurance received/receivable	-	-	0.01	-
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable	-	0.07	-	-
Allianz Global Corporate & Speciality AG Singapore	Reinsurance premium paid/payable	2.38	0.18	7.86	0.29
(Previously Known Allianz Insurance Company of Singapore - PTE)	Commission on reinsurance received/receivable	0.48	-	0.96	-
	Claim recovery on reinsurance	-	-	-	-
	Reinsurance premium received/receivable	0.43	-	0.06	-
	Commission on reinsurance premium	0.07	-	-	-
	Billable expenses incurred on behalf	0.01	-	0.31	-
	Risk survey fee	-	-	0.18	(0.04)
Allianz Belgium	Reinsurance premium paid/payable	2.21	(0.45)	21.94	0.08
	Commission on reinsurance received/receivable	0.44	-	0.27	-
	Claim recovery on reinsurance	0.77	-	4.74	-
Allianz Elementar Versicherungs - Austria	Reinsurance premium paid/payable	0.17	0.09	0.02	-
	Commission on reinsurance received/receivable	0.07	-	0.02	-
Allianz Global Corporate & Speciality-France	Reinsurance premium paid/payable	8.39	5.09	9.91	5.65
	Commission on reinsurance received/receivable	0.89	-	1.00	-
	Claims recovery on reinsurance	6.21	-	4.32	-
AGA International S.A	Reinsurance premium paid/payable	-	-	0.13	-
	Commission on reinsurance received/receivable	-	-	0.06	-
Allianz Risk Transfer AG	Reinsurance premium paid/payable	24.95	-	6.22	-
	Commission on reinsurance received/receivable	0.01	-	0.24	-
Allianz Australia Insurance Ltd.	Reinsurance premium paid/payable	0.05	-	-	-
	Commission on reinsurance received/receivable	0.01	-	-	-
Euler Hermes Deutschland [Formerly known as Euler Hermes Cr Insurance (S) Ltd.]	Reinsurance premium paid/payable	9.12	4.89	6.59	1.96

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

33 Disclosure of transactions with related parties as required by the Accounting Standard -18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2013-14		2012-13	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
	Commission on reinsurance received/receivable	1.63	-	1.11	-
	Claims recovery on reinsurance	0.50	-	3.48	-
	Billable expenses incurred on behalf of euler hermes	(2.03)	(2.29)	1.96	(0.03)
Allianz CP General Ins Co. Ltd.	Reinsurance premium received/receivable	-	-	-	-
	Claims paid/payable	1.72	-	54.81	-
	Billable expenses incurred on behalf	-	-	0.01	(0.01)
PT Asuransi Allianz Life Indonesia	Billable expenses incurred on behalf	0.02	-	-	-
Allianz Managed Operations & Services SE	Paid towards opus revenue expenditure	4.78	(2.73)	3.23	(1.88)
	Income from software consultancy	1.83	(0.70)	1.55	(1.55)
	Billable expenses incurred on behalf	0.02	-	0.25	-
Allianz Managed Operations & Services SE Pune Branch	Insurance premium received	0.39	-	-	-
	Insurance claims paid	0.11	-	-	-
	Unallocated premium	-	0.01	-	-
Allianz China General Insurance Company Ltd.	Billable expenses incurred on behalf	0.01	-	0.01	(0.01)
AGA Assistance (India) Private Ltd.	Insurance claims paid	6.76	-	5.95	-
	Premium received as an agent	2.55	0.06	464.24	-
	Insurance commission paid/payable	0.36	-	67.26	-
AGA Services (India) Private Ltd.	Insurance claims paid	15.28	-	0.44	-
	Other expenses paid/payable	0.68	0.11	1.17	0.04
Euler Hermes Services India Pvt Ltd.	Credit risk assessment fees paid	2.01	0.11	1.57	-
Allianz Insurance Co.Egypt (Non-life)	Reinsurance premium received/receivable	-	-	-	-
	Claims paid/payable	-	-	0.84	-
	Expenditure incurred on behalf of allianz liaison office deposits for rent premises	-	-	-	-
Allianz SE India Liaison Office	Remuneration for ids services	0.37	(0.40)	0.32	(0.07)
IDS GmbH	Billable expenses incurred on behalf	-	-	-	-
Allianz Insurance Co. Lanka Ltd.	Reinsurance premium received/receivable	-	-	-	-
	Commission paid/payable	-	-	-	-
Allianz Global Corporate & Speciality AG, US	Reinsurance premium paid/payable	-	-	-	-
	Commission on reinsurance received/receivable	-	-	-	-
	Claims recovery on reinsurance	-	-	-	-
Asuransi Allianz Utama Indonesia	Reimbursement made of revenue expenditure	0.08	-	-	-
Allianz Risk Consultants, LLC	Risk survey fee	-	-	-	-
Allianz Services (UK) Ltd.	Billable expenses incurred on behalf	-	-	-	-
C. Individuals controlling voting power/exercising significant influence and their relatives:					
Rahul Bajaj (Chairman)	Sitting fees	0.04	-	0.02	-
	Commission	0.07	(0.07)	0.06	(0.06)
Madhur Bajaj	Sitting fees	0.02	-	0.02	-
	Commission	0.06	(0.06)	0.05	(0.05)
Rajiv Bajaj (Non-executive Director)	Sitting fees	0.02	-	0.02	-
	Commission	0.05	(0.05)	0.05	(0.05)
Niraj Bajaj	-	-	-	-	-
Shekhar Bajaj	-	-	-	-	-
Sanjiv Bajaj (Managing Director)	Remuneration	1.24	-	0.95	-
(Also Key management personnel)	Commission	2.52	(2.52)	1.98	(1.98)
D. Key management personnel and their relatives:					
Tapan Singhel (MD and CEO - BAGICL)	Remuneration	1.71	-	1.15	-
V Philip (MD and CEO - BALICL)	Remuneration	2.02	-	1.84	-
Anuj Aggarwal (MD and CEO - BALICL)	Remuneration	0.86	-	-	-
Hemant Kaul (CEO - BAGICL)	Remuneration	-	-	2.03	-

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

33 Disclosure of transactions with related parties as required by the Accounting Standard -18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2013-14		2012-13	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
Rajeev Jain (CEO – BFL)	Remuneration	3.67	(1.65)	3.02	(1.16)
	ESOPs exercised	1.14	-	4.51	-
Nanoo Pamnani (Vice Chairman – BFL)	Commission	0.83	(0.83)	0.82	(0.82)
	Sitting fees & expenses	0.03	-	0.03	-
Arpit Agarwal (CEO – Bajaj Financial Solutions Ltd.)	Remuneration	-	-	1.92	-
Sanjay Asher (Director-Bajaj Allianz Life Insurance Co. Ltd.)	Sitting fees	0.01	-	0.01	-
Manu Tandon (Director-Bajaj Allianz Life Insurance Co. Ltd.)	Sitting fees	0.01	-	0.01	-
Suraj Mehta (Director-Bajaj Allianz Life Insurance Co. Ltd.)	Sitting fees	0.01	-	0.01	-
S H Khan (Director-Bajaj Allianz Life Insurance Co. Ltd.)	Sitting fees	0.02	-	0.01	-
E. Enterprises over which anyone in (c) and (d) exercises significant influence:					
Bajaj Auto Ltd.	Sale of windpower	27.83	-	27.44	-
	CSS recovery reimbursed	2.20	-	1.17	-
	Business support services received	14.09	0.02	11.28	0.91
	Business support services rendered	2.01	0.01	0.99	0.03
	Aviation charges paid	0.93	-	1.62	-
	Interest subsidy	3.88	-	4.07	0.21
	Investment purchased	-	-	-	-
	Investment sold	-	-	-	-
	Insurance premium received by BAGICL/BALICL	10.83	(0.01)	9.82	(0.01)
	Insurance claims paid by BAGICL/BALICL	5.63	-	4.86	-
	Other expenses	0.01	-	0.10	-
	Unallocated premium	-	1.81	-	4.81
Bajaj Electricals Ltd.	Purchases	-	(0.14)	-	0.01
	Insurance claims paid	3.90	-	3.32	-
	Insurance premium received	5.40	-	8.10	-
	Unallocated premium	-	0.09	-	0.04
	Billable expenses incurred on behalf	0.02	-	-	-
Bajaj International Ltd.	Other credits	0.01	-	0.02	-
Hind Musafir Agency Ltd.	Services received	14.33	0.82	10.58	1.24
	Commission on travel expenses	0.02	-	0.06	0.02
	Insurance premium received	0.01	-	0.01	-
	Other expenses paid/payable	0.07	0.01	0.06	0.01
Mukand Ltd.	Sale of windpower	19.61	0.41	13.72	1.16
	CSS recovery reimbursed	2.11	-	-	-
	Insurance premium received	3.59	-	2.37	-
	Insurance claims paid	3.13	-	2.75	-
	Unallocated premium	-	0.03	-	0.08
	Rent and other expenses paid	0.06	-	0.03	-
	Security deposit paid	-	4.00	4.00	4.00
	Interest received	3.69	-	5.70	-
	Loan given	-	14.36	-	33.93
	Principal repayment received	19.57	-	11.94	-
Mukand Engineers Ltd.	Insurance premium received	0.35	-	0.44	-
	Insurance claims paid	0.24	-	0.06	-
	Unallocated premium	-	0.01	-	-
Mukund Bekaert wire Industries Pvt. Ltd.	Insurance premium received	-	-	-	-
	Insurance claims paid	-	-	-	-
	Unallocated premium	-	-	-	-

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.

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

34 Deferred taxes

Particulars	(₹ In Crore)	
	As at 31 March 2014	2013
Liabilities	33.80	25.46
Assets	194.40	147.86
Net	(160.60)	(122.40)

35 Additional financial information

Statement of additional financial information, directed to be disclosed as a condition put forth by the Ministry of Corporate Affairs for grant of exemption from the applicability of section 121(1) of the Companies Act, 1956, is given below:

Financial information of subsidiaries for the year ended 31 March 2014

Particulars	(₹ In Crore)				
	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Finance Ltd.	Bajaj Financial Solutions Ltd. (Consolidated)	Bajaj Financial Holdings Ltd.**
a. Paid up share capital	110.23	150.71	49.75	39.00	2.50
b. Share premium	166.62	1,059.95	1,897.20	-	-
Other reserves	1,387.45	4,660.17	2,043.91	(25.28)	-
c. Total assets	1,664.30	39,264.05	24,618.00	13.98	2.50
d. Total liabilities	1,664.30	39,264.05	24,618.00	13.98	2.50
e. Investments*	6,017.85	5,810.48	28.21	10.25	-
f. Turnover/operating result	588.80	540.20	4,073.33	0.82	-
Transfer from Policyholders' Account	-	639.10	-	-	-
g. Profit before tax	586.99	1,162.19	1,091.16	(0.21)	-
h. Provision for tax	178.00	137.60	372.15	-	-
i. Profit after tax	408.99	1,024.59	719.01	(0.21)	-
j. Proposed dividend	-	-	80.23	-	-

* For details of investments refer note 14.

** The Company was incorporated on 7 February 2014. The first financial statements of the Company will be prepared on 31 March 2015. Hence no financial statements have been included for this Company.

36 Previous year figures

Previous year figures have been regrouped wherever necessary to make them comparable with those of the current year.

37 Miscellaneous

₹1 crore is equal to ₹10 million.

In terms of our report of even date

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee



Standalone Financial Statements

Independent Auditors' Report

To the Members of **Bajaj Finserv Ltd.**

Report on the financial statements

1. We have audited the accompanying financial statements of Bajaj Finserv Ltd. (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 referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). 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 (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's 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 referred to in sub-section (3C) of section 211 of the Act;
- (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 P 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 Finserv Ltd. on the financial statements as of and 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 3 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 wind power generation and investments, 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/from 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 goods and 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 ₹ 5 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. The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the rules framed there under.
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 income tax and sales 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
Income Tax	Additional demand on the basis of assessment order received.	0.26	AY-2009-10	CIT(A)
Income Tax	Additional demand on the basis of assessment order received.	11.27	AY-2011-12	CIT(A)
Sales Tax	Additional demand on the basis of assessment order received.	0.09	2008-09	JCST
Sales Tax	Additional demand on the basis of assessment order received.	0.04	2009-10	JCST

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. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the Balance Sheet date, the provisions of clause 4(xi) of the Order are not applicable to the Company.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Order are not applicable to the Company.
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. The Company has not raised any term loans. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
17. The Company has not raised any funds on short-term basis. Accordingly, the provisions of clause 4(xvii) of the Order are not applicable to the Company.
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 not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the Company.
20. We have verified the end use of moneys raised by rights issues and the same has been disclosed in the note 3(e) in the notes to accounts of the financial statements.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Balance Sheet

(₹ In Crore)

As at 31 March

Particulars	Note No.	2014	2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	79.56	79.56
Reserves and surplus	4	2,383.49	2,327.95
		2,463.05	2,407.51
Non-current liabilities			
Deferred tax liabilities (net)	5	10.46	8.82
Other long-term liabilities	6	3.20	2.65
Long-term provisions	7	2.12	1.44
		15.78	12.91
Current liabilities			
Trade payables	8	1.52	2.37
Other current liabilities	8	5.20	4.68
Short-term provisions	7	51.54	53.98
		58.26	61.03
Total		2,537.09	2,481.45
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	70.32	69.63
Capital work-in-progress		0.59	0.27
		70.91	69.90
Non-current investments	10	2,200.36	2,201.56
Long-term loans and advances	11	26.93	24.21
		2,298.20	2,295.67
Current assets			
Current investments	10	226.29	165.16
Trade receivables	12	0.70	1.63
Cash and bank balances	14	7.59	2.11
Short-term loans and advances	11	0.50	3.47
Other current assets	13	3.81	13.41
		238.89	185.78
Total		2,537.09	2,481.45

Summary of significant accounting policies followed by the Company
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 P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

2

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee

Statement of Profit and Loss

(₹ In Crore)

For the year ended 31 March

Particulars	Note No.	2014	2013
Revenue from operations	15	144.49	141.47
Other income	16	12.81	10.78
Total revenue		157.30	152.25
Expenses:			
Employee benefits expense	17	15.19	12.95
Depreciation and amortisation		1.30	1.28
Other expenses	18	35.30	31.86
Total expenses		51.79	46.09
Profit before exceptional items and tax		105.51	106.16
Exceptional items	19	–	(27.00)
Profit before tax		105.51	79.16
Tax expense			
Current tax		20.36	27.45
Deferred tax		1.64	0.87
Total tax expense		22.00	28.32
Profit after tax		83.51	50.84
Tax (debits)/credits pertaining to earlier years		(0.12)	–
Profit for the year		83.39	50.84
Basic and diluted Earnings per share (In ₹)	20	5.2	3.3
(Nominal value per share ₹ 5)			

Summary of significant accounting policies followed by the Company
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 P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee

Cash Flow Statement

(₹ In Crore)

For the year ended 31 March

Particulars	2014	2013
I. Operating activities		
Profit before tax	105.51	79.16
Adjustments:		
Add:		
i) Depreciation and amortisation	1.30	1.28
ii) Provision for diminution in value of investment in Bajaj Financial Solutions Ltd.	-	27.00
iii) Loss on sale of assets	0.08	0.02
iv) Amortisation of (premium)/discount on acquisition of fixed income securities	(6.53)	(1.48)
v) Tax (debits)/credits pertaining to earlier years	(0.12)	-
	(5.27)	26.82
	100.24	105.98
Change in assets and liabilities		
i) Trade receivables	0.93	0.31
ii) Loans and advances and other assets	12.05	(12.00)
iii) Other bank balances	(0.01)	(0.03)
iv) Liabilities and provisions	1.01	2.30
	13.98	(9.42)
(Increase)/decrease in investments, net*	(4.25)	(29.52)
Net cash from operating activities before income tax	109.97	67.04
Income tax refund/paid for earlier years (net)	(5.16)	(1.88)
Income tax paid	(23.94)	(17.76)
Net cash from operating activities	80.87	47.40
Carried forward	80.87	47.40

Cash Flow Statement (Contd.)

(₹ In Crore)

For the year ended 31 March		
Particulars	2014	2013
Brought forward	80.87	47.40
II. Investing activities		
i) Capital expenditure	(2.46)	(0.28)
ii) Sales proceeds of assets	0.07	0.43
iii) (Increase)/decrease in investment in subsidiaries*	(2.50)	(542.63)
iv) (Increase)/decrease in other investments, net*	(46.65)	(419.07)
Net cash from investing activities	(51.54)	(961.55)
III. Financing activities		
i) Dividend paid	(23.86)	(21.67)
ii) Rights issue proceeds (net of expenses)	-	935.36
Net cash from financing activities	(23.86)	913.69
Net change in cash and cash equivalents	5.47	(0.46)
Cash and cash equivalents as at 1 April 2013	1.92	2.38
[Opening balance]		
Cash and cash equivalents as at 31 March 2014	7.39	1.92
[Closing balance]		
	-	-

* As Company is an investment company, interest earned and dividend received are considered as part of cash flow from operating activities. Purchase and sale of investment has been classified into operating and investing activity based on the intention of Management at the time of purchase of securities.

In terms of our report of even date

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee

Notes to financial statements for the year ended 31 March 2014

- 1** The Company is primarily engaged in the business of promoting financial services such as finance, insurance, wealth management etc. through its investments in subsidiaries and joint ventures. The Company is also engaged in the business of generating power through wind turbines, a renewable source of energy. Since investments dominated the composition of assets and revenue, the Company was registered on 30 October 2009 by RBI as a Non-Banking Financial Institution (Non-Deposit taking). However, the Company has obtained an exemption from RBI vide its letter dated 8 March 2010 on the compliance with the norms in respect 'concentration of investments' prescribed in para 18(1) of the Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The said exemption has been renewed vide its letter dated 3 October 2013 for one more year.

2 Summary of significant accounting policies followed by the Company

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 from the Ministry of Corporate Affairs, vide General Circular 08/2014 dated 4 April 2014, these financial statements have been prepared in accordance with the relevant provisions/Schedules/ Rules 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 the RBI guidelines/regulations to the extent applicable.

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.

1) 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 prepared under the historical cost convention. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) Estimates and assumptions used in the preparation of the financial statements and disclosures are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

2) Revenue recognition:

a) Income:

The Company recognises income (including rent etc.) on accrual basis. However, where the ultimate collection of the same lacks reasonable certainty, revenue recognition is postponed to the extent of uncertainty.

- (1) a) Interest income is accrued over the period of the loan. However, where a loan is classified as a non-performing asset, as per the prudential norms prescribed by RBI to the extent applicable to the Company as a NBFC and guidelines framed by the Management, interest thereon is recognised only when it is actually received.
 - b) Income from debentures and bonds is accrued over the maturity of the security, net of amortisation of premium/discount, thereby recognising the implicit yield to maturity, with reference to the coupon dates, where applicable. However, income is accrued only where interest is serviced regularly and is not in arrears, as per the applicable prudential norms prescribed for NBFCs by RBI to the extent applicable to the Company and the guidelines framed by the Management.
- (2) Dividend is accrued in the year in which it is declared whereby a right to receive is established.
 - (3) Profit/loss on sale of investments is recognised on the contract date.

b) Wind-farm income:

Income from windpower generation is recognised on acceptance by Maharashtra State Electricity Distribution Company Ltd. (MSSEDCL) of units generated and after giving allowance for wheeling and transmission losses. Simultaneously, relevant entitlements for generating green energy are recognised to the extent the ultimate collection is reasonably certain.

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

2 Summary of significant accounting policies followed by the Company (Contd.)

3) Fixed assets and depreciation

(A) Fixed assets

Fixed assets except freehold land are carried at cost of acquisition or construction cost including pre-operative expenses, less accumulated depreciation and amortisation. Freehold land is carried at cost of acquisition.

(B) Depreciation and amortisation:

(a) Leasehold land:

Premium on leasehold land is amortised over the period of lease.

(b) On other Fixed assets

Depreciation is provided at the rates specified in Schedule XIV of the Companies Act, 1956 or at rates computed with reference to the economic life of the assets where the estimated economic life is shorter than the life inferred by the Schedule XIV rates.

- i. Depreciation on additions is being provided on prorata basis from the month of such additions.
- ii. Depreciation on assets sold, discarded or demolished during the year is being provided at their rates upto the month in which such assets are sold, discarded or demolished.

4) Investments

- a) Fixed income securities remaining with the Company on vesting of the strategic investment undertakings of erstwhile Bajaj Auto Ltd., are carried at their fair market values as at 1 April 2007 where the carrying costs of such investments were higher on that date, less amortisation of premium/discount thereafter, as the case may be.
- b) Current investments representing fixed income securities with a maturity less than 1 year and those intended to be held for a period less than 1 year from the date on which the investment is made are stated at cost adjusted for amortisation and diminution with reference to realisable value, as necessary.
- c) Other fixed income securities, other than current, are carried at cost, less amortisation of premium/discount, as the case may be, and provision for diminution, if any, as considered necessary.
- d) Investments other than fixed income securities (Eg. equity, mutual funds etc.) are valued at cost of acquisition, less provision for diminution as considered necessary where they are intended to be held for a long-term, else current investments are valued at lower of cost or realisable value.
- e) Investments with maturity of less than 3 months from the date of acquisition are classified as cash and cash equivalents.
- f) Investments other than current investments, made by the Company are intended to be held for long-term, hence diminutions in value of quoted investments are generally not considered to be of a permanent nature.
- g) The Management has laid out guidelines for the purpose of assessing likely impairments in investments and for making provisions based on given criteria. Appropriate provisions are accordingly made, which in the opinion of the Management are considered adequate and also considering the prudential norms specified by RBI, applicable to the Company in this behalf.

5) Employee benefits

a) Privilege leave entitlements

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.

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

2 Summary of significant accounting policies followed by the Company (Contd.)

b) Gratuity

Payment for present liability of future payment of gratuity is being made to approved gratuity fund, which fully covers the same under Cash Accumulation Policy and Debt fund of the Life Insurance Corporation of India (LIC) and Bajaj Allianz Life Insurance Company Ltd. (BALIC). However, any deficit in plan assets managed by LIC and BALIC as compared to the actuarial liability is recognised as a liability.

c) Superannuation

Defined contribution to superannuation fund is being made as per the scheme of the Company.

d) Defined provident fund contribution is made to Government Provident Fund Authority.

e) Defined contribution to Employees Pension Scheme 1995 is made to Government Provident Fund Authority.

f) Long-term incentive plan

The Company's liability towards long-term incentive plan being defined benefit plan is accounted for on the basis of independent actuarial valuations carried out.

6) Taxation

- a) Provision for tax is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with the Income Tax Act, 1961. Excess/short provisions and interest thereon are recognised only on completion of assessment or where adjustments made by the Assessing Officer are disputed, on receiving the "Order Giving Effect" to the tax determined by the CIT (Appeals) and thereafter on final settlement of further disputes.
- b) Deferred tax resulting from timing difference between book profits and taxable profits are accounted for to the extent deferred tax liabilities are expected to crystallise with reasonable certainty. However, in case of deferred tax assets (representing unabsorbed depreciation or carried forward losses) are recognised, if and only if there is virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised. Deferred tax is recognised on adjustments to revenue reserves to the extent the adjustments are allowable as deductions in determination of taxable income and they would reverse out in future periods.

7) 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 reliable 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.

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

3 Share capital

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Authorised:		
200,000,000 equity shares of ₹ 5 each	100.00	100.00
Issued, subscribed and fully paid-up shares:		
159,122,352 equity shares of ₹ 5 each	79.56	79.56
	79.56	79.56

a. Of the above:-

- 101,183,510 equity shares were allotted as fully paid up pursuant to the scheme of arrangement for demerger of erstwhile Bajaj Auto Ltd. (now Bajaj Holdings & Investment Ltd.) by the Company on 3 April 2008.
- 1,805,071 equity shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date. Outstanding GDRs at the close of the year were 41,132 (47,869)

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 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.

c. Details of shareholders holding more than 5% shares in the Company

	As at 31 March		As at 31 March	
	2014		2013	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	62,314,214	39.16%	62,314,214	39.16%
Jamnalal Sons Pvt. Ltd.	15,106,424	9.49%	15,106,424	9.49%

d. Shares reserved for issue at a subsequent date

29,509 equity shares of ₹ 5 each offered by way of right in an earlier year, have been held in abeyance pending adjudication of title and subscription thereafter.

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

3 Share capital (Contd.)

e. Utilisation of funds raised on issue of equity shares

(₹ In Crore)		
As at 31 March		
Particulars	2014	2013
Amount receivable from rights issue – as per letter of offer	940.44	940.44
Less: Amount not received on shares kept in abeyance	1.92	1.92
Amount received from rights issue – (A)	938.52	938.52
Deployment of rights issue proceeds:		
(a) Investment in Bajaj Finance Ltd. – conversion of warrants	63.96	63.96
(b) Investment in Bajaj Finance Ltd. – subscription to rights issue	478.67	478.67
(c) Share issue expenses	3.16	3.16
(d) General corporate purposes – investment in mutual funds	185.36	185.36
Total deployment of rights issue proceeds – (B)	731.15	731.15
Balance amount to be utilised (A – B)	207.37	207.37
Interim utilisation of balance rights issue proceeds:		
(a) Investment in debentures	101.02	101.02
(b) Investment in money market instruments and mutual funds	106.35	106.35
Total	207.37	207.37

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

4 Reserves and surplus

(₹ In Crore)

As at 31 March

Particulars	2014	2013
Securities premium account		
Balance as per the last financial statements	928.29	-
Add: Received during the year	-	931.31
Less: Share issue expenses, net of service tax availed	-	3.02
Closing balance	928.29	928.29
Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		
Balance as per the last financial statements	78.23	68.06
Add: Transferred from surplus in Statement of Profit and Loss	16.68	10.17
Closing balance	94.91	78.23
General reserve		
Balance as per the last financial statements	1,159.90	1,154.82
Add: Transferred from surplus in Statement of Profit and Loss	8.34	5.08
Closing balance	1,168.24	1,159.90
Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	161.53	149.81
Profit for the year	83.39	50.84
Less: Appropriations		
Transfer to Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	16.68	10.17
Transfer to General reserve	8.34	5.08
Proposed dividend	27.85	23.87
Total appropriations	52.87	39.12
Balance in the Statement of Profit and Loss	192.05	161.53
	2,383.49	2,327.95

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

5 Deferred tax liabilities (net)

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
Deferred tax liability		
On account of timing difference in		
Depreciation	10.73	10.25
Amortisation of discount on acquisition of fixed income securities	0.64	0.08
Gross deferred tax liability	11.37	10.33
Deferred tax asset		
On account of timing difference in		
Provision for privilege leave etc.	0.19	0.15
Amortisation of premium/discount on acquisition of fixed income securities	-	0.87
Adjustments on account of gratuity provisions	0.72	0.49
Gross deferred tax asset	0.91	1.51
	10.46	8.82

6 Other long-term liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
Security deposits	1.87	1.87
Employee benefits payable	1.33	0.78
	3.20	2.65

7 Provisions

Particulars	(₹ In Crore)			
	Long-term		Short-term	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Provision for employee benefits [See note 26]				
Provision for gratuity	2.12	1.44	-	-
Provision for compensated absences	-	-	0.55	0.43
	2.12	1.44	0.55	0.43
Other provisions				
Provision for tax (net of tax paid in advance)	-	-	23.14	29.68
Proposed dividend*	-	-	27.85	23.87
	-	-	50.99	53.55
	2.12	1.44	51.54	53.98

* During the year ended 31 March 2014, the amount of per share dividend proposed and recognised as distributions to equity shareholders is ₹ 1.75 (previous year ₹ 1.50).

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

8 Current liabilities

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Trade payables		
Other than dues to micro and small enterprises*	1.52	2.37
	1.52	2.37
Other current liabilities		
Unclaimed dividend	0.20	0.19
Directors' remuneration and commission payable	2.69	2.13
Employee benefits payable	1.94	1.88
Taxes payable	0.27	0.40
Other payables	0.10	0.08
	5.20	4.68
	6.72	7.05

* In absence of any information on earlier requests to the vendors with regards to their registration (filing of Memorandum) under "The Micro, Small and Medium Enterprises Development Act, 2006. (27 of 2006)" and in view of the terms of payments not exceeding 45 days, which has been promptly paid, no liability exists at the close of the year and hence no disclosures have been made in this regard.

9 Fixed assets (tangible assets)

(₹ In Crore)

Particulars	Gross block (a)				Depreciation			Net block		
	As at 31 Mar 13	Additions	Deductions/ adjustments	As at 31 Mar 14	As at 31 Mar 13	Deductions/ adjustments	For the year (a)	As at 31 Mar 14	As at 31 Mar 14	As at 31 Mar 13
Land freehold (c)	10.76	-	-	10.76	-	-	-	-	10.76	10.76
Buildings (b)	45.49	0.70	-	46.19	5.20	-	0.76	5.96	40.23	40.29
Computers	0.97	0.02	-	0.99	0.60	-	0.16	0.76	0.23	0.37
Electric fittings	0.47	-	-	0.47	0.07	-	0.02	0.09	0.38	0.40
Furniture	1.56	-	-	1.56	0.37	-	0.10	0.47	1.09	1.19
Office equipment	1.53	0.01	-	1.54	0.30	-	0.09	0.39	1.15	1.23
Vehicles	1.67	1.41	0.31	2.77	0.47	0.16	0.17	0.48	2.29	1.20
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19	14.19
Total	346.17	2.14	0.31	348.00	276.54	0.16	1.30	277.68	70.32	69.63
Previous year total	346.63	0.01	0.47	346.17	275.28	0.02	1.28	276.54	69.63	

(a) Refer note 2 clause 3(A) and (B) of summary of significant accounting policies.

(b) Includes office premises given on lease ₹ 8.25 crore, depreciation for the year ₹ 0.13 crore (previous year ₹ 0.13 crore), accumulated depreciation ₹ 1.84 crore (previous year ₹ 1.70 crore), net block ₹ 6.42 crore (previous year ₹ 6.55 crore).

(c) Includes proportionate ownership in land consequent to acquisition of office premises under a Deed of Apartment, at an attributed cost of ₹ 2.94 crore and cost of shares therein ₹ 2000/-.

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

10 Investments

(₹ In Crore)

Particulars	Non-current portion		Current maturities	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
(A) Long Term Investments:				
In Fully Paid Equity Shares:				
Trade:				
In Subsidiary Company:				
Quoted:				
30,856,613 Shares of ₹ 10 each in Bajaj Finance Ltd.	1,502.62	1,502.62	-	-
Unquoted:				
111,524,660 Shares of ₹ 10 each in Bajaj Allianz Life Insurance Co. Ltd.	111.52	111.52	-	-
81,568,165 Shares of ₹ 10 each in Bajaj Allianz General Insurance Co Ltd.	81.57	81.57	-	-
2,500,000 (-) Shares of ₹ 10 each in Bajaj Financial Holdings Ltd.	2.50	-	-	-
39,000,000 Shares of ₹ 10 each in Bajaj Financial Solutions Ltd.	39.00	39.00	-	-
Less: Provision for diminution in the value of investment	27.00	27.00	-	-
	12.00	12.00	-	-
	207.59	205.09	-	-
In Joint Venture:				
Unquoted:				
1,200,000 Shares of ₹ 10 each in Bajaj Allianz Financial Distributors Ltd.	1.20	1.20	-	-
In Bonds and Debentures:				
Fully paid:				
Others				
Quoted:				
500 Zero Percent Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Housing Development Finance Corporation Ltd. -Series J-041	50.00	50.00	-	-
100 Zero Percent Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Housing Development Finance Corporation Ltd. -Series I-009	11.92	11.92	-	-
100 9.56% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Ltd.	10.83	10.83	-	-
Carried over	72.75	72.75	-	-
Carried over	1,711.41	1,708.91	-	-

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

10 Investments (Contd.)

(₹ In Crore)

Particulars	Non-current portion		Current maturities	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Brought over	1,711.41	1,708.91	-	-
In Bonds and Debentures: (Contd.)				
Fully paid: (Contd.)				
Others: (Contd.)				
Quoted: (Contd.)				
Brought over	72.75	72.75	-	-
50 9.57% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Ltd.	5.13	5.13	-	-
50 9.70% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Ltd.	5.40	5.40	-	-
250 9.80% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Ltd.	-	26.84	26.84	-
100 Zero Percent Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Mahindra & Mahindra Financial Services Ltd.	-	8.22	8.22	-
- (300)11.45% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Reliance Industries Ltd.	-	-	-	35.20
- (250)10.90% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Reliance Gas Transportation Infrastructure Ltd.- Series PPD1	-	-	-	28.57
50 Zero Percent Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Sundaram Finance Ltd. Series L-1	-	4.06	4.06	-
100 9.99% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Sundaram Finance Ltd. Series L-24	10.48	10.48	-	-
100 9.30% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Tata Sons Ltd.	10.11	10.11	-	-
100 8.75% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Axis Bank Ltd.- Series S-11, Opt - II	10.51	10.51	-	-
50 10.10% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Axis Bank Ltd. - Series S-15	5.59	5.59	-	-
250 10.75% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Bharat Forge Ltd. (Balance after part redemption)	-	26.19	19.95	-
150 8.50% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 61 of ₹ 1,000,000 each of Power Finance Corporation Ltd.	-	16.01	16.01	-
Carried over	119.97	201.29	75.08	63.77
Carried over	1,711.41	1,708.91	-	-

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

10 Investments (Contd.)

(₹ In Crore)

Particulars	Non-current portion		Current maturities	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Brought over	1,711.41	1,708.91	-	-
In Bonds and Debentures: (Contd.)				
Fully paid: (Contd.)				
Others: (Contd.)				
Quoted: (Contd.)				
Brought over	119.97	201.29	75.08	63.77
50 8.78% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 6.I of ₹ 1,000,000 each of Power Finance Corporation Ltd.- (S-XXXI-A)	5.39	5.39	-	-
100 8.95% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 64 of ₹ 1,000,000 each of Power Finance Corporation Ltd.	-	10.63	10.63	-
- (150) 11.50% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Ltd. Series 87 C O III	-	-	-	17.73
	125.36	217.31	85.71	81.50
Less: Amortisation of premium/(discount) on acquisition	(6.92)	(0.34)	1.56	8.02
	132.28	217.65	84.15	73.48
In Mutual Fund Units:				
Unquoted:				
15,000,000.000 (-) Axis FTP Series 55 (399 Days) Direct Growth (X4-DGG)	15.00	-	-	-
4,867,384.177 (9,505,287.792)Birla Sunlife Income Plus-Direct Growth	25.60	50.00	-	-
25,000,000.000 Birla Sun Life FTP Series GA Growth -518 Days	-	25.00	25.00	-
15,000,000.000 (-) DWS FMP Series 47 Direct Growth	15.00	-	-	-
15,000,000.000 (-) DWS FMP Series 52 - Direct - Growth	15.00	-	-	-
25,000,000.000 (-) HDFC FMP 441D February 2014 (1) Series 29- Direct-Growth	25.00	-	-	-
25,000,000.000 (-) HDFC FMP 453 D Feb 14 (1) Series 29 - Direct - Growth	25.00	-	-	-
25,000,000.000 (-) ICICI Prudential FMP Series 72 - 440 Days Direct Plan L Cumulative	25.00	-	-	-
15,000,000.000 (-) ICICI Prudential FMP Series 72-409 Days Plan S Direct Plan Cumulative	15.00	-	-	-
25,000,000.000 (-) IDFC FTP Series 70 Direct Plan- Growth	25.00	-	-	-
Carried over	185.60	75.00	25.00	-
Carried over	1,843.69	1,926.56	84.15	73.48

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

10 Investments (Contd.)

(₹ In Crore)

Particulars	Non-current portion		Current maturities	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Brought over	1,843.69	1,926.56	84.15	73.48
In Mutual Fund Units: (Contd.)				
Unquoted: (Contd.)				
Brought over	185.60	75.00	25.00	-
20,130,757.644 (37,467,777.711) IDFC-Dynamic Bond Fund-Plan B-Growth	26.86	50.00	-	-
7,921,779.646 (15,247,544.535) Kotak Bond Scheme Plan A-Growth	25.98	50.00	-	-
10,000,000.000 (-) Kotak FMP Series 145 Direct Growth	10.00	-	-	-
20,000,000.000 (-) L&T FMP Series 10 - Plan H - Direct Growth	20.00	-	-	-
10,000,000.000 (-) Reliance Fixed Horizon Fund - XXV - Series 21- Direct Plan Growth Plan	10.00	-	-	-
1,196,525.343 (16,585,288.186) Reliance Dynamic Bond Fund-Growth	1.80	25.00	-	-
16,010,451.623 Reliance Dynamic Bond Fund -Direct -Growth	25.00	25.00	-	-
18,804,803.981 (35,581,617.113) SBI Dynamic Bond Fund-Growth	26.43	50.00	-	-
15,000,000.000 (-) Tata FMP Series 46 Scheme M - Direct Plan- Growth	15.00	-	-	-
10,000,000.000 (-) Tata FMP Series 46 Scheme Q Direct	10.00	-	-	-
20,000,000.000 (-) Religare Invesco FMP Sr 23 Plan F (367 Days) Direct	-	-	20.00	-
25,000,000.000 (-) DSP Blackrock FMP Series 153 - 12 M - Direct Growth	-	-	25.00	-
	356.67	275.00	70.00	-
Total (A)	2,200.36	2,201.56	154.15	73.48
(B) Current Investments:				
In Certificate of Deposit:				
Unquoted:				
- (2,500) Certificate of Deposit of ₹ 100,000 each of Corporation Bank -17-02-2014	-	-	-	22.97
- (2,500) Certificate of Deposit of ₹ 100,000 each of State Bank of Patilala -03-12-2013	-	-	-	23.45
2,500 (-) Certificate of Deposit of ₹ 100,000 each of Canara Bank -12-03-2015	-	-	22.77	-
	-	-	22.77	46.42
Add: Amortisation of premium/(discount) on acquisition	-	-	0.10	0.24
	-	-	22.87	46.66

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

10 Investments (Contd.)

(₹ In Crore)

Particulars	Non-current portion		Current maturities	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Brought over	-	-	22.87	46.66
In Mutual Fund Units:				
Unquoted:				
6,328,881.030 Birla Sunlife Short Term Fund-Growth	-	-	26.52	26.52
7,210,949.105 (-) SBI Short Term Debt Fund-Direct Plan - Growth	-	-	10.00	-
72,551.329 (-) L&T Liquid Fund Direct Plan- Growth	-	-	12.75	-
- (129,850.595) IDFC Cash Fund Direct - Growth	-	-	-	18.50
	-	-	49.27	45.02
Total (B)	-	-	72.14	91.68
Total (A+B)	2,200.36	2,201.56	226.29	165.16
Aggregate provision for diminution in value of investments	27.00	27.00	-	-

(₹ In Crore)

Particulars	Book value		Market value	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Quoted*	1,719.05	1,793.75*	5,740.77	3,831.45
Unquoted	707.60	572.97		
Total	2,426.65	2,366.72		

Notes to Investments

- *Quoted investments for which quotations are not available have been included in market value at the face value/paid up value, whichever is lower, except in case of Debentures and Bonds, where the Net Present Value at current yield to maturity have been considered.
- Investments made by the Company other than those with a maturity of less than one year, are intended to be held for long-term, hence diminution in the value of quoted investments are not considered to be of a permanent nature. On an assessment of the non-performing investments (quoted and unquoted) and keeping in mind the relevant provisioning norms applicable to the Company as a NBFC and the guidelines adopted by the Management, no provision has been determined during the year ended 31 March 2014.
- Refer note 2 clause 4 for accounting policy and valuation principles for investments.

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

11 Loans and advances

(Unsecured, good, unless stated otherwise)

(₹ In Crore)

Particulars	Long-term		Short-term	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Security deposits	4.36	4.34	–	3.00
Loan and advances to related parties [See note 28]	–	–	0.29	0.30
Other loans and advances				
VAT refund receivable	1.31	0.85	–	–
CENVAT credit receivable (Previous year ₹ 2,434)	–	–	0.01	
Advance income-tax (net of provision for tax)	5.51	3.31	0.01	0.01
MAT credit entitlement	15.70	15.70	–	–
Others	0.05	0.01	0.19	0.16
	22.57	19.87	0.21	0.17
	26.93	24.21	0.50	3.47

12 Trade receivables

(Unsecured, considered good, unless stated otherwise)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Outstanding for a period exceeding six months from the date they are due for payment	–	–	–	–
Others, good	–	–	0.70	1.63
	–	–	0.70	1.63

13 Other assets

(Unsecured, good, unless stated otherwise)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Credit receivable for windpower generated	–	–	3.80	4.78
REC receivable	–	–	0.01	6.70
Investments redemption proceeds receivable	–	–	–	1.00
Interest receivable on investments	–	–	–	0.93
	–	–	3.81	13.41

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

14 Cash and bank balances

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Cash and cash equivalents				
Balances with banks				
In current accounts	-	-	7.39	1.92
	-	-	7.39	1.92
Other bank balances				
Unclaimed dividend accounts	-	-	0.20	0.19
	-	-	0.20	0.19
Amount disclosed under non-current assets	-	-	-	-
	-	-	7.59	2.11

15 Revenue from operations

(₹ In Crore)

Particulars	For the year ended 31 March	
	2014	2013
Windfarm activity:		
Income from power generation	59.88	60.55
Income from Renewable Energy Certificates (REC)*	0.56	12.83
	60.44	73.38
Investment activity:		
Interest:		
Interest income on		
Long-term investments	20.87	21.42
Amortisation of (premium)/discount on acquisition of fixed income securities on		
Long-term investments	1.55	(2.76)
Current investments	4.98	4.24
	27.40	22.90
Other financial services:		
Dividend income on Investment in subsidiaries	46.28	30.23
Profit on sale of investments, net #	10.37	14.96
	84.05	68.09
	144.49	141.47

* Due to the sudden drop in the demand for Renewable Energy Certificates (RECs) on the energy exchange during the year, considerable uncertainty has emerged over the ultimate recoverability of this "Green Initiative" incentive. Hence in accordance with the accounting policy followed by the Company, revenue from RECs is recognised only to the extent of reasonable certainty and the uncertain portion is deferred for recognition as and when collected.

Including on current investments ₹ 4.27 crore (previous year ₹ 14.51 crore)

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

16 Other income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Interest – others	0.56	0.29
Rent	1.87	1.81
Business support service	9.18	8.30
Miscellaneous receipts	0.61	0.37
Provision no longer required	0.59	0.01
	12.81	10.78

17 Employee benefits expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Salaries, wages and bonus to employees	9.98	9.13
Remuneration to whole-time director	3.36	2.64
Contribution to provident and other funds	1.66	0.97
Staff welfare expenses	0.19	0.21
	15.19	12.95

18 Other expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Rent	0.06	0.03
Repairs to buildings	0.93	1.07
Repairs to machinery – windmill	7.87	7.63
Repairs to others	0.08	0.06
Energy generation expenses	13.81	8.89
REC registration, issuance and brokerage charges	0.38	0.39
Rates and taxes	0.60	0.57
Insurance	0.29	0.27
Payment to auditor	0.17	0.13
Directors' fees and travelling expenses	0.13	0.12
Commission to non-executive directors	0.17	0.15
Travelling (including foreign travel) expenses	1.60	2.54
Business support service expenses	1.94	3.62
Interest paid on income tax	1.40	–
Miscellaneous expenses	5.87	6.39
	35.30	31.86

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

18 Other expenses (Contd.)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Payment to auditor*		
As auditor:		
Audit fee	0.07	0.06
Tax audit fee	0.02	0.02
Limited review	0.06	0.04
In other capacity:		
Other services (certification fees)	0.02	0.01
Reimbursement of expenses (₹ 12,727 - previous year ₹ 21,543)		
	0.17	0.13

* Excluding as auditors to the rights issue of shares aggregating ₹ 0.35 crore adjusted to securities premium account in previous year.

19 Exceptional items

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Provision for diminution in the value of investment in Bajaj Financial Solutions Ltd.*	-	(27.00)
	-	(27.00)

* In view of the continuing losses and a prolonged gestation period, the Company, as a matter of prudence, recognised a provision for the diminution in the value of its investment in Bajaj Financial Solutions Ltd. (FinSol), a wholly owned subsidiary aggregating ₹ 27 crore for the year ended 31 March 2013. Considering the quantum and nature of the provision the same was reflected as an exceptional item in the Statement of Profit and Loss.

20 Earnings Per Share (EPS)

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

Particulars	For the year ended 31 March	
	2014	2013
Profit for the year (₹ In Crore)	83.39	50.84
Number of shares before rights issue (Nos)	-	144,683,510
Adjustment factor for bonus element	-	1.02
Weighted average number of shares before rights issue (Nos)	-	80,459,887
Number of shares after rights issue (Nos)	159,122,352	159,122,352
Weighted average number of shares after rights issue (Nos)	159,122,352	72,367,974
Weighted average number of shares outstanding during the year (Nos)	159,122,352	152,827,861
Earnings per share (Basic and Diluted) ₹	5.2	3.3
Face value per share ₹	5.0	5.0

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

21 Contingent liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
a Claims against the Company not acknowledged as debts	12.23	7.67
b Income Tax matters under dispute Appeal by Company	27.85	0.14
c Value Added Tax (VAT) matters under dispute	0.61	0.29

22 Capital and other commitments

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
Capital commitments, net of capital advances	0.69	0.73

23 Expenditure in foreign currency (accrual basis)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Professional and consultation fees	–	0.11
Travelling expenses	0.03	0.06
Other matters	1.93	1.75
	1.96	1.92

24 Earnings in foreign currency (accrual basis)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Reimbursement	–	0.25

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

25 Details of windpower generation and turnover

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Credit for units brought forward from previous year		
In units (In Lakh)	78	47
In value (₹ In Crore)	4.78	2.70
Generated, during the year		
In units (In Lakh)	931	888
Sold, during the year		
In units (In Lakh)	937	857
In value (₹ In Crore)	60.86	58.47
Credits receivable		
In units (In Lakh)	72	78
In value (₹ In Crore)	3.80	4.78

26 Employee benefits

Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the AS 15 (Revised) the details of which are as hereunder.

Funded scheme

Particulars	(₹ In Crore)	
	Gratuity	
	As at 31 March	
	2014	2013
Amount to be recognised in Balance Sheet		
Present value of funded obligations	3.84	2.75
Fair value of plan assets	(1.72)	(1.31)
Net liability	2.12	1.44
Amounts in Balance Sheet		
Liability	2.12	1.44
Assets	-	-
Net liability	2.12	1.44
Expense to be recognised in the Statement of Profit and Loss		
Current service cost	0.19	0.14
Interest on defined benefit obligation	0.20	0.18
Expected return on plan assets	(0.07)	(0.05)
Net actuarial losses/(gains) recognised in year	0.64	0.09
Total, included in "Employee benefits expense"	0.96	0.36
Actual return on plan assets	0.13	0.09

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

Funded scheme (Contd.)

(₹ In Crore)

Particulars	Gratuity	
	As at 31 March	
	2014	2013
Reconciliation of benefit obligations and plan assets for the period		
Change in defined benefit obligation		
Opening defined benefit obligation	2.75	2.34
Current service cost	0.19	0.14
Interest cost	0.20	0.18
Actuarial losses/(gains)	0.70	0.13
Benefits paid	–	(0.04)
Closing defined benefit obligation	3.84	2.75
Change in fair value of assets		
Opening fair value of plan assets	1.31	1.00
Expected return on plan assets	0.07	0.05
Actuarial gains/(losses)	0.06	0.04
Contributions by employer	0.28	0.26
Benefits paid	–	(0.04)
Closing fair value of plan assets	1.72	1.31

(₹ In Crore)

Particulars	As at 31 March		
	2014	2014	2013
Assets information			
Insurer managed funds	1.72	100.00%	100.00%

(₹ In Crore)

Particulars	Year ended 31 March				
	2010	2011	2012	2013	2014
Experience adjustments					
Defined benefit obligation	1.23	1.87	2.34	2.75	3.84
Plan assets	0.53	0.74	1.00	1.31	1.72
Surplus/(deficit)	(0.70)	(1.13)	(1.34)	(1.44)	(2.12)
Exp. adj. on plan liabilities	0.04	0.49	0.32	–	0.51
Exp. adj. on plan assets	0.02	0.03	0.03	0.04	0.06

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

Funded scheme (Contd.)

Particulars	As at 31 March	
	2014	2013
Principal actuarial assumptions (Expressed as weighted averages)		
Discount rate (p.a.)	9.35%	8.05%
Expected rate of return on assets (p.a.)	7.50%	7.50%
Salary escalation rate (p.a.) – senior staff	10.00%	8.00%
Salary escalation rate (p.a.) – junior staff	10.00%	9.00%

Unfunded schemes

Particulars	(₹ In Crore)	
	Compensated absences	
	As at 31 March	
Particulars	2014	2013
Present value of unfunded obligations	0.55	0.43
Expense recognised in the Statement of Profit and Loss	0.30	0.30
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%	9.00%

Particulars	(₹ In Crore)	
	Long-term incentive plan	
	As at 31 March	
Particulars	2014	2013
Present value of unfunded obligations	1.33	0.68
Expense recognised in the Statement of Profit and Loss	0.65	0.68
Discount rate (p.a.)	9.35%	8.05%

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

27 Segment information

Segment information is based on the Consolidated financial statements.

Segment wise revenue, results and capital employed for the year ended 31 March 2014

(₹ In Crore)

(a) Primary segment: Business segment

Particulars	Insurance*	Windmill	Retail financing	Investments and others	Consolidated
Revenue					
External sales and other income	11,296.61	60.44	4,049.80	146.65	15,553.50
Inter segment sales and other income	-	-	23.53	41.99	65.52
Total revenue	11,296.61	60.44	4,073.33	188.64	15,619.02
Segment result	1,749.18	37.07	1,086.95	29.81	2,903.01
Unallocated corporate results	-	-	-	-	(1.40)
Interest expense	-	-	-	-	-
Tax expense	-	-	-	-	710.49
Tax (debits)/credits pertaining to earlier years	-	-	-	-	(0.19)
Minority interest	-	-	-	-	646.85
Profit for the year	1,749.18	37.07	1,086.95	29.81	1,544.08
Segment assets	48,439.07	28.11	24,926.86	807.34	74,201.38
Unallocated corporate assets	-	-	-	-	21.22
Total assets	48,439.07	28.11	24,926.86	807.34	74,222.60
Segment liabilities	41,169.39	1.25	783.69	18.37	41,972.70
Unallocated corporate liabilities	-	-	-	-	50.99
Total liabilities	41,169.39	1.25	783.69	18.37	42,023.69
Capital employed	7,269.68	26.86	24,143.17	788.97	32,198.91
Capital expenditure	64.78	-	73.98	2.14	140.90
Depreciation and amortisation	-	0.06	29.19	1.63	30.88
Non cash expenses other than depreciation	-	-	-	-	-

* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business Revenue Accounts together with shareholders' income in accordance with the reporting framework of IRDA amounting to a net revenue of ₹ 1,129.00 crore for the year ended 31 March 2014 has been included in a manner consistent with the parent's reporting format. External sales and other income excludes accretions to unit linked investments.

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Insurance, Windmill, Retail financing and Investments and others have been identified as the business segments.

(b) All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

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

27 Segment information (Contd.)

Segment information is based on the Consolidated financial statements.

Segment wise revenue, results and capital employed for the year ended 31 March 2013

(₹ In Crore)

(a) Primary segment: Business segment

Particulars	Insurance*	Windmill	Retail financing	Investments and others	Consolidated
Revenue					
External sales and other income	11,269.44	73.38	3,070.93	155.37	14,569.12
Inter segment sales and other income	-	-	38.73	1.47	40.20
Total revenue	11,269.44	73.38	3,109.66	156.84	14,609.32
Segment result	1,765.10	55.25	842.54	45.22	2,708.11
Interest expense	-	-	-	-	-
Tax expense	-	-	-	-	493.94
Minority interest	-	-	-	-	640.53
Profit for the year	1,765.10	55.25	842.54	45.22	1,573.64
Segment assets	46,299.26	36.78	18,148.62	744.14	65,228.80
Unallocated corporate assets	-	-	-	-	19.02
Total assets	46,299.26	36.78	18,148.62	744.14	65,247.82
Segment liabilities	40,373.29	2.15	1,233.70	16.40	41,625.54
Unallocated corporate liabilities	-	-	-	-	53.55
Total liabilities	40,373.29	2.15	1,233.70	16.40	41,679.09
Capital employed	5,925.97	34.63	16,914.92	727.74	23,568.73
Capital expenditure	165.60	-	57.49	0.15	223.24
Depreciation and amortisation	-	0.06	19.56	2.07	21.69
Non cash expenses other than depreciation	-	-	-	-	-

* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business Revenue Accounts together with shareholders' income in accordance with the reporting framework of IRDA amounting to a net revenue of ₹ 856.02 crore for the year ended 31 March 2013 has been included in a manner consistent with the parent's reporting format. External sales and other income excludes accretions to unit linked investments.

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Insurance, Windmill, Retail financing and Investments and others have been identified as the business segments.

(b) All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

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

28 Disclosure of transactions with related parties as required by the Accounting Standard -18

(₹ In Crore)

		2013-14		2012-13	
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, subsidiaries and fellow subsidiary:					
Bajaj Allianz General Insurance Co. Ltd. (74% shares held by Bajaj Finserv Ltd.)	Contribution to equity (81,568,165 shares of ₹ 10 each)	-	81.57	-	81.57
	Rent received	1.87	-	1.81	-
	Deposit received	-	(1.87)	0.16	(1.87)
	Insurance premium paid	0.36	0.29	0.29	0.30
	Revenue expenses reimbursed	-	-	0.06	-
Bajaj Allianz Life Insurance Co. Ltd. (74% shares held by Bajaj Finserv Ltd.)	Contribution to equity (111,524,660 shares of ₹ 10 each)	-	111.52	-	111.52
	Revenue expenses reimbursed	-	-	0.08	-
Bajaj Finance Ltd. (61.54% shares held by Bajaj Finserv Ltd.)	Contribution to equity (30,856,613 shares of ₹ 10 each)	-	1,502.62	563.95	1,502.62
	Contribution to/conversion of warrants	-	-	(21.32)	-
	Dividend received	46.28	-	30.23	-
	Revenue expenses incurred on behalf	-	-	0.10	-
	Business support services rendered	6.94	-	6.39	-
Bajaj Financial Holdings Ltd. (Fully owned subsidiary)	Contribution to equity (2,500,000 shares of ₹ 10 each)	2.50	2.50	-	-
	Expenses incurred on behalf	0.03	-	-	-
Bajaj Financial Solutions Ltd. (Fully owned subsidiary)	Contribution to equity (39,000,000 shares of ₹ 10 each)	-	39.00	-	39.00
	Business support services rendered	0.02	-	0.09	-
Bajaj Financial Securities Ltd. (Fully owned subsidiary of Bajaj Financial Solutions Ltd.)	Business support services rendered	0.01	-	0.03	-
B. Associates, joint ventures and investing parties:					
Bajaj Holdings and Investment Ltd. (investing party)	Purchase of shares by BHIL (62,314,214 shares of ₹ 5 each)	-	(31.16)	2.83	(31.16)
	Dividend paid	9.35	-	8.50	-
	Business support services received	0.11	-	0.18	-
	Business support services rendered	1.57	-	1.42	-
	Income tax cross-adjustment paid to BHIL	7.24	-	-	-
	Interest paid on income tax cross-adjustment	1.25	-	-	-
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to equity (1,200,000 shares of ₹ 10 each)	-	1.20	-	1.20
	Services received	0.32	(0.03)	0.23	-
	Revenue expenses reimbursed	-	-	0.02	-
C. Individuals controlling voting power/exercising significant influence and their relatives:					
Rahul Bajaj (Chairman)	Sitting fees	0.02	-	0.01	-
	Commission	0.02	(0.02)	0.02	(0.02)
Madhur Bajaj	Sitting fees	0.01	-	0.01	-
	Commission	0.02	(0.02)	0.02	(0.02)
Rajiv Bajaj	Sitting fees	0.01	-	0.01	-
	Commission	0.02	(0.02)	0.02	(0.02)
Sanjiv Bajaj (Managing Director)	Remuneration	1.24	-	0.95	-
(Also Key management personnel)	Commission	2.52	(2.52)	1.98	(1.98)
Shekhar Bajaj	Nil	-	-	-	-
Niraj Bajaj	Nil	-	-	-	-
D. Key management personnel and their relatives: Included in 'C' above					

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

28 Disclosure of transactions with related parties as required by the Accounting Standard -18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2013-14		2012-13	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
E. Enterprises over which anyone in (c) and (d) exercises significant influence:					
Bajaj Auto Ltd.	Sale of windpower	27.83	-	27.44	-
	CSS recovery reimbursed	2.20	-	1.17	-
	Business support services received	1.62	-	3.04	-
	Business support services rendered	0.52	-	0.37	-
	Aviation charges paid	0.93	-	1.62	-
Bajaj Electricals Ltd.	Purchases	-	-	-	-
Bajaj International Pvt. Ltd.	Other credits	0.01	-	0.02	-
Hind Musafir Agency Ltd.	Services received	0.12	(0.04)	0.10	-
Hindustan Housing Co. Ltd.	Services received (₹ 196, Previous year - ₹ 1,998)	-	-	-	-
Mukand Ltd.	Sale of windpower	19.61	0.41	13.72	1.16
	CSS recovery reimbursed	2.11	-	-	-
	Rent and other expenses paid	0.06	-	0.03	-
	Security deposit paid	-	4.00	4.00	4.00
	Interest received	0.56	-	0.29	-

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.

29 Lease

Future minimum lease rental in respect of assets
given on operating lease in the form of office premises after 1 April 2001
Minimum future lease payments as on 31 March 2014:

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Receivable		
Within one year	1.87	1.87
After one year but not more than five years	0.78	2.65
More than five years	-	-
	2.65	4.52

Taken on operating lease in the form of office premises after 1 April 2001

Minimum future lease payments as on 31 March 2014:

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Payable		
Within one year	0.06	0.06
After one year but not more than five years	0.03	0.09
More than five years	-	-
	0.09	0.15

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

30 Schedule to Balance Sheet as at 31 March 2014

Balance Sheet of a Non Deposit taking Non-Banking Financial Company

(As required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

		(₹ In Lakh)	
Liabilities side		Amount outstanding	Amount overdue
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:			
(a) Debentures : secured		-	-
: unsecured		-	-
(Other than falling within the meaning of public deposit*)		-	-
(b) Deferred credits		-	-
(c) Term loans		-	-
(d) Inter-corporate loans and borrowings		-	-
(e) Commercial paper		-	-
(f) Other loans (specify nature)		-	-

* Please see Note 1 below

Asset side		Amount outstanding
(2) Break-up of loans and advances including bills receivables (other than those included in (4) below)		
(a) Secured		-
(b) Unsecured (Comprises advance income tax paid, capital advances and miscellaneous dues)		2,743
(3) Break up of leased assets and stock on hire and other assets counting towards AFC activities		
(i) Lease assets including lease rentals under sundry debtors		
(a) Financial lease		-
(b) Operating lease		-
(ii) Stock on hire including hire charges under sundry debtors		
(a) Assets on hire		-
(b) Repossessed assets		-
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed		-
(b) Loans other than (a) above		-
(4) Break up of investments		
Current investments		
1. Quoted:		
(i) Shares: (a) Equity		-
(b) Preference		-
(ii) Debentures and bonds		-
(iii) Units of mutual funds		-
(iv) Government securities		-
(v) Others		-

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

30 Schedule to Balance Sheet as at 31 March 2014 (Contd.)

		(₹ In Lakh)
Asset side (Contd.)		Amount outstanding
2. Unquoted:		
(i) Shares: (a) Equity		-
(b) Preference		-
(ii) Debentures and bonds		-
(iii) Units of mutual funds		4,927
(iv) Government securities		-
(v) Others: (a) Certificate of deposit		2,287
(b) Commercial paper		-
Long-term investments		
1. Quoted:		
(i) Shares: (a) Equity		150,262
(b) Preference		-
(ii) Debentures and bonds		21,643
(iii) Units of mutual funds		-
(iv) Government and trust securities		-
(v) Others (please specify)		-
2. Unquoted:		
(i) Shares: (a) Equity		20,879
(b) Preference		-
(ii) Debentures and bonds		-
(iii) Units of mutual funds		42,667
(iv) Government securities		-
(v) Others (please specify)		-
Total		242,665

(5) Borrower group-wise classifications of assets financed as in (2) and (3) above: (Please see note (2) below)

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related parties**			
(a) Subsidiaries	-	29	29
(b) Companies in the same group	-	-	-
(c) Other related parties	-	400	400
2. Other than related parties	-	2,314	2,314
Total	-	2,743	2,743

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

30 Schedule to Balance Sheet as at 31 March 2014 (Contd.)

(6) Investor group wise classification of all investments (current and long-term) in shares and securities (both quoted and unquoted) Please see Note 3 below.

(₹ In Lakh)

Category	Market value/break up or fair value or NAV	Book value (net of provisions)
1. Related parties**		
a) Subsidiaries		
- Quoted (disclosed at market value)	552,642	150,262
- Unquoted (disclosed at break up value)	560,275	20,759
b) Companies in the same group	-	-
c) Other related parties	642	120
2. Other than related parties		
- Unquoted @	51,738	49,881
- Quoted (disclosed at market value)	21,435	21,643
Total	1,186,732	242,665

** As per Accounting Standard of ICAI (Please see Note 3)

@ Investments in equity shares are disclosed at break up value and investments in mutual funds are disclosed at fund value.

The break up values are computed based on latest available consolidated financial statements/ reports.

The investments in non-performing investments are disclosed at book value net of provisions.

(7) Other information

(₹ In Lakh)

Particulars	Amount
(i) Gross non-performing assets	
(a) Related parties	3,900
(b) Other than related parties	-
(ii) Net non-performing assets	
(a) Related parties	1,200
(b) Other than related parties	-
(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 Non-Banking Financial (Non-Deposit Accepting or Holding) 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 debt. 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 (4) above.

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

30 Schedule to Balance Sheet as at 31 March 2014 (Contd.)

(8) CRAR

Items	2014	2013
(i) CRAR %	96%	99%
(ii) CRAR – Tier I capital (%)	96%	99%
(iii) CRAR – Tier II capital (%)	0%	0%

(9) Exposures: Exposures to real estate sector

Category	2014	2013
(₹ In Lakh)		
(a) Direct exposure	-	-
(i) Residential mortgages Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: (Individual housing loans upto ₹ 15 lakh may be shown separately)	-	-
(ii) Commercial real estate Lending secured by mortgages on commercial real estate (office building, retail space, multipurpose commercial premises, multi-family residential buildings, multitenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based (NFB) limits	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
(a) Residential	-	-
(b) Commercial real estate	-	-
(b) Indirect exposure	11,689	11,203
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	11,689	11,203

(10) Asset Liability Management

Maturity pattern of certain items of assets and liabilities

Particulars	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
(₹ In Lakh)									
Liabilities	-	-	-	-	-	-	-	-	-
Borrowings from Banks	-	-	-	-	-	-	-	-	-
Market borrowings	-	-	-	-	-	-	-	-	-
Assets	3,775	-	-	-	18,854	42,171	6,724	171,141	242,665
Advances	-	-	-	-	-	-	-	-	-
Investments	3,775	-	-	-	18,854	42,171	6,724	171,141	242,665

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

31 The consolidated financial statements of the Company and its group are attached to these independent financial statements. The details of the group regarding the nature of relationship and the basis of consolidation can be referred to in note 1 to the said consolidated financial statements.

32 Previous year figures

Previous year figures have been regrouped wherever necessary to make them comparable with those of the current year.

33 Miscellaneous

₹ 1 crore is equal to ₹ 10 million.

Amounts less than ₹ 50,000 have been shown at actual against respective line items statutorily required to be disclosed.

In terms of our report of even date

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 14 May 2014

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee

Statement pursuant to section 212 of the Companies Act, 1956 relating to subsidiary companies

1. Name of the subsidiary	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Finance Ltd.	Bajaj Financial Solutions Ltd. (Consolidated)	Bajaj Financial Holdings Ltd.*
2. Financial year of the subsidiary ended on	31 March 2014	31 March 2014	31 March 2014	31 March 2014	31 March 2014
3. Holding company's interest: equity share capital	74%	74%	61.54%	100%	100%
4. Profit or loss for the current financial year so far as concern the members of the holding company, not dealt with or provided for in the accounts of the holding company	Profit ₹ 302.65 crore	Profit ₹ 758.19 crore	Profit ₹ 444.87 crore	Loss ₹ 0.21 crore	Nil
5. Net aggregate profits or losses for the previous financial years since becoming subsidiary so far as concern the members of the holding company, not dealt with or provided for in the accounts of the holding company	Profit ₹ 724.06 crore	Profit ₹ 2,690.33 crore	Profit ₹ 719.43 crore	Loss ₹ 25.07 crore	Nil
6. Net aggregate amounts received as dividends for previous financial years since becoming subsidiary dealt with in the accounts of the holding company in relevant years	Nil	Nil	₹ 108.09 crore	Nil	Nil

* The Company was incorporated on 7 February 2014. The first financial statements of the Company will be prepared on 31 March 2015. Hence no financial statements have been included for this Company.

Pune: 14 May 2014

Kevin D'sa
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors
Rahul Bajaj
Chairman

Sanjiv Bajaj
Managing Director

Nanoo Pamnani
Chairman - Audit Committee

Note


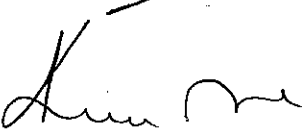
Note

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Bajaj Finserv Limited
Akurdi Pune 411 035 India
www.bajajfinserv.in

FORM A

1.	Name of the Company	Bajaj Finserv Limited
2.	Annual financial statements for the year ended	31 March 2014
3.	Type of audit observation	<p>Unqualified for Stand alone financial statements.</p> <p>Matter of Emphasis for consolidated financial statements as per Para 8 of the Auditor's Report , which is as per the directive of The Institute of Chartered Accountants of India vide its announcement dated 17th May 2012, is as given below:-</p> <p>" Without qualifying our opinion, we draw attention to Note 4B(m)(ii) to the financial statements, relating to the dismantling of the Indian Motor Third Party Insurance Pool, wherein Bajaj Allianz General Insurance Company Ltd. has opted to amortise the transitional liability on straight line basis over three years beginning with the financial year ended 31 March 2012. Accordingly, ₹119.89 crore (previous year ₹119.89 crore) has been charged to Revenue Account and the unamortised transitional liability amounting to ₹ Nil (previous year ₹119.89 crore) has been carried forward pursuant to the exercise of option for accounting treatment for the same prescribed under paragraph 3(b) of the Insurance Regulatory and Development Authority Order No. IRDA /F&A /ORD /MTAP /070 /03 /2012 dated 22 March 2012."</p>
4.	Frequency of observation	Appearing for the financial period from 1 April 2013 to 31 March 2014 and was also there in the earlier year 1st April 2012 to 31 March 2013 in respect of our insurance subsidiary viz; Bajaj Allianz General Insurance Company Ltd.
5.	Sanjiv Bajaj Managing Director Kevin D'sa CFO & President (Business Development)	 
	Auditor of the Company Dalal & Shah Nanoo Pamnani Audit Committee Chairman	