



Peace will not come out of  
a clash of arms but out of justice  
lived and done by unarmed nations  
as in the face of odds.

- Mahatma Gandhi



It is not kingdom I desire,  
nor heaven, nor release from rebirth;  
what I desire is the destruction  
of the pains of creatures scorched  
by suffering.

Jamnalal Bajaj



We must be the change  
we wish to see in the world.

Mahatma Gandhi



## Key social practices

Bajaj Hindusthan pioneered Corporate Social Responsibility from the very beginning of its existence and it had been integrated into the fundamentals of our business by the founding fathers of our Company much before the concept was adopted by the Indian companies. As the Numero Uno among sugar producing Companies in India, our Company has consistently striven to enhance the quality of life of India's rural population. Our sense of mission is significantly larger than the pursuit of business profits and bottom-line objectives.

Ever aware of its responsibilities towards society in general and farmers in particular, we have tried to uplift the lives of rural people by educating the farmers about the results from agricultural yield and irrigation systems that they themselves can put in place, and by providing a means for the farmers to convert wasted crop residues into useful bio-fuels produce. We have also created valuable employment opportunities and have provided farmers with subsidised, high-yielding and disease-resistant seeds in addition to fertilisers and pesticides, especially in those states and rural areas where it currently operates. Virtually spanning all of Uttar Pradesh, BHL continues to touch the lives of over 2 million farmers.

Our Company has striven to create an economic and social infrastructure in hitherto backward areas by constructing roads and bridges in a 15 kilometres radius around every sugar mill, apart from this we also

induce the institution of other civic amenities like banks, post offices and petrol pumps, thus continually strengthening the economic and social infrastructure.

We are committed to energize, involve and enable the various stakeholders including employees, communities, suppliers and customers in realizing the potential of achieving Corporate Social Responsibility. We strictly adhere to EHS norms in all its manufacturing locations. Critical activities that have a potential to cause injuries are scrutinised in detail. We believe that human capital is precious and therefore does not leave any stone unturned to protect and nurture our human resources.

In the future we are determined to make efforts towards rapidly modernising rural India and ensure that the gains of development reach every corner of our vast country.



We must combine the toughness  
of the serpent and the softness  
of the dove, a tough mind and  
a tender heart.

Martin Luther King Jr.



## Key environmental practices

We at Bajaj Hindusthan have pledged to make a greener and healthier India. Being a socially responsible Company, we believe in giving back to the environment and always aim for a green country today and a greener world tomorrow.

We strongly recommend the need to prepare a comprehensive road map for energy efficiency and sustainable development in major sectors such as agriculture, forestry and environment infrastructure. We are on the verge of commencing the manufacture of Medium Density Fibre (MDF) Boards and Particle Boards from sugarcane bagasse waste. These are completely wood-free and environment-friendly engineered products which can increasingly replace wood in building construction and furniture manufacture. Bajaj Hindusthan Group's manufacture of 210,000 cubic metres MDF and Particle Boards will effectively prevent the destruction of an estimated 420,000 fully grown and mature trees in a year.

We generate surplus power from sugarcane bagasse waste which is then fed to our homes and factories through the state grid. Giving back to our environment, our country and our people has become a key guiding principle for corporate organizations today. We in BHL are inspired by the mission of creating eco-friendly products for the nation and setting examples by eco-friendly practices.

As the threat of global warming increases over time, we are taking carefully considered measures to reduce greenhouse gas emissions, our co-generation facility in Thanabhwani Unit successfully registered as a Certified Emission Reduction (CER) project under the United Nations Framework Convention on Climate Change (UNFCCC). We have emphasized on Green-belt development in all Units to reduce the adverse environmental impact of industrial activity. As a step towards creating a pollution-free environment, 35% of the area in each Unit has been converted into a green-belt. The MDF and the Particle Boards have been certified as green building materials by the International Green Building Council (IGBC).

With increasing globalization and the growing need for cost-competitiveness, we see green concepts as one of the drivers for sustained business growth and enhanced competitiveness, thereby maximizing shareholder wealth with a higher PE ratio in the years to come. BHL is all set to take a call on the parameters on which it will do transparent and voluntary reporting under Global Reporting Initiatives (GRI). We have also emphasized on the need of zero-discharge of solid or liquid effluents from distilleries.

BHL's sense of environmental mission is testimony to the pioneering initiatives of fuel ethanol manufacturing programme and co-generation of power from bagasse waste.



Force is all-conquering,  
but its victories are short-lived.

Abraham Lincoln

## Key operational practices

Bajaj Hindusthan was established in 1931, since then it has been weaving a success story as India's number one integrated Sugar Company with Sugar, Industrial Alcohol (including ethanol) and Power as its key products. The Company has fourteen sugar mills [including four of its 75% subsidiary – Bajaj Hindusthan Sugar and Industries Ltd. (BHSIL)] with distilleries at six locations (including one of BHSIL) and bagasse-based power generation plants at all the locations, spread across the length and breadth of UP, the largest sugar producing state in India.

The Company has a strong track record of profitability – have declared dividend in 73 out of BHL's 76 years of existence. It has nurtured a tradition of strong relationships with farmers for mutual benefit and they are very much a part of our family. We have forayed into a relatively value-additive business of making MDF/HDF/Particle Boards from bagasse under the aegis, its wholly owned subsidiary was one of the pioneering initiatives taken up by the Company through its continuous zest for growth in business.

The Product range of the Company reflects from its sugarcane crushing capacity of 1,36,000 TCD (including 40,000 TCD of BHSIL); 800 KL per day of Ethanol (including 160 KL per day of BHSIL) and aggregate of captive as well as bagasse based surplus power generation capacity of 105 KW (including 15 KW of BHSIL).

## Operational highlights that support our commitment: 2007-08

- Sugar Recovery was marginally up to 9.99% in 2007-08 from 9.80% in 2006-07
- Sugar cane crush decreased to 10.012 million MT in 2007-08 from 13.362 million MT in 2006-07
- Sugar cane production decreased to 0.98 Million MT in 2007-08 from 1.25 million MT in 2006-07
- Absolute alcohol production increased to 1,15,031 KL in 2007-08, from 87,516 KL in 2006-07
- Power export (to the grid) increased to 1,11,002 MW in 2007-08, from 7,616 MW in 2006-07
- Gross Block increased to 30,563.8 million in 2007-08, from 26,392.6 million in 2006-07, primarily on account of setting up of one 7,000 TCD capacity sugar plant and four power co-generation plants
- Financial performance
  - o Revenue increased from Rs. 1802.87 crore in 2007-08 as against Rs. 1743.66 crore in 2006-07
  - o Incurred a net loss of Rs. 47.68 crore in 2007-08, as against earning a net profit of Rs. 45.65 crore in 2006-07





If you want to make peace  
with your enemy, you have to  
work with your enemy.  
Then he becomes your partner.

Nelson Mandela

- o BHL Segmental Revenue chart indicates efficacy of BHL's plans to de-risk the business from sugar cycle by creating steady revenue streams from Distillery, power and board business

	FY03	FY04	FY05	FY06	FY07	FY08
Sugar	92%	92%	94%	91%	90%	80%
Distillery	8%	8%	6%	9%	10%	14%
Power	0%	0%	0%	0%	0%	6%
Total	100%	100%	100%	100%	100%	100%

- Price differential for Sugarcane Prices continued with State Advised Price (SAP) of Rs.140 per quintal announced by UP Government for the Sugar Season 2008-09.
- Volatility on sugar prices continues with sugar prices moving up due to substantial fall in sugar production estimates. The domestic sugar prices have already firmed up at Rs. 18000 per MT (ex BHL factory average).
- Ethanol opportunity:
  - o Ethanol continues to be used as an automotive fuel by itself and can be mixed with petrol to form what has been called "FUEL ETHANOL". The most common blends contain 5% to 10% ethanol mixed with petrol.
  - o With a view to give boost to agriculture sector and reduce environmental pollution, Government of India had made ethanol-doped-petrol mandatory in the country.
  - o In October 2007 Government of India has mandated 5% ethanol blending and has indicated

that from October 2008, 10% ethanol blending will be mandatory.

- o Utilization of molasses for the production of ethanol in India will not only provide value-addition to the by-product, it can also ensure better price stability and price realization of molasses for the sugar mills. This will improve the viability of the sugar mills, which will in turn benefit cane growers.

- MDF / HDF/ Particle Board Business – an update
  - o The 100% subsidiary Bajaj Eco-Tec Products Limited (BEPL) has successfully set up three plants for manufacturing Particle Boards (PB) and Medium Density Fibre Boards (MDF), from sugarcane bagasse.
  - o Three plants have a combined capacity of 210,000 m<sup>3</sup> per annum, the largest in India.
  - o Commercial production of PB & MDF commenced in April 2008.
  - o Country-wide marketing & distribution network established with PB & MDF Boards being marketed under the brand - "Bajaj Boards".
  - o BEPL's innovative and futuristic products - "ZERO WOOD, ECO- FRIENDLY, PARTICLE BOARDS AND MEDIUM DENSITY FIBRE BOARDS", now provides a cost effective and sustainable alternative/ substitute for wood, plywood and other similar panel products, required for interiors and furniture manufacturing, and in the process will significantly reduce deforestation, which is one of the major concern for "Global Warming".

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## Board of Directors

**Shishir Bajaj**

Chairman & Managing Director (Promoter)

**Kushagra Bajaj**

Joint Managing Director (Promoter)

**I. D. Mittal**

Chief Executive Director

**D. S. Mehta**

Non-Executive Director

**Niraj Bajaj** (upto December 31, 2008)

Non-Executive Director (Promoter)

**M. L. Apte**

Non-Executive Director (Independent)

**Suresh A. Kotak** (upto September 23, 2008)

Non-Executive Director (Independent)

**R. V. Ruia**

Non-Executive Director (Independent)

**Alok Krishna Agarwal**

Non-Executive Director (Independent)

**D. K. Shukla** (w.e.f. December 21, 2008)\*

Non-Executive Director (Independent)

\* Nomination as representative of LIC withdrawn w.e.f. November 11, 2008



# Chairman's Letter

Dear Shareholder,

India is going through a difficult transitional phase. And business in India, and the Indian macro-economy itself are struggling to find their feet in the treacherously churning quicksands of the global economy.

During the 80s and the 90s, Indian economy and the business were consistently trying to speed up the process of India's integration with the world economy. China had begun its programme of liberalization way back in the 70s. We in India were therefore constantly reminding ourselves that we were a decade too late in commencing our programme of liberalization and economic reforms. Therefore, we were constantly exhorting ourselves to step on the pedal even harder.

Ironically, now we seem to have come full circle. If, towards the end of the 20th century we were constantly asking ourselves how fast we were becoming a part of the mainstream of the global economy and business, as we are getting into the thick of the 21st century we are asking ourselves what are the strategically important areas where we are still effectively de-coupled and insulated from the global economy. We are seeking to find out which are these strategically autonomous areas of our economy which are immune to the global tsunami. As controls are being progressively dismantled, we are understandably curious to find out how much exposure we have to American financial institutions and investment banks, and therefore how vulnerable are we to the western and global economic meltdown. We are restlessly eager to find out the quantum of dollar or euro-securities that underlie our commercial paper, and how safely segregated are the rest.

The question on everyone's lips is, what is the risk that India too will get sucked into a global recession or an American depression?

On another front, we see a repeat of the same dilemma. From the late 1990s many prominent thinkers have penned elegies on the demise of state socialism and communism. The breaking down of the German wall in 1989 was of great historical and symbolic significance. The collapse of the erstwhile Soviet Socialist Republics was another significant straw in the wind.

But if thinkers and commentators sang a dirge to communism as the 20th century was winding down, the tables have turned again now and the boot is on the other leg. The ultimate bastion of free market capitalism, the United States of America, is now singing paeans of praise to the state. After the crumbling down of two American mega investment banks, Lehman Brothers and AIG, the American State has now intervened to throw a lifeline to help the phoenix-like resurrection of these institutions. Even the United States of America now openly concedes that the invisible hand of the market can not guide the economy. Benevolent state power is needed to tether the fluttering festoons of capitalism.

Adam Smith postulated that the market guided the economy and business like an invisible hand by foresightedly channelising scarce economic resources to fulfill existing and emerging market needs. The liberal world has tacitly assumed that markets rise up quickly to meet every consumer need. But in practice, the markets do not seem to be endowed with any such foresight. As the Nobel Prize winning economist Joseph Stiglitz points out,

“many government activities arise because markets have failed to provide essential services.” Even today, even in the world’s most advanced country, the US, you can not get an annuity that will ensure you against inflation. And one of the most important reasons for the US Government to set up the Federal National Mortgage Association (Fannie Mae) was that the market did not provide mortgages at reasonable term to the middle and lower classes.

Industry in India has been going through its own versions of these dilemmas. Earlier we were all for the removal of all controls and curbs. But now we have once again begun to cautiously welcome the guiding hands of the state. We feel that we cannot blindly trust market forces entirely and that a benevolent government hand should be a beacon to guide our collective social destiny. Which is a more reliable guide, the market or the state? Is state power and state control good, or we better off allowing ourselves to be buffeted around by market forces?

It is difficult to say. “There is nothing either good or bad, it is thinking makes it so,” said William Shakespeare. Ultimately we have to find our place and our bearings in the rough and tumble of the global economy.

We have to realize that the rules of the game have changed completely. Today the discerning consumer is also increasingly an aware voter with a mind of his own. A large number of consumers are also shareholders. And today it doesn’t matter if you are in the boondocks. You can be accessed from anywhere on your e-mail id. The contours of our market have also undergone a revolutionary change in today’s world.

It is to this new paradigm that Bajaj Hindusthan Limited is honing its operations. The wood-substitute Medium Density Fibre (MDF) boards and particle boards, that our subsidiary Bajaj Eco-tec Products Limited is manufacturing from sugarcane bagasse, constitute precisely such a futuristic product tailor-made for a necessarily environmentally hypersensitive tomorrow in which wood will become a scarce natural resource. The manufacture of ethanol is another such product line for the compulsorily greener earth of the future. Our co-generation facilities are also similarly foresightedly planned.

Warm regards,  
**Shishir Bajaj**  
 Chairman & Managing Director



# JMD Speaks

Dear Shareholder,

I think the year 2007-08, which has gone by, and the year 2008-09, which we currently are in, have both been at once exceptionally bad and exceptionally good years.

Exceptionally good because anything and everything that could have gone wrong for the Indian sugar industry, and for Bajaj Hindusthan in particular, actually did. The sugar industry in fact exemplified Murphy's Law: If anything can go wrong, it will. This forced us to learn and taught us much more than what we had learnt over 100 years of being in the sugar industry in India, and specifically in UP.

What went wrong? I think the Indian sugar industry is now going through a once-in-a-lifetime scenario which very few of us have seen. Just like the onset of depression in America this year. These two years have created such a depression for the sugar industry in UP.

I think the year 2007-08 has been far worse than I had expected. I think that until the sugarcane pricing issue in UP gets resolved either by the State Government, which has to temper the exorbitant State Advised Price (SAP) to a more reasonable and realistic level by introducing a scientific and structured methodology for determining it, or by the Centre, which has to increase the Statutory Minimum Price (SMP) thereby substantially narrowing the difference between the State and Central prices, the sugar industry in UP will lurch from one crisis to another.

The ability of the sugar industry to go to court time and again to resolve the issue of cane pricing and the substantially higher prices that alternative crops fetch are

forcing farmers to scale down the area under sugarcane cultivation, even though cane is a cash crop and a lazy man's crop. But the issue of cane pricing is so heavily politically charged that it had to necessarily explode one day. The surprise was only that it happened far sooner than we had anticipated, or at least sooner than I anticipated. I would have reckoned that the cane pricing issue would have come to a boil five to seven years from now.

But I am still extremely optimistic and positive about the prospects for the sugar industry, because it is an industry which cannot die. BHL is the largest sugar company in UP, in India, in Asia and among the top five in the world. The Company is critically important constituent of the social and economic fabric of rural India and rural UP. The ripple effect of the collapsing or shutting down of the UP sugar industry will be unimaginably catastrophic.

The cane pricing issue is now absolutely top-of-the-mind for everyone. It has become a national issue. It has become a serious economic issue. It has become an issue that the political establishment fully understands. It has become an issue that the farmers of UP empathize with. It has become an issue that investors vibe with, employees are familiar with and stakeholders appreciate the nuts and bolts of.

This issue will be resolved, hopefully sooner than later. I can speculate on the various ways that this can be resolved through. But I am not a crystal ball gazer.

Therefore, I have no means of knowing which way it will get resolved through. I think the sugar industry will have to suffer the pains for one or two more years. I can only unequivocally assure you that once this issue is resolved over the next couple of years,



sugar will be the greatest business to be in, the world over. Somebody asked me very recently, "What are you cribbing about, Kushagra? Sugar is still selling easily. What is more, people are still consuming sugar. Look at all the industries across the board. People are desisting from buying things. Factories are shutting down. Overnight companies are becoming bankrupt. By God's grace none of these things has happened to you and the Indian sugar industry".

Yes, even though the financial hit that the company has taken is substantial, we are among the better sugar companies in UP.

With best wishes,  
**Kushagra Bajaj**  
Joint Managing Director (JMD)





# 10 Years Performance Trends : 1999-2008

(Rs. Million)

BALANCE SHEET	30.09.2008	30.09.2007	30.09.2006	30.09.2005	30.09.2004	30.09.2003	30.09.2002	31.03.2001	31.3.2000	31.3.1999
<b>SOURCES OF FUNDS</b>										
<b>Shareholder's Funds</b>										
Share Capital	141.41	141.41	141.41	116.33	87.33	87.33	87.33	87.33	87.33	87.33
Reserves & Surplus	13,309.63	14,201.90	13,545.25	6,026.09	1,289.98	1,131.66	877.71	1,160.76	1,153.87	1,108.14
	13,451.04	14,343.31	13,686.66	6,142.42	1,377.31	1,218.99	965.04	1,248.09	1,241.20	1,195.47
<b>Loan Funds</b>										
Secured Loans	28,080.83	20,358.80	4,401.65	3,817.90	3,202.37	1,777.71	843.50	2,089.20	1,343.21	1,535.86
Unsecured Loans	6,009.90	8,550.10	10,659.18	1,282.46	19.35	20.69	22.16	49.57	358.27	64.71
	34,090.73	28,908.90	15,060.83	5,100.36	3,221.72	1,798.40	865.66	2,138.77	1,701.48	1,600.57
<b>Deferred Tax Liabilities ( Net )</b>	589.37	1,208.77	1,299.62	453.36	424.26	284.66	245.06	-	-	-
<b>Total</b>	48,131.14	44,460.98	30,047.11	11,696.14	5,023.29	3,302.05	2,075.76	3,386.86	2,942.68	2,796.04
<b>APPLICATION OF FUNDS</b>										
<b>Fixed Assets</b>										
Gross Block	30,563.78	26,392.63	12,853.40	6,551.84	4,083.40	2,552.42	2,407.05	2,395.33	2,246.64	2,209.85
Less : Depreciation	5,775.56	4,186.24	2,718.57	1,988.92	1,636.75	1,448.22	1,324.03	1,297.96	1,188.75	1,049.18
Net Block	24,788.22	22,206.39	10,134.83	4,562.92	2,446.65	1,104.20	1,083.02	1,097.37	1,057.89	1,160.67
Capital Work in Progress	1,386.93	5,629.67	12,230.78	6,234.44	1,786.02	788.30	25.05	43.96	3.66	6.54
	26,175.15	27,836.06	22,365.61	10,797.36	4,232.67	1,892.50	1,108.07	1,141.33	1,061.55	1,167.21
<b>Investment</b>	4,882.56	4,374.67	2,058.10	50.66	0.66	13.26	21.51	39.54	2.02	2.02
<b>Current Assets, Loan and Advances</b>										
Inventories	6,372.37	3,948.27	1,223.85	555.46	774.08	1,270.80	1,190.05	2,668.24	2,240.10	1,788.07
Sundry Debtors	422.99	1,099.97	618.56	178.62	278.30	222.80	9.94	53.18	59.16	33.88
Cash & Bank Balances	397.27	1,089.53	2,233.12	58.43	39.54	123.41	32.27	40.88	51.71	110.78
Loans & Advances	18,062.13	14,952.76	5,342.81	1,030.49	404.37	170.98	142.47	255.87	276.03	213.60
	25,254.76	21,090.53	9,418.34	1,823.00	1,496.29	1,787.99	1,374.73	3,018.17	2,627.00	2,146.33
<b>Current Liabilities &amp; Provisions</b>										
Current Liabilities	6,104.92	6,245.35	1,820.37	549.75	656.67	344.08	340.01	733.95	711.34	431.96
Provisions	2,076.41	2,594.93	1,974.57	425.13	49.66	47.62	88.54	83.08	45.93	100.53
	8,181.33	8,840.28	3,794.94	974.88	706.33	391.70	428.55	817.03	757.27	532.49
<b>Net Current Assets</b>	17,073.43	12,250.25	5,623.40	848.12	789.96	1,396.29	946.18	2,201.14	1,869.73	1,613.84
<b>Miscellaneous Expenditure</b>										
( to the extent not written off or adjusted)										
Deferred Revenue Expenditure	-	-	-	-	-	-	-	4.85	9.38	12.97
<b>Total</b>	48,131.14	44,460.98	30,047.11	11,696.14	5,023.29	3,302.05	2,075.76	3,386.86	2,942.68	2,796.04

Rs. Million										
NET INCOME STATEMENT Year ended	30.09.2008	30.09.2007	30.09.2006	30.09.2005	30.09.2004	30.09.2003	30.09.2002 (18 months)	31.03.2001	31.3.2000	31.3.1999
<b>INCOME</b>										
Sale ( Gross )	18,794.94	18,412.17	15,269.20	8,914.60	5,252.84	4,582.67	6,204.49	3,295.14	2,613.39	2,952.25
Less : Excise Duty	1,232.13	1,282.06	796.80	453.40	278.07	373.56	294.92	258.66	324.41	188.45
Sales(Net)	17,562.81	17,130.11	14,472.40	8,461.20	4,974.77	4,209.11	5,909.57	3,036.48	2,288.98	2,763.80
Other Income	465.91	306.50	395.10	86.82	176.70	129.72	40.23	55.01	42.88	88.45
<b>Total</b>	<b>18,028.72</b>	<b>17,436.61</b>	<b>14,867.50</b>	<b>8,548.02</b>	<b>5,151.47</b>	<b>4,338.83</b>	<b>5,949.80</b>	<b>3,091.49</b>	<b>2,331.86</b>	<b>2,852.25</b>
<b>EXPENDITURE</b>										
Materials	13,903.31	12,834.17	9,514.46	4,609.42	2,801.17	3,167.57	2,998.64	2,508.95	1,954.26	1,694.00
Manufacturing & Other Expenses	4,186.87	3,442.00	1,918.69	1,045.74	777.55	714.89	895.65	613.55	492.32	505.10
(Increase)/ Decrease in stock	(2,246.90)	(1,324.14)	(69.80)	705.06	467.19	(94.74)	1,578.44	(427.54)	(453.12)	84.25
<b>Total</b>	<b>15,843.28</b>	<b>14,952.03</b>	<b>11,363.35</b>	<b>6,360.22</b>	<b>4,045.91</b>	<b>3,787.72</b>	<b>5,472.73</b>	<b>2,694.96</b>	<b>1,993.46</b>	<b>2,283.35</b>
<b>Profit before Depreciation,</b>										
<b>Interest &amp; Tax (PBDIT)</b>	2,185.44	2,484.58	3,504.15	2,187.80	1,105.56	551.11	477.07	396.53	338.40	568.90
Depreciation (Net)	1,872.21	1,468.82	723.94	350.95	190.87	135.10	184.26	107.63	103.14	108.76
Interest & Finance Expenses (Net)	1,394.44	637.34	(21.48)	132.06	135.90	67.36	166.57	201.73	160.57	202.47
	<b>3,266.65</b>	<b>2,106.16</b>	<b>702.46</b>	<b>483.01</b>	<b>326.77</b>	<b>202.46</b>	<b>350.83</b>	<b>309.36</b>	<b>263.71</b>	<b>311.23</b>
<b>Profit before Tax (PBT)</b>	(1,081.21)	378.42	2,801.69	1,704.79	778.79	348.65	126.24	87.17	74.69	257.67
Provision for Taxation (net)	(604.37)	(78.05)	893.36	300.90	168.60	65.14	22.60	4.41	4.68	60.13
<b>Profit after Tax (PAT)</b>	(476.84)	456.47	1,908.33	1,403.89	610.19	283.51	103.64	82.76	70.01	197.54
<b>Dividend (%)</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>37.50%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>

# Directors' Report

## Introduction

Your Directors have pleasure in presenting their Seventy-seventh annual report and the audited statement of accounts for the year ended September 30, 2008.

## Financial results

The summarised results are presented below:

	<b>2007-08 (Rs.million)</b>	2006-07 (Rs.million)
Sales and other income	<b>18,028.72</b>	17,436.61
Gross profit before interest, depreciation and extraordinary items	<b>2,185.44</b>	2,484.58
Interest (Net)	<b>1,394.44</b>	637.34
Depreciation	<b>1,872.21</b>	1,468.82
Profit/(Loss) before tax	<b>(1,081.21)</b>	378.42
Provision for taxation (including Fringe Benefit Tax)	<b>13.80</b>	12.80
Provision for deferred tax	<b>(618.17)</b>	(90.85)
Profit/(Loss) after tax	<b>(476.84)</b>	456.47
Disposable surplus after adjustments	<b>164.53</b>	819.64
Transfer to general reserve	-	50.00
Proposed dividend	<b>84.84</b>	84.84
Tax on dividend	<b>14.42</b>	14.42
Balance carried to balance sheet	<b>65.27</b>	670.38

## Operating results and business

On a stand-alone basis the Company achieved a turnover of Rs. 18,028.72 million as compared to Rs. 17,436.61 million in the previous year. The net loss after tax stood at Rs. 476.84 million compared to the net profit of Rs. 456.47 million in the previous year. On a consolidated basis, the turnover is Rs. 21,202.60 million as compared to Rs. 18,128.62 million in the previous year. The net loss after tax and minority interest is Rs. 1,574.22 million compared to a net profit of Rs. 20.81 million in the previous year. The loss includes provision made towards foreign exchange fluctuation as per Accounting Standard 11

“Accounting for the Effects of changes in Foreign Exchange Rates”.

During the year Bajaj Hindusthan Limited (BHL) has completed its on-going capacity expansion and has strengthened its leadership position in the sugar and ethanol sectors by further augmenting its sugar capacity by 7,000 Tonnes crushed per day (TCD). The Company now has an aggregate crushing capacity of 96,000 TCD.

The Company's co-generation plant at Kinauni, Budhana and Gangnauli units commenced operations during the current financial year thereby taking the total number of co-generation plants to seven in the Company with aggregate generating capacity of 262 M.W.

## Dividend

The Board of Directors of the Company recommend for consideration of shareholders at the annual general meeting payment of dividend of 60% (Re.0.60 per share) on 14,14,07,111 equity shares of the face value of Re. 1/- each, for the year ended September 30, 2008. The dividend paid during the last year was 60% (Re.0.60 per share) on 14,14,07,111 equity shares of the face value of Re. 1/- each.

## Subsidiaries

As per the provisions of Section 212 of the Companies Act, 1956, the Directors' Report, Balance Sheet and Profit and Loss Account of our subsidiary companies are required to be attached with the Balance Sheet of the Company. However, in terms of approval granted under Section 212(8) of the Companies Act, 1956 by the Ministry of Corporate Affairs, Government of India, vide its letter No. 47/534/2008-CL-III dated August 26, 2008, the Company has been exempted from complying with the provisions contained in sub-section (1) of Section 212 of the Companies Act, 1956 in respect of its following subsidiaries, viz.:-

1. Bajaj Hindusthan Sugar and Industries Limited (formerly known as The Pratappur Sugar & Industries Limited)
2. Bajaj Eco-Tec Products Limited
3. Bajaj Aviation Private Limited
4. Bajaj Internacional Participações Ltda. (Brazilian subsidiary)
5. Bajaj Hindusthan (Singapore) Pte. Ltd. (Singapore subsidiary)

As directed by the Ministry of Corporate Affairs, certain key information have been disclosed in an Annexure of the Consolidated Accounts forming part of this Annual Report.

Upon written request, the annual accounts of the subsidiary companies and the related detailed information will be made available to the investors seeking such information, at any point of time, and the same will also be kept for inspection at the registered office of the Company.

During the year, the Company has incorporated another wholly-owned subsidiary, viz. Bajaj Eco-Chem Products Private Limited. The first financial year of the said subsidiary will end on March 31, 2009.

### **Bajaj Hindusthan Sugar and Industries Limited (BHSIL) (formerly known as The Pratappur Sugar & Industries Limited)**

During the financial year 2007-08, the company commissioned three new sugar plants at Kundarkhi, Rudauli & Utraula, all in the state of Uttar Pradesh, having an aggregate sugarcane crushing capacity of 34,000 TCD (tonnes crushed per day). With the commissioning of these new plants, total crushing capacity of BHSIL increased to 40,000 TCD. The Company also commissioned three co-generation plants at Kundarkhi, Rudauli and Utraula units with an aggregate generating capacity of 80 M.W.

During the year 2007-08, BHSIL achieved a turnover of Rs. 2,986.97 million as compared to Rs. 674.58 million in the previous year. The net loss however increased to Rs.757.48 million against a loss of Rs. 251.19 million in the previous year. BHSIL crushed 1.99 million tonnes of sugarcane (as against 0.55 million tonnes of sugarcane crushed last year) and produced 1,94,477 (including Trial Run) tonnes of sugar as against 48,200 tonnes last year. The distillery division of BHSIL at Rudauli produced 24,229 kilolitres of industrial alcohol as against 1,916 kilolitres last year.

In December 2007, BHL paid balance 5% of the aggregate value of the warrants issued amounting to Rs. 142.50 million and exercised its rights attached to all the remaining 29,00,000 equity warrants out of 38,00,000 equity warrants issued on July 18, 2006 on preferential basis and rights attached to all 2,80,00,000 equity warrants issued on February 9, 2007. Upon exercise, the Company was allotted an aggregate of 5,70,00,000 equity shares of BHSIL of

the face value of Re. 1/- each at a price of Rs. 50/- per share, on December 26, 2007. Consequently, BHL made an open offer in terms of Regulation 11(1) read with 14(2) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to acquire upto 2,36,00,000 fully paid-up equity shares of the face value of Re. 1/- each representing 20% of the issued and expanded paid-up capital of BHSIL at an offer price of Rs. 52.89 per share, determined in accordance with the said regulations. However, only 32,10,454 equity shares representing 2.72% of the paid-up capital of BHSIL were received under the offer by the Company taking up its post-open offer shareholding to 9,07,40,724 equity shares representing 76.90% of the paid-up capital of BHSIL. In order to comply with the requirement of minimum public shareholding at 25% of the paid-up capital in terms of Clause 40A of the Listing Agreement, the Company sold 22,40,724 equity shares in the secondary market to bring down its holding in BHSIL to 75%.

In September 2008, the Board of Directors of BHSIL considered and approved a Scheme of Arrangement, inter alia, comprising merger of Phenil Sugars Private Limited, which is presently holding more than 99% shares in two companies having one sugar plant each of the capacity of 6,000 TCD located in the State of Uttar Pradesh and conversion into Zero Coupon Secured Optionally Convertible Securities of - (i) loan including interest thereon; and (ii) loans including interest thereon taken over by it from its future subsidiaries - due to the Company. The said scheme is subject to various approvals of the shareholders and creditors of the respective companies, the High Courts of judicature at Delhi and Bombay, Stock Exchanges and other concerned authorities.

## Bajaj Eco-Tec Products Limited

Bajaj Eco-Tec Products Limited (BEPL) is one of the Wholly Owned Subsidiary (WOS) of Bajaj Hindusthan Limited (BHL). The project cost to set up plants at three locations in Uttar Pradesh to manufacture eco-friendly Particle Boards (PB) and Medium Density Fibre (MDF) Boards by using most advanced and modernized technology has escalated from an estimated sum of Rs. 2,500 million to Rs. 2,900 million due to purchase of some additional equipments not envisaged earlier and due to increase in civil construction cost.

During the year, BHL had invested a further sum of Rs. 250 million by way of equity subscription. Accordingly, till date, BHL invested Rs. 1249.10 million by way of 11,500,000 equity shares of face value of Rs. 10/- each at a price of Rs. 100/- (comprising Rs. 90/- as premium) and 1,00,00,000 - 7% Redeemable Cumulative Non-Convertible Preference Shares of face value of Rs. 10/- each towards part funding of the overall project cost in this subsidiary.

In April 2008, the Company commenced commercial production at all the three plants of PB & MDF. The Company has already established country-wide marketing & distribution network and its PB & MDF Boards are being marketed under the brand - **"Bajaj Boards"**. The product will go a long way for conservation of forests in the country.

## Bajaj Aviation Private Limited

The Board of Directors of Bajaj Hindusthan Holdings Private Limited was actively exploring various opportunities to commence suitable business activity. This coincided with the liberalized aviation policy announced by the Government of India with analysts predicting the aviation sector to grow at approximately 20% per annum. In order to take advantage of the opportunities in the aviation sector post liberalization, the name of the company was changed to Bajaj Aviation Private Limited (BAPL) and the Memorandum and Articles of Association of the Company was amended to reflect this new line of business in the aviation sector. Further, as a part of a corporate restructuring exercise, Bajaj Hindusthan Limited (BHL) sold the entire shareholding of Bajaj Aviation Private Limited to Bajaj Eco-Tec Products Limited (BEPL) making BAPL a wholly owned subsidiary of BEPL and consequently a step-down subsidiary of BHL.

During the year, BAPL has acquired one Bell-407 helicopter. This helicopter would be primarily used for charter services and similar operations where opportunities abound. This experience would enable the Company chart out the future course of action in line of diversification and expansion plans.

## Bajaj Eco-Chem Products Private Limited

Bajaj Eco-Chem Products Private Limited (BECPL), the wholly owned subsidiary of Bajaj Hindusthan Limited (BHL) was formed for the purpose of undertaking and carrying the business of manufacture and sale of speciality chemicals. As reported in the Directors' Report for 2006-2007, the Company was in the process of acquiring land in the state of Gujarat. We have now received the approval from Development Commissioner of Dahej SEZ, Gujarat for setting up a project. However, the Company is considering deferment of the project, due to the depressed financial conditions of markets worldwide.

## Bajaj Internacional Participações Ltda. (Brazilian subsidiary)

In August 2006, Bajaj Hindusthan Limited (BHL) incorporated a wholly owned subsidiary in Brazil to target opportunities in the sugar/alcohol sector to leverage our strengths for the domestic and export markets. Due to the recent turmoil in Argentina and other Latin American countries, the company could not get the desired opportunities. Hence, the company is in the process of repatriating the capital invested in the said subsidiary.

## Bajaj Hindusthan (Singapore) Private Ltd.

Bajaj Hindusthan (Singapore) Pvt. Ltd. was incorporated in May 2007 for the purpose of leveraging foreign business opportunities. During the year, BHL has advanced SGD 34,858 to meet out its maintenance activities & other statutory obligations.

## Consolidated financial statement

The Audited Consolidated Financial Statement for the year ended September 30, 2008 prepared, pursuant to Clause 41 of the listing agreement entered into with stock exchanges and in accordance with the Accounting Standards prescribed by The Institute of Chartered Accountants of India (ICAI) are attached and forms part of this Annual Report.

## Environmental protection and pollution control

Our concern for environmental safety is superseded only by our commitment to augment employee and community safety. The Company progressed further on various initiatives to achieve greater heights in the field of Environment, Health and Safety (EHS). Benchmarking the EHS Management System to the best EHS practices, we integrated during the year, the responsibilities of EHS management amongst all employees. In line with the Company's policies, greater emphasis was placed on implementing the best practices on EHS management. All manufacturing locations remained fully compliant with Environmental Regulations. We launched new initiatives targeted at reducing Greenhouse Gases (GHG), conservation of natural resources and energy.

Our concerted efforts were to incorporate integrated Environment Management Systems and Occupational Health & Safety (ISO 14001 & OHSAS 18001) in our operational activities at Pratappur, Utraula, Kundarkhi & Rudauli. Several other initiatives like Standard Operating Procedures (SOPs) followed by Training programmes & programmes for Loss Prevention, Resource Conservation, Zero Discharge, Contractor Manual, EHS Manual, Transport Emergency Card (TREM), House Keeping, Green Belt Development, Clean Development Mechanism (CDM) for Carbon Credits, On-site Emergency Plan, Permit System, etc. with a thrust on continual improvement are going on unabated.

With no reportable injuries during the year at Distilleries, we are committed to enhancing occupational health and safety. We launched a number of positive initiatives in this area like work permit system, drill and demonstration, on-site emergency plan followed by training to all employees including contract workers apart from visual Management.

State-of-the-Art Technology - FLUBEX which is the most energy-efficient system is installed in Distilleries to reduce by half the volume of spent wash, which is ultimately utilized in Bio-compost to achieve Zero Discharge.

Oil skimmers are put at all the sugar mills of the Company to retrieve used oil in order to reduce the pollution load at ETP under the 'Wealth from Waste program'.

Wet Scrubber and ESP with 65 meter Stake height are installed to restrict the emission well below the prescribed norms.

Environmental clearance for the Greenfield Projects has been taken from the Ministry of Environment and Forests (MoEF) in order to execute the aggressive business growth plan.

We have rigorously followed EHS norms at its manufacturing locations resulting in a decline of overall injuries all around. Continuous effort is made to maintain air pollutants and noise levels in work place environment to the minimum level.

Critical activities that have a potential to cause injury were reviewed and the same were commenced only after implementation of appropriate controls.

The newly created EHS Department's synergy is focused on specific improvement plans with the goal to imbibe an EHS culture, apart from improvement in Environmental and Safety performance across the organization and to move "Beyond Compliance".

We have established a water and air pollution control systems at all our sugar mills and distilleries. Our environmental program is administered internally by our Project and Engineering Departments and includes monitoring, measuring and reporting compliance, establishing a safety program and training to our personnel in environmental and safety matters.

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

The relevant data regarding the above is given in the Annexure-I hereto and forms part of this report.

## Particulars of employees

As required under the provision 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 employees are set out in the Annexure-II and forms part of this report.

## Fixed deposits

Fixed deposits accepted from shareholders and public stood at Rs. 0.79 million as at September 30, 2008 as

against Rs.2.42 million in the previous year. As on September 30, 2008 there were unclaimed deposits from six deposit holders amounting to Rs. 0.79 million.

## Directors

Mr. Suresh A. Kotak and Mr. Niraj Bajaj resigned from the Board on September 23, 2008 and December 31, 2008 respectively. The Board recorded its appreciation for the contribution made by Mr. Suresh A. Kotak and Mr. Niraj Bajaj during their tenure of directorship.

Mr. M.L. Apte and Mr. D.S. Mehta, Directors of the Company, will retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Shishir Bajaj has been on the Board of the Company since February 01, 1986 and was appointed Managing Director of the Company with effect from July 01, 1988. He has been the Managing Director of the Company since then. He has also been the Chairman of the Company since 1999. The term of office of Mr. Shishir Bajaj as the Managing Director of the Company expired on June 30, 2008. The Board of Directors, at its meeting held on April 23, 2008, re-appointed Mr. Shishir Bajaj as the Managing Director for another term of five (5) years w.e.f. July 01, 2008 at a remuneration approved by the Remuneration Committee, subject to the approval of shareholders and other authorities. Requisite approval in this regard is being sought at the forthcoming Annual General Meeting of the Company.

Life Insurance Corporation of India withdrew the nomination of Mr. D. K. Shukla, Nominee Director on November 11, 2008. The Board of Directors wishes to place on record its appreciation for the contribution made by Mr. D. K. Shukla during his tenure of directorship.

Mr. D. K. Shukla was re-inducted as Additional Director on the Board of the Company on December 21, 2008. He holds office up to the next Annual General Meeting of the Company. The Company has received notice from one of the shareholders for appointment of Mr. D. K. Shukla as Director of the Company liable to retire by rotation. Requisite approval in this regard is being sought at the forthcoming Annual General Meeting of the Company.

All the appointments of the Directors of the Company are in compliance with the provisions of Section 274(1)(g) of the Companies Act, 1956.



## Group

Pursuant to an intimation from the Promoters, the names of the Promoters and entities comprising "group" as defined under the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969 are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

## Directors' responsibility statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, as amended, with respect to the directors' responsibility statement, it is hereby confirmed:

- (i) that in preparation of accounts for the financial year ended September 30, 2008, the applicable accounting standards have been followed along with proper explanation relating to the material departures;
- (ii) that the directors of the Company have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at September 30, 2008 and of the loss of the Company for the year ended September 30, 2008;
- (iii) that the directors of the Company 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
- (iv) that the directors of the Company have prepared the accounts of the Company for the financial year ended September 30, 2008 on a going concern basis.

## Corporate governance

The Company has continued its quest to follow the best corporate governance practices towards building trust among shareholders, employees, customers, suppliers (including farmers) and diverse stakeholders on four key elements of corporate governance - transparency, fairness, disclosure and accountability.

## Management discussion and analysis

Management Discussion and Analysis Report is presented in a separate section forming part of this Annual Report.

## Auditors

M/s. Dalal & Shah, auditors of the Company, will retire at the ensuing Annual General Meeting of the Company and are eligible for re-appointment. Shareholders are requested to re-appoint the auditors and fix their remuneration.

The Company has received Government orders for conduct of the audit of cost accounts for both of its products - sugar and industrial alcohol - maintained by the Company. M/s. B.J.D. Nanabhoy & Co., Cost Accountants, Mumbai have been appointed as cost auditors to conduct the said audits. Necessary government approval in this regard has been obtained.

The programme for physical verification of assets, commensurate with the size of the Company and the nature of its business, as referred to by the Auditors in their Report (refer para (i) of the Annexure to their report) is expected to be set up at the earliest.

## Industrial relations

Industrial relations have been cordial at all the plants of the Company.

The Directors express their appreciation of the sincere co-operation and assistance of Central and State Government authorities, bankers, customers and suppliers and business associates. Your Directors also wish to place on record their deep sense of appreciation for the committed services by your Company's employees. Your Directors acknowledge with gratitude the encouragement and support extended by our valued shareholders.

For and on behalf of the Board of Directors

**SHISHIR BAJAJ**

Chairman & Managing Director

Mumbai,  
January 29, 2009



# ANNEXURE-I to Directors' Report for the year ended September 30, 2008

Disclosure of particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under the Companies Act (Disclosure of Particulars in the report of Board of Directors) Rules, 1988

## A. Conservation of energy

1. 'CIGAR' installed to ensure recovery of waste heat from flash vapours.
2. Recovery of heat from exhaust condensate by installing Plate Heat Exchanger (P.H.E.).
3. Use of Direct Contact Heater (DCH) for un-sulphured syrup heating with Vapor Cell 1 (VC1) vapours.
4. Use of Palia designed molasses cooler to bring down Final molasses temperature received from process.
5. Heating of filtrate with VC1 vapours.
6. Taking hot condensate from CIGAR to Super Heated Wash Water (S. H. W. W.) for A centrifugals.
7. Use of VC1 vapours for pan washing & molasses conditioning instead of exhaust steam.
8. Heating of juice in vapour line juice heater with CIGAR last compartment flash vapours.
9. Clear juice heating with semi kestner vapours.
10. Automation of superheating control system.
11. Upgradation of automation at boiler to improve efficiencies.
12. Use of surplus vapour condensate to heat up De-mineralized (DM) water by P.H.E.

## B. Technology absorption

Efforts made in technology absorption are given in prescribed Form B attached.

## C. Foreign exchange earnings and outgo

- a) Activities relating to exports; initiative taken to increase exports; development of new export markets for products and services; and export plans:

None

- b) Total foreign exchange used and earned:

For the year ended September 30	2008	2007
	(Rs. million)	(Rs. million)
Used	85.19	134.42
Earned	122.10	286.25

## Form-A

Disclosure of particulars with respect to conservation of energy (To the extent applicable)

For the year ended September 30		2008	2007
<b>A. Power and Fuel Consumption:</b>			
Electricity			
a) Purchased			
Unit	000 KWH	<b>4,673</b>	1,448
Total amount	Rs. million	<b>23.06</b>	5.37
Rate/Unit	Rs./KWH	<b>4.93</b>	3.71
b) Own generation through diesel generator			
Unit	000 KWH	<b>7,335</b>	10,787
Unit per litre of Diesel Oil	KWH/LTR	<b>3.23</b>	3.22
Total amount	Rs. million	<b>83.23</b>	116.64
Rate/Unit	Rs./KWH	<b>11.35</b>	10.81
c) Own generation through steam turbine			
Unit	000 KWH	<b>3,13,294</b>	4,06,390
Total amount	Rs. million	<b>Not applicable, as steam is generated by use of own bagasse.</b>	Not applicable, as steam is generated by use of own bagasse.
Rate/Unit	Rs./KWH		
<b>B. Consumption per unit of production</b>			
	Industry Standard		
Electricity (KWH/ million quintal of sugar)	No standard has been fixed	<b>32.43</b>	31.87

## Form-B

Disclosure of particulars with respect to technology absorption

(To the extent applicable)

### A. Research and Development (R&D)

Under Sugarcane Research & Development, the activities of 2007-2008 were accelerated as under:

#### 1. Specific areas in which R&D is carried out by the Company

1. Space row planting in place of traditional method of sowing at 2-3 feet distance.
2. To optimize the dose of Bio-compost and mycorrhiza to promote integrated nutrient management (INM).
3. Trials to conduct to find out the most compatible crop as companion crop with sugarcane under multiple cropping system (Inter-cropping).
4. Trial of effectiveness of the new insecticides & pesticides introduced by various pesticides companies before recommendation to the farmers.
5. Replacement of 1/3 seed requirement with moist-hot

treated seed.

6. Use of drip-irrigation system.
7. Filtrate & Syrup Clarification System will be utilised specially keeping in view -
  - i) to reduce high cost of sulphur consumption;
  - ii) to improve sugar quality;
  - iii) to improve sugar recovery;
8. A project to install a process to produce sulphur-free sugar with minimum investment for future.
9. Installation of CIGAR system.
10. Use of Palia-designed Molasses Cooler.
11. Modification in design of Mill Hydraulic caps.
12. Use of Soft water in cooling tower for circulation of DG set.
13. Use of surplus vapour condensate helps to heat up DM water by P.H.E.
14. Use of Direct Contact Heater (DCH) for heating Un-sulphered Syrup.

15. A1- massecuite boiling for quality improvement and loss reduction.
16. Power economy by affecting gravity flow of sulphited juice and raw juice.

## 2. Benefits derived as a result of above R&D

1. Increase in average yield of the area resulting in increase in availability of sugarcane to the mill.
2. Lower the cost of cultivation resulting in more profit to the farmers by discouraging them to switch over to other crops.
3. Introduction of new high sugar-yielding varieties helped in achieving good sugar recovery and replacement of old deteriorating varieties to help in maintaining the proper varieties balance.
4. Drip irrigation has helped in conservation of water & reduced cost of irrigation.
5. Increase in use of Bio-compost, helped in maintaining the soil health and has direct impact on cane yield.
6. Biological control of some of the pests & insects has helped in saving the cost of insecticides thus reducing the cost of cultivation and producing healthy disease-free cane.
7. Incidence of pest and disease minimized to produce healthy crops.
8. Several new high-sugared varieties introduced and seed material provided to the farmers for seed multiplication and commercial cultivation.
9. Supply of early maturing varieties increased in all the plants.
10. Minimizing wastage of water thus saving water and electricity.

11. Recovery of the waste heat from hot condensate.
12. Reduction in the temperature of final molasses.
13. Surplus vapour condensate helps to heat up DM water by P.H.E.

## 3. Future plan of actions

1. To further increase the use of Bio- fertilizer which will reduce cost of cane cultivation .
2. To maintain the proper varieties balance by replacing old deteriorating varieties & seed with new varieties & replacement of 1/3 seed every year.
3. Use of integrated pests & insects management system (IPMS).
4. To bring more farmers to adopt latest technical know-how to increase the productivity further.
5. More stress on water conservation.
6. More stress on Biological control of pests & diseases.
7. Replacement of old and deteriorating varieties with new and high yielding ones.
8. Technology development for low-lying water logged area.
9. Wider use of organic manure.
10. Besides enrichment of knowledge among the cane growers about sugar cane cultivation, enhancing yield per acre & propagation of early variety have been proposed to be undertaken for the coming years.
11. More stress on autumn planting in order to reduce the losses caused by floods in rainy season.
12. Promoting better ratoon management practices and multiple ratooning to increase cane yield from ratoons also.

## 4. Expenditure on R&D

For the year ended September 30	2008	2007
	(Rs. Million)	(Rs. Million)
a) Capital	Nil	Nil
b) Recurring	Nil	Nil
c) Total	Nil	Nil
d) Total R&D expenditure as a percentage of total turnover	N.A.	N.A.

## B. Technology absorption, adaptation and innovation

1.	Efforts in brief, made towards technology absorption, adaptation and innovation	None
2.	Benefit derived as a result of the efforts	Not applicable
3.	Information regarding technology imported during the last 5 years:	
a)	Technology imported	None
b)	Year of import	Not applicable
c)	Has technology been fully absorbed	Not applicable
d)	If not fully absorbed, areas where this has not taken place, reason therefore, and future plans of action:	Not applicable

Persons constituting group within the definition of "group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969, for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following:

<b>Sr. No.</b>	<b>Name of the Entity</b>
1.	Bajaj Capital Ventures Pvt. Ltd. (Formerly: Anunita Investments Pvt. Ltd.)
2.	Bajaj Consumer Care Ltd.
3.	Bajaj Infrastructure Development Co. Ltd.
4.	Bajaj Corp Ltd.
5.	Mr. Shishir Bajaj
6.	Mrs. Minakshi Bajaj
7.	Mr. Kushagra Bajaj
8.	Mr. Apoorv Bajaj
9.	Mrs. Vasavadatta Bajaj
10.	Association of Individuals comprising of Mr. Shishir Bajaj, Mrs. Minakshi Bajaj, Mr. Kushagra Bajaj & Mr. Apoorv Bajaj
11.	Kushagra Trust
12.	Kushagra Trust No. 2
13.	Apoorv Trust
14.	Anandamayi Trust
15.	Yugadikrit Trust
16.	Vishwarupe Trust

# Corporate Governance Report

(Pursuant to Clause 49 of the Listing Agreement entered with the Stock Exchanges)

## Corporate Governance

The Company's philosophy on Corporate Governance is to meet the aspirations and expectations of all stakeholders. The cardinal principles such as accountability, independence, trust, responsibility, transparency, fair and timely disclosures, etc. serve as the means of implementing the philosophy of Corporate Governance. The Company's policies on Corporate Governance and compliance thereof in respect of specific areas for the year ended September 30, 2008, as per the format prescribed by SEBI and as incorporated in the revised clause 49 of the Listing Agreement with the Stock Exchanges, are set out below for the information of the shareholders and investors of the Company.

## Company's philosophy on code of corporate governance

Bajaj Hindusthan Ltd. (BHL) has constantly striven to implement the best Corporate Governance practices, reflecting its strong values and ethical business conduct aimed at maximising value for shareholders, while ensuring fairness to all stakeholders - customers, employees, investors, vendors, state and central governments and society at large. Ensuring total transparency in operations and inspiring the confidence and trust of stakeholders in the way, we manage the company are of paramount importance to us in BHL. For BHL, corporate governance is not a destination but a continuous journey that seeks to provide an enabling environment to harmonize the goals of maximizing stakeholders' value and maintaining a strong business focus.

With the global economy in turmoil and established financial institutions declaring bankruptcy, the compliance to Corporate Governance goes beyond adhering to the letter of law - it casts a responsibility on corporates to endeavour to follow the spirit of

good governance since numerous stakeholders' interest are at stake. By building trust and confidence during these difficult times, BHL has sought to assuage the interests of its shareholders that the Company will constantly strive to function as trustees of all shareholders.

The philosophy and practice of Corporate Governance in Bajaj Hindusthan can be succinctly stated as:

- Compliance with not just the letter of law, but reaching out and embracing the true spirit of law
- The protection of the rights and interests of all stakeholders
- Equality in treating all shareholders - the organisation is always keenly conscious of its role as a trustee of shareholders' capital
- Transparency in all business dealings and transactions
- Timely and accurate disclosure of relevant information
- Correct and factual internal and external communication
- Clear distinction between personal conveniences and corporate resources
- Strategic guidance and effective monitoring by the Board of Directors
- The accountability of the Board of Directors to the Company and its shareholders

## Board of Directors

### Composition

During the year under review, Mr. Suresh A. Kotak resigned as a Director and, as such, BHL's Board of Directors as on September 30, 2008 comprised of 9 Directors. Three of the Directors were Executive Directors and the remaining six were Non-Executive Directors. The Executive Directors consist of one Executive Chairman and Managing Director, one Joint Managing Director and one Whole-Time Director.

Three of the 9 Directors belong to the promoter group i.e. two Executive Directors and one Non-Executive Director.

According to Clause 49 of the Listing Agreement, if the Chairman is an Executive Chairman, at least half the Board should consist of Non-Executive Directors and also at least half of the Board shall comprise independent directors. In the case of Bajaj Hindusthan, 67% of its Directors are Non-Executive. Since four out of the six Non-Executive Directors were independent directors, the Company, as on September 30, 2008, was not complying with the requirement of having one half of the total size of the Board as independent directors. Subsequently, Mr. D. K. Shukla ceased to be a Director w.e.f. November 11, 2008 pursuant to the withdrawal of nomination by Life Insurance

Corporation of India (LIC) and Mr. Niraj Bajaj resigned as a Director w.e.f. December 31, 2008. Mr. D. K. Shukla was re-inducted as a Director w.e.f. December 21, 2008.

Accordingly, the Board presently consists of 8 Directors of which four are independent directors. The present composition of the Board of Directors of the Company, thus, is fully complying with the corporate governance norms of having one-half of the total size of the Board as independent directors. The Board of Directors of Bajaj Hindusthan has a healthy blend of Executive and Non-Executive Directors. Moreover, all the Non-Executive Directors are eminent professionals and bring the wealth of their professional expertise and experience to the management of the Company. (See Table 1).

**TABLE 1: Composition of the Board of Directors during 2007-08**

Name	Position	Age (years)	Directorship Tenure (years)	Relationship with other Director
Mr. Shishir Bajaj	Promoter, Executive	60	23	Father of Mr. Kushagra Bajaj & Cousin of Mr. Niraj Bajaj
Mr. Kushagra Bajaj	Promoter, Executive	31	2	Son of Mr. Shishir Bajaj & Nephew of Mr. Niraj Bajaj
Mr. Niraj Bajaj*	Promoter, Non-Executive	53	9	Cousin of Mr. Shishir Bajaj & uncle of Mr. Kushagra Bajaj
Mr. D. S. Mehta	Non-Executive	72	23	-
Mr. M. L. Apte	Non-Executive, Independent	75	39	-
Mr. R. V. Ruia	Non-Executive, Independent	47	8	-
Mr. D. K. Shukla***	Non-Executive, Independent (Representative for LIC upto 11-11-2008)	66	7	-
Mr. Suresh A. Kotak**	Non-Executive, Independent	74	6	-
Mr. I. D. Mittal	Executive	63	6	-
Mr. Alok Krishna Agarwal	Non-Executive, Independent	44	2	-

\* Resigned with effect from December 31, 2008.

\*\* Resigned with effect from September 23, 2008.

\*\*\* Ceased to be a Director w.e.f. November 11, 2008 pursuant to withdrawal of nomination by Life Insurance Corporation of India (LIC) and appointed as an Independent Director w.e.f. December 21, 2008.

## Outside directorship and membership of Board Committees

Details of the number of directorships held in other public limited companies and committee positions held by Directors of Bajaj Hindusthan is summarised in Table 2.

**TABLE 2: Directorship in other companies/committee position as on September 30, 2008.**

Name	Directorship	Committee Membership		Committee Chairmanship			
	In all other companies	In listed public companies	In unlisted public companies	Total	In listed public companies	In unlisted public companies	Total
Mr. Shishir Bajaj	10	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Kushagra Bajaj	9	3	Nil	3	Nil	Nil	Nil
Mr. Niraj Bajaj*	22	2	Nil	2	Nil	Nil	Nil
Mr. D. S. Mehta	12	6	Nil	6	Nil	Nil	Nil
Mr. M. L. Apte	11	6	Nil	6	Nil	Nil	Nil
Mr. R. V. Ruia	8	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Suresh. A. Kotak**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. D. K. Shukla***	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mr. I. D. Mittal	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Alok Krishna Agarwal	7	2	Nil	2	Nil	Nil	Nil

\* Resigned with effect from December 31, 2008.

\*\* Resigned with effect from September 23, 2008.

\*\*\* Nominee Director of LIC whose nomination was withdrawn by LIC on November 11, 2008. Re-inducted as an Independent Director with effect from December 21, 2008.

### Notes:

1. Private limited companies, foreign companies and companies under section 25 have been excluded for the purposes of calculating committee position.
2. Memberships in only Audit Committee and Shareholders' Grievance Committee have been considered for committee positions as per the Listing Agreement.

None of the directors of Bajaj Hindusthan is a member in more than 10 committees and is not a Chairman in more than 5 committees across all companies in which he is a Director.

### Membership term

As per statutory requirements, at least two-thirds of the Board should consist of retiring Directors. Of these, one-third is required to retire every year by rotation and, if eligible, may seek re-appointment by shareholders. 6 out of the 8 Directors of Bajaj Hindusthan are such retiring Directors.

## Responsibilities of the Chairman & Managing Director and the Joint Managing Director

Presently, the Company has a Chairman & Managing Director (CMD) - Mr. Shishir Bajaj and a Joint Managing Director (JMD) - Mr. Kushagra Bajaj at the helm of affairs. There are clear demarcations of responsibility and authority between the two.

- The CMD is responsible for monitoring Bajaj Hindusthan's core management team in transforming the company into a world-class global organisation. He also interacts with global thought-leaders to enhance the leadership position of Bajaj Hindusthan. As Chairman of the Board, he is also responsible for all Board matters.

- The JMD is responsible for corporate strategy, brand equity, planning, external contacts and other management matters. He is also responsible for achieving the annual business plan, taking new initiatives, acquisitions and investments.

The Chairman, Executive Directors and the senior management provide periodic reports to the Board on their responsibilities, performance and targets.

## Pecuniary relationship and transactions of non-executive directors with Bajaj Hindusthan


The register of contracts maintained by the Company according to the provisions of section 301 of the Companies Act, 1956, contains records of the transactions entered into with the Company. The register is signed by all the Directors present during the respective Board meetings held from time to time.

## Board procedures

### Board Meetings

During the financial year 2007-08, the board met eight times. (See Table 3)

**TABLE 3: Board Meetings**

Date of Board Meeting	Duration of gap from previous Board Meeting	Maximum gap permitted as per Clause 49
29 October 2007	88 days	 120 Days
27 December 2007	57 days	
30 January 2008	32 days	
26 February 2008	25 days	
23 April 2008	54 days	
25 July 2008	91 days	
31 July 2008	5 days	
22 September 2008	51 days	

The maximum time gap between any two meetings is much less compared to the mandated requirement of no more than 4 months in Clause 49. The dates of the meetings were decided well in advance.

### Attendance record of Directors

The details of attendance of Directors at the eight Board meetings held during the financial year 2007-08 and at the previous Annual General Meeting held on February 26, 2008 are given in Table 4.

**TABLE 4: Attendance record of Directors during 2007-08**

Name	Position	Board Meetings held	Board Meetings attended	Whether attended previous AGM on 26 February 2008
Mr. Shishir Bajaj	Promoter/ Executive	8	7	Yes
Mr. Kushagra Bajaj	Promoter/ Executive	8	5	Yes
Mr. Niraj Bajaj	Promoter/ Non-Executive	8	5	Yes
Mr. D. S. Mehta	Non-Promoter/ Non-Executive	8	6	Yes
Mr. M. L. Apte	Independent	8	6	Yes
Mr. R. V. Ruia	Independent	8	6	Yes
Mr. D. K. Shukla	Independent	8	7	Yes
Mr. Suresh A. Kotak	Independent	8	7	Yes
Mr. I. D. Mittal	Non-Promoter/ Executive	8	1	No
Mr. Alok Krishna Agarwal	Independent	8	5	Yes

### Information supplied to the Board

The Board of Bajaj Hindusthan has complete access to any information within the Company and to any employee of the Company. At the meetings, the Board is provided with all the relevant information on important matters affecting the working of the Company as well as all the related details that require deliberation by the members of the Board.

Comprehensive information regularly provided to the Board, inter alia, include:

- Annual operating plans, budgets and updates;
- Production, sales and financial performance statistics;
- Expansion plans, capital expenditure budgets and updates;
- Plant-wise operational review;
- Quarterly financial results with segment-wise information;



- (vi) Minutes of meetings of Audit, Remuneration, Shareholders' and Investors' Grievance and Management Committees, as well as the abstracts of the circular resolutions passed;
- (vii) General notices of interest;
- (viii) Staff matters, including senior appointments;
- (ix) Materially important legal proceedings by or against the Company;
- (x) Share transfer and dematerialisation compliance;
- (xi) Significant developments relating to labour relations and human resource relations;
- (xii) Voluntary retirement schemes;
- (xiii) Fatal/serious accidents or mishaps and any material effluent or pollution problems;
- (xiv) Details of foreign exchange exposure and steps taken by management to limit the risk of adverse rate movement;
- (xv) Details of acquisition plans;
- (xvi) Information Technology strategies and related investments ;
- (xvii) Legal compliances reporting system; and
- (xviii) Insider trading-related disclosure procedures and such other matters.

## Board Committees

Currently, the Board has six committees (See Table 5).

**TABLE 5: Board Committees**

Committee	Members (Position)
Audit Committee	Mr. R.V. Ruia, Chairman* (Non-Executive, Independent) Mr. Suresh A. Kotak (Non-Executive, Independent) (upto September 23, 2008) Mr. D. K. Shukla (Non-Executive, Independent) Mr. Alok Krishna Agarwal (Non-Executive, Independent) (w.e.f. October 15, 2008)
Remuneration Committee	Mr. D. S. Mehta, Chairman* (Non-Executive) Mr. M. L. Apte (Non-Executive, Independent) Mr. Suresh A. Kotak (Non-Executive, Independent) (upto September 23, 2008) Mr. D. K. Shukla (Non-Executive, Independent) Mr. R. V. Ruia (Non-Executive, Independent) (w.e.f. October 15, 2008)
Shareholders' & Investors' Grievance Committee	Mr. D. S. Mehta , Chairman* (Non-Executive) Mr. Shishir Bajaj, (Chairman & Managing Director) Mr. R.V. Ruia (Non-Executive, Independent)
Share Transfer Committee	Mr. Shishir Bajaj, Chairman* (Chairman & Managing Director) Mr. D. S. Mehta (Non-Executive)
Management Committee	Mr. Shishir Bajaj, Chairman* (Chairman & Managing Director) Mr. Kushagra Bajaj (Joint Managing Director) Mr. D. S. Mehta (Non-Executive) Mr. R.V. Ruia (Non-Executive, Independent)
GDR Committee	Mr. Shishir Bajaj, Chairman* (Chairman & Managing Director) Mr. Suresh A.Kotak (Non- Executive, Independent ) (upto September 23, 2008) Mr. D.K.Shukla (Non Executive, Independent) Mr. I.D.Mittal (Chief Executive Director)

\*Chairman of the respective Committee.

The Board is responsible for constituting, assigning, co-opting and fixing of terms of service for committee members of various committees. The Chairman of the Board, in consultation with the Company Secretary and the Committee Chairman, determines the frequency and duration of the committee meetings. Recommendations of the committees are submitted to the full Board for approval. The quorum for meetings is either two members or one-third of the members of the committees, whichever is higher. In the case of all the above committees of Bajaj Hindusthan, two members constitute the quorum.

### Code of conduct

The Company has adopted a Code of Conduct for the Directors and senior management of the Company. The same has been posted on the website of the Company. The members of the Board and senior management of the Company have submitted their affirmation on compliance with the code for the effective period. The declaration by the Chairman & Managing Director to that effect forms part of this Report.

## Audit Committee

### Constitution and composition

The Audit Committee in Bajaj Hindusthan was constituted long back in 1989. The scope and terms of reference and working of the Audit Committee are constantly reviewed and appropriate changes are made from time to time for greater effectiveness of the committee. Presently, these conform to the requirements of Clause 49 and Section 292A of the Companies Act, 1956.

### Meetings and attendance

The Audit Committee met Seven times during the year on the following dates -

Date of Audit Committee Meeting	Duration of Meeting
29 October 2007	20 minutes
27 December 2007	30 minutes
30 January 2008	25 minutes
26 February 2008	15 minutes
23 April 2008	20 minutes
31 July 2008	25 minutes
22 September 2008	25 minutes

The attendance of each Committee Member is provided in Table 6.

**TABLE 6: Attendance record at the meetings of the Audit Committee of Directors during financial year 2007-08**

Name of Committee Members	Position	Meetings held	Meetings attended
Mr. R.V. Ruia, Chairman	(Non-Executive, Independent)	7	6
Mr. Suresh A. Kotak (upto September 23, 2008)	(Non-Executive, Independent)	7	6
Mr. D. K. Shukla (Representing Life Insurance Corporation of India)	(Non-Executive, Independent)	7	7

All the above members possess sound knowledge of accounts, audit and finance.

Mr. Shishir Bajaj, Chairman and Managing Director and Mr. Kushagra Bajaj, Joint Managing Director, are permanent invitees to the Audit Committee meetings. In addition, the heads of the Finance and Internal Audit functions, representatives of statutory auditors and other executives, as are generally considered necessary, attended these meetings. The Company Secretary acted as the Secretary to the Audit Committee.

### Brief description of Terms of Reference

The terms of reference of Audit Committee are quite comprehensive and include all that is mandated under Clause 49 and Section 292A of the Companies Act, 1956. The Committee focused its attention on overseeing and monitoring the financial reporting system within the Company, considering quarterly, half-yearly and annual financial results of the Company and submitting its observations to the Board of Directors before its adoption by the Board, review of annual budgets, annual internal audit plans, legal compliance reporting system, implementation of SAP, review of internal control systems, audit methodology and process, major accounting policies and practices, compliance with accounting standards, risk management and risk disclosure policy. The Audit Committee also continued to advise the management on areas where greater internal control and internal

audit focus was needed and on new areas to be taken up for audit. These were based on the Committee's discussions and review of the observations of the reports submitted by the Company's Internal Audit Department on systems and controls, cost control measures and statutory compliance in various functional areas.

## Remuneration Committee

### Composition of the Committee

The composition of the Remuneration Committee is given in Table 5 above.

### Terms of Reference

The Remuneration Committee was constituted in 2003 with the following terms of reference:

- a. To determine the Company's policy on remuneration to Executive Directors and their relatives working in the Company, including pension rights and compensation payments.
- b. To approve the remuneration payable to all managerial personnel (under the Companies Act, 1956) including the Executive Directors.

### Meeting and attendance

During the year under review, the Remuneration Committee met once, on October 19, 2007. This meeting was attended by two members.

### Remuneration Policy

The Remuneration Committee is fully empowered to determine/approve and revise, subject to necessary approvals, the remuneration of managerial personnel including Whole-time Directors and Managing Directors after taking into account the financial position of the Company, trend in the industry,

qualifications, experience, past performance and past remuneration etc.

The Non-Executive Directors are paid sitting fees for every meeting of the Board and its Committees attended by them.

## Remuneration to Directors

### Remuneration of Non-Executive Directors

Non-Executive Directors were paid a sitting fee of Rs. 10,000 per Board Meeting and Rs. 5,000 for every Committee Meeting that they attended. The details of sitting fees paid to Non-Executive Directors during the financial year 2007-08 are provided in Table 7.

### Remuneration of Executive Directors

The Executive Directors - Mr. Shishir Bajaj, Mr. Kushagra Bajaj and Mr. I. D. Mittal were paid remuneration as per their respective terms of appointment as approved by the shareholders.

On his retirement, Mr. Shishir Bajaj is entitled to superannuation benefits payable in the form of an annuity from the Life Insurance Corporation of India and these form part of the perquisites approved for him. Mr. Kushagra Bajaj and Mr. I. D. Mittal are not entitled to superannuation benefits. No pension is paid by the Company to any of the Directors.

Bajaj Hindusthan has no stock option plans and hence, such instrument does not form part of the remuneration package payable to any Executive Director and/or Non-Executive Director. During the period under review, none of the Directors were paid any performance-linked incentive. The Company did not advance any loans to any of the Executive and/or Non-Executive Directors during the period under review.

The details of remuneration paid to the directors of the Company are given in Table 7.

**TABLE 7: Remuneration of Directors during financial year 2007-08**

Name of Directors	Relationship with other directors	Salary	Commission	Sitting fees	Total	Notice period
		in Rupees				
Mr. Shishir Bajaj, Chairman & Managing Director	Father of Mr. Kushagra Bajaj & Cousin of Mr. Niraj Bajaj	10830487	--	--	10830487	N.A.
Mr. Kushagra Bajaj, Joint Managing Director	Son of Mr. Shishir Bajaj & Nephew of Mr. Niraj Bajaj	9691036	--	--	9691036	N.A.
Mr. Niraj Bajaj	Cousin of Mr. Shishir Bajaj & Uncle of Mr. Kushagra Bajaj	--	--	50000	50000	N.A.
Mr. D. S. Mehta	--	--	--	125000	125000	N.A.
Mr. M. L. Apte	--	--	--	65000	65000	N.A.
Mr. R. V. Ruia	--	--	--	195000	195000	N.A.
Mr. D.K. Shukla (Representing Life Insurance Corporation of India)	--	--	--	105000	105000	N.A.
Mr. Suresh A. Kotak (upto September 23, 2008)	--	--	--	105000	105000	N.A.
Mr. I. D. Mittal, Chief Executive Director	--	13680000	--	--	13680000	3 months
Mr. Alok Krishna Agarwal	--	--	--	50000	50000	--

**Note:** The term of Mr. Shishir Bajaj and Mr. Kushagra Bajaj is five years from the date of reappointment /appointment. The term of office of Mr. I. D. Mittal is 3 years from date of appointment. The Company does not have any service contract with any of the Directors.

# Shareholders' & Investors' Grievance Committee

The Shareholders' and Investors' Grievance Committee was constituted in 2003 by the Board for a speedy disposal of all grievances / complaints relating to shareholders/investors. Reference to this Committee has been made by SEBI in clause 49 of the Listing Agreement.

The Committee specifically looks into the redressal of shareholder and investor complaints on matters relating to transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends etc. In addition, the Committee advises on matters which can facilitate better investor services and relations.

Mr. Pradeep Parakh, President and Company Secretary, is designated as the Compliance Officer.

The Company has designated the email id "investor.complaints@bajajhindusthan.com" exclusively for the purpose of registering complaints by investors electronically. This e-mail id is displayed on the Company's website i.e. [www.bajajhindusthan.com](http://www.bajajhindusthan.com)

The following table shows the nature of complaints received from shareholders during 2007-08. There was no complaint pending as on 30th September, 2008.

Nature of complaints	Received during 2007-08
Non-receipt of Dividend/ Dividend warrant	7
Non-receipt of share certificate	20
<b>Total</b>	<b>27</b>

## Meetings and attendance

During the year under review, the Shareholders' & Investors' Grievance committee met thrice. The attendance of each Committee Member is provided in Table 8.

**TABLE 8: Attendance record at the meetings of the Shareholders' and Investors' Grievance Committee of Directors during the financial year 2007-08.**

Name of Committee Members	Position	Meetings Held	Meetings Attended
Mr. D. S. Mehta, Chairman	Non-Executive	3	1
Mr. Shishir Bajaj	Chairman & Managing Director	3	3
Mr. R. V. Ruia	Non-Executive Independent	3	3

## Management Discussion and Analysis

Management Discussion and Analysis is given in a separate section forming part of the Directors' report in this Annual Report.

## Steps for Prevention of Insider Trading Practices

In compliance with the SEBI (Prohibition of Insider Trading) Regulations, 1992 (as amended), the Company has issued a comprehensive set of guidelines advising and cautioning management staff and other relevant business associates on the procedure to be followed while dealing in equity shares of Bajaj Hindusthan and disclosure requirements in this regard. The Company believes that 'The Code of Internal Procedure and Conduct' and 'The Code of Corporate Disclosure Policies' that it has framed in this regard will help in ensuring compliance with the amended SEBI regulations.

## Material Disclosures and Compliance

There were no transactions of material value with related parties viz. promoters, directors or the management, subsidiaries or relatives having any potential conflict with the interests of the Company.

## Details of Non-compliance

There were no instances of non-compliance on any matter related to the capital markets during the last three years. No penalties or strictures were imposed on the Company by any Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

### **Whistle Blower Policy**

The Company has a well-defined Whistle Blower Policy and it is hereby affirmed that no person has been denied access to the Audit Committee.

### **Details of compliance with mandatory requirements and adoption of non-mandatory requirements**

The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges and compliance with the non-mandatory requirements of this clause has been detailed hereunder:

#### **Non-mandatory requirements under Clause 49 of the Listing Agreement**

The status of compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement is provided below :

#### **Remuneration Committee**

The Company has a Remuneration Committee, the details of which are provided in this Report under the section "Remuneration Committee".

#### **Shareholders' Right**

Half-yearly performance reports are sent to every Shareholder of the Company.

#### **Audit qualification**

It is always the Company's endeavour to present unqualified financial statements. There are no audit qualifications in the Company's financial statements for the year under review.

#### **Training of Board members**

Directors are fully briefed on all business-related matters, risk assessment and new initiatives proposed by the Company.

### **Whistle Blower Policy**

The Board of Directors of the Bajaj Hindusthan Limited (BHL) and Chairman & Managing Director of the Company are committed to maintain the highest standards of honesty, openness and accountability and recognise that each and every person in BHL has an important role to play in achieving the organisational

goals. It is the policy of the Company to encourage employees, when they have reasons to suspect questionable accounting / audit practices or the reporting of fraudulent financial information to shareholders, the Government or the financial markets and/or serious misconduct otherwise, to report those concerns to the Company's management.

### **Subsidiary Companies**

At present, the Company has no material non-listed Indian Subsidiary Company. Accordingly, the requirement of appointing atleast one independent director on the Board of Directors of the material non-listed Indian subsidiary is not applicable.

The Board reviews the financial statements particularly investments made by its unlisted subsidiary companies and the minutes of the Board meeting of the unlisted subsidiary companies are placed at the Board meeting of the company alongwith a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

### **Information to Shareholders**

General information of shareholders' interest is set out in a separate section titled "Shareholder information".

### **Auditors' Certificate on Corporate Governance**

The Company has obtained a certificate from its Auditors testifying to its compliance with the provisions relating to Corporate Governance laid down in Clause 49 of the Listing Agreement with the stock exchanges. This certificate is annexed to the Directors' Report for the year 2007-08 and will be sent to the stock exchanges, along with the Annual Report to be filed by the Company.

## **Report on Corporate Governance**

This section, read together with the information given in the sections entitled (i) Management Discussion and Analysis and (ii) Shareholders Information, constitutes a detailed compliance report on Corporate Governance during the financial year 2007-08.

# Shareholder Information

## Information on general body meetings

<b>Date, Time and Venue of 77th AGM :</b>	Tuesday, the 24th day of March, 2009 at 11.00 A. M. Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai - 400021.
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The last three Annual General Meetings (AGM) of the Company were held on the following date, time and venue (See Table 9)

**TABLE 9: Date, Time and Venue of Annual General Meetings held:**

AGM	Day, Date & Time	Venue
74th AGM	Tuesday, 28th March 2006 at 11.00 A.M.	Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai - 400 021
75th AGM	Friday, 30th March 2007 at 11.00 A.M.	Y.B. Chavan Centre, General Jagannath Bhosale Marg, Mumbai - 400 021
76th AGM	Tuesday, 26th February 2008 at 11.00 A.M.	Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai - 400 021

The summary of Special Resolutions and other important resolutions passed at the last 3 Annual General Meetings and status of implementation thereof is reported below. The Company has not passed any Resolution through Postal Ballot during the year under reference.

### 74th AGM

Subject matter of the resolutions	Type of Resolution	Status of implementation
1. Revision in the remuneration of Mr. I. D. Mittal	Ordinary Resolution	Implemented
2. Re-appointment of Mr. Kushagra Bajaj as Chief Executive with effect from August 20, 2006, being considered as an office or place of profit pursuant to Section 314 of the Companies Act, 1956	Special Resolution	All the formalities with regard to application to the Central Government (Ministry of Corporate Affairs) were complied with and approval for the same has been accorded.
3. Enhancement in the limit of Investment by FII from 49% to 75% of the paid up capital	Special Resolution	Implemented

### 75th AGM

No Special Resolution was passed at 75th Annual General Meeting.

**76th AGM**

Subject matter of the resolutions	Type of Resolution	Status of implementation
1. Appointment of Mr. Alok Krishna Agarwal as Director of the Company, liable to retire by rotation.	Ordinary Resolution	Implemented
2. Appointment of Mr. Kushagra Bajaj as Joint Managing Director of the Company.	Ordinary Resolution	Implemented
3. Appointment and remuneration of Mr. Kushagra Bajaj as Joint Managing Director of the Company for a period of five (5) years with effect from April 24, 2007 with approval for payment of minimum remuneration in excess of prescribed limits (in case of inadequacy or absence of profits) for a period of three (3) years w.e.f. April 24, 2007.	Special Resolution	Implemented
4. Revision in the remuneration payable to Mr. Shishir Bajaj upto his remaining tenure of present term.	Special Resolution	Implemented
5. Payment of remuneration to Chief Executive Director for the period October 1, 2006 to October 18, 2007	Special Resolution	Implemented
6. Re-appointment and remuneration of Mr. I.D. Mittal as Chief Executive Director of the Company for a period of three (3) years with effect from October 19, 2007	Special Resolution	Implemented
7. Resolution under section 81(1A) regarding further issue of share capital read with SEBI DIP Guidelines.	Special Resolution	Not Implemented

**Financial calendar**

Financial Year 2007-08	: October 1, 2007 to September 30, 2008
Audited Annual Results for the year ended September 30, 2008	: December 21, 2008
Mailing of Annual Report	: Last week of February 2009
Unaudited first quarter financial results	: Last week of January 2009
Unaudited second quarter financial results	: Last week of April 2009
Unaudited third quarter financial results	: Last week of July 2009

**Dividend announcement**

The Board of Directors of the Company has recommended a dividend of 60% (Re. 0.60 per share) on the equity shares of the face value of Re.1/- each for the financial year 2007-08, subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting.

Dividend paid in the previous year was 60% (Re. 0.60 per share) on the equity shares of the face value of Re.1/- each.

**Date of Book Closure:**

March 14, 2009 to March 24, 2009 (both days inclusive).

**Date of dividend payment:**

On or after March 24, 2009 but within the statutory time limit of 30 days.

The dividend on equity shares of the Company as recommended by the Board of Directors of the Company, upon declaration by the shareholders at the forthcoming Annual General Meeting, will be paid on or after March 24, 2009 as under:



- a) To all those beneficial owners in respect of the shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on March 13, 2009 and
- b) To all those shareholders in respect of the shares held in physical form after giving effect to the valid transfers in respect of the shares lodged with the Company on or before the close of business hours on March 13, 2009

### **Payment of dividend**

Dividend will be paid by account payee/non-negotiable instrument or through Electronic Clearing Service (ECS) as notified by the SEBI through the stock exchanges. The Company has already written to all the shareholders setting out in detail the procedure to be followed for availing this facility, however the response was not encouraging. In view of the advantages of receiving dividend through ECS, shareholders are requested to opt for this mode. The details of action required to be taken by shareholders in this regard are outlined in the notice of the annual general meeting. For further clarifications or additional details, shareholders may please contact the Company. The declared dividend is usually paid by the Company within three working days.

### **Unclaimed dividends**

Unclaimed dividends up to 1994-95 have been transferred to the General Revenue Account of the Central Government. Those who have not encashed their dividend warrants for the period prior to and including 1994-95 are requested to claim the amount from Registrar of Companies - Maharashtra, CGO Building, 2nd Floor "A" Wing, Opp. Police Commissioner's Office, C.B.D. Belapur, Navi Mumbai 400 614.

In view of amended Section 205-C of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of Investors) Rules, 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 by the company to a fund called Investor Education and Protection Fund (the fund) set up by the Central Government.

Accordingly, unpaid / unclaimed dividend for the year 2000-01 was transferred by the Company to the said fund in 2008. This would be followed by the transfer of the amounts of unpaid / unclaimed dividends every year in respect of dividends for subsequent years. No claims shall lie thereafter against the fund or the Company in respect of such amounts transferred. Shareholders are therefore requested to verify their records and send claims, if any, for the relevant years from 2001-02 onwards, before the respective amounts become due for transfer to the fund. The details of unclaimed dividend are as under: -

Year	No. of shareholders	Amount (Rs.)	Due date of transfer to Investor Education and Protection Fund
2001-2002	2971	260,162.00	26/03/2010
2002-2003	2979	236,100.00	30/04/2011
2003-2004	3361	319,109.60	06/05/2012
2004-2005	3545	335,525.00	03/05/2013
2005-2006	13298	879,780.40	05/05/2014
2006-2007	10721	716,294.00	02/04/2015

### **Information on directors being appointed/re-appointed**

#### **I. Appointment**

Mr. Shishir Bajaj, aged 60 years, after completing his MBA from New York University majoring in finance, joined the Company in 1974. He has been on the Board of the Company since February 01, 1986 and was appointed as Managing Director of the Company with effect from July 1, 1988. Mr. Shishir Bajaj has been holding the position of Managing Director of the Company since then. He became Chairman of the Company in the year 1999. The performance of the Company has been commendable under the stewardship of Mr. Shishir Bajaj. The present term of office of Mr. Shishir Bajaj as the Managing Director of the Company expired on June 30, 2008.

The Board of Directors, therefore, at its meeting held on April 30, 2008 has, subject to the approval of shareholders at the General Meeting and such other approval(s)/ permission(s)/ consent(s) as may be required, re-appointed Mr. Shishir Bajaj as the Managing Director of the Company for a further tenure of five (5) years from July 1, 2008 on terms and conditions set out in Special Resolution at Item No. 6 of the accompanying Notice. A statement pursuant to Section 302 of the Companies Act, 1956 in respect of the resolution passed by the Board of Directors in this

regard was circulated to the Members of the Company. Further, the Company has made an application to the Central Government seeking permission for payment of minimum remuneration pursuant to the provisions of Sections 198,269,309 and other applicable provisions read with Schedule XIII of the Companies Act, 1956.

## II. Appointment/Re-appointment

Mr. M.L Apte and Mr. D.S Mehta will be retiring by rotation at the ensuing Annual General Meeting and

are eligible for re-appointment. Mr. D. K. Shukla was re-inducted as Additional Director on the Board of the Company on December 21, 2008. He holds office up to the next Annual General Meeting. The Company has received notice from one of the shareholders for appointment of Mr. D. K. Shukla as Director of the Company. Requisite approval in this regard is being sought at the ensuing Annual General Meeting. The brief profiles of Mr. M. L. Apte, Mr. D. S. Mehta, Mr. Shishir Bajaj and Mr. D. K. Shukla, alongwith particulars of their directorships and committee memberships are as under :

Name of Director	Brief Resume & Functional Expertise	Appointment/ Re-appointment	Directorship held in other Companies	Committee positions held in other Companies
Mr. M. L. Apte	A member of Board of Directors for over 37 years, he is also Chairman of the Apte Group of Companies. Mr.Apte is former sheriff of Mumbai, a former president of the Maharashtra Chamber of Commerce, the Cricket Club of India and the Indian Sugar Mills Association.	Re-appointment on retirement by rotation	1) Kulkarni Power Tools Ltd. 2) The Bombay Burmah Trading Corporation Ltd. 3) New Phaltan Sugar Works Ltd. 4) Standard Industries Ltd 5) The Raja Bahadur International Ltd 6) Apte Amalgamations Ltd. 7) Grasim Industries Ltd. 8) Zodiac Clothing Co Ltd 9) Tata Asset Management Pvt. Ltd. 10) Lintas India Pvt. Ltd 11) Dr. Writer's Food Products Pvt. Ltd.	1) Grasim Industries Ltd. - Audit Committee 2) Zodiac Clothing Co. Ltd. Share Transfer Committee 3) Zodiac Clothing Co. Ltd. Audit Committee 4) Zodiac Clothing Co. Ltd. Compensation Committee 5) Zodiac Clothing Co. Ltd. Share Allotment Committee 6) Bombay Burmah Trading Corpn. Share Transfer Committee 7) Bombay Burmah Trading Corpn. Audit Committee 8) Standard Industries Ltd. Remuneration Committee 9) Standard Industries Ltd. Audit Committee
Mr. D.S Mehta	A member of Board of Directors since 1986 has an honors degree in Commerce from Mumbai University. Mr. Mehta is a member of both the Institute of Chartered Accountant of India and the Institute of Company Secretaries of India. Mr.Mehta has 42 years of professional experience in corporate taxation, finance and investments.	Re-appointment on retirement by rotation	1) Mukand Limited 2) Maharashtra Scooters Ltd 3) Bajaj Sevashram Pvt Ltd 4) Bachhraj & Co Pvt Ltd 5) Bajaj Auto Finance Ltd 6) Jamnalal Sons Pvt Ltd 7) Jeevan Limited 8) Sikkim Janseva Pratisthan Pvt Ltd 9) Janmabhoomi Newspapers Education Foundation. 10) Niche Financial Services Pvt Ltd 11) Bajaj Auto Ltd 12) Bhoopati Shikshan Pratisthan 13) Mahakalp Arogya Pratisthan 14) Benchmark Asset Management Co Pvt Ltd	1) Mukand Ltd - Audit Committee 2) Mukund Ltd Shareholders'/ Investors' Grievance Committee 3) Maharastra Scooters Ltd. - Audit Committee 4) Maharastra Scooters Ltd. Shareholders' / Investors' Grievance Committee 5) Bajaj Auto Finance Ltd. - Audit Committee 6) Bajaj Auto Finance Ltd. - Shareholders' / Investors' Grievance Committee
Mr. Shishir Bajaj	An industrialist, he is actively looking after the affairs of the Company since 1974. He was inducted on the Board as Jt. Managing Director of the Company in 1986 and became Managing Director in 1988. Since 1999, he is the Chairman and Managing Director of the Company.	Re-appointment as Managing Director for a further period of 5 years with effect from July 1, 2008, on completion of earlier tenure on June 30, 2008	1) Bajaj Consumer Care Limited 2) The Hindusthan Housing Company Limited 3) Esugarindia Limited 4) Bajaj Capital Ventures Private Limited	None
Mr. D. K. Shukla	A member of Board of Directors of the Company since 2001, as a representative of Life Insurance Corporation of India (LIC), he is a Bachelor of Arts and has a Masters Degree in social work. He retired as an Executive Director of LIC in February 2003. During his tenure with LIC, he occupied positions like Regional Manager and was in charge of 3 LIC divisions. He has a rich experience in recruitment, marketing, training, promotions, etc.	Appointment as Director liable to retire by rotation	None	None

Mr. D.S Mehta, Mr. R.V. Ruia and Mr. M.L. Apte holds 20,850; 2,250 and 600 equity shares respectively in the Company. Mr. D. K. Shukla is holding 1,000 equity shares of the Company as Second holder, LIC being the first holder. No other Non Executive Director is holding any shares of the Company.

## Communication to shareholders

The Company has published its quarterly, half-yearly and annual results in all the editions of The Economic Times (English) and Maharashtra Times (vernacular), Mumbai. Quarterly results were sent to the Stock Exchanges immediately after the Board approved them. The financial results and other relevant information are regularly and promptly updated on the website of the company [www.bajajhindusthan.com](http://www.bajajhindusthan.com). The half yearly report on financial and other operational performance was sent to each household of shareholders.

The Company also files the following information on the Corporate filing/Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by the National Informatics Centre (NIC), online as stipulated by SEBI:

- a) Full version of the annual report including the balance sheet, the profit and loss account, the directors' report and auditors' report, cash flow statement and quarterly financial results including segment wise results.
- b) Corporate governance report
- c) Shareholding pattern statement

## Share transfer

The power to approve share transfer/transmission as well as the dematerialisation/ rematerialisation has been delegated to Mr. Shishir Bajaj, Chairman & Managing Director and in his absence to Mr. D. S. Mehta, director of the Company. All physical transfers as well as requests for dematerialisation/ rematerialisation are processed in fortnightly cycles.

Sharepro Services Private (India) Limited, as the registrars and share transfer agents of Bajaj Hindusthan, handle all share transfers and related processes. They provide the entire range of services to the shareholders of the Company relating to share transfer, change of address or mandate, and dividend. The electronic connectivity with both the depositories - National Securities Depository Limited and Central Depository Services (India) Limited is also handled by Sharepro Services Private Limited.

## Registrar and Transfer Agents

Bajaj Hindusthan has appointed Sharepro Services (India) Private Limited as its Registrar and Share Transfer agents. All work relating to physical transfer, transmission, splitting of share certificates, dematerialisation and rematerialisation is done by the share transfer agent.

## Share transfer system

Share transfers received by the Company are registered within 15 days from the date of receipt in most of the cases, provided the documents are complete in all respects.

The number of shares transferred in physical category during the year 2007-08 was 9170 shares as compared to 15,400 shares in 2006-07.

## Dematerialisation of shares

During the year 2007-08, 24,10,760 shares were dematerialised as compared to 16,21,510 shares during the year 2006-07. The distribution of shares in physical and electronic modes as at September 30, 2008 and September 30, 2007 (See Table 10)

**TABLE 10: Shares held in physical and electronic mode:**

Categories	Position as at September 30, 2008		Position as at September 30, 2007		Shares Dematerialised during financial year 2007-08	
	No. of Shares	% to total shareholding	No. of Shares	% to total shareholding	No. of Shares	% to total shareholding
Physical	44495774	31.47	46906534	33.17	-2410760	-1.70
Demat:						
NSDL	92747721	65.59	85644375	60.57	7103346	5.02
CDSL	4163616	2.94	8856202	6.26	-4692586	-3.32
Sub-total	96911337	68.53	94500577	66.83	2410760	1.70
Total	141407111	100.00	141407111	100.00	-	-

## Listing on stock exchanges and stock codes

The Company's equity shares are listed and traded on the following stock exchanges:

Name	Address	Stock Code	Reuters Code
Bombay Stock Exchange Ltd. (BSE)	1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	500032	BJHN.BO
The National Stock Exchange of India Ltd. (NSE)	Exchange Plaza, Bandra -Kurla Complex, Bandra (E), Mumbai 400 051	BAJAJHIND	BJHN.NS

The ISIN Number of Company's equity shares (of face value of Re.1/- per share) for NSDL & CDSL: INE306A01021

The Company's GDR and Foreign Currency Convertible Bonds (FCCBs) are listed and traded on the following stock exchanges :

Name	Address	Stock Code
Bourse de Luxembourg	BP 165 L-2011 Luxembourg Seige social 11, avenue de la Porte Neuve	GDR: US05710P2039 Bonds: USY0547CAA46
London Stock Exchange	10 Patemoster Square London ECAM 7LS	GDR: US05710P4019

Company has paid listing fees for the Financial Year 2007-08 to all the stock exchanges where its securities are listed.

## Market price data

### Equity Shares

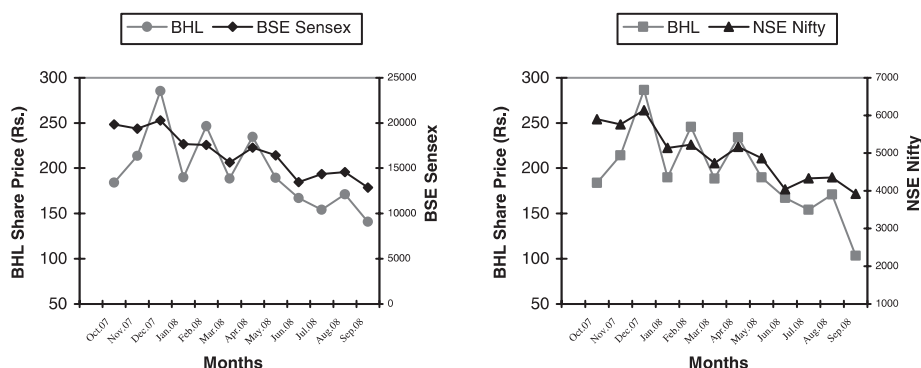
The details of high/low market price of the equity shares of the Company at Bombay Stock Exchange Limited and at The National Stock Exchange of India Limited during the last financial year are provided hereunder (See Table 11)

**TABLE 11: Monthly high/low Market Price of Equity Shares of Bajaj Hindusthan during financial year 2007-08**

Month	Quotation at Bombay Stock Exchange (BSE) Ltd.			Quotation at National Stock Exchange of India Ltd. (NSE)		
	HIGH	LOW	CLOSING	HIGH	LOW	CLOSING
	FV Re.1	FV Re.1	FV Re.1	FV Re.1	FV Re.1	FV Re.1
Oct-2007	216.00	144.25	184.20	216.00	142.70	183.95
Nov-2007	242.00	175.00	213.75	242.00	174.90	214.15
Dec-2007	309.00	213.00	285.50	307.95	212.40	286.55
Jan-2008	399.50	119.50	190.00	399.00	117.00	190.00
Feb-2008	280.90	193.00	246.45	280.70	193.75	245.65
Mar-2008	256.80	160.30	188.55	257.00	160.35	188.45
Apr-2008	250.75	183.10	234.65	251.25	183.00	233.95
May-2008	242.60	185.70	189.45	243.00	172.20	189.90
Jun-2008	195.75	165.30	166.95	196.00	165.15	167.20
Jul-2008	181.30	138.50	154.00	182.00	138.80	153.90
Aug-2008	191.00	149.05	171.00	191.00	149.80	170.75
Sep-2008	175.50	97.00	103.05	175.50	95.50	103.25

The comparable movements of Bajaj Hindusthan's shares against the broad based namely BSE Sensex, NSE Nifty during the year ended September 30, 2008 is depicted in Chart A.

**CHART A: Relative Performance of Bajaj Hindusthan's shares versus BSE Sensex/NSE Nifty:**



## Distribution of shareholding

The shareholding distribution as at September 30, 2008 (See Table 12)

**TABLE 12: Shareholding distribution as at September 30, 2008**

Category	No. of shareholders	% of total holders	No. of Shares	% of Capital
Upto 5000	84101	99.13	14875400	10.52
5001 to 10000	275	0.32	2001508	1.42
10001 to 20000	171	0.20	2458365	1.74
20001 to 30000	76	0.09	1891991	1.34
30001 to 40000	39	0.05	1352277	0.96
40001 to 50000	27	0.03	1245040	0.88
50001 to 100000	52	0.06	3907135	2.76
100001 and above	97	0.11	113675395	80.39
<b>TOTAL</b>	<b>84838</b>	<b>100.00</b>	<b>141407111</b>	<b>100.00</b>

## Shareholding pattern

Table 13 gives the shareholding pattern of the Company as at September 30, 2008.

**TABLE 13: Shareholding pattern as at September 30, 2008**

Category	No. of Shares	Percentage	Total No. of Shares	Percentage
<b>A. Promoters' Holding</b>				
1. Indian Promoters			6,45,56,521	45.65
Bachharaj & Company Private Limited	3,46,96,250	24.54		
Bajaj Auto Limited	79,59,360	5.63		
Bajaj Holdings and Investment Ltd	51,09,151	3.61		
Anunita Investments Private Limited	50,000	0.04		
Jamnalal Sons Private Limited	51,93,590	3.67		
Employees Welfare Funds of Bajaj Group Companies	20,31,218	1.43		
Family Holdings	95,16,952	6.73		
2. Foreign Promoters			--	--
<b>Sub Total (A)</b>			<b>6,45,56,521</b>	<b>45.65</b>
<b>B. Non-Promoter Holding</b>				
1. Institutional Investors			2,65,15,671	18.75
Life Insurance Corporation of India	91,63,734	6.48		
Janus Overseas Fund	58,07,259	4.11		
JM Financial Mutual Fund- JM Core 11 Fund- SER	24,31,215	1.72		
International Growth Portfolio	22,02,743	1.56		
Citigroup Global Markets Mauritius Private Limited	18,45,749	1.31		
Morgan Stanley Mutual Fund A/C	17,46,771	1.24		
Credit Suisse (Singapore) Limited	17,17,600	1.21		
Citibank N.A. New York NYADR Department	16,00,600	1.13		
Others	1,40,06,730	9.91		
2. Others Indian			3,56,99,036	25.24
Maharashtra Scooters Limited	12,55,000	0.89		
Pittie Group	56,03,384	3.96		
Others	2,88,40,652	20.40		
3. NRIs / OCBs			6,29,153	0.45
<b>Sub Total (B)</b>			<b>7,68,50,590</b>	<b>54.35</b>
<b>GRAND TOTAL (A+B)</b>			<b>14,14,07,111</b>	<b>100.00</b>

## Investor services

The Company under the overall supervision of Mr. Pradeep Parakh, President & Company Secretary is committed to provide efficient and timely services to its shareholders. M/s. Sharepro Services (India) Private Ltd., registrar and share transfer agents of the Company, renders the entire range of services to the shareholders of the Company in regard to share transfer, change of address, change of mandate, dividend, etc.

## Outstanding GDRs or warrants or any convertible instrument, conversion dates and likely impact on equity

Pursuant to resolution passed by the members in 73rd

Annual General Meeting, the Company came out with its first issue of Global Depository Receipts (GDRs) of USD 60 Million and Foreign Currency Convertible Bonds (FCCBs) of USD 50 Million. Company came out with its second issue in February 2006 of Global Depository Receipts (GDRs) of USD 135.604 Million and Foreign Currency Convertible Bonds (FCCBs) of USD 120 Million.

During the year under review Company has not received any conversion notice from holders of FCCBs for converting FCCBs into Shares / GDRs as per terms and conditions of FCCBs. The details of GDRs/ FCCBs outstanding as at September 30, 2008 are given in Table 14 and 15 respectively.

**TABLE 14: GDRs issued and converted into equity shares during 2007-08 and outstanding as at September 30, 2008**

Particulars	Nos.
Outstanding GDRs as at October 1, 2007	2465759
GDRs issued during the year	Nil
GDRs issued upon conversion of FCCBs	Nil
GDRs converted into shares during the year	865159
<b>Outstanding GDRs as at September 30, 2008</b>	<b>1600600</b>

**TABLE 15: FCCBs issued and converted into shares/ GDRs during 2007-08 and outstanding as at September 30, 2008**

Particulars	Value of Bonds in US\$	Nos.
Outstanding FCCBs as at October 1, 2007	119,500,000	119500
FCCBs issued during the year	Nil	Nil
FCCBs converted into GDRs	Nil	Nil
FCCBs converted into Shares	Nil	Nil
<b>Outstanding FCCBs as at September 30, 2008</b>	<b>119,500,000</b>	<b>119500</b>

### 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 all the registered shareholder/s. The prescribed form for such nomination can be obtained from the company. Nomination facility in respect of shares held in electronic form is also available with depository participant (DP) as per the bye-laws and business rules applicable to NSDL and CDSL.

### Plant Locations

Sr. No.	Unit	Location	Sugar	Distillery	Co-Generation
1.	Golagokarannath	Lakhimpur Kheri, Uttar Pradesh	•	•	
2.	Palia Kalan	Lakhimpur Kheri, Uttar Pradesh	•		
3.	Khambarkhera	Lakhimpur Kheri, Uttar Pradesh	•	•	•
4.	Barkhera	Pilibhit, Uttar Pradesh	•		•
5.	Maqsdumpur	Shahjahanpur, Uttar Pradesh	•		
6.	Kinauni	Meerut, Uttar Pradesh	•	•	•
7.	Bilal	Bijnore, Uttar Pradesh	•		•
8.	Thanabhawan	Muzaffarnagar, Uttar Pradesh	•		•
9.	Budhana	Muzaffarnagar, Uttar Pradesh	•		•
10.	Gangnauli	Saharanpur, Uttar Pradesh	•	•	•

### Address for correspondence

Investors and shareholders can correspond with

- The Company at the following address :  
Secretarial Department  
Bajaj Hindusthan Limited  
Bajaj Bhawan, 2nd Floor, Jamnalal Bajaj Marg,

226 Nariman Point, Mumbai - 400 021  
Tel: (9122) 22049056 Fax: (9122) 22048681  
E-mail: investor.complaints@bajajhindusthan.com  
Website: www.bajajhindusthan.com

### AND/OR

- The Registrars and Share Transfer Agents of the Company - M/s. Sharepro Services (India) Private Ltd. at their following address : -

By Post/ Courier/ Hand Delivery	By Hand Delivery
M/s Sharepro Services (India) Private Limited Unit : Bajaj Hindusthan Limited 13 A/B, 2nd Floor Samhita Warehousing Complex, Behind Sakinaka Tel. Exchange, Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai 400 072. Tel. No.: 022 - 67720400 / 001 / 002 022 - 28518157, 28517377 Fax No.: 022 - 28508927, 28591568 Email: sharepro@shareproservices.com	M/s Sharepro Services (India) Private Limited Unit : Bajaj Hindusthan Limited 912 Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021 Tel. No.: 022 - 66134700 / 022 - 22881568 / 569 Email: sharepro@shareproservices.com

### Declaration

I, Shishir Bajaj, Chairman and Managing Director of **Bajaj Hindusthan Limited**, hereby affirm and declare, to the best of my knowledge and belief and on behalf of the Board of Directors of the Company and senior management personnel, that:

- The Board of Directors has laid down a code of conduct for all Board members and senior management of the Company.
- The code of conduct has been posted on the website of the Company;
- The code of conduct has been complied with.

For Bajaj Hindusthan Limited  
**Shishir Bajaj**  
Chairman & Managing Director

Mumbai,  
December 21, 2008

# Certificate

To the Members of

**BAJAJ HINDUSTHAN LIMITED**  
**MUMBAI**

We have examined the compliance of the conditions of Corporate Governance by **BAJAJ HINDUSTHAN LIMITED** for the year ended 30th September 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance with the conditions of the 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, and the representations made by the management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**SHISHIR DALAL**  
Partner  
Membership No.37310

Mumbai,  
December 21, 2008



# Management Discussion and Analysis

## I. Global Scenario

Sugar is a widely traded commodity. On an average, about 70% of world sugar production is consumed in the country of origin, and the balance 30% is traded in the international market. A part of the international sugar trade occurs under specific agreements (preferential trade, long term agreements, etc.) that, in some cases include clauses on import prices.

As mentioned, around 30% of world sugar production is traded in the world market. The Sugar prices in the international markets are of vital importance. The demand-supply position is the main factor explaining changes in international prices. It is difficult to measure consumption; therefore, it is often estimated as the disappearance of stocks. The best indicator for explaining changes in sugar

prices is the stocks-to-use ratio which encompasses the growth in consumption. There is generally an inverse relation between changes in the stocks-to-use ratio and prices.

During the year 2007-08, world sugar production was 167.80 million tons. However, the consumption was lower at 158 million tons thereby adding to the sugar stocks of last year.

World production was lower during the last year due to lower than expected production in India, higher diversion of cane for ethanol production in Brazil and lower production in the EU (European Union) and Thailand.

The table below summarises the country-wise production of sugar:

### World Sugar Production

(MMT, Raw Value)

Country / Region	2007-08	2006-07	2005-06	2004-05	2003-04
Brazil	31.69	32.64	32.64	27.73	26.14
India	26.30	28.30	20.94	13.80	14.74
EU	17.03	17.37	21.07	21.95	20.20
China	16.13	13.04	9.58	9.86	10.90
USA	7.42	7.66	6.71	7.15	7.85
Thailand	8.02	7.06	5.08	5.43	7.28
Mexico	5.76	5.55	5.50	6.00	5.36
<b>Sub-Total Top 7</b>	<b>112.35</b>	<b>111.61</b>	<b>101.52</b>	<b>91.91</b>	<b>92.47</b>
% of Total World	66.9%	66.7%	67.1%	65.1%	64.3%
Others	55.50	55.81	49.85	49.24	51.28
<b>World Total</b>	<b>167.85</b>	<b>167.42</b>	<b>151.37</b>	<b>141.15</b>	<b>143.75</b>
+/- YoY	0.3%	-0.3%	-9.6%	-6.8%	-4.4%

Source: F.O. Licht's International Sugar and Sweetener Report  
World Sugar Balances - Report dated Oct 29th 2008.

The following table illustrates the world Sugar Balance :

### World Sugar Balance

(MMT, Raw Value)

Sugar	2007-08	2006-07	2005-06	2004-05	2003-04
Opening Stock	73.74	64.29	61.26	67.16	68.13
Production	167.85	167.42	151.37	141.15	143.75
Imports	49.96	51.51	54.10	50.99	49.14
Consumption	158.78	152.96	146.10	143.97	141.44
Exports	54.74	56.52	56.33	54.07	52.42
Closing Stock	78.03	73.74	64.29	61.26	67.16
Stocks as % of Consumption	49.1%	48.2%	44.0%	42.5%	47.5%
<b>Stocks as No. of Months</b>	<b>5.90</b>	<b>5.79</b>	<b>5.28</b>	<b>5.11</b>	<b>5.70</b>
+/- Production (%)	0.26%	10.60%	7.24%	-1.81%	-4.45%
+/- Consumption (%)	3.80%	4.70%	1.48%	1.79%	1.29%

Source: F.O. Licht's International Sugar and Sweetener Report dated Oct. 29th 2008



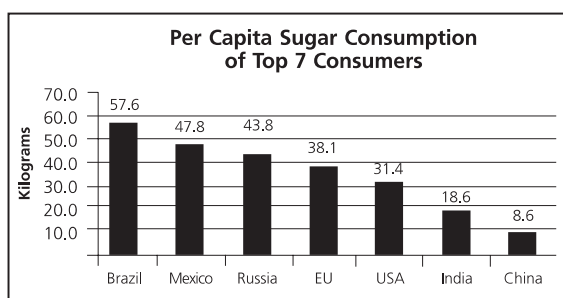
# Long Term Trends in World Sugar Consumption

Consumption is the driver of the world sugar economy. Sugar produced must necessarily be consumed at some time. Economists have identified 6-7 drivers of demand. The most important of these are:

1. Population growth.
2. Per capita incomes.

In 2007-08 global consumption stood at around 159 million tons. However, consumption growth across countries is not secular and there exists large regional variations.

The per capita consumption of sugar in major countries is shown below:



Source: World Sugar: FAPRI 2007 Agricultural Outlook Figures for 2006-07

From the above graph, it is evident that sugar consumption in India has a huge potential for increase.

The global demand supply situation is expected to tighten on account of steady consumption growth coupled with low production in India, the EU and Thailand. It is expected that Brazil is also diverting a higher portion of its 2008-09 sugarcane crop to the manufacture of ethanol.

## Ethanol - Brazilian success story

Brazil's sugar production is closely linked to its ethanol policy. In the 2007-08 SS, the diversion of sugarcane to ethanol is estimated at 55 per cent with balance 45 per cent being used for sugar. In fact, the demand created for ethanol on account of various government initiatives to encourage the use of ethanol as a fuel is one of the major reasons for the increase in sugarcane production in Brazil.

The Brazilian Government initiated its national alcohol programme, called Proalcool, in 1975 under which the blending of petrol with ethanol was made mandatory,

proved to be immensely successful. The Brazilian government contributed to the success of the programme by giving incentives for ethanol production and tax concessions for the use of ethanol-powered vehicles.

Some of the other salient features of the Proalcool programme were as follows :

Reduced excise duties on production of ethanol-powered vehicles, encouragement for the use of 100 per cent ethanol powered vehicles, ethanol distribution controlled by the state-owned oil company, incentives given for the construction of distilleries, storage credit offered for millers, differential tax break favouring ethanol over gasoline, and imposition of a ban of the use of diesel-powered personal vehicles.

The Brazilian ethanol sector has been liberalised since 1999. However, the Brazilian government continues to fix the minimum quantity of ethanol that must be blended with petrol (25 per cent at present).

It is expected that Government of India will also adopt a time-bound aggressive road-map towards ethanol production similar to that of Brazil, which will result not only in saving the foreign exchange for the country and promote environment- friendly fuel, but will also immensely benefit the Indian sugar industry.

## II. Indian Scenario

During the current sugar season 2007-08 the sugar production fell to around 26 million tons from 28 million tons in the previous year. The exports of around 5 million tons during the year further helped in easing the pressure on mills.

The sugar production, during the season 2008-09, is expected to fall even further to around 18 million tons. This is largely due to crop switching by the farmers and inadequate rainfall in some regions of Maharashtra. Thus, with an expected consumption of 23.5 million tons there will be a depletion of stock to the tune of 5.5 million tons.

Sugar prices have therefore started to firm up in anticipation of this shortage.

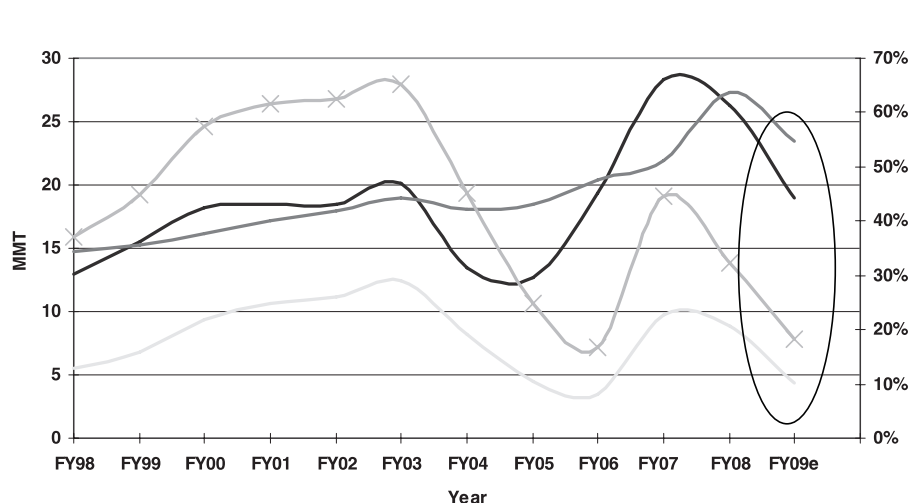
The sugar industry has passed through difficult times in the past two years and all indicators suggest that the situation should correct in sugar season 2008-09.

**Trends in Domestic Demand and Supply :****(MMT)**

Particulars	FY04	FY05	FY06	FY07	FY08	FY09e
Opening Stock	12.4	8.2	4.5	3.4	<b>9.8</b>	8.8
Production	13.5	12.7	19.3	28.3	<b>26.3</b>	18.0
Demand - Total	18.1	18.5	20.4	21.9	<b>27.3</b>	23.5
- Domestic	17.9	18.5	19.3	20.2	<b>22.5</b>	23.5
- Exports	0.2	-	1.1	1.7	<b>4.8</b>	-
Imports	0.4	2.1	-	-	-	-
Closing Stock	8.2	4.5	3.4	9.8	<b>8.8</b>	3.3
Closing Stock (Months)	5.4	2.9	2.0	5.4	<b>3.9</b>	1.7
Stock-to-use Ratio	45.3%	24.3%	16.7%	44.7%	<b>32.2%</b>	14.1%

e : estimate

— Production-MMT — Demand-Total-MMT — Closing Stock-MMT — Stock-to-use Ratio



e : estimate

**Sugar Prices :**

From the start of 2004 till June 2006, domestic sugar prices were on the uptrend as a result of a fall in sugar production. Prices peaked during April-June 2006, after which they started correcting. The Government banned sugar exports in January 2007 resulting in a sharp drop in prices. The prices in 2007-08 have firmed up in comparison to previous season due to lower production, more exports and anticipated shortage of sugar in the coming season.

During December 2008, sugar (S-30 variety) is quoted at around Rs.1,750 per qtl. The year-end inventory of sugar is approx. 3 months of annual consumption including Export.

**Industry Drivers :**

The Performance of the Industry mainly depends on :

**1. External factors :**

- Availability of sugarcane
- Sugarcane prices
- Government Policy
- Sugar Prices

**2. Internal factors :**

- Plant size and location
- Plant efficiency
- Value-addition from by-products
- Financial Management

## External factors :

### a. Availability of Sugarcane :

Acreage under cane cultivation has reduced from around 5.1 million hectares in 2006-07 to 5.0 million hectares in 2007-08. Sugarcane production decreased from 355 million tons in 2006-07 to 341 million tons in 2007-08.

The following table gives the annual state-wise area under cultivation and sugarcane production:

### Sugarcane and sugar - Production, yield, average capacity utilisation and recovery

Year	Area under sugarcane cultivation ('000 hectares)	Sugarcane production ('000 tonnes)	Yield per hectare (tonnes)	Factories in operation (nos)
1940-41	1,617	51,978	32.1	148
1950-51	1,707	54,823	32.1	139
1960-61	2,415	110,001	45.5	174
1970-71	2,615	126,368	48.3	215
1980-81	2,667	154,248	57.8	315
1981-82	3,193	186,358	58.4	320
1982-83	3,358	189,505	56.4	321
1983-84	3,110	174,076	56.0	326
1984-85	2,953	170,319	57.7	339
1985-86	2,850	170,648	59.9	342
1986-87	3,079	186,090	60.4	354
1987-88	3,279	196,737	60.0	357
1988-89	3,329	203,037	61.0	365
1989-90	3,439	225,569	65.6	377
1990-91	3,686	241,045	65.4	385
1991-92	3,844	253,995	66.1	392
1992-93	3,572	228,033	63.8	393
1993-94	3,422	229,659	67.1	394
1994-95	3,867	275,540	71.3	408
1995-96	4,147	281,100	67.8	416
1996-97	4,174	277,560	66.5	412
1997-98	3,930	279,541	71.1	400
1998-99	4,055	288,722	71.2	427
1999-00	4,220	299,324	70.9	423
2000-01	4,316	295,956	68.6	436
2001-02	4,411	297,208	67.4	434
2002-03	4,520	287,383	64.6	453
2003-04	3,938	233,862	59.4	422
2004-05	3,662	237,088	64.8	400
2005-06	4,201	281,172	66.9	455
2006-07	5,151	355,520	69.0	501
<b>2007-08*</b>	<b>5,043</b>	<b>340,500</b>	<b>67.5</b>	<b>516 (P)</b>

Source : ISMA \* Provisional data

### Sugarcane — Statewise Area under cultivation ('000 hectares)

('000 ctares)	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Andhra Pradesh	214	199	192	214	231	217	218	233	209	210	230	264	247
Assam	36	36	31	31	29	27	27	26	25	24	23	27	25
Bihar	125	130	108	107	97	94	113	107	104	104	101	130	119
Chattisgarh	-	-	-	-	-	3	4	4	5	6	6	7	7
Gujarat	162	166	165	196	201	178	176	203	176	197	197	214	208
Haryana	144	162	142	125	137	143	161	189	160	130	127	140	140
Jharkhand	-	-	-	-	-	4	4	4	4	4	4	4	4
Karnataka	313	282	310	339	373	417	407	383	243	178	219	326	296
Kerala	6	6	6	6	6	3	3	4	3	3	7	5	2
Madhya Pradesh	48	45	42	40	47	75	42	39	43	52	56	64	75
Maharashtra	580	516	460	530	590	595	578	573	443	324	501	1,049	1,068
Orissa	27	23	19	22	21	17	30	14	15	15	16	20	20
Punjab	132	173	126	103	108	121	142	154	123	86	84	99	111
Rajasthan	28	27	23	22	19	14	9	10	6	6	8	11	10
Tamil Nadu	326	260	283	306	316	315	321	261	192	232	336	391	352
Uttar Pradesh	1,974	2,110	1,985	1,975	2,011	1,938	2,035	2,149	2,030	1,955	2,156	2,247	2,179
Uttaranchal	-	-	-	-	-	122	126	134	128	107	101	121	124
West Bengal	17	25	26	27	23	22	23	20	17	16	15	17	17
Others	15	14	12	12	11	11	11	13	12	13	14	15	19
<b>All India</b>	<b>4,147</b>	<b>4,174</b>	<b>3,930</b>	<b>4,055</b>	<b>4,220</b>	<b>4,316</b>	<b>4,430</b>	<b>4,520</b>	<b>3,938</b>	<b>3,662</b>	<b>4,201</b>	<b>5,151</b>	<b>5,043</b>

Source: ISMA

Since FY 2005, area under sugarcane cultivation has increased from 36,62,000 hectare to 50,43,000 hectare by around 38% and coupled with an increase in yield per hectare resulted in a substantial increase in sugar production in the country.

#### **b. Sugarcane prices :**

Sugarcane is the main raw material in the production of sugar and accounts for around 65-70% of the cost of production. Financial performance therefore has a high co-relation to cane prices. Any increase in the sugarcane price adversely impacts profitability. Sugarcane prices are regulated by the Government. The Central Government decides the floor price called the Statutory Minimum Price (SMP), which is the basis for minimum price to be paid by sugar mills to purchase cane from farmers. The SMP was based on the recommendations of the Commission for Agricultural Costs and Prices. SMP was fixed at Rs. 81.18 per qtl. for sugar season 2007-08, and is linked to a base sugar recovery of 9% with Rs. 0.90 for each incremental 0.1% recovery.

SMP announced by the Central Government is a function of cost of cultivation of sugarcane with reasonable return to the cane growers such as input costs, cost of labour including family labour and other notional costs like lease rent of land and financial costs.

As upheld by the Hon'ble Supreme Court, the U. P. State Government does have power to fix a price for sugarcane for the respective State. This is called State Advised Prices (SAP).

The Government of UP announced a price of Rs. 125/- per qtl. for the sugar season 2006-07. This was challenged before the Allahabad High Court. The High Court, in its order dated 19th Dec'07, quashed the SAP of Rs. 125/- per qtl. and directed the UP Government to form an 'Expert Committee' which would devise a methodology for determining SAP based on specific principles. This Committee was to declare the SAP for sugar season 2006-07, based on the formula so devised, within 3 months. The norms and principles decided by the 'Expert Committee' would form the guiding principle and basis for fixation of SAP going forward.

The Government of UP, once again, announced SAP for the sugar season 2007-08 at Rs. 125/- per qtl. despite a drop in sugar prices by around Rs. 500/- per

qtl. This was also challenged before the Allahabad High Court and finally revised by the Supreme Court again to Rs. 110/- per qtl. (under an interim arrangement). The respective matters are still pending for final decision by the Supreme Court.

For the sugar season 2008-09, the Government has fixed a higher SAP of Rs 140/- per qtl. This too has been challenged before the Allahabad High Court. However, the court has upheld the Govt. fixed SAP of Rs. 140/- per qtl. for the Sugar season 2008-09.

In the background of these continuous litigation and re-fixation of sugarcane price, the sugar industry is optimistic and confident of obtaining appropriate relief from the Supreme Court, that will result in devising a mechanism with proper norms for fixation of sugarcane price.

#### **c. Government policy :**

Sugar is the second largest agro-processing industry in India after textiles. Sugar being an essential commodity and having a high weightage (3.63 %) in the WPI, is regulated by the Government through control on cane pricing, external trade, and control on sugar that can be sold in the open market.

Domestic sugar sales are regulated by the Central Government which decides how much a mill can sell in the open market i.e. free sale quota and how much is to be released by the mills for distribution through the public distribution system that is levy quota which is presently at 10%. Levy sugar prices are usually lower than market prices. Sugar sales are subject to release orders from time to time.

Representations have been made to the Government agencies for reduction in weightage of sugar in WPI from 3.61 to 1.68.

The Government of India had introduced a number of measures to provide relief to the sugar industry during the last year like allowing the export of sugar and introduction of export and transport subsidies, creation on of five million metric tones of buffer stock, providing interest-free medium term loans to sugar industries equivalent to excise duty paid in the F.Y 2006-07 and 2007-08. All these measures have given much needed support to the sugar industry which was passing through a very difficult phase. However, further incentives and reliefs are required for long term-survival of the Industry.

#### **d. Sugar Prices :**

After two consecutive sugar seasons, viz. 2005-06 and 2006-07 with surplus sugar production, the sugar prices fell down to an abysmally low price of around Rs. 1,200/- per quintal in October 2007 and remained subdued during the first half of the sugar season 2007-08 with the average monthly sugar price ranging between Rs. 1,280/- per quintal and Rs. 1,440/- per quintal. However, with the expectation of sugar consumption to exceed production in the next two seasons, viz. 2008-09 and 2009-10, the prices started firming up around July 2008. The average monthly price during the second half ranged between Rs. 1,480/- per quintal and Rs. 1,735/- per quintal.

The global desired supply situation is expected to tighten on account of steady consumption growth coupled with lower production in India, the EU and Thailand. Also, Brazil is likely to divert a high portion (of around 60%) of its sugarcane crop to the manufacture of Ethanol. These factors are likely to ensure the upward firming up of sugar prices in the near future.

#### **Internal Factors :**

##### **a. Plant Size and Location :**

As with any other industry, size is of vital importance in the sugar industry. Large size will enable mills to take advantage of economies of scale and reduce cost of production.

Sugar plants need to be located in an area where adequate sugarcane is available. It is also vital that the mill is able to attract a high percentage of cane for sugar crushing out of the total cane grown in the area. Sugarcane is bulky and also needs to be crushed as soon as it is harvested. Hence it is important that the plants are located close to cane farms.

##### **b. Plant efficiency :**

Sugar recovery is one of the major factors affecting financial performance. Even a small increase in recovery level could have a significant impact on the profitability of a company. Sugar recovery inter-alia depends on internal plant efficiencies, time taken by the mill to crush cane from the time it is harvested, processing losses etc. Factors like development of infrastructure around the plant, maintenance of plant and machinery also helps in obtaining higher recoveries.

Your Company achieved a recovery rate in 2007-08 of 9.99% which is better than the UP average of around 9.80 %.

#### **c. By-products :**

Optimal utilization of by-products is another key variable in company performance. Integrated sugar mills which produce Bagasse, Alcohol and Power are more likely to perform better than those which only produce sugar and sell Bagasse and Molasses. By opting for an integrated model, mills earn a higher margin due to higher value addition and partially mitigate risk arising out of a downturn in sugar business.

#### **d. Financial Management :**

Sugar industry is *highly working* capital intensive. Sugar operations are seasonal in nature. Crushing operations lasts for an average of around 125 days, whereas sale of sugar is throughout the year. However, crushing duration varies across the country depending on cane availability etc. In U.P for instance crushing is done around 150 - 160 days in a year from October till April. Working capital is therefore required during the crushing season and gets liquidated out of sales proceeds. Efficient working capital management lowers interest cost and improves profitability.

#### **Present crisis faced by the UP Sugar industry :**

The secular increase in sugarcane price year after year in form of high SAP, is in stark contrast to the Sugar prices that have been fluctuating from Rs. 1100/- per quintal to Rs. 1750/- per quintal. Last year, this resulted in the cane price being higher than the sugar price and led to farmers not getting paid.

Another disruptive factor was the disparity in sugarcane price in Uttar Pradesh vis-à-vis Maharashtra and Gujarat. Maharashtra and Gujarat paid the SMP (fixed by the Central Government), which was substantially lower at around Rs. 81/- to Rs.95/- per quintal (depending upon recovery achieved by the mill), as against the Uttar Pradesh State Government's SAP of Rs. 125/- per quintal for sugar season 2006-07 and 2007-08 and Rs. 140/- per quintal for sugar season 2008-09 irrespective of sugar recovery.

The entire Sugar Industry of Uttar Pradesh has been struggling to survive. Needless to mention, the survival of the Sugar Industry is as much in the interests of the farmers of Uttar Pradesh as that of the industry itself.

Three years ago, the UP Government announced a policy to increase cane drawl, specifically for the benefit of farmers in the state. Since then, the sugar industry has invested over Rs.8,000 crore in setting up close to 30 new sugar mills in the state. Sugar production in the state increased by 70% from 50 lac tonnes in 2004-05 to 85.3 lac tonnes in 2006-07. Most of this investment came from profits that were ploughed back and large scale debts from banks and financial institutions. Now, as a result of the crisis in the UP sugar industry, mills are unable to service these debts. Moreover, the non-disbursal of eligible amounts under the State's incentive scheme has further compounded the financial problems of the sugar mills.

This is not all. Sugar factories in Maharashtra will have a significant competitive advantage as compared to U.P. due to its lower cost of production of sugar, primarily on account of lower sugarcane prices.

The sugar industry made a fervent plea for the farmers, millers and the State Government to work together closely for the development of this industry. This can happen only if each of these segments of stakeholders factors in the perspectives of the others and looks for a solution that is mutually beneficial to all.

Too low as well as too high cane prices, both are equally detrimental to the interests of farmers as well as the Industry. Since sugarcane is the only raw material for manufacturing sugar and with huge investment made by the industry over time, lack of sugarcane grown and lack of cane availability will not make sugar crushing operations possible and viable and eventually may lead to closure of operations. The high cane price will compound the problem for accumulating cane arrears followed by action for recovery against sugar mills by the state administration.

### III. Bajaj Hindusthan's Position

#### Capacities and Locations :

During the year, BHL has completed its on-going capacity expansion and strengthened its leadership position in the domestic sugar and ethanol sectors. During the last financial year, BHL further augmented its sugar capacity by 7,000 TCD and now has a capacity of 96,000 TCD.

Apart from this, BHL has 4 distilleries with aggregate capacity of 640 KL/day and also generates about 90 M.W. of surplus power. Capacity of Bajaj Hindusthan Sugar and Industries Ltd., a subsidiary of the company (BHSIL) stands at 40,000 TCD.

The following table details individual plant capacities:

Sr No.	Unit	District	Sugar TCD
<b>In BHL</b>			
1	Golagokarannath	Lakhimpur	13,000
2	Palia Kalan	Lakhimpur	11,000
3	Khambarkhera	Lakhimpur	10,000
4	Barkhera	Pilibhit	7,000
5	Maqsudpur	Shahjahanpur	7,000
6	Kinauni	Meerut	12,000
7	Bilai	Bijnore	9,000
8	Thanabhawan	Muzaffarnagar	9,000
9	Budhana	Muzaffarnagar	9,000
10	Gangnauli	Saharanpur	9,000
<b>Total in BHL</b>			<b>96,000</b>
<b>In BHSIL</b>			
11	Pratappur	Deoria	6,000
12	Kundarkhi	Gonda	15,000
13	Utraula	Balrampur	12,000
14	Rudauli	Basti	7,000
<b>Total in BHSIL</b>			<b>40,000</b>
<b>Total Group Capacity</b>			<b>136,000</b>

Under a proposed Scheme of Arrangement (subject to various approvals) BHSIL has proposed amalgamation of Phenil Sugars Private Limited (PSPL) with itself. PSPL is presently holding more than 99% shares in two companies having one sugar plant each of the capacity of 6,000 TCD located in the State of Uttar Pradesh. Post the proposed amalgamation, crushing capacity of BHSIL will increase to 52,000 TCD and that of the BHL Group to 1,48,000 TCD.

#### Ethanol opportunity :

Ethanol is used as an automotive fuel by itself and can be mixed with petrol to form what has been called "FUEL ETHANOL". The most common blends contain 5% to 10% ethanol mixed with petrol.

With a view to give boost to agriculture sector and reduce environmental pollution, Government of India has been examining for quite some time supply of ethanol-doped-petrol in the country.

In October 2007, Government of India has mandated 5% ethanol blending and has indicated that, from October 2008, 10% ethanol blending will be mandatory.



Utilization of molasses for the production of ethanol in India will not only provide value-addition to the by-product, it can also ensure better price stability and price realization of molasses for the sugar mills. This will improve the viability of the sugar mills, which will in turn benefit cane growers.

Following table gives a summary of likely Alcohol production & demand in the coming years.

Alcohol Production/Demand - all India basis

Mln. Ltrs.			
Particulars	FY08	FY09e	FY10e
Alcohol Production	2,600	2,200	2,000
Demand			
Potable	1,000	1,100	1,130
Industrial	1,100	1,160	1,220
Blending with Petrol at 5% level	500	650	700
Total Demand	2,600	2,910	3,050
Surplus/(Deficit)	-	(710)	(1,050)

e : estimate

Note :

- The above information is as per industry sources.
- The dip in alcohol production is on account of reduction in sugar production which means reduced availability of molasses.
- Blending percentage assumed at 5% level.

For the year 2007-08, the requirement of ethanol for blending with petrol at 5% blending rate, is expected to be 500 million Litres. In fact, current blending is far lower than 5%.

The government has recently permitted Companies to produce ethanol directly from sugar cane juice. This will provide Companies flexibility to alter the product mix between sugar and ethanol depending on the relative demand and realisation.

### Particle Board (PB) and Medium Density Fibre Board (MDF) Project

Bajaj Eco-Tec Products Limited (BEPL), a Wholly Owned Subsidiary (WOS) of Bajaj Hindusthan Limited has completed setting up of the project at three locations in Uttar Pradesh to manufacture eco-friendly Particle Boards (PB) and Medium Density Fibre (MDF) Boards by using most advanced and modernized technology at a sum of Rs. 2,900 million.

Salient features of the Project are :

- Project to manufacture PB & MDF from bagasse

- Project being implemented by Bajaj Eco-Tec Products Limited (BEPL), a wholly owned subsidiary of BHL
- Total 3 plants, one PB plant having capacity of 50,000 m<sup>3</sup> p.a. and two MDF plants, each having capacity of 80,000 m<sup>3</sup> p.a.
- PB plant is at Kinauni and MDF plants at Palia Kalan and Kundarkhi.

The project has progressed as planned and commercial production has commissioned w.e.f. 7th April, 2008. The Company has already established, country-wide marketing & distribution network and its PB & MDF Boards are being marketed under the brand - "Bajaj Boards".

### Outlook

The Indian economy has shown robust growth during the past few years and the same trend is expected to continue. The sugar prices have started showing signs of stabilization and, with the support of State & Central Government initiatives, the sugar sector is turning around after a very difficult phase.

### Risks and Concerns

Sugar industry is cyclical in nature & primarily faces the following risks:

#### I. Uncontrollable Risks :

- Raw material risk
- Sugar price risk
- Regulatory risk

#### A. Raw material risk

Sugarcane is the principal raw material used for the production of sugar. Business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect operations. A variety of factors beyond our control may contribute to a shortage of sugarcane in any given harvest period. Some of the main factors that could contribute to a shortage of sugarcane are set forth below: -

- Diversion from cane production to other cash crops.
- Adverse weather conditions, crop disease.
- Drop in Drawal rate.
- Unremunerative cane procurement price declared by the State Government and/or Central Government.

The Company has sought to mitigate raw material availability risk by diversifying into multiple locations within Uttar Pradesh and, at the same time, has an impeccable record of cordial relationship with farmers.

### **B. Sugar price risk**

The market price for sugar is function of demand and supply. Fluctuations in demand and supply for various reasons, including :

- i) changes in the availability and price of sugarcane;
- ii) variances in the production capacities of our competitors;
- iii) the availability of substitutes for the sugar products; and
- iv) international demand and supply.

The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond control. In addition, approximately 15% to 30% of total worldwide sugar production is traded on exchanges and is thus subject to speculation, which could affect the price of sugar worldwide and our results of operations. As a result, any prolonged decrease in sugar prices could have a material adverse effect on our Company.

The Group has addressed this issue to an extent with its expansion plans whereby, BHL & BHSIL in aggregate have become the largest sugar producer in India with an overall share of more than 20% of the Uttar Pradesh production. This would enable better pricing power while reducing costs.

### **C. Regulatory risk**

#### **i. Environmental risks**

The Industry & Company is subject to environmental regulations and may be exposed to liability as a result of our handling of hazardous materials and potential costs for environmental compliance.

#### **ii. Government policy-related risks**

The Industry is regulated and the Company operates in a regulated environment. Central and State government policies and regulations affect the agricultural sector and related industries and affect our operations and our profitability. Ethanol business is

highly dependent on Government policy. Sugarcane price is controlled by the State government and is generally increased every year. This is a systemic risk, which cannot be alleviated unless the industry is completely decontrolled.

### **2. Controllable Risks :**

1. Productivity
2. Drawal rate
3. Management Bandwidth

Selection of appropriate machinery and maintenance of the same is critical for continuous operations during the crushing season. The Company consistently operates at an optimum capacity of around 90% to 95%.

With its leadership position in the industry and professional work practices, the Company is able to hire and retain appropriate talent.

### **De-Risking Strategy :**

As part of our business strategy, we are rapidly de-risking our business with investment in Distilleries, Co-generation and manufacture of MDF/PB. These businesses are non cyclical and therefore expected to generate steady cash flows year on year.

### **Internal control systems and their adequacy**

The Company has in place, adequate systems of internal control to reasonably safeguard its assets against loss through unauthorised use and pilferage. A comprehensive system of internal controls employed by the Company ensures optimal use of the resources available at its disposal. Internal audits and checks are an ongoing process within the Company.

The internal audit department has looked into various functional areas of the Company with the following primary objectives :

- To ensure critical examination of weaknesses in the system and offer alternative solutions to overcome them;
- To identify shortcomings that may affect the Company's operations and profitability;
- To review systems and procedures in purchase, capital investments and routine operations to plug revenue leakages;
- To ensure compliance with Company policies and procedures;



- To introduce Standard Operating Procedures (SOPs) for periodic monitoring of the activities of various departments;
- To identify non-performing assets and suggest procedures for their disposal.
- To undertake and complete any other assignments given by the management

The internal audit department submits its reports to the management, outlining its findings, along with analytical reviews of the functional areas looked into, and providing practical solutions for the problems observed.

### **Human Resources**

Our edge is our people. What we consciously do as management is to encourage such people who dare and provide them room-not square feet to dream it. The result, that BHL would be number one.

Our commitment is to create an organization that nurtures the talents and enterprise of our people, helping them to grow and find fulfillment in an open culture. Our business and growth strategies would be based on a strong HR foundation created through a judicious use of innovative and complementary HR process and systems.

### **The HR Philosophy of the Company is guided by the following principles:**

- A genuine concern for employee's feelings, needs and aspirations for support, dignity and fulfillment in work.
- The encouragement for an open expression of perceptions, attitudes, opinions, ideas and feelings across the work teams and among superiors and subordinates.
- A belief in the efficacy of facing and resolving the interpersonal and interdepartmental issues rather than smoothing them over or forcing solutions.
- A general predilection toward participative decision - making to be invariably followed by self-direction, self discipline and self control by each employee and work-teams.

### **Gist of HR initiatives introduced during the period Oct.'07 to Sept.'08**

Bajaj Hindusthan Ltd, H.R. was awarded **"Amity HR Excellence Award"** by Amity International Business School, Noida, during its Fifth Annual Global HR Summit for the exemplary acceleration and

development of the organization by managing a talent pool in a talent scarce macro-environment, thus achieving unprecedented growth by utilizing its human capital.

Quality Circle was introduced in all units to improve and maintain the quality, services, to reduce/eliminate defects, errors, wastage, enhance productivity, cost-effectiveness and safety.

A need-based training calendar has been designed at all the units. This mainly comprises of Training on Safety, House keeping, Fire Fighting, Communication skills, team building etc.

Need-based Training programs were organized at units and corporate office by internal and external faculties.

Induction programs are regularly conducted at unit level and Offices by HR department for all the new employees. This is an interactive program supplemented by power point presentation about the company.

BHL introduced scheme for yearly Medical Health Check-up for Management grade employees across the group. For this HR department has arranged some recognized hospitals to ensure genuine check ups. We ensure that every executive in M grade goes for health check-up.

Welfare Activities like Medical check-up camp for employees and farmers at Units and Flood relief camps was set up for villagers at units of Eastern and Central zone, food packets and medicines were distributed at flood hit areas of these zones were also organized.

New Performance Management system (Balanced score-card system) was introduced across the organization.

### **Information Technology (I.T.)**

To sustain quantum growth , a need was felt in 2004-05 in the company for a "Robust ERP system" at the back-end which can provide fully integrated and end-to-end industry standard platform for automation of business processes, for reducing operating costs, improving business process efficiency and to provide real time information flow to have a common MIS in common format across the organization to enable decision making .The objective behind this was to ensure reliable internal controls , better inventory utilisation & control and efficient vendor & customer management along with better utilization of man power.

The Company has since successfully implemented SAP system and some of the benefits which are being achieved are like re-engineering of the process to avoid duplicacy, reduction in manual work, controlling the procurement and expenses by budgetary control, unification of activities, such as common procurement etc., online MIS from anytime and anywhere for proactive decision making, control on the credit limits of customers etc. Robust use of materials management system for materials planning and control, inventory management, complete control over stock quantities etc.

For security of data, higher end firewall has been established across the organization for preventing unauthorized server access.

#### IV. Financial Analysis of Operations of the Company:

**TABLE 1: Production**

	Unit	2007-08	2006-07	Increase (Decrease)
Sugar *	M.T.	<b>9,82,897</b>	12,45,535	-21.09%
Industrial Alcohol *	K.L.	<b>1,15,031</b>	87,516	31.44%
Molasses*	M.T.	<b>4,84,006</b>	6,63,445	-27.05%
Power Export	MW	<b>1,11,002</b>	7616	+1357%

\*excluding Trial run Production as under:-

	Unit	2007-08	2006-07
Sugar	M.T.	<b>16,993</b>	63,338
Alcohol	K.L.	-	12,308
Molasses	M.T.	<b>8,790</b>	36,962

During the year, the production of Sugar has declined to 9,82,897 MT as compared to 12,45,535 MT last year, mainly due to lower availability of sugarcane, Similarly production of molasses was lower at 4,84,006 MT during the year as against 6,63,445 MT due to lesser quantity of sugarcane crushed in the previous year. Industrial Alcohol production was higher at 1,15,031 KL, as compared to 87,516 KL last year. During this year in the field of Power Export, the company has registered a significant growth and exported the power to the Grid from the very beginning of the crushing season.

**TABLE 2: Cane crushing and sugar recovery**

Cane Crushing (Million MT)		2007-08	2006-07
Gola	Central UP	<b>1.546</b>	2.376
Palia	Central UP	<b>1.255</b>	2.058
Kinauni	Western UP	<b>1.494</b>	1.691
Thanabhawan	Western UP	<b>1.005</b>	1.316
Budhana	Western UP	<b>1.164</b>	1.330
Bilal	Western UP	<b>0.965</b>	1.305
Gangnauli	Western UP	<b>0.640</b>	0.937
Khambarkhera	Central UP	<b>0.854</b>	1.228
Barkhera	Central UP	<b>0.676</b>	1.121
Maqsdapur*	Central UP	<b>0.413</b>	-
<b>Total</b>		<b>10.012</b>	<b>13.362</b>
Sugar Recovery (%)			
Gola	Central UP	<b>10.30</b>	10.48
Palia	Central UP	<b>9.95</b>	9.85
Kinauni	Western UP	<b>9.97</b>	9.54
Thanabhawan	Western UP	<b>9.84</b>	9.58
Budhana	Western UP	<b>10.01</b>	9.33
Bilal	Western UP	<b>10.44</b>	10.30
Gangnauli	Western UP	<b>9.41</b>	9.16
Khambarkhera	Central UP	<b>9.82</b>	9.88
Barkhera	Central UP	<b>9.76</b>	9.32
Maqsdapur*	Central UP	<b>9.86</b>	-
<b>Total</b>		<b>9.99</b>	<b>9.80</b>

\*Unit Commissioned during season 2007-08

\*Figures include trial run crushing

This year, due to unfavorable climatic conditions and late rains in U.P., the per hectare yield of sugarcane has fallen down resulting in lesser availability of cane leading to lower production of sugar. The farmers have also shifted to other crops like wheat and paddy due to higher MSPs declared by the Govt. The delay in getting cane dues from the sugar mills due to high SAP declared by UP State Govt has also forced farmers to shift to other crops and this has also added to the woes of the Industry.

However, the sugar recovery of the Company is higher by 0.19 % as compared to the previous year, which is largely due to reduction in process loss.

#### Results of operations

**TABLE 3: Summarised Financial Results**

	Rs. million	
Particulars	2007-08	2006-07
Revenue	<b>18,028.72</b>	17,436.61
Earning before interest depreciation and tax (EBIDTA)	<b>2,185.44</b>	2,484.58
Interest	<b>1,394.44</b>	637.34
Cash Profits	<b>791.00</b>	1,847.24
Depreciation	<b>1,872.21</b>	1,468.82
Profit/(Loss) before Tax	<b>(1,081.21)</b>	378.42
Provision for Taxation	<b>(604.37)</b>	(78.05)
Profit/(Loss) after Tax	<b>(476.84)</b>	456.47
Basic Earning per share (Rs.)	<b>(3.55)</b>	3.61
Diluted Earning per share (Rs.)	<b>(3.55)</b>	3.61

## Turnover

Increase in the revenue was due to higher volumes of industrial alcohol and Power export during the year.

## Analysis of sales

During the year the Company sold 9,16,887 MT of Sugar as against 10,69,323 MT during the previous year, registering a decline of 14.26%. The Company also sold 80,609 MT of Molasses as against 2,20,240

MT in the previous year, reporting a down fall of 63.40% due to use of maximum quantity of Molasses in captive distillery units for the production of Alcohol. Alcohol sales during the year were higher at 1,25,426 KL as against 88,270 KL during the previous year, representing a impressive growth of 42.10%. With the commissioning of Co-gen units, power export registered a steep growth. The Company exported 1,11,002 MW of Power during the year as against 7,581 MW during the last year.

Product-wise sales quantity, value and per unit realisation details are given in under mentioned Table :

**TABLE 4 : Sales revenue**

			2007 -08		2006 -07		
	Unit	Qty	Value Rs. Million	Realisation* Rs. Million	Qty	Value Rs. Million	Realisation* Rs. Million
Sugar	M. Tonnes	9,16,887	14,975.95	16,333	10,69,323	15,471.06	14,468
Alcohol	Kilolitres	1,25,426	3,009.32	23,993	88,270	1,969.56	22,313
Molasses	M. Tonnes	80,609	254.49	3,157	220,240	502.73	2,283
Power	MegaWatts	1,11,002	332.08	2,992	7,581	22.62	2,980

\* Includes excise duty

Approximately 10% of total sugar sales was to certain parties against permits issued by the Government of India. The remaining 90% being free sale sugar, was sold in the domestic market through a network of agents.

Industrial Alcohol was sold in the local market directly to end users, mainly alcohol-based chemical plants. Molasses was sold out to end users. Ethanol was sold to oil companies, who use it for blending with gasoline.

The Company is the largest producer / seller of ethanol in the country. It has long term contracts for supply of ethanol to the PSU oil companies. There was a substantial increase in the production and sale of ethanol during the year. The company produced 81565 KL and sold 81398 KL of ethanol in the current year as against the production 29107 KL and sold 29106 KL respectively during the previous year.

## Other Income

Other income for the year was Rs. 465.91 million against Rs. 306.50 million in the previous year.

The major component of other income is Lease and Management Fees of Rs.142.05 million and profit on sale of Investment is Rs.83.18 million. The balance

amount has been received against sale of scrap/store/manure and miscellaneous items, etc.

## Other expenses

Other expenses during the year are Rs.3,024.01 million as against Rs.2,316.83 million in the previous year. The increase in other expenses is largely relating to provision for foreign exchange fluctuation Rs.870.90 million in line with AS-11 Accounting for effects of changes in foreign exchange rates against Rs.0.36 million last year.

Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA)

The EBIDTA margins for the year is Rs.2,185.44 million as against Rs.2,484.58 million achieved in the previous year. The fall in EBIDTA margins is mainly due to provision for foreign exchange fluctuation as per Accounting Standard 11-Accounting for effects of changes in foreign exchange rates.

## Interest

Due to the increase in interest rates and increased working capital requirements the interest cost is higher as compared to the previous year.

## Depreciation

The depreciation for the year increased from Rs.1,468.82 million to Rs.1,872.21 million due to commissioning of new sugar and Co-generation plants during the year under review.

## Provision for Tax

Due to inadequacy of profits the provision of current tax has not been made. Provision for deferred tax and fringe benefit tax, for the year was (Rs. 604.37) million (56%) as against (Rs. 78.05) million (21%) during the previous year due to recognition of deferred tax assets and the MAT credit.

## Balance Sheet

The summarised Balance Sheet as at September 30, 2008 is as under:

**TABLE 5 : Summarised Balance Sheet**

	Rs. Million	
<b>As at September 30</b>	<b>2008</b>	<b>2007</b>
<b>Sources of Funds</b>		
Shareholder's Funds		
Capital	<b>141.41</b>	141.41
Reserves and Surplus	<b>13,309.63</b>	14,201.90
<b>Sub Total</b>	<b>13,451.04</b>	14,343.31
Loan Funds	<b>34,090.73</b>	28,908.90
Deferred Tax Liability (Net)	<b>589.37</b>	1,208.77
<b>Total</b>	<b>48,131.14</b>	44,460.98
<b>Application of Funds</b>	<b>2008</b>	<b>2007</b>
Fixed Assets including CWIP	<b>26,175.15</b>	27,836.06
Investments	<b>4,882.56</b>	4,374.67
Current Assets, Loans & Advances	<b>25,254.76</b>	21,090.53
Less: Current Liabilities & Provisions	<b>8,181.33</b>	8,840.28
Net Current Assets	<b>17,073.43</b>	12,250.25
<b>Total</b>	<b>48,131.14</b>	44,460.98

## Share capital

There is no change in the share capital of the Company during the year.

## Reserves and surplus

Due to net losses during the year reserves and surplus decreased marginally by Rs.892.27 million to Rs.13,309.63 million as against Rs.14,201.90 million in the previous year.

## Secured loans

Secured loans increased to Rs.28,080.83 million as against Rs.20,358.80 million in the previous year mainly due to issue of secured redeemable non convertible debentures & loans from the financial institutions and banks.

## Operating working capital

Systematic liquidation of inventory and close monitoring of receivables has helped the Company to limit the overall working capital requirement. Closing working capital utilization was Rs.8,585.36 million against Rs.9,848.35 million at the close of previous year, a decrease of Rs.1,262.99 million.

## Fixed assets

Gross Block increased from Rs.26,392.63 million to Rs.30,563.78 due to capitalization of one sugar and four co-generation plants.

The decrease in fixed assets (net of depreciation) by Rs.1,660.91 million (including CWIP) from Rs. 27,836.06 million to Rs. 26,175.15 million is mainly due to depreciation.

## Investments

During the year, Bajaj Hindusthan Sugar and Industries Ltd (wholly owned subsidiary), has issued 5,70,00,000 equity shares of Re. 1/- each (at a premium of Rs. 49/- per share) on conversion of warrants purchased last year.

BHL has invested a sum of Rs. 177.73 million in BHSIL by way of acquisition of 32,10,454 equity shares through open offer of Re. 1/- at a price of Rs.52.89 each.

During the year, BHL has sold 22,40,724 equity shares of BHSIL in the secondary market in compliance with the listing agreement to bring down its holding upto 75%, at an average price of Rs. 42.67 per share.

During the year, BHL has sold 50,00,000 equity shares of Rs. 10/- each of Bajaj Aviation Pvt. Ltd.(formerly known as Bajaj Hindusthan Holdings Pvt. Ltd.) at Rs. 10/- each to M/s Bajaj Eco-Tec Products Ltd. (wholly owned subsidiary).

M/s Bajaj Eco-Tec Products Limited (BEPL), (wholly owned subsidiary) has started the commercial production at all of their plants w.e.f. 07.04.08. At these plants BEPL is producing completely wood-free environment-friendly sugarcane-bagasse-based Medium Density Fibre (MDF) Boards, Particle Boards, High Density Fibre (HDF) Boards and Laminated Flooring.

In order to meet out their financial requirement, BHL has further invested Rs.250 million in BEPL towards allotment of 25,00,000 equity shares of Rs.10/-each at a premium of Rs. 90/- per share during the financial year 2007-08.

During the year, one new subsidiary i.e. Bajaj Eco-Chem Products Pvt. Ltd. was set up with an initial investment of Rs. 0.10 million. The company has further paid Rs. 8.00 million towards application money.

## Inventories

The inventory of sugar at the end of the year was 3,55,586 MT equivalent to 140 days' sales as compared to 69 days' sales in the previous year. Alcohol inventory at the end of year was 3,781 KL equivalent to 8 days' sales as compared to 28 days' sales in the previous year. In view of expected volume growth, the inventory liquidation is monitored very closely and the Company does not foresee any difficulty in selling the products manufactured by it.

## Debtors

In line with the Company's focus on effective working capital management vigorous efforts were made to recover dues from debtors and the debtors at the end of the year were equivalent to 8 days of sales as compared to 22 days of sales in the previous year.

## Significant non-recurring income, expenditure and other items

### Income

The Profit on sale of investments, Rs. 83.18 million and the provisions no longer required, Rs.33.78 million, were of a non-recurring nature.

### Expenditure

The loss on assets sold / discarded, Rs.1.93 million and loss due to foreign currency fluctuation Rs.870.90

## Unitwise Operations (Sugar Division)

Crushing details of plants during the year 2007-08 are given in Table 6.

**TABLE 6 : Production Summary**

	Season 2007-08	Season 2006-07
a) Gola Unit		
Sugarcane crushed (Million Tons)	1.546	2.376
Recovery (%)	10.30	10.48
Sugar Production (Tons)	159,304	249,090
b) Palla Unit		
Sugarcane crushed (Million Tons)	1.255	2.058
Recovery (%)	9.95	9.85
Sugar Production (Tons)	124,845	202,614
c) Kinauni Unit		
Sugarcane crushed (Million Tons)	1.494	1.691
Recovery (%)	9.97	9.54
Sugar Production (Tons)	148,931	161,212
d) Thanabhawan Unit		
Sugarcane crushed (Million Tons)	1.005	1.316
Recovery (%)	9.84	9.58
Sugar Production (Tons)	98,857	125,989
e) Budhana Unit		
Sugarcane crushed (Million Tons)	1.164	1.330
Recovery (%)	10.01	9.33
Sugar Production (Tons)	116,464	124,151
f) Bilai Unit		
Sugarcane crushed (Million Tons)	0.965	1.305
Recovery (%)	10.44	10.3
Sugar Production (Tons)	100,750	134,347

million (out of which Rs.757.93 million is provision in line with Accounting Standard 11-Accounting for effects of changes in foreign exchange rates), was of a non-recurring nature.

## Contingent liabilities

The status of contingent liabilities as at September 30, 2008 has been reviewed by the management. Efforts are being made for speedy settlement of pending cases.

## Control measures for cane procurement

Besides smooth functioning of plants, timely and regular procurement of sugarcane is the most important activity of the Company. Continuous efforts are being made to ensure systematic indenting, procurement and crushing of sugarcane. The regular supply of cane also depends upon regular flow of payment to the farmers for which the Company has a good reputation in the entire sugar industry.

Though the current systems are adequate, as a matter of routine, these systems are periodically reviewed by the senior management team from time to time and corrective measures, if and when considered necessary, are taken to ensure the smooth flow of sugarcane.

**Production Summary (cont'd)**

	Season 2007-08	Season 2006-07
g) Gangnauli Unit		
Sugarcane crushed (Million Tons)	0.64	0.937
Recovery (%)	9.41	9.16
Sugar Production (Tons)	60,246	85,770
h) Khambarkhera Unit		
Sugarcane crushed (Million Tons)	0.854	1.228
Recovery (%)	9.82	9.88
Sugar Production (Tons)	83,860	121,320
i) Barkhera Unit		
Sugarcane crushed (Million Tons)	0.676	1.121
Recovery (%)	9.76	9.32
Sugar Production (Tons)	65,948	104,456
j) Maqsdpur		
Sugarcane crushed (Million Tons)	0.413	-
Recovery (%)	9.86	-
Sugar Production (Tons)	40,685	-
<b>Total Sugarcane crushed (Million Tons)</b>	<b>10.012</b>	<b>13.362</b>
<b>Recovery (%)</b>	<b>9.99</b>	<b>9.80</b>
<b>Sugar Production (Tons)</b>	<b>9,99,890</b>	<b>1,308,949</b>

(Crushing & sugar production figures are inclusive of trial run)

### **Distillery Division**

The distillery division produced 1,15,031 kilolitres of industrial alcohol (including Ethanol) as against 87,516 kilolitres in the previous year registering a growth of 31.44%. Likewise Sales also aggregated at 1,25,426 kilolitres as against 88,270 kilolitres in the previous year registering a growth of 42.10%.

In value terms, the sale of industrial alcohol (including Ethanol) during the year 2007-08 was Rs.3009.32 million as against Rs.1,969.56 million in the previous year registering a growth of 52.80%.

### **Power Division**

The power division has recorded a sale of Rs.332.08 million in the current year as against Rs.22.62 million in the previous year.

### **Accounting Policies**

The financial statements have been prepared in compliance with the requirements of the Companies Act,

1956 and Generally Accepted Accounting Principles in India. The management of Bajaj Hindusthan Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates/judgements used in preparation of these statements. The estimates and/or judgements have been made on a consistent, reasonable and prudent basis to reflect a true and fair picture of the financial performance of the Company.

### **Cautionary/Futuristic Statements**

*Statements in the management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations and futuristic in nature. Actual performance may differ materially from those either expressed or implied. Such statements represent intentions of the management and the efforts put in to realise certain goals. The success in realising these depends on various factors both internal and external. Investors, therefore, are requested to make their own independent judgements before taking any investment decisions.*

# CEO / CFO Certification

The Board of Directors,  
Bajaj Hindusthan Limited,  
Mumbai.

## **Re: Financial Statements for the year 2007-08 - Certification by CEO and CFO**

We, Shishir Bajaj, Chairman & Managing Director and Manoj Maheshwari, Chief Finance Officer of **Bajaj Hindusthan Limited**, on the basis of the review of the financial statements and the cash flow statement for the financial year ended September 30, 2008 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended September 30, 2008 which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls; we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
  - (a) there have been no significant changes in internal control during this year;
  - (b) there have been no significant changes in accounting policies during this year;
  - (c) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Manoj Maheshwari**  
Chief Finance Officer



# Report of the Auditors to the Members

We have audited the attached Balance Sheet of **BAJAJ HINDUSTHAN LIMITED**, as at 30th September, 2008, the Profit and Loss Account annexed thereto and also the Cash Flow Statement of the Company for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a Statement on the matters specified in paragraph 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, 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 purposes 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 such books;
  - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in

agreement with the books of account of the Company;

- d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;
- (e) On the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors are disqualified, as on 30th September, 2008, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) Without qualifying our opinion, we draw attention to Note 5 (c) on Schedule 16 to the financial statements regarding remuneration paid to the managerial personnel which is in excess of the limits laid down under Schedule XIII to the Companies Act, 1956 and is subject to the approval of Central Government, for which an application has been made. Pending approval, the excess remuneration is being held in trust for the Company by the respective managerial personnel.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, 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 the affairs of the Company as at 30th September 2008;
  - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of  
**DALAL & SHAH**  
 Chartered Accountants

**SHISHIR DALAL**  
 Partner  
 Membership No. 37310

Mumbai,  
 December 21, 2008.



**Annexure referred to in paragraph 2 of our Auditor's Report of even date on the Accounts for the year ended 30th September, 2008 of Bajaj Hindusthan Limited.**

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:-

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Additions and deductions made during the year as per Company's practice, will be entered in the said records during the current year (i.e.2008-2009). As explained to us, fixed assets have not been physically verified by the Management this year also and, as such, discrepancy, if any, could not be ascertained;

As per the information and explanation given to us on our enquiries, the disposal of assets during the year were not substantial so as to have an impact on the operations of the company, or affect its going concern;

- ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year and/or at the close of the year;
- (b) As explained to us, the procedures of physical verification of the inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) According to the inventory records produced to us for our verification, we are of the opinion that the Company is maintaining proper records of its inventory. Further, discrepancies noticed on physical verification of inventories, if any, referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
- iii) The Company has not taken/granted any loans, secured or unsecured from/to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, except loans granted on current account to its Subsidiaries, the rate of interest and terms and

conditions were not prima-facie prejudicial to the interest of the Company. The outstanding dues as at the year end from Subsidiary Company amounted to Rs. 3910.92 million.

- iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control system, commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods. There was no sale of services during the year. During the course of our audit, no major weaknesses in internal control had come to our notice;
- v) (a) On the basis of the audit procedures applied by us, and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the contracts or arrangements that need to be entered into the register required to be maintained under Section 301 of the Companies Act, 1956 have been so entered;
- (b) The transactions so entered, aggregating in excess of Rs.5,00,000/- in respect of each party during the year, have been, in our opinion, as per the information and explanation given to us, made at prices, which are reasonable, having regard to the prevailing market prices available with the Company for such transactions or prices at which transactions for similar goods have been made with other parties at the relevant time;
- vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the directives issued by the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of Company's products to which the said rules are made applicable and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate.

ix) (a) According to the records of the Company, the Company has been generally regular in depositing with statutory authorities, 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, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty excise duty and cess were outstanding, at the year end for a period of more than six months from the date they became payable.

(b) On the basis of our examination of the documents and records of the Company and the information and explanations given to us upon our inquiries in this regard, disputed amounts payable in respect of Income-tax, Sales Tax, Wealth-tax, Service tax, Customs Duty and Excise Duty / cess not deposited with the appropriate authorities are as follows:

Sr. No	STATUTES	FORUMS BEFORE WHOM PENDING				TOTAL
		Commissioner Appeals	Tribunal	High Court	Supreme Court	
		Rs.	Rs.	Rs.	Rs.	Rs.
1	Sales Tax	11,86,213	1,84,240	33,00,612	-	46,71,065
2	Excise Duty	26,25,50,170	6,62,29,157	-	-	32,87,79,327

x) Based on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

xi) All investments held by the Company at the close of the year are held in its own name.

xii) The Company has given guarantee for loans taken by its subsidiary from a bank, the terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.

xiii) Based on the information and explanations given to us by the management the term loans were applied for the purpose for which the loans were obtained.

xiv) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that no funds on short- term basis have been used for long- term investment.

xv) According to the information and explanations given to us and records examined by us, in respect of secured debentures issued during the year, security/charge is pending for creation.

xvi) As per the information and explanation given to us on our enquiries in this behalf, there were no frauds on or by the Company has been noticed or reported during the year.

In view of the nature of activities carried on by the Company clause no. (xiii) of CARO, 2003 is not applicable to the Company. Further, in view of the absence of conditions pre-requisite to the reporting requirement of clauses (x), (xii), (xviii), and (xx) the said clauses are, at present, not applicable

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**SHISHIR DALAL**  
Partner  
Membership No. 37310

Mumbai,  
December 21, 2008.

# Balance Sheet as at September 30, 2008

	Schedule	Rs. Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>I. Sources of Funds:</b>				
Shareholders' Funds				
Capital	1	141.41		141.41
Reserves & Surplus	2	<u>13,309.63</u>	13,451.04	<u>14,201.90</u> 14,343.31
Loan Funds				
Secured Loans	3	28,080.83		20,358.80
Unsecured Loans	4	<u>6,009.90</u>		<u>8,550.10</u>
			34,090.73	28,908.90
Deferred Tax Liability (Net) (Refer Note 10)			589.37	1,208.77
<b>Total</b>			<u><u>48,131.14</u></u>	<u><u>44,460.98</u></u>
<b>II. Application of Funds:</b>				
Fixed Assets	5			
Gross Block		30,563.78		26,392.63
Less: Depreciation		<u>5,775.56</u>		<u>4,186.24</u>
Net Block		24,788.22		22,206.39
Capital Work in progress		<u>1,386.93</u>		<u>5,629.67</u>
			26,175.15	27,836.06
Investments	6		4,882.56	4,374.67
Current Assets, Loans & Advances	7			
Inventories		6,372.37		3,948.27
Sundry Debtors		422.99		1,099.97
Cash & Bank Balances		397.27		1,089.53
Loans & Advances		<u>18,062.13</u>		<u>14,952.76</u>
		<u>25,254.76</u>		<u>21,090.53</u>
Less : Current Liabilities & Provisions	8			
Current Liabilities		6,104.92		6,245.35
Provisions		<u>2,076.41</u>		<u>2,594.93</u>
		<u>8,181.33</u>		<u>8,840.28</u>
Net Current Assets			17,073.43	12,250.25
<b>Total</b>			<u><u>48,131.14</u></u>	<u><u>44,460.98</u></u>
Notes Forming part of the accounts	16			

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

## Profit & Loss Account for the year ended September 30, 2008

	Schedule	Rs. Million	2007-2008 Rs. Million	2006-2007 Rs. Million
<b>Income :</b>				
Gross Sales /Income from Operations	9		<b>18,794.94</b>	18,412.17
Less: Excise Duty			<b>1,232.13</b>	1,282.06
Net Sales /Income from Operations			<b>17,562.81</b>	17,130.11
Other Income	10		<b>465.91</b>	306.50
			<b>18,028.72</b>	17,436.61
<b>Expenditure :</b>				
Raw Materials Consumed	11		<b>13,903.31</b>	12,834.17
Manpower Cost	12		<b>1,162.86</b>	1,125.17
Other Expenses	13		<b>3,024.01</b>	2,316.83
Interest & Finance charges (Net)	14		<b>1,394.44</b>	637.34
Depreciation			<b>1,872.21</b>	1,468.82
(Increase) / Decrease in Stocks	15		<b>(2,246.90)</b>	(1,324.14)
			<b>19,109.93</b>	17,058.19
<b>Profit/(Loss) for the year before Taxation</b>			<b>(1,081.21)</b>	378.42
Less: Provision for Taxation:				
Current Tax		-		40.80
Deferred Tax (Refer Note 10)		<b>(618.17)</b>		(90.85)
Wealth Tax		<b>3.00</b>		1.80
Fringe Benefit Tax		<b>10.80</b>		11.00
		<b>(604.37)</b>		(37.25)
Less: MAT credit entitlement		-		40.80
			<b>(604.37)</b>	(78.05)
<b>Profit/(Loss) for the year</b>			<b>(476.84)</b>	456.47
Add: Balance Brought Forward		<b>670.38</b>		264.98
Excess / (Short) provision for tax		<b>(24.88)</b>		53.58
Debenture Redemption Reserve no longer required		-		50.00
			<b>645.50</b>	368.56
			<b>168.66</b>	825.03
<b>Transfers to:</b>				
Reserve for Molasses Storage Tanks			<b>4.13</b>	5.39
General Reserve			-	50.00
Proposed Dividend			<b>84.84</b>	84.84
Corporate Dividend Tax on Proposed Dividend			<b>14.42</b>	14.42
Balance carried to Balance Sheet			<b>65.27</b>	670.38
<b>Basic / Diluted Earning per Share:</b>				
Net Profit/(Loss)			<b>(501.72)</b>	510.05
Weighted Average No. of Shares			<b>141,407,111</b>	141,407,111
Basic / Diluted Earning per Share in Rupees (Face Value Re. 1/- each)			<b>(3.55)</b>	3.61
Notes Forming part of the accounts	16			

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

# Cash Flow Statement for the year ended September 30, 2008

	2007-2008 Rs. Million	2006-2007 Rs. Million
<b>A. Cash Flow from operating activities :</b>		
Net Profit/ (Loss) before Exceptional items and Taxation	(1,081.21)	378.42
Adjustment for :		
Depreciation	1,872.21	1,468.82
(Gain) / Loss due to Foreign Exchange Fluctuation	584.87	-
Loss/ (Surplus) on sale of Fixed Assets (Net)	1.22	0.46
Interest and Finance Charges	2,395.36	1,370.84
Dividend Received	(1.98)	(1.93)
Profit on sale of investment	(83.18)	(2.84)
Interest Received	(1,000.92)	(733.50)
	<u>3,767.58</u>	<u>2,101.85</u>
Operating Profit before working capital changes	2,686.37	2,480.27
Adjustment for:		
Trade and other receivables	(1,513.34)	(3,610.78)
Inventories	(2,424.10)	(2,724.42)
Trade payables	(3.64)	4,821.90
Cash generated from operations	(1,254.71)	966.97
Direct taxes paid	(232.21)	(165.50)
<b>Net Cash from/ (used in) operating activities</b>	<u>(1,486.92)</u>	<u>801.47</u>
<b>B. Cash Flow from investing activities :</b>		
Purchase of Fixed Assets	(1,517.42)	(6,627.14)
Sale of Fixed Assets	80.57	45.26
Sale/Purchase of Investments	(424.71)	(2,313.73)
Loans and Advances	(725.51)	(6,274.29)
Dividend Received	1.98	1.93
Interest Received	1,000.92	733.50
<b>Net cash used in investing activities</b>	<u>(1,584.17)</u>	<u>(14,434.47)</u>
<b>C. Cash Flow from financing activities :</b>		
Proceeds from borrowings (Net of repayments)	4,596.96	13,848.07
Issue expenses (including GDR/FCCB)	-	(3.72)
Interest paid	(2,119.53)	(1,258.46)
Dividend paid	(98.60)	(96.48)
<b>Net cash from financing activities</b>	<u>2,378.83</u>	<u>12,489.41</u>
Net increase/(decrease) in cash and cash equivalents	(692.26)	(1,143.59)
Cash and Cash equivalents as at October 01, 2007 (Opening Balance)		
Earmarked for specific purposes	12.39	7.03
Other Balances	1,077.14	2,226.09
	<u>1,089.53</u>	<u>2,233.12</u>
Cash and Cash equivalents as at September 30, 2008 (Closing Balance)		
Earmarked for specific purposes	16.15	12.39
Other Balances	381.12	1,077.14
	<u>397.27</u>	<u>1,089.53</u>
Figures in brackets indicate cash outflow and without brackets indicate cash inflow.		

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

## Schedules Forming Part of Accounts

Schedules 1 to 16 annexed to and forming part of the Balance Sheet as at September 30, 2008 and Profit and Loss Account for the year ended on that date.

	Rs. Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>Schedule 1 - Capital</b>			
Authorised:			
300,000,000 Equity Shares of Re. 1/- each.	300.00		300.00
500,000,000 Unclassified Shares of Re. 1/- each.	<u>500.00</u>	<u>800.00</u>	<u>500.00</u>
			<u>800.00</u>
Issued, Subscribed & Paid up:			
141,407,111 Equity Shares of Re. 1/- each.		<u>141.41</u>	<u>141.41</u>
		<u>141.41</u>	<u>141.41</u>
Of the above shares 53,100,000 Equity Shares were allotted as fully paid Bonus Shares by way of Capitalisation of Reserves.			

### Schedule 2 - Reserves and Surplus

	As at Oct. 01, 2007	Additions	Deductions		
Capital Redemption Reserve	0.50	-	-	0.50	0.50
Contingency Reserve	100.00	-	-	100.00	100.00
Securities Premium*	9,448.96	-	288.90	9,160.06	9,448.96
General Reserve	2,815.99	0.47	2.39	2,814.07	2,815.99
Debenture Redemption Reserve **	1,137.50	-	-	1,137.50	1,137.50
Reserve for Molasses Storage Tanks ***	28.57	4.13	0.47	32.23	28.57
Balance as per Profit & Loss Account	670.38	(605.11)	-	65.27	670.38
	<u>14,201.90</u>	<u>(600.51)</u>	<u>291.76</u>	<u>13,309.63</u>	<u>14,201.90</u>

\* Deductions represents change in Provision for Premium on redemption of Foreign Currency Convertible Bonds (FCCBs) due to fluctuation in foreign currency rate.

\*\* In the absence of profits additional Debenture Redemption Reserve of Rs.337.50 million has not been created.

\*\*\* Rs. 0.47 million has been transferred to General Reserve on fulfillment of conditions governing the creation of fund.

### Schedule 3 - Secured Loans

Debentures			
10,000,000 - 9.45% Secured Redeemable Non-Convertible Debentures of Rs. 100 each - Series 84 (redeemed on August 29, 2008)	-		1,000.00
15,000,000 - 9.45% Secured Redeemable Non-Convertible Debentures of Rs. 100 each - Series 86 (redeemed on March 24, 2008)	-		1,500.00
200 - 12% Secured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000 each series 15 of 2007-08 (redeemable at par on Feb. 25, 2011)	2,000.00		-
25 - Secured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000 each series 22 of 2007-08 MIBOR linked (redeemable at par on April 07, 2009)	250.00		-
25 - 11.60% Secured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000 each series 23 of 2007-08 (redeemable at par on April 07, 2009)	250.00		-
200 - Secured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000 each series 25 of 2007-08 MIBOR linked (redeemable at par Rs. 1,000 million each on March 10, 2009 & March 16, 2009)	2,000.00		-
100 - Secured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000 each series 27 of 2007-08 MIBOR linked (redeemable at par on June 05, 2009)	1,000.00		-
15 - 11% Secured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000 each series 30 of 2007-08 (redeemable at par on June 19, 2011)	150.00		-
Loans & Advances from Banks	22,360.35		17,853.80
Other Loans & Advances	70.48		5.00
	<u>28,080.83</u>		<u>20,358.80</u>

**Notes :**

1. i) Non-Convertible Debentures amounting to Rs.3500 Million (Series 22, Series 23, Series 25, and Series 27 of 2007-08) are to be secured by a mortgage and charge in favour of the Trustees on the Company's immovable property located at Village and Taluka Dabhoi, District Vadodara in the State of Gujarat.
- ii) Non Convertible Debentures amounting to Rs.2150 Million (Series 15 and Series 30 of 2007-08) are to be secured by way of first pari passu charge on fixed assets of the Company. Execution of Debenture Trust Deed in this regard is under finalisation.
2. Working Capital / Short Term Loans from Banks (except for Short Term Loans aggregating to Rs.2000 Million) are secured, on first pari passu charge basis, by hypothecation of inventories, book debts, other receivables and current assets and further secured / to be secured, on a third pari passu charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and properties of the Company. Documentation for mortgage in respect of certain loans is under finalisation.
3. Short Term Loans aggregating to Rs. 2000 Million are secured/to be secured, on first pari passu charge basis, by hypothecation /charge on whole of the current assets (including inventories, book debts and other receivables) of the Company. Documentation of charges in respect of short term loans are under finalisation.
4. Term Loans from Banks (except ECB of Yen 9,191.20 Million and Loans under "Scheme for Extending Financial Assistance to Sugar Undertaking, 2007" for Rs.1967.20 Million) are secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties and further secured, on second pari passu charge basis, by hypothecation of all the present and future current assets of the Company including inventories, book debts and other receivables. Documentation for mortgage in respect of certain term loans/certain properties is under finalisation.
5. The ECB Loan of Yen 9,191.20 Million is secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties. Documentation for mortgage in respect of certain properties is under finalisation.
6. Loans under "Scheme for Extending Financial Assistance to Sugar Undertaking, 2007" amounting to Rs.1967.20 Million included in Loans and Advances from Banks, are secured / to be secured on pari passu residual charge basis, by hypothecation of whole of movable fixed assets and properties and by mortgage on the Sugar Undertakings of the Company. Documentation for mortgage in respect of certain loans/certain properties is under finalisation.
7. The Sugar Development Fund loan from Government of India amounting to Rs.70.48 Million shown under Other Loans and Advances is secured/to be secured, on exclusive second charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and properties of the concerned sugar unit of the Company. The Company has also created security in favour of Government of India for certain other SDF loans aggregating to Rs.631.43 Million, that are yet to be disbursed to the Company, on exclusive second charge basis, by hypothecation of the entire movable fixed assets and properties of the respective sugar units for which the said SDF loans have been availed.

	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
Short Term Debentures	250.00	2,050.00
Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	5,609.33	4,748.93
Short Term Loan from Banks	149.78	1,748.75
Fixed Deposits	0.79	2.42
	<u>6,009.90</u>	<u>8,550.10</u>

(Short Term Debentures of Rs. 63,430 Million (Rs. 29,390 Million) issued and redeemed during the year)

## Schedule 5 - Fixed Assets

Rs. Million

Sr. Particulars No.	GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK	
	As at Oct. 1, 2007	Additions	Deductions & Adjustments	As at Sept. 30, 2008	As at Oct. 1, 2007	For the year	Deductions & Adjustments	Upto Sept. 30, 2008	As at Sept. 30, 2008	As at Sept. 30, 2007
1. Land	730.20	23.97	-	754.17	-	-	-	-	754.17	730.20
2. Buildings	4,770.21	922.55	15.63	5,677.13	507.52	335.39	-	842.91	4,834.22	4,262.69
3. Plant & Machinery	18,952.62	3,478.46	58.87	22,372.21	2,880.95	1,344.11	8.16	4,216.90	18,155.31	16,071.67
4. Furniture, Fixtures & Office Equipments	402.96	34.12	5.58	431.50	201.20	55.82	4.57	252.45	179.05	201.76
5. Vehicles	213.88	16.21	20.62	209.47	104.48	30.27	11.27	123.48	85.99	109.40
6. Railway Siding & Light Railways	1.97	-	-	1.97	1.89	0.01	-	1.90	0.07	0.08
7. Weighing Scales & Weigh Bridges	267.01	13.40	7.38	273.03	75.00	26.81	2.29	99.52	173.51	192.01
8. Electrical Fittings	478.95	1.71	-	480.66	96.48	53.23	-	149.71	330.95	382.47
9. Leased Assets:										
a. Distillery Division:										
- Land	18.87	0.05	-	18.92	-	-	-	-	18.92	18.87
- Buildings	28.49	30.03	-	58.52	5.08	2.74	-	7.82	50.70	23.41
- Plant & Machinery	235.88	3.10	-	238.98	50.15	16.53	-	66.68	172.30	185.73
- Furniture, Fixtures & Office Equipments	0.82	-	-	0.82	0.59	0.06	-	0.65	0.17	0.23
- Electrical Fittings	8.07	12.32	-	20.39	3.05	1.57	-	4.62	15.77	5.02
b. Cement Division - Plant & Machinery	256.69	-	256.69	-	256.69	-	256.69	-	-	-
10. Intangible Assets- Computer Software	26.01	-	-	26.01	3.16	5.76	-	8.92	17.09	22.85
<b>Total</b>	<b>26,392.63</b>	<b>4,535.92</b>	<b>364.77</b>	<b>30,563.78</b>	<b>4,186.24</b>	<b>1,872.30</b>	<b>282.98</b>	<b>5,775.56</b>	<b>24,788.22</b>	<b>22,206.39</b>
Previous Year Total	12,853.40	13,587.80	48.57	26,392.63	2,718.57	1,470.51	2.84	4,186.24	22,206.39	10,134.83
11. Capital Work in progress	5,629.67	214.98	4,457.72	1,386.93	-	-	-	-	1,386.93	5,629.67
<b>Total</b>	<b>32,022.30</b>	<b>4,750.90</b>	<b>4,822.49</b>	<b>31,950.71</b>	<b>4,186.24</b>	<b>1,872.30</b>	<b>282.98</b>	<b>5,775.56</b>	<b>26,175.15</b>	<b>27,836.06</b>
Previous Year Total	25,084.18	20,200.46	13,262.34	32,022.30	2,718.57	1,470.51	2.84	4,186.24	27,836.06	

Note: (i) Building includes an amount of Rs. 500/- being value of 10 shares of Rs. 50/- each in a co-operative society.

(ii) The assets of Distillery Division at Palia Kalan were leased w.e.f. 30th May, 2006.

(iii) Particulars of Capital work-in-progress :

Capital Work in Progress:	As at Oct. 1, 2007	For the year	Capitalised	As at Sept. 30, 2008
Advance to Suppliers / Contractors	823.61	(755.72)	-	67.89
Plant & Machinery / Civil work in progress	4,437.80	637.70	3,756.46	1,319.04
<b>Preoperative Expenses</b>				
Manpower Cost	125.20	30.83	156.03	-
Power and Fuel	1.12	0.06	1.18	-
Rent	6.52	2.17	8.69	-
Rates and Taxes	0.29	0.19	0.48	-
Repairs - others	1.17	2.98	4.15	-
Insurance	4.37	1.82	6.19	-
Trial Run Expenses /Loss*	-	41.40	41.40	-
Miscellaneous Expenses	91.72	197.14	288.86	-
Interest	131.75	56.31	188.06	-
Finance Charges	4.35	0.01	4.36	-
Depreciation	1.77	0.09	1.86	-
Sub total Preoperative Expenses	368.26	333.00	701.26	-
<b>Total</b>	<b>5,629.67</b>	<b>214.98</b>	<b>4,457.72</b>	<b>1,386.93</b>

**\* Trial Run Expenses/Loss :**

Raw Material cost	225.43
Manpower Cost	12.39
Stores, Spares and Packing Materials consumed	8.10
Power and Fuel	5.31
Repairs	0.77
Miscellaneous Expenses	24.84
Interest	32.48
<b>Total Expenses</b>	<b>309.32</b>

**Less: Income during Trial Run :**

Stock out of Trial Run	267.92
------------------------	--------

<b>Total Income</b>	<b>267.92</b>
<b>Net Trial Run Expenses/Loss</b>	<b>41.40</b>

**Depreciation :**

Depreciation debited to the Profit & Loss Account	1,872.21
Depreciation debited to Capital work-in-progress	0.09
<b>Total Depreciation for the year</b>	<b>1,872.30</b>



	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
--	--	--

#### Schedule 6 - Investments (At Cost)

##### Long Term Investments :

##### A. Other than Trade

##### Quoted, Fully Paid Equity Shares :

48,000 (48,000) Shares of Bajaj Holding & Investment Ltd. (BHIL) of Rs.10/- each (formerly known as Bajaj Auto Ltd.)	0.18	0.32
48000 (-) Shares of Bajaj Auto Ltd (BAL) of Rs.10/- each (on Demerger of Bajaj Holding & Investment Ltd. on 25.03.08)	0.07	-
48000 (-) Shares of Bajaj Finserv Ltd (BFSL) of Rs. 5/- each (on Demerger of Bajaj Holding & Investment Ltd. on 25.03.08)	0.07	-
9,750 (9,750) Shares of Mukand Ltd. of Rs.10/- each	0.32	0.32
Quoted, Fully Paid Preference Shares		
2,437 (2,437) 0.01% Cumulative Redeemable Preference Shares of Mukand Ltd. of Rs. 10/- each	0.02	0.02

##### B. Trade

##### In Subsidiary Companies:

##### Quoted, Fully Paid Equity Shares :

88,500,000 (30,530,270) Shares of Bajaj Hindusthan Sugar and Industries Ltd. of Re. 1/- each	3,587.18	571.89
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##### Unquoted Fully Paid Equity Shares:

- (5,000,000) Shares of Bajaj Aviation Pvt. Ltd. (formerly known as Bajaj Hindusthan Holdings Pvt. Ltd.) of Rs. 10/- each	-	50.00
11,500,000 (9,000,000) Shares of Bajaj Eco-Tec Products Ltd. of Rs. 10/- each.	1,149.10	899.10
21,61,361 (21,61,361) Shares of Bajaj International Participacoes Ltda., Brazil of BRL 1/- each.	45.49	45.49
1,000 (1,000) Shares in Bajaj Hindusthan (Singapore) Pte. Ltd., Singapore of S\$ 1/-.	0.03	0.03
10,000 (-) Shares of Bajaj Eco-Chem Products Pvt. Ltd. of Rs. 10/- each.	0.10	-

##### Unquoted Fully Paid Preference Shares:

10,000,000 (10,000,000) 7% Redeemable Cumulative Non Convertible Preference Shares of Bajaj Eco-Tec Products Ltd. of Rs. 10/- each	100.00	100.00
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##### Unquoted Investments in Warrants:

- (2,900,000) Convertible Warrants of Bajaj Hindusthan Sugar and Industries Ltd. of Rs. 500/- each. (Previous year Rs.475/- paid up)	-	1,377.50
- (28,000,000 ) Convertible Warrants of Bajaj Hindusthan Sugar and Industries Ltd. of Rs. 50/- each. (Previous year Rs.47.50 paid-up)	-	1,330.00

##### In Others:\*

##### Unquoted Fully Paid Equity Shares:

1,148,400 (1,148,400) Shares of Bajaj Ebiz Pvt. Ltd. of Rs.10/- each	11.48	11.48
5,000 (5,000) Shares of Esugarindia Clearing Corporation Ltd. of Rs.10/- each	0.05	0.05
	<b>4,894.09</b>	<b>4,386.20</b>
	<b>11.53</b>	<b>11.53</b>
	<b>4,882.56</b>	<b>4,374.67</b>

\*Less: Provision for diminution in value of investments

	Book Value as at		Market Value as at	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Quoted Investments	3,587.84	572.55	2,277.57	1,053.97
Unquoted Investments	1,294.72	3,802.12	-	-
	<b>4,882.56</b>	<b>4,374.67</b>	<b>2,277.57</b>	<b>1,053.97</b>

	Rs. Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>Schedule 7 - Current Assets, Loans &amp; Advances</b>			
<b>Current Assets :</b>			
(a) Inventories (At cost or net realisable value whichever is lower, unless otherwise stated, as certified and valued by the Management)			
(i) Stores, Spare Parts and Packing Materials		449.04	598.08
(ii) Finished Stock		5,840.57	3,087.09
(iii) By-Product		82.76	263.10
		<u>6,372.37</u>	<u>3,948.27</u>
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Good		20.54	15.61
Doubtful	4.28		1.99
Less : Provision	(4.28)		(1.99)
		-	-
Other Debts		402.45	1,084.36
		<u>422.99</u>	<u>1,099.97</u>
(c) Cash and Bank Balances			
Cash on hand (including cheques & drafts Rs. 2.45 Million, Previous year Rs. 9.76 Million)		12.31	19.61
Balance with Scheduled Banks:			
(i) In Current Accounts		49.62	46.88
(ii) In Fixed Deposits (Including interest accrued Rs.2.65 Million, Previous year Rs.1.04 Million)		329.88	1,013.66
Balance with Non Scheduled Banks - In Current Accounts		5.46	9.38
		<u>397.27</u>	<u>1,089.53</u>
C/f...		<u>7,192.63</u>	<u>6,137.77</u>

	As at Sept. 30, 2008	Maximum balance during the period
i) District Cooperative Bank Limited	1.75	120.78
	(3.17)	(85.78)
ii) Urban Cooperative Bank Limited	0.65	12.65
	(0.70)	(62.72)
iii) Zila Sahkari Bank Limited	0.05	0.05
	(0.05)	(0.05)
iv) UP Gramin Bank	3.01	203.81
	(5.45)	(91.04)
v) Vidur Gramin Bank Ltd	-	-
	(0.01)	(0.05)

	Rs. Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>Schedule 7 - Current Assets, Loans &amp; Advances (Cont.)</b>			
B/f...		<b>7,192.63</b>	6,137.77
<b>Loans and Advances:</b>			
(d) Loans and Advances (Unsecured, considered good unless otherwise stated)			
Bajaj Hindusthan Sugar and Industries Ltd. (Subsidiary Company)		<b>3,729.84</b>	3,466.91
(Maximum debit balance during the period Rs. 3729.84 Million, previous year Rs. 4842.87 Million )			
Bajaj Eco-Tec Products Ltd. (Subsidiary Company)		<b>180.00</b>	369.35
(Maximum debit balance during the year Rs. 469.35 Million, previous year Rs. 982.69 million)			
Bajaj Hindusthan (Singapore) Pte Ltd. (Subsidiary Company)		<b>1.08</b>	0.05
(Maximum debit balance during the year Rs. 1.08 Million, previous year Rs. 0.05 million)			
Advance to Bajaj Eco-Chem Products Pvt. Ltd. (Subsidiary Company) against allotment of shares		<b>8.00</b>	-
Other Companies		<b>5,088.44</b>	4,445.54
Other Company - Doubtful	<b>22.91</b>		22.91
Less: Provision	<b>(22.91)</b>		(22.91)
Advances recoverable in cash or in kind or for value to be received		<b>6,907.43</b>	4,796.66
Deposits #		<b>128.28</b>	125.81
Balance with Excise Department including Cenvat credits		<b>1,024.55</b>	947.47
MAT credit entitlement		<b>316.60</b>	316.60
Tax paid in advance (net of Provisions)		<b>677.91</b>	484.37
		<b>18,062.13</b>	14,952.76
		<b>25,254.76</b>	21,090.53

# Includes National Savings Certificate of the face value of Rs.0.23 Million (Previous year Rs.0.02 Million) and Pass books of Post Office Savings Bank Account having an aggregate balance of Rs.0.07 Million (Previous year Rs.0.09 Million) pledged with Government Authorities.

#### Schedule 8 - Current Liabilities and Provisions

<b>A. Current Liabilities:</b>			
Sundry Creditors (Including Capital Suppliers Rs.247.49 Million, Previous year Rs.1471.82. Million)*		<b>5,627.51</b>	6,020.35
Unclaimed Redeemed Preference Share Capital (Rs.3,000/-)		<b>0.00</b>	0.00
Interest Accrued but not due		<b>408.28</b>	132.45
Deposits from Stockists and others		<b>66.14</b>	90.23
Investor Education & Protection Fund (IEPF) shall be credited by the following: (Amounts to be transferred to said fund shall be determined on the respective due dates)			
Unclaimed Dividend		<b>2.99</b>	2.32
*Sundry Creditors' include Rs. Nil due to creditors registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME). During the year, no amounts have been paid beyond the appointed day in terms of the MSME and there are no amounts paid towards interest. Further, there is no interest accrued / payable under the said Act at the close of the year. The disclosure above is based on the information available with the Company regarding the status of the suppliers under the MSME.			
		<b>6,104.92</b>	6,245.35
<b>B. Provisions:</b>			
For Employee Benefits		<b>93.65</b>	64.54
For Premium on redemption of FCCBs		<b>1,883.50</b>	1,594.60
For Foreign Exchange Gain		<b>-</b>	836.53
Proposed Dividend		<b>84.84</b>	84.84
Corporate Dividend Tax		<b>14.42</b>	14.42
		<b>2,076.41</b>	2,594.93
		<b>8,181.33</b>	8,840.28

	Rs. Million	2007-2008 Rs. Million	2006-2007 Rs. Million
<b>Schedule 9 - Gross Sales/ Income from operations</b>			
Sales:			
Manufactured Goods		17,980.90	17,427.55
By Products		477.59	948.93
Power		332.08	22.62
Export Incentives		4.37	13.07
		<u>18,794.94</u>	<u>18,412.17</u>
<b>Schedule 10 - Other Income</b>			
Dividend		1.98	1.93
Surplus on Sale of Assets		0.71	-
Lease and Management Fees		142.05	169.18
Gain due to Foreign Exchange Fluctuation		-	12.40
Scrap / Stores sales		112.59	72.64
Profit on sale of Investment		83.18	2.84
Provisions no longer required / Credit balances appropriated		33.78	7.30
Miscellaneous Receipts		91.62	40.21
		<u>465.91</u>	<u>306.50</u>
<b>Schedule 11 - Raw Materials Consumed</b>			
Opening Stock		-	0.53
Purchases (Refer Note 15)		13,903.31	12,833.64
		<u>13,903.31</u>	<u>12,834.17</u>
Less: Closing Stock		-	-
		<u>13,903.31</u>	<u>12,834.17</u>
<b>Schedule 12 - Manpower Cost</b>			
Salaries & Wages		994.48	983.50
Contribution to Provident and other funds and schemes		110.96	92.20
Employee's Welfare Expenses		57.42	49.47
		<u>1,162.86</u>	<u>1,125.17</u>
<b>Schedule 13 - Other Expenses</b>			
Stores, Spares and Packing Materials consumed		759.87	1,088.14
Power and Fuel		182.30	127.90
Rent		35.49	24.35
Rates and Taxes		12.08	7.65
Repairs :			
Building	12.58		22.95
Machinery	426.46		313.47
Others	23.13		89.69
		<u>462.17</u>	<u>426.11</u>
Payment to Auditors for:			
Audit fees	1.80		1.80
Tax audit fees	0.22		0.15
Certification work	0.95		0.73
Out-of-pocket expenses	0.15		0.06
		<u>3.12</u>	<u>2.74</u>
Payment to Cost Auditor (Cost Audit Fees)		0.18	0.26
Insurance		24.07	65.57
Selling Commission		46.10	67.54
Selling & Distribution		169.03	229.83
Director fees		0.70	0.60
Donations		2.74	0.89
Loss due to Foreign Exchange Fluctuation (Net) (Refer Note 13)		870.90	0.36
Miscellaneous Expenses		444.37	274.43
Bad debts written off		3.56	-
Provision for Doubtful Debts / Advances		2.29	-
Loss on Assets Sold / Discarded		1.93	0.46
Prior Period Adjustment		3.11	-
		<u>3,024.01</u>	<u>2,316.83</u>

	2007-2008	2006-2007
Rs. Million	Rs. Million	Rs. Million

#### Schedule 14 - Interest and Finance Charges (Net)

Interest :		
On Term Loans	471.60	376.76
On Debentures	558.25	85.02
On Working Capital Loans	659.69	472.43
On Fixed Deposits	0.03	0.50
On Others	472.67	385.21
	<u>2,162.24</u>	<u>1,319.92</u>
Less: Interest Income Gross (Tax deducted at source Rs. 195.33 Million, Previous year Rs. 159.70 Million)		
On Loans	990.42	702.68
On Others	10.50	30.82
	<u>1,000.92</u>	<u>733.50</u>
	1,161.32	586.42
Add: Finance charges	233.12	50.92
	<u>1,394.44</u>	<u>637.34</u>

#### Schedule 15 - (Increase)/Decrease in Stocks

Opening Stock:		
Finished Goods	3,087.09	708.28
By-product	<u>263.10</u>	<u>92.14</u>
	3,350.19	800.42
Add: Stock out of Trial Production:		
Finished Goods	251.03	859.96
Materials in process	8.18	100.64
By-product	<u>8.71</u>	<u>143.18</u>
	267.92	1,103.78
Less: Closing Stock:		
Finished Goods	5,840.57	3,087.09
By-product	<u>82.76</u>	<u>263.10</u>
	5,923.33	3,350.19
	(2,305.22)	(1,445.99)
Add/(Less): Excise Duty on Increase/Decrease in stocks	58.32	121.85
	<u>(2,246.90)</u>	<u>(1,324.14)</u>

2007-2008	2006-2007
Rs. Million	Rs. Million

**Schedule 16 - Notes forming part of the Accounts**

1.	Contingent Liabilities not provided for:		
a)	In respect of disputed demands/claims against the Company not acknowledged as debts:		
(i)	Central Excise matters	338.33	93.54
(ii)	Trade Tax matters	7.86	3.75
(iii)	Other Claims	306.56	155.03
(iv)	Income-tax matters	0.02	0.28
(b)	The Company has furnished following guarantees on behalf of Bajaj Eco-Tec Products Ltd. (wholly owned subsidiary) :		
(i)	Corporate Guarantee of Rs. 740 Million (Rs. 740 Million) to a bank for credit facility given against which the outstanding balance as at the year end is Rs. 579.72. Million (Rs. 386.58 Million).		
(ii)	Bank Guarantee of Rs. 1.50 Million (Rs. 1.50 Million) in favour of U.P. State Pollution Control Board for obtaining No Objection Certificate (NOC) from the Pollution Control Department for setting up Medium Density Fibre Board and Particle Board Plants.		
(c)	Liability for partly paid shares/ warrants	-	142.50
2.	(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances).	670.58	1,357.94
	(b) Lease Rental Income:		
	- Not later than one year	19.20	19.20
	- Later than one year but not later than five years	32.00	51.20
	- Later than five years	-	-

## 3. Raw Materials Consumed (Indigenous):

	2007-2008		2006-2007	
	M. Tonnes	Rs. Million	M. Tonnes	Rs. Million
i. Sugarcane	9,827,139	13,714.63	12,586,948	12,707.23
ii. Molasses	508,892	187.57	366,835	123.76
iii. Others		1.11		3.18
		<u>13,903.31</u>		<u>12,834.17</u>

## 4. Value of imported and indigenous spare parts &amp; components and percentage to the total consumption:

	2007-2008		2006-2007	
	Rs. Million	Percentage	Rs. Million	Percentage
i. Spare Parts & Components (Indigenous)	22.01	100.00	227.88	100.00
ii. Spare Parts & Components (Imported)	-	-	-	-

## 5. Managerial Remuneration:

- a) In the absence of Profits during the year, no commission is due/payable to the managerial personnel. Hence computation of commission under section 198 and 309 of the Companies Act, 1956, is not furnished, being not applicable.
- (b) The Profit & Loss Account includes payments and provisions on account of remuneration to managerial personnel as under:

Rs. Million				
	Chairman & Managing Director	Joint Managing Director	Chief Executive Director	Total
1. Salary, etc.	7.20 (7.20)	7.06 (4.11)	11.92 (11.92)	26.18 (23.23)
2. Commission	- (12.90)	- (1.80)	- -	- (14.70)
3. Contribution to Provident Fund and Superannuation	1.94 (1.94)	- (0.00)	1.04 (1.04)	2.98 (2.98)
4. Other Perquisites	1.69 (0.28)	2.63 (0.01)	0.72 (0.71)	5.04 (1.00)
<b>Total</b>	<b>10.83</b> (22.32)	<b>9.69</b> (5.92)	<b>13.68</b> (13.67)	<b>34.20</b> (41.91)

- c) The remuneration as approved by the Remuneration Committee / Board / Shareholders paid to the managerial personnel during the year has been considered as the minimum remuneration, resulting in excess of such remuneration over maximum remuneration stipulated under Schedule XIII of the Companies Act, 1956 amounting to Rs. 16.82 million due to absence of profit during the year. The company has filed application with the central government in this regard, pending which the same is being held in trust for the company by the respective managerial personnel.

## Schedule 16 - Notes forming part of the Accounts (Cont.)

	2007-2008 Rs. Million	2006-2007 Rs. Million
6. Earnings in Foreign Exchange:		
Export of goods on F.O.B. basis	122.10	286.25
7. (a) Expenditure in Foreign Currency:		
(i) Interest	56.00	88.76
(ii) Travelling Expenses	0.86	0.71
(iii) Others	28.33	44.95
(b) C.I.F. value of imports:		
Capital Goods	0.72	-

8. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS18) 'Related Party Disclosures' is stated herein below / set out in a separate statement annexed hereto.

**a) Related parties and relationships for which disclosure is required under AS18:**

*A. Subsidiary Companies*

1. Bajaj Aviation Private Ltd. (Formerly known as Bajaj Hindusthan Holdings Private Ltd.) (Wholly owned)
2. Bajaj Eco-Tec Products Ltd. (Wholly owned)
3. Bajaj Eco-Chem Products Private Ltd. (Wholly owned)
4. Bajaj Hindusthan Sugar and Industries Ltd.
5. Bajaj International Participações Ltda., Brazil (Wholly owned)
6. Bajaj Hindusthan (Singapore) Pte. Ltd., Singapore (Wholly owned)

*B. Associates and Joint Ventures*

Bajaj E-biz Private Ltd. – Associate

*C. Directors and their relatives*

Mr. Shishir Bajaj - Chairman & Managing Director (Also key management personnel)

Mr. Niraj Bajaj - Non Executive Director

Mr. Kushagra Bajaj - Joint Managing Director (Also key management personnel) and also son of Mr. Shishir Bajaj

Mr. I. D. Mittal - Chief Executive Director (Also key management personnel)

Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal

*D. Enterprises over which any person described in (C) above is able to exercise significant influence*

1. Anunita Investments Pvt. Ltd.
2. Bajaj Electricals Ltd.
3. Bajaj Hindusthan Ltd. Employees General Medical Aid Fund
4. Bajaj Hindusthan Ltd. Employees Family Planning Welfare Fund
5. Bajaj Hindusthan Ltd. Employees Education Welfare Fund
6. Bajaj Hindusthan Ltd. Employees Sports & Cultural Welfare Activities Fund
7. Bajaj Hindusthan Ltd. Employees Managerial Staff Medical Aid Fund
8. Bajaj Holding & Investment Ltd.
9. Hindusthan Housing Co. Ltd.
10. Hind Musafir Agency Ltd.
11. Mukand Ltd.

**b) Disclosure as required under AS-18 in respect of Related Party Transactions:****Rs. Million**

Transactions	Subsidiaries	Directors	Relatives of Directors	Key Management Personnel	Relatives of Key Management Personnel	Enterprises described in (D) above	Total
<b>I. Transactions during the year</b>							
Purchase of Goods	<b>9.47</b> (0.94)	- (-)	- (-)	- (-)	- (-)	<b>0.32</b> (0.85)	<b>9.79</b> (1.79)
Sale of Goods	<b>75.54</b> (10.24)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>75.54</b> (10.24)
Rendering of Services	- (-)	- (-)	- (-)	- (-)	- (-)	<b>9.32</b> (6.44)	<b>9.32</b> (6.44)
Interest paid	- (3.27)	- (-)	- (-)	- (-)	- (-)	<b>2.36</b> (-)	<b>2.36</b> (3.27)
Interest received	<b>302.33</b> (267.87)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>302.33</b> (267.87)
Rent recovered	<b>Rs.2/-</b> (Rs.2/-)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>Rs.2/-</b> (Rs.2/-)
Remuneration	- (-)	- (-)	- (-)	<b>34.20</b> (41.91)	<b>1.68</b> (2.45)	- (-)	<b>35.88</b> (44.36)
Dividends received	- (-)	- (-)	- (-)	- (-)	- (-)	<b>1.98</b> (1.93)	<b>1.98</b> (1.93)
Sitting fees paid	- (-)	<b>0.70</b> (0.60)	- (-)	- (-)	- (-)	- (-)	<b>0.70</b> (0.60)
Investment made	<b>392.60</b> (2,316.54)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>392.60</b> (2,316.54)
Investment Sold	<b>50.00</b> (-)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>50.00</b> (-)
Guarantee given	- (741.50)	- (-)	- (-)	- (-)	- (-)	- (-)	- (741.50)
Loans taken	- (-)	- (-)	- (-)	- (-)	- (-)	<b>1,088.70</b> (-)	<b>1,088.70</b> (-)
Loans taken repaid	- (-)	- (-)	- (-)	- (-)	- (-)	<b>1,088.70</b> (-)	<b>1,088.70</b> (-)
Loans given	<b>271.96</b> (1,800.75)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>271.96</b> (1,800.75)
Loans given repaid	<b>189.35</b> (1,431.40)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>189.35</b> (1,431.40)
<b>II. Amounts Outstanding at Balance Sheet date</b>							
Loans given outstanding	<b>3,918.92</b> (3,836.31)	- (-)	- (-)	- (-)	- (-)	- (-)	<b>3,918.92</b> (3,836.31)
Deposits Outstanding	- (-)	- (-)	- (-)	- (-)	- (-)	<b>0.84</b> (0.97)	<b>0.84</b> (0.97)

Notes:

1. Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.
2. No amount has been written off or written back during the year in respect of debts due from or to related parties.



#### 9. Segment Information:

The Company has identified its Business Segments as its Primary Reportable Segments comprising of Sugar, Distillery and Power Divisions.

#### Primary Segment Information:

Particulars	2007-2008 Rs. Million	2006-2007 Rs. Million
1. Segment Revenue		
a. Sugar	15,779.77	15,957.27
b. Distillery	2,675.08	1,752.63
c. Power	1,301.83	-
Total	19,756.68	17,709.90
Less : Inter- segment Revenue	2,193.87	579.79
Net Sales / Income from Operations	17,562.81	17,130.11
2. Segment Results		
(Profit (+)/ Loss(-) before tax and interest)		
a. Sugar	(602.64)	67.37
b. Distillery	587.71	765.35
c. Power	887.57	-
Total	872.64	832.72
Less: (i) Interest (Net)	1,394.44	637.34
(ii) Other Un-allocable Expenditure net off		
Un-allocable Income	559.41	(183.04)
Total Profit/(Loss) before Tax	(1,081.21)	378.42
3. Segment Assets:		
a. Sugar	35,486.76	34,649.08
b. Distillery	2,916.70	3,399.62
c. Power	2,614.57	-
Total	41,018.03	38,048.70
Add: Unallocated Corporate Assets	15,294.44	15,252.56
Total Assets	56,312.47	53,301.26
4. Segment Liabilities:		
a. Sugar	3,458.12	4,358.58
b. Distillery	276.82	290.15
c. Power	1.37	-
Total	3,736.31	4,648.73
Add: Unallocated Corporate Liabilities	4,445.02	4,191.55
Total Liabilities	8,181.33	8,840.28
5. Capital Expenditure:		
a. Sugar	154.93	5,849.30
b. Distillery	1.39	931.66
c. Power	124.84	-
d. Unallocated	12.02	205.73
Total	293.18	6,986.69
6. Depreciation:		
a. Sugar	1,506.48	1,289.80
b. Distillery	182.79	131.83
c. Power	133.44	-
d. Unallocated	49.50	47.19
Total	1,872.21	1,468.82
7. Non Cash Expenditure other than Depreciation:		
a. Sugar	Nil	Nil
b. Distillery	Nil	Nil
c. Power	Nil	Nil
Total	Nil	Nil

#### Other disclosures :

- The Company caters mostly to Indian markets and as such there are no reportable geographical segments. All the assets are also located in India.
- Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as differing risks and returns.
- The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- The segment performance has been worked out after attributing the realisable value of inter segment transfer of material.

## 10. Deferred Taxation :

	As at Oct. 1, 2007	During the year	Rs. Million As at Sept. 30, 2008
<b>Deferred Tax Liabilities :</b>			
Depreciation	2,323.30	548.91	2,872.21
<b>Total</b>	<b>2,323.30</b>	<b>548.91</b>	<b>2,872.21</b>
<b>Deferred Tax Assets :</b>			
Provision for Employee Benefits *	21.83	11.12	32.95
Provision for doubtful debts / advances	-	0.78	0.78
Carry Forward loss and unabsorbed Depreciation	1,092.70	1,156.41	2,249.11
<b>Total</b>	<b>1,114.53</b>	<b>1,168.31</b>	<b>2,282.84</b>
<b>Net Deferred Tax Liability / (Assets)</b>	<b>1,208.77</b>	<b>(619.40)</b>	<b>589.37</b>

\* Includes Rs.1.23 million being transitional liability adjusted to General Reserve.

## 11. Detailed Quantitative Information :

Sr. No.	Products	Licensed Capacity	Installed Capacity (as certified by the Management)	Opening Stock as at Oct. 01, 2007		Stock out of Trial Run	Production	Reprocessing Loss / Shortage	Sales		Closing Stock As at Sept. 30, 2008	
				Quantity	Value	Quantity	Quantity	Quantity	Quantity	Value	Quantity	Value
1.	Sugar	Not Applicable	TCD 96,000 (89,000)	M.Tonnes 273,069 (43,418)	Rs. Million 2,937.73 (692.71)	M.Tonnes 16,993 (53,694)	M.Tonnes 982,897 (1,245,535)	M.Tonnes 486 (255)	M.Tonnes 916,887 (1,069,323)	Rs. Million 14,975.95 (15,471.06)	M.Tonnes 355,586 (273,069)	Rs. Million 5,778.60 (2,937.73)
2.	Alcohol	Kilo Litres 187,000 (187,000) per annum	KL/Per Day 640 # (640)	Kilo Litres 14,825 (3,455)	Rs. Million 149.36 (15.57)	Kilo Litres - (12,308)	Kilo Litres 115,031 (87,516)	Kilo Litres 649 (184)	Kilo Litres 125,426 (88,270)	Rs. Million 3,009.32 (1,969.56)	Kilo Litres 3,781 (14,825)	Rs. Million 61.97 (149.36)
3.	Power	MW Not Applicable	MW 262 (-)	MW - (-)	Rs. Million - (-)	MW - (-)	MW 441,915 (7,616)	MW 805 (35)	MW 441,110 \$ (7,581)	Rs. Million 332.08 (22.62)	MW - (-)	Rs. Million - (-)
	By Products			M.Tonnes	Rs. Million	M.Tonnes	M.Tonnes	M.Tonnes	M.Tonnes	Rs. Million	M.Tonnes	Rs. Million
4.	Molasses*	Not Applicable	Not Applicable	93,869 (34,590)	185.89 (92.14)	2,460 (36,962)	484,006 (663,445)	3,253 (8)	535,797 (679,095)	254.49 (502.73)	4,352 (93,869)	22.95 (185.89)
5.	Others	Not Applicable	Not Applicable		77.21 (-)					223.10 (446.20)		59.81 (77.21)
	Total				3,350.19 (800.42)					18,794.94 (18,412.17)		5,923.33 (3,350.19)

## Notes :

1. Above particulars do not include trial run production and internal transfer of a new unit, as below :

**Production :** Qty. (MT)

Sugar 16,993

Molasses 8,790

**Inter-unit transfer :** Qty. (MT)

Molasses 6,330

2. Includes inter-unit transfer 3,30,108.1 MW (Previous year NIL).\$

3. Sales include inter-unit transfer 4,55,187.56 MT (Previous year 4,58,855.49 MT) at nil value. Closing Stock include stock at Distillery units 1,042.33 MT (Previous year 37,975.00 MT).\*

4. Installed capacity of alcohol includes Distillery having 60 KL capacity given on lease w.e.f. 30th May, 2006.

5. Figures for previous year are shown in brackets.#

12. The Company has adopted Accounting Standard 15 on employees benefits w.e.f. October 01, 2007. Pursuant to the adoption, the transitional liability as at October 01, 2007 amounting to Rs. 2.39 million (net of tax of Rs. 1.23 million) has been adjusted to General Reserve.

	<b>2007-2008 Rs. Million</b>
Details in respect of gratuity are as under:	
<b>Liability to be recognised in Balance Sheet as at 30.09.08</b>	
Present value of Funded Obligations	129.25
Fair Value of Plan Assets	72.18
Net Asset/ (Liability)	<u>(57.07)</u>
<b>Change in Plan Assets ( Reconciliation of Opening &amp; Closing Balances )</b>	
Fair Value of Plan Assets as at 01.10.2007	82.13
Expected Return on Plan Assets	6.17
Actuarial Gain / ( Losses)	0.52
Contributions	3.00
Benefits Paid	(19.64)
Fair Value of Plan Assets as at 30.09.2008	<u>72.18</u>
<b>Reconciliation of Opening and Closing Balances of obligation</b>	
Change in defined Benefit Obligation	
Obligation as at 01.10.2007	105.14
Current Service Cost	16.69
Interest cost	9.38
Actuarial Losses / ( Gain )	17.68
Benefits Paid	(19.64)
Obligation as at 30.09.2008	<u>129.25</u>
<b>Expenditure to be recognised during the year</b>	
Current Service Cost	16.69
Interest cost	9.38
Expected Return on Plan Assets	(6.17)
Net Actuarial Losses / ( Gain ) Recognised during the year	17.16
Total Expenditure included in "Employees Emoluments"	<u>37.06</u>
<b>Assumptions</b>	
Discount Rate (per annum)	7.50%
Expected Rate of Return on Assets ( per annum )	8.00%
Salary Escalation Rate	5.00%

13. Loss due to Foreign Exchange Fluctuation, under the head "Other Expenses" includes Rs. 584.87 million arising out of restatement of foreign currency borrowing as at the year end, which is net of Rs. 836.53 million, provided in previous year.
14. The Hon'ble High Court of Allahabad while disposing the various Writ Petitions filed by the Company and other sugar producing factories, by its Order dated December 19, 2007 had, interalia, quashed the State Advised Price (SAP) for the season 2006-07 being arbitrary and unreasonable. Based on the legal advice, the Company in previous year, had accounted for Sugar Cane liability for the season 2006-07 at Statutory Minimum Price (SMP) fixed by the Central Government.
- Subsequently Hon'ble Supreme Court on a Special Leave Petition directed the sugar companies by its interim order dated February 27, 2008 to pay @ Rs.118/- per quintal for general variety of sugar cane and accordingly the company has fully discharged its cane liability. Necessary adjustment in accounts arising out of difference between SAP and SMP amounts to Rs. 4,652.42 million will be considered as and when the matter is finally decided.
15. During the current year the Company has accounted for Sugar Cane Purchases for the season 2007-08 @ Rs.110/- per quintal pursuant to the interim Order dated September 08, 2008 of the Hon'ble Supreme Court of India. The Company has fully discharged its cane liability as per the said interim order. Necessary adjustment in accounts arising out of difference between SAP of Rs. 125/- per quintal and Rs. 110/- per quintal amounts to Rs. 1,054.57 million will be considered as and when the matter is finally decided.

## 16. Disclosures in respect of derivative instruments :

	Forward Contract	Swap
(i) Derivative instruments outstanding as at September 30, 2008 are as under:	USD (Million)	JPY/USD (Million)
Loans taken	20.00	9,191.20
Debtors	28.75	
(All the derivative instruments have been acquired for hedging purposes.)		
(ii) Foreign currency exposures that are not hedged as at September 30, 2008:	USD (Million)	
Debtors	27.45	
FCCB	119.50	
ECB	77.92	

17. Pursuant to Approval under Section 212(8) of the Companies Act, 1956 (the Act) accorded by Government of India, Ministry of Corporate Affairs, vide its letter No. 47/534/2008-CL-III dated 26-08-2008, the Company has not attached with its Balance Sheet as at September 30, 2008, the documents specified in Section 212(1) of the Act in respect of its five subsidiaries, viz. (i) Bajaj Hindusthan Sugar and Industries Ltd., (ii) Bajaj Eco-Tec Products Ltd., (iii) Bajaj Aviation Pvt. Ltd. (formerly known as Bajaj Hindusthan Holdings Private Ltd.), (iv) Bajaj International Participacoes Ltda. Brazil, and (v) Bajaj Hindusthan (Singapore) Pte. Ltd., Singapore and has disclosed the requisite information in the Consolidated Balance Sheet as at September 30, 2008.

18. Previous year figures have been regrouped wherever necessary and have been shown in brackets.

19. Significant Accounting policies followed by the Company are as stated in the statement annexed to this Schedule (Annexure 'A').

20. Information required in terms of Part IV of Schedule VI to the Companies Act, 1956 is attached.

Signatures to Schedules "1" to "16"

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

## Statement on Significant Accounting Policies

Annexure 'A' referred to in Note No. 19 in Schedule 16 to the Accounts for the year ended September 30, 2008

### 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 and interest on delayed payment by parties.
- (ii) Financial statements are based on historical cost.

### 2. Revenue recognition :

- (i) Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyers. Sale of goods is exclusive of sales tax. Sales excludes captive consumption of molasses.
- (ii) Sugar sold under levy quota for each season, is accounted at the price as notified by the Govt. as available till such time, pending final notification for each season. The difference in price pending final notification is accounted on an estimation by the management taking into account factors affecting the calculation of levy sugar price (also refer Note 16).
- (iii) Export incentive in the nature of Duty Draw back or "Duty Entitlement Pass Book" under "Duty Exemption Scheme" is accounted for in the year of Export.

### 3. Fixed Assets and Depreciation :

- (a) Fixed Assets :
  - (i) Fixed assets are carried at cost of acquisition or construction cost, less accumulated depreciation (except free hold land) and amortisation.
  - (ii) Expenditure during construction period incurred on the projects under implementation are treated as Pre-operative Expenses pending allocation to the assets, and are included under "Capital Work in Progress". These expenses are apportioned to fixed assets on commencement of commercial production. Capital Work in Progress is stated at the amount expended upto the date of Balance Sheet.
- (b) Depreciation:
  - (i) Depreciation on all the assets has been provided as under: -
    - (a) Plant & Machinery: On straight-line method basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
    - (b) Other Assets: On written down value basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

- (ii) Depreciation on assets added, sold or discarded during the year has been provided on pro-rata basis.
- (iii) Intangible assets represented by computer software is being amortised over a period of five years.

### 4. Investments:

All long term investments are stated at cost of acquisition. Diminution in value of such long term investments is not provided for except where determined to be of permanent nature.

### 5. Inventories:

- (i) Stock of Raw Materials is valued at cost or net realisable value whichever is lower. Cost is arrived at on FIFO Basis.
  - (ii) Stock of Materials-in-Process and Finished goods is valued at cost or net realisable value whichever is lower. \*
  - (iii) Stores, Spares and Packing material are valued at cost. Cost is arrived at on Weighted Average Basis.
  - (iv) Obsolete stores and spares when identified and technically determined, are valued at estimated realisable value.
  - (v) By-products - Molasses and Bagasse has been valued at estimated realisable value.
  - (vi) Trial run inventories are valued at cost or estimated realisable value whichever is lower. \*
- \*Cost is arrived at on full absorption basis as per Accounting Standard AS-2 "Valuation of Inventories".

### 6. Research and Development :

Revenue expenditure on Research and Development is charged against the profit for the year.

Capital expenditure on Research and Development is shown as an addition to Fixed Assets.

### 7. Government Grants:

Government grants / subsidies received towards specific Fixed assets have been deducted from the Gross value of the concerned Fixed assets and grant / subsidies received during the year towards revenue expenses have been reduced from respective expenses. Capital Subsidies under Sugar Promotion Policy, 2004 is recognised to the extent the claims are accepted and settled.

### 8. Foreign Currency Transactions:

Foreign Currency transactions are recorded at the rates of exchange prevailing on the date of transaction. Monetary foreign currency assets and liabilities outstanding at the close of the financial year

are revalorised at the exchange rates prevailing on the balance sheet date. Exchange differences arising on account of fluctuation in the rate of exchange is recognised in the Profit & Loss Account.

## 9. Employee Benefits:

- (a) Short Term Employee Benefits:
  - (i) Short term employee benefits are recognised as expenditure at the undiscounted value in the Profit and Loss Account of the year in which the related service is rendered.
- (b) Post Employment Benefits:
  - (i) Defined Contribution Plans:  
Company's contribution to the superannuation scheme, pension under Employees' Pension Scheme, 1995 etc. are recognised during the year in which the related service is rendered.
  - (ii) Defined Benefit Plans:  
- Gratuity:  
Gratuity liability is covered under the Gratuity-cum-Insurance Policy of Life Insurance Corporation of India (LIC) by BHL Employees' Gratuity Fund. The present value of the obligation is determined based on an actuarial valuation, using the Projected Unit Credit Method. Actuarial gains and losses arising on such valuation are recognised immediately in the Profit and Loss Account. The amount funded by the Trust administered by the Company under the aforesaid Policy, is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on a net basis.  
- Provident Fund:  
Monthly contributions are made to a Trust administered by the Company. The interest rate payable by the Trust to the beneficiaries is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on the investments of the Trust and the notified interest rate.
- (c) Long term compensated absences are provided on the basis of actuarial valuation.
- (d) Compensation to employees under Voluntary Retirement Scheme is charged to Profit and Loss Account in the year of accrual.

## 10. Borrowing Cost:

- (i) Borrowing cost attributable to acquisition and construction of assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use and other borrowing costs are charged to profit & loss account.

- (ii) Expenses on issue of shares, debentures and foreign currency convertible bonds (FCCBs), premium on redemption of FCCBs, which is being provided entirely on issuance as well as exchange rate difference arising on revalorisation of such premium are charged to "Securities Premium Accounts" in accordance with Section 78 of the Companies Act, 1956.

## 11. Provision for Current and Deferred Tax:

- (i) Provision for Current tax is made with reference to taxable income computed for the accounting period for which the financial statements are prepared by applying the tax rates relevant to the respective 'Previous Year'. Minimum Alternate Tax (MAT) eligible for set-off in subsequent years (as per tax laws), is recognised as an asset by way of credit to the Profit and Loss Account only if there is convincing evidence of its realisation. At each Balance Sheet date, the carrying amount of MAT Credit Entitlement receivable is reviewed to reassure realisation.
- (ii) Deferred Tax resulting from 'timing difference' between book and taxable profit for the year is accounted for using the current tax rates. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future. However, in case of deferred tax assets (representing unabsorbed depreciation or carry forward losses) are recognised, if and only if there is a virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised.

## 12. Impairment of Assets:

The Carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

## 13. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Financial Statements. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

# Balance Sheet Abstract and Company's General Business Profile

## I. Registration Details

Registration No.   
State Code   
Balance Sheet Date   
Date Month Year

## II. Capital Raised During the Year (Amount in Rs. Thousands)

Public Issue	Rights Issue
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>
Bonus Issue	Private Placement
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

## III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	Total Assets
<input type="text" value="48,131,137"/>	<input type="text" value="48,131,137"/>
Sources of Funds	
Paid-up Capital	Reserves & Surplus
<input type="text" value="141,407"/>	<input type="text" value="13,309,629"/>
Deferred Tax Adjustments	
<input type="text" value="589,376"/>	
Secured Loans	Unsecured Loans
<input type="text" value="28,080,824"/>	<input type="text" value="6,009,901"/>
Application of Funds	
Net Fixed Assets	Investments
<input type="text" value="26,175,151"/>	<input type="text" value="4,882,562"/>
Net Current Assets	Misc. Expenditure
<input type="text" value="17,073,424"/>	<input type="text" value="NIL"/>
Accumulated Loss	
<input type="text" value="NIL"/>	

## IV. Performance of Company ( Amount in Rs. Thousands)

Turnover *	Total Expenditure								
<input type="text" value="18,028,713"/>	<input type="text" value="19,109,927"/>								
* Includes Other Income									
<table><tr><td>+</td><td>-</td></tr><tr><td><input type="text" value="-"/></td><td><input type="text" value="-"/></td></tr></table> Profit/Loss Before Tax	+	-	<input type="text" value="-"/>	<input type="text" value="-"/>	<table><tr><td>+</td><td>-</td></tr><tr><td><input type="text" value="-"/></td><td><input type="text" value="-"/></td></tr></table> Profit/Loss After Tax	+	-	<input type="text" value="-"/>	<input type="text" value="-"/>
+	-								
<input type="text" value="-"/>	<input type="text" value="-"/>								
+	-								
<input type="text" value="-"/>	<input type="text" value="-"/>								
<input type="text" value="1,081,214"/>	<input type="text" value="476,844"/>								
(Please tick appropriate box + for Profit - for Loss)									
Earning Per Share (Basic) in Rs.	Dividend Rate %								
<input type="text" value="(-) 3.55"/>	<input type="text" value="60%"/>								

## V. Generic Name of Principal Product of Company

Item Code No. ( ITC Code) -   
Product Description -   
Item Code No. ( ITC Code) -   
Product Description -

**Pradeep Parakh**  
President &  
Company Secretary

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

Mumbai,  
December 21, 2008

## Auditors' Report to the Board of Directors of Bajaj Hindusthan Limited on the Consolidated Financial Statements

1. We have audited the attached Consolidated Balance Sheet of BAJAJ HINDUSTHAN LIMITED and its Subsidiaries as at 30th September, 2008, and also the Consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bajaj Hindusthan Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified reporting framework and are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of three subsidiary companies whose financial statements reflect total assets of Rs. 110.04 Million as at 30th September, 2008 and total Revenues of Rs. NIL Million for the year then ended and considered for the purpose of consolidated accounts. Our opinion, in so far as it relates to these subsidiaries is based solely on the report of their auditors. In respect of financial statements of other two subsidiaries of which we are the auditors, their accounts ending financial year coinciding with that of Holding Company have been prepared and certified by the management

for the purposes of consolidated accounts and further information and explanations provided to us and relied upon by us.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited / certified financial statements of Bajaj Hindusthan Limited and its subsidiaries, read with other notes thereon, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India :
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at 30th September, 2008;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Company and its subsidiaries for the year ended on that date; and
  - (iii) in the case of the consolidated Cash Flow Statement, of the cash flows of the Company and its subsidiaries for the year on that date.

For and on behalf of  
**DALAL & SHAH**  
 Chartered Accountants

**SHISHIR DALAL**  
 Partner  
 Membership No: 37310

Mumbai,  
 December 21, 2008.



# Consolidated Balance Sheet as at September 30, 2008

	Schedule	Rs. Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>I. Sources of Funds:</b>				
Shareholders' Funds				
Capital	1	141.41		141.41
Stock Options outstanding		161.77		223.21
Reserves & Surplus	2	<u>11,711.10</u>	12,014.28	<u>13,695.70</u>
			673.04	14,060.32
Minority interest				226.27
Loan Funds				
Secured Loans	3	36,636.76		26,788.27
Unsecured Loans	4	<u>6,714.00</u>		<u>9,146.20</u>
			43,350.76	35,934.47
Deferred Tax Liability (Net) (Refer note no. 8)			39.34	1,045.12
<b>Total</b>			<u><u>56,077.42</u></u>	<u><u>51,266.18</u></u>
<b>II. Application of Funds :</b>				
Fixed Assets	5			
Gross Block		47,452.21		29,217.78
Less: Depreciation		<u>7,191.22</u>		<u>4,670.81</u>
Net Block		40,260.99		24,546.97
Capital Work in progress		<u>1,587.47</u>		<u>16,298.68</u>
			41,848.46	40,845.65
Investments	6		0.66	0.66
Current Assets, Loans & Advances	7			
Inventories		7,923.66		4,338.24
Sundry Debtors		543.01		1,136.76
Cash & Bank Balances		1,740.35		2,673.91
Loans & Advances		<u>15,714.19</u>		<u>12,399.93</u>
		<u>25,921.21</u>		<u>20,548.84</u>
Less : Current Liabilities & Provisions	8			
Current Liabilities		9,584.90		7,143.33
Provisions		<u>2,108.01</u>		<u>2,985.64</u>
		<u>11,692.91</u>		<u>10,128.97</u>
Net Current Assets			14,228.30	10,419.87
<b>Total</b>			<u><u>56,077.42</u></u>	<u><u>51,266.18</u></u>
Notes Forming part of the accounts	16			

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

## Consolidated Profit & Loss Account for the year ended September 30, 2008

	Schedule	Rs. Million	2007-2008 Rs. Million	2006-2007 Rs. Million
<b>Income :</b>				
Gross Sales /Income from Operations	9		<b>22,176.76</b>	19,137.03
Less: Excise Duty			<b>1,475.32</b>	1,332.34
Net Sales /Income from Operations			<b>20,701.44</b>	17,804.69
Other Income	10		<b>501.16</b>	323.93
			<b>21,202.60</b>	18,128.62
<b>Expenditure :</b>				
Raw Materials Consumed	11		<b>15,956.11</b>	13,440.92
Manpower Cost	12		<b>1,482.85</b>	1,423.34
Other Expenses	13		<b>4,088.15</b>	2,424.87
Interest & Finance charges (Net)	14		<b>2,071.33</b>	915.03
Depreciation & Amortisation			<b>2,798.67</b>	1,610.87
(Increase) / Decrease in Stocks	15		<b>(2,262.88)</b>	(1,391.79)
			<b>24,134.23</b>	18,423.24
<b>Profit/ (Loss) for the year before Taxation</b>			<b>(2,931.63)</b>	(294.62)
Less: Provision for Taxation :				
Current Tax		<b>1.33</b>		42.03
Deferred Tax (Refer note no. 8)		<b>(1,004.24)</b>		(216.85)
Wealth Tax		<b>3.00</b>		1.80
Fringe Benefit Tax		<b>19.56</b>		12.93
		<b>(980.35)</b>		(160.09)
Less: MAT credit entitlement		-		40.80
			<b>(980.35)</b>	(200.89)
<b>Profit/(Loss) for the year</b>			<b>(1,951.28)</b>	(93.73)
Less: Minority interest			<b>(172.76)</b>	(114.54)
Pre-acquisition Loss / (Profit)			<b>(204.30)</b>	-
<b>Income attributed to consolidated group</b>			<b>(1,574.22)</b>	20.81
Add: Balance Brought Forward		<b>162.19</b>		192.59
Excess / (Short) provision for tax		<b>(24.87)</b>		53.58
Debenture Redemption Reserve no longer required		-		50.00
			<b>137.32</b>	296.17
			<b>(1,436.90)</b>	316.98
Transfers to :				
Reserve for Molasses Storage Tanks			<b>4.66</b>	5.53
General Reserve			-	50.00
Proposed Dividend			<b>84.84</b>	84.84
Corporate Dividend Tax on Proposed Dividend			<b>14.42</b>	14.42
Balance carried to Balance Sheet			<b>(1,540.82)</b>	162.19
Basic and Diluted Earning per Share:				
Net Profit			<b>(1,599.09)</b>	74.39
Weighted Average No. of Shares			<b>141,407,111</b>	141,407,111
Basic and Diluted Earning per Share in Rupees (Face Value Re. 1/- each)			<b>(11.31)</b>	0.53
Notes Forming part of the accounts	16			

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

# Consolidated Cash Flow Statement for the year ended September 30, 2008

	2007-2008 Rs. Million	2006-2007 Rs. Million
<b>A. Cash Flow from operating activities :</b>		
Net Profit/ (Loss) before Exceptional items and Taxation	(2,931.63)	(294.62)
Adjustment for:		
Depreciation & Amortization	2,798.67	1,610.87
(Gain)/Loss due to Foreign Exchange Fluctuation	1,218.25	-
Loss/(Surplus) on sale of Fixed Assets (Net)	1.22	0.46
Interest and Finance Charges	2,776.67	1,393.33
Dividend Received	(1.98)	(1.93)
Profit on sale of investment	(83.18)	(2.84)
Interest Received	(705.34)	(478.30)
Employee's Compensation Expenses under ESOP	(8.78)	223.21
	<u>5,995.53</u>	<u>2,744.80</u>
Operating Profit before working capital changes	3,063.90	2,450.18
Adjustment for :		
Trade and other receivables	(1,879.85)	(4,701.97)
Inventories	(3,585.42)	(2,904.50)
Trade payables	990.96	6,227.80
Cash generated from operations	(1,410.41)	1,071.51
Direct taxes paid	(246.51)	(195.79)
<b>Net Cash from/(used in) operating activities</b>	<u>(1,656.92)</u>	<u>875.72</u>
<b>B. Cash Flow from investing activities :</b>		
Purchase of Fixed Assets	(3,051.13)	(17,014.04)
Sale of Fixed Assets	134.89	45.02
Sale/Purchase of Investments	83.18	2.84
Acquisition of Subsidiary/Minority interest	(165.29)	-
Loans and Advances	(642.89)	(3,499.54)
Dividend Received	1.98	1.93
Interest Received	705.34	478.30
Exchange Fluctuation Reserve on consolidation	5.63	1.30
<b>Net cash used in investing activities</b>	<u>(2,928.29)</u>	<u>(19,984.19)</u>
<b>C. Cash Flow from financing activities :</b>		
Issue of FCCBs (Net of Conversions)	-	596.10
Proceeds from borrowings (Net of repayments)	6,198.04	19,925.98
Issue of Equity Shares & Premium thereon	50.00	310.00
Issue expenses (including GDR/FCCB)	-	(3.72)
Interest paid	(2,497.91)	(1,260.27)
Dividend paid	(98.48)	(96.90)
<b>Net cash from financing activities</b>	<u>3,651.65</u>	<u>19,471.19</u>
Net increase/(decrease) in cash and cash equivalents	(933.56)	362.72
Cash and Cash equivalents as at October 01, 2007 (Opening Balance)		
Earmarked for specific purposes	12.39	7.03
Other Balances	<u>2,661.52</u>	<u>2,304.16</u>
	<u>2,673.91</u>	<u>2,311.19</u>
Cash and Cash equivalents as at September 30, 2008 (Closing Balance)		
Earmarked for specific purposes	29.23	12.39
Other Balances	<u>1,711.12</u>	<u>2,661.52</u>
	<u>1,740.35</u>	<u>2,673.91</u>

Figures in brackets indicate cash outflow and without brackets indicate cash inflow.

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

## Schedules Forming Part of Consolidated Accounts

Schedules 1 to 16 annexed to and forming part of the Balance Sheet as at September 30, 2008 and Profit and Loss Account for the year ended on that date.

	Rs. Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>Schedule 1 - Capital</b>			
Authorised :			
300,000,000 Equity Shares of Re. 1/- each.	300.00		300.00
500,000,000 Unclassified Shares of Re. 1/- each.	500.00		500.00
		<b>800.00</b>	<b>800.00</b>
Issued, Subscribed & Paid up :			
141,407,111 Equity Shares of Re. 1/- each.		141.41	141.41
		<b>141.41</b>	<b>141.41</b>

### Schedule 2 - Reserves and Surplus

	As at Oct. 01, 2007	Additions	Deductions		
Capital Redemption Reserve	0.60	-	-	0.60	0.60
Contingency Reserve	100.00	-	-	100.00	100.00
Securities Premium *	9,448.96	-	288.90	9,160.06	9,448.96
Exchange Fluctuation Reserve on consolidation of overseas subsidiaries	1.30	5.63	-	6.93	1.30
General Reserve	2,815.99	0.47	2.98	2,813.48	2,815.99
Debenture Redemption Reserve **	1,137.50	-	-	1,137.50	1,137.50
Reserve for Molasses Storage Tanks ***	29.16	4.66	0.47	33.35	29.16
Balance as per Profit & Loss Account	162.19	(1,703.01)	-	(1,540.82)	162.19
	<b>13,695.70</b>	<b>(1,692.25)</b>	<b>292.35</b>	<b>11,711.10</b>	<b>13,695.70</b>

\* Deductions to Securities Premium represent change in Provision for Premium on redemption of Foreign Currency Convertible Bonds (FCCBs) due to fluctuations in foreign currency rates.

\*\* In the absence of profits additional Debenture Redemption Reserve of Rs.337.50 million has not been created.

\*\*\* Rs. 0.47 million has been transferred to General Reserve on fulfillment of conditions governing the creation of fund.

### Schedule 3 - Secured Loans

Debentures		
10,000,000 - 9.45% Secured Redeemable Non-Convertible Debentures of Rs. 100 each - Series 84 (redeemed on August 29, 2008)	-	1,000.00
15,000,000 - 9.45% Secured Redeemable Non-Convertible Debentures of Rs. 100 each - Series 86 (redeemed on March 24, 2008)	-	1,500.00
200 - 12% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 15 of 2007-08 (redeemable at par on February 25, 2011)	2,000.00	-
25 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 22 of 2007-08 MIBOR linked (redeemable at par on April 07, 2009)	250.00	-
25 - 11.60% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 23 of 2007-08 (redeemable at par on April 07, 2009)	250.00	-
200 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 25 of 2007-08 MIBOR linked (redeemable at par Rs. 1,000 million each on March 10, 2009 & March 16, 2009)	2,000.00	-
100 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 27 of 2007-08 MIBOR linked (redeemable at par on June 05, 2009)	1,000.00	-
15 - 11% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 30 of 2007-08 (redeemable at par on June 19, 2011)	150.00	-
Loans & Advances from Banks	24,955.17	19,178.20
Other Loans & Advances	6,031.59	5,110.07
	<b>36,636.76</b>	<b>26,788.27</b>

Notes :

1. i) Non-Convertible Debentures amounting to Rs.3500 Million (Series 22, Series 23, Series 25, and Series 27 of 2007-08) are to be secured by a mortgage and charge in favour of the Trustees on the Company's immovable property located at Village and Taluka Dabhoi, District Vadodara in the State of Gujarat.  
 ii) Non Convertible Debentures amounting to Rs.2150 Million (Series 15 and Series 30 of 2007-08) are to be secured by way of first pari passu charge on fixed assets of the Company. Execution of Debenture Trust Deed in this regard is under finalisation.
2. Working Capital / Short Term Loans from Banks (except for Short Term Loans aggregating to Rs.2000 Million) are secured, on first pari passu charge basis, by hypothecation of inventories, book debts, other receivables and current assets and further secured / to be secured, on a third pari passu charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and properties of the Company. Documentation for mortgage in respect of certain loans is under finalisation.
3. Short Term Loans aggregating to Rs. 2000 Million are secured/to be secured, on first pari passu charge basis, by hypothecation /charge on whole of the current assets (including inventories, book debts and other receivables) of the Company. Documentation of charges in respect of short term loans are under finalisation.
4. Term loans from Banks (except ECB of Yen 9,191.20 Million and Loans under Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 for Rs.1967.20 Million in respect of Bajaj Hindusthan Ltd. (BHL) and for Rs. 175.10 Million in respect of Bajaj Hindusthan Sugar & Industries Ltd. (BHSIL)) are secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties and further secured (Except in case of Bajaj Eco-Tec Products Ltd.), on second pari passu charge basis, by hypothecation of all the present and future current assets of the Company including inventories, book-debts and other receivables. Documentation for mortgage in respect of certain term loans/certain properties is under finalisation.

5. The ECB Loan of Yen 9,191.20 Million is secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties. Documentation for mortgage in respect of certain properties is under finalisation.
6. Loans under "Scheme for Extending Financial Assistance to Sugar Undertaking, 2007" amounting to Rs.1967.20 Million in respect of Bajaj Hindusthan Ltd. (BHL) and for Rs. 175.10 Million in respect of Bajaj Hindusthan Sugar & Industries Ltd. (BHSIL) included in Loans and Advances from Banks, are secured / to be secured on pari passu residual charge basis, by hypothecation of whole of movable fixed assets and properties and by mortgage on the Sugar Undertakings of the Company. Documentation for mortgage in respect of certain loans/certain properties is under finalisation.
7. Term loan in Foreign Currency (ECB) of Rs. 5875.24 Million in BHSIL included in Other Loans and Advances, is secured by hypothecation of its movable fixed assets (present & future) at all factories and its immovable assets (present and future) at its factories at Rudauli, Kundarkhi and Utraula together with all buildings and structures thereon and all plant and machinery attached thereto. The Charge is further secured by a pari passu first charge on all its immovable fixed assets at the factory at Pratappur, District Deoria in U.P. by Joint Equitable mortgage and by hypothecation of movable fixed assets. Also further secured, on a second pari passu charge basis, by hypothecation of its all the current assets (present and future).
8. The Sugar Development Fund loan from Government of India amounting to Rs.70.48 Million in respect of BHL and Rs. 85.87 Million in respect of BHSIL included in Other Loans and Advances, are secured/to be secured, on exclusive second charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and properties of the concerned sugar unit of the Company. The Company has also created security in favour of Government of India for certain other SDF loans aggregating to Rs.631.43 Million, that are yet to be disbursed to the Company, on exclusive second charge basis, by hypothecation of the entire movable fixed assets and properties of the respective sugar units for which the said SDF loans have been availed.

	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>Schedule 4 - Unsecured Loans</b>		
Short Term Debentures	<b>250.00</b>	2,050.00
Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	<b>6,313.43</b>	5,345.03
Short Term Loan from Banks	<b>149.78</b>	1,748.75
Fixed Deposits	<b>0.79</b>	2.42
	<b><u>6,714.00</u></b>	<u>9,146.20</u>

(Short Term Debentures of Rs. 63,430 Million (Rs. 29,390 Million) issued and redeemed during the year)

## Schedule 5 - Fixed Assets

(Rs. Million)

DESCRIPTION		GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION			NET BLOCK		
Sr. No.	Particulars	As at Oct. 1, 2007	Additions	Deductions & Adjustments	As at Sept. 30, 2008	As at Oct. 1, 2007	For the year	Deductions & Adjustments	Upto Sept. 30, 2008	As at Sept. 30, 2008	As at Sept. 30, 2007
1.	Goodwill on consolidation	163.36	886.45	-	1,049.81	60.72	329.70	-	390.42	659.39	102.64
2.	Land	1,207.88	26.03	0.01	1,233.90	-	-	-	-	1,233.90	1,207.88
3.	Buildings	5,083.88	3,184.02	69.45	8,198.45	521.73	447.69	-	969.42	7,229.03	4,562.15
4.	Plant & Machinery	20,758.15	14,347.84	58.87	35,047.12	3,273.36	1,806.77	8.16	5,071.97	29,975.15	17,484.79
5.	Furniture, Fixures & Office Equipments	434.55	69.68	5.59	498.64	210.49	71.94	4.58	277.85	220.79	224.06
6.	Vehicles	247.14	18.20	21.32	244.02	112.41	36.32	11.48	137.25	106.77	134.73
7.	Railway Siding & Light Railways	1.97	-	-	1.97	1.89	0.01	-	1.90	0.07	0.08
8.	Weighing Scales & Weigh Bridges	267.01	72.27	7.38	331.90	75.00	31.12	2.30	103.82	228.08	192.01
9.	Electrical Fittings	479.01	3.75	-	482.76	96.48	53.41	-	149.89	332.87	382.53
10.	Leased Assets :										
	a. Distillery Division :										
	- Land	18.87	0.05	-	18.92	-	-	-	-	18.92	18.87
	- Buildings	28.49	30.03	-	58.52	5.08	2.74	-	7.82	50.70	23.41
	- Plant & Machinery	235.88	3.09	-	238.97	50.15	16.53	-	66.68	172.29	185.73
	- Furniture, Fixures & Office Equipments	0.82	-	-	0.82	0.59	0.06	-	0.65	0.17	0.23
	- Electrical Fittings	8.07	12.33	-	20.40	3.06	1.56	-	4.62	15.78	5.01
	b. Cement Division - Plant & Machinery	256.69	-	256.69	-	256.69	-	256.69	-	-	-
11.	Intangible Assets Computer Software	26.01	-	-	26.01	3.16	5.77	-	8.93	17.08	22.85
	Total	29,217.78	18,653.74	419.31	47,452.21	4,670.81	2,803.62	283.21	7,191.22	40,260.99	24,546.97
	Previous Year Total	13,790.99	15,475.36	48.57	29,217.78	3,054.90	1,619.00	3.09	4,670.81	24,546.97	10,736.09
12.	Capital Work in progress	16,298.68	2,928.71	17,639.92	1,587.47	-	-	-	-	1,587.47	16,298.68
	Total	45,516.46	21,582.45	18,059.23	49,039.68	4,670.81	2,803.62	283.21	7,191.22	41,848.46	40,845.65
	Previous Year Total	28,512.04	31,889.01	14,884.59	45,516.46	3,054.90	1,619.00	3.09	4,670.81	40,845.65	

**Note:** (i) Building includes an amount of Rs. 500/- being value of 10 shares of Rs. 50/- each in a co-operative society.

(ii) The assets of Distillery Division in Bajaj Hindusthan Limited at Palia Kalan were leased w.e.f. 30th May, 2006.

(iii) Capital work-in-progress includes following:

Capital Work in Progress :	As at Oct. 1, 2007	For the Year	Capitalised	As at Sept. 30, 2008
Advance to Suppliers / Contractors	3,945.21	(19.59)	3,720.75	204.87
Plant & Machinery / Civil work in progress	11,466.92	2,199.51	12,290.59	1,375.84
<b>Preoperative Expenses</b>				
Manpower Cost	268.44	79.39	347.83	-
Power and Fuel	3.64	0.87	4.51	-
Rent	-	7.86	2.76	10.62
-				
Rates and Taxes	7.98	0.76	8.74	-
Repairs - others	2.18	2.98	5.16	-
Insurance	38.46	4.10	42.56	-
Trial Run Expenses /Loss*	-	213.46	213.46	-
Miscellaneous Expenses	256.03	344.33	593.60	6.76
Interest	-	176.39	95.11	271.50
-				
Finance Charges	117.62	0.08	117.70	-
Depreciation	7.95	4.95	12.90	-
Sub Total Preoperative Expenses	886.55	748.79	1,628.58	6.76
<b>Total</b>	<b>16,298.68</b>	<b>2,928.71</b>	<b>17,639.92</b>	<b>1,587.47</b>

**\*Trial Run Expenses/loss :**

Raw Material cost	1,085.55
Manpower Cost	49.41
Stores, Spares and Packing Materials consumed	95.84
Power and Fuel	17.85
Repairs	5.13
Miscellaneous Expenses	102.43
Interest	143.36
<b>Total Expenses</b>	<b>1,499.57</b>
<b>Less: Income during Trial Run :</b>	
Sale	5.09
Stock out of Trial Run	1,281.02
<b>Total Income</b>	<b>1,286.11</b>
<b>Net Trial Run Expenses/Loss</b>	<b>213.46</b>

**Depreciation :**

Depreciation debited to the Profit & Loss account	2798.67
Depreciation debited to Capital work-in-progress	4.95
<b>Total Depreciation for the year</b>	<b>2803.62</b>

	Rs. Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
<b>Schedule 6 - Investments (At Cost)</b>			
Long Term Investments :			
A. Other than Trade			
Quoted, Fully Paid Equity Shares :			
- 48,000 (48,000) Shares of Bajaj Holding & Investment Ltd. (BHIL) of Rs.10/- each (formerly known as Bajaj Auto Ltd.)		0.18	0.32
- 48000 (-) Shares of Bajaj Auto Ltd (BAL) of 10/- each (on Demerger of Bajaj Holding & Investment Ltd. on 25.03.08)		0.07	-
- 48000 (-) Shares of Bajaj Finserv Ltd (BFSL) of Rs. 5/- each (on Demerger of Bajaj Holding & Investment Ltd. on 25.03.08)		0.07	-
- 9,750 (9,750) Shares of Mukand Ltd. of Rs.10/- each		0.32	0.32
Quoted, Fully Paid Preference Shares			
- 2,437 (2,437) 0.01% Cumulative Redeemable Preference Shares of Mukand Ltd. of Rs. 10/- each		0.02	0.02
B. Trade			
In Others:*			
Unquoted Fully Paid Equity Shares :			
- 1,148,400 (1,148,400) Shares of Bajaj Ebiz Pvt. Ltd. of Rs.10/- each		11.48	11.48
5,000 (5,000) Shares of Esugarindia Clearing Corporation Ltd. of Rs.10/- each		0.05	0.05
		12.19	12.19
*Less: Provision for diminution in value of investments		11.53	11.53
		0.66	0.66
	Book Value as at	Market Value as at	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008
Quoted Investments	0.66	0.66	69.49
Unquoted Investments	-	-	-
	0.66	0.66	69.49

#### Schedule 7 - Current Assets, Loans & Advances

Current Assets :			
(a) Inventories (At cost or net realisable value whichever is lower, unless otherwise stated, as certified and valued by the Management)			
(i) Stores, Spare Parts and Packing Materials		634.49	691.29
(ii) Raw Material		129.52	58.62
(iii) Finished Stock		6,937.27	3,316.30
(iv) Materials-in-Process		97.67	-
(v) By-Products		124.71	272.03
		7,923.66	4,338.24
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Good		20.55	15.61
Doubtful	4.28		1.99
Less : Provision	(4.28)		(1.99)
		-	-
Other Debts		522.46	1,121.15
		543.01	1,136.76
(c) Cash and Bank Balances			
Cash on hand (including cheques & drafts Rs.2.45 Million, previous year Rs. 10.41 Million & stamps Rs. 8.34 Million)		26.45	29.20
Balance with Scheduled Banks :			
(i) In Current Accounts		371.11	317.63
(ii) In Fixed Deposits (Including interest accrued Rs.2.65 Million, previous year Rs.1.04 Million)		1,337.33	2,317.70
Balance with Non Scheduled Banks		5.46	9.38
		1,740.35	2,673.91
c/f...		10,207.02	8,148.91



**Schedule 7 - Current Assets, Loans & Advances (Contd.)**

	As at Sept. 30, 2008 Rs. Million	Maximum balance during the year Rs. Million		
i) District Cooperative Bank Limited	1.75 (3.17)	120.78 (85.78)		
ii) Urban Cooperative Bank Limited	0.65 (0.70)	12.65 (62.72)		
iii) Zila Sahkari Bank Limited	0.05 (0.05)	0.05 (0.05)		
iv) UP Gramin Bank	3.01 (5.45)	203.81 (91.04)		
v) Vidur Gramin Bank Ltd	- (0.01)	- (0.05)		
			As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million
b/f...			10,207.02	8,148.91
<b>Loans and Advances :</b>				
(d) Loans and Advances (Unsecured, considered good unless otherwise stated)				
Other Companies			5,088.44	4,495.80
Other Company - Doubtful		22.91		22.91
Less: Provision		(22.91)		(22.91)
			-	-
Advances recoverable in cash or in kind or for value to be received			7,298.15	5,040.09
Deposits #			131.46	127.11
Balance with Excise Department including Cenvat credits			2,170.12	1,908.66
MAT credit entitlement			316.60	316.60
Tax paid in advance (net of Provisions)			709.42	511.67
			15,714.19	12,399.93
			25,921.21	20,548.84

# Includes National Savings Certificate of the face value of Rs.0.23 Million (Previous year Rs.0.02 Million) and Pass books of Post Office Savings Bank Account having an aggregate balance of Rs. 0.07 Million (Previous year Rs.0.10 Million) pledged with Government Authorities.

**Schedule 8 - Current Liabilities and Provisions**

<b>A. Current Liabilities :</b>		
Sundry Creditors	9,077.48	6,894.80
Unclaimed Redeemed Preference Share Capital (Rs.3,000/-)	0.00	0.00
Interest Accrued but not due	431.89	153.12
Deposits from Stockists and others	72.42	93.08
Investor Education & Protection Fund shall be credited by the following :		
(Amounts to be transferred to said fund shall be determined on the respective due dates)		
Unclaimed Dividend	3.11	2.33
	9,584.90	7,143.33
<b>B. Provisions :</b>		
For Employee Benefits	125.25	80.63
For premium on redemption of FCCBs	1,883.50	1,594.60
For Foreign Exchange Gain	-	1,211.15
Proposed Dividend	84.84	84.84
Corporate Dividend Tax	14.42	14.42
	2,108.01	2,985.64
	11,692.91	10,128.97

	Rs. Million	2007-2008 Rs. Million	2006-2007 Rs. Million
<b>Schedule 9 - Income from operation</b>			
Sales :			
Manufactured Goods		21,239.10	18,104.27
By Products		636.08	997.07
Power		297.21	22.62
Export Incentives		4.37	13.07
		<u>22,176.76</u>	<u>19,137.03</u>
<b>Schedule 10 - Other Income</b>			
Dividend		1.98	1.93
Surplus on Sale of Assets		0.71	-
Lease and Management Fees		142.04	169.18
Gain due to Foreign Exchange		-	12.40
Scrap / Stores sales		140.25	86.84
Profit from sale of Investment		83.18	2.84
Provisions no longer required / Credit balances appropriated		33.79	7.32
Miscellaneous Receipts		99.21	43.42
		<u>501.16</u>	<u>323.93</u>
<b>Schedule 11 - Raw Materials Consumed</b>			
Opening Stock		58.62	0.53
Purchases		16,027.01	13,499.01
		<u>16,085.63</u>	<u>13,499.54</u>
Less: Closing Stock		129.52	58.62
		<u>15,956.11</u>	<u>13,440.92</u>
<b>Schedule 12 - Manpower Cost</b>			
Salaries & Wages		1,284.27	1,053.11
Contribution to Provident and other funds and schemes		134.57	96.08
Employee's Welfare Expenses		72.79	50.94
Employee's Compensation Expenses (ESOP Cost)		(8.78)	223.21
		<u>1,482.85</u>	<u>1,423.34</u>
<b>Schedule 13 - Other Expenses</b>			
Stores, Spares and Packing Materials consumed		942.99	1,132.31
Power and Fuel		244.84	160.26
Rent		36.67	24.76
Rates and Taxes		14.50	8.29
Repairs :			
Building	16.68		23.34
Machinery	467.85		323.50
Others	26.39		89.91
		<u>510.92</u>	<u>436.75</u>
Payment to Auditors for :			
Audit fees	2.31		2.31
Tax Audit fees	0.38		0.20
Certification work	1.05		0.81
Out of pocket expenses	0.18		0.07
		<u>3.92</u>	<u>3.39</u>
Payment to Cost Auditor (Cost Audit Fees)		0.22	0.28
Insurance		28.49	65.71
Selling Commission		51.65	69.29
Selling & Distribution		217.55	232.40
Directors' fees		0.73	0.63
Donations		2.74	0.89
Loss due to Foreign Exchange Fluctuation (Net) (Refer Note 9)		1,504.28	0.36
Miscellaneous Expenses		517.76	289.09
Bad debts written off		3.56	-
Provision for Doubtful Debts / Advances		2.29	-
Loss on Assets Sold / Discarded		1.93	0.46
Prior Period Adjustment		3.11	-
		<u>4,088.15</u>	<u>2,424.87</u>

	Rs. Million	2007 - 2008 Rs. Million	2006 - 2007 Rs. Million
<b>Schedule 14 - Interest and Finance Charges (Net)</b>			
Interest :			
Term Loans		<b>675.27</b>	387.63
Debentures		<b>558.25</b>	85.02
Working Capital Loans		<b>771.42</b>	482.66
Fixed Deposits		<b>0.03</b>	0.49
Others		<b>525.34</b>	385.21
		<b>2,530.31</b>	1,341.01
Less: Interest Income Gross			
On Loans		<b>688.09</b>	434.81
On Others		<b>17.25</b>	43.49
		<b>705.34</b>	478.30
		<b>1,824.97</b>	862.71
Add: Finance charges		<b>246.36</b>	52.32
		<b>2,071.33</b>	915.03

**Schedule 15 - (Increase)/Decrease in Stocks**

Opening Stock :			
Finished Goods	<b>3,315.09</b>		862.12
By-product	<b>272.03</b>		100.23
		<b>3,587.12</b>	962.35
Add: Stock out of Trial Production :			
Finished Goods	<b>1,090.58</b>		859.96
Materials in process	<b>105.60</b>		100.64
By-product	<b>84.84</b>		143.18
		<b>1,281.02</b>	1,103.78
Less: Closing Stock:			
Finished Goods	<b>6,937.27</b>		3,315.09
Materials in process	<b>97.67</b>		-
By-product	<b>124.71</b>		272.03
		<b>7,159.65</b>	3,587.12
		<b>(2,291.51)</b>	(1,520.99)
Add/(Less): Excise Duty on Increase/Decrease in stocks		<b>28.63</b>	129.20
		<b>(2,262.88)</b>	(1,391.79)

**Schedule 16 - Statement on Significant Accounting Policies and Notes forming part of the Consolidated Accounts for the year ended September 30, 2008 :**

**1. System of Accounting :**

- (i) The financial statements of Bajaj Hindusthan Ltd. ('the Company'), its Subsidiary Companies and Associate (the Group) have been prepared in compliance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.
- (ii) The financial statements are based on historical cost convention and are prepared on accrual basis.

**2. Principles of Consolidation :**

- (i) The consolidated financial statements of the Group have been prepared on the following basis :
  - The consolidated financial statements of the Group are prepared in accordance with the Accounting Standard - 21 "Consolidated Financial Statements" and Accounting Standard - 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).
  - The financial statements of the Company and its Subsidiary Companies have been consolidated on a line - by - line basis by adding together the book value of like items

of assets, liabilities, income and expenses, after eliminating intra - group balances and intra - group transactions resulting in unrealised profits or unrealised cash losses.

- Investment in the Associate has been accounted as per the equity method as prescribed in Accounting Standard - 23.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
- The excess of cost of investment in the Subsidiary Companies over the Company's portion of equity of the Subsidiary at the date of investment made is recognised in the financial statements as goodwill, which is written-off over a period of five years. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as capital reserve.
- The financial statements of non - integral foreign operation are translated as follows :
  - The assets and liabilities are translated at the closing rate.
  - Income and Expenses items are translated at average exchange rate of the year.

All differences are accumulated in a foreign currency translation reserve on consolidation until the disposal of net investment.

**(ii) Companies considered in the consolidated financial statements are :**

<b>Name of the Company</b>	<b>Country of incorporation</b>	<b>Holding as on Sept. 30, 2008</b>	<b>Financial Year ends on</b>
<b>Subsidiary :</b>			
Bajaj Hindusthan Sugar and Industries Ltd.	India	<b>75.00%</b>	30.09.2008
Bajaj Eco-Tec Products Ltd. #	India	<b>100.00%</b>	31.03.2008
Bajaj Aviation Private Ltd. \$ (Formerly known as Bajaj Hindusthan Holdings Private Ltd.)	India	<b>100.00%</b>	30.09.2008
Bajaj Eco-Chem Products Private Ltd.#	India	<b>100.00%</b>	31.03.2009
Bajaj International Participações Ltda.@	Brazil	<b>100.00%</b>	30.04.2008
Bajaj Hindusthan (Singapore) Pte. Ltd.	Singapore	<b>100.00%</b>	30.09.2008
<b>Associate :</b>			
Bajaj Ebiz Pvt. Ltd.*	India	<b>49.50%</b>	31.03.2008

# Management has compiled the accounts as at September 30, 2008 in order to consolidate the accounts with that of the Holding Company.

\$ It is a 100% subsidiary of wholly-owned subsidiary namely Bajaj Eco-Tec Products Ltd.

@ Holding company alongwith its subsidiary (BHSIL) and its nominee together holds 100% capital.

\* The company has made provision for permanent diminution in the value of its investment in Bajaj Ebiz Pvt. Ltd. (an associate company). Hence, no further adjustment in the value of investment is required to be made in the consolidated financial statement.

**(iii) Other significant accounting policies are set out in the respective notes to account under "Statement on Significant Accounting Policies" of the Financial Statements of the Company and Subsidiary Companies.**

	2007-08 Rs. Million	2006-07 Rs. Million
3. Contingent Liabilities not provided for :		
(a) In respect of disputed demands/claims against the Company not acknowledged as debts :		
(i) Central Excise matters	338.33	93.54
(ii) Trade Tax matters	7.86	5.48
(iii) Other Claims	306.56	155.03
(iv) Income-tax matters	0.02	0.28
(b) A subsidiary has procured Imported as well as Indigenous Capital Goods under Export Promotion and Capital Goods Scheme (EPCG). The Export Obligation pending against such EPCG licenses.	2,254.08	2,134.01
4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	943.07	2,507.77
5. Managerial Remuneration :		

The Profit & Loss Account includes payments and provisions on account of remuneration to managerial personnel as under:

	Rs. Million
1. Salary, etc.	37.98 (23.85)
2. Commission	- (14.70)
3. Contribution to Provident Fund and Superannuation	3.87 (3.04)
4. Other Perquisites	6.13 (1.69)
<b>Total</b>	<b>47.98</b> <b>(43.28)</b>

6. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS18) 'Related Party Disclosures' is stated herein below / set out in a separate statement annexed hereto.

**a) Related parties and relationships for which disclosure is required under AS-18 :**

*A. Associates and Joint Ventures*

Bajaj E-biz Private Ltd. – Associate

*B. Directors and their relatives*

Mr. Shishir Bajaj - Chairman & Managing Director (Also key management personnel)

Mr. Niraj Bajaj - Non-Executive Director

Mr. Kushagra Bajaj - Joint Managing Director (Also key management personnel and also son of Mr. Shishir Bajaj)

Mr. I. D. Mittal - Chief Executive Director (Also key management personnel)

Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal

*C. Key Management Personnel*

Mr. Himanshu Shah, Managing Director, Bajaj Eco-Tec Products Ltd.

Mr. Yogesh Arora, Whole-Time Director, Bajaj Eco-Tec Products Ltd.

Mr. Chandresh Chhaya - Manager & Company Secretary, Bajaj Hindusthan Sugar and Industries Ltd.

*D. Enterprises over which any person described in (B) or (C) above is able to exercise significant influence*

1. Anunita Investments Pvt. Ltd.
2. Bajaj Electricals Ltd.
3. Bajaj Hindusthan Ltd. Employees General Medical Aid Fund
4. Bajaj Hindusthan Ltd. Employees Family Planning Welfare Fund
5. Bajaj Hindusthan Ltd. Employees Education Welfare Fund
6. Bajaj Hindusthan Ltd. Employees Sports & Cultural Welfare Activities Fund
7. Bajaj Hindusthan Ltd. Employees Managerial Staff Medical Aid Fund
8. Bajaj Holding & Investment Ltd.
9. Hindusthan Housing Co. Ltd.
10. Hind Musafir Agency Ltd.
11. Mukand Ltd.

**b) Disclosure as required under AS-18 in respect of Related Party Transactions:**

						Rs. Million
Transactions	Directors	Relatives of Directors	Key Management Personnel	Relatives of Key Management Personnel	Enterprises described in (D) above	Total
<b>I. Transaction during the year</b>						
Purchase of Goods	- (-)	- (-)	- (-)	- (-)	<b>0.32</b> (0.85)	<b>0.32</b> (0.85)
Rendering of Services	- (-)	- (-)	- (-)	- (-)	<b>10.23</b> (6.44)	<b>10.23</b> (6.44)
Interest paid	- (-)	- (-)	- (-)	- (-)	<b>2.36</b> (-)	<b>2.36</b> (-)
Loans taken	- (-)	- (-)	- (-)	- (-)	<b>1,088.70</b> (-)	<b>1,088.70</b> (-)
Loans taken repaid	- (-)	- (-)	- (-)	- (-)	<b>1,088.70</b> (-)	<b>1088.70</b> (-)
Remuneration	- <b>(1.10)</b>	- (-)	<b>47.98</b> (43.28)	<b>1.68</b> (2.45)	- (-)	<b>49.66</b> (46.82)
Dividends received	- (-)	- (-)	- (-)	- (-)	<b>1.98</b> (1.93)	<b>1.98</b> (1.93)
Sitting fees paid	<b>0.73</b> (0.63)	- (-)	- (-)	- (-)	- (-)	<b>0.73</b> (0.63)
<b>II. Amounts Outstanding at the Balance Sheet date</b>						
Deposits Outstanding	- (-)	- (-)	- (-)	- (-)	<b>0.84</b> (0.97)	<b>0.84</b> (0.97)

**Notes :**

1. Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.
2. No amount has been written off or written back during the year in respect of debts due from or to related parties.

## 7. Segment Information :

The Company has identified its Business Segments as its Primary Reportable Segments comprising of Sugar, Distillery and Power Divisions.

**Primary Segment Information :**

Particulars	2007-2008 Rs. Million	2006-2007 Rs. Million
<b>1. Segment Revenue</b>		
a. Sugar	18,433.10	16,646.44
b. Distillery	3,145.57	1,760.51
c. Power	1,266.97	-
d. Others	208.36	-
<b>Total</b>	<b>23,054.00</b>	<b>18,406.95</b>
Less : Inter- segment Revenue	2,352.56	602.26
<b>Net Sales / Income from Operations</b>	<b>20,701.44</b>	<b>17,804.69</b>
<b>2. Segment Results</b>		
(Profit (+)/ Loss(-) before tax and interest)		
a. Sugar	(1,052.45)	(38.40)
b. Distillery	679.12	702.52
c. Power	846.58	-
d. Others	(140.77)	-
<b>Total</b>	<b>332.48</b>	<b>664.12</b>
Less:		
(i) Interest (Net)	2,071.33	915.03
(ii) Other Un-allocable Expenditure net off		
Un-allocable Income	1,192.78	43.71
<b>Total Profit before Tax</b>	<b>(2,931.63)</b>	<b>(294.62)</b>
<b>3. Segment Assets :</b>		
a. Sugar	50,690.50	47,115.13
b. Distillery	4,001.58	4,419.49
c. Power	3,118.05	-
d. Others	3,515.69	-
<b>Total</b>	<b>61,325.82</b>	<b>51,534.62</b>
Add: Unallocated Corporate Assets	6,444.51	9,860.53
<b>Total Assets</b>	<b>67,770.33</b>	<b>61,395.15</b>
<b>4. Segment Liabilities :</b>		
a. Sugar	6,652.97	5,255.49
b. Distillery	438.71	515.50
c. Power	0.86	-
d. Others	156.08	-
<b>Total</b>	<b>7,248.62</b>	<b>5,770.99</b>
Add: Unallocated Corporate Liabilities	4,444.29	4,357.98
<b>Total Liabilities</b>	<b>11,692.91</b>	<b>10,128.97</b>
<b>5. Capital Expenditure:</b>		
a. Sugar	2,167.48	13,335.84
b. Distillery	101.44	1,776.23
c. Power	629.53	-
d. Others	1,031.97	-
e. Unallocated	12.11	1,940.92
<b>Total</b>	<b>3,942.53</b>	<b>17,052.99</b>
<b>6. Depreciation &amp; Amortisation :</b>		
a. Sugar	2,237.20	1,420.60
b. Distillery	225.76	143.08
c. Power	147.32	-
d. Others	138.89	-
e. Unallocated	49.50	47.19
<b>Total</b>	<b>2,798.67</b>	<b>1,610.87</b>
<b>7. Non Cash Expenditure other than Depreciation &amp; Amortisation :</b>		
a. Sugar	Nil	Nil
b. Distillery	Nil	Nil
c. Power	Nil	Nil
d. Unallocated	(8.78)	223.21
<b>Total</b>	<b>(8.78)</b>	<b>223.21</b>

**Other disclosures :**

- The Company caters mostly to Indian markets and as such there are no reportable geographical segments. All the assets are also located in India.
- Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as differing risks and returns.
- The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- The segment performance has been worked out after attributing the realisable value of inter segment transfer of material.



## 8. Deferred Taxation :

Rs. Million

	As at Oct. 1, 2007	During the year	As at Sept. 30, 2008
<b>Deferred Tax Liabilities :</b>			
Depreciation	2,532.13	1,310.21	3,842.34
<b>Total</b>	<b>2,532.13</b>	<b>1,310.21</b>	<b>3,842.34</b>
<b>Deferred Tax Assets :</b>			
Provision for Employee Benefits *	26.55	15.21	41.76
Expenses allowed on payment basis	3.68	-	3.68
Provision for doubtful debts / advances	-	0.78	0.78
Carry Forward loss and unabsorbed Depreciation	1,456.78	2,300.00	3,756.78
<b>Total</b>	<b>1,487.01</b>	<b>2,315.99</b>	<b>3,803.00</b>
<b>Net Deferred Tax Liability / (Asset)</b>	<b>1,045.12</b>	<b>(1,005.78)</b>	<b>39.34</b>

\* Includes Rs.1.54 million being transitional liability adjusted to General Reserve.

9. Loss due to Foreign Exchange Fluctuation, under the head "Other Expenses" includes Rs. 1,218.25 million arising out of restatement of foreign currency borrowing as at the year end, which is net of Rs. 1,211.15 million, provided in previous year.

10. The Hon'ble High Court of Allahabad while disposing the various Writ Petitions filed by the Company and other sugar producing factories, by its Order dated December 19, 2007 had, interalia, quashed the State Advised Price (SAP) for the season 2006-07 being arbitrary and unreasonable. Based on the legal advice, the Company had accounted for Sugar Cane liability for the season 2006-07 at Statutory Minimum Price (SMP) fixed by the Central Government.

Subsequently, Hon'ble Supreme Court on a Special Leave Petition directed the sugar companies by its interim order dated February 27, 2008 to pay @ Rs.118/- per quintal for general variety of sugar cane and, accordingly, the company has fully discharged its cane liability. Necessary adjustment in accounts arising out of difference between SAP and SMP amounts to Rs. 4,821.74 million will be considered as and when the matter is finally decided.

11. During the current year the Company has accounted for Sugar Cane Purchases for the season 2007-08 @ Rs.110/- per quintal pursuant to the interim Order dated September 08, 2008 of the Hon'ble Supreme Court of India. The Company has fully discharged its cane liability as per the said interim order. Necessary adjustment in accounts arising out of difference between SAP of Rs. 125/- per quintal and Rs. 110/- per quintal amounts to Rs. 1,238.83 million will be considered as and when the matter is finally decided.

12. Disclosures in respect of derivative instruments :

	Forward Contract	Swap
(i) Derivative instruments outstanding as at September 30, 2008 are as under :	<b>USD</b>	<b>JPY/USD</b>
	<b>(Million)</b>	<b>(Million)</b>
Loans taken	20.00	9,191.20
Debtors	28.75	
FCCB	9.00	
(All the derivative instruments have been acquired for hedging purposes.)		
(ii) Foreign currency exposures that are not hedged as at September 30, 2008:	<b>USD</b>	
	<b>(Million)</b>	
Debtors	27.45	
FCCB	134.50	
ECB	193.92	

13. Pursuant to Approval under Section 212(8) of the Companies Act, 1956 (the Act) accorded by Government of India, Ministry of Corporate Affairs, vide its letter No. 47/534/2008-CL-III dated 26-08-2008, the Company has not attached with its Balance Sheet as at September 30, 2008, the documents specified in Section 212(1) of the Act in respect of its five subsidiaries, viz. (i) Bajaj Hindusthan Sugar and Industries Ltd., (ii) Bajaj Eco-Tec Products Ltd., (iii) Bajaj Aviation Pvt. Ltd. (formerly known as Bajaj Hindusthan Holdings Private Ltd.), (iv) Bajaj International Participações Ltda. Brazil, and (v) Bajaj Hindusthan (Singapore) Pte. Ltd., Singapore with the accounts. As per the Approval, the requisite information in respect of each of the above subsidiaries is disclosed in the statement annexed to this schedule (Annexure A).

14. Previous year figures have been regrouped wherever necessary and have been shown in brackets. Figures pertaining to subsidiary companies have been regrouped / rearranged wherever required to bring them in line with Company's financial presentation.

Signatures to Schedules "1" to "16"

As per our attached report of even date

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Shishir Dalal**  
Partner  
M. No. 37310

Mumbai,  
December 21, 2008

**Shishir Bajaj**  
Chairman & Managing Director

**Kushagra Bajaj**  
Joint Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**Niraj Bajaj**  
**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**Alok Krishna Agarwal**  
**D.K. Shukla**  
Directors

# Statement of Information of Subsidiary Companies

Annexure 'A' referred to in Note no.13 in schedule 16 to the Consolidated accounts for the year ended September 30,2008

Name of the Subsidiary Company	Rs. Million				
	Bajaj Hindusthan Sugar and Industries Limited	Bajaj Eco-Tec Products Limited	Bajaj Aviation Pvt.Ltd.	Bajaj International Participações Ltda.**	Bajaj Hindusthan (Singapore) Pte. Ltd.***
Financial year ended	30.09.2008	31.03.2008	30.09.2008	30.04.2008	30.09.2008
Issued subscribed and paid up share capital	118.00	190.00	50.00	52.23	0.03
Reserves	2,574.76	809.10	5.36	2.37	(0.50)
Total Assets	13,379.97	2,732.51	55.36	54.60	0.61
Total Liabilities	13,379.97	2,732.51	55.36	54.60	0.61
Details of Investments (except in case of investment in subsidiaries)	Nil	Nil	Nil	Nil	Nil
Turnover*	3,021.69	N.A.#	2.51	5.63	Nil
Profit before taxation	(1,135.29)	N.A.#	2.39	2.64	(0.39)
Provision for taxation	(377.81)	N.A.#	1.15	0.63	Nil
Profit after taxation	(757.48)	N.A.#	1.24	2.01	(0.39)
Proposed dividend	Nil	N.A.#	Nil	Nil	Nil

## Notes

\* 1 Turnover is net of excise and includes other income.

\*\* 2 The financial statements are translated at the exchange rate as on 30.09.2008 i.e. 1 BRL = Rs. 24.1638

\*\*\* 3 The financial statements are translated at the exchange rate as on 30.09.2008 i.e. 1 SGD = Rs. 32.4184

# 4 The commercial activities of the Company has not commenced up to 31.03.2008. Therefore no Profit & Loss Account has been prepared for the year ended 31.03.2008.

5 M/s Bajaj Eco-Chem Products Pvt. Ltd. (Wholly Owned Subsidiary), has been incorporated on 27.06.2008 and the first financial year will be closed on 31.03.2009; hence the desired information is not given.



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