



# WHY

## Green Revolution?

On-farm water management could increase global crop production by about one fifth, a modelling study by German and Swedish researchers indicates. However, even intensive water management on present cropland will not be sufficient to accommodate the food demands of a growing population in a warming world, the scientists report in the current edition of Environmental Research Letters.

Today, about 15 million square kilometres, roughly ten percent of the total land surface, is covered by cropland. A study suggested that without substantial improvements in water productivity or other measures to increase yields on present cropland, an expansion by about ten million square kilometres would be required if the world population rose to ten billion in 2050.

With moderate management intensity, parts of South America and parts of Africa show large potentials of increasing crop yield by more than 20 percent. Pronounced increases can be achieved mainly in regions where present yields reach less than one tenth of what could theoretically be reached if water supply was unlimited, as in large parts of Africa. Globally, a moderate and feasible management scenario suggests that crop production can be increased by 19 percent, which is comparable with the effect of current irrigation that amounts to 17 percent. Studies suggest exploring options of more efficient irrigation and expansion of irrigated agriculture, of plant breeding and genetic engineering, and of more effective trade with agricultural products from water-rich to water-poor regions.



## is a green planet our prime responsibility?

“We believe when we heal the earth, we heal ourselves”

We are committed to adopt and implement responsible and sustainable environmental standards. The BHL leadership encourages employees at all levels to implement sustainability initiatives and inspire them to embrace conservation ethics. BHL has taken significant steps during the year to implement various sustainability projects and to make sure that employees have access to environmental education resources and materials.

BHL has successfully integrated the precept and practice of sustainability into its work culture and business practices – a significant step in the direction to achieve an economic, social and environmental balance throughout the entire operation and production chain. BHL pledges to continue to implement practices that promote economic security, social betterment and environmental stewardship. We will strive towards continual improvement of performance in the following areas.

### **Eco-efficiency**

- Creating products while using renewable resources and reducing waste and pollution.
- ‘Green fuel’ through the fuel Ethanol programme.
- Using renewable resources to generate energy and manufacture products.
- ‘Wealth from waste’ for improving the soil profile and Carbon and Nitrogen ratio.

### **Environmental Protection, Health & Safety**

- Creation of awareness on various environmental issues.

- Going beyond regulatory compliance and adopting clean technologies and improvement in management practices.
- Implementation of best practices in process safety, occupational health and system integration in operations.
- Implementation of clean technology to mitigate global concerns.
- Reduction of CO<sub>2</sub> emissions through renewable energy apart from reduction in the emission of harmful gases (NO<sub>x</sub> and SO<sub>x</sub>).





## does our new Mission have a shade of green?

We are promoting the use of eco-friendly substitutes for non-renewable fossil fuels. We use sugarcane to create ethanol that can be used as a complementary green fuel to gasoline. This effort will help us create a pollution-free environment. As the threat of global warming increases over time, we are taking carefully considered measures to reduce greenhouse gas emissions, protect and enrich our precious forest resources and conserve invaluable environmental resources. We generate surplus power from sugarcane bagasse residue which we supply to the UP State Electricity Grid. Our eco-efficiency measures include the following.

- **Renewable resource as feedstock**

An important by-product of the sugar industry is molasses. Molasses contain about 40-45% sugar, which is diluted to bring sugar content to 10-15% for further fermentation process. The recovery of alcohol is about 8-10% and the rest of the raw material used finds its way into the effluent, which is deeply colored and contains high organic as well as inorganic substances called '**spent wash**'. At BHL, we treat this as a '**resource**' to produce methane-rich biogas and bio-compost. The biogas is utilized as an energy source for producing steam and

power. The residue - bagasse is gainfully utilized in manufacturing of environment friendly and completely wood-free Medium Density Fibre (MDF) and Particle Boards.

- **Energy conservation**

We recognize energy as the most precious resource and has been in the forefront in energy conservation. Our efforts are driven by the utilization of waste heat, the timely replacement of inefficient equipment, condensation and flash steam recovery and management of energy and energy audits by in-house/external experts. Our efforts in energy conservation have resulted in significant decline in specific energy consumption in our manufacturing facilities.

- **Waste and Water recycling**

At our manufacturing facilities the recycled hot water (post condensation), as well as spent wash are gainfully utilized in diluting molasses for the manufacturing process. This not only reduces effluent generation but also reduces water consumption in the distilleries. A continuous effort is being made to reduce consumption levels by following a '**Reduce, Reuse and Recycle**' approach.





## has it become imperative to nurture a green planet?

The ecological balance is precariously placed. It is our duty and responsibility to invest our time and resources towards a better environment.

Over the years Bajaj Hindusthan Ltd. has taken several significant steps towards managing and reducing the environmental impact of its operations. We have been consistently making significant investments in cleaner production, modern machinery, efficient processes and

effluent treatment and management facilities. Some of the progressive measures include investments in the following areas:

- **Co-generation with renewable fuel:** Over the years our pioneering effort in co-generation with renewable fuel (Ethanol) has won us praise the world over.
- **Biogas:** Our Biogas plant for distillery effluents at Kinauni, Palia, Gola, Gangnauli, Khambarkhera and Rudauli

are setting new standards for sugar manufacturing facilities across the country.

- **Evaporation Systems:** We have installed and successfully operate multi-effect Evaporation Systems at our Rudauli, Gangnauli, Khambarkhera, Gola and Palia plants.
- **Bio-composting:** Bio-composting facilities are available at all our manufacturing facilities across the country.

• **Wet Scrubbers & ESP:** Installation of Wet Scrubbers & ESP, a state-of-art technology to restrict emissions.

• **Green Belt development:** Green belt of adequate width and density in 33% of the total plant area is provided to mitigate the effects of fugitive emissions all around the plant as per the Central Pollution Control Board guidelines in consultation with the local District Forest Officer.





## can't wooden furniture be green?

Bajaj Hindusthan Limited (BHL), through its subsidiary, Bajaj Eco-tec Products Ltd. (BEPL), has pioneered the manufacture of environment-friendly and completely wood-free Medium Density Fibre (MDF) Boards, Particle Boards, High Density Fibre (HDF) Boards (plain & pre-laminated) and Laminate flooring in India. Produced from sugarcane bagasse residue from its sugar mills, our products have a wide variety of applications – from furniture and interior design to Speaker cabinets and sound insulation.

With three plants located in Uttar Pradesh, BEPL has commenced trial production of MDF and Particle Boards.

With a total manufacturing capacity of 210,000 cubic metres per annum (160,000 cubic metres of MDF Boards and 50,000 cubic metres of Particle Boards), these wood-substitute products will meet the rapidly growing demand of the construction and furniture sectors, conserving valuable forests and preserving the precious environment. The production of MDF, Particle boards, HDF and laminate flooring reflects the environmental consciousness of the Bajaj Hindusthan Group. It is estimated that BEPL's production of 1,60,000 cubic meters of MDF Boards will save around 1,00,000 mature trees from being felled every year.





## not fertilize soil with green manure?

The persistent use of chemical fertilisers in the country for enhancing crop yields has adversely affected the C N ratio of the soil, resulting in reduced soil fertility. To maintain the eco balance in the soil strata, supply of sufficient amount of organic material along with chemical fertilisers has become vital.

Low cost bio-compost manufactured from press mud – waste product of sugar industry and effluent – waste

product of distillery units, is very useful in improving the soil texture. The uses of bio-compost help in developing bio mass in soil and restores soil fertility.

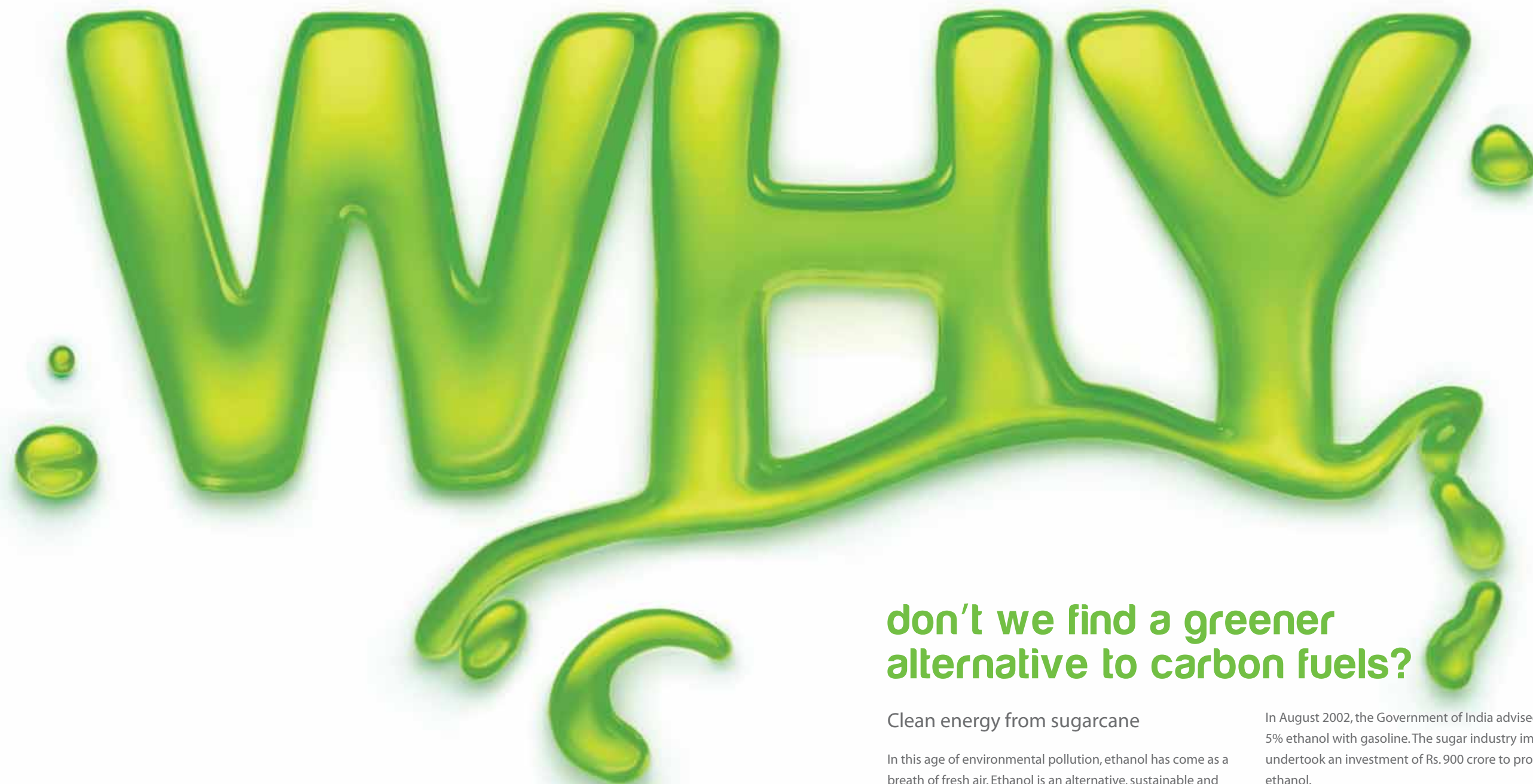
As part of our commitment towards the environment, at Bajaj Hindusthan Limited we innovatively use sugarcane residue to complement chemical fertilizers that deplete the soil of precious minerals. Effective utilisation of the concept of 'wealth from waste' is one of the means to develop an

eco friendly environment. BHL's 'wealth from waste' initiative, aimed at using renewable resources and effectively utilising by-products for value maximisation, has yielded results that are reflected in increased financial and operating efficiencies as well as wide-scale benefits for the agricultural sector as a whole.

A significant landmark in our efforts has been established in effluent utilisation, press mud – waste product of sugar

mill, and excess sludge from the fermentation process of distillery and effluent treatment plants, to produce bio-compost. The bio-compost produced as a by-product of the sugar manufacturing process is rich in valuable soil nutrients like nitrogen, phosphorus and potash, as well as organic carbon.





## don't we find a greener alternative to carbon fuels?

### Clean energy from sugarcane

In this age of environmental pollution, ethanol has come as a breath of fresh air. Ethanol is an alternative, sustainable and renewable fuel. Every tonne of sugarcane used to produce ethanol absorbs 0.17 ton of carbon dioxide (CO<sub>2</sub>), which otherwise is a greenhouse gas that actively contributes to global warming and climate change. The emergence of this eco-friendly fuel saves India considerable foreign exchange and also generates additional employment in rural India.

In August 2002, the Government of India advised blending 5% ethanol with gasoline. The sugar industry immediately undertook an investment of Rs. 900 crore to produce fuel ethanol.

Sugarcane can produce either sugar or ethanol. Sugarcane today contributes to 70% of global sugar production.

Today, Bajaj Hindusthan Limited, with an emphasis on maintaining the fine balance of nature, has evolved as India's largest and the world's sixth largest producer of ethanol.



# Chairman's Letter

Dear Shareholder,

The scare of the global economic recession, initially compared to the Great Depression of the 1930s was widely anticipated to have adverse consequences on the emerging economies of Asia dependent largely on the developed western economies for trade and commerce. Fortunately, this fear was misplaced. Stronger and with more robust financial resources after the experience of the Asian currency crisis of the late 1990s, the recession was milder here than was feared earlier. More than that, particularly in India, the government responded promptly through timely financial stimulus and welfare packages that helped a quick rebound. The challenge now is to sustain these initiatives while controlling inflation.

The primary challenge for any organisation is defining what we need to do in economic eventualities. Do we just decide to stay afloat or do we gear ourselves to evolve, reallocate, redefine and re-establish? The first option may

be a risk averse one but has its own pitfalls more synonymous perhaps with the "change or perish" theory. Indian industry however, has shown a remarkable tenacity to work and learn through this change particularly in the past two decades. In hindsight, perhaps the first tectonic shift occurred when the reforms set in 1991 paving a new economic order for most of the industry. The second business environment shift happened at the initiation of the present decade in early 2000. Sunrise industries like IT and BPO matured and the service sector started contributing over half of India's GDP. Manufacturing matured successfully with new competition from abroad.

After riding two decades of post reforms growth, the first test came in terms of global recession setting in and hitting domestic markets. The big challenge now was on how to handle evolution in a sluggish environment. It was time to learn new lessons, understand or may be restate opportunities and threats and finally consolidate growth despite the restrictive business environment.



India Inc in the past six quarters has shown a remarkable resilience when faced with the challenges of global meltdown. Sectors like automobiles sprung surprises through wonderful sales figures. The Indian IT industry after some sluggishness in the first quarter of the present fiscal, recorded performances far above expectations in the second quarter. Real estate which was hit by high interest rates and falling prices reorganized its product offerings to affordable housing - starting from as low as Rs. 2 million in metropolises. The banking industry stood its feet despite the financial meltdown. Due credit should also deservedly go to the Reserve Bank of India with its forward looking, spontaneous yet cautious approach to reformist policies. Critics now acknowledge that India has been insulated from this meltdown in the financial sector with not a single bank affected through the sub prime crisis, a result of RBI's conservative approach to financial sector reforms.

Any business environment in a sluggish period is largely interdependent with government policies. The fiscal stimulus packages offered by the government in three major installments has certainly helped the business environment to look up given the reduction in duties and taxes. Direct sops through excise cuts have also helped in creating a reasonable demand in the economy which is so critical to inject life into the product markets.

With supportive government policies in a sluggish economy, the next step is an assertive industry ready to take on recession with affirmative action. The normal management mantras of cost control, supply chain management, deepening the role of human resource management, consolidating core markets, all play into action simultaneously. Corporates across sectors have taken up all possible measures which finally resulted in an almost U-shaped recovery curve for India.

Inherent amongst the fight back also lay threats and challenges. For example, the production fall and high prices in the food sector could usher in a new set of uncertainties. The threat remains and certainly cannot be wished away in the immediate future unless major steps on the production side are not adopted. Take the case of the sugar sector which would always have a growing demand given that the country has one of the lowest per capita consumption and the fact that sugar remains one of the cheapest sources of food energy in India. Trends for the immediate future however reflect a fall in inventory as a result of a fall in production levels when compared to the accelerating demand.

However, the regulation of the industry has seen upturn and downturn in prices not necessarily in consonance with inputs costs, thereby putting severe strain many a times on the normal finances of the company. Typically, the industry has faced the challenge of downturn through debt restructuring and prudent input cost management. In Bajaj Hindusthan, we have gone a step ahead and decided on diversification. Two mainstays of diversification however were sacrosanct. First, it has to be a viable option related to the core operations of the company. Second, it has to be in an area that would have a well defined future in terms of demand and prices and would offset the sugar cyclicality. The recently announced foray into the power sector by our group was a natural outcome taking leverage of our existing land and the huge demand existing for power.

A good set of managers should be capable of riding all business cycles. The stakeholders, the consumers and the employees - all remain the same. Only the environment changes. For Corporate India, the primary challenge has always been to reshape with this changing environment. The dogmas of performing remain the same. The second quarter of 2009-10 has sprung an unexpected surprise by clocking a GDP growth of 7.9 percent. Trends speak of the third and fourth quarter clocking in impressive growth figures despite the high food prices and consequently, a rise in interest rates. Two major changes however have happened in the Indian economy. First, the worst phase is certainly over and new winners have come out in almost every sector. Second, the next level of recovery would happen based on the foundation of the lessons learnt in the past. With the new GDP projections being revised upwards at around 7 percent levels for 2009-10, this spurt in growth should bring in a sustained increase in demand for Indian industry.

In this backdrop of cautious optimism, at Bajaj Hindusthan, we have the vision and the strength of determination to seek strategic avenues of growth for a resilient tomorrow.

Warm regards,

**Shishir Bajaj**

Chairman & Managing Director



# JMD Speaks

Dear Stakeholders,

I would first like to thank all our stakeholders who have been extremely supportive in our times of stress in the recent past. With your support and the efforts of all of us at Bajaj Hindusthan, we have successfully withstood perhaps the worst downturn in the sugar industry ever and have emerged stronger.

I am happy to state that a definitive shift is taking place in the sugar cycle. From a position of excess production in the last couple of years leading to shrinking of realizations for mills to that of a substantially lower production and global demand supply imbalance in the next couple of years. With prices of both sugarcane and sugar attracting strong political and media attention, interest in the sugar industry obviously has seen a steep incline.

Two years of bumper harvests until September 2008 caused an oversupply of the sweetener leading to lower prices in the domestic market. It also prompted the government to allow export of the commodity.

Thereon in 2009, India witnessed its lowest rainfall in 37 years which significantly contributed to a sharp fall in cane crop output. Added to this was the large scale diversion of sugarcane to the unorganized sector consisting of jaggery and khandsari producers. As a result, the country's sugar production fell by 44 percent from a high of 26.3 million tonnes in 2007-08 to 14.7 million tonnes in 2008-09 signaling concerns of another big deficit in the crop-year that began on October 1. With domestic demand in India, the world's largest sugar consumer projected at around 23 million tonnes annually, the huge demand-supply mismatch has led to local prices climbing.

The country stares at another deficit in 2009-10. Ironically, late unseasonal rains caused flooding in Uttar Pradesh and other sugar-producing states like Maharashtra and Karnataka, delaying the crushing of cane, which usually begins in October, by about a month. The excessive rainfall also reduced recovery of sugar from cane, further hurting

output. India's output in 2009-10 may slip below an earlier estimate of 16 million tonnes, and the government – which had already prompted India's switch to importing sugar in 2009 from being an exporter until 2008- is preparing to import even more.

With no foreseeable increase in cane supply domestically, Bajaj Hindusthan strategically opted to import 700,000 tonnes of raw sugar for processing in the 2009-10 season, thereby aiming to more than double the capacity utilization and production over that of the previous year. Our reading of the market proved correct and we were able to time our raw imports optimally, leading to very competitive raw sugar costs. This will enable us to enhance our earnings in 2009-10.

In October 2009, the Central Government of India announced a major overhaul of the sugarcane pricing policy by introducing a Fair & Remunerative Price (FRP) that would replace the earlier Statutory Minimum Price (SMP) for sugarcane procurement across the country. Introduced by way of a new ordinance through an amendment of the Essential Commodities Act, 1955, the Centre fixed a FRP of Rs. 129.84 a quintal for the sugar season 2009-10, reflecting an increase of 60 percent over the SMP of Rs. 81.18 a quintal paid in the previous season.

Sugar being an item of mass consumption, sugar mills in the country are required to supply 10 percent of their total production at a subsidized cost for the public distribution system administered by the Central Government. Faced with an impending shortage of the commodity in 2009-10, the government has recently increased the volume of levy sugar requirement to 20 percent. The price of sugar paid to the sugar mills against their levy obligation was always pegged to the SMP. Now, with a higher FRP, manufacturers like us based in Uttar Pradesh will be able to partially mitigate the losses from levy sugar.

With the farmers earning higher sugarcane prices in 2009-10, it is widely believed that the farmers, who had diverted to other higher earning crops like wheat and

paddy will return to sugarcane, increasing the acreage under cultivation. Moreover, anticipating normal monsoons, there is growing expectation that the sugar cycle will turn in 2010-11 and production could rebound to around 20-22 million tonnes.

Indian imports have already impacted global supply of sugar and caused prices in the world market to surge by 70 percent since February. In fact, global sugar prices are riding a 29-year high. It is estimated that the world faces an 8.3 million tonnes sugar shortage in 2009-10, contributed mainly by a lower production in India. The trend of rising prices is likely to more than offset the increase in costs of procuring cane from farmers.

In 2009-10 the Bajaj Hindusthan group would extend its initiatives in the power sector. It already has a generation capacity of about 428 MW of power, of which 105 MW is meant for export while the remaining 323 MW is for captive consumption. The group has now embarked on scaling up this capacity to 828 MW by setting up 400 MW thermal (coal) based additional power generation capacity. The entire 100 percent upcoming generation is for export and this project should be commissioned sometime by

2011. The foray into the power business would reinforce the company's ability to ride the cyclical sugar business especially during downturns and will supplement earnings.

With firm sugar prices expected to prevail in the next eighteen months or so, Bajaj Hindusthan with your continuous support and the commitment of all its employees and stakeholders looks forward to an encouraging performance as India's and Asia's largest sugar producer.

With best wishes,

**Kushagra Bajaj**

Joint Managing Director





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# Board of Directors

## Shishir Bajaj

Chairman & Managing Director (Promoter)

## Kushagra Bajaj

Joint Managing Director (Promoter)

## Niraj Bajaj (upto December 31, 2008)

Non-Executive Director (Promoter)

## D. S. Mehta

Non-Executive Director

## M. L. Apte

Non-Executive Director (Independent)

## R. V. Ruia

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

## Alok Krishna Agarwal

Non-Executive Director (Independent)

## I. D. Mittal (upto February 5, 2009)

Chief Executive Director

## Dr. Sanjeev Kumar (w.e.f. March 12, 2009)

Director (Corporate & Legal Affairs)



# 10 Years Performance Trends : 2000-2009

(Rs. Million)

BALANCE SHEET	30.09.2009	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
<b>SOURCES OF FUNDS</b>										
<b>Shareholder's Funds</b>										
Share Capital	176.86	141.41	141.41	141.41	116.33	87.33	87.33	87.33	87.33	87.33
Equity Warrants	189.01	-	-	-	-	-	-	-	-	-
Reserves & Surplus	22,570.75	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
<b>Sub Total</b>	<b>22,936.62</b>	<b>13,451.04</b>	<b>14,343.31</b>	<b>13,686.66</b>	<b>6,142.42</b>	<b>1,377.31</b>	<b>1,218.99</b>	<b>965.04</b>	<b>1,248.09</b>	<b>1,241.20</b>
<b>Loan Funds</b>										
Secured Loans	19,567.31	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
Unsecured Loans	11,184.20	6,009.90	8,550.10	10,659.18	1,282.46	19.35	20.69	22.16	49.57	358.27
<b>Sub Total</b>	<b>30,751.51</b>	<b>34,090.73</b>	<b>28,908.90</b>	<b>15,060.83</b>	<b>5,100.36</b>	<b>3,221.72</b>	<b>1,798.40</b>	<b>865.66</b>	<b>2,138.77</b>	<b>1,701.48</b>
Deferred Tax Liabilities ( Net )	1,080.44	589.37	1,208.77	1,299.62	453.36	424.26	284.66	245.06	-	-
<b>Total</b>	<b>54,768.57</b>	<b>48,131.14</b>	<b>44,460.98</b>	<b>30,047.11</b>	<b>11,696.14</b>	<b>5,023.29</b>	<b>3,302.05</b>	<b>2,075.76</b>	<b>3,386.86</b>	<b>2,942.68</b>
<b>APPLICATION OF FUNDS</b>										
<b>Fixed Assets</b>										
Gross Block	34,074.83	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
Less : Depreciation	7,749.84	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
Net Block	26,324.99	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
Capital Work in Progress	1,312.79	1,386.93	5,629.67	12,230.78	6,234.44	1,786.02	788.30	25.05	43.96	3.66
<b>Sub Total</b>	<b>27,637.78</b>	<b>26,175.15</b>	<b>27,836.06</b>	<b>22,365.61</b>	<b>10,797.36</b>	<b>4,232.67</b>	<b>1,892.50</b>	<b>1,108.07</b>	<b>1,141.33</b>	<b>1,061.55</b>
Investment	5,491.06	4,882.56	4,374.67	2,058.10	50.66	0.66	13.26	21.51	39.54	2.02
<b>Current Assets, Loan and Advances</b>										
Inventories	8,004.52	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
Sundry Debtors	285.65	422.99	1,099.97	618.56	178.62	278.30	222.80	9.94	53.18	59.16
Cash & Bank Balances	1,123.55	397.27	1,089.53	2,233.12	58.43	39.54	123.41	32.27	40.88	51.71
Loans & Advances	20,930.49	18,062.13	14,952.76	5,342.81	1,030.49	404.37	170.98	142.47	255.87	276.03
<b>Sub Total</b>	<b>30,344.21</b>	<b>25,254.76</b>	<b>21,090.53</b>	<b>9,418.34</b>	<b>1,823.00</b>	<b>1,496.29</b>	<b>1,787.99</b>	<b>1,374.73</b>	<b>3,018.17</b>	<b>2,627.00</b>
<b>Current Liabilities &amp; Provisions</b>										
Current Liabilities	6,830.28	6,104.92	6,245.35	1,820.37	549.75	656.67	344.08	340.01	733.95	711.34
Provisions	1,874.20	2,076.41	2,594.93	1,974.57	425.13	49.66	47.62	88.54	83.08	45.93
<b>Sub Total</b>	<b>8,704.48</b>	<b>8,181.33</b>	<b>8,840.28</b>	<b>3,794.94</b>	<b>974.88</b>	<b>706.33</b>	<b>391.70</b>	<b>428.55</b>	<b>817.03</b>	<b>757.27</b>
Net Current Assets	21,639.73	17,073.43	12,250.25	5,623.40	848.12	789.96	1,396.29	946.18	2,201.14	1,869.73
Miscellaneous Expenditure (to the extent not written off or adjusted)										
Deferred Revenue Expenditure		-	-	-	-	-	-	-	4.85	9.38
<b>Total</b>	<b>54,768.57</b>	<b>48,131.14</b>	<b>44,460.98</b>	<b>30,047.11</b>	<b>11,696.14</b>	<b>5,023.29</b>	<b>3,302.05</b>	<b>2,075.76</b>	<b>3,386.86</b>	<b>2,942.68</b>

(Rs. Million)

NET INCOME STATEMENT Year ended	30.09.2009	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
<b>INCOME</b>										
Sales ( Gross )	16,557.52	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
Less : Excise Duty	720.15	1,232.13	1,282.06	796.80	453.40	278.07	373.56	294.92	258.66	324.41
Sales (Net)	15,837.37	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
Other Income	2,311.57	465.91	306.50	395.10	86.82	176.70	129.72	40.23	55.01	42.88
<b>Total</b>	<b>18,148.94</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>EXPENDITURE</b>										
Materials	8,167.60	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
Manufacturing & Other Expenses	2,591.14	4,186.87	3,442.00	1,918.69	1,045.74	777.55	714.89	895.65	613.55	492.32
(Increase)/ Decrease in Stock	1,437.26	(2,246.90)	(1,324.14)	(69.80)	705.06	467.19	(94.74)	1,578.44	(427.54)	(453.12)
<b>Total</b>	<b>12,196.00</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>Profit before Depreciation,</b>										
<b>Interest &amp; Tax (PBDIT)</b>	5,952.94	2,185.44	2,484.58	3,504.15	2,187.80	1,105.56	551.11	477.07	396.53	338.40
Depreciation (Net)	2,022.13	1,872.21	1,468.82	723.94	350.95	190.87	135.10	184.26	107.63	103.14
Interest & Finance Expenses (Net)	1,870.77	1,394.44	637.34	(21.48)	132.06	135.90	67.36	166.57	201.73	160.57
	<b>3,892.90</b>	<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>Profit before Tax (PBT)</b>	<b>2,060.04</b>	<b>(1,081.21)</b>	<b>378.42</b>	<b>2,801.69</b>	<b>1,704.79</b>	<b>778.79</b>	<b>348.65</b>	<b>126.24</b>	<b>87.17</b>	<b>74.69</b>
Provision for Taxation (net)	497.67	(604.37)	(78.05)	893.36	300.90	168.60	65.14	22.60	4.41	4.68
<b>Profit after Tax (PAT)</b>	<b>1,562.37</b>	<b>(476.84)</b>	<b>456.47</b>	<b>1,908.33</b>	<b>1,403.89</b>	<b>610.19</b>	<b>283.51</b>	<b>103.64</b>	<b>82.76</b>	<b>70.01</b>
<b>Dividend (%)</b>	<b>70%</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>



# Directors' Report

Your Directors have pleasure in presenting their Seventy-eighth annual report and the audited statement of accounts for the financial year ended September 30, 2009.

## Financial Results

The summarised Financial results of the Company for the year ended September 30, 2009 are presented below:

	2008-09 (Rs.million)	2007-08 (Rs.million)
Sales and other income	<b>18,148.94</b>	18,028.72
Profit before interest, depreciation and Taxation	<b>5,952.94</b>	2,185.44
Interest (Net)	<b>1,870.77</b>	1,394.44
Depreciation	<b>2,022.13</b>	1,872.21
Profit/(Loss) before taxation	<b>2,060.04</b>	(1,081.21)
Provision for taxation (including Fringe Benefit Tax)	<b>6.60</b>	13.80
Provision for deferred tax (Net)	<b>491.07</b>	(618.17)
Profit/(Loss) after tax	<b>1,562.37</b>	(476.84)
Disposable surplus after adjustments	<b>1,609.82</b>	164.53
Transfer to general reserve	<b>400.00</b>	-
Transfer to debenture redemption reserve	<b>275.00</b>	-
Proposed dividend	<b>123.80</b>	84.84
Corporate Dividend Tax on Proposed Dividend	<b>21.04</b>	14.42
Balance carried to balance sheet	<b>789.98</b>	65.27

On a stand-alone basis the Company achieved a turnover of Rs. 18,148.94 million as compared to Rs. 18,028.72 million in the previous year. The Profit after tax stood at Rs. 1,562.37 million as compared to the loss of Rs. 476.84 million on the previous year. On consolidated basis, the turnover is Rs. 23,335.19 million as compared to Rs. 21,202.60 million in the previous year. The profit after tax and minority interest is Rs. 617.84 million compared to a loss after tax and minority interest of Rs. 1,574.22 million in the previous year.

## Dividend

The Board of Directors of the Company recommend, for consideration of shareholders at the 78th annual general meeting, payment of dividend of 70% (Re. 0.70 per share) on equity shares of the face value of Re. 1/- each for the year ended September 30, 2009. The dividend paid during the previous year was 60% (Re. 0.60 per share) on equity shares of face value of Re. 1/- each.

## Operations

The financial year 2008-09 witnessed lower than demand sugar production in India for the second year in a row. The situation was primarily caused by a lower availability of sugarcane-the principal raw material for Company's operations-which was on a decline due to various factors like crop switching, climate, sugarcane yield, sugar recovery, etc. The increase in the minimum support prices (MSP) of alternative crops, especially wheat and paddy, increased as a CAGR of around 18% in past three years, resulted in a quantum jump in the wheat and paddy production levels in the past five years. The rate of sugar recovery was relatively lower due to adverse agro-climatic conditions. The average recovery rate declined to 9.09% from 9.99% in the 2007-2008 Sugar Season (SS), and caused the overall production of sugar to decline. Lower sugarcane availability coupled with lower recovery during the season 2008-09 resulted in lower production of sugar

and other downstream products-industrial alcohol, power, etc. - by the Company.

On the other hand, this resulted in emerging of situation of deficit inventory in the Indian Sugar industry from the earlier position a surplus inventory situation. Imports of sugar in India were also on a rise during the 2008-2009 SS and are expected to rise further during in 2009-2010 SS to balance the sugar inventory levels within the country. Resultantly, the sugar prices in India started firming up during the year and are expected to rise further in the coming year.

The operations during the financial year ended September 30, 2009 at all the ten sugar mills of the Company having an aggregate sugarcane crushing capacity of 96,000 TCD, five distilleries having an aggregate capacity of 640 KL of industrial alcohol per day and co-generation facilities which have an aggregate installed capacity of 340 MW were satisfactory. Despite adverse conditions and lower production, the Company had achieved commendable results during the year 2008-09.

## Sugar

The decrease in overall availability of sugarcane during the Sugar Season (SS) 2008-09 also affected the Company. The sugarcane crushing was lesser by around 46% with relatively shorter duration of crushing operations in all of its sugar mills ranging from 68 to 123 days during SS 2008-09 as against the duration ranging from 92 to 142 days during the previous SS 2007-08. The aggregate sugarcane crushed by the Company during SS 2008-09 dropped to 5.425 Million MT (MMT) as against 10.012 MMT in SS 2007-08. Further more the unfavourable weather conditions also caused a reduction in recovery rate by around 0.90% - from an average recovery of 9.09% during SS 2008-09 as against that of 9.99% achieved in SS 2007-08. As a result, the sugar production during SS 2008-09 dropped to 4,93,268 tonnes compared to 9,99,890 tonnes during the preceding SS 2007-08.

The sugarcane price in form of State Advised Price (SAP) was fixed at Rs. 140 per quintal in SS 2008-09 by the state government of Uttar Pradesh. The higher SAP coupled with lower sugarcane availability and lower recovery rate resulted in an increase per unit cost of production of sugar - from an average cost of about Rs. 1,657 per quintal in SS 2007-08 to Rs. 2,019 per quintal in SS 2008-09.

The sugar prices however began to rise during the second half of the financial year 2008-09, mainly due to depleting sugar inventory levels in the country. The average selling price of free sale sugar, being 90% of the total quantity of sugar produced by the Company was up by around 41% - to about Rs. 2,205 per quintal during the financial year 2008-09, as against Rs. 1,563 per quintal during financial year 2007-08. On the other hand, for the remaining 10% of the total quantity of sugar produced by the Company, as required to be sold to the Public Distribution System, remained unchanged at Rs. 1,333 per quintal. The profitability of sugar segment of the Company during the year 2008-09 was Rs. 1,594.77 million as against a loss of Rs. 602.64 million in the previous year.

## Industrial Alcohol

The operations at all the five distilleries of the Company having an aggregate industrial alcohol production capacity of 640 KL per day were satisfactory. The total production of industrial alcohol during the year 2008-09 however was lower 52,469 KL as against 139,260 KL in the year 2007-08, primarily due to lower availability of molasses which in turn can be attributed to the lower availability of sugarcane. Ethanol, which is the major contributory for the industrial alcohol segment of the Company, continued to be sold to the oil companies in India at the price determined through a competitive tender mechanism. While average ethanol prices during the year 2008-09 were constant at Rs. 22.0 per litre, the average prices of other types of industrial alcohol during the year significantly up to Rs. 28.33 per litre as against Rs. 19.01 per liter in the previous year. In quantitative terms, Ethanol sales constituted around 64% of our industrial alcohol sales during the financial year 2008-09, while the other products like denatured spirit and extra neutral alcohol together constituted the balance 36%. Lower capacity utilisation during the year resulted in Distillery segment incurring a loss of Rs. 68.38 million as against the profit of Rs. 587.71 million in the preceding year.

## Power

The operations of electric power generation were smooth at all of our ten sugar mills. While most of the power generated by us continued to be used captively for the operational needs of the Company, the surplus power is sold to the Uttar Pradesh State grid. Lower sugarcane crop also impacted the availability of the by-product bagasse- the fuel presently used by the Company to generate power.



The average price at which we sold our surplus power was approximately Rs.3.08 per KWH. The profit earned by the power segment of the Company during the year 2008-09 was also lower at Rs.484.04 million as against a profit of Rs. 887.57 million in the previous year.

## Change in Capital Structure

During the year, the Company had focused on measures to improve in its net worth.

### Preferential Allotment to Promoter

Your Company issued and allotted 14,500,000 Equity Warrants on preferential basis to the Promoter Group on May 18, 2009, entitling the warrant holder to apply for and be allotted one fully paid Equity Share of the Company of Re.1/- each at a premium of Rs.51.14 per share in accordance with applicable SEBI guidelines.

An aggregate sum of Rs.189.01 million equivalent to 25% of the total subscription amount was received prior to the allotment of warrants. The balance 75% is payable by the warrant holders anytime on or before expiry of 18 months from the date of allotment of warrants, prior to exercise of option to apply for the equity shares.

### Qualified Institutions Placement

During the year, the Company has successfully raised equity funds of approximately Rs. 7,231.80 million equivalent to approximately US\$ 150.19 million under a Qualified Institutions Placement (QIP) in accordance with the applicable SEBI Guidelines. The Company has allotted an aggregate of 35,450,000 Equity Shares of Re.1/- each at a premium of Rs. 203 per share to certain Qualified Institutional Buyers (QIBs) on July 3, 2009.

Post issue of 35,450,000 equity shares to the QIBs, the paid-up equity share capital of the Company has increased from Rs. 14,14,07,111/- to Rs. 17,68,57,111/-, divided into 176857111 equity shares of face value Re. 1/- each. The net proceeds from the QIP issue was utilized in full for repayment/prepayment of debts in accordance with the terms of the issue.

## Re-purchase of Foreign Currency Convertible Bonds

The Company had issued Zero Coupon Foreign Currency Convertible Bonds (the "FCCBs") aggregating to US\$ 120 million in 2006. These bonds are convertible into equity shares of the Company or Global Depository Receipt representing equity shares before February 2011. With FCCBs aggregating to US\$ 0.5 million having been converted earlier, FCCBs of the face value aggregating to US\$ 119.50 million were outstanding.

Pursuant to the guidelines issued by the Reserve Bank of India for prepayment/re-purchase (buyback) of Bonds issued by Indian companies, the Company through a combination of "Open Market" and a "Tender Offer" to Bondholders, had repurchased bonds of face value aggregating to US\$ 19.93 million at an average discount of 9% of the face value of FCCBs, which were subsequently cancelled. The aggregate principal amount of bonds that are currently outstanding is US\$ 99.57 million.

## Listing of Securities

The Company's shares are listed on the Bombay and National Stock Exchanges. The Annual Listing fees to each of these Stock Exchanges have been paid by the Company. The Global Depository Receipts (GDRs) and Foreign Currency Convertible Bonds (FCCBs) are listed on the Luxembourg Stock Exchange and London Stock Exchange respectively.

## Subsidiaries

As per the provisions of Section 212 of the Companies Act, 1956, the Directors' Report, Balance Sheet and Profit and Loss Account of the subsidiary companies are required to be attached with the Balance Sheet of a 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. 47/687/2009-CL-III dated 14-10-2009, 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
2. Bajaj Eco-Tec Products Limited
3. Bajaj Aviation Private Limited

4. Bajaj Internacional Participações Ltda. (Brazilian subsidiary)
5. Bajaj Hindusthan (Singapore) Pvt. Ltd. (Singapore subsidiary)
6. Bajaj Eco-Chem Products Private Limited

As directed by the Ministry of Corporate Affairs, certain key information has been disclosed in an Annexure to 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.

## Bajaj Hindusthan Sugar and Industries Limited

During the year 2008-09, Bajaj Hindusthan Sugar and Industries Limited (BHSIL) achieved a turnover sales and other income of Rs.4,157.79 million as compared to Rs.3,021.69 million in the previous year. The Company recorded Net loss of Rs. 89.29 million against a loss of Rs.757.48 million in the previous year. BHSIL crushed 1.308 Million MT (MMT) of sugar cane during the season 2008-09 as against 1.342 MMT during the sugar season 2007-08. Production of sugar for the season 2008-09 was 0.115 MMT as against 0.140 MMT during the season 2007-08. The recovery during the season 2008-09 was 8.79% as compared to 9.75% during the season 2007-08. BHSIL's co-generation plants have generated 37,242 MW power during the year 2008-09 as against 44,564 MW power generated during the previous year.

BHSIL is still awaiting from a lender the approval for 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) loans including interest thereon; and (ii) loans including interest thereon taken over by it from its future subsidiaries - due to the Company. The Company will obtain approvals of the shareholders and creditors of the Company, the High Court of judicature at Bombay and other concerned authorities. The said approval is

expected shortly. On receipt of the same, Company will file application with Bombay High Court to obtain necessary directions from the said Court.

## Bajaj Eco-Tec Products Limited

Bajaj Eco-Tec Products Limited (BEPL) is one of the Wholly Owned Subsidiary (WOS) of Bajaj Hindusthan Limited.

BEPL is one of the only two companies in the world, to manufacture Medium Density Fibre (MDF) boards from sugar cane bagasse.

The two Medium Density Fibre (MDF) Board plants, (MDF plants) are situated at Palia Kalan, District Lakhimpur Kheri, U.P. and at Kundarkhi, District Gonda, U.P., each having a capacity to manufacture 80,000 m<sup>3</sup> boards per annum. The Particle Board Plant is situated at Kinauni, District Meerut, U.P., and has a capacity to manufacture 50,000 m<sup>3</sup> boards per annum. The combined capacity of all three plants, at 210,000 m<sup>3</sup> boards per annum, is the largest in the country, and has been set up at a total cost of around Rs. 3,000 million. BEPL has installed the latest, state-of-the-art Plant & Machinery, at all three locations, which have been imported brand new, from Europe and China.

During the financial year 2008-09, BEPL has successfully commenced commercial operations of manufacturing Particle Boards (PB) and Medium Density Fibre Boards (MDF), from sugar cane bagasse, and launched its "Zero Wood, Eco-friendly Particle Boards and Medium Density Fibre Boards" in the Indian Market, under the brand "Bajaj Boards".

BEPL had successfully resolved the initial quality issues of MDF boards, and the plants were also gradually stabilized. In view of worldwide recession and more particularly in real estate and infrastructure sectors, which is the main market for PB and MDF, the demand and consequently prices of PB and MDF boards dropped rapidly. Few countries, in order to keep their plants running, also resorted to dumping their products in India. As a result of this, the prices of PB and MDF boards in India went down by as much as 30%. The threat became so serious, that in February 2009, Government of India imposed Anti Dumping Duty on import of MDF from Sri Lanka, Thailand, Malaysia, China and New Zealand.

However, due to aforesaid, the turnover and margins of the Company in its first year of commercial operations were adversely affected. During the year 2008-09, BEPL recorded a turnover (Gross Sales and Other Income) of Rs.608.68 million and a net loss of Rs. 739.51 million.



BEPL has now launched complete range of PB and MDF boards in the market - Plain boards, Pre-laminated boards, Interior Grade, Exterior Grade, and in thicknesses ranging from 6 mm to 25 mm.

BEPL has also received ISI Certifications in respect of its PB and MDF boards manufactured at all three plants. Further, being manufactured from sugar cane bagasse, an agricultural residue, the Bureau of Indian Standards have also accorded "ECO-MARK" to BEPL's PB and MDF boards. BEPL has also earned Membership of Indian Green Building Council (IGBC), an organization committed to promote and develop green building concepts, in India. BEPL's PB and MDF boards also enjoy Zero Excise Duty and Concessional VAT in number of states.

With ISI Mark, ECO-MARK and prestigious membership of IGBC, "Bajaj Boards" are now being specified in all major projects of Governments, Banks, Hospitals, Educational Institutions, Hotels, Public Undertakings, etc., all across the country.

"Bajaj Boards" 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, one of the main culprits of "GLOBAL WARMING". At full production capacity of 210,000 m<sup>3</sup>, "Bajaj Boards" has a potential to save 400,000 mature trees from being cut every year!

During the year, BHL had invested a further sum of Rs.600 million by way of Convertible Preference Shares subscription. Accordingly, till date, BHL has invested Rs.1,849.10 million by way of 11,500,000 equity shares of face value Rs.10/- each at a price of Rs.100/- per share (comprising Rs.90/- per share as premium); 10,000,000 - 7% Redeemable Cumulative Non-Convertible Preference Shares of face value of Rs.10/- each and 60,000,000 - 7% Redeemable Cumulative Convertible Optionally Preference Shares of face value of Rs.10/- each towards part funding of the overall project cost and working capital requirements of its subsidiary.

### **Bajaj Aviation Private Limited**

Bajaja Aviation Private Limited (BAPL) commenced the operations of providing charter services of its Bell-407 helicopter acquired during the year. In its first year of commercial operations, BAPL generated income of Rs.10.64 million and recorded Profit after taxation of

Rs.2.02 million for the year ended September 30, 2009.

### **Bajaj Eco-Chem Products Private Limited**

The proposed plan of undertaking and carrying the business of manufacture and sale of speciality chemicals by BECPL was deferred and as such no business has been commenced under Bajaj Eco-Chem Products Private Limited till date.

### **Bajaj Internacional Participações Limitada (Subsidiary in Brazil)**

The Company has not commenced any business operations through this Wholly Owned Subsidiary (WOS) in Brazil till date. Brazil is the largest sugar producing nation in the world, which may provide suitable business opportunity in this sector for being taken up through this WOS.

### **Bajaj Hindusthan (Singapore) Private Limited**

Bajaj Hindusthan (Singapore) Pvt. Ltd. was incorporated in May 2007 for the purpose of leveraging foreign business opportunities. No business operation has yet commenced. The Company continues to explore suitable business opportunities.

## **Cane and Sugar Policy**

The Central Government has announced several policy measures during the year under review as well as for the future. The salient features of the sugar policy effective from October 1, 2009 are:-

1. Levy sugar component has been increased from 10% in Sugar Season 2008-09 to 20% for Sugar Season 2009-10 to meet the requirements under the Public Distribution System at subsidized rates;
2. Levy sugar price will now onwards re computed based on the Fair and Remunerative Price (FRP) in place of the Statutory Minimum Price (SMP). The FRP would provide reasonable margin to the growers' on account of risk and profits;
3. FRP is applicable from October 1, 2009;
4. The Central Government has allowed duty-free import of raw sugar till January 1, 2011 and white sugar till March 31, 2010 to enable the availability of sugar in the domestic market;

5. For the Sugar Season 2009-10, the Central Government has announced FRP at the rate of Rs. 129.84 per quintal linked to a base recovery rate of 9.50% subject to a premium of Rs. 1.37 per quintal for every 0.10% increase in recovery above that level; and
6. The Government of Uttar Pradesh has announced the sugarcane price at Rs.165 per quintal for normal variety as against Rs.140 per quintal during Sugar Season 2008-09. However, due to shortage of sugarcane, sugar mills in Uttar Pradesh have agreed to pay between Rs.200 and Rs.210 per quintal.

## Ethanol Policy

The Government of India has recently reiterated its stand to implement mandatory 5% ethanol blending with petrol. This is expected to result in better utilization of the Alcohol business segment of the Company.

## Power Policy

The Government of Uttar Pradesh has recently announced "Energy Policy 2009" that provides for special relaxation for co-generation plants facing shortage of fuel. Emphasis was also given for enabling utilization of idle capacity to bridge the demand-supply gap in an energy deficient state such as Uttar Pradesh.

The relaxations as announced by the Government of Uttar Pradesh may be summarized as :-

1. Renewable energy (bagasse) based co-generation plants will be permitted use of fossil fuel such as coal or gas to generate power in the off-season;
2. All existing or future co-generation plants (bagasse) will be permitted to sell 10% of their total generation under open access to third party for the next 10 years; and
3. As an incentive for off-season generation, the Government of Uttar Pradesh will permit 50% of the power to be sold anywhere under Open Access System.

## New Tariff

The Uttar Pradesh Electricity Commission, Lucknow (UPERC) vide its order dated September 9, 2009 reviewed Captive and Non Conventional Energy (CNCE) Regulations 2005 and has determined the new effective tariff for existing bagasse based co-

generation plants from the financial years 2009-2010 to 2013-2014. By virtue of this order of UPERC, the effective bagasse based co-generation plants of the Company will stand increased progressively by approximately 30%. This would result in higher revenue and profits for the Company.

## Expansion of Power Capacity

### Modification of Boilers for use of alternate fuel

The Company is in the process of modifying its "Bagasse-fired Boilers" at three of our sugar mills into multi-fuel boilers which will allow us to use coal as fuel at these locations, in addition to bagasse. The ability to use coal to fuel our co-generation facilities will allow us to divert our bagasse to more efficient uses and also allow the Company to generate power and supply it to the Uttar Pradesh State grid outside of the sugarcane crushing season, when bagasse is not readily available.

As a strategy to diversify our operations beyond the seasonal variations, the Company has proposed expanding its power generation capacity from existing 340 MW to 740 MW approximately, in addition to the conversion of boilers into multi-fuel boilers. This will enable the Company to generate and supply power to the Uttar Pradesh State Grid and other private parties during the off-season period.

### New Coal-fired Power Plants

The Company has recently commenced work for expansion of power generation capacity by around 400 MW by setting up five new coal-fired thermal power plants, each with a capacity of approximately 80 MW. The total project cost in this regard has been estimated at Rs.1,600 crores - Rs. 1,700 crores approximately. These plants will be located within the premises of five of the sugar mills of the group. With commencement of commercial operations of these five new power plants, the total power generation capacity of the Company will increase to approximately 828 MW.

## Consolidated Financial Statements

In compliance with Accounting Standards 21, 23 and 27 issued by The Institute of Chartered Accountants of India and pursuant to the Listing Agreement with the



Stock Exchanges, the Consolidated Financial Statements form part of this Annual Report.

## Auditors and Auditors' Report

M/s. Dalal & Shah, Chartered Accountants, existing Statutory Auditors will retire at the conclusion of the ensuing (78th) Annual General Meeting and have given a notice in writing expressing their intention not to seek re-appointment as Statutory Auditors of the Company at the ensuing Annual General Meeting.

Special Notice has been received by the Company from a member proposing the appointment of M/s. Chaturvedi & Shah as Auditors of the Company from conclusion of 78th Annual General Meeting till conclusion of 79th Annual General Meeting.

The Company has received certificate from M/s. Chaturvedi & Shah to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Board of Directors recommends to the shareholders the appointment of M/s. Chaturvedi & Shah as Auditors of the Company.

The comments on the statement of account referred to in the report of the auditors are self explanatory and therefore do not call for any further explanations/ comments.

## Cost Auditors

The Central Government has directed an audit of the cost accounts maintained by the company in respect of sugar and industrial alcohol businesses. For conducting the cost audit for these businesses for the financial year ended September 30, 2009, the Central Government has approved the appointment of M/s. B.J.D. Nanabhoy & Co., Cost Accountants, Mumbai.

Necessary government approval for appointment of cost auditors for the financial year ending on September 30, 2010 is being obtained.

## Directors

Mr. I. D. Mittal, Chief Executive Director resigned from the Board of the Company on February 6, 2009. The Board recorded its appreciation for the contribution made by Mr. I. D. Mittal during his tenure of

directorship in the Company.

Dr. Sanjeev Kumar joined the Company in June 2004 to oversee Corporate and Legal Affairs and was subsequently elevated to Group President- Corporate and Legal Affairs. He was inducted on the Board on whole time basis and designated as Director (Corporate and Legal Affairs) for a period of five years with effect from March 12, 2009. Approval of the shareholders in this regard was obtained at the Extraordinary General Meeting held on May 4, 2009.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. Sanjeev Kumar would hold office as Additional Director (appointed at the Board Meeting held on March 24, 2009) only up-to the date of the 78th Annual General Meeting of the Company. The Company has received notice from a member pursuant to section 257 of the Companies Act, 1956, proposing the appointment of Dr. Sanjeev Kumar as Director of the Company. The Board of Directors recommends the appointment of Dr. Sanjeev Kumar as Director of the Company.

Mr. R. V. Ruia and Mr. Alok Krishna Agarwal, Directors of the Company, will retire by rotation and being eligible, offer themselves for re-appointment.

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.

## 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, 2009, 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at September 30, 2009 and of the profit of the Company for the year ended September 30, 2009;

- (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, 2009 on a going concern basis.

## Particulars of employees

As required under the provision of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of employees are set out in the Annexure-II and forms part of this report.

However, having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

## 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.

## Fixed deposits

Fixed deposits accepted from shareholders and public stood at Rs. 0.76 million as at September 30, 2009 as against Rs. 0.79 million in the previous year. As on September 30, 2009, there were unclaimed deposits from 5 deposit holders amounting to Rs. 0.76 million.

## Transfer of amounts to Investor Education and Protection Fund

The amounts of dividend, interest on debenture and matured debentures, interest on fixed deposits and matured fixed deposits, etc. which has remained unpaid or unclaimed for 7 years have been transferred to the Investor Education and Protection Fund within time stipulated by law on respective due dates in accordance with the provisions of Section 205C of the Companies Act, 1956.

## Environmental protection and pollution control

Change is only permanent and we adhere to change to achieve the heights of excellence in Environment, Health & Safety (EHS). EHS have become an integral part of core policies of the Company for better implementation at all the level. Initiative taken to develop safe environment for employees and community in the early years resulted into multitudes of activities last year.

EHS Department has implemented an Environment, Health & Safety Management System (EMS) and Occupational Health and Safety Systems all across the units to ensure that all activities which might have an impact on the Safety and Health of the people associated with operation or products and the environment are carried out in a safe manner. Our Gola, Gangnauli and Khambarkhera sugar & distillery units are certified for ISO 9001, 14001 & OHSAS 18001 for Quality, Environment & Health whereas Palia and Kinauni sugar & distillery units are ISO 14001 & OHSAS 18001 certified.

Keeping in mind the target of zero injuries, we take individual responsibility for the safety and health of ourselves, co-workers and our environment. We are having an active program in place to reduce the operational impact on the environment. We have complied with Government environmental regulations, identified and addressed key environmental risks, improved environmental awareness of employees and contractors, reduced our use of resources apart from environmental performance measures such as energy usage, air emissions, water consumption and waste generation.

To ensure a zero discharge effluent industry, we have installed Multi Effect Evaporators plant at Gola and Palia, whereas Biogas Plants at Gangnauli and Khambarkhera are under installation after the Flubex system. Gas produced in the bio-gas plant will be used as fuel in the boiler. Installation of burner for utilisation of biogas at Palia, Gola, Khambarkhera and Gangnauli distilleries units is also under process.

The treated effluent of bio-methanation is being used significantly for bio-composting process. Bio-composting is done in well designed compost yards by mixing press mud and treated effluents with a mechanized machine as per guidelines of the Central Pollution Control Board (CPCB) under Corporate Responsibility for Environmental Protection (CREP). We have signed MoUs with major fertilizer companies to supply bio-compost which is being utilized by the farmers for improving soil health, fertility and productivity. Also in order to cater to the demand of the urban areas, we have planned to launch bio-compost in small packing.

Multiple measures have been taken to minimise the emission of air pollutants. Processes having potential for particulate emissions are provided with Electrostatic precipitators (ESP) and Wet scrubbers. As a result of these initiatives, there has been a steady reduction in emissions. To minimise the air pollution we have installed Wet scrubber at Khambarkhera and Gangnauli distillery units during the year.

Adequate attention is paid to fire prevention and protection and safety at different stages such as planning and designing, erection, commissioning, operation and shut-downs. We maintain low inventories of hazardous materials.

To prevent the fire accidents, we have developed work permit, standard operation procedures followed by training, house keeping, safety audits, regular drill and demonstration, apart from well designed fire protection systems, which are put in place. Additionally, teams of trained personnel operate fire control appliances across all manufacturing locations with personal protective equipment. Even the tractors or any other vehicles being utilized in hazardous areas is provided with a spark arrestor system.

Fire hydrants and fire-fighting networks protect all flammable chemical storages at all the plants. Certain storage tanks, like the molasses storage tank, are covered by water recirculation systems as an additional safety measure. The handling of hazardous

chemicals is mainly through a piping and closed system which is handled by trained operators. The 'on-site' emergency plans are regularly updated. Last year we have installed a well designed fire protection system at Budhana sugar unit.

Training of personnel is aimed to improve the performance of individuals and groups / teams. Special attention is given on *Education, Development and Job safety training programme*.

We have developed an elaborated and strict system of inspection of the tankers transporting the Company's products to various parts of the country. Regular training programmes are conducted for the drivers and cleaners of the transport vehicles wherein training on the nature of the chemicals that they are transporting and safety measures to be adopted during transportation of such chemicals, including the Material Safety Data Sheet (MSDS), is imparted. Transporters are provided *Transport Emergency (TREM) cards* with pictorial depiction for alcohol leaving the factory premises. These TREM cards - in English and Hindi - incorporate instructions to handle emergency situations during transit. Monitoring, coupled with regular intensive training has reduced the number of transportation-related incidents. We have also developed a TREM card for immediate response during transportation.

For improvement in the area of Safety, we follow monthly internal safety audit & implementation of recommendations, six-monthly external EHS Audit by DNV & implementation of recommendations, conducting internal & external training programmes on EHS, six-monthly Mock Drill and implementation of its outcome.

To improve the efficiency, we also conduct Root Cause Failure Analysis, monthly audit on House Keeping, Visible Management, Drill and Demonstration "Onsite Emergency Plan" and application of Permit System for Hot Work, Height Job, Confined Space Entry, Digging Work & Cold work.

Our Gola distillery unit has been declared Winner of 8th Greentech Safety Gold Award for the year 2009 for outstanding achievement in Safety Management.

We have also given training to local farmers for the application of insecticides and pesticides in the field.

We have identified key areas of focus from the health perspective and are encouraging its facilities to develop initiatives to address them. The Company is procuring portable and fixed-type work zone monitoring systems



for all the distilleries to detect and measure in the presence of organic vapours and other gases in the work zone atmosphere and take actions against any fugitive emissions.

Periodically, specialists from nearby cities are invited and health camps organised for both employees and their families. The Company's medical team is headed by an experienced and qualified Medical Officer, who is supported by medical staff.

Under the Kyoto Protocol, Company has identified Clean Development Mechanism (CDM), Chicago Climate Exchange (CCX) & Voluntary Carbon Standard (VCS) projects for bagasse based co-generation plants in sugar units and biogas based power generation in distillery units. Validation and verification have been completed under VCS for Thanabhawan sugar unit and certificate for carbon emission is awaited.

We have received approval for Greenhouse Gas Emission Reduction under CCX for Kinauni, Barkhera & Khambarkhera. Validation and verification have been completed for Kinauni distillery for Green House Gas Emission Reduction under VCS. Gola, Palia, Gangnauli & Khambarkhera distillery units are at Project Draft Document stage for VCS.

Fly ash has a high content of Potash. For the proper disposal and effective utilization of the nutrient value of fly ash, we are planning to explore avenues for its marketing. Many companies have shown an interest in this.

We are committed to become a leader in the efforts of more responsible environmental stewards. We encourage to implement safety initiatives and to inculcate the best practices among the employees to act towards safety, self and environment apart from community.

## 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.

## Corporate Governance

The Company has vigorously striven to follow the best corporate governance practices aimed at building trust among the key stakeholders, shareholders, employees, customers, suppliers (including farmers) and other 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.

## Acknowledgements

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

The Directors express their appreciation for 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,  
December 15, 2009

# ANNEXURE-I to Directors' Report for the year ended September 30, 2009

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. Clear juice heating by vapour in place of exhaust steam.
2. Raw juice heating by vapour cell condensate.
3. Drains of exhaust and live steam collected in a vessel and send to boiler as feed water.
4. Used exhaust steam instead of live steam in distillery which reduced heat loss.
5. 'CIGAR' installed to ensure recovery of waste heat from flash vapours.
6. Recovery of heat from exhaust condensate by installing Plate Heat Exchanger (P.H.E.).
7. Use of Direct Contact Heater (DCH) for un-sulphured syrup heating with Vapor Cell 1 (VC1) vapours.
8. Use of Palia designed molasses cooler to bring down Final molasses temperature received from process.
9. Heating of filtrate with VC1 vapours.
10. Taking hot condensate from CIGAR to Super Heated Wash Water (S. H. W. W.) for A centrifugals.
11. Use of VC1 vapours for pan washing & molasses conditioning instead of exhaust steam.
12. Heating of juice in vapour line juice heater with CIGAR last compartment flash vapours.
13. Automation of superheating control system.
14. Upgradation of automation at boiler to improve efficiencies.
15. Use of surplus vapour condensate to heat make 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	2009	2008
	(Rs. million)	(Rs. million)
Used	139.36	85.19
Earned	41.31	122.10

## Form-A

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

For the year ended September 30		2009	2008
<b>A. Power and Fuel Consumption:</b>			
Electricity			
a) Purchased			
Unit	000 KWH	<b>4,085</b>	4,673
Total amount	Rs. million	<b>19.16</b>	23.06
Rate/Unit	Rs./KWH	<b>4.69</b>	4.93
b) Own generation through diesel generator			
Unit	000 KWH	<b>5,265</b>	7,335
Unit per litre of Diesel Oil	KWH/LTR	<b>3.17</b>	3.23
Total amount	Rs. million	<b>59.33</b>	83.23
Rate/Unit	Rs./KWH	<b>11.27</b>	11.35
c) Own generation through steam turbine			
Unit	000 KWH	<b>185,288</b>	313,294
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>39.46</b>	32.43

## 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 2008-2009 were accelerated as under:

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

- Space row planting in place of traditional method of sowing at 2-3 feet distance.
- Optimization of the dose of bio-compost and mycorrhiza to promote Integrated Nutrient Management (INM).
- Condents of trials find out the most compatible crop as companion crop with sugarcane under multiple cropping system (Inter-cropping).
- Trial of effectiveness of the new insecticides & pesticides introduced by various pesticide companies before recommendation to the farmers.
- Replacement of  $\frac{1}{3}$ rd seed requirement with moist hot treated seed.
- Use of drip irrigation system.
- Utilisation of Filtrate & Syrup Clarification System specially keeping in view :-
  - to reduce high cost of sulphur consumption.
  - to improve sugar quality.
  - to improve sugar recovery.
- Installation of process to produce sulphur free sugar.
- Installation of CIGAR system.
- Use of Palia designed Molasses Cooler .
- Modification in design of Mill Hydraulic caps.
- Use of soft water in cooling tower for circulation of DG set.
- Use of surplus vapour condensate.
- Use of Direct Contact Heater (DCH) for heating Un-sulphured Syrup.
- A1- massecuite boiling for quality improvement and loss reduction.
- 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 sugar cane to the mill.
2. Reduction in the cost of cultivation resulting in more profit to the farmers thereby discouraging them to switch on 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. Supply of early maturing varieties increased in all the plants.
8. Minimizing wastage of water thus saving water and electricity.
9. CIGAR system helped to recover the waste heat from hot condensate.
10. Palia designed Molasses Cooler resulted in bringing down the temperature of final molasses.
11. Surplus vapour condensate helps to heat make up DM water by P.H.E.

## 3. Future plan of actions

1. Some existing boilers are to be converted on multi fuel to handle bagasse coal and other fuel to run boiler in off season.
2. Increasing the use of bio- fertilizer which will reduce cost of cane cultivation.
3. Maintaining the proper varieties balance by replacing old deteriorating varieties & seed with new varieties & replacement of  $\frac{1}{3}$ rd seed every year.
4. Use of Integrated Pests & Insects Management System (IPMS).
5. Bringing more farmers to adopt latest technical know how to increase the productivity further.
6. More emphasis on water conservation.
7. More emphasis on Biological control of pests & diseases.
8. Replacement of old and deteriorating varieties with new and high yielding ones.
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 is proposed to be undertaken for the coming years.
11. More emphasis 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	2009	2008
	(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) Regulation, 1997, include the following:**

**Sr. No. Name of the Entity**

1. Bajaj Capital Ventures 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. Shishir Bajaj Family Trust
11. Kushagra Trust
12. Kushagra Trust No. 2
13. Apoorv Trust
14. Yugadikrit Trust
15. Vishwarupe Trust
16. Roop Sugars Pvt. Ltd.
17. Parvati Chinni Pvt. Ltd.
18. Krishna Vijay Papers and Boards Pvt. Ltd.
19. Bajaj Trustee Company Pvt. Ltd.
20. Bajaj Hindusthan Limited Employees Education Welfare Fund
21. Bajaj Hindusthan Limited Employees Family Planning Welfare Fund
22. Bajaj Hindusthan Limited Employees Sports & Cultural Activities Welfare Fund
23. Bajaj Hindusthan Limited Employees General Medical Aid Fund
24. Bajaj Hindusthan Limited Managerial Staff Medical Aid Fund

# Corporate Governance Report

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

## Corporate Governance

We, at Bajaj Hindusthan Limited (BHL), value and practice ethical and transparent business conduct primarily aimed at building trust amongst shareholders, employees, customers, suppliers and diverse stakeholders. Four of the key elements transparency, fairness, disclosure and accountability of Corporate Governance are embedded as integral parts of the system to direct and manage the affairs of the business and operations of the Company. We are firm believers of the principal that good corporate governance structures encourage companies to create all round value and growth and provide accountability and control systems commensurate with the risks involved. The influence of corporate governance codes, policies and procedures in all the major and crucial areas like setting out the goals and objectives of the Company, formulating the ways and means to achieve these, monitoring and assessment of risk, optimization of performance, etc. is considered significant to augment the performance and growth in the direction of meeting the aspiration and expectation of all the stakeholders as well as enhancing the investor confidence.

## Company's philosophy on code of corporate governance

BHL is committed to maintain a high standard of corporate governance. Its corporate governance codes, policies and procedures are reviewed annually. BHL has constantly endeavored to evolve good corporate governance practices within organization, across all the hierarchy levels, tailor-made to the changing circumstances, business environment and regulatory framework and parameter applicable to the company.

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' interests 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:

- Establishing the roles, responsibilities and accountability of the Board and Management
- Independence on the Board appropriate to the nature and extent of Company's operations
- Responsible and ethical decision-making
- The protection of the rights and interests of all stakeholders
- Clearly recognising and upholding the rights of Company's owners, that is shareholders and equality in treating all shareholders
- Transparency in all business dealings and transactions
- Timely and accurate disclosures of relevant information
- Integrity of Company reporting
- Clear distinction between personal conveniences and corporate resources
- Effective internal control to manage the element of uncertainty and potential risk inherent in every business decision

## Board of Directors

### Composition

The Board of Directors as on September 30, 2009 consists of 8 directors. Three of the Directors are Executive Directors, and the remaining five Directors are 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 8 Directors belong to the promoter group i.e. two executive and one non-executive.

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, 63% of its Directors are Non-Executive. Since five Non-Executive Directors are independent

Directors, the Company is presently complying with the requirement of having one-half of the total size of the Board as Independent Directors. The Board of Directors of Bajaj Hindusthan, therefore, 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 2008-09**

Name	Position	Age (years)	Directorship Tenure (years)	Relationship with other Director
Mr. Shishir Bajaj	Promoter/Executive	62	24	Father of Mr. Kushagra Bajaj & cousin of Mr. Niraj Bajaj
Mr. Kushagra Bajaj	Promoter/Executive	32	3	Son of Mr. Shishir Bajaj & nephew of Mr. Niraj Bajaj
Mr. Niraj Bajaj*	Promoter/Non-Executive	54	10	Cousin of Mr. Shishir Bajaj & uncle of Mr. Kushagra Bajaj
Mr. D. S. Mehta	Non-Promoter/Non-Executive	73	24	-
Mr. M. L. Apte	Independent, Non-Executive	76	39	-
Mr. R. V. Ruia	Independent, Non-Executive	48	9	-
Mr. D. K. Shukla**	Independent, Non-Executive	66	8	-
Mr. Alok Krishna Agarwal	Independent, Non-Executive	45	3	-
Mr. I. D. Mittal***	Non-Promoter/Executive	64	7	-
Dr. Sanjeev Kumar****	Non-Promoter/Executive	50	1	-

\* Resigned with effect from December 31, 2008

\*\* Resigned with effect from November 10, 2008 and was reinducted with effect from December 21, 2008

\*\*\* Resigned with effect from February 6, 2009

\*\*\*\* Appointed as a Whole Time Director with effect from March 12, 2009



## 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 at September 30, 2009**

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	4	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Kushagra Bajaj	6	1	Nil	1	Nil	Nil	Nil
Mr. Niraj Bajaj*	NA	NA	NA	NA	NA	NA	NA
Mr. D. S. Mehta	7	6	Nil	6	Nil	Nil	Nil
Mr. M. L. Apte	8	6	Nil	6	Nil	Nil	Nil
Mr. R. V. Ruia	8	Nil	Nil	Nil	Nil	Nil	Nil
Mr. D. K. Shukla**	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Alok Krishna Agarwal	5	2	Nil	2	Nil	Nil	Nil
Mr. I. D. Mittal***	NA	NA	NA	NA	NA	NA	NA
Dr. Sanjeev Kumar****	4	Nil	Nil	Nil	Nil.	Nil	Nil

\* Resigned with effect from December 31, 2008

\*\* Resigned with effect from November 10, 2008 and was reinducted with effect from December 21, 2008

\*\*\* Resigned with effect from February 6, 2009

\*\*\*\* Appointed as a Whole Time Director with effect from March 12, 2009

### Notes:

1. Private limited companies, foreign companies and companies under section 25 have been excluded for the purposes of calculating committee positions.
2. Memberships in only Audit Committee and Shareholders' Grievances 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 Chairman of more than 5 committees across all companies in which he is a Director.

### Membership term

As per statutory requirements, at least two-third 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 is a clear demarcation 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 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 and Attendance

During the financial year 2008-09, the Board met thirteen 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
October 15, 2008	22 days	120 Days
December 21, 2008	66 days	
January 29, 2009	38 days	
February 20, 2009	21 days	
March 12, 2009	19 days	
March 24, 2009	11 days	
April 01, 2009	07 days	
April 23, 2009	21 days	
May 14, 2009	20 days	
June 09, 2009	25 days	
June 29, 2009	19 days	
July 28, 2009	28 days	
September 15, 2009	48 days	

The maximum time gap between any two meetings is much less compared to the mandated requirement of not more than 4 months in Clause 49. The dates of the meetings were decided well in advance.

The details of attendance of Directors at the thirteen Board meetings held during the financial year 2008-09 and at the last Annual General Meeting held on March 24, 2009 are given in Table 4

**TABLE 4: Attendance at the meetings of the Board of Directors during 2008-09**

Name	Position	Board Meetings held	Board Meetings attended	Whether attended previous AGM on 24 March, 2009
Mr. Shishir Bajaj	Promoter/ Executive	13	10	Yes
Mr. Kushagra Bajaj	Promoter/ Executive	13	8	Yes
Mr. Niraj Bajaj*	Promoter/ Non-Executive	2	2	No
Mr. D. S. Mehta	Non-Promoter/ Non-Executive	13	8	Yes
Mr. M. L. Apte	Independent	13	11	Yes
Mr. R. V. Ruia	Independent	13	10	Yes
Mr. D. K. Shukla**	Independent	13	11	Yes
Mr. Alok Krishna Agarwal	Independent	13	4	Yes
Mr. I. D. Mittal***	Non-Promoter/ Executive	3	0	No
Dr. Sanjeev Kumar****	Non-Promoter/ Executive	8	2	Yes

\* Resigned with effect from December 31, 2008

\*\* Resigned with effect from November 10, 2008 and was reinducted with effect from December 21, 2008

\*\*\* Resigned with effect from February 6, 2009

\*\*\*\* Appointed as a Whole Time Director with effect from March 12, 2009

### 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;

- v) 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

As of September 30, 2009, the Board had six committees (See Table 5)

**TABLE 5: Board Committees as of September 30, 2009**

Committee	Members (Position)
Audit Committee	Mr. R.V. Ruia, Chairman* (Non-Executive, Independent) Mr. Alok Krishna Agarwal (Non-Executive, Independent) (with effect from October 15, 2008) Mr. D. K. Shukla (Non-Executive, Independent) (up to November 10, 2008) (reinducted with effect from December 21, 2008)
Remuneration Committee	Mr. D. S. Mehta, Chairman* (Non-Executive) Mr. M. L. Apte (Non-Executive, Independent) Mr. R.V. Ruia (Non-Executive, Independent) (with effect from October 15, 2008) Mr. D. K. Shukla (Non-Executive, Independent) (up to November 10, 2008) (reinducted with effect from December 21, 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) Dr. Sanjeev Kumar (Director Corporate & Legal Affairs) (with effect from June 9, 2009)
GDR Committee**	Mr. Shishir Bajaj, Chairman* (Chairman & Managing Director) Mr. D.K.Shukla (Non - Executive, Independent) Mr. I.D.Mittal (Chief Executive Director) (up to February 6, 2009) Mr. Alok Krishna Agarwal, (Non-Executive, Independent) (with effect from October 15, 2008)

\*Chairman of the respective Committee.

\*\* Dissolved with effect from December 15, 2009

The Board is responsible for the 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 of the Company 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 and Managing Director to that effect forms part of this Report.

## Audit Committee

### Constitution and Composition

The Audit Committee in Bajaj Hindusthan was constituted 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 six times during the year on the following dates :

Date of Audit Committee Meetings	Duration of Meeting
December 21, 2008	30 minutes
January 29, 2009	25 minutes
February 20, 2009	15 minutes
April 23, 2009	20 minutes
July 28, 2009	25 minutes
September 15, 2009	20 minutes

The attendance of each Committee Member is provided in Table 6

**TABLE 6: Attendance at the meetings of the Audit Committee of Directors during financial year 2008-09**

Name of Committee Members	Position	Meetings held	Meetings attended
Mr. R.V. Ruia, Chairman	Non-Executive, Independent	6	6
Mr. Alok Krishna Agarwal*	Non-Executive, Independent	6	2
Mr. D. K. Shukla**	Non-Executive, Independent	5	5

\* with effect from October 15, 2008

\*\* up to November 10, 2008 and was reinducted with effect from December 21, 2008

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, cost auditor and other executives as are considered necessary, generally 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 requirements 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 and uses of proceeds from Preferential Issue and Qualified Institutions Placement (QIP) Issue. 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:

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

### Meeting and Attendance

The Remuneration Committee met twice during the year under review. The attendance of each Committee Member is provided in Table -7.

**TABLE 7 : Attendance at the meetings of the Remuneration Committee of Directors during financial year 2008-2009.**

Name of Committee Members	Position	Meetings held	Meetings attended
Mr. D.S.Mehta, Chairman	Non-Executive	2	1
Mr. R.V. Ruia*	Non-Executive, Independent	2	2
Mr. M. L. Apte	Non-Executive, Independent	2	1
Mr. D. K. Shukla**	Non-Executive, Independent	1	1

\* with effect from October 15, 2008

\*\* up to November 10, 2008 and was reinducted with effect from December 21, 2008

## 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 Director 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 for Board Meeting and Rs.5,000 for attending each Committee Meeting. The details of sitting fees paid to Non-Executive Directors during the financial year 2008-09 are provided in Table-8.

### Remuneration of Executive Directors

The Executive Directors - Mr. Shishir Bajaj, Mr. Kushagra Bajaj and Dr. Sanjeev Kumar were paid remuneration as per their respective terms of appointment approved by the shareholders of the Company.

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 Dr. Sanjeev Kumar 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 was 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 8.

**TABLE 8: Remuneration of Directors during financial year 2008-09**

Name of Directors	Relationship with other directors	Salary	Commission	Sitting fees	Total	Notice period
		Rupees				
Mr. Shishir Bajaj, Chairman & Managing Director	Father of Mr. Kushagra Bajaj & Cousin of Mr. Niraj Bajaj	14609427	17500000	-	32109427	N.A.
Mr. Kushagra Bajaj, Joint Managing Director	Son of Mr. Shishir Bajaj & Nephew of Mr. Niraj Bajaj	10945076	17500000	-	28445076	N.A.
Mr. Niraj Bajaj*	Cousin of Mr. Shishir Bajaj & Uncle of Mr. Kushagra Bajaj	--	--	20000	20000	N.A.
Mr. D. S. Mehta	--	--	--	125000	125000	N.A.
Mr. M. L. Apte	--	--	--	115000	115000	N.A.
Mr. R. V. Ruia	--	--	--	220000	220000	N.A.
Mr. D.K. Shukla**	-	--	--	140000	140000	N.A.
Mr. Alok Krishna Agarwal	--	--	--	50000	50000	N.A.
Mr. I. D. Mittal***, Chief Executive Director (up to February 6, 2009)	--	7678763	-	-	7678763	3 months
Dr. Sanjeev Kumar**** Director (Corporate and Legal Affairs)	--	3476606	-	-	3476606	3 months

\* Resigned with effect from December 31, 2008

\*\* Resigned with effect from November 10, 2008 and was reinducted with effect from December 21, 2008

\*\*\* Resigned with effect from February 6, 2009

\*\*\*\* Appointed as a Whole Time Director with effect from March 12, 2009

**Note:** The term of office of Mr. Shishir Bajaj and Mr. Kushagra Bajaj is five years from the date of their respective reappointment/appointment. The term of office of Dr. Sanjeev Kumar is 5 years from the 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. Sujoy Sircar, Deputy 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.

The following table shows the nature of complaints received from shareholders during 2008-09. There was no complaint pending as on September 30, 2009.

Nature of complaints	Received during 2008-09
Non Receipt of Dividend/ Dividend warrant	24
Non-receipt of share certificate	4
Legal and others	5
<b>Total</b>	<b>33</b>

## Meetings and Attendance

During the year under review, the Shareholders' & Investors' Grievance committee met once. The attendance of each committee Member is provided in Table 9.

**TABLE 9: Attendance at the meetings of the Shareholders' and Investors' Grievance Committee of Directors during the financial year 2008-09**

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

## 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 materially Indian unlisted subsidiary company. Accordingly, the requirement of appointing at least one independent director on the Board of Directors of the materially Indian unlisted subsidiary is not applicable.

The Board reviews the financial statements particularly investments made by its Indian unlisted subsidiary companies and the minutes of the Board meeting of the unlisted subsidiary companies are placed at the Board meeting of the company along with a statement of all significant transactions and arrangements entered into by the Indian 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 2008-09 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 2008-09.

## 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 (Prevention of Insider Trading) Regulations as amended recently in 2008, the Company has issued a comprehensive set of guidelines after incorporating the amendments prescribed by SEBI, 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 last three years.



# Shareholder Information

## Information on general body meetings

<b>Date, Time and Venue of 78th AGM :</b>	Thursday, the 18th day of March, 2010 at 11.30 A.M. at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400021.
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The previous three Annual General Meetings (AGM) of the Company were held on the following date, time and venue (See Table 10)

**TABLE 10: Date, Time and Venue of Annual General Meetings held:**

AGM	Day, Date & Time	Venue
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
77th AGM	Tuesday, 24th March 2009 at 11.00 A.M.	Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai - 400 021

The summary of Special Resolution and other important resolutions passed at the previous 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.

### 75th AGM

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

### 76th AGM

Subject matter of the Resolutions	Type of Resolutions	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	Special Resolution	Implemented
4. Revision in the remuneration payable to Mr. Shishir Bajaj, Managing Director up to the remaining tenure of his present term.	Special Resolution	Implemented
5. Payment of remuneration to Chief Executive Director for a period of 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 years (3) with effect from October 19, 2007	Special Resolution	Implemented
7. Resolution under section 81(1A) of the Companies Act, 1956 regarding further issue of share capital read with SEBI (DIP) Guidelines, 2000.	Special Resolution	Not Implemented as validity of resolution expired under SEBI (DIP) Guidelines, 2000.

**77th AGM**

Subject matter of the Resolutions	Type of Resolutions	Status of Implementation
1. Re-appointment and remuneration of Mr. Shishir Bajaj as Managing Director of the Company, for a further period of five (5) years with effect from July 1, 2008.	Special Resolution	Implemented
2. Resolution under section 81(1A) of the Companies Act, 1956 regarding further issue of share capital read with SEBI (DIP) Guidelines, 2000.	Special Resolution	Implemented
3. Resolution under Section 293(1)(d) of the Companies Act, 1956 regarding authority to Board of Directors to borrow money up to a sum not exceeding Rs.2500 crore in excess of paid up capital and free reserves.	Ordinary Resolution	Implemented
4. Resolution under Section 293(1)(a) of the Companies Act, 1956 for creation of security for additional borrowings	Ordinary Resolution	Implemented
5. Appointment of Mr. D.K.Shukla as Director of the Company, liable to retire by rotation.	Ordinary Resolution	Implemented

**Financial Calendar**

Financial Year 2008-09	: October 1, 2008 to September 30, 2009
Audited Annual Results for the year ended September 30, 2009	: December 15, 2009
Mailing of Annual Report	: Third week of February 2010
Unaudited first quarter financial result	: Last week of January 2010
Unaudited second quarter financial results	: Last week of April 2010
Unaudited third quarter financial results	: Last week of July 2010

**Dividend Announcement**

The Board of Directors of the Company has recommended a dividend of 70 % (Re. 0.70 per share) on the equity share of the face value of Re.1/- each for the year ended September 30, 2009, 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 13, 2010 to March 18, 2010 (both days inclusive)

**Date of Dividend Payment:**

On or after March 18, 2010 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 18, 2010 as under:-

- 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 12, 2010; and
- 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 12, 2010.

## Payment of Dividend

Dividend will be paid by account payee/non-negotiable instrument or through NECS/RTGS/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 NECS/RTGS/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 205C of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of Investors) Rules, 2001, any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer 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 dividends for the years 2000-01 were transferred by the Company to the said fund in 2008 respectively. 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	2970	260,057.00	26/03/2010
2002-2003	2977	235,866.00	30/04/2011
2003-2004	3356	318,225.60	06/05/2012
2004-2005	3541	334,895.00	03/05/2013
2005-2006	13269	874,085.20	05/05/2014
2006-2007	10615	691,584.00	02/04/2015
2007-2008	15428	1,241,914.00	29/04/2016

## Information on directors being appointed/re-appointed

The information regarding Directors seeking appointment/re-appointment at the ensuing Annual General Meeting is given under Notes to the Notice convening Annual General Meeting.

## Communication to Shareholders

The Company has published its quarterly, half-yearly and annual results in all the editions of The Economic Times (English) and Lakshadeep (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.bajajhindustan.com](http://www.bajajhindustan.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 segmentwise results.
- B. Corporate governance report
- C. Shareholding pattern

## Share Transfer

The power to approve share transfer/transmission, etc. 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. With effect from December 15, 2009, the Share Transfer Committee has been dissolved and the aforesaid powers have been delegated to certain directors/executives of the Company. All transfers pertaining to shares held in physical form as well as requests for dematerialisation/rematerialisation are processed in fortnightly cycles.

### Registrar and Transfer Agent

Sharepro Services (India) Private Limited, as the registrar 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 (India) Private Limited.

### 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 2008-09 was 40905040 as compared to shares 9170 in 2007-08.

### Dematerialisation of Shares

During the year 2008-09, 40905040 shares were dematerialised as compared to 2410760 shares during the year 2007-08. The distribution of shares in physical and electronic modes as at September 30, 2009 and September 30, 2008 (See Table 11)

**TABLE 11: Details of Shares held in physical and electronic mode:**

Categories	Position as at September 30, 2009		Position as at September 30, 2008		Shares Dematerialised during financial year 2008-09	
	No. of Shares	% to total shareholding	No. of Shares	% to total shareholding	No. of Shares	% to total shareholding
Physical	3590734	2.03	44495774	31.47	-40905040	-23.12
Demat:						
NSDL	157146990	88.86	92747721	65.59	64399269	36.41
CDSL	16119387	9.11	4163616	2.94	11955771	6.76
Sub-total	173266377	97.97	96911337	68.53	76355040*	43.17
Total	176857111	100.00	141407111	100.00	-	-

\*includes 35,450,000 equity shares allotted during the year in electronic form

### 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 (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 2008-09 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

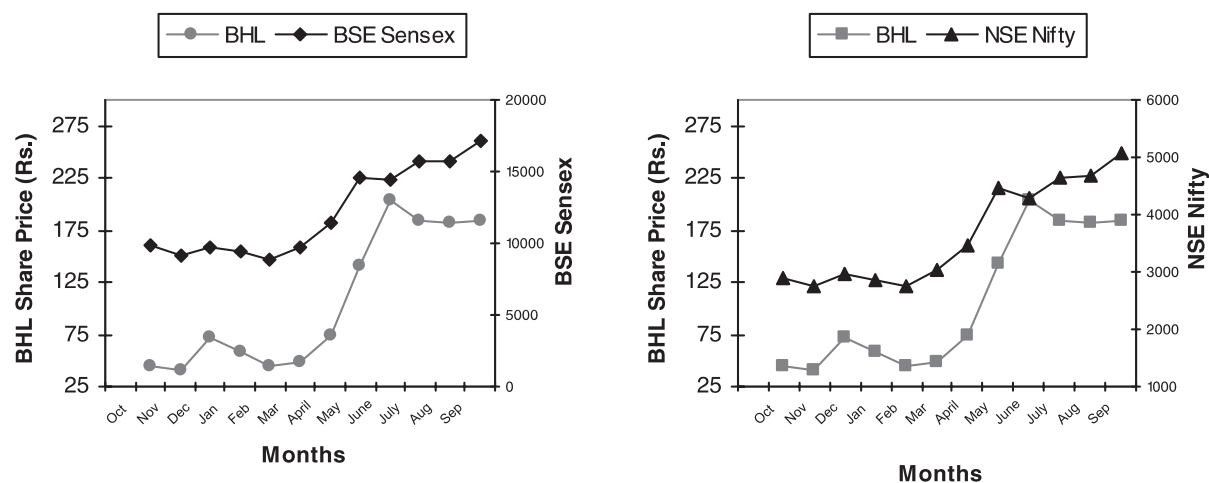
shares of the Company at Bombay Stock Exchange Limited (BSE) and at The National Stock Exchange of India Limited (NSE) during the last accounting year of the Company are provided hereunder (See Table 12)

**TABLE 12: Monthly high/low Market Price of Equity Shares of Bajaj Hindusthan Ltd. during financial year 2008-09**

Month	Quotation at BSE			Quotation at 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
October 2008	109.60	38.60	45.25	109.60	38.50	45.25
November 2008	56.15	38.25	40.55	56.20	38.25	40.55
December 2008	74.40	38.55	72.75	74.35	38.00	72.90
January 2009	76.65	51.10	57.65	80.00	51.05	57.55
February 2009	58.50	43.50	43.85	58.50	43.55	44.00
March 2009	49.70	39.00	48.05	49.65	39.15	47.95
April 2009	80.10	47.50	74.90	80.15	47.65	74.85
May 2009	148.75	76.85	141.80	147.30	75.60	141.95
June 2009	234.35	143.50	204.30	236.00	143.10	203.90
July 2009	212.30	129.60	184.20	212.40	129.00	184.20
August 2009	201.35	168.60	181.45	201.45	160.70	181.55
September 2009	193.10	171.00	184.30	189.00	171.00	184.25

The comparable movements of Bajaj Hindusthan's shares against the broad based indices, namely BSE Sensex and NSE Nifty during the year ended September 30, 2009 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, 2009 (See Table 13)

**TABLE 13: Shareholding distribution as at September 30, 2009**

Category	No. of shareholders	% of total holders	No. of Shares	% of Capital
Upto 5000	96966	99.16	1,89,33,147	10.71
5001 to 10000	337	0.34	24,46,113	1.38
10001 to 20000	172	0.18	24,65,127	1.39
20001 to 30000	78	0.08	19,30,912	1.09
30001 to 40000	41	0.04	14,15,847	0.80
40001 to 50000	28	0.03	12,70,256	0.72
50001 to 100000	48	0.05	36,51,395	2.07
100001 and above	119	0.12	14,47,44,314	81.84
<b>TOTAL</b>	<b>97789</b>	<b>100.00</b>	<b>17,68,57,111</b>	<b>100.00</b>

## Shareholding Pattern

Table 14 gives the shareholding pattern of the Company as at September 30, 2009.

**TABLE 14: Shareholding pattern as at September 30, 2009:**

Category	No. of Shares	Percentage	Total No. of Shares	Percentage
<b>A. Promoters' Holding</b>				
1. Indian Promoters			6,55,61,186	37.07
Family Holdings	74,52,717	4.21		
Family Trust	4,18,76,440	23.68		
Bajaj Holdings and Investment Ltd.	1,30,68,511	7.39		
Bajaj Capital Ventures Pvt. Ltd.	50,000	0.03		
Employees Welfare Funds of Bajaj Group Companies	31,13,518	1.76		
2. Foreign Promoters				
<b>Sub Total (A)</b>			<b>6,55,61,186</b>	<b>37.07</b>
<b>B Non-Promoter Holding</b>				
1 Institutional Investors			5,35,25,617	30.26
Life Insurance Corporation of India	91,64,734	5.18		
Janus Overseas Fund	58,07,259	3.28		
Deutsche Securities Mauritius Ltd.	56,99,821	3.22		
Jupiter Enterprises Ltd.	30,93,259	1.75		
Somerset Emerging Opportunities Fund	29,00,000	1.64		
Janus Aspen Series Overseas Portfolio	22,02,743	1.25		
Citibank N.A. New York NYADR Department	16,39,473	0.93		
Others	2,30,18,328	13.01		
2. Others Indian Resident			5,67,01,257	32.06
Maharashtra Scooters Limited	12,55,000	0.71		
Pittie Group	56,16,574	3.18		
Others	4,98,29,683	28.18		
3. NRIs / OCBs			10,69,051	0.61
<b>Sub Total (B)</b>			<b>11,12,95,925</b>	<b>62.93</b>
<b>GRAND TOTAL (A+B)</b>			<b>17,68,57,111</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. Till July 2004 all the shares transfers and related process were being conducted in-house. Since August 2004, the Company has appointed M/s. Sharepro Services (India) Private Limited as its registrar and share transfer agents for rendering the entire range of services to the shareholders of the

Company in regard to share transfer, change of address, change of mandate, dividend, etc. The electronic connectivity with both the depositories - National Securities Depository Limited and Central Depository Services (India) Limited was also shifted to M/s. Sharepro Services (India) Private Limited as against the earlier arrangements made with the connectivity by group company Bajaj Auto Limited with these depositories.

### **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. Subsequently in February 2006 the Company made a second issue of Global Depository Receipts (GDRs) of USD 135.604 million and Foreign Currency Convertible Bonds (FCCBs) of USD 120 million.

### **Re-purchase of Foreign Currency Convertible Bonds**

The Company had issued Zero Coupon Foreign Currency Convertible Bonds (the “bonds”) aggregating to US\$ 120 million in 2006. These bonds are convertible into Equity shares of the Company or Global Depository Receipt representing Equity Shares before February 2011.

Pursuant to the guidelines issued by the Reserve Bank of India for prepayment/re-purchase (buyback) of Bonds issued by Indian companies, the Board of Directors authorized the re-purchase (buyback) of outstanding Foreign Currency Convertible Bonds (the “Bonds”) aggregating to US\$ 119.50 million through a “Tender Offer” to Bondholders. Simultaneously, the Company had also initiated “Open Market” repurchases of the outstanding Bonds. After the completion of the Tender Offer, the Company had repurchased bonds of face value US\$ 2 million. Together with Open Market repurchases, bonds of face value aggregating to US\$ 19.928 million were repurchased and subsequently cancelled. The aggregate principal amount of bonds that are currently outstanding is US\$ 99.572 million.

During the year under review Company has not received any conversion notice from holders of FCCBs for converting FCCBs into Shares / GDR as per terms and conditions of FCCBs. The details of GDRs/ FCCBs outstanding as on September 30, 2009 are given in Table 15 and 16 respectively.

**TABLE 15: GDRs issued and converted into equity shares during 2008-09 and outstanding as at September 30, 2009**

Particulars	Nos.
Outstanding GDR's as on October 1, 2008	1600600
GDRs issued during the year	Nil
GDRs issued upon conversion of FCCBs	Nil
GDRs converted into shares during the year	Nil
Shares converted into GDRs during the year	38873
<b>Outstanding GDRs as on September 30, 2009</b>	<b>1639473</b>

**TABLE 16: FCCBs issued and converted into shares/ GDRs during 2008-09 and outstanding as at September 30, 2009**

Particulars	Value of Bonds in US\$	Nos.
Outstanding FCCBs as on October 1, 2008	119500000	119500
FCCBs issued during the year	Nil	Nil
FCCBs converted into GDRs	Nil	Nil
FCCBs converted into Shares	Nil	Nil
FCCBs buyback	19928000	19928
<b>Outstanding FCCBs as on September 30, 2009</b>	<b>99572000</b>	<b>99572</b>

### **Preferential Allotment to Promoter**

Pursuant to the approval accorded by the Members of the Company at the Extraordinary General Meeting held on May 04, 2009, a total of 1,45,00,000 warrants at a price of Rs. 52.14, being the floor price computed in accordance with the provisions contained in Chapter XIII-'Guidelines for Preferential Issues' of the erstwhile Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 were allotted to the Promoter Group of the Company on May 18, 2009. These warrants entitle the warrant holders to apply for and be allotted, in one or more tranches, one equity share of the face value of Re.1/- each of the Company per warrant, at any time after the date of allotment of the warrants but on or before the expiry of 18 months from the date of allotment of such warrants. If all the aforesaid warrants are converted into equity shares, the paid up equity share capital of the Company will increase by 1,45,00,000 equity shares i.e. from 17,68,57,111 equity shares of Re.1/- each to 19,13,57,111 equity shares of Re.1/- each.

### **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

#### Sugar Mills

1. Golagokarannath, District Lakhimpur Kheri, Uttar Pradesh
2. Palia Kalan, District Lakhimpur Kheri, Uttar Pradesh
3. Kinauni, District Meerut, Uttar Pradesh
4. Thana Bhawan, District Muzaffarnagar, Uttar Pradesh
5. Budhana, District Muzaffarnagar, Uttar Pradesh
6. Bilai, District Bijnor, Uttar Pradesh
7. Barkhera, District Pilibhit, Uttar Pradesh
8. Khambarkhera, District Lakhimpur, Uttar Pradesh
9. Gangnauli, District Saharanpur, Uttar Pradesh
10. Maqsoodapur, District Shahjahanpur, Uttar Pradesh

#### Distillery

1. Golagokarannath, District Lakhimpur Kheri, Uttar Pradesh
2. Palia Kalan, District Lakhimpur Kheri, Uttar Pradesh (Leased to a third Party)
3. Kinauni, District Meerut, Uttar Pradesh
4. Khambarkhera, District Lakhimpur, Uttar Pradesh
5. Gangnauli, District Saharanpur, Uttar Pradesh

#### Co-Generation

1. Paliakalan, District Lakhimpur Kheri, Uttar Pradesh
2. Barkhera, District Pilibhit, Uttar Pradesh
3. Khambarkhera, District Lakhimpur, Uttar Pradesh
4. Kinauni, District Meerut, Uttar Pradesh
5. Thanabhawan, District Muzaffarnagar, Uttar Pradesh
6. Budhana, District Muzaffarnagar, Uttar Pradesh
7. Bilai, District Bijnor, Uttar Pradesh
8. Gangnauli, District Saharanpur, Uttar Pradesh

### Address for Correspondence

Investors and shareholders can correspond with

- 1) 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

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

By Post/ Courier/ Hand Delivery	By Hand Delivery
M/s Sharepro Services (India) Private Limited Unit : Bajaj Hindusthan Limited 13AB Samhita Warehousing Complex 2nd Floor, Sakinaka Telephone Exchange Lane Off. Andheri-Kurla Road, Sakinaka, Andheri (E) Mumbai 400 072 Phone No. (9122) 67720300/ (9122) 67720400/(9122) 28511872 Fax No. 022 2859 1568/ 022 2850 8927 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.: (9122)22881568 (9122) 22881569 , (9122) 2282 5163, (9122) 2288 4527 Fax No.: 022 2282 5484 Email: sharepro_services@roltanet.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.

Mumbai,  
December 15, 2009

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

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# Certificate

To the Members of

## **BAJAJ HINDUSTHAN LIMITED**

We have examined the compliance of the conditions of Corporate Governance by BAJAJ HINDUSTHAN LIMITED for the year ended 30th September 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to 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, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in 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 15, 2009



# 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 situation 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 2008-09 world sugar production was 153 million tonnes as against 167 million tonnes last year. The drastic fall of about 14 million tonnes can be solely attributed to lower production in India. India turned net importer this year due to the shortfall in production. Consumption was however higher at 161 million tonnes, thereby reducing the global stocks. Stock availability as a percentage of consumption (stocks-to-use ratio) is down from 46% last year to about 39% currently. The global demand supply situation is expected to tighten further in season 2010 also on account of steady consumption growth coupled with expected low production in India as illustrated in Table 1.

**Table 1: World Sugar Production**

(MMT, Raw Value)

Country / Region	2008-09 (e)	2007-08	2006-07	2005-06	2004-05	2003-04
Brazil	38	31	33	33	28	26
India	15	26	28	21	14	15
EU	15	17	17	21	22	20
China	14	16	13	10	10	11
USA	7	7	8	7	7	8
Thailand	7	8	7	5	5	7
Mexico	5	6	6	6	6	5
<b>Sub-Total Top 7</b>	<b>101</b>	<b>111</b>	<b>112</b>	<b>102</b>	<b>92</b>	<b>92</b>
% of Total World	66%	67%	67%	67%	65%	64%
Others	52	56	55	50	49	52
<b>World Total</b>	<b>153</b>	<b>167</b>	<b>167</b>	<b>152</b>	<b>141</b>	<b>144</b>

Source: F.O. Licht's International Sugar and Sweetener Report up to 2007-08, Company estimates for 2008-09  
World Sugar Balances - Report dated November 17, 2009. ISMA for Indian tonnages.

Table 2 illustrates the World Sugar Balance:

**Table 2: World Sugar Balance**

(MMT, Raw Value)

Sugar	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Opening Stock	74	72	64	61	68	69
Production	153	167	167	152	141	144
Imports	54	51	52	54	51	49
Consumption	161	160	154	147	145	142
Exports	57	56	57	56	54	52
Closing Stock	63	74	72	64	61	68
Stocks as % of Consumption	39%	46%	47%	44%	42%	48%
<b>Stocks as No. of Months</b>	<b>4.70</b>	<b>5.55</b>	<b>5.61</b>	<b>5.22</b>	<b>5.05</b>	<b>5.75</b>
+ / - Production (%)	-8%	0%	10%	8%	-2%	-4%
+ / - Consumption (%)	1%	4%	5%	1%	2%	1%

Source: F.O. Licht's International Sugar and Sweetener Report.

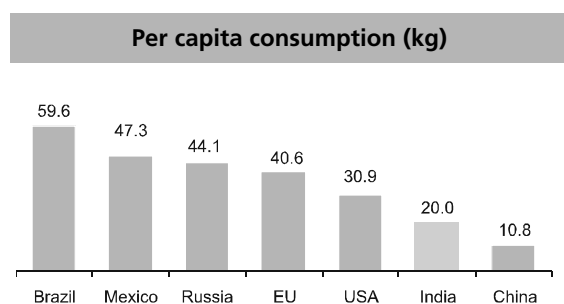
## Long Term Trends in World Sugar Consumption

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 2008-09 global consumption stood at around 161 million tonnes. 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 2008 Agricultural Outlook

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

**Table 3: Trends in Domestic Demand and Supply:**

(million tonnes)	SY 02	SY 03	SY 04	SY 05	SY 06	SY 07	SY 08	SY 09E	SY 10E
Opening Stock (A)	10.7	11.3	11.6	8.5	4.0 *	3.6	9.2	8.1	2.3
Production (B)	18.5	20.1	14.0	12.7	19.3	28.3	26.3	14.7	14.0
Availability C = (A+B)	29.2	31.5	25.6	21.2	23.3	32.0	35.6	22.8	16.3
Total Demand (D)	17.9	19.9	17.5	18.5	19.6	22.7	27.5	22.5	23.4
- Of which Domestic	16.8	18.4	17.3	18.5	18.5	21.0	22.5	22.5	23.4
- Of which Export	1.1	1.5	0.2	0.0	1.1	1.7	5.0	0.0	0.0
Imports (E)	0.0	0.0	0.4	2.1	0.0	0.0	0.0	2.0	0.0
Closing Stock (F) = (C-D+E)	11.3	11.6	8.5	4.8	3.6	9.2	8.1	2.3	(7.1)
Closing Stock (Months of demand)	7.6	7.0	5.8	3.1	2.2	4.9	3.5	1.2	(3.6)
Stocks-to-use Ratio (%)	63.3	58.4	48.5	26.1	18.5	40.6	29.5	10.2	(30.3)

Source: Indian Sugar Mills Association (ISMA) - October 2008, Company estimates for 2009 and 2010

\* Adjustment made as per Central Excise Certificate

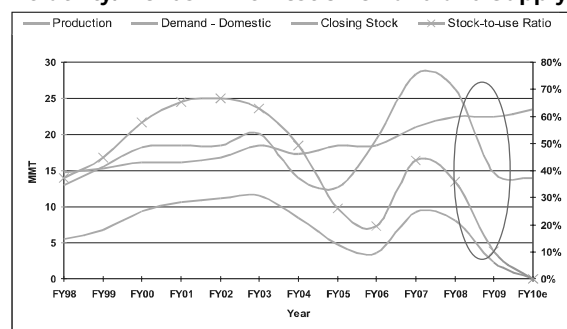
As can be seen from above, India will be facing a deficit of nearly 7 MMT of sugar in the year 2010 which will have to be met from imports. It is also pertinent to note the increased volatility in production as is demonstrated in the chart below :

## II. Indian Scenario:

Indian sugar industry has moved from surplus inventory to substantial deficit. India has already imported roughly more than 2 million tonnes in Sugar Season 2009 (Sept. 2008 to Oct. 2009) and needs to import more, if it has to balance its inventory.

The situation has arisen due to summary increase in Minimum Support Prices (MSP) of alternative crops especially wheat and rice. An analysis shows that the MSP of wheat and rice has increased both at a CAGR of roughly 18% in three years. As a result India witnessed highest production of wheat in last 5 years and rice in the year 2009.

The other factor leading to lower production in sugar was due to poor recovery witnessed all over India on account of adverse agro climatic factors. The average recovery was down by nearly 1% point causing sugar production to decline. Table 3 gives trends of Domestic Demand and Supply.

**Volatility/Trends in Domestic Demand and Supply:**

e : estimate

**Sugar Prices:**

Sugar prices have a negative co-relation with stocks-to-use ratio. When the stocks-to-use ratio falls, the prices are bound to rise and vice versa.

Due to drastic fall in production in Sugar Season 2009, the stocks-to-use ratio has come down to its lowest level

**External Factors****a. Availability of sugarcane:**

Acreage under cane cultivation has reduced from around 5.04 million hectares in 2007-08 to 4.41 million hectares in 2008-09. Sugar cane production decreased from approximately 341 million tonnes in 2007-08 to approximately 295 million tonnes in 2008-09 (See Table 4).

**Table 4: Sugar cane and sugar - Production, yield, average capacity utilisation and recovery**

Year	Area under sugar cane cultivation ('000 hectares)	Sugar cane 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</b>
<b>2008-09*</b>	<b>4,408</b>	<b>294,656</b>	<b>67.29</b>	<b>NA</b>

Source : ISMA \* Provisional data

in a decade. As a result price of Sugar has risen from about Rs.17.50 per kg. in December 2008 to about Rs.30 per kg in September 2009. Sugar prices are expected to remain firm through 2010 due to expected lower production in 2010 also.

**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.

Table 5 gives the annual statewise area under cultivation and sugarcane production :

**Table 5: Sugarcane Statewise Area under cultivation ('000 hectares)**

('000 hectares)	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	2008-09
Andhra Pradesh	214	199	192	214	231	217	218	233	209	210	230	264	247	205
Assam	36	36	31	31	29	27	27	26	25	24	23	27	25	25
Bihar	125	130	108	107	97	94	113	107	104	104	101	130	119	108
Chattisgarh	-	-	-	-	-	3	4	4	5	6	6	7	7	7
Gujarat	162	166	165	196	201	178	176	203	176	197	197	214	208	197
Haryana	144	162	142	125	137	143	161	189	160	130	127	140	140	115
Jharkhand	-	-	-	-	-	4	4	4	4	4	4	4	4	4
Karnataka	313	282	310	339	373	417	407	383	243	178	219	326	296	210
Kerala	6	6	6	6	6	3	3	4	3	3	7	5	2	1
Madhya Pradesh	48	45	42	40	47	75	42	39	43	52	56	64	75	96
Maharashtra	580	516	460	530	590	595	578	573	443	324	501	1,049	1,068	770
Orissa	27	23	19	22	21	17	30	14	15	15	16	20	20	18
Punjab	132	173	126	103	108	121	142	154	123	86	84	99	111	105
Rajasthan	28	27	23	22	19	14	9	10	6	6	8	11	10	8
Tamil Nadu	326	260	283	306	316	315	321	261	192	232	336	391	352	323
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	2,058
Uttaranchal	-	-	-	-	-	122	126	134	128	107	101	121	124	124
West Bengal	17	25	26	27	23	22	23	20	17	16	15	17	17	20
Others	15	14	12	12	11	11	11	13	12	13	14	15	19	14
All India	4,147	4,174	3,930	4,055	4,220	4,316	4,430	4,520	3,938	3,662	4,201	5,151	5,043	4,408

Source: <http://dacnet.nic.in>

Area under sugar cane has declined by around 13% in Sugar Season 2009 as against Sugar Season 2008. This decline was mainly due to crop switching by farmers on account of higher Minimum Support Price (MSP) received by them for alternate crops notably wheat and rice. Yield per hectare has also declined marginally on account of adverse agro climatic conditions.

#### **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 sugar cane prices. Any increase in the sugarcane price adversely impacts profitability. Sugarcane prices are regulated by the Government. The Central Government decides the minimum price called the Statutory Minimum Price (SMP), which is the basis for minimum price to be paid by the 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 2008-09 and is linked to a base sugar recovery of 9% with Re.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 said 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 December 2007, quashed the SAP of Rs.125/- per quintal 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 of U.P. has fixed a higher SAP of Rs.140/- per qtl. This too has been challenged before the Allahabad High Court.

However, the Allahabad High Court has upheld the Government fixed SAP of Rs.140 per qtl. for the Sugar Season 2008-09.

However, through the new ordinance dated 22 October 2009, the Central Government has changed the structure of cane pricing mechanism. The new ordinance will be applicable from Sugar Season 2010. The Central Government has amended Essential Commodities Act, 1955 to replace SMP for cane to Fair and Remunerative Price (FRP), which will now be the price that mills across the country need to pay.

The FRP announced for the Sugar Season 2009-10 is Rs. 129.84 per quintal linked to recovery of 9.5 % subject to premium of Rs. 1.37 per quintal for every 0.1 per cent increase in recovery.

### **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 Wholesale Price Index (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%. This levy quota has now been increased to 20% for one year due to severe shortfall in production and rising prices. Also in view of SMP being replaced by FRP, the levy price will also undergo a revision since now levy sugar price will be calculated by taking FRP as a base instead of SMP. Levy sugar prices are usually lower than market prices. Sugar sales are subject to release orders from time to time.

Due to acute shortage faced by the country, the Government has come out with slew of measures to contain the sugar prices from rising. These measures are allowing duty free import of raw sugar without export obligation. Allowing duty free import of white sugar, imposing stock limits on dealers, wholesalers as well as industrial users of sugar etc. In spite of these efforts, the prices are ruling above Rs.35 per kilogram of sugar in the retail market.

### **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.1200 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.1280 per quintal and Rs.1440 per quintal. However, with the lower than expected production in Sugar Season 2009 and expectation of similar production in Sugar Season 2010, the sugar prices have increased considerably. The retail prices are ruling above Rs.3500 per quintal of sugar currently and are expected to increase further.

### **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 sugarcane for 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.

#### **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 last 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.

The following table details individual plant capacities:

**Table 6 : BHL Group plant Capacities**

Sr. No	Unit In BHL	District	Sugar TCD	Distillery KL	Power M.W.
1	Golagokarannath	Lakhimpur	13,000	100	30
2	Palia Kalan	Lakhimpur	11,000	60	40
3	Khambarkhera	Lakhimpur	10,000	160	35
4	Barkhera	Pilibhit	7,000	-	35
5	Maqsoodapur	Shahjahanpur	7,000	-	30
6	Kinauni	Meerut	12,000	160	35
7	Bilai	Bijnore	9,000	-	35
8	Thanabhawan	Muzaffarnagar	9,000	-	35
9	Budhana	Muzaffarnagar	9,000	-	40
10	Gangnauli	Saharanpur	9,000	160	25
	<b>Total in BHL</b>		<b>96,000</b>	<b>640</b>	<b>340</b>
	<b>Unit In BHSIL</b>				
11	Pratappur	Deoria	6,000	-	8
12	Kunderki	Gonda	15,000	-	43
13	Utraula	Balrampur	12,000	-	21
14	Rudauli	Basti	7,000	160	16
	<b>Total in BHSIL</b>		<b>40,000</b>	<b>160</b>	<b>88</b>
	<b>Total Group Capacity</b>		<b>136,000</b>	<b>800</b>	<b>428</b>

#### **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.

Three years Ethanol Tenders finalized in the year 2006 has expired on October 31, 2009 and Government of India is taking active interest in renewal of Ethanol Tenders. Oil Companies have started the tendering process for continuation of blending of ethanol at 5% level in various states. Oil companies also intend to

## **III. Bajaj Hindusthan's Position**

### **Capacities and Locations:**

BHL has 10 plants having an aggregate crushing capacity of 96,000 TCD.

Apart from this, BHL has 5 distilleries with aggregate capacity of 640 KL/day and also generates about 90 M.W. of surplus power.

Crushing capacity of Bajaj Hindusthan Sugar and Industries Ltd. (BHSIL), a subsidiary of the Company (BHL) stands at 40,000 TCD, distillery of 160 KL/day and surplus power of 15 M.W.

increase it to 10% subject to quantities being available. In fact, proposal of 5% mandatory blending of ethanol is under active consideration of Government of India.

Owing to increase in Molasses price, raw material for Ethanol, Government is also seriously considering substantial price hike in ethanol price.

The ethanol blending program, so-called Green Fuel Program of Government of India is a big boost to Rural & Farming economy. It enables less dependence on fossil fuel, curb import bills and is a good oxygenate and reduces vehicular pollution substantially.

For sugar millers/Distillers, ethanol blending means additional usage of Ethanol other than conventional use for Potable and Industrial purpose, provides better price stability to Alcohol and Molasses improving viability of sugar mills, which in turn benefit cane growers.

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

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.

BEPL is one of the only two companies in the world, to manufacture MDF from sugar cane bagasse. The two Medium Density Fibre Board plants are situated at Palia Kalan, District Lakhimpur Kheri, U.P. and at Kundarkhi, District Gonda, U.P., each having a capacity to manufacture 80,000 m<sup>3</sup> boards per annum. The Particle Board plant is situated at Kinauni, District Meerut, U.P., and has a capacity to manufacture 50,000 m<sup>3</sup> boards per annum. The combined capacity of all three plants, at 210,000 m<sup>3</sup> boards per annum, is the largest in the country, and has been set up at a total cost of around Rs.2900 million. BEPL has installed the latest, state-of-the-art Plant & Machinery, at all three locations, which have been imported brand new, from Europe and China.

During the financial year 2008-09, BEPL has successfully commenced Commercial Operations of manufacturing Particle Boards (PB) and Medium Density Fibre Boards (MDF), from sugarcane bagasse, and launched its "ZERO WOOD, ECO-FRIENDLY PARTICLE BOARDS AND MEDIUM DENSITY FIBRE BOARDS" in the Indian Market, under the brand "Bajaj Boards".

Bajaj Eco-Tec also received ISI Certifications in respect of its PB and MDF boards manufactured at all three plants. Further, being manufactured from sugarcane bagasse, an agricultural residue, the Bureau of Indian Standards have also accorded "ECO-MARK" to our PB and MDF boards. BEPL has also earned Membership of Indian Green Building Council (IGBC), an organization committed to promote and develop green building concepts, in India. Our PB and MDF boards also enjoy zero excise duty and concessional vat in number of states.

With ISI Mark, ECO-MARK and prestigious membership of IGBC, "Bajaj Boards" are now being specified in all major projects of Governments, Banks, Hospitals, Educational Institutions, Hotels, Public Undertakings, etc., across the country.

The Company has also established country-wide network of distributors and dealers and also have experienced sales and marketing team all across the country. Today, "Bajaj Boards" are available at more than 2,000 outlets in the country, and the list is growing day by day.

### **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 already started showing signs of recovery and, with the support of State & Central Government initiatives, the sugar sector is turning around after a very difficult phase. It is expected that sugar prices would remain firm reflecting the demand - supply situation over the next two years.

### **Risks and Concerns**

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

#### **1. Uncontrollable**

- A. Raw material risk
- B. Sugar price risk
- C. 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: -

- i. Diversion of land use from cane production to other cash crops.
- ii. Adverse weather conditions and crop disease.
- iii. Drop in drawal rate.
- iv. Unremunerative cane procurement price declared by the State Government and/or Central Government, leading to farmers shifting to other crops.

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:**

- A. Productivity
- B. Drawal rate
- C. Management Bandwidth

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

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 new investment in power generating capacity. This business is non cyclical and therefore expected to generate steady annuity like cash flows going forward.

In line with this strategy Board of Directors of the Company at its meeting held on November 25, 2009, approved expansion of power generation capacity by 400 M.W. by way of setting up of new coal based thermal power plants of 80 M.W. each at five locations on the land adjacent to the existing sugar factories of BHL and BHSIL. These new projects are expected to be completed within a period of around 20 months at an aggregate project cost of around Rs.16 billion. With this, the group power generating capacity will increase from 428 M.W. to 828 M.W. and will also ensure steady cash flow.

### **Internal Control Systems**

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

The Company has in place, an adequate system 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 strong internal control system to minimize the risk of accidental or deliberate errors and omissions, safeguarding of assets and compliance with internal operating policies and guidelines.
- To ensure critical examination and identification of weaknesses in the system and suggest measures to address them suitably.
- To ensure cost consciousness through pre audit and post audits.
- To ensure proper compliance of Standard Operating Procedures (SOPs) to achieve overall uniformity in operations and reporting across all the units.
- To ensure compliance of corporate policies and procedures in line with Delegation & HR manuals.
- To submit reports along with recommendations and to ensure their timely implementation.

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. An illustrative list of scope of activities of areas of Internal Audit is broadly summarized as under:

- Checking of accounts vouchers on test check basis with respect to accounting treatment and approving authorities as per delegation manual.
- Checking the correctness of interest charged by banks on Cash Credit accounts.
- Availing of input CENVAT credit for service tax on bank charges.
- Checking of Excise and Service Tax Reconciliations for timely availing input credit in eligible cases.
- Pre Audit of purchase and work orders issued from units and Post Audit at Corporate Head office.
- Verification of system of recording all incoming materials including freight incurred thereon, preparation of GRNs and other stores records.
- Physical verification of stores inventory and Fixed Assets items.
- Surprise check of Cane centers and records maintained thereat.
- Checking of safety measures and civic conditions of Sugar Godowns at Units.
- Other assignments as attributed from time to time with specific instructions from management.

## Human Resources/ Industrial Relations

The industrial relations at the Company's Sugar Mills and Head Office were cordial throughout the year under review. The Company is committed to create an organization that nurtures the talents and enterprise of its people, helping them grow and find fulfillment in an open culture. Its growth strategies are based on a strong Human Resource (HR) foundation created through a judicious use of innovative and complementary HR processes and systems.

The various HR initiatives introduced by the Company during the year are listed below:

- Introduction of "Quality Circle" in all units to improve and maintain the quality, services, to reduce/eliminate defects, errors, wastage, enhance productivity, cost-effectiveness and safety.
- 5s practice was introduced in all units to improve and minimize search time.
- Need based training Programmes on safety, house keeping, fire fighting, communication skills, team building, etc.
- Recognition of long service.
- Induction Programmes for new employees.
- 360 degree performance Appraisal was introduced across the organization.
- Introduction of Budgetary Control.
- Executive health check-up.

The Company continued its programme of providing training to its workers with a view to improve efficiency, quality of products and avoid breakdowns in areas like SAP and ERP awareness, team building, workers' development program, behavioral / attitudinal training programmes for Executives and Managers, technical training programme for Engineers and Executives, Computer and IT related training programme, HR related training and workshop and training for Cane growers, etc.

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

**TABLE 7: Operational Data**

	Unit	2008-09	2007-08
Cane Crushing	MMT	5.425	10.012
Sugar Recovery	%	9.09	9.99
Sugar *	M.T	493,268	982,897
Industrial Alcohol*	K.L.	32,070	115,031
Molasses*	M.T	267,241	484,006
Power Generation	M.W.	276,300	441,915
Power-Sale	M.W.	73,271	111,002

\*excluding Trial run Production as under:-

	Unit	2008-09	2007-08
Sugar	M.T.	-	16,993
Molasses	M.T.	-	8,790

During the year, the production of Sugar and Molasses has declined to 4,93,268 MT and 2,67,241 MT as compared to 9,82,897 MT and 4,84,006 MT respectively last year mainly due to lower availability of sugarcane. Industrial Alcohol production was also lower at 32,070 KL as compared to 1,15,031 KL last year. Power Export was also lower at 73,271 M.W. as compared to 1,11,002 M.W. last year., which was largely due to lower sugarcane crushed during the period.

Due to unfavourable climatic conditions and flood in some area of Central U.P., the per hectare yield of sugar cane has fallen down resulting into lesser availability of cane resulting into lower production of sugar and other related products i.e. molasses and alcohol. Due to adverse climate conditions the recovery is also lower this year by 0.90% .The farmers have also shifted to other crops like wheat and paddy due to higher MSPs declared by the Government.

Product-wise sales quantity, value and per unit realisation details are given in Table 9:

**TABLE 9 : Sales revenue**

			2008 -09		2007-08		
	Unit	Qty	Value Rs. Million	Realisation* Rs. Million	Qty	Value Rs. Million	Realisation* Rs. Million
Sugar	M.T.	672,180	15,118.41	22,492	916,887	14,975.95	16,333
Alcohol	K.L.	32,128	858.15	26,710	125,426	3,009.32	23,993
Molasses	M.T.	71,120	305.76	4,299	80,609	254.49	3,157
Power	M.W.	73,271	226.18	3,087	111,002	332.08	2,992

\* Includes excise duty

#### Results of Operations

**TABLE 8 : Summarised Financial Results**

	Rs. million	
Particulars	2008-09	2007-08
Revenue	18,148.94	18,028.72
Earning before interest depreciation and tax (EBIDTA)	5,952.94	2,185.44
Interest	1,870.77	1,394.44
Cash Profits	4,082.17	791.00
Depreciation	2,022.13	1,872.21
Profit/(loss) before Tax	2,060.04	(1,081.21)
Provision of Taxation	497.67	(604.37)
Profit /(loss) after Tax	1,562.37	(476.84)
Basic Earning per share (Rs.)	10.30	(3.55)
Diluted Earning per share (Rs.)	9.39	(3.55)

#### Turnover

Increase in revenue is due to higher realization of sale of free sugar during the year.

#### Analysis of sales

During the year the Company sold 6,72,180 MT of sugar as against 9,16,887 MT during the previous year, registering a decline of 26.69%. The Company also sold 71,120 MT of Molasses as against 80,609 MT in the previous year, reporting a down fall of 11.77% due to lower sugar cane crushed during the period. Alcohol sales during the year was also lower at 32,128 KL as against 1,25,426 KL during the previous year, reporting a down fall of 74.38%. The Company exported 73,271 M.W. of power during the year as against 1,11,002 M.W. during the last year.

Approximately 10% of total sugar sales were 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 decline in the production and sales of ethanol during the year. The Company produced 16,415 KL and sold 16,718 KL of ethanol in the current year as against the production 81,565 KL and sold 81,398 KL respectively during the previous year. Decline in production and sales was mainly due to lesser quantity of sugarcane crushed during the year resulting into lower production of molasses.

#### Other Income

Other income for the year was Rs. 2,311.57 million against Rs. 465.91 million in the previous year.

The major component of other income was gain due to Foreign Exchange Fluctuation of Rs.744.69 million, Gain on FCCBs buy back of Rs.337.15 million, Lease and Management Fees of Rs.19.20 million and provision no longer required of Rs.1041.40 million. The balance amount has been received against sale of scrap/store/manure and miscellaneous items, etc.

#### Other expenses

Other expenses during the year were Rs.1,382.82 million as against Rs.3,024.01 million in the previous year. The decrease in other expenses was largely due to lower crushing of sugarcane and capitalization of foreign exchange fluctuation loss in compliance with the Notification dated March 31,2009 issued by Ministry of Corporate Affairs. The Company has exercised the option as inserted by paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates".

#### Earnings before interest, depreciation, tax and amortisation (EBIDTA)

The EBIDTA margins achieved for the year is Rs.5,952.94 million as against Rs.2,185.44 million in the previous year. The increase in EBIDTA margins is mainly due to higher realization of free sale sugar as compared to previous year. Further there has been a gain on

unwinding of Swap deal from YEN (JPY) to USD of External Commercial Borrowings (ECB), extinguishment of liability on FCCB's buyback and reversal of provision made in earlier years and which is no longer required now.

#### Interest

Increase in interest expense was mainly due to higher loans and additional working capital utilized for making early cane payments to growers in compared to the previous year.

#### Depreciation

The depreciation for the year increased from Rs.1,872.21 million to Rs.2,022.13 million mainly due to depreciation on loss on exchange fluctuation which was capitalized in line with AS-11 "The Effects of Changes in Foreign Exchange Rates".

#### Provision for Tax

Provision for taxation includes current tax of Rs.330.92 million, deferred tax liability of Rs.491.07 million, wealth tax of Rs.1.00 million and fringe benefit tax of Rs.5.60 million. During the year MAT credit entitlement was Rs.330.92 million. In the previous year, due to inadequacy of profit, provision for current tax was not made, provision for wealth tax and fringe benefit tax was Rs. 13.80 million and due to loss the recognition of deferred tax assets was Rs. 618.17 million.

#### Balance Sheet

The summarised Balance Sheet as at September 30, 2009 is as under (Table 10):

**TABLE 10 : Summarised Balance Sheet**

	<b>Rs. million</b>	
	<b>2009</b>	<b>2008</b>
<b>Source of Funds</b>		
Shareholder's Funds		
Capital	<b>176.86</b>	141.41
Equity Warrants	<b>189.01</b>	-
Reserve and Surplus	<b>22,570.75</b>	13,309.63
<b>Sub Total</b>	<b>22,936.62</b>	13,451.04
Loan Funds	<b>30,751.51</b>	34,090.73
Deferred Tax Liability (Net)	<b>1,080.44</b>	589.37
<b>Total</b>	<b>54,768.57</b>	48,131.14
<b>Application of Funds</b>		
Fixed Assets Including CWIP	<b>27,637.78</b>	26,175.15
Investments	<b>5,491.06</b>	4,882.56
Current Assets, Loans & Advances	<b>30,344.21</b>	25,254.76
Less: Current Liabilities & Provisions	<b>8,704.48</b>	8,181.33
Net Current Assets	<b>21,639.73</b>	17,073.43
<b>Total</b>	<b>54,768.57</b>	48,131.14



## **Share Capital**

During the year Company issued 35,450,000 equity shares of Re.1/-each to Qualified Institutional Buyers (QIB's) at a price of Rs. 204/- per equity share, in accordance with the provisions of Chapter XIII-A of the erstwhile SEBI (DIP) Guidelines. Post allotment of these new equity shares to the respective QIBs on July 3, 2009, the paid up Equity Share Capital increased by Rs. 35.45 million. Further the Company has allotted 14,500,000 warrants on preferential basis to the promoter group of the Company on May 18, 2009 after receipt of a sum of Rs. 189.01 million representing 25% of the total value for such warrants in accordance with the erstwhile SEBI Guidelines on Preferential Issue. Each warrant entitles the holder to subscribe for and be allotted one (1) equity share of the Company any time within a period of 18 months from the date of allotment of the warrants.

## **Reserves and Surplus**

Share premium account increased by Rs.7,196.35 million due to premium on issuance of 35,450,000 equity shares of Re.1/-each to Qualified Institutional Buyer (QIB's), at a price of Rs. 204/- per equity share in accordance with the provisions of Chapter XIII-A of the erstwhile SEBI (DIP) Guidelines, and Rs.340.93 million towards reversal of premium on redemption of Foreign Currency Convertible Bonds (FCCB) which is no longer required on the buy back of part of FCCB's. Deductions during the year was Rs. 63.61 million being change in provision for premium on redemption of FCCBs due to fluctuation in foreign currency rate and Rs.198.72 million expenses on issue of QIP shares.

## **Secured Loans**

Secured loans decreased to Rs.19,567.31 million as against Rs.28,080.83 million in the previous year mainly due to repayments/prepayments of debts.

## **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.5,395.12 million against Rs.8,585.36 million at the close of previous year, resulting therein a decrease of Rs.3,190.24 million.

## **Fixed Assets**

Gross Block increased from Rs.30,563.78 million to Rs.34,074.83 is mainly due to capitalization of Foreign Exchange Fluctuation Loss amounting to Rs.2,744.24 million, in compliance with the Notification of Ministry of Corporate Affairs as referred above.

The increase in fixed assets (net of depreciation) by Rs.1,462.63 million (including Capital Work In Progress) from Rs. 26,175.15 million to Rs. 27,637.78 million was mainly due to capitalization of foreign exchange fluctuation in compliance with the Notification of Ministry of Corporate Affairs as referred above.

## **Investments**

During the year Company invested in Bajaj Eco-Tec Products Ltd. (subsidiary), by way of acquiring 60,000,000 - 7% Redeemable Cumulative Optionally Convertible Preference Shares of Rs.10/- each. Bajaj Eco- Chem Products Pvt. Ltd. (Subsidiary) also issued 800,000 equity shares of Rs.10/-each against the application money paid during the previous year.

## **Inventories**

The inventory of sugar at the end of the year was 175,581 MT equivalent to 95 days' sales as compared to 140 days' sales in the previous year. Alcohol inventory at the end of year was 3,640 KL equivalent to 41 days' sales as compared to 11 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 6 days of sales as compared to 8 days of sales in the previous year.

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

### Income

The gain on buyback of FCCB, Rs. 337.15 million and the provisions no longer required, Rs.1,041.40 million, were of a non-recurring nature.

### Expenditure

The loss on assets sold/discarded, Rs.16.15 million was of a non-recurring nature.

### Contingent Liabilities

The status of contingent liabilities as at September 30, 2009 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.

## Unitwise Operations

### Sugar Division

Crushing details of plants during the year 2008-09 are given in Table 11.

**TABLE 11 : Cane crushing , Sugar Recovery and Sugar Production**

Plant Location	Zone	2008 -09			2007 -08		
		Cane Crushing (Million MT)	Sugar Recovery (%)	Sugar Production (Tonnes)	Cane Crushing (Million MT)	Sugar Recovery (%)	Sugar Production (Tonnes)
Gola Gokarannath	Central UP	0.857	9.53	81,637	1.546	10.30	159,304
Palia Kalan	Central UP	0.857	9.31	79,816	1.255	9.95	124,845
Kinauni	Western UP	0.788	8.72	68,645	1.494	9.97	148,931
Thanabhawan	Western UP	0.541	8.77	47,479	1.005	9.84	98,857
Budhana	Western UP	0.578	8.84	51,038	1.164	10.01	116,464
Bilai	Western UP	0.470	10.04	47,141	0.965	10.44	100,750
Gangnauli	Western UP	0.187	8.47	15,851	0.640	9.41	60,246
Khambarkhera	Central UP	0.529	9.16	48,351	0.854	9.82	83,860
Barkhera	Central UP	0.344	8.79	30,187	0.676	9.76	65,948
Maqsoodapur*	Central UP	0.274	8.46	23,123	0.413	9.86	40,685
<b>Total</b>		<b>5.425</b>	<b>9.09</b>	<b>493,268</b>	<b>10.012</b>	<b>9.99</b>	<b>999,890</b>

\*Unit Commissioned during season 2007-08 and includes trial run crushing.

### Distillery Division

The distillery division produced 32,070 kilolitres of industrial alcohol (including Ethanol) against 1,15,031 kilolitres in the previous year registering a decline of

72%. Likewise sales also aggregated at 32,128 kilolitres against 1,25,426 kilolitres in the previous year registering a decline of 74%.

In value terms, the sale of industrial alcohol (including

Ethanol) during the year 2008-09 was Rs.858.15 million as against Rs.3,009.32 million in the previous year registering a decline of 71%.

The lower production and sale was due to scarcity of sugarcane resulting into lower production of molasses.

#### **Power Division**

The sale of electricity was at Rs. 226.18 million in the current year as against Rs. 332.08 million in the previous year registering a decline of 32% mainly due to less availability of bagasse.

#### **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 into 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 judgments before taking any investment decisions.*

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# CEO / CFO Certification

The Board of Directors,  
Bajaj Hindusthan Limited,  
Mumbai.

#### **Re: Financial Statements for the year 2008-09 - 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, 2009 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 transaction entered into by the Company during the year ended September 30, 2009 which are fraudulent, illegal or violative of the Company's code 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.

**Shishir Bajaj**  
Chairman & Managing Director

**Manoj Maheshwari**  
Chief Finance Officer

Mumbai,  
December 15, 2009

# Report of the Auditors' to the Members

We have audited the attached Balance Sheet of BAJAJ HINDUSTHAN LIMITED, as at 30th September, 2009, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 misstatement. 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 (Auditors' 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 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, Profit and Loss Account and 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, as on 30th September, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2009, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) 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, 2009;
  - (b) in the case of the Profit and Loss Account, of the profit 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,  
 15th December, 2009

**ANNEXURE REFERRED TO IN PARAGRAPH 2 OF  
OUR AUDITORS' REPORT OF EVEN DATE ON THE  
ACCOUNTS FOR THE YEAR ENDED 30TH  
SEPTEMBER, 2009 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.2009-2010).  
As explained to us, physical verification has been conducted by the management during the year covering major portion of its fixed assets in phased manner to cover all assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. As informed, no material discrepancies were noticed on such verification.  
  
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's amounted Rs. 4013.02 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, Customs 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 / Trade Tax	13663	228308	3300612	-	3542583
2	Excise Duty	241496276	67090287	-	-	308586563

- x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi) 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.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) All investments held by the Company at the close of the year are held in its own name.
- xiv) 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.

xv) 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.

xvi) 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.

xvii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Companies Act, 1956. However, the Company has during the year allotted warrants on preferential basis to promoter group in accordance with the SEBI preferential issue guidelines.

xviii) 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.

xix) The Company has not raised any money by public issues during the year.

xx) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

In view of the nature of activities carried on by the Company clause no. (xiii) of CARO, 2003 is not applicable to the Company.

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

**SHISHIR DALAL**  
Partner  
Membership No. 37310

Mumbai,  
15th December, 2009



# Balance Sheet as at September 30, 2009

	Schedule	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
<b>I. Sources of Funds:</b>				
Shareholders' Funds				
Capital	1	176.86		141.41
Equity Warrants (Refer Note 14)		189.01		-
Reserves & Surplus	2	22,570.75	22,936.62	13,309.63
				13,451.04
Loan Funds				
Secured Loans	3	19,567.31		28,080.83
Unsecured Loans	4	11,184.20		6,009.90
			30,751.51	34,090.73
Deferred Tax Liability (Net) (Refer Note 10)			1,080.44	589.37
<b>Total</b>			<b>54,768.57</b>	<b>48,131.14</b>
<b>II. Application of Funds:</b>				
Fixed Assets	5			
Gross Block		34,074.83		30,563.78
Less: Depreciation		7,749.84		5,775.56
Net Block		26,324.99		24,788.22
Capital Work in Progress		1,312.79		1,386.93
			27,637.78	26,175.15
Investments	6		5,491.06	4,882.56
Current Assets, Loans & Advances	7			
Inventories		8,004.52		6,372.37
Sundry Debtors		285.65		422.99
Cash & Bank Balances		1,123.55		397.27
Loans & Advances		20,930.49		18,062.13
		30,344.21		25,254.76
Less : Current Liabilities & Provisions	8			
Current Liabilities		6,830.28		6,104.92
Provisions		1,874.20		2,076.41
		8,704.48		8,181.33
Net Current Assets			21,639.73	17,073.43
<b>Total</b>			<b>54,768.57</b>	<b>48,131.14</b>
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 15, 2009

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

## Profit & Loss Account for the year ended September 30, 2009

	Schedule	Rs. Million	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>Income :</b>				
Gross Sales /Income from Operations	9		<b>16,557.52</b>	18,794.94
Less: Excise Duty			<b>720.15</b>	1,232.13
Net Sales /Income from Operations			<b>15,837.37</b>	17,562.81
Other Income	10		<b>2,311.57</b>	465.91
			<b>18,148.94</b>	18,028.72
<b>Expenditure :</b>				
Raw Materials Consumed	11		<b>8,167.60</b>	13,903.31
Manpower Cost	12		<b>1,208.32</b>	1,162.86
Other Expenses	13		<b>1,382.82</b>	3,024.01
Interest & Finance charges (Net)	14		<b>1,870.77</b>	1,394.44
Depreciation			<b>2,022.13</b>	1,872.21
(Increase) / Decrease in Stocks	15		<b>1,437.26</b>	(2,246.90)
			<b>16,088.90</b>	19,109.93
<b>Profit for the year before Taxation</b>			<b>2,060.04</b>	(1,081.21)
Less : Provision for Taxation:				
Current Tax		<b>330.92</b>		-
Deferred Tax (Net) (Refer Note 10)		<b>491.07</b>		(618.17)
Wealth Tax		<b>1.00</b>		3.00
Fringe Benefit Tax		<b>5.60</b>		10.80
		<b>828.59</b>		(604.37)
Less: MAT credit entitlement		<b>330.92</b>		-
			<b>497.67</b>	(604.37)
<b>Profit for the year</b>			<b>1,562.37</b>	(476.84)
Add : Balance Brought Forward		<b>65.27</b>		670.38
Excess / (Short) provision for tax		<b>(16.23)</b>		(24.88)
			<b>49.04</b>	645.50
			<b>1,611.41</b>	168.66
<b>Transfers to :</b>				
Reserve for Molasses Storage Tanks			<b>1.59</b>	4.13
General Reserve			<b>400.00</b>	-
Debenture Redemption Reserve			<b>275.00</b>	-
Proposed Dividend			<b>123.80</b>	84.84
Corporate Dividend Tax on Proposed Dividend			<b>21.04</b>	14.42
Balance carried to Balance Sheet			<b>789.98</b>	65.27
Basic Earning per Share :				
Net Profit / (Loss)			<b>1,546.14</b>	(501.72)
Weighted Average No. of Shares			<b>150,148,207</b>	141,407,111
Basic Earning per Share in Rupees (Face Value Re. 1/- each)			<b>10.30</b>	(3.55)
Diluted Earning per Share :				
Net Profit / (Loss)			<b>1,546.14</b>	(501.72)
Weighted Average No. of Shares			<b>164,648,207</b>	141,407,111
Diluted Earning per Share in Rupees (Face Value Re 1/- each)			<b>9.39</b>	(3.55)
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 15, 2009

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

# Cash Flow Statement for the year ended September 30, 2009

	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>A. Cash Flow from operating activities :</b>		
Net Profit/ (Loss) before Exceptional item and Taxation	2,060.04	(1,081.21)
Adjustment for :		
Depreciation	2,022.13	1,872.21
(Gain) / Loss due to Foreign Exchange Fluctuation	-	584.87
Provision for Foreign Exchange Gain written back	(836.53)	-
Loss/ (Surplus) on sale of Fixed Assets (Net)	12.60	1.22
Interest and Finance Charges	2,950.60	2,395.36
Dividend Received	(4.69)	(1.98)
Profit on sale of investment	-	(83.18)
Interest Received	(1,079.83)	(1,000.92)
	3,064.28	3,767.58
Operating Profit before working capital changes	5,124.32	2,686.37
Adjustment for:		
Trade and other receivables	(2,068.69)	(1,513.34)
Inventories	(1,632.16)	(2,424.10)
Trade payables	768.52	(3.64)
Cash generated from operations	2,191.99	(1,254.71)
Direct taxes paid	(130.43)	(232.21)
Net Cash from/ (used in) operating activities	2,061.56	(1,486.92)
<b>B. Cash Flow from investing activities :</b>		
Purchase of Fixed Assets	(608.11)	(1,517.42)
Sale of Fixed Assets	55.36	80.57
Sale/Purchase of Investments	(608.50)	(424.71)
Loans and Advances	(554.72)	(725.51)
Dividend Received	4.69	1.98
Interest Received	1,079.83	1,000.92
Net cash used in investing activities	(631.45)	(1,584.17)
<b>C. Cash Flow from financing activities :</b>		
Proceeds from borrowings (Net of repayments)	(4,662.06)	4,596.96
Issue of Convertible Warrants	189.01	-
Issue of Equity Shares & Premium thereon :		
On issue of QIP	7,231.80	-
Issue expenses (QIP)	(198.72)	-
Interest paid	(3,165.57)	(2,119.53)
Dividend paid (including tax thereon)	(98.29)	(98.60)
<b>Net cash from/ (used in) financing activities</b>	<b>(703.83)</b>	<b>2,378.83</b>
Net increase/(decrease) in cash and cash equivalents	726.28	(692.26)
Cash and Cash equivalents as at Oct. 01 (Opening Balance)		
Earmarked for specific purposes	16.15	12.39
Other Balances	381.12	1,077.14
	397.27	1,089.53
Cash and Cash equivalents as at September 30 (Closing Balance)		
Earmarked for specific purposes	348.25	16.15
Other Balances	775.30	381.12
	1,123.55	397.27
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 15, 2009

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**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, 2009 and Profit and Loss Account for the year ended on that date.

	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 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 :			
176,857,111 (141,407,111) Equity Shares of Re 1/- each. (Refer Note 15)		<b>176.86</b>	141.41
		<b>176.86</b>	<b>141.41</b>
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, 2008	Additions	Deductions		
Capital Redemption Reserve	0.50	-	-	<b>0.50</b>	0.50
Contingency Reserve	100.00	-	-	<b>100.00</b>	100.00
Securities Premium *	9,160.06	7,537.28	262.33	<b>16,435.01</b>	9,160.06
General Reserve **	2,814.07	985.61	-	<b>3799.68</b>	2,814.07
Debenture Redemption Reserve	1,137.50	275.00	-	<b>1,412.50</b>	1,137.50
Reserve for Molasses Storage Tanks ***	32.23	1.59	0.74	<b>33.08</b>	32.23
Balance as per Profit & Loss Account	65.27	724.71	-	<b>789.98</b>	65.27
	<b>13,309.63</b>	<b>9,524.19</b>	<b>263.07</b>	<b>22,570.75</b>	<b>13,309.63</b>

\* Additions to Securities Premium represent (i) Rs.7,196.35 Million Premium received on issue of equity shares to Qualified Institutional Buyers (QIB) (Refer Note 15) and (ii) Rs.340.93 Million write back of Premium on redemption of Foreign Currency Convertible Bonds (FCCB) no longer required. Deductions represent (i) Rs. 63.61 Million being change in Provision for Premium on redemption of FCCBs due to fluctuation in foreign currency rate and (ii) Rs.198.72 Million expenses on issue of QIP shares.

\*\* Additions to General Reserve include (i) Rs.584.87 Million being exchange loss on foreign currency borrowings now capitalised (Refer Note 16) and (ii) Rs.0.74 Million being transfer from Reserve for Molasses Storage Tanks.

\*\*\* Rs. 0.74 Million has been transferred to General Reserve on fulfillment of conditions governing the creation of funds.

### Schedule 3 - Secured Loans

Debentures			
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) (premature payment during the year)	-		2,000.00
25 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 22 of 2007-08 MIBOR linked (redeemed 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 (redeemed 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 (redeemed 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 (redeemed 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)	<b>150.00</b>		150.00
Loans & Advances from Banks	<b>18,853.84</b>		22,360.35
Other Loans & Advances	<b>563.47</b>		70.48
	<b>19,567.31</b>		<b>28,080.83</b>

**Notes :**

1. Non-Convertible Debentures amounting to Rs.150 Million (Series 30 of 2007-08) is secured / to be secured by way of first pari passu charge on fixed assets of the Company. Documentation in this regard is under finalisation.
2. Working Capital / Short Term Loans facilities from Banks 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. 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.
4. 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.
5. 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.
6. The Sugar Development Fund loan from Government of India amounting to Rs.563.47 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.537.23 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 sanctioned.

**Schedule 4 - Unsecured Loans**

	<b>As at Sept. 30, 2009 Rs. Million</b>	<b>As at Sept. 30, 2008 Rs. Million</b>
Short Term Debentures	<b>5,500.00</b>	250.00
Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	<b>4,783.44</b>	5,609.33
Short Term Loan from Banks	<b>900.00</b>	149.78
Fixed Deposits	<b>0.76</b>	0.79
	<b><u>11,184.20</u></b>	<b><u>6,009.90</u></b>

[Short Term Debentures of Rs. 3,050 Million (Rs. 63,430 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, 2008	Addi- tions	Deduc- tions & Adjust- ments	As at Sept. 30, 2009	As at Oct. 1, 2008	For the year	Deduc- tions & Adjust- ments	Upto Sept. 30, 2009	As at Sept. 30, 2009	As at Sept. 30, 2008
1.	Land	754.17	9.56	-	763.73	-	-	-	-	763.73	754.17
2.	Buildings	5,677.13	833.27	24.70	6,485.70	842.91	371.44	3.35	1,211.00	5,274.70	4,834.22
3.	Plant & Machinery	22,372.21	2,729.12	22.47	25,078.86	4,216.90	1,486.52	4.70	5,698.72	19,380.14	18,155.31
4.	Furniture, Fixtures & Office Equipment	431.50	9.69	7.09	434.10	252.45	41.82	4.77	289.50	144.60	179.05
5.	Vehicles	209.47	6.51	25.63	190.35	123.48	22.33	17.77	128.04	62.31	85.99
6.	Railway Siding & Light Railways	1.97	-	-	1.97	1.90	0.01	-	1.91	0.06	0.07
7.	Weighing Scales & Weigh Bridges	273.03	0.15	35.92	237.26	99.52	23.36	17.26	105.62	131.64	173.51
8.	Electrical Fittings	480.66	-	-	480.66	149.71	46.08	-	195.79	284.87	330.95
9.	Leased Assets :										
	Distillery Division:										
-	Land	18.92	-	-	18.92	-	-	-	-	18.92	18.92
-	Buildings	58.52	34.19	-	92.71	7.82	5.73	-	13.55	79.16	50.70
-	Plant & Machinery	238.98	-	-	238.98	66.68	16.58	-	83.26	155.72	172.30
-	Furniture, Fixtures & Office Equipment	0.82	-	-	0.82	0.65	0.04	-	0.69	0.13	0.17
-	Electrical Fittings	20.39	-	-	20.39	4.62	2.19	-	6.81	13.58	15.77
10.	Intangible Assets- Computer Software	26.01	4.37	-	30.38	8.92	6.03	-	14.95	15.43	17.09
Total		30,563.78	3,626.86	115.81	34,074.83	5,775.56	2,022.13	47.85	7,749.84	26,324.99	24,788.22
Previous Year Total		26,392.63	4,535.92	364.77	30,563.78	4,186.24	1,872.30	282.98	5,775.56	24,788.22	22,206.39
11.	Capital Work in Progress	1,386.93	3,537.12	3,611.26	1,312.79	-	-	-	-	1,312.79	1,386.93
Total		31,950.71	7,163.98	3,727.07	35,387.62	5,775.56	2,022.13	47.85	7,749.84	27,637.78	26,175.15
Previous Year Total		32,022.30	4,750.90	4,822.49	31,950.71	4,186.24	1,872.30	282.98	5,775.56	26,175.15	

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) Additions during the year includes an amount of Rs. 2744.24 Million towards Exchange fluctuation loss on foreign currency loans as per the Notification dated 31.03.2009 issued by the Ministry of Corporate Affairs. (Refer Note No. 16).

(iv) Particulars of Capital Work-in-Progress :

Capital Work in Progress:	As at Oct. 1, 2008	Additions	Deductions & Adjustments	As at Sept. 30, 2009
Advance to Suppliers / Contractors	67.89	71.17	10.23	<b>128.83</b>
Plant & Machinery / Civil work in progress	1,319.04	3,465.95	3,601.03	<b>1,183.96</b>
<b>Total</b>	<b>1,386.93</b>	<b>3,537.12</b>	<b>3,611.26</b>	<b>1,312.79</b>

	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
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## Schedule 6 - Investments

### (I) Long Term Investments (At Cost) :

#### 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** 0.18

48,000 (48,000) Shares of Bajaj Auto Ltd. (BAL) of 10/- each

**0.07** 0.07

48,000 (48,000) Shares of Bajaj Finserv Ltd. (BFSL) of Rs. 5/- each

**0.07** 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 (88,500,000) Shares of Bajaj Hindusthan Sugar and Industries Ltd. of Re. 1/- each

**3,587.18** 3,587.18

Unquoted Fully Paid Equity Shares:

11,500,000 (11,500,000) Shares of Bajaj Eco-Tec Products Ltd. of Rs. 10/- each.

**1,149.10** 1,149.10

2,161,361 (2,161,361) 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/- each.

**0.03** 0.03

810,000 (10,000) Shares of Bajaj Eco-Chem Products Pvt. Ltd. of Rs. 10/- each.

**8.10** 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

60,000,000 (-) 7% Redeemable Cumulative Optionally Convertible Preference Shares of Bajaj Eco-Tec Products Ltd. of Rs. 10/- each

**600.00** -

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

### (II) Current Investments (At lower of cost and fair value):

Investment in Mutual Funds (Quoted fully paid):

4,316.172 (-) Nos. Unit of Franklin India Prima Plus -Growth Plan of Rs 100/- each

**0.50** -

**5,502.59** 4,894.09

\*Less: Provision for diminution in value of investments

**11.53** 11.53

**5,491.06** 4,882.56

	Book Value as at		Market Value as at	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Quoted Investments	<b>3,588.34</b>	3,587.84	<b>3,097.79</b>	2,277.57
Unquoted Investments	<b>1,902.72</b>	1,294.72	-	-
	<b>5,491.06</b>	4,882.56	<b>3,097.79</b>	2,277.57

Following Investments were purchased and sold/redeemed during the year:

**Mutual Funds:**

Rs. Million

S. No.	Particulars	No. of Units	Cost
1	HDFC Cash Management Fund-Treasury Advantage Fund	16,946,618	170.00
2	HDFC Cash Management Fund-Treasury Advantage Fund	16,946,618	170.00
3	Birla SunLife Savings Fund-Institutional Option	9,993,205	100.00
4	Birla SunLife Savings Fund-Institutional Option	22,984,371	230.00
5	Reliance Money Manager Fund-Institutional Option	129,852	130.00
6	SBI Magnum Insta Cash Fund-Cash Option	9,133,532	180.00
7	SBI SHF Ultra Sort Term Fund-Institutional Option	17,993,561	180.03
8	Birla SunLife Cash Plus-Institutional Premium	29,941,614	300.00
9	Switch to Birla SunLife Savings Fund-Institutional Option	29,983,040	300.03
10	Birla SunLife Cash Plus-Institutional Premium	14,970,807	150.00
11	Switch to Birla SunLife Savings Fund-Institutional Option	14,991,454	150.02
12	Birla SunLife Savings Fund-Institutional Option	9,993,205	100.00
13	Birla SunLife Short Term Fund-Institutional Option	55,047,360	550.78
14	Reliance Liquid Fund-Treasury Plan-Institutional Option	16,353,551	250.00
15	Reliance Money Manager Fund-Institutional Option	249,746	250.03
16	Reliance Money Manager Fund-Institutional Option	219,750	220.00
17	Reliance Liquid FundTreasury Plan-Institutional Option	6,541,420	100.00
18	Reliance Money Manager Fund-Institutional Option	99,897	100.01
19	Reliance Money Manager Fund-Institutional Option	199,773	200.00
20	Reliance Medium Term Fund-Institutional Option	45,091,732	770.87
21	Reliance Money Manager Fund-Institutional Option	470,481	471.02
22	TATA Liquid Super High Investment Fund-Institutional Option	44,862	50.00
23	Tata Floater Fund-Institutional Option	49,828	50.00
24	Kotak Liquid Fund-Institutional Premium	12,266,828	150.00
25	Kotak Floater Fund-Institutional Premium	14,882,776	150.02
26	UTI Liquid Cash Plan-Institutional Option	29,428	30.00
27	UTI Treasury Advantage Fund-Institutional Option	29,997	30.00
28	UTI Liquid Cash Plan-Institutional Option	98,093	100.00
29	UTI Treasury Advantage Fund-Institutional Option	99,989	100.01
30	UTI Liquid Cash Plan-Institutional Option	78,474	80.00
31	UTI Treasury Advantage Fund-Institutional Option	79,992	80.01



	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
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#### 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		590.01	449.04
(ii) Raw Material		3,056.64	-
(iii) Finished Stock		3,953.68	5,840.57
(iv) Materials-in-Process		4.00	-
(v) By-Products		400.19	82.76
		<u>8,004.52</u>	<u>6,372.37</u>
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Good		8.65	20.54
Doubtful	4.28		4.28
Less : Provision	<u>(4.28)</u>		<u>(4.28)</u>
		-	-
Other Debts		277.00	402.45
		<u>285.65</u>	<u>422.99</u>
(c) Cash and Bank Balances			
Cash on hand (including cheques & drafts Rs 189.47 Million, Previous year Rs.2.45 Million)		199.92	12.31
Balance with Scheduled Banks:			
(i) In Current Accounts		568.41	49.62
(ii) In Fixed Deposits (Including interest accrued Rs. 6.12 Million, Previous year Rs. 2.65 Million)		348.25	329.88
Balance with Non Scheduled Banks - In Current Accounts		6.97	5.46
		<u>1,123.55</u>	<u>397.27</u>

	As at Sept. 30, 2009	Maximum balance during the period
i) District Cooperative Bank Limited	1.79	76.04
	(1.75)	(120.78)
ii) Urban Cooperative Bank Limited	0.10	62.23
	(0.65)	(12.65)
iii) Zila Sahkari Bank Limited	-	-
	(0.05)	(0.05)
iv) UP Gramin Bank	5.08	76.76
	(3.01)	(203.81)

##### Loans and Advances:

(d) Loans and Advances (Unsecured, considered good unless otherwise stated)		
Bajaj Hindusthan Sugar and Industries Ltd. (Subsidiary Company)	4,011.60	3,729.84
(Maximum debit balance during the year Rs.4,011.60 Million,previous year Rs. 3,729.84 Million )		
Bajaj Eco-Tec Products Ltd. (Subsidiary Company)	-	180.00
(Maximum debit balance during the year Rs. 527.40 Million, previous year Rs. 469.35 Million)		
Bajaj Hindusthan (Singapore) Pte Ltd. (Subsidiary Company)	1.42	1.08
(Maximum debit balance during the year Rs. 1.42 Million, Previous year Rs. 1.08 Million)		
Advance to Bajaj Eco-Chem Products Pvt. Ltd. (Subsidiary Company) against allotment of shares	-	8.00
Other Companies	5,549.07	5,088.44
Other Company - Doubtful	22.91	22.91
Less: Provision	<u>(22.91)</u>	<u>(22.91)</u>
	-	-
Advances recoverable in cash or in kind or for value to be received	9,092.44	6,907.43
Deposits #	126.95	128.28
Balance with Excise Department including Cenvat credits	1,046.90	1,024.55
MAT credit entitlement	647.52	316.60
Tax paid in advance (net of Provisions)	454.59	677.91
	<u>20,930.49</u>	<u>18,062.13</u>
	<u>30,344.21</u>	<u>25,254.76</u>

# Includes National Savings Certificate of the face value of Rs. 0.72 Million (Previous year Rs.0.23 Million) and Pass books of Post Office Savings Bank Account having an aggregate balance of Rs.0.08 Million (Previous year Rs.0.07 Million) pledged with Government Authorities.

	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
<b>Schedule 8 - Current Liabilities and Provisions</b>		
<b>A. Current Liabilities:</b>		
Sundry Creditors (Including Capital Suppliers Rs.447.86 Million, Previous year Rs.247.49 Million ) *	<b>6,573.49</b>	5,627.51
Unclaimed Redeemed Preference Share Capital (Rs. Nil, Previous year Rs.3,000/-)	-	0.00
Interest Accrued but not due	<b>193.31</b>	408.28
Deposits from Stockists and others	<b>59.52</b>	66.14
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>3.96</b>	2.99
*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>6,830.28</b>	6,104.92
<b>B. Provisions:</b>		
For Employee Benefits	<b>123.18</b>	93.65
For Premium on redemption of FCCBs	<b>1,606.18</b>	1,883.50
Proposed Dividend	<b>123.80</b>	84.84
Corporate Dividend Tax	<b>21.04</b>	14.42
	<b>1,874.20</b>	2,076.41
	<b>8,704.48</b>	8,181.33

	Rs. Million	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>Schedule 9 - Gross Sales/ Income from Operations</b>			
Sales:			
Manufactured Goods		15,975.26	17,980.90
By Products		354.78	477.59
Power		226.18	332.08
Export Incentives		1.30	4.37
		<u>16,557.52</u>	<u>18,794.94</u>
<b>Schedule 10 - Other Income</b>			
Dividend		1.58	1.98
Income from current Investments		3.11	-
Surplus on Sale of Assets		3.55	0.71
Lease and Management Fees		19.20	142.05
Gain due to Foreign Exchange Fluctuation (Net)		744.69	-
Scrap / Stores sales		62.80	112.59
Profit on sale of Investment		-	83.18
Extinguishment of liability on buyback of FCCBs (Refer Note 13)		337.15	-
Provisions no longer required / Credit balances appropriated		1,041.40	33.78
Miscellaneous Receipts		98.09	91.62
		<u>2,311.57</u>	<u>465.91</u>
<b>Schedule 11 - Raw Materials Consumed</b>			
Opening Stock		-	-
Purchases		11,224.24	13,903.31
		<u>11,224.24</u>	<u>13,903.31</u>
Less: Closing Stock		3,056.64	-
		<u>8,167.60</u>	<u>13,903.31</u>
<b>Schedule 12 - Manpower Cost</b>			
Salaries & Wages		1,054.68	994.48
Contribution to Provident and other funds and schemes		96.58	110.96
Employee's Welfare Expenses		57.06	57.42
		<u>1,208.32</u>	<u>1,162.86</u>
<b>Schedule 13 - Other Expenses</b>			
Stores, Spares and Packing Materials consumed		354.59	759.87
Power and Fuel		149.75	182.30
Rent		38.14	35.49
Rates and Taxes		8.46	12.08
Repairs :			
Building	17.31		12.58
Machinery	149.26		426.46
Others	32.28		23.13
		<u>198.85</u>	<u>462.17</u>
Payment to Auditors for:			
Audit fees	1.80		1.80
Tax audit fees	0.23		0.22
Certification work*	0.91		0.95
Out-of-pocket expenses	0.11		0.15
		<u>3.05</u>	<u>3.12</u>
Payment to Cost Auditor (Cost Audit Fees)		0.18	0.18
Insurance		47.40	24.07
Selling Commission		35.78	46.10
Selling & Distribution		130.42	169.03
Director fees		0.67	0.70
Donations		0.04	2.74
Loss due to Foreign Exchange Fluctuation (Net)		-	870.90
Miscellaneous Expenses		395.67	444.37
Bad debts written off		3.67	3.56
Provision for Doubtful Debts / Advances		-	2.29
Loss on Assets Sold / Discarded		16.15	1.93
Prior Period Adjustment		-	3.11
		<u>1,382.82</u>	<u>3,024.01</u>

\* Excludes Rs. 1.20 Million towards QIP issue related fees debited to Securities Premium account.

	Rs. Million	2008-2009 Rs. Million	2007-2008 Rs. Million
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**Schedule 14 - Interest and Finance Charges (Net)**

Interest :			
On Term Loans		322.17	471.60
On Debentures		533.49	558.25
On Working Capital Loans		813.42	659.69
On Others		1,158.43	472.70
		<u>2,827.51</u>	<u>2,162.24</u>
Less: Interest Income Gross (Tax deducted at source Rs. 138.44 Million, Previous year Rs. 195.33 Million)			
On Loans		972.47	990.42
On Others		107.36	10.50
		<u>1,079.83</u>	<u>1,000.92</u>
		1,747.68	1,161.32
Add: Finance charges		123.09	233.12
		<u>1,870.77</u>	<u>1,394.44</u>

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

Opening Stock:			
Finished Goods	5,840.57		3,087.09
By-product	82.76		263.10
		5,923.33	3,350.19
Add: Stock out of Trial Production:			
Finished Goods	-		251.03
Materials in process	-		8.18
By-product	-		8.71
		-	267.92
Less: Closing Stock:			
Finished Goods	3,953.68		5,840.57
Materials in Process	4.00		-
By-product	400.19		82.76
		4,357.87	5,923.33
		1,565.46	(2,305.22)
Add/(Less): Excise Duty on Increase/Decrease in stocks		(128.20)	58.32
		<u>1,437.26</u>	<u>(2,246.90)</u>

## Schedule 16 - Notes forming part of the Accounts

	As at Sept. 30, 2009	Rs. Million
1. Contingent Liabilities not provided for:		
a) In respect of disputed demands/claims against the Company not acknowledged as debts:		
(i) Central Excise matters	318.65	338.33
(ii) Trade Tax matters	5.77	7.86
(iii) Income-tax matters	0.02	0.02
(iv) Other claims	412.21	306.56
(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. 556.89 Million (Rs. 579.72 Million).		
(ii) Bank Guarantee of Rs. Nil (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.		
2. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances).	264.83	670.58
(b) Lease Rental Income:		
- Not later than one year	19.20	19.20
- Later than one year but not later than five years	12.80	32.00
- Later than five years	-	-

### 3. Raw Materials Consumed (Indigenous):

Raw Material	2008-2009		2007-2008	
	M. Tonnes	Rs. Million	M. Tonnes	Rs. Million
i. Sugar cane	5,427,382	8,105.68	9,827,139	13,714.63
ii. Molasses	135,870	45.23	508,892	187.57
iii. Others		16.69		1.11
		<u>8,167.60</u>		<u>13,903.31</u>

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

	2008-2009		2007-2008	
	Rs. Million	Percentage	Rs. Million	Percentage
i. Spare Parts & Components (Indigenous)	9.67	100.00	22.01	100.00
ii. Spare Parts & Components (Imported)	-	-	-	-

### 5. Managerial Remuneration:

#### a) Computation of Commission to Chairman & Managing Director and Joint Managing Director:

	Rs. Million	2008-2009 Rs. Million
Profit as per Profit & Loss Account		1,562.37
Add: (i) Remuneration to managerial personnel	71.71	
(ii) Provision for Taxation	337.52	
(iii) Deferred Tax (Net)	491.07	
(iv) Loss on Assets Sold	16.15	916.45
		<u>2,478.82</u>
Less: (i) Surplus on sale of Assets		3.55
(ii) Extinguishment of liability on buyback of FCCBs		337.15
(iii) MAT credit entitlement		330.92
Net Profit on which commission is payable		<u>1,807.20</u>
Chairman & Managing Director's commission @ 1% on above		18.07
Joint Managing Director's commission @ 1% on above		18.07
Maximum commission as determined by the Board of Directors :		
Chairman & Managing Director's commission		17.50
Joint Managing Director's commission		17.50

(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 up to (05.02.09)	Director (Corporate and Legal Affairs) (w.e.f.12.03.09)	Total
1. Salary, etc.	7.20 (7.20)	7.06 (7.06)	4.15 (11.92)	3.07 (-)	21.48 (26.18)
2. Commission	17.50 (-)	17.50 (-)	- (-)	- (-)	35.00 (-)
3. Contribution to Provident Fund and Superannuation, etc.	1.94 (1.94)	- (0.00)	3.27 (1.04)	0.15 (-)	5.36 (2.98)
4. Other Perquisites	5.47 (1.69)	3.88 (2.63)	0.26 (0.72)	0.26 (-)	9.87 (5.04)
<b>Total</b>	<b>32.11</b> (10.83)	<b>28.44</b> (9.69)	<b>7.68</b> (13.68)	<b>3.48</b> (-)	<b>71.71</b> (34.20)

	2008-2009 Rs. Million	2007-2008 Rs. Million
6. Earnings in Foreign Exchange:		
Export of goods on F.O.B. basis	41.31	122.10
7. (a) Expenditure in Foreign Currency:		
(i) Interest	129.33	56.00
(ii) Travelling Expenses	0.78	0.86
(iii) Others*	9.25	28.33
* Excludes Rs. 17.89 Million towards QIP issue related fees debited to Securities Premium account.		
(b) C.I.F. value of imports:		
(i) Raw Material	2,932.55	-
(ii) 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. (Step Down Subsidiary)
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)

Mrs.Minakshi Bajaj (Wife of Mr.Shishir Bajaj)

Mr. Niraj Bajaj - Non Executive Director (resigned w.e.f.December 31, 2008)

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

Mr. Apoorva Bajaj (Son of Mr.Shishir Bajaj)

Mr. I. D. Mittal - Chief Executive Director (Also key management personnel) (resigned w.e.f. February 6, 2009)

Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal (upto February 05, 2009)

Dr. Sanjeev Kumar, Director (Corporate and Legal Affairs) (Also key management personnel) (Appointed w.e.f. March 12, 2009)

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

1. Bajaj Capital Ventures Private Limited
2. Bajaj Electricals Limited (up to December 31, 2008)
3. Bajaj Holding & Investment Ltd.
4. The Hindusthan Housing Co. Ltd. (up to December 31, 2008)
5. Hind Musafir Agency Ltd. (up to December 31, 2008)
6. Mukand Ltd. (up to December 31, 2008)

**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 period</b>							
Purchase of Goods	<b>4.78</b>	-	-	-	-	-	<b>4.78</b>
	(9.47)	(-)	(-)	(-)	(-)	(0.32)	(9.79)
Sale of Goods	<b>211.94</b>	-	-	-	-	-	<b>211.94</b>
	(75.54)	(-)	(-)	(-)	(-)	(-)	(75.54)
Rendering of Services	-	-	-	-	-	<b>0.86</b>	<b>0.86</b>
	(-)	(-)	(-)	(-)	(-)	(9.32)	(9.32)
Interest paid	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(2.36)	(2.36)
Interest received	<b>301.50</b>	-	-	-	-	-	<b>301.50</b>
	(302.33)	(-)	(-)	(-)	(-)	(-)	(302.33)
Rent recovered	<b>Rs.2/-</b>	-	-	-	-	-	<b>Rs.2/-</b>
	(Rs.2/-)	(-)	(-)	(-)	(-)	(-)	(Rs.2/-)
Rent Paid	-	-	-	-	-	<b>3.30</b>	<b>3.30</b>
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Remuneration	-	-	-	<b>71.71</b>	<b>0.95</b>	-	<b>72.66</b>
	(-)	(-)	(-)	(34.20)	(1.68)	(-)	(35.88)
Dividend received	-	-	-	-	-	<b>1.06</b>	<b>1.06</b>
	(-)	(-)	(-)	(-)	(-)	(1.98)	(1.98)
Dividend paid	-	-	-	<b>28.56</b>	<b>0.85</b>	<b>3.10</b>	<b>32.51</b>
	(-)	(0.12)	(-)	(3.43)	(1.01)	(99.26)	(103.82)
Sitting fees paid	-	<b>0.67</b>	-	-	-	-	<b>0.67</b>
	(-)	(0.70)	(-)	(-)	(-)	(-)	(0.70)
Equity Warrant Issued	-	<b>189.01</b>	-	-	-	-	<b>189.01</b>
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Investment made	<b>608.00</b>	-	-	-	-	-	<b>608.00</b>
	(392.60)	(-)	(-)	(-)	(-)	(-)	(392.60)
Investment sold	-	-	-	-	-	-	-
	(50.00)	(-)	(-)	(-)	(-)	(-)	(50.00)
Loans taken	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(1,088.70)	(1,088.70)
Loans taken repaid	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(1,088.70)	(1,088.70)
Loans given	<b>779.50</b>	-	-	-	-	-	<b>779.50</b>
	(271.96)	(-)	(-)	(-)	(-)	(-)	(271.96)
Loans given repaid	<b>685.40</b>	-	-	-	-	-	<b>685.40</b>
	(189.35)	(-)	(-)	(-)	(-)	(-)	(189.35)
<b>II. Amounts Outstanding at Balance Sheet date</b>							
Loans given Outstanding	<b>4,013.02</b>	-	-	-	-	-	<b>4,013.02</b>
	(3,918.92)	(-)	(-)	(-)	(-)	(-)	(3,918.92)
Deposits Outstanding	-	-	-	-	-	<b>3.59</b>	<b>3.59</b>
	(-)	(-)	(-)	(-)	(-)	(0.84)	(0.84)

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	Sept. 30, 2009 Rs. Million	Sept. 30, 2008 Rs. Million
1. Segment Revenue		
a. Sugar	15,394.56	15,779.77
b. Distillery	834.45	2,675.08
c. Power	821.49	1,301.83
Total	17,050.50	19,756.68
Less : Inter- segment Revenue	1,213.13	2,193.87
Net Sales / Income from Operations	15,837.37	17,562.81
2. Segment Results		
(Profit (+)/ Loss(-) before tax and interest)		
a. Sugar	1,594.44	(602.64)
b. Distillery	(68.38)	587.71
c. Power	484.04	887.57
Total	2,010.10	872.64
Less: (i) Interest (Net)	1,870.77	1,394.44
(ii) Other Un-allocable Expenditure net off		
Un-allocable Income	(1,920.71)	559.41
Total Profit before Tax	2,060.04	(1,081.21)
3. Segment Assets:		
a. Sugar	37,050.74	35,486.76
b. Distillery	3,238.97	2,916.70
c. Power	2,795.68	2,614.57
Total	43,085.39	41,018.03
Add: Unallocated Corporate Assets	20,387.66	15,294.44
Total Assets	63,473.05	56,312.47
4. Segment Liabilities:		
a. Sugar	2,227.06	3,458.12
b. Distillery	123.00	276.82
c. Power	77.41	1.37
Total	2,427.47	3,736.31
Add: Unallocated Corporate Liabilities	6,277.01	4,445.02
Total Liabilities	8,704.48	8,181.33
5. Capital Expenditure:		
a. Sugar	2,634.02	154.93
b. Distillery	538.12	1.39
c. Power	359.07	124.84
d. Unallocated	21.51	12.02
Total	3,552.72	293.18
6. Depreciation:		
a. Sugar	1,619.05	1,506.48
b. Distillery	194.59	182.79
c. Power	165.98	133.44
d. Unallocated	42.51	49.50
Total	2,022.13	1,872.21
7. Non Cash Expenditure other than Depreciation:		
a. Sugar	Nil	Nil
b. Distillery	Nil	Nil
c. Power	Nil	Nil
Total	Nil	Nil

Other disclosures :

1. The Company caters mostly to Indian markets and as such there are no reportable geographical segments. All the assets are also located in India.
2. 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.
3. The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
4. 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, 2008	During the year	Rs. Million As at Sept. 30, 2009
<b>Deferred Tax Liabilities :</b>			
Depreciation	2,872.21	170.32	3,042.53
<b>Total</b>	<b>2,872.21</b>	<b>170.32</b>	<b>3,042.53</b>
<b>Deferred Tax Assets :</b>			
Provision for Employee Benefits	32.95	10.04	42.99
Provision for doubtful debts / advances	0.78	-	0.78
Carry Forward loss and unabsorbed Depreciation	2,249.11	(330.79)	1,918.32
<b>Total</b>	<b>2,282.84</b>	<b>(320.75)</b>	<b>1,962.09</b>
<b>Net Deferred Tax Liability / (Assets)</b>	<b>589.37</b>	<b>491.07</b>	<b>1,080.44</b>

11. Detailed Quantitative Information :

Sr. No.	Products	Licensed Capacity	Installed Capacity (as certified by the Management)	Opening Stock as at Oct. 01, 2008		Stock out of Trial Run	Production	Reprocessing Loss / Shortage / Captive Consumption	Sales		Closing Stock As at Sept. 30, 2009	
				Quantity	Value	Quantity	Quantity	Quantity	Quantity	Value	Quantity	Value
1.	Sugar	Not Applicable	TCD	M.Tonnes	Rs. Million	M.Tonnes	M.Tonnes	M.Tonnes	M.Tonnes	Rs. Million	M.Tonnes	Rs. Million
			96,000 (96,000)	355,586 (273,069)	5,778.60 (2,937.73)	- (16,993)	493,268 (982,897)	1,093 (486)	672,180 (916,887)	15,118.41 (14,975.95)	175,581 (355,586)	3,853.40 (5,778.60)
2.	Alcohol	Kilo Litres	KL/Per Day	Kilo Litres	Rs. Million	Kilo Litres	Kilo Litres	Kilo Litres	Kilo Litres	Rs. Million	Kilo Litres	Rs. Million
		187,000 (187,000) per annum	640 # (640)	3,781 (14,825)	61.97 (149.36)	- (-)	32,070 (115,031)	83 (649)	32,128 (125,426)	858.15 (3,009.32)	3,640 (3,781)	97.28 (61.97)
3.	Power	MW	MW	MW	Rs. Million	MW	MW	MW	MW	Rs. Million	MW	Rs. Million
		Not Applicable	274 (262)	- (-)	- (-)	- (-)	276,300 (441,915)	6,602 (805)	266,588 \$ (441,110)	226.18 (332.08)	3,110 (-)	3.00 (-)
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	4,352 (93,869)	22.95 (185.89)	- (2,460)	267,241 (484,006)	129 (3,253)	221,360 (535,797)	305.76 (254.49)	64,370 (4,352)	263.20 (22.95)
5.	Others	Not Applicable	Not Applicable		59.81 (77.21)					49.02 (223.10)		136.99 (59.81)
Total					5,923.33 (3,350.19)					16,557.52 (18,794.94)		4,353.87 (5,923.33)

Notes :

\$ 1. Includes inter unit transfer 1,93,317 MW (Previous year 3,30,108 MW)

\* 2. Sales include inter unit transfer 1,50,240 MT (Previous year 4,55,188 MT) at nil value. Closing Stock include stock at Distillery units 15,308 MT (Previous year 1,042 MT) .

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

4. Figures for previous year are shown in brackets.

12. Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder:

<b>Funded Scheme - Gratuity</b>		
Particulars	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>Liability to be recognised in Balance Sheet as on 30th Sep.</b>		
Present value of Funded Obligations	147.11	129.25
Fair Value of Plan Assets	(63.70)	(72.18)
Net Liability / (Asset)	83.41	57.07
<b>Change in Plan Assets ( Reconciliation of Opening &amp; Closing Balances )</b>		
Fair Value of Plan Assets as at 01st October	72.18	82.13
Expected Return on Plan Assets	5.43	6.17
Actuarial Gain / ( Losses)	(0.05)	0.52
Contributions	1.74	3.00
Benefits Paid	(15.60)	(19.64)
Fair Value of Plan Assets as at 30th September	63.70	72.18
<b>Reconciliation of Opening and Closing Balances of obligation</b>		
Change in defined Benefit Obligation as at 01st October	129.25	105.14
Current Service Cost	17.54	16.69
Interest cost	11.05	9.38
Actuarial Losses / ( Gain )	4.87	17.68
Benefits Paid	(15.60)	(19.64)
Obligation as at 30th September	147.11	129.25
<b>Expenditure to be recognised during the year</b>		
Current Service Cost	17.54	16.69
Interest cost	11.05	9.38
Expected Return on Plan Assets	(5.44)	(6.17)
Net Actuarial Losses / ( Gain ) Recognised during the year	4.92	17.16
Total Expenditure included in "Employees Emoluments"	28.07	37.06
<b>Assumptions</b>		
Discount Rate (per annum)	8.00%	7.50%
Expected Rate of Return on Assets (per annum)	8.00%	8.00%
Salary Escalation Rate (per annum)	5.00%	5.00%
<b>Unfunded Scheme - Earned Leaves</b>		
Particulars	2008-2009 Rs. Million	2007-2008 Rs. Million
Present value of Unfunded Obligations	39.77	36.58
Expenses recognised in the statements of P&L	24.12	12.08
Discount Rate (per annum)	8.00%	7.50%
Salary Escalation Rate (per annum)	5.00%	5.00%

13. Out of outstanding Foreign Currency Convertible Bonds (FCCBs) aggregating to US\$ 119.50 Million, FCCBs of the aggregate face value of US\$ 19.93 Million were repurchased at discount and cancelled during the year. The resultant gain (net of expenses) of Rs. 337.15 Million on account of the extinguishment of corresponding liability has been accounted for under the head "Other Income".
14. The Company has allotted 14,500,000 warrants on preferential basis to the promoter group of the Company on May 18, 2009 after receipt of a sum of Rs. 189.01 Million representing 25% of the total value for such warrants in accordance with the SEBI Preferential Issue Guidelines. Each warrant entitles the holder to subscribe for and be allotted one (1) equity share of the company any time within a period of 18 months from the date of allotment of the warrants. The issue proceeds in this regard have been utilised for repayment of debts.
15. The Company had launched a Qualified Institutions Placement (QIP) on June 29, 2009 and raised equity funds aggregating to Rs. 7,231.80 Million (approx US \$ 150 Million) by issuing an aggregate of 35,450,000 equity shares of face value Re. 1 each, at a price of Rs. 204 per equity share, to certain "Qualified Institutional Buyers" (QIBs) in accordance

with the terms of Chapter XIII-A of the SEBI (DIP) Guidelines. Subsequently, after the allotment of these new equity shares to the respective QIBs on July 3, 2009, the paid up Equity Share Capital and Securities Premium Account have increased by Rs. 35.45 Million and Rs. 7,196.35 Million respectively. The net funds from the QIP proceeds have been utilised in full for repayment / pre-payment of debts, in accordance with the terms of the issue.

16. In compliance with the Notification dated March 31, 2009 issued by Ministry of Corporate Affairs, the Company has exercised the option as inserted by Paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates". Accordingly Foreign Exchange Loss of Rs.1,322.84 Million for the year ended September 30, 2009 has been adjusted to Capital Assets. For the accounting year ended September 30, 2008, foreign exchange loss of Rs. 584.87 Million (net of Provision Rs. 836.53 Million, Gross Rs. 1,421.40 Million) was debited to profit and loss account. In terms of the said notification, while the gross loss of Rs. 1,421.40 Million has been carried to the capital assets and credited to General Reserve, Provision for Exchange Fluctuation of Rs. 836.53 Million now not required, has been written back to the Profit and Loss Account as Provision no longer required and reflected under the head "Other Income".

As a result of this change, depreciation for the year is higher by Rs. 125.93 Million, loss on foreign currency fluctuation is lower by Rs. 1322.84 Million and profit for the year is higher by Rs. 1196.91 Million.

17. 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, *inter alia*, 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.

18. During the Financial Year 2007-08 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.

		As at Sept. 30, 2009		As at Sept. 30, 2008	
19. Disclosures in respect of derivative instruments :					
		Forward Contract USD (Million)	Option JPY/USD (Million)	Forward Contract USD (Million)	Swap JPY/USD (Million)
(i)	Derivative instruments outstanding are as under:				
	Loans taken	-	8,042.30	20.00	9,191.20
	Debtors (USD)	-		28.75	
	Creditors (USD)	14.07		-	
	(All the derivative instruments have been acquired for hedging purposes.)				
		USD/JPY (Million)		USD (Million)	
(ii)	Foreign currency exposures that are not hedged				
	Debtors (USD)	-		27.45	
	Creditors (USD)	47.00		-	
	FCCB (USD)	99.57		119.50	
	ECB (USD)	86.97		77.92	
	ECB (JPY)	1,148.90		-	

20. 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. 47/687/2009-CL-III dated 14-10-2009, the Company has not attached with its Balance Sheet as at September 30, 2009, the documents specified in Section 212(1) of the Act in respect of its six subsidiaries, viz. (i) Bajaj Hindusthan Sugar and Industries Ltd., (ii) Bajaj Eco-Tec Products Ltd., (iii) Bajaj Aviation Pvt. Ltd., (iv) Bajaj Internacional Participações Ltda. Brazil, (v) Bajaj Hindusthan (Singapore) Pte. Ltd., and (vi) Bajaj Eco-Chem Products Pvt. Ltd, and has disclosed the requisite information in the Consolidated Balance Sheet as at September 30, 2009.
21. Previous year figures have been regrouped wherever necessary and have been shown in brackets.
22. Significant Accounting policies followed by the Company are as stated in the statement annexed to this Schedule (Annexure 'A').
23. 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 15, 2009

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

# Statement on Significant Accounting Policies

Annexure 'A' referred to in Note No. 22 in Schedule 16 to the Accounts for the year ended September 30, 2009

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## 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/VAT. Sales excludes captive consumption.
- (ii) Sales made on high seas basis delivered to the Customers directly and not held in stocks are not included in the Sales/Turnover.
- (iii) 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.
- (iv) 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 revalued 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, except insofar it relates to long term monetary items for financing acquisition of depreciable capital assets, is adjusted to the acquisition cost of such assets and depreciated over its remaining useful life.

## 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 up to 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 revaluation 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 reassess 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 recognized 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="35,450"/>

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

Total Liabilities	Total Assets
<input type="text" value="54,768,570"/>	<input type="text" value="54,768,570"/>
<b>Sources of Funds</b>	
Paid-up Capital	Reserves & Surplus
<input type="text" value="176,857"/>	<input type="text" value="22,570,747"/>
Equity Warrants	Deferred Tax Adjustments
<input type="text" value="189,008"/>	<input type="text" value="1,080,446"/>
Secured Loans	Unsecured Loans
<input type="text" value="19,567,309"/>	<input type="text" value="11,184,203"/>
<b>Application of Funds</b>	
Net Fixed Assets	Investments
<input type="text" value="27,637,782"/>	<input type="text" value="5,491,062"/>
Net Current Assets	Misc. Expenditure
<input type="text" value="21,639,726"/>	<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="18,148,933"/>	<input type="text" value="16,088,897"/>
* Includes Other Income	
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
<input type="text" value="2,060,036"/>	<input type="text" value="1,562,366"/>
(Please tick appropriate box + for Profit - for Loss)	
Earning Per Share (Basic) in Rs.	Dividend Rate %
<input type="text" value="10.30"/>	<input type="text" value="70%"/>

## V. Generic Name of Principal Product of Company

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

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President & Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

Mumbai,  
December 15, 2009

## 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, 2009, and the related consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company'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. 186.85 Million as at 30th September, 2009 and total revenues of Rs. 10.65 Million for the year then ended and considered for the purpose of consolidated accounts. Our opinion, insofar 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 were 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 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 reports 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, 2009;
  - (ii) in the case of the consolidated Profit and Loss Account, of the consolidated results of the profit 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,  
 15th December, 2009



# Consolidated Balance Sheet as at September 30, 2009

	Schedule	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
<b>I. Sources of Funds:</b>				
Shareholders' Funds				
Capital	1	176.86		141.41
Equity Warrants (Refer Note 10)		189.01		-
Stock Options Outstanding		161.77		161.77
Reserves & Surplus	2	20,607.42	21,135.06	11,711.10
Minority Interest			650.61	12,014.28
				673.04
Loan Funds				
Secured Loans	3	28,657.77		36,636.76
Unsecured Loans	4	11,904.80	40,562.57	6,714.00
				43,350.76
Deferred Tax Liability (Net) (Refer Note 8)			486.09	39.34
<b>Total</b>			<b>62,834.33</b>	<b>56,077.42</b>
<b>II. Application of Funds :</b>				
Fixed Assets	5			
Gross Block		52,951.27		47,452.21
Less: Depreciation		10,598.31		7,191.22
Net Block		42,352.96		40,260.99
Capital Work in progress		1,548.04	43,901.00	1,587.47
				41,848.46
Investments	6		1.16	0.66
Current Assets, Loans & Advances	7			
Inventories		9,564.39		7,923.66
Sundry Debtors		498.63		543.01
Cash & Bank Balances		1,272.73		1,740.35
Loans & Advances		18,593.85		15,714.19
		29,929.60		25,921.21
Less : Current Liabilities & Provisions	8			
Current Liabilities		9,027.05		9,584.90
Provisions		1,970.38		2,108.01
		10,997.43		11,692.91
Net Current Assets			18,932.17	14,228.30
<b>Total</b>			<b>62,834.33</b>	<b>56,077.42</b>
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 15, 2009

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

## Consolidated Profit & Loss Account for the year ended September 30, 2009

	Schedule	Rs. Million	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>Income :</b>				
Gross Sales /Income from Operations	9		<b>21,152.87</b>	22,176.76
Less: Excise Duty			<b>893.40</b>	1,475.32
Net Sales /Income from Operations			<b>20,259.47</b>	20,701.44
Other Income	10		<b>3,075.72</b>	501.16
			<b>23,335.19</b>	21,202.60
<b>Expenditure :</b>				
Raw Materials Consumed	11		<b>10,734.58</b>	15,956.11
Manpower Cost	12		<b>1,653.34</b>	1,482.85
Other Expenses	13		<b>2,184.42</b>	4,088.15
Interest & Finance Charges (Net)	14		<b>2,781.30</b>	2,071.33
Depreciation & Amortisation			<b>3,456.56</b>	2,798.67
(Increase) / Decrease in Stocks	15		<b>1,473.50</b>	(2,262.88)
			<b>22,283.70</b>	24,134.23
			<b>1,051.49</b>	(2,931.63)
<b>Profit/ (Loss) for the year before Taxation</b>				
Less: Provision for Taxation :				
Current Tax		<b>331.82</b>		1.33
Deferred Tax (Refer Note no. 8)		<b>446.75</b>		(1,004.24)
Wealth Tax		<b>1.04</b>		3.00
Fringe Benefit Tax		<b>7.79</b>		19.56
		<b>787.40</b>		(980.35)
Less: MAT Credit Entitlement		<b>331.32</b>		-
			<b>456.08</b>	(980.35)
<b>Profit/(Loss) for the year</b>			<b>595.41</b>	(1,951.28)
Less: Minority interest			<b>(22.43)</b>	(172.76)
Pre-acquisition Loss / (Profit)			-	(204.30)
<b>Income attributed to consolidated group</b>			<b>617.84</b>	(1,574.22)
Add: Balance Brought Forward		<b>(1,540.82)</b>		162.19
Excess / (Short) provision for tax		<b>(16.23)</b>		(24.87)
			<b>(1,557.05)</b>	137.32
			<b>(939.21)</b>	(1,436.90)
Transfers to :				
Reserve for Molasses Storage Tanks			<b>1.99</b>	4.66
General Reserve			<b>400.00</b>	-
Debenture Redemption Reserve			<b>275.00</b>	-
Proposed Dividend			<b>123.80</b>	84.84
Corporate Dividend Tax on Proposed Dividend			<b>21.04</b>	14.42
Balance carried to Balance Sheet			<b>(1,761.04)</b>	(1,540.82)
Basic Earning Per Share :				
Net Profit			<b>601.61</b>	(1,599.09)
Weighted Average No. of Shares			<b>150,148,207</b>	141,407,111
Basic Earning per Share in Rupees (Face Value Re. 1/- each)			<b>4.01</b>	(11.31)
Diluted Earnings per Share :				
Net Profit			<b>601.61</b>	(1,599.09)
Weighted Average No. of Shares			<b>164,648,207</b>	141,407,111
Diluted Earnings per Share in Rupees (Face Value Re. 1/- each)			<b>3.65</b>	(11.31)
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 15, 2009

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

# Consolidated Cash Flow Statement for the year ended September 30, 2009

	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>A. Cash Flow from operating activities :</b>		
Net Profit/ (Loss) before Exceptional items and Taxation	1,051.49	(2,931.63)
Adjustment for:		
Depreciation & Amortization	3,456.56	2,798.67
(Gain)/Loss due to Foreign Exchange Fluctuation	-	1,218.25
Provision for Foreign Exchange Gain written back	(1,211.15)	-
Loss/(Surplus) on sale of Fixed Assets (Net)	12.75	1.22
Interest and Finance Charges	3,587.35	2,776.67
Dividend Received	(4.69)	(1.98)
Profit on Sale of Investment	-	(83.18)
Interest Received	(806.05)	(705.34)
Employee's Compensation Expenses under ESOP	-	(8.78)
	<u>5,034.77</u>	<u>5,995.53</u>
Operating Profit before working capital changes	6,086.26	3,063.90
Adjustment for :		
Trade and other receivables	(2,258.00)	(1,879.85)
Inventories	(1,640.72)	(3,585.42)
Trade payables	(309.43)	990.96
Cash generated from operations	<u>1,878.11</u>	<u>(1,410.41)</u>
Direct taxes paid	<u>(142.22)</u>	<u>(246.51)</u>
<b>Net Cash from/(used in) operating activities</b>	<u>1,735.89</u>	<u>(1,656.92)</u>
<b>B. Cash Flow from investing activities :</b>		
Purchase of Fixed Assets	(1,660.00)	(3,051.13)
Sale of Fixed Assets	56.01	134.89
Sale/Purchase of Investments	(0.50)	83.18
Acquisition of Subsidiary/Minority interest	-	(165.29)
Loans and Advances	(460.63)	(642.89)
Dividend Received	4.69	1.98
Interest Received	806.05	705.34
Exchange Fluctuation Reserve on consolidation	6.17	5.63
<b>Net cash used in investing activities</b>	<u>(1,248.21)</u>	<u>(2,928.29)</u>
<b>C. Cash Flow from financing activities :</b>		
Proceeds from borrowings (Net of repayments)	(4,276.65)	6,198.04
Issue of Convertible Warrants	189.01	-
Issue of Equity Shares & Premium thereon	7,231.80	50.00
Issue expenses	(198.72)	-
Interest paid	(3,802.33)	(2,497.91)
Dividend paid (including tax thereon)	(98.41)	(98.48)
<b>Net cash from financing activities</b>	<u>(955.30)</u>	<u>3,651.65</u>
Net increase/(decrease) in cash and cash equivalents	<u>(467.62)</u>	<u>(933.56)</u>
Cash and Cash equivalents as at October 01, (Opening 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>
Cash and Cash equivalents as at September 30, (Closing Balance)		
Earmarked for specific purposes	359.85	29.23
Other Balances	<u>912.88</u>	<u>1,711.12</u>
	<u>1,272.73</u>	<u>1,740.35</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

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

Mumbai,  
December 15, 2009

## Schedules Forming Part of Consolidated Accounts

Schedules 1 to 16 annexed to and forming part of the Balance Sheet as at September 30, 2009 and Profit and Loss Account for the year ended on that date.

	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 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 :			
176,857,111 (141,407,111) Equity Shares of Re. 1/- each.		<b>176.86</b>	141.41
(Refer Note 11)		<b>176.86</b>	<b>141.41</b>

### Schedule 2 - Reserves and Surplus

	As at Oct. 01, 2008	Additions	Deductions		
Capital Redemption Reserve	0.60	-	-	0.60	0.60
Contingency Reserve	100.00	-	-	100.00	100.00
Securities Premium *	9,160.06	7,537.28	322.15	16,375.19	9,160.06
Exchange Fluctuation Reserve on consolidation of overseas subsidiaries	6.93	6.17	-	13.10	6.93
General Reserve**	2,813.48	1618.99	-	4432.47	2,813.48
Debenture Redemption Reserve	1,137.50	275.00	-	1,412.50	1,137.50
Reserve for Molasses Storage Tanks ***	33.35	1.99	0.74	34.60	33.35
Balance as per Profit & Loss Account	(1,540.82)	(220.22)	-	(1761.04)	(1,540.82)
	<b>11,711.10</b>	<b>9,219.21</b>	<b>322.89</b>	<b>20,607.42</b>	<b>11,711.10</b>

\* Additions to Securities Premium represent (i) Rs.7,196.35 Million Premium received on issue of equity shares to Qualified Institutional Buyers (QIB) (Refer Note 11) and (ii) Rs.340.93 Million write back of Premium on redemption of Foreign Currency Convertible Bonds (FCCB) no longer required. Deductions represent (i) Rs. 123.43 Million being change in Provision for Premium on redemption of FCCBs due to fluctuation in foreign currency rate and (ii) Rs.198.72 Million expenses on issue of QIP shares.

\*\* Additions to General Reserve include (i) Rs.1218.25 Million being exchange loss on foreign currency borrowings now capitalised (Refer Note 12) and (ii) Rs.0.74 Million being transfer from Reserve for Molasses Storage Tanks.

\*\*\* Rs. 0.74 Million has been transferred to General reserve on fulfillment of conditions governing the creation of funds.

### Schedule 3 - Secured Loans

Debentures		
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 (premature payment during the year)	-	2,000.00
25 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 22 of 2007-08 MIBOR linked (redeemed 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 (redeemed 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 (redeemed 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 (redeemed 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	150.00
Loans & Advances from Banks	22,323.26	24,955.17
Other Loans & Advances	6,184.51	6,031.59
	<b>28,657.77</b>	<b>36,636.76</b>

Notes :

1. Non-Convertible Debentures amounting to Rs.150 Million (Series 30 of 2007-08) is secured / to be secured by way of first pari passu charge on fixed assets of the Company. Documentation in this regard is under finalisation.
2. Working Capital / Short Term Loans from Banks 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. 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.
4. 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.
5. 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.
6. Term loan in Foreign Currency (ECB) of Rs. 5,563.87 Million in BHSIL included in Other Loans and Advances, is secured on exclusive first charge basis, 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).
7. The Sugar Development Fund loan from Government of India amounting to Rs.563.47 Million in respect of BHL and Rs. 57.17 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.537.23 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 sanctioned.

**Schedule 4 - Unsecured Loans**

	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
Short Term Debentures	5,500.00	250.00
Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	5,504.04	6,313.43
Short Term Loan from Banks	900.00	149.78
Fixed Deposits	0.76	0.79
	<u>11,904.80</u>	<u>6,714.00</u>

[Short Term Debentures of Rs. 3,050 Million (Rs. 63,430 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, 2008	Additions	Deductions & Adjustments	As at Sept. 30, 2009	As at Oct. 1, 2008	For the year	Deductions & Adjustments	Upto Sept. 30, 2009	As at Sept. 30, 2009	As at Sept. 30, 2008
1.	Goodwill on consolidation	1,049.81	(0.01)	-	1,049.80	390.42	329.69	-	720.11	329.69	659.39
2.	Land	1,233.90	34.25	-	1,268.15	-	-	-	-	1,268.15	1,233.90
3.	Buildings	8,198.45	1,128.23	24.70	9,301.98	969.42	578.38	3.35	1,544.45	7,757.53	7,229.03
4.	Plant & Machinery	35,047.12	4,378.86	22.47	39,403.51	5,071.97	2,353.97	4.70	7,421.24	31,982.27	29,975.15
5.	Furniture, Fixtures & Office Equipments	498.64	20.37	7.09	511.92	277.85	59.49	4.78	332.56	179.36	220.79
6.	Vehicles	244.02	10.24	28.04	226.22	137.25	28.17	19.38	146.04	80.18	106.77
7.	Railway Siding & Light Railways	1.97	-	-	1.97	1.90	0.01	-	1.91	0.06	0.07
8.	Weighing Scales & Weigh Bridges	331.90	2.60	35.93	298.57	103.82	29.63	17.26	116.19	182.38	228.08
9.	Electrical Fittings	482.76	4.19	-	486.95	149.89	46.66	-	196.55	290.40	332.87
10.	Leased Assets :										
	Distillery Division :										
	- Land	18.92	-	-	18.92	-	-	-	-	18.92	18.92
	- Buildings	58.52	34.19	-	92.71	7.82	5.73	-	13.55	79.16	50.70
	- Plant & Machinery	238.97	-	-	238.97	66.68	16.58	-	83.26	155.71	172.29
	- Furniture, Fixtures & Office Equipment	0.82	-	-	0.82	0.65	0.03	-	0.68	0.14	0.17
	- Electrical Fittings	20.40	-	-	20.40	4.62	2.20	-	6.82	13.58	15.78
11.	Intangible Assets Computer Software	26.01	4.37	-	30.38	8.93	6.02	-	14.95	15.43	17.08
	Total	47,452.21	5,617.29	118.23	52,951.27	7,191.22	3,456.56	49.47	10,598.31	42,352.96	40,260.99
	Previous Year 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
12.	Capital Work in Progress	1,587.47	5,337.81	5,377.24	1,548.04	-	-	-	-	1,548.04	1,587.47
	Total	49,039.68	10,955.10	5,495.47	54,499.31	7,191.22	3,456.56	49.47	10,598.31	43,901.00	41,848.46
	Previous Year 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	

- 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) Additions during the year includes an amount of Rs. 4,268.53 Million towards Exchange fluctuation loss on foreign currency loans as per the Notification dated 31.03.2009 issued by the Ministry of Corporate Affairs.(Refer Note 12).
- (iv) Particulars of Capital Work-in-Progress:

Capital Work in Progress :	As at Oct. 1, 2008	Additions	Deductions & Adjustments	As at Sept. 30, 2009
Advance to Suppliers / Contractors	204.87	507.56	534.60	177.83
Plant & Machinery / Civil work in progress	1,375.84	4,829.41	4,842.64	1,362.61
<b>Preoperative Expenses</b>				
Miscellaneous Expenses	6.76	0.84	-	7.60
<b>Total</b>	<b>1,587.47</b>	<b>5,337.81</b>	<b>5,377.24</b>	<b>1,548.04</b>

	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million	
<b>Schedule 6 - Investments</b>				
(I) Long Term Investments (At Cost) :				
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.)		<b>0.18</b>	0.18	
- 48000 (48,000) Shares of Bajaj Auto Ltd (BAL) of 10/- each		<b>0.07</b>	0.07	
- 48000 (48,000) Shares of Bajaj Finserv Ltd (BFSL) of Rs. 5/- each		<b>0.07</b>	0.07	
- 9,750 (9,750) Shares of Mukand Ltd. of Rs.10/- each		<b>0.32</b>	0.32	
Quoted, Fully Paid Preference Shares				
- 2,437 (2,437) 0.01% Cumulative Redeemable Preference Shares of Mukand Ltd. of Rs. 10/- each		<b>0.02</b>	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		<b>11.48</b>	11.48	
5,000 (5,000) Shares of Esugarindia Clearing Corporation Ltd. of Rs.10/- each		<b>0.05</b>	0.05	
(II) Current Investments (At lower of cost and fair value);				
Investment in Mutual Funds (Quoted fully paid) :				
4,316.172 (-) Nos. Unit of Franklin India Prima Plus - Growth Plan of Rs 100/- each		<b>0.50</b>	-	
		<b>12.69</b>	12.19	
*Less: Provision for diminution in value of investments		<b>11.53</b>	11.53	
		<b>1.16</b>	0.66	
	Book Value as at	Market Value as at		
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Quoted Investments	<b>1.16</b>	0.66	<b>110.91</b>	69.49
Unquoted Investments	-	-	-	-
	<b>1.16</b>	0.66	<b>110.91</b>	69.49

Following Investments were purchased and redeemed during the year:

**Mutual Funds :**

Sl.No.	Particulars	No. of Units	Rs. Million Cost
1.	HDFC Cash Management Fund-Treasury Advantage	16,946,618	170.00
2.	HDFC Cash Management Fund-Treasury Advantage	16,946,618	170.00
3.	Birla SunLife Savings Fund-Institutional Option	9,993,205	100.00
4.	Birla SunLife Savings Fund-Institutional Option	22,984,371	230.00
5.	Reliance Money Manager Fund-Institutional Option	129,852	130.00
6.	SBI Magnum Insta Cash Fund-Cash Option	9,133,532	180.00
7.	SBI SHF Ultra Sort Term Fund-Institutional Option	17,993,561	180.03
8.	Birla SunLife Cash Plus-Institutional Premium	29,941,614	300.00
9.	Switch to Birla SunLife Savings Fund-Institutional Option	29,983,040	300.03
10.	Birla SunLife Cash Plus-Institutional Premium	14,970,807	150.00
11.	Switch to Birla SunLife Savings Fund-Institutional Option	14,991,454	150.02
12.	Birla SunLife Savings Fund-Institutional Option	9,993,205	100.00
13.	Birla SunLife Short Term Fund-Institutional Option	55,047,360	550.78
14.	Reliance Liquid Fund-Treasury Plan-Institutional Option	16,353,551	250.00
15.	Reliance Money Manager Fund-Institutional Option	249,746	250.03
16.	Reliance Money Manager Fund-Institutional Option	219,750	220.00
17.	Reliance Liquid FundTreasury Plan-Institutional Option	6,541,420	100.00
18.	Reliance Money Manager Fund-Institutional Option	99,897	100.01
19.	Reliance Money Manager Fund-Institutional Option	199,773	200.00
20.	Reliance Medium Term Fund-Institutional Option	45,091,732	770.87
21.	Reliance Money Manager Fund-Institutional Option	470,481	471.02
22.	TATA Liquid Super High Investment Fund-Institutional Option	44,862	50.00
23.	Tata Floater Fund- Institutional Option	49,828	50.00
24.	Kotak Liquid Fund-Institutional Pemium	12,266,828	150.00
25.	Kotak Floater Fund-Institutional Premium	14,882,776	150.02
26.	UTI Liquid Cash Plan-Institutional Option	29,428	30.00
27.	UTI Treasury Advantage Fund-Institutional Option	29,997	30.00
28.	UTI Liquid Cash Plan-Institutional Option	98,093	100.00
29.	UTI Treasury Advantage Fund-Institutional Option	99,989	100.01
30.	UTI Liquid Cash Plan-Institutional Option	78,474	80.00
31.	UTI Treasury Advantage Fund-Institutional Option	79,992	80.01

	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
<b>Schedule 7 - Current Assets, Loans &amp; Advances</b>			
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		<b>809.67</b>	634.49
(ii) Raw Material		<b>3,219.72</b>	129.52
(iii) Finished Stock		<b>4,884.55</b>	6,937.27
(iv) Materials-in-Process		<b>104.31</b>	97.67
(v) By-Products		<b>546.14</b>	124.71
		<b>9,564.39</b>	7,923.66
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Good		<b>20.23</b>	20.55
Doubtful	<b>4.28</b>		4.28
Less : Provision	<b>(4.28)</b>		(4.28)
		-	-
Other Debts		<b>478.40</b>	522.46
		<b>498.63</b>	543.01
(c) Cash and Bank Balances			
Cash on hand (including cheques & drafts Rs.203.38 Million, Previous year Rs. 2.45 Million & stamps Rs. 5.47 Million)		<b>223.99</b>	26.45
Balance with Scheduled Banks :			
(i) In Current Accounts		<b>681.92</b>	371.11
(ii) In Fixed Deposits (Including interest accrued Rs.6.12 Million, Previous year Rs.2.65 Million)		<b>359.85</b>	1,337.33
Balance with Non Scheduled Banks		<b>6.97</b>	5.46
		<b>1,272.73</b>	1,740.35
c/f...		11,335.75	10,207.02

	As at Sept. 30, 2009 Rs. Million	Maximum balance during the year Rs. Million
i) District Cooperative Bank Limited	<b>1.79</b> (1.75)	<b>76.04</b> (120.78)
ii) Urban Cooperative Bank Limited	<b>0.10</b> (0.65)	<b>62.23</b> (12.65)
iii) Zilla Sahkari Bank Limited	- (0.05)	- (0.05)
iv) UP Gramin Bank	<b>5.08</b> (3.01)	<b>76.76</b> (203.81)



	Rs. Million	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 Rs. Million
<b>Schedule 7 - Current Assets, Loans &amp; Advances (Contd.)</b>			
b/f...		11,335.75	10,207.02
<b>Loans and Advances :</b>			
(d) Loans and Advances (Unsecured, considered good unless otherwise stated)			
Other Companies		5,549.07	5,088.44
Other Company - Doubtful			
Less: Provision	(22.91)	-	(22.91)
		-	-
Advances recoverable in cash or in kind or for value to be received		9,639.76	7,298.15
Deposits #		129.24	131.46
Balance with Excise Department including Cenvat credits		2,133.10	2,170.12
MAT credit entitlement		647.92	316.60
Tax paid in advance (net of Provisions)		494.76	709.42
		<u>18,593.85</u>	<u>15,714.19</u>
		<u>29,929.60</u>	<u>25,921.21</u>

# Includes National Savings Certificate of the face value of Rs.0.72 Million (Previous year Rs.0.23 Million) and Pass books of Post Office Savings Bank Account having an aggregate balance of Rs. 0.08 Million (Previous year Rs.0.07 Million) pledged with Government Authorities.

#### **Schedule 8 - Current Liabilities and Provisions**

<b>A. Current Liabilities :</b>		
Sundry Creditors	8,732.81	9,077.48
Unclaimed Redeemed Preference Share Capital (Rs. Nil previous year Rs. 3,000/-)	-	0.00
Interest Accrued but not due	216.91	431.89
Deposits from Stockists and others	73.37	72.42
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	3.96	3.11
	<u>9,027.05</u>	<u>9,584.90</u>
<b>B. Provisions :</b>		
For Employee Benefits	159.54	125.25
For premium on redemption of FCCBs	1,666.00	1,883.50
Proposed Dividend	123.80	84.84
Corporate Dividend Tax	21.04	14.42
	<u>1,970.38</u>	<u>2,108.01</u>
	<u>10,997.43</u>	<u>11,692.91</u>

	Rs. Million	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>Schedule 9 - Income from Operation</b>			
Sales :			
Manufactured Goods		20,595.63	21,239.10
By Products		415.94	636.08
Power		130.11	297.21
Export Incentives		1.30	4.37
Services :			
Air Transport		9.89	-
		<u>21,152.87</u>	<u>22,176.76</u>
<b>Schedule 10 - Other Income</b>			
Dividend		1.58	1.98
Income from current Investments		3.11	-
Surplus on Sale of Assets		3.55	0.71
Lease and Management Fees		19.20	142.04
Gain due to Foreign Exchange (Net)		952.56	-
Scrap / Stores sales		122.68	140.25
Profit on sale of Investment		-	83.18
Extinguishment of liability on buyback of FCCBs (Refer Note 9)		337.15	-
Provisions no longer required / Credit balances appropriated		1,522.28	33.79
Miscellaneous Receipts		113.61	99.21
		<u>3,075.72</u>	<u>501.16</u>
<b>Schedule 11 - Raw Materials Consumed</b>			
Opening Stock		129.52	58.62
Purchases		13,824.78	16,027.01
		<u>13,954.30</u>	<u>16,085.63</u>
Less: Closing Stock		3,219.72	129.52
		<u>10,734.58</u>	<u>15,956.11</u>
<b>Schedule 12 - Manpower Cost</b>			
Salaries & Wages		1,451.46	1,284.27
Contribution to Provident and other funds and schemes		117.04	134.57
Employees' Welfare Expenses		84.84	72.79
Employees' Compensation Expenses (ESOP Cost)		-	(8.78)
		<u>1,653.34</u>	<u>1,482.85</u>
<b>Schedule 13 - Other Expenses</b>			
Stores, Spares and Packing Materials consumed		511.48	942.99
Power and Fuel		292.41	244.84
Rent		38.74	36.67
Rates and Taxes		10.43	14.50
Repairs :			
Building	22.78		16.68
Machinery	241.00		467.85
Others	38.68		26.39
		<u>302.46</u>	<u>510.92</u>
Payment to Auditors for :			
Audit fees	2.52		2.31
Tax Audit fees	0.27		0.38
Certification work*	1.22		1.05
Out of pocket expenses	0.17		0.18
		<u>4.18</u>	<u>3.92</u>
Payment to Cost Auditor (Cost Audit Fees)		0.25	0.22
Insurance		79.16	28.49
Selling Commission		45.41	51.65
Selling & Distribution		350.08	217.55
Directors' fees		0.86	0.73
Donations		0.04	2.74
Loss due to Foreign Exchange Fluctuation (Net)		-	1,504.28
Miscellaneous Expenses		526.23	517.76
Bad debts written off		3.67	3.56
Provision for Doubtful Debts / Advances		-	2.29
Loss on Assets Sold / Discarded		16.30	1.93
Prior Period Adjustment		2.72	3.11
		<u>2,184.42</u>	<u>4,088.15</u>

\*Excludes Rs.1.20 million towards QIP issue related fees debited to Securities Premium Account.

	Rs. Million	2008 - 2009 Rs. Million	2007 - 2008 Rs. Million
<b>Schedule 14 - Interest and Finance Charges (Net)</b>			
Interest :			
On Term Loans		<b>705.71</b>	675.27
On Debentures		<b>533.49</b>	558.25
On Working Capital Loans		<b>857.18</b>	771.42
On Others		<b>1,346.25</b>	525.37
		<b>3,442.63</b>	2,530.31
Less: Interest Income Gross			
On Loans		<b>670.97</b>	688.09
On Others		<b>135.08</b>	17.25
		<b>806.05</b>	705.34
		<b>2,636.58</b>	1,824.97
Add: Finance charges		<b>144.72</b>	246.36
		<b>2,781.30</b>	2,071.33

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

Opening Stock :			
Finished Goods	<b>6937.27</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
Add: Stock out of Trial Production :			
Finished Goods	-		1,090.58
Materials in process	-		105.60
By-product	-		84.84
	-		1,281.02
Less: Closing Stock:			
Finished Goods	<b>4,884.55</b>		6,937.27
Materials in process	<b>104.31</b>		97.67
By-product	<b>546.14</b>		124.71
		<b>5,535.00</b>	7,159.65
		<b>1,624.65</b>	(2,291.51)
Add/(Less): Excise Duty on Increase/Decrease in stocks		<b>(151.15)</b>	28.63
		<b>1,473.50</b>	(2,262.88)

**Schedule 16 - Statement on Significant Accounting Policies and Notes forming part of the Consolidated Accounts for the year ended September 30, 2009:**

**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 the net investment.

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

Name of the Company	Country of Incorporation	Holding as on Sept. 30, 2009	Financial Year ends on
<b>Subsidiary :</b>			
Bajaj Hindusthan Sugar and Industries Ltd.	India	<b>75.00%</b>	30.09.2009
Bajaj Eco-Tec Products Ltd. #	India	<b>100.00%</b>	31.03.2009
Bajaj Aviation Private Ltd. \$ (Formerly known as Bajaj Hindusthan Holdings Private Ltd.)	India	<b>100.00%</b>	30.09.2009
Bajaj Eco-Chem Products Private Ltd.#	India	<b>100.00%</b>	31.03.2009
Bajaj Internacional Participações Ltda.@	Brazil	<b>100.00%</b>	30.04.2009
Bajaj Hindusthan (Singapore) Pte. Ltd.	Singapore	<b>100.00%</b>	30.09.2009
<b>Associate :</b>			
Bajaj Ebiz Pvt. Ltd.*	India	<b>49.50%</b>	31.03.2009

# Management has compiled the accounts as at September 30, 2009 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 along with 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 Statements.

(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.

	As at Sept. 30, 2009 Rs. Million	As at Sept. 30, 2008 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	326.40	338.33
(ii) Trade Tax matters	5.77	7.86
(iii) Other Claims	412.21	306.56
(iv) Income-tax matters	0.02	0.02
(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.	2,249.93	2,249.93
4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	466.40	943.07
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.	32.65 (37.98)
2. Commission	35.00 (-)
3. Contribution to Provident Fund and Superannuation	5.96 (3.87)
4. Other Perquisites	11.43 (6.13)
<b>Total</b>	<b>85.04</b> (47.98)

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)

Mrs.Minakshi Bajaj (Wife of Mr.Shishir Bajaj)

Mr. Niraj Bajaj - Non Executive Director (resigned w.e.f.December 31, 2008)

Mr. Kushagra Bajaj - Joint Managing Director (Also key management personnel)

and also son of Mr. Shishir Bajaj

Mr.Apoorva Bajaj (Son of Mr.Shishir Bajaj)

Mr. I. D. Mittal - Chief Executive Director (Also key management personnel) (resigned w.e.f. February 6, 2009)

Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal (Up to February 5, 2009)

Dr. Sanjeev Kumar, Director (Corporate and Legal Affairs)(Also key management personnel) (appointed w.e.f. March 12, 2009)

**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. (resigned w.e.f. March 17, 2009)

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. Bajaj Capital Ventures Private Limited.
2. Bajaj Electricals Ltd. (Up to December 31, 2008)
3. Bajaj Holding & Investment Ltd.
4. The Hindusthan Housing Co. Ltd. (Up to December 31, 2008)
5. Hind Musafir Agency Ltd. (Up to December 31, 2008)
6. Mukand Ltd. (Up to December 31, 2008)

**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	- (-)	- (-)	- (-)	- (-)	- (0.32)	- (0.32)
Rendering of Services	- (-)	- (-)	- (-)	- (-)	<b>0.86</b> (10.23)	<b>0.86</b> (10.23)
Interest paid	- (-)	- (-)	- (-)	- (-)	- (2.36)	- (2.36)
Loans taken	- (-)	- (-)	- (-)	- (-)	- (1,088.70)	- (1,088.70)
Loans taken repaid	- (-)	- (-)	- (-)	- (-)	- (1,088.70)	- (1,088.70)
Remuneration	- (-)	- (-)	<b>85.04</b> (47.98)	<b>0.95</b> (1.68)	- (-)	<b>85.99</b> (49.66)
Dividend received	- (-)	- (-)	- (-)	- (-)	<b>1.06</b> (1.98)	<b>1.06</b> (1.98)
Dividend paid	- (0.12)	- (-)	<b>28.56</b> (3.43)	<b>0.85</b> (1.01)	<b>3.10</b> (99.26)	<b>32.51</b> (103.82)
Rent paid	- (-)	- (-)	- (-)	- (-)	<b>3.30</b> (-)	<b>3.30</b> (-)
Sitting fees paid	<b>0.86</b> (0.73)	- (-)	- (-)	- (-)	- (-)	<b>0.86</b> (0.73)
Equity Warrant Issued	<b>189.01</b> (-)	- (-)	- (-)	- (-)	- (-)	<b>189.01</b> (-)
<b>II. Amounts Outstanding at the Balance Sheet date</b>						
Deposits Outstanding	- (-)	- (-)	- (-)	- (-)	<b>3.59</b> (0.84)	<b>3.59</b> (0.84)

**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, Power and Baggase Board Divisions.

### Primary Segment Information :

Particulars	2008-2009 Rs. Million	2007-2008 Rs. Million
<b>1. Segment Revenue</b>		
a. Sugar	18,743.87	18,433.10
b. Distillery	1,226.33	3,145.57
c. Power	793.05	1,266.97
d. Baggase Board	976.94	208.36
e. Others	9.89	-
<b>Total</b>	<b>21,750.08</b>	<b>23,054.00</b>
Less : Inter- segment Revenue	1,490.61	2,352.56
<b>Net Sales / Income from Operations</b>	<b>20,259.47</b>	<b>20,701.44</b>
<b>2. Segment Results</b> (Profit (+)/ Loss(-) before tax and interest)		
a. Sugar	1,349.79	(1,052.45)
b. Distillery	8.30	679.12
c. Power	385.34	846.58
d. Baggase Board	(380.80)	(180.82)
e. Others	174.85	40.05
<b>Total</b>	<b>1,537.48</b>	<b>332.48</b>
Less:		
(i) Interest (Net)	2,781.30	2,071.33
(ii) Other Un-allocable Expenditure net off Un-allocable Income	(2,295.31)	1,192.78
<b>Total Profit before Tax</b>	<b>1,051.49</b>	<b>(2,931.63)</b>
<b>3. Segment Assets :</b>		
a. Sugar	51,105.46	50,690.50
b. Distillery	4,442.78	4,001.58
c. Power	3404.34	3,118.05
d. Baggase Board	3,902.23	3,397.24
e. Others	196.11	118.45
<b>Total</b>	<b>63,050.92</b>	<b>61,325.82</b>
Add: Unallocated Corporate Assets	10,780.84	6,444.51
<b>Total Assets</b>	<b>73,831.76</b>	<b>67,770.33</b>
<b>4. Segment Liabilities :</b>		
a. Sugar	4,216.56	6,652.97
b. Distillery	187.96	438.71
c. Power	112.60	0.86
d. Baggase Board	202.11	155.77
e. Others	1.19	0.31
<b>Total</b>	<b>4,720.42</b>	<b>7,248.62</b>
Add: Unallocated Corporate Liabilities	6,277.01	4,444.29
<b>Total Liabilities</b>	<b>10,997.43</b>	<b>11,692.91</b>
<b>5. Capital Expenditure:</b>		
a. Sugar	3,893.66	2,167.48
b. Distillery	608.87	101.44
c. Power	434.25	629.53
d. Baggase Board	502.76	1,025.21
e. Others	116.81	6.76
f. Unallocated	21.51	12.11
<b>Total</b>	<b>5,577.86</b>	<b>3,942.53</b>
<b>6. Depreciation &amp; Amortisation :</b>		
a. Sugar	2,649.25	2,237.20
b. Distillery	237.79	225.76
c. Power	200.00	147.32
d. Baggase Board	322.13	138.89
e. Others	4.88	-
f. Unallocated	42.51	49.50
<b>Total</b>	<b>3,456.56</b>	<b>2,798.67</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. Baggase Board	Nil	Nil
e. Unallocated	Nil	(8.78)
<b>Total</b>	<b>-</b>	<b>(8.78)</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, 2008	During the year	As at Sept. 30, 2009
<b>Deferred Tax Liabilities :</b>			
Depreciation	3,842.34	607.83	4,450.17
<b>Total</b>	<b>3,842.34</b>	<b>607.83</b>	<b>4,450.17</b>
<b>Deferred Tax Assets :</b>			
Provision for Employee Benefits	41.76	11.60	53.36
Expenses allowed on payment basis	3.68	-	3.68
Provision for Doubtful Debts / Advances	0.78	-	0.78
Carry Forward Loss and Unabsorbed Depreciation	3,756.78	149.48	3,906.26
<b>Total</b>	<b>3,803.00</b>	<b>161.08</b>	<b>3,964.08</b>
<b>Net Deferred Tax Liability/(Asset)</b>	<b>39.34</b>	<b>446.75</b>	<b>486.09</b>

9. Out of outstanding Foreign Currency Convertible Bonds (FCCBs) aggregating to US\$ 134.50 Million, FCCBs of the aggregate face value of US\$ 19.93 Million were repurchased at discount and cancelled during the year. The resultant gain (net of expenses) of Rs. 337.15 Million on account of the extinguishment of corresponding liability has been accounted for under the head "Other Income".
10. The Company has allotted 14,500,000 warrants on preferential basis to the promoter group of the Company on May 18, 2009 after receipt of a sum of Rs. 189.01 Million representing 25% of the total value for such warrants in accordance with the SEBI Preferential Issue Guidelines. Each warrant entitles the holder to subscribe for and be allotted one (1) equity share of the Company any time within a period of 18 months from the date of allotment of the warrants. The issue proceeds in this regard have been utilised for repayments of debts.
11. The Company had launched a Qualified Institutions Placement (QIP) on June 29, 2009 and raised equity funds aggregating to Rs. 7,231.80 Million (approx US \$ 150 Million) by issuing an aggregate of 35,450,000 equity shares of face value Re. 1 each, at a price of Rs. 204 per equity share, to certain "Qualified Institutional Buyers" (QIBs) in accordance with the terms of Chapter XIII-A of the SEBI (DIP) Guidelines. Subsequently, after the allotment of these new equity shares to the respective QIBs on July 3, 2009, the paid up Equity Share Capital and Securities Premium Account have increased by Rs. 35.45 Million and Rs. 7,196.35 Million respectively. The net funds from the QIP proceeds have been utilised in full for repayment / pre-payment of debts, in accordance with the term of the issue.
12. In compliance with the Notification dated March 31, 2009 issued by Ministry of Corporate Affairs, the Company has exercised the option as inserted by Paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates". Accordingly Foreign Exchange Loss of Rs. 1,839.13 Million for the year ended September 30, 2009 has been adjusted to Capital Assets. For the accounting year ended September 30, 2008, Foreign Exchange Loss of Rs. 1218.25 Million (net of Provision Rs. 1,211.15 Million, Gross Rs. 2,429.40 Million) was debited to Profit and Loss Account. In terms of the said notification, while the gross loss of Rs. 2,429.40 Million has been carried to the capital assets and credited Rs. 1,218.25 Million to General Reserve, Provision for Exchange Fluctuation of Rs. 1,211.15 Million now not required, has been written back to the Profit and Loss Account as Provision no longer required and reflected under the head "Other Income".
- As a result of this change, depreciation for the year is higher by Rs. 213.20 Million, loss on foreign currency fluctuation is lower by Rs. 1839.13 million and profit for the year is higher by Rs. 1625.93 Million.
13. The Hon'ble High Court of Allahabad while disposing of the various Writ Petitions filed by the Company and other sugar producing factories, by its Order dated December 19, 2007 had, inter alia, 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.
14. During the financial year 2007-08, 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.



15. Disclosures in respect of derivative instruments:

	Forward Contract	As at Sept. 30, 2009 Option	Forward Contract	As at Sept. 30, 2008 Swap
	USD (Million)	JPY/USD (Million)	USD (Million)	JPY/USD (Million)
(i) Derivative instruments outstanding as at September 30, are as under:				
Loans taken	-	10,127.73	20.00	11,624.20
Debtors-USD	-		28.75	
ECB-USD	9.00		20.75	
Creditors-USD	14.07		-	
(All the derivative instruments have been acquired for hedging purposes.)				
(ii) Foreign currency exposures that are not hedged as at September 30,	USD/JPY (Million)		USD (Million)	
Debtors-USD	-		27.45	
Creditors-USD	47.00		-	
FCCB-USD	114.57		134.50	
ECB-USD	215.66		202.17	
ECB-JPY	1,148.90		-	
Buyers Credit-EURO	2.08		2.05	
Buyers Credit-USD	8.59		9.39	

16. 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. 47/687/2009-CL-III dated 14-10-2009, the Company has not attached with its Balance Sheet as at September 30, 2009, the documents specified in Section 212(1) of the Act in respect of its six subsidiaries, viz. (i) Bajaj Hindusthan Sugar and Industries Ltd., (ii) Bajaj Eco-Tec Products Ltd., (iii) Bajaj Aviation Pvt. Ltd., (iv) Bajaj Internacional Participações Ltda. Brazil, (v) Bajaj Hindusthan (Singapore) Pte. Ltd., Singapore and (vi) Bajaj Eco-Chem Products Pvt. Ltd. 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).

17. 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 15, 2009

**Shishir Bajaj**  
Chairman & Managing Director

**Pradeep Parakh**  
President &  
Company Secretary

**D.S. Mehta**  
**M. L. Apte**  
**R. V. Ruia**  
**D.K. Shukla**  
Directors

## Statement of Information of Subsidiary Companies

Annexure 'A' referred to in Note No.16 in Schedule 16 to the Consolidated accounts for the year ended September 30,2009

Name of the Subsidiary Company	Rs. Million					
	Bajaj Hindusthan Sugar and Industries Limited	Bajaj Eco-Tec Products Limited	Bajaj Aviation Private Limited	Bajaj International Participações Limitada**	Bajaj Hindusthan (Singapore) Private Limited***	Bajaj Eco- Chem Products Private Limited
Financial year ended	30.09.2009	31.03.2009	30.09.2009	30.04.2009	30.09.2009	31.03.2009
Issued subscribed and paid up share capital	118.00	215.00	50.00	58.08	0.03	8.10
Reserves	3,059.04	294.59	7.38	2.72	(0.89)	Nil
Total Assets	13,801.00	3,533.48	124.37	60.80	(0.86)	8.10
Total Liabilities	13,801.00	3,533.48	124.37	60.80	(0.86)	8.10
Details of Investments (except in case of investment in subsidiaries)	Nil	Nil	Nil	Nil	Nil	Nil
Turnover*	4,157.79	608.68	10.65	2.81	Nil	N.A.#
Profit before taxation	(133.35)	(738.13)	3.12	0.11	(0.41)	N.A.#
Provision for taxation	(44.06)	1.38	1.10	0.03	Nil	N.A.#
Profit after taxation	(89.29)	(739.51)	2.02	0.08	(0.41)	N.A.#
Proposed dividend	Nil	Nil	Nil	Nil	Nil	N.A.#

### Notes

- \* 1 Turnover is net of excise and includes other income.
- \*\* 2 The financial statements are translated at the exchange rate as on 30.09.2009 i.e. 1 BRL = Rs. 26.8717
- \*\*\* 3 The financial statements are translated at the exchange rate as on 30.09.2009 i.e. 1 SGD = Rs. 33.8923
- # 4 The commercial activities of the Company has not commenced up to 31.03.2009. Therefore no Profit & Loss Account has been prepared for the year ended 31.03.2009.

[illegible]

