

AUTOMOTIVE AXLES LIMITED



Annual Report 1999-2000



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KALYANI

NINETEENTH ANNUAL REPORT 1999-2000**BOARD OF DIRECTORS**

B. N. Kalyani *Chairman*
S. S. Marathe
Pratap Bhogilal
P. C. Bhalerao
Bradley A. Arnold
P. M. McNamara
Larry Burgin
Adelio Raschi
Colin Imrie *Wholetime Director*

Auditors *M/s. Deloitte Haskins and Sells (Chennai),
Bangalore*

Bankers *State Bank of India
Canara Bank*

Registered Office *State Bank of Mysore*
and Works *Hootagalli Industrial Area
Off Hunsur Road
Mysore 571 186*

Listing at stock
Exchanges at *Bangalore, Mumbai and Pune*

19th Annual General Meeting	
Day :	Saturday
Date :	20th January 2001
Time :	10.30 a.m.
Place :	Registered Office Mysore

Contents	Page No.
Directors' Report.....	6
Annexure to Directors' Report...	8
Auditors' Report.....	10
Balance Sheet.....	12
Profit and Loss Account.....	13
Schedules to Accounts.....	14
Cashflow Statement.....	24
Shareholders' Information.....	26



Notice

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of Automotive Axles Limited will be held at the Registered Office of the Company at Hootagalli Industrial Area, Off Hunsur Road, Mysore 571 186 on Saturday, 20th January 2001, at 10.30 a.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 30th September 2000, the Profit and Loss Account for the year ended on that date and Reports of the Directors' and Auditors' thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Pratap Bhogilal, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. S. Marathe, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s. Deloitte Haskins and Sells (Chennai), Chartered Accountants, Bangalore the retiring auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors, to fix their remuneration for the period.

SPECIAL BUSINESS

6. To consider and if thought fit to appoint Mr. P. C. Bhalerao, as Director, liable to retire by rotation
7. To consider and if thought fit to appoint Mr. Adelio Raschi, as Director, liable to retire by rotation.

8. Commencement of New Business

To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**.

"Resolved that pursuant to Section 149 (2) and other applicable provisions if any, of the Companies Act, 1956 consent be and is hereby accorded to the commencement by the Company, of the business of generation of electricity through wind farm and distribution thereof and to carry on such other business as may be conveniently or advantageously combined with this business."

"Resolved Further that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, appropriate and desirable to give effect to this resolution."

By Order of the Board of Directors
for **AUTOMOTIVE AXLES LIMITED**

C. K. Sabareeshan
Sr. General Manager-Finance &
Company Secretary

Place : Mysore

Date : 15th November, 2000

Registered Office :
Hootagalli Industrial Area
Off Hunsur Road
Mysore - 571 186

NOTES :

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item No. 6, 7 and 8 of the Notice is annexed.
2. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.**
3. Dividend on equity shares, if declared at the Meeting, will be paid to those Members, whose names appear either on the Company's Register of Members or on the list of beneficial owners in the records of the depositories as on 20th January 2001.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 13th January 2001 to 20th January 2001 (both days inclusive).

ANNEXURE TO NOTICE

The following Explanatory Statement sets out material facts relating to the item No. 6, 7 and 8 mentioned in the Notice, as required under Section 173 (2) of the Companies Act, 1956.

Item No. 6

Pursuant to Article 117 of the Articles of Association of the Company read with Section 260 of the Companies Act 1956, Mr. P. C. Bhalerao was appointed an Additional Director on the Board of Directors of the Company, effective 15th November 2000. He would be holding office as Director up to the date of this Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956, has been received from a member specifying his intention to propose the appointment of Mr. P. C. Bhalerao, a Director subject to retirement by rotation. Mr. P. C. Bhalerao, presently working as an Executive Director of Bharat Forge Limited, has held various key positions in the Corporate Sector. It would be in the best interest of the Company to appoint Mr. P. C. Bhalerao, a Director of the Company.

None of the Directors of the Company, other than Mr. P. C. Bhalerao, himself, is concerned or interested in the resolution.

Item No. 7

Pursuant to Article 117 of the Articles of Association of the Company read with Section 260 of the Companies Act 1956, Mr. Adelio Raschi, was appointed an Additional Director on the Board of Directors of the Company, effective from 15th November 2000. He would be holding office as Director up to the date of this Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956, has been received from a member specifying his intention to propose the appointment of Mr. Adelio Raschi, Director subject to retirement by rotation. Mr. Adelio Raschi, is presently working as Vice President, Meritor HVS (India) Limited. It would be in the best interest of the Company to appoint Mr. Adelio Raschi, a Director of the Company.

None of the Directors of the Company, other than Mr. Adelio Raschi, himself is concerned or interested in the resolution.

Item No. 8

Power availability and cost have been of concern for quite some

time now. In order to augment the power generating capacity the Government has been encouraging investment on non-conventional power sources. One such source is the wind energy. Wind power is not only cost effective, but is also Eco-friendly. The Government has therefore made available, certain tax concessions such as 100% depreciation on such investments, to attract more and more investment on such facilities. Your Directors consider it essential that your Company also harnesses wind energy and in order to do so, invests on a suitable facility. After taking into account all relevant factors, the Directors consider it to be in best interests of the Company to engage in generation of electricity through wind farm and other related activities. These activities are within the scope of the Company's Memorandum of Association.

In terms of provisions under Section 149 of the Companies Act, 1956, approval of the members, by a special resolution, is required for the commencement of any business falling under "Other Objects" clause of the Memorandum of Association.

The Directors recommend the adoption of this resolution.

None of the Directors of the Company is concerned or interested in the resolution.

By Order of the Board of Directors
for **AUTOMOTIVE AXLES LIMITED**

C. K. Sabareeshan
Sr. General Manager-Finance &
Company Secretary

Place : Mysore

Date : 15th November, 2000

Registered Office :
Hootagalli Industrial Area
Off Hunsur Road
Mysore - 571 186



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Nineteenth Annual Report on the performance of the Company, and the audited statement of Accounts for the financial year ended 30th September 2000.

Economy and the Market :

The Medium to Heavy Commercial Vehicle market growth during the past 12 months has not achieved the expected 10% improvement over the previous year and overall has only increased by 3.3%. This was due to a sharp decline in sales of Standard Models for Goods and Passenger applications over the last 6 months.

(Volume in Nos.)

Year (Oct-Sep)	1998-99	1999-2000	Change B/(W)	% B/ (W)
M/H C Vehicles	100883	104199	3316	3.3

Review of Performance :

Your Company managed to achieve an impressive 20% growth in Sales to the major OEMs through a focus on the niche market for Multi-Axle Vehicles, which has grown by 51% during the past 12 months. In addition, the sale of Brakes to the OEMs has increased due to AAL improving its market share of the available business.

Turnover :

During the year, your Company achieved a growth in Sales of 20.87%.

(Rs. in Million)

Current Year	Previous Year	% Increase
1384	1145	20.87

Exports :

The other significant factor in this year's performance is the increase of Export Sales of Axle Components to Meritor in the U. S. A. and Europe, resulting in an 80% improvement during the past 12 months.

(Rs. in Million)

Current Year	Previous Year	% Increase
154.38	85.52	80.52

Net Profit :

The profit before tax improved from Rs. 76.14 Million, to Rs. 109.33 Million, or by 43.58%, over the previous year's results. This was possible due to exports, better product mix, and sustenance of various cost improvement measures undertaken

by the Company. Profit before interest, depreciation, extraordinary items and tax was, therefore, at Rs. 178.67 Million, up from Rs. 143.63 Million for the previous year.

Dividend :

In keeping with the Management's commitment to ensure fair returns to the shareholders, your Directors are pleased to recommend a dividend @ 20%, as in the previous year. This would absorb Rs. 36.87 Million.

Contribution to Exchequer :

During the year under Report, your Company contributed to the Exchequer sums aggregating to Rs. 328.70 Million as follows :

(Rs. in Million)

a.	Excise duty and Service tax	177.40
b.	Customs Duty	52.11
c.	Sales Tax	60.55
d.	Income Tax	38.64
	Total	328.70

Outlook :

The Economy in general, and the commercial vehicles market in particular, are passing through a turbulent phase, with the inflation rate increasing to 6% from 2.5% last year, and the Rupee plunging to an all-time low of Rs. 47 to the US Dollar. In addition, the price of Diesel has increased by about 60% during the year, affecting the viability of some fleet operations in the absence of a matching increase in freight rates. The MCV/HCV market has had a negative growth of about 20% during the period April-September, when compared with the corresponding period of last year. However, the market segment that your company is addressing, viz., Multi-Axle Vehicles, has performed very well during this period, and will continue to improve over the next six months.

Your Company is continuing to pursue its efforts on increasing penetration into other domestic and export market opportunities. Meritor HVS (India) Limited has already tied up technical licensing arrangements for new products for Ashok Leyland and Volvo India Ltd. Already, export business worth US \$ 4 Million has been achieved during the Fiscal Year ending September 2000, and is expected to be increased to US \$ 5 Million during the next Fiscal Year commencing October 2000.

Capital Expenditure and Funding :

During the year under report, your Company incurred an expenditure of Rs. 112 Million towards upgrading the Gear and Housing manufacturing facilities, as outlined last year. During the next Fiscal Year, your Company intends to incur a

AUTOMOTIVE AXLES LIMITED

further capital expenditure of Rs. 190 Million, for similar improvements which is expected to be funded partly by term loan borrowings and partly by internal cash accruals, The Capital Investment Programme has been a crucial factor in achieving the improvements in quality requirements for growth in the Export Market.

Conservation of Energy, R & D Technology Absorption :

The information required under the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, and forming part of this Report, is annexed hereto.

Particulars of Employees :

Information required under Section 217 (2 A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, and forming part of this Report, is annexed hereto.

Directors :

During the year under report, ICICI Ltd., and Life Insurance Corporation of India withdrew the nominations of Ms. Shuba Rao Mayya and Mr. C. Ramanathan, respectively, from the Board.

Mr. P.R. Mulchandani, resigned from the Board consequent to his retirement from Arvin Meritor Inc.

The Board places on record its appreciation of the services rendered by them during their tenure on the Board.

Mr. Larry Burgin was appointed a Director on the Board and, Mr. Adelio Raschi and Mr. P. C. Bhalerao, who were appointed Additional Directors, would seek appointment at the ensuing Annual General Meeting.

In terms of the Articles of Association of the Company, Messrs. Pratap Bhogilal and S. S. Marathe retire by rotation and, being eligible, offer themselves for re-appointment.

Auditors :

The retiring auditors Deloitte Haskins & Sells (Chennai), Bangalore, have confirmed their availability, if re-appointed as auditors. Board recommends the appointment of M/s. Deloitte Haskins & Sells (Chennai), Bangalore, as auditors of the Company, to hold office from the conclusion of this meeting until conclusion of the next Annual General Meeting.

Investor Relations :

The Company's Shares are under compulsory dematerialised trading for all investors, effective 28th August 2000. The Company has already entered into an agreement with both the Depositories presently operating in India viz., National Securities Depository Limited and Central Depository Services (India) Ltd., for dematerialisation of Shares. This will enable the investors to access Company's Shares more easily and conveniently. We also appeal to those of our Shareholders,

who have not opted for dematerialisation of their Shares, to do so at an early date to take advantage of the system.

Corporate Governance :

As reported last year, your Company was already complying with most of the guidelines for corporate governance. Your Company believes in effectiveness and transparency of its governance, which would enhance, among other things, shareholder value. Recently announced SEBI guidelines on corporate governance have been adopted by the stock exchanges by way of addition of clause to the standard listing agreements. Your company is required to comply with these guidelines, on or before 31st March 2002. However, towards this end, certain actions have already been either completed or initiated, aimed at fulfilling these requirements and your company is confident of meeting the aforesaid time limit. Specifically the following have been complied with :

a) Remuneration of Directors : The Non-executive Directors are entitled to only Sitting Fees within the prescribed limits, as decided by the Board of Directors.

b) Board Procedure : Frequency and number of meetings are in line with the guideline. All the matters to be brought before the Board are also meeting the requirements of this guideline.

c) Shareholders : Quarterly results are furnished to the stock exchanges in their formats to enable them to publish them on their web-sites. A Shares Transfer Committee of the Board has already been in existence since inception of the Company. The frequency of completing share transfer formalities will be increased to fortnightly. However, in view of compulsory dematerialisation of your Company's shares, this requirement would lose its significance in the days to come.

Acknowledgements :

The Directors wish to place on record their appreciation of the support and assistance received from the Kalyani Group, Pune, and Meritor Heavy Vehicle Systems LLC., USA. The Directors thank the financial institutions/banks, Government of Karnataka and Government of India for their understanding, co-operation and assistance extended to the Company. The Directors also wish to place on record their special appreciation of the unprecedented efforts put in by all the employees for the progress of the Company.

For and on behalf of the Board of Directors

B. N. Kalyani
Chairman

Place : Mysore

Dated : 15th November 2000.



ANNEXURES TO DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

A. Conservation of energy :

a. Energy conservation measures taken	No major measures initiated during the year on the conservation of energy
b. Additional investments and proposal, if any, being implemented for reduction of consumption of energy	The Company is contemplating setting up of a wind farm to harness wind energy for generating electric power.
c. The impact of the measures at (b)	Yet to be realised, but is expected to result in savings in power cost.
d. Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedules thereto	Not applicable

B. I. Research and Development (R & D)

1. Specific areas in which R & D carried out by Company.	Not applicable
2. Benefits derived as a result of the above R & D	
3. Future plan of action	
4. Expenditure on R & D <ul style="list-style-type: none"> a. Capital b. Recurring c. Total d. Total R & D expenditure as a percentage to total turnover 	

II. Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation	2. Benefits derived as a result of the efforts, e.g., product improvement, cost reduction, product development and import substitution, etc.
a) Technology Absorption, Adaptation : <ul style="list-style-type: none"> i. H-127 Housings developed for export to Meritor ii. Tandem axles developed for Telco iii. Development of tandem/ drive axles for Volvo initiated b) Innovation Introduction of ring rolled forgings ;	Enhance export market penetration Enlarge addressed domestic axles market Enlarge addressed domestic axles market Will result in cost reduction and thus enable the company to neutralise cost increases in other areas

AUTOMOTIVE AXLES LIMITED**3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.**

Technology imported (Product)	Year of Import	Has technology been fully absorbed	If not fully absorbed areas where this has not taken place, reasons therefor and future plan of action
Technical Know-how and Technical Assistance for the manufacture of Telco 'S' cam Brakes	1995	Fully Absorbed	—
Technical Know-how and Technical Assistance for the manufacture of RS-120 Axles	1995	Fully Absorbed	—
Technical Know-how and Technical Assistance for the manufacture of 325 "Q" S Cam Brakes	1997	Fully Absorbed	—
Technical Assistance for the manufacture of RS-28-145 Axles	1999	Fully Absorbed	—

III. 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	During the year, the company achieved exports, through Meritor H V S (India) Ltd., of Axles, Housings and Gears aggregating to US \$ 4.059 million.
b. Total Foreign Exchange used and earned Used Earned	Rs. 118.45 million Nil (The Company's sales to export market is being done through Meritor H V S (India) Ltd., Company is not earning any foreign currency directly).

For and on behalf of the Board of Directors

Mysore

Date : 15th November 2000

B. N. Kalyani*Chairman*

Information required as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 30th September 2000.

Name	Age Yrs	Qualification & Experience	Designation/ Nature of Duties	Gross Remuneration (Rs)	Date of Commencement of Employment	Particulars of last Employment, Designation, Organisation and Period
Colin Imrie	52	B.Sc., Mech. Engg 35 yrs	Wholtime Director	36 07 457	18.10.1998	Director, Rolls Royce Transmission and Distribution Worldwide 33 yrs.

- a) Designation denotes the nature of duties also. Experience includes number of years of service elsewhere wherever applicable.
b) Gross remuneration includes salary, LTC, allowance, perquisites etc.
c) The nature of employment of Mr. Colin Imrie is contractual.

For and on behalf of the Board of Directors

Mysore

Date : 15th November 2000

B. N. Kalyani*Chairman*