

# **AUTOMOTIVE AXLES LIMITED**



**Annual Report 2000-2001**



**A  
JOINT VENTURE  
BETWEEN**





## TWENTIETH ANNUAL REPORT 2000-2001

### **BOARD OF DIRECTORS**

**B.N. Kalyani**

*Chairman*

**S.S. Marathe**

**Pratap Bhogilal**

**P.C. Bhalerao**

**Bradley A. Arnold**

**P.M. McNamara**

**Blake G. Palmer**

**Adelio Raschi**

**Colin Imrie**

*Wholetime Director*

**C.K. Sabareeshan**

*Executive Director (Finance) & Company Secretary*

**Ashok Rao**

*Executive Director (Operations)*

### **Auditors**

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

### **Bankers**

*State Bank of India  
Punjab National Bank  
State Bank of Mysore  
Bank of Nova Scotia  
ICICI Bank Limited*

### **Registered Office and Works**

*Hootagalli Industrial Area  
Off Hunsur Road  
Mysore 571 186*

### **Listing at stock Exchanges at**

*Bangalore, Mumbai and Pune*

| <b>20th Annual General Meeting</b> |                               |
|------------------------------------|-------------------------------|
| Day                                | : Wednesday                   |
| Date                               | : 16th January, 2002          |
| Time                               | : 10.30 a.m.                  |
| Place                              | : Registered Office<br>Mysore |

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**AUTOMOTIVE AXLES LIMITED****NOTICE**

Notice is hereby given that the Twentieth 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 Wednesday, 16th day of January 2002 at 10.30 a.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 30th September 2001, 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. P.M. McNamara 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 a Director in place of Mr. Pratap Bhogilal , who retires by rotation and, being eligible, offers himself for re-appointment.
6. 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**

7. To consider and, if thought fit, to appoint Mr. Blake G. Palmer, as Director of the Company liable to retire by rotation.
8. To consider and, if thought fit, to pass with or without modification, the following as an Ordinary Resolution:

"Resolved that pursuant to the provisions of Section 198, 269 & 309 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, as amended, the company hereby accords its consent and approval to the appointment of Mr. Ashok Rao, Executive Director (Operations) of the Company for a period of five years with effect from 25th July 2001, on the terms and conditions set out below:

**I. Salary**

- a. Basic Salary of Rs. 45 050 (Rupees Forty five thousand fifty only) per month.
- b. Education allowance of Rs. 400 per month.

- c. Attire allowance of Rs. 500 per month.
- d. Professional development allowance of Rs. 1000 per month.

**II. Perquisites**

Perquisites are classified into 'A' 'B' 'C' as follows:

**Category 'A'****Housing :**

The Executive Director shall be entitled to House Rent Allowance subject to ceiling of Forty per cent of the basic salary and House upkeep allowance of Rs. 800/- per month.

**Medical reimbursement:**

Expenses incurred for the Executive Director and the family subject to a ceiling of Rs.45050 per annum.

**Leave travel allowance:**

One month's Basic Salary per year.

**Personal Accident Insurance / Mediciclaim Insurance:**

Personal Accident Insurance and Mediciclaim Insurance benefits are as per the rules of the company.

**Category 'B'**

1. Contribution to provident fund, superannuation fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity, as per the rules of the company.
3. Encashment of leave, as per the rules of the company.
4. Retirement and other benefits as per the rules of the company.

**Category 'C'**

The company shall provide a chauffeur driven car to the Executive Director for use on company's business. Personal use of car shall be billed by the company to the Executive Director.

Provision of Telephone at residence will not be considered as perquisite. Personal long distance calls on telephone shall be billed by the company to the Executive Director.

In the event of inadequacy of profits or no profits in any



financial year, Mr. Ashok Rao, will be paid the same remuneration by way of salary, perquisites and other allowances.

Further resolved that the Executive Director, be paid a performance bonus not exceeding Rs. 5 lakhs per year, and no further approval of the Company will be required so long as remuneration of the Executive Director is not in excess of the maximum permissible limit under relevant law, rules, regulations, guidelines or instructions as the case may be promulgated or issued after the date of this meeting."

9. To consider and, if thought fit, to pass with or without modification, the following as an Ordinary Resolution:

Resolved that pursuant to the provisions of Section 198, 269 & 309 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, as amended, the company hereby accords its consent and approval to the appointment of Mr. C.K. Sabareeshan, Executive Director (Finance) & Company Secretary, of the Company for a period of five years with effect from 25th July 2001, on the terms and conditions set out below :

**I. Salary :**

- Basic Salary of Rs. 43,650 (Rupees Forty three thousand six hundred fifty only) per month.
- Educational allowance of Rs. 400 per month.
- Attire allowance of Rs. 500 per month.
- Professional development allowance of Rs. 1000 per month.

**II. Perquisites**

Perquisites are classified into 'A' 'B' 'C' as follows:

**Category 'A'**

**Housing :**

The Executive Director shall be entitled to House Rent Allowance subject to ceiling of Forty per cent of the basic salary and House upkeep allowance of Rs. 800 per month.

**Medical reimbursement :**

Expenses incurred for the Executive Director and the family subject to a ceiling of Rs.15 000 per annum.

**Leave travel allowance :**

One month's Basic Salary per year.

**Personal Accident Insurance / Mediciclaim Insurance :**

Personal Accident Insurance and Mediciclaim Insurance benefits are as per the rules of the company.

**Category 'B'**

- Contribution to provident fund, superannuation fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity, as per the rules of the company.
- Encashment of leave, as per the rules of the company.
- Retirement and other benefits as per the rules of the company.

**Category 'C'**

The company shall provide a chauffeur driven car to the Executive Director for use on company's business. Personal use of car shall be billed by the company to the Executive Director.

Provision of Telephone at residence will not be considered as perquisite. Personal long distance calls on telephone shall be billed by the company to the Executive Director.

In the event of inadequacy of profits or no profits in any financial year, Mr. C K Sabareeshan will be paid the same remuneration by way of salary, perquisites and other allowances.

Further resolved that the Executive Director, be paid a performance bonus not exceeding Rs. 5 lakhs per year, and no further approval of the Company will be required so long as remuneration of the Executive Director is not in excess of the maximum permissible limit under relevant law, rules, regulations, guidelines or instructions as the case may be promulgated or issued after the date of this meeting."

10. To consider, and, if thought fit, to pass, with or without modifications, the following as an Ordinary resolution.

Resolved that pursuant to provisions of Section 269, 309, 310 and 311 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 approval be and hereby granted to the appointment of Mr. Colin Imrie, a Whole-time Director of the Company from 19.10.2001 to 18.10.2002 on the following terms and conditions as are furnished below:

**I. Salary :** Rupees equivalent to US \$ 60,000 (US Dollars sixty thousand only ) per annum, payable , monthly as remuneration subject to deduction of income tax at source.

**II. Perquisites**

Part I - Housing:

**AUTOMOTIVE AXLES LIMITED**

Company will provide fully furnished rent free residential accommodation, with telephone and other utilities and domestic help restricted to one servant together with necessities including gas, electricity, water and security.

**Part II - Medical/personal Accident Insurance:**

- a) Medical expenses incurred by the Whole-time Director and his wife, shall be reimbursed at actuals.
- b) The Whole-time Director shall also be entitled to reimbursement premium for the following insurance coverage:
  - (i) SOS Assistance S.A. of Switzerland
  - (ii) Frequent Traveller Membership

**Part III - Leave Travel Concession:**

The Whole-time Director and his wife shall be entitled to Business class return fare to U.K. or any equivalent destination not exceeding three times in a year.

**Part IV - Provision of Car:**

The Company shall provide a Chauffeur driven car to the Whole-time Director for use on Company's business. The Company shall also provide a chauffeur driven car for his personal use.

In the event of inadequacy/absence of profits or no profits in the financial year during the period of appointment, Mr. Colin Imrie will be paid the same remuneration as minimum remuneration, by way of salary, perquisites and other allowances.

Further Resolved that the Wholetime Director, be paid a performance bonus not exceeding Rs. 15 lakhs, per year, and no further approval of the Company will be required so long as remuneration of the Wholetime Director is not in excess of the maximum permissible limit under relevant law, rules, regulations, guidelines or instructions as the case may be promulgated or issued after the date of this meeting."

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

"Resolved that, in exercise of the powers conferred under Section 31, and subject to other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be, and are hereby, amended as follows :

The following new Article 8 (a) shall be inserted after article 8.

8 (a). The Company may, subject to the provisions of Section 77A, 77AA and 77B and all other applicable provisions, if any, of the Companies Act, 1956, the provisions of Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 or re-enactment of the Act or the Buyback Regulations and other applicable Laws, notwithstanding anything contained in Article 24 of the Articles of Association, buy-back its shares in any manner for the time being authorised by law and, in particular, on the footing that such shares may be issued again or otherwise. This Article is not to derogate from any power, the Company would have if it were omitted".

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

C.K.Sabareeshan  
Executive Director (Finance) &  
Company Secretary

Place : Mysore

Date : 29th November, 2001

**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 items Nos. 7, 8, 9, 10 & 11 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 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 the date of the Annual General Meeting.
4. Those of the members who have not encashed the refund order in respect of the application money for rights issue made in 1995, may write to the Company immediately.
5. Register of Members and Share Transfer Books of the Company will remain closed from 11.1.2002 to 16.1.2002. (both days inclusive).



## ANNEXURE TO NOTICE

**The following Explanatory Statement sets out material facts relating to the item No. 7, 8, 9, 10 and 11 mentioned in the Notice, as required under Section 173(2) of the Companies Act, 1956.**

### 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. Blake G Palmer was appointed an Additional Director on the Board of the Company, effective 25th July 2001. In terms of provisions under section 260 of the Companies Act, Mr. Palmer would hold office only 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. Blake G Palmer, a Director subject to retirement by rotation. Mr. Blake G Palmer, is the Business Unit Controller, CVS-Axles at Arvin Meritor Inc., USA. It would be in the best interest of the Company to appoint Mr. Blake G Palmer, a Director of the Company.

None of the Directors of the Company, other than Mr. Blake G Palmer, himself, is concerned or interested in the resolution.

### Item No. 8 & 9

Pursuant to Article 117 of the Articles of Association of the Company read with Section 198, 269 & 309 of the Companies Act, 1956, and having regard to the growing needs of the Company, Mr. Ashok Rao and Mr. C.K.Sabareeshan who were appointed, Executive Director (Operations) and Executive Director (Finance) & Company Secretary, respectively, of the Company, for a period of five years, effective 25.7.2001, on the revised remuneration and perquisites as mentioned in the Resolution. As they were appointed on the Board as additional directors, they would hold office only up to the date of this Annual General Meeting, in terms of provisions under 260 of the Companies Act. Notices under Section 257 of the Companies Act, 1956, have been received from members specifying their intention to propose the appointment of Mr. Ashok Rao and Mr. C.K.Sabareeshan as Directors liable to retire by rotation.

Mr. Ashok Rao and Mr. C.K.Sabareeshan, being the recipients of the remuneration, may be regarded as concerned or interested in the Resolution. None of the other Directors is concerned or interested in the said resolution.

Disclosure under Section 302 of the Companies Act, 1956:

The details of remuneration furnished in the resolution also constitute the abstract of terms of contract, as required to be disclosed, pursuant to provisions under Section 302 of the Companies Act, 1956.

### Item No. 10

Members of the Company at the Annual General Meeting held on 27th February 1999, granted approval to the appointment of

Mr. Colin Imrie, President & Whole-time Director of the Company from 23.11.98 to 18.10.2001. Considering the significant improvement achieved by the Company, during his tenure as Whole-time Director, the Board of Directors of the Company, at their meeting held on 28th November 2001 re-appointed Mr. Colin Imrie, President and Whole-time Director, for one more year with effect from 19th October 2001.

Approval of members, is sought under Section 269, 198, 310, 311 read with Schedule XIII and other relevant provisions thereof, to the re-appointment of Mr. Colin Imrie, as President and Whole-time Director of the Company and to the payment of same remuneration as detailed in the Resolution for one year from 19th October 2001.

Mr. Colin Imrie, being the recipient of the remuneration, may be regarded as concerned or interested in the Resolution. None of the other Directors of the Company is interested or concerned in the Resolution.

Disclosure under Section 302 of the Companies Act, 1956:

The details of remuneration furnished in the resolution also constitute the abstract of terms of contract, as required to be disclosed pursuant to provisions under Section 302 of the Companies Act, 1956.

### Item No. 11

The Companies (Amendment) Act, 1999, inserted a new provision vide Section 77A & 77B, enabling the Companies to buy-back its own shares or other specified securities. Securities and Exchange Board of India (SEBI) has also notified Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, to facilitate buy back aimed at improving market capitalisation. As the Articles of Association does not empower your Company to buy back its shares, this resolution is aimed at empowering the Company to buy back its shares/securities by amending the Articles of Association. The Board is of the opinion that it will be in the best interest of the Company to approve the said resolution.

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

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

C.K.Sabareeshan  
Executive Director (Finance) &  
Company Secretary

Place : Mysore  
Date : 29th November, 2001

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



**AUTOMOTIVE AXLES LIMITED****DIRECTORS' REPORT****To the Members**

Your Directors have pleasure in presenting the Twentieth Annual Report on the performance of your Company, and the Audited Accounts for the financial year ended 30th September 2001.

**Economy and the Market:**

The GDP grew only at about 5% during the year under report, as against the expected growth rate of over 6%. The core sectors of the Economy, that have a bearing on the growth of the Commercial Vehicles Market, did not perform in line with expectation, resulting in a negative growth of this market as shown in the table below

(Volume in Nos.)

| Year (Oct-Sep) | 1999-2000 | 2000-2001 | Change B/(W) | % B / (W) |
|----------------|-----------|-----------|--------------|-----------|
| M/H C Vehicles | 104199    | 88046     | (16153)      | (15.50)   |

There was, however, a marked improvement in the demand for Heavy Duty/Multi-Axle Commercial Vehicles, due to non-viability of the standard trucks.

The overseas market, especially in the USA, collapsed and the demand for your company's products dropped by a huge 49%. This impacted your Company's exports substantially.

**Review of Performance:**

In the light of the economic scenario described above your company's performance is commendable. This was mainly possible due to a substantial growth in the heavy-duty truck market, and increased requirements from the Army. These market segments predominantly use multi-axles, which are manufactured only by your company in the country, apart from some of the OEMs. As a result, your company's performance was impressive as follows:

**Turnover:**

During the year, your Company achieved a growth in Sales of 22.40%.

(Rs. in million)

| Current Year | Previous Year | % increase |
|--------------|---------------|------------|
| 1694         | 1384          | 22.40      |

**Net Profit:**

The profit before tax improved from Rs. 109.33 Million to Rs. 172.61 Million or by 57.88% over the previous year's results. Better performance was possible due to better product mix, better control on costs on all fronts, and better financial management. Profit before interest, depreciation, extra-ordinary items and tax was, therefore, at Rs. 258.01 Million up from 178.68 Million for the previous year.

**Dividend :**

Your Directors are pleased to recommend a dividend @ 35%, for the year ended 30.09.2001 and this would absorb Rs.58.29 Million.

**Contribution to Exchequer:**

During the year under report, your Company contributed to the exchequer sums aggregating to Rs. 422.67 million as follows :

(Rs. in million)

|    |              |               |
|----|--------------|---------------|
| a. | Excise duty  | 230.81        |
| b. | Customs Duty | 57.07         |
| c. | Sales Tax    | 76.09         |
| d. | Income Tax   | 58.70         |
|    | <b>Total</b> | <b>422.67</b> |

**Outlook:****Domestic Market:**

The domestic economy is not expected to show any significant signs of growth in the coming year. However, the multi-axle vehicles are increasingly becoming popular with the fleet owners and this would bring about a sea change in the structure of the commercial vehicles market.

**Export Market:**

Some improvements are now visible in the addressed markets. Efforts are on to secure export orders for new products through Arvin Meritor Inc., USA.

Your company is well placed to improve its performance, because of this, during the current year.

**Capital Expenditure and Funding:**

In keeping with the policy of creating capacity ahead of demand, your company has already initiated strategic expenditure to further improve the capability of Gear generating, Painting and Material handling facilities. It is also proposed to improve working conditions further, with an emphasis on health and safety of the employees of the Company. These would entail an expenditure of Rs.168.79 millions and will be funded largely by internal accruals, with minimum borrowings as may be required.

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

### Directors Responsibility Statement:

As required under Section 217 (2AA) of the Companies Act, 1956, it is hereby stated that:

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

### Directors :

During the year Mr. Larry Burgin, resigned from the board. The Board, while accepting the resignation, placed on record its appreciation of the services rendered by him during his tenure on the Board.

Mr. Colin Imrie ceased to be a whole time Director, consequent to the expiry of his term of appointment on 18th October 2001. The Board of Directors has re-appointed him President and Wholetime Dirctor for a period of one year, effective 19.10.2001 at the Board Meeting held on 28.11.2001 and members' approval is being sought for his appointment as Wholetime Director, at the ensuing Annual General Meeting.

Mr. Blake G Palmer was appointed additional director effective 25.7.2001 and holds office up to the date of ensuing Annual General Meeting, where at his appointment is being sought as a Director retiring by rotation.

Having regard to the growing needs of the Company and balanced sharing of responsibilities, Messrs. C.K. Sabareeshan and Mr. Ashok Rao were appointed additional directors effective 25.7.2001 on the then existing terms & conditions that were revised at the Board Meeting held on 28th November 2001. As both of them hold office upto the date of ensuing Annual General Meeting, members' approval is being sought for their appointment and payment of remuneration as Wholetime Directors.

In terms of Articles of Association of the Company Messrs. P.M. McNamara, Mr. S.S. Marathe, Mr. Pratap Bhogilal 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.

### Investors Relations :

The Company's shares are available for trading in the depository systems of both the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). As on 30.09.2001, 37 75 852 shares representing 24.99% of the total public holding of 28.96% were held in dematerialised form. All such members, as have not yet dematerialised their holdings, are requested to do so.

### Corporate Governance :

In terms of the Code of Corporate Governance issued by the Securities and Exchange Board of India, your Company has to comply the requirements by March 31, 2002. Your Company is already complying with most of the requirements viz., Composition of Board of Directors, Formation of Audit Committee, Issues to be brought before the Board of Directors in a Board Meeting, Publication of Financial Results etc. Your Company will be fully compliant with these requirements by end March 2002.

Pursuant to Section 292A of the Companies Act 1956, your company has reconstituted the audit committee, consisting of the following directors, all of whom are non-executive directors:

|                     |   |          |
|---------------------|---|----------|
| Mr. Pratap Bhogilal | - | Chairman |
| Mr. S.S. Marathe    | - | Member   |
| Mr. P.C. Bhalerao   | - | Member   |

### 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 appreciation of employees at all levels for their hard work, dedication and commitment.

### For and on behalf of the Board of Directors

**B.N. Kalyani**  
Chairman

Place : Pune  
Dated : 28th November, 2001