



23rd Annual Report 2003-04

AUTOMOTIVE AXLES LIMITED

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KALYANI

**A
Joint venture
between**



MERITOR™
A Heritage of Rockwell Technology



TWENTY THIRD ANNUAL REPORT 2003-2004

BOARD OF DIRECTORS

Ashok Rao

President & Wholetime Director

B.C. Prabhakar

B.N. Kalyani

Chairman

Blake G. Palmer

Bradley A. Arnold

P.C. Bhalerao

P.M. McNamara

Pratap Bhogilal

S.S. Marathe

Sabareeshan C.K.

Executive Director (Finance) & Company Secretary

Auditors

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

Bankers

State Bank of India

Punjab National Bank

State Bank of Mysore

Bank of Nova Scotia

ICICI Bank Limited

BNP Paribas

IDBI Bank Ltd

Export Import Bank of India

HDFC Bank Ltd

**Registered Office
and Works**

Hootagalli Industrial Area

Off Hunsur Road

Mysore 570 018

**Listing at Stock
Exchanges at**

The Stock Exchange, Mumbai

National Stock Exchange of India Limited

23rd Annual General Meeting	
Day	: Thursday
Date	: 27th January, 2005
Time	: 12.30 p.m.
Place	: Registered Office, Mysore

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NOTICE

Notice Is hereby given that the Twenty-third 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 570 018 on **Thursday 27th day of January 2005, at 12.30 p.m.** to transact the following business.

1. To receive, consider and adopt the Balance Sheet as at 30th September 2004, the Profit and Loss Account for the year ended on that date and Reports of the Directors' and Auditors thereon.
2. To declare a Final Dividend on Equity Shares.
3. To appoint a Director in place of Mr. S S Marathe who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Pratap Bhogilal who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. P C Bhalerao who retires by rotation and, being eligible, offers himself for reappointment.

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. B C Prabhakar, as director of the company liable to retire by rotation.

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

Place : Mysore
Date : 30.11.2004

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

Registered Office:

Hootagalli Industrial Area
Off Hunsur Road
Mysore 570 018

NOTES :

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item No.7 of the Notice is annexed.
2. A member entitled to attend and vote at the meeting 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 name appear either on the Company's Register of Members or on the List of Beneficial owners in the records of Depositories as on the date of the Annual General Meeting.
4. The register of Members and Share Transfer Books will remain closed from Tuesday, 25.01.2005 to Thursday 27.01.2005 (both days inclusive).
5. As required under the Companies Act, 1956, dividends unclaimed/unpaid for a period of seven years, have to be transferred to the 'Investor Protection Fund', constituted by the Central Government. The Dividend warrants remaining unpaid for the year 1996-97, are to be claimed by the members on or before 4th March 2005. Those who have not encashed these or for any subsequent years may write to the Company.



ANNEXURE TO NOTICE

The following Explanatory Statement sets out material facts relating to the item No.7 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. B C Prabhakar was appointed as Additional Director on the Board of the Company, effective 30th November 2004. In terms of provisions under section 260 of the Companies Act, Mr. B C Prabhakar 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. B C Prabhakar, a Director subject to retirement by rotation. It would be in the best interest of the Company to appoint Mr. B C Prabhakar, a Director of the Company. For Brief resume of the Director please refer "Additional information pursuant to clause 49 of the listing agreement".

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

Additional Information pursuant to clause 49 of the listing agreement:

The information relating to the Directors being appointed / re-appointed at the ensuing Annual General Meeting to be held on **27th January 2005** are given below:

Mr. S S Marathe has served as the Director of your company since year 1984. He was educated in Pune and later at the London School of Economics and Political Science. He is a senior member of the Indian Economic Services since its inception. He retired in 1980 as Secretary to the Government of India, Ministry of Industry (Dept of Industrial Development.) He has wide experience in the fields of finance and industry. He serves on the Boards of Bajaj Tempo, Bharat Forge, Deepak Fertilizers & Petro Chemicals Corp., Finolex Industries, Futura Polyesters, Kinetic Motor, Kirloskar Brothers, Mandovi Pellets & Sandvik Asia. He is also the member of the Audit Committee & Shareholders/ Investor's Grievances committee of Automotive Axles Limited. Having regard to his significant contribution to the performance and growth of the company, the Directors recommend his reappointment.

Mr. Pratap Bhogilal has served as the Director of your Company since year 1984. He holds a Master Degree in Economics from University of Bombay. Presently he is the Chairman of Batliboi Limited. He also serves on the Board of Bharat Forge Limited. Mr. Pratap Bhogilal is the Chairman of Audit Committee of Automotive Axles Limited. Having regard to his significant contribution to the performance and growth of the company, the Directors recommend his reappointment.

Mr. P C Bhalerao has served as the Director of your company since year 2000. He holds a Bachelor's degree in Engineering in Chemistry, (First Rank), M.B.A with Specialisation in Finance and Post graduate Diploma in Taxation (First Rank). He has a vast experience relating to Capital Restructuring, Capital Issues, Strategic alliances with foreign companies, Corporate Finance etc. and is presently the Executive Director, Bharat Forge Limited. Mr.Bhalerao also serves on the Boards of Meritor HVS (India), BF Utilities, Kalyani Carpenter Special Steels, Bhalachandra Investment, Forge Investment, Mundhwa Investment, Jalakumbhi Investment & Finance and Jalakamal Investment & Finance. He is also the member of Audit Committee & Remuneration Committee of Automotive Axles Limited. Having regard to his significant contribution to the performance and growth of the company, the Directors recommend his reappointment.

Mr. B C Prabhakar, holds a Bachelor's Degree in Law. He has rich experience in the field of IR, Legal Issues and HR Practices and is a Legal Advisor of about 100 companies. He is also the Working President of Karnataka Employers Association and has represented Employers at various International Forums including ILO (International Labour Organisation), both in India and abroad. He is on the Board of Wipro Ltd since 1997.

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

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

Place : Mysore
Date : 30th November 2004

Registered Office:
Hootagalli Industrial Area
Off Hunsur Road
Mysore 570 018

MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure & Developments

Your Company still retains its pre-eminent position as the largest independent manufacturer of Drive Axle Assemblies for Commercial Vehicles in the country, apart from the in-house capabilities with the Original Equipment Manufacturers such as Telco and Ashok Leyland, and continues to be the single source for Drive Axle assemblies for certain Military application. The demand for your company's products continues to largely arise from the OEMs mentioned above and is driven by certain Key Economic factors such as the growth in agriculture, investment in infrastructure such as Roads, Telecom, Power etc.

The Government's initiatives on these infrastructure sectors have driven the demand for Multi-Axle Vehicles and, hence, for your company's products. A recent development in the commercial vehicles market that is expected to have a significant impact on the growth of your company's performance is the imminent entry of other OEMs such as Eicher Motors & Bajaj Tempo in the multi-axle segment of the CV market. Your company has in its range of products that suit the heavier trucks better than what the competition has to offer.

Segment analysis

Your Company has two primary segments namely, Domestic and Exports. The following table gives break-up for domestic sales and exports for the reporting period as compared to 2002-03. A report of segmental performance is furnished in Para 14 of Schedule 16 to the Balance Sheet as at 30th September 2004.

The impact of these two segments on the performance of the company is discussed below:

(Rs. in million)

Turnover	2003-04	2002-03	Growth Rate
Domestic	2951.50	2391.39	23.42%
Exports	112.59	60.58	85.85%

Domestic

As a result of the unprecedented growth in the multi-axle vehicles segment, your company's turnover reached the highest ever, during the year under report, representing an improvement of 23.42% over last year.

Exports

The Company is addressing all exports through Meritor HVS (India) Limited. Exports of the Company's products including DEPB amounted to Rs.112.59 million, an increase of 85.85 % over last year.

Opportunities & Threats

Domestic

Your company is gearing up to meet the requirement of Drive Axles & Tag Axles from new customers like Eicher, Bajaj tempo, Swaraj Mazda & Essar. Your company is ready with bigger Tandem Drive Axles for higher horse power vehicles planned to be introduced by these OEMs. These new axles would be offered with high performance wheel end parts.

Your company is also gearing up to meeting the threat of the competition, by aggressive pursuit of specific cost improvement aimed at protecting its competitive pricing. These measures would enable your company to partly neutralize the increase in cost of inputs such as steel etc.

Exports

Your company has identified further opportunities with Arvin Meritor in USA, Brazil, China & Europe for supply of Axles, Gear Sets, Housings & Weld yokes. These opportunities, when they materialize, would enable your company to grow its business significantly in the coming years.

Outlook

Automotive Industry – traditionally concentrated in USA, EU and Japan, has witnessed increasing tendency to shift parts of the value chain to low cost countries. Another discerning trend is globalization and consolidation of supplies with fewer global mega players leading the supply pyramid. This represents a good business opportunity for your company.

Risks & Concerns

Steel prices, driven by certain key commodities, and the increasing demand /supply gap, continue to be a major concern due to the OEM's inability to fully reimburse the cost increases. Your company has therefore intensified its efforts to accelerate



cost reduction programmes aimed at partly neutralize this impact.

Internal Control Systems and their adequacy

Automotive Axles Limited has a proper and adequate system of internal controls to ensure that all its assets are safeguarded and not exposed to risks arising out of unauthorised use or disposal and that the assets are properly accounted for and transactions are authorised, recorded and reported correctly.

Your Company has an Audit Committee of the Board of Directors, which reviews, inter alia, risk management policies, adequacies of internal controls and the audit findings on the various segments of the business. M/s. Price Waterhouse Coopers Pvt. Ltd., perform the internal audit function.

Human Resources

- The number of employees as on 30.09.2004 is 672.
- The Company has maintained excellent employee relations during the year. All continuous improvement activities were supported by the Union.
- All the management staff and workmen now have a common identity by way of a uniform dress code.
- AAL Learning Centre was inaugurated on 29th January 2004. The facility consist of Training Hall with required facilities, product display centre alongwith an assembly section and Library facility.
- To improve quality and operating efficiency, on the job training was given to all employees working in the plant, based on the skill matrix identified.
- Regular training programmes were organized in technical and non technical areas, for a total man hours aggregating to 4136 hours.

- Key personnel were sent to world class manufacturing facilities through CII to get familiarized with best work practices and work culture.

Health and Safety

- Various training on Health and Safety was executed during the year. The number of employees trained on first aid stands at 65. Engaged an experienced Safety Officer and conducted safety training programmes and the total man-hours training is 1666.

Financial Ratios

The following table lists out the key financial ratios for 2003-04 and 2002-03.

	2003-04 (%)	2002-03 (%)
PBT / Total Income	13.48	14.69
PAT / Total Income	8.53	9.49
Return On Capital Employed	24.84	26.19
Return on Net Worth	34.44	33.61
Earning Per Share Rs.	14.97	13.25
Dividend Pay Out Ratio	76	64

Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the automobile industry – global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relation and interest costs.

REPORT ON CORPORATE GOVERNANCE

● Corporate Philosophy

Your Company is fully committed to sound principles of **Corporate Governance**, encompassing high standards of transparency, accountability, social responsiveness and good/ethical commercial practices. On these principles your Company aims to maximize the value for all stake holders in the Company namely, the shareholders, business partners, suppliers, employees and the society.

● Composition of the Board

As on 30th September 2004, the Board of Directors of your

company consisted of 9 Directors. Seven are Non-Executive Directors, and two Executive Directors. Four are Independent Directors.

● Number of Board Meetings

During the year, four Board Meetings were held on 28th November 2003, 29th January 2004, 31st May 2004 & 29th July 2004. The maximum interval between two board meetings, during the year, was less than four months, except in May 04 that exceeded by two days.

● Directors' Attendance Record and Directorship held

Name of Director	Status	Number of meetings held	Number of meetings attended	Whether Attended last AGM	Number of Directorships of other Public Limited Companies	No. of Board Committees of other Companies in which a Member #
Mr. B.N. Kalyani Chairman	Non-Executive	4	4	Yes	12	6 (Chairman of 1)
Mr. S.S. Marathe	Non-Executive Independent	4	Nil	No	9	7 (Chairman of 2)
Mr. Pratap Bhogilal	Non-Executive Independent	4	2	Yes	2	1
Mr. P.C. Bhalerao	Non-Executive	4	2	Yes	9	Nil
Mr. Bradley Arnold	Non-Executive	4	1	Yes	1	Nil
Mr. Blake G Palmer	Non-Executive	4	Nil	No	1	Nil
Mr. P.M. McNamara	Non-Executive	4	3	No	1	Nil
Mr. Ashok Rao	Executive Independent	4	4	Yes	Nil	Nil
Mr. C.K. Sabareeshan	Executive Independent	4	4	Yes	Nil	Nil
Mr. Adelio Raschi **	Non-Executive	4	2	Yes	Nil	Nil

● Independent Director means a director who apart from receiving director's remuneration does not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in the opinion of the board may affect independence of judgment of directors.

None of the Director is a member of more than 10 Board Level Committees, or a Chairman of more than five such committees.

** Resigned with effect from 29th January 2004.

Excludes Committees of your Company viz., Audit Committee, Shareholders/ Investors Grievance Committee, Remuneration Committee and Companies other than public limited companies.

Directors with materially significant pecuniary transaction or relationship with the Company

There was no materially significant pecuniary transaction, or relationship between the Company and any of the Directors, during the year as contemplated under relevant guidelines of the SEBI/Stock Exchanges.

● Information supplied to the Board

Among others, this includes:

- Annual operating plans and budgets, capital budget, updates,
- Quarterly results for the company and its operating divisions or business segments,
- Minutes of meetings of Audit Committee and other Committees,
- Materially important issues, disputes with the Government Authorities on show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences,
- Significant labour problems and their proposed solutions,
- Significant development in human resources and industrial relations front,
- Sale of material nature, assets, which is not in normal course of business,



- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement; and,
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder service such

as non-payment of dividend and delay in share transfer.

The Board is presented with detailed notes as necessary, along with the agenda, well in advance of the meeting.

● Remuneration of Directors

Details of remuneration to Directors and their relationship with each other.

(Amount in Rupees)

Name of Director	Sitting Fee (Rs.)	Salaries, performance bonus and perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. B. N. Kalyani	50,000	NIL	NIL	50,000
Mr. S.S. Marathe	45,000	NIL	NIL	45,000
Mr. Pratap Bhogilal	20,000	NIL	NIL	20,000
Mr. P.C. Bhalerao	75,000	NIL	NIL	75,000
Mr. Bradley A. Arnold	NIL	NIL	NIL	NIL
Mr. Blake G. Palmer	NIL	NIL	NIL	NIL
Mr. P.M. McNamara	NIL	NIL	NIL	NIL
Mr. Ashok Rao	NIL	2,935,505	NIL	2,935,505
Mr. C.K. Sabareeshan	NIL	2,343,219	NIL	2,343,219

- The employment of the Executive Directors is contractual.
- None of the director is related to any of the directors.
- Sitting Fee includes payment for board level committee meeting.

● Audit Committee

Audit Committee of your Board consists of only Non-Executive Directors, Mr. Pratap Bhogilal, (Chairman) (Independent), Mr. S.S. Marathe (Independent), and Mr. P.C. Bhalerao. M/s Price Waterhouse, Chartered Accountants, perform the internal Audit function.

The terms of reference of audit committee includes the following:

- Oversight of Company's financial reporting system to ensure the disclosure of financial information is correct, sufficient and credible.
- Review of the annual financial statements, before submission to the Board, focusing primarily on changes if any, in the accounting policies or practices, compliance of accounting standards, Qualifications in draft audit report, Compliance with Stock Exchange and legal requirements concerning financial statements, related party transactions etc.,
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- Reviewing the effectiveness of the internal audit function;

The committee met four times during the course of the year.

Attendance record of Audit Committee members

	No. of meetings held	No. of meetings attended
Mr. Pratap Bhogilal	4	2
Mr. S.S. Marathe	4	3
Mr. P.C. Bhalerao	4	4

● Investors Grievances & Share transfers

In compliance with the Listing Agreements with the Stock Exchanges, your Company has a "Shareholders/Investors' Grievances Committee", comprising Mr. B.N. Kalyani, (Chairman and non-executive Director), Mr. S.S. Marathe, Mr. Ashok Rao (President & Wholetime Director) and Mr. C.K. Sabareeshan, - Executive Director (Finance) & Company Secretary).

To facilitate prompt and speedy disposal of requests for transfer/transmission, certain officers of the Company are authorized to address out such matters.

The status on complaints is reported to the Board of Directors by Mr. C.K. Sabareeshan, Company Secretary, who is the compliance officer, and for the year under report is given below:

Nature of Complaint	No. of complaints Received	No. of Complaints Redressed
Non receipt of Dividend	31	31
Non receipt of Rights application	1	1
Non receipt of Shares	1	1
Issue of Duplicate Certificates	3	3
Non receipt of Annual Report	2	2
Total	38	38

● Remuneration Committee

Your company has a Remuneration Committee consists of Mr. B N Kalyani, Chairman, (Non Independent), Mr. Patrick McNamara and Mr. P C Bhalerao, all of whom are Non Executive Directors. The Remuneration Committee is authorized to approve any increase in remuneration payable to the Whole time Directors of the Company. During the year, the committee met once in 20th November 2004.

● Disclosures

(a) Materially significant related party transactions

- These are disclosed at Para 13 of Schedule 16 to the Balance Sheet as at 30th September 2004.

- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any authority, on any matter related to capital markets, during the last three years
- There was no instance of any penalty/stricture imposed on the Company by any authority for non-compliance on any matter related to the capital markets during the last three years.
- (c) Disclosures regarding appointment or re-appointment of Directors
- The information relating to the Directors being appointed / re-appointed at the ensuing Annual General Meeting, are furnished in the Notice of the Annual General Meeting.

● Communication to Shareholders

Quarterly/half yearly/annual results and information relating to convening of Annual General Meeting are published in leading newspapers and also notified to the stock exchanges as required

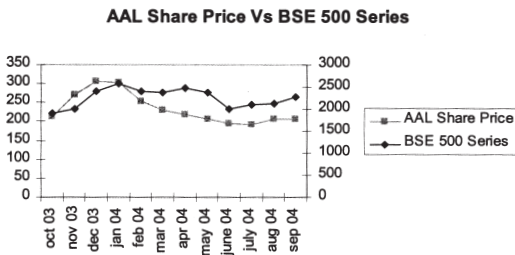
under the listing agreement. A report on the Management Discussions & Analysis is enclosed as a part of the Directors' Report to the Members. Your company has a web site "www.autoaxle.com" also carries key information on the company.

● General Body-Meetings :

Date, time and Venue for the last three annual general meetings are given below:

Financial Year	Date	Time	Venue
2000-2001	16th January, 2002	10.30 a.m.	Regd. Office of the Company
2001-2002	16th January, 2003	10.30 a.m.	Regd. Office of the Company
2002-2003	29th January, 2004	12.30 a.m.	Regd. Office of the Company

General shareholder Information

Annual General Meeting	Date & Time : 27th January 2005 at 12.30 p.m. Venue : Registered Office Hootagalli Industrial Area Off Hunsur Road Mysore 570 018			
Financial Year	1st October 2003 to 30th September 2004			
Book Closure Date	16.06.2004 – First Interim Dividend 25.1.2005 to 27.01.2005 – Final Dividend (both days inclusive)			
Listing	The Stock Exchange, Mumbai National Stock Exchange of India Limited During the year, the company has voluntarily delisted its equity shares from the Bangalore Stock Exchange Limited and Pune Stock Exchange Limited			
Dividend Payment Date	Within the time limit prescribed by Law.			
Stock Codes	BSE – 505010 Demat ISIN Number : INE449A01011			
 <p>AAL Share Price Vs BSE 500 Series</p>	Stock Data	High (Rs.)	Low (Rs.)	No. of Shares Traded
	October, 2003	212.60	185.00	129672
	November, 2003	272.00	201.25	124375
	December, 2003	306.00	260.00	173386
	January, 2004	304.00	202.10	88290
	February, 2004	254.00	200.00	151920
	March, 2004	231.00	171.00	255553
	April, 2004	218.00	172.90	23968
	May, 2004	208.00	162.00	8679
	June, 2004	194.50	164.95	3418
	July, 2004	192.50	151.00	297264
	August, 2004	207.70	180.00	215859
	September, 2004	205.90	190.00	218732
Share Transfer System	In compliance with the SEBI circular dated 27th December 2002, requiring share registry in terms of both physical and electronic mode to be maintained at a single point, the Company has appointed M/s. Alpha Systems Pvt Ltd., Ramana Residency, 4th Cross, Malleshwaram, Bangalore 560 003, as its Registrar and Share Transfer Agents. Company's shares are traded on the Stock Exchanges compulsory in demat mode. Company's officers authorized in this behalf, meet thrice a month for dealing with matter concerning securities of the company.			



Shareholding pattern	Pattern of shareholding by ownership as on 30th September, 2004.		
	Promoters	10735081	71.04
	Bodies Corporate	640127	4.24
	Financial Institutions / Banks	166	0.00
	Foreign Institutional Investors	107417	0.71
	Non Resident Indians / OCB	48343	0.32
	Mutual Fund	1740583	11.52
	Public	1840258	12.17
	Total	15111975	100.00
	Pattern of shareholding, by share class as on 30th September, 2004		
	Category	No. of Share holders	No. of Shares held
	Up to 500	9576	676011
	501 to 1000	173	134366
	1001 to 2000	69	103951
	2001 to 3000	33	82893
	3001 to 4000	12	41980
	4001 to 5000	13	60953
	5001 to 10000	10	71028
	10000 & above	37	13940793
	Total	9923	15111975
	Total	15111975	100.00
Dematerialisation	The Company's Equity Shares are under compulsory demat trading. As on 30th September 2004, dematerialised shares accounted for 62.42 % of total equity.		
Details of Public funds obtained in the last three year	Nil		
Outstanding warrants and their implications on Equity	There are no outstanding warrants.		
Plant Locations	Hootagalli Industrial Area, Off Hunsur Road, Mysore 570 018		
Investor Correspondence address	Secretarial Department Automotive Axles Limited Hootagalli Industrial Area Off Hunsur Road Mysore 570 018 Phone : 2402582 - 86 (5 lines) Fax : 2402451 E-Mail : sec@autoaxle.com	Share Transfer Agents Alpha Systems Pvt Ltd Ramana Residency, 4th Cross Sampige Road, Malleshwaram Bangalore – 560 003 Phone : 23460815-818 Fax : 23460819 E-mail : alfint@vsnl.com	

CERTIFICATE

To the Members of Automotive Axles Limited

- We have examined the compliance of conditions of corporate governance by **Automotive Axles Limited**, for the year ended on 30th September 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock changes.
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.
- In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, except for matters stated below, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.
 - The necessary quorum of independent directors was not available at the meetings of the audit committee held on 29th January 2004, 23rd July 2004 and 18th May 2004.
 - The time interval between meetings of the board of directors held on the 29th of January 2004 and 31st of May 2004 exceeded the time limit prescribed in the listing agreement.
- As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that, based on the records maintained by the Shareholders/Investors Grievance Committee, there were no investor grievance matters against the Company remaining unattended/pending for more than 30 days as of 30th September, 2004.
- We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins and Sells**
Chartered Accountants

Place : Bangalore
Date : November 30, 2004

V. Srikumar
Partner
Membership No. 84494