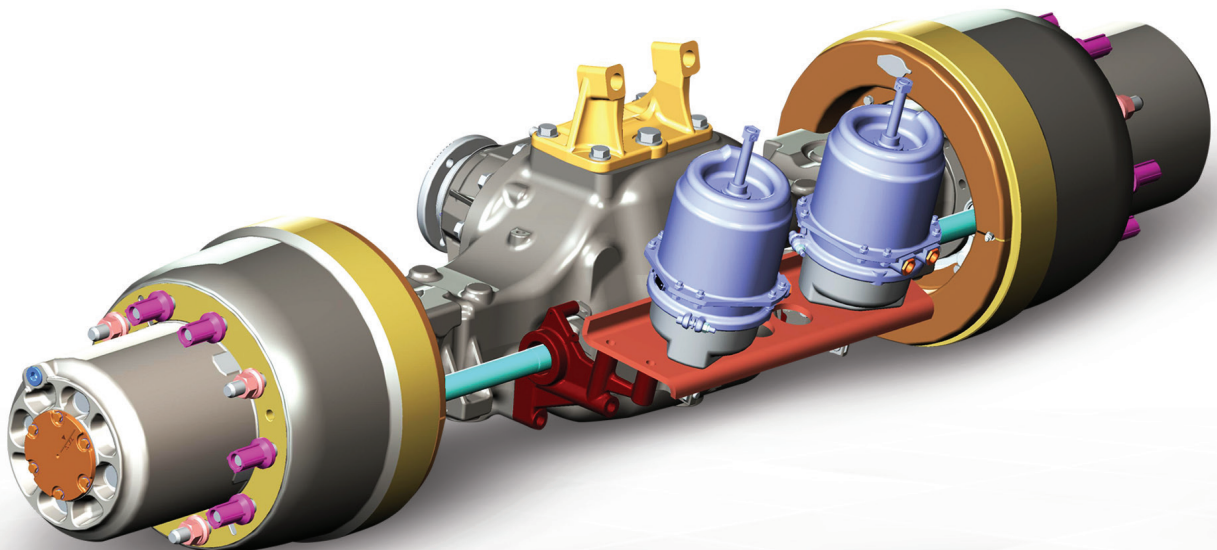




GROWTH AND
PERFORMANCE....
THROUGH TECHNOLOGY
AND TEAMWORK

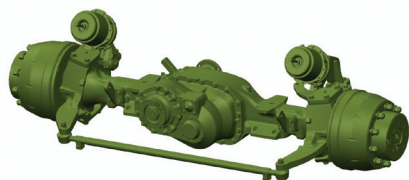
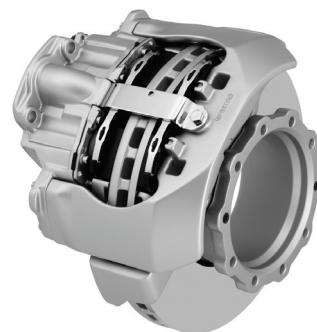
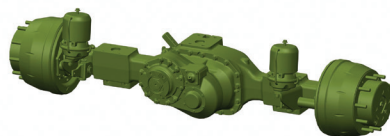


KALYANI

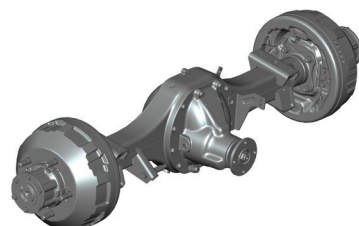
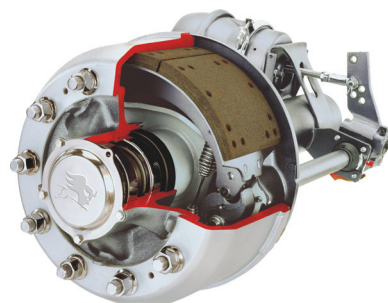
Automotive Axles Limited



MERITOR



Our Product Range



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Babasaheb N Kalyani, Chairman
 Mr. Marco Bassi, Director
 Mr. Bhalachandra B Hattarki, Director
 Mr. B C Prabhakar, Director
 Mr. Satish Sekhri, Director
 Mr. Amit B Kalyani, Director
 Mr. Joseph A Plomin, Director
 Mr. N Muthukumar, Whole-time Director

KEY MANAGERIAL PERSONNEL

Mr. N Muthukumar, Sr.Vice President & Whole-time Director
 Mr. S Ramkumar, Chief Financial Officer & Company Secretary

STATUTORY AUDITORS

Deloitte Haskins and Sells (Chennai), Bangalore

INTERNAL AUDITORS

PriceWaterHouseCoopers Pvt. Ltd., Bangalore

BANKER

HDFC Bank Limited
 Kotak Mahindra Bank
 IDBI Bank Limited

REGISTRAR & SHARE TRANSFER AGENTS

Integrated enterprises (I) Limited
 #30, Ramana Residency, 4th cross
 Sampige Road, Malleshwaram
 Bangalore Ph: 080-23460815-818;
 e-mail: irg@integratedindia.in

REGISTERED OFFICE

Hootagalli Industrial Area, Off Hunsur Road, Mysuru - 570018.
 Ph: 0821-7197500
 Website: www.autoaxle.com
 Email: sec@autoaxle.com

WORKS

1. **Mysuru** -
 Hootagalli Industrial Area, Off Hunsur Road, Mysuru
 2. **Rudrapur** -
 6 Km Stone, Kichha Road, Village Shimla Pistor, Rudrapur, Udham
 Singh Nagar, Uttarakhand
 3. **Jamshedpur** -
 Old Khakripara, Vill & Post – Chhota Govindpur, Jamshedpur,
 Dist. E. Singhbhum, Jharkhand
-

CHAIRMAN'S MESSAGE

Dear Shareholders,

We are witnessing an intricate balancing act so far as the global economy is concerned. On the one hand, countries must address the lingering downside risks of the global financial crisis, while at the same time search for fresh pastures of opportunity and growth. The year under review witnessed developed economies gaining traction, mainly due to fiscal stimulus, low interest rates and a positive reassurance by the central bankers. Improved macro-economic indicators, showing encouraging employment numbers and increased spending summed up the US recovery story. The Eurozone dispelled recessionary fears on the back of eased-up credit scenario and improved resilience, while growth in China appears to have rebounded in the second half of the year.

India appears to be on a recovery path from its relative slump, thanks to new political leadership and a general renewal of confidence. The world is looking eagerly at what India can now deliver in terms of economic reforms and greater global integration.

The mid-year economic review pegs India's GDP growth at around 5.5% for the fiscal ending March 2015 and projects it to grow at 7-8% in the years ahead. With a growth and development oriented stable government at the helm, the Indian economy has started to turn around both structurally and cyclically. Low inflation rates clubbed with low oil prices is expected to steer consumption in the months ahead, auguring well for the overall economy and auto-industry in specific. We are also witnessing a general surge in capital investments by industry and expect to see better corporate profits in the quarters ahead.

MORE OPPORTUNITIES

The Government of India (GOI) has initiated a series of reforms to encourage investment and innovation in order to help transform India into a global manufacturing hub.

Particularly, noteworthy is the emphasis which the Prime Minister has laid on manufacturing and infrastructure sectors, as key levers to revive the economic growth. The 'Make in India' initiative by the Government is levered around substituting imports into the country, developing a strong domestic manufacturing base and leveraging the cost-competitiveness to enhance exports.

Falling crude prices together with cost optimising initiatives, such as local sourcing and manufacturing sought by foreign original equipment manufacturers (OEMs), augur well for the automotive industry. The auto components sub-sector within the Indian automotive industry is one of the fastest growing sectors. Automotive Component Manufacturers Association of India (ACMA) estimates that the Indian auto components industry is likely to grow to US\$ 100 Billion by 2020. The sector is also witnessing tailwinds like rising domestic demand in the OEM market, and overseas demand due to the cost advantage (in the form of reduced raw material cost, such as decrease in cost of rubber). India's auto component exports grew 16.7% to ₹ 61,487 Crores (US\$ 10.04 Billion) in 2013-14 from ₹ 52,690 Crores (US\$ 8.61 Billion) in 2012-13. However, despite all this, India's auto component suppliers account for only 1% of total global exports and there is a tremendous opportunity for higher export volumes from the country.

Increased infrastructure investment by the GOI and improved freight rates suggest that medium and heavy commercial vehicles are seeing a slow but stable recovery in the domestic markets. This gives a boost to the commercial vehicle (CV) auto component sector. Moreover, there is export demand from existing markets like the US and Europe and newer markets in Asia. Replacement market also offers a stable and profitable source of income for the auto component industry.

Despite industry challenges, your Company performed encouragingly in 2013-14 (fiscal ending September 2014). Sales increased and so did profitability. Sales rose from ₹ 7,154 Million in 2012-13 to ₹ 7,576 Million in 2013-14. Profit after tax increased from ₹ 127 Million in 2012-13 to ₹ 182 Million in 2013-14, up by 43%.

BETTER PERFORMANCE

Despite industry challenges, your Company performed encouragingly in 2013-14 (fiscal ending September 2014). Sales increased and so did profitability. Sales rose from ₹ 7,154 Million in 2012-13 to ₹ 7,576 Million in 2013-14. Profit after tax increased from ₹ 127 Million in 2012-13 to ₹ 182 Million in 2013-14, up by 43%. Subsequently, our earnings per share grew from ₹ 8.40 in 2012-13 to ₹ 12.03 in 2013-14. This growth in topline and bottom line achieved inspite of M&HCV market going down by 5%. Our achievements reflected by steady focus on customer penetration, new product development, new customer acquisition, technology upgradation and empowerment of the team. We have successfully put in place strategies to enhance growth, reduce costs, improve operational excellence, develop new product and people development.

SMARTER INITIATIVES

We have strengthened our competitive advantage through a number of measures. We have fostered alliances in order to be agile and flexible in a dynamic industry scenario. At our manufacturing plant, the zero Chip and Oil and Coolant (COC) initiative was implemented to cut costs and improve safety. We have also begun an initiative called 'Built in Quality' (BIQ), where every operator ensures consistent quality by not receiving, not producing and not passing on defects.

In a world threatened by climate change, 'green' is a non-negotiable strategy. We are doing our modest bit to drive resource efficiency at our plants and help protect the environment. We have taken several measures to reduce consumption of resources such as LPG, raw water and oil.

Our new 50,000 Sq.Ft. plant at Jamshedpur started operations for manufacturing brakes and trailer axles, with production capacity of 30,000 brakes and 2,500 tag and trailer per month. We also doubled monthly capacity of Hub Reduction Axles from 300 to 600 sets at our Mysuru plant this year.

GREATER EMPOWERMENT

Your Company is all about technology and teamwork. Technology empowers our people to achieve new frontiers of excellence. We have established a culture of meritocracy and transparency that gives our people the confidence to question past actions, challenge conventions and put in place a new paradigm. We build a leadership pipeline through Succession and Development Planning (SDP) and training programmes.

HIGHER ORBIT

I believe we are well on our way to achieving our full potential. In this journey all our stakeholders have a part to play. The trust and support of our stakeholders are critical to elevate your Company to the next orbit of growth and value creation.

I thank our valued customers, shareholders, stakeholders, suppliers, business associates and above all, my colleagues in Automotive Axles for their unwavering support.

With best regards,

B. N. Kalyani
Chairman

DIRECTORS' REPORT

To the Members,

Your Directors have the pleasure in presenting the 33rd Annual Report on the business and operations of the Company and the audited accounts for the financial year ended 30th September, 2014.

FINANCIAL RESULTS

Particulars	(₹ in Million)	
	2013-2014	2012-2013
Profit before Depreciation & Tax	553.41	470.87
Less : depreciation & amortisation	294.79	285.29
Provision for Taxation – Current/ Deferred/ Fringe Benefit Tax	76.83	58.60
Profit After Tax	181.79	126.98
Balance of Profit from Previous Year	2,103.79	2,024.87
Profit available for appropriation	2,285.58	2,151.85
Appropriations :		
Dividend for the year	37.78	30.22
Tax on dividend	6.42	5.14
Transfer to General Reserve	18.18	12.70
Surplus retained in Profit & Loss Account	2,223.20	2,103.79

REVIEW OF PERFORMANCE

The Gross Sales and other income for the financial year under review was ₹ 7,576.72 Million as against ₹ 7,154.12 Million for the previous financial year. The Profit before Tax of ₹ 258.62 Million and the Profit After Tax of ₹ 181.79 Million for the financial year under review as against ₹ 185.58 Million and ₹ 126.98 Million respectively for the previous financial year.

DIVIDEND

Your Directors are pleased to recommend a Final Dividend of ₹ 2.50 per Equity Share (25%) of the face value of ₹ 10/- each, aggregating to ₹ 37.78 (exclusive of tax on dividend) for the financial year ended on 30th September, 2014 for your consideration.

The dividend payout for the year under review has been formulated in accordance with shareholders' aspirations. The Company's policy to pay sustainable dividend linked to long term growth objectives of the Company to be met by internal cash accruals.

DIRECTORS

In terms of the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Joseph A. Plomin Director of the Company, retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offers him for re-appointment.

Mr. Marco Bassi was appointed as an Additional Director based on nomination received from the Meritor Heavy Vehicle System LLC, one of the promoters, in the place of Mr. Chris Villavarayan who resigned from the Board. The Board places its appreciation for the valuable contributions made by Mr. Villavarayan during his tenure. Mr. Bassi holds the office upto the ensuing AGM and his appointment is being sought to be regularised at the ensuing AGM.

Pursuant to Sections 149 and 152 of the Companies Act, 2013 and in terms of Clause 49 of the Listing Agreement, the Board of Directors has, at its meeting held on 25th November, 2014, appointed the existing Independent Directors Mr. B B Hattarki, Mr. B C Prabhakar, and Mr. Satish Sekhri as Independent Directors for a term of five consecutive years with effect from the date of ensuing AGM, subject to approval of shareholders in their Meeting. The requisite resolutions for approval of their appointment as Independent Directors are being proposed in the notice of the ensuing AGM for the approval of the members.

The Company has received declarations from all the Independent Directors of the Company, confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

The Company is required to appoint two more Independent Directors and a Woman Director on the Board. The Company is under the process of identifying suitable candidatures for appointment.

AUDITORS & AUDITORS' REPORT

M/s Deloitte Haskins & Sells (Chennai), Bangalore, Chartered Accountants, Statutory Auditors of the Company were holding office as Auditors, prior to the commencement of the Companies Act, 2013 ("the Act") and for more than 10 years now. In terms of the provisions of the Act and the related rules there under, in respect of rotation of auditors, M/s. Deloitte Haskins & Sells (Chennai), Bangalore are eligible for re-appointment for three consecutive financial years subject to ratification of the appointment by the members at every AGM held after the ensuing AGM.

The Directors, based on the recommendation of the Audit Committee, propose the appointment of M/s. Deloitte Haskins & Sells (Chennai), Bangalore for the period from the conclusion of ensuing 33rd AGM till the conclusion of the 36th AGM and seek authority for fixation of their remuneration for the year 2014-15.

The Company has received letter from Deloitte Haskins & Sells (Chennai), Bangalore to the effect that their appointment, if made, would be within the prescribed limits under the Companies Act, 2013, and the conditions prescribed read with the Rule 4 of Companies (Audit and Auditors) Rules, 2014 and that they are eligible for such appointment.

SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Rules made there under and based on the recommendation from the Audit Committee, CS. Pracheta M, Practicing Company Secretary has been appointed to conduct a secretarial audit of Company's Secretarial and related records for the financial year 2014-15. The Secretarial standards issued by the Institute of Company Secretaries of India (ICSI) from time to time are currently recommendatory in nature. The Company is, however, complying with most of them.

CORPORATE SOCIAL RESPONSIBILITY

Section 135 of the Companies Act, 2013 along with the Rules there under and revised Schedule VII to the Act, concerning Corporate Social Responsibility (CSR), have been effective from 1st April, 2014. The Company being covered under the provisions of the said section has taken necessary initial steps in this regard. A committee of the Directors, titled 'Corporate Social Responsibility Committee', has been formed by the Board in its meeting held on 29th April, 2014, consisting of the following Directors:

- a. Mr. Amit B. Kalyani, Chairman
- b. Mr. B. C. Prabhakar, Member
- c. Mr. N. Muthukumar, Member

A policy on CSR has been formulated for the Company and was approved by the Board in its meeting held on 14th August, 2014.

CHANGE IN FINANCIAL YEAR

The new Companies Act, 2013 has mandated the financial year to be in line with the Section 2(41) of the Act which is April to March as against our financial

year October to September. The Act also gives two years' timeline from the date of its notification i.e., 12th September, 2013. Hence, we had option either to close the year 2013-14 on 31st March, 2014 or to close the year 2014-15 on 31st March, 2015. The Board in its meeting held on 10th February, 2014 decided to close the financial year by 6 months from October 2014 to March 2015, so as to comply with the Companies Act, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with Clause 49 of the Listing Agreement with Stock Exchanges, the Management Discussion and Analysis Report is presented in a separate section forming part of the Annual Report.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Policies and Code of Conduct which has set out the systems, processes and policy conforming to the best standards. The report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, forms part of the Annual Report.

A Certificate from an Independent Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION & PROTECTION FUND

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the dividend which remained unclaimed for a period of seven years has been transferred by the Company to the Investor Education and Protection Fund.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are provided as Annexure - A to this report.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the Companies Act 1956, the Annual Report excluding the aforesaid information is being sent to all the members and others entitled thereto. Any member interested in obtaining such particulars, may write to the Company Secretary at the Registered Office of the Company.

During the year under review, pursuant to the new legislation "Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace Act 2013" introduced by the GOI, which came into effect from 9th December, 2013. The Company has constituted a Committee and framed a Policy on Prevention of Sexual Harassment at Workplace as per the applicable rules. So far no complaints have been received by the Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the financial year ended 30th September, 2014 the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

- (ii) the Directors had 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 30th September, 2014 and of the profit of the Company for the year under review;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors had prepared the annual accounts for financial year ended on 30th September, 2014 on a 'going concern' basis.

ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation of the positive cooperation received from the Central Government, the Government of Karnataka, Financial Institutions and the Bankers. The Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers, workers and staff of the Company resulting in the successful performance of the Company during the year.

Your Directors wish to place on record their appreciation for the continued cooperation and support received from the Kalyani Group, Pune, and Meritor Inc., USA for and on behalf of the Board of Directors

Place: Mysuru

Date: 25th November, 2014

B. N. Kalyani

Chairman

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AS AMENDED AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 30th SEPTEMBER, 2014

ANNEXURE – A

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

A. Conservation of Energy :

(a) Energy & LPG conservation measures taken in 2013-14	<ol style="list-style-type: none"> 1. Power optimisation through six sigma projects in painting booths and brake liner grinding machines by providing Variable Frequency Drives and optimisation of speed. 2. Upgradation, erection and commissioning of Detroit, USA, Endo Gas Generator for Endo Gas consumption optimisation and quality improvement of Carburizing process. 3. Installation of Eclipse make Heat recovery Recuperators for Continuous Gas Carburizing Furnace Radiant LPG Burners (BGL make furnace). 				
(b) Additional investments and proposals, if any, being implemented to reduce energy / LPG consumption for 2013-14	<ol style="list-style-type: none"> 1. Installation of Mounded Storage facility for LPG with Heaterless Vaporiser and pipelines from LPG yard to Furnaces. One Bullet for Commercial LPG and 2nd Bullet for Straight Run LPG. 2. Using Commercial LPG for Furnace Heating and Straight Run LPG for pocess application. 3. Power optimisation in effluent treatment plant pumps and blowers. 4. Installation of LED lights for shop office area in place of fluorescent lamps to reduce energy and improve life. 				
(c) The impact of the measures at (a) & (b) for reduction of energy / LPG consumption and consequent impact on the cost of production of goods.	<table border="0"> <tr> <td data-bbox="779 1312 812 1344">(a)</td><td data-bbox="820 1312 1485 1438"> <ol style="list-style-type: none"> 1. Power optimisation through six sigma projects in painting booths and liner grinding machine - ₹1 Million /Annum 2. Endo gas generator optimisation - ₹ 3.24 Million /Annum 3. Heat recovery at BGL furnace - ₹ 2.1 Million /Annum </td></tr> <tr> <td data-bbox="779 1480 812 1512">(b)</td><td data-bbox="820 1480 1485 1722"> <ol style="list-style-type: none"> 1. Heater less vaporiser for new LPG bullets - ₹ 0.6 Million /Annum 2. Power optimisation in effluent treatment plant - ₹ 0.08 Million /Annum 3. LED lights to shop office area - ₹ 0.1 Million /Annum <p>Total Energy cost saving during 2013-14 is ₹ 1.78 Million. Total LPG cost saving during 2013-14 is ₹ 5.34 Million.</p> </td></tr> </table>	(a)	<ol style="list-style-type: none"> 1. Power optimisation through six sigma projects in painting booths and liner grinding machine - ₹1 Million /Annum 2. Endo gas generator optimisation - ₹ 3.24 Million /Annum 3. Heat recovery at BGL furnace - ₹ 2.1 Million /Annum 	(b)	<ol style="list-style-type: none"> 1. Heater less vaporiser for new LPG bullets - ₹ 0.6 Million /Annum 2. Power optimisation in effluent treatment plant - ₹ 0.08 Million /Annum 3. LED lights to shop office area - ₹ 0.1 Million /Annum <p>Total Energy cost saving during 2013-14 is ₹ 1.78 Million. Total LPG cost saving during 2013-14 is ₹ 5.34 Million.</p>
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