



36th Annual Report 2016-17

**GROWTH AND
PERFORMANCE...
THROUGH TECHNOLOGY
AND TEAMWORK**



Automotive Axles Limited





Drum brake



LCV Axle



MT148 - Tandem Axle



Driveline parts

OUR PRODUCT RANGE



After market parts



FG945 - Front Steer Axle



MS1497 - Solo Drive Axle



MT610 - Hub Reduction Axle

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Babasaheb N Kalyani, Chairman
 Mr. Joseph A Plomin Jr, Director
 Mr. Bhalachandra B Hattarki, Independent Director
 Mr. B C Prabhakar, Independent Director
 Mr. Satish Sekhri, Independent Director
 Ms. Supriti Bhandary, Independent Director
 Dr. N Muthukumar, President & Whole-time Director

KEY MANAGERIAL PERSONNEL

Dr. N Muthukumar, President & Whole-time Director
 Mr. Ranganathan S, Chief Financial Officer
 Ms. Thejeshwini N, Company Secretary

STATUTORY AUDITORS

Deloitte Haskins & Sells, Bengaluru

INTERNAL AUDITORS

Price Waterhouse & Co Bangalore LLP, Bengaluru

BANKERS

HDFC Bank Limited
 Kotak Mahindra Bank Limited
 State Bank of India
 Axis Bank Limited

REGISTRAR & SHARE TRANSFER AGENTS (RTA)

Integrated Registry Management Services Private Limited*
 #30, Ramana Residency, 4th cross
 Sampige Road, Malleswaram
 Bangalore – 560 003
 Ph: 080-23460815-818;
 e-mail: irg@integratedindia.in
 *Earlier name: Integrated Enterprises (India) Limited

REGISTERED OFFICE

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

WORKS

1. **Mysuru**
 Hootagalli Industrial Area,
 Off Hunsur Road, Mysuru, Karnataka – 570 018
2. **Rudrapur**
 6 Km Stone, Kichha Road, Village Shimla Pistor,
 Rudrapur, Udham Singh Nagar, Uttarakhand – 263 153
3. **Jamshedpur**
 Old Khakripara, Village & Post – Chhota Govindpur,
 Jamshedpur, Dist. E. Singhbhum, Jharkhand – 831 015



OUR JOURNEY SO FAR...

2016

As a part of Mission 18 strategy quality and reliability strategy was initiated
Bagged Manchinist Super Shop floor 2016 Award in Green Manufacturing Category.

2015

Established Speciality Axles Plant Manufacturing Unit
Apollo Commercial Vehicle Component of the year 2015 Award for Tandem Axle for 8*8 application.

2012

SAP Implementation successfully launched
'EXCELLENCE' Award for the best-in-class performance in Quality by Ashok Leyland

2010

The QCLDM Award [Quality, Cost, Logistics, Development & Management] at the Supplier Summit by Ashok Leyland
Integrating Total Productive Maintenance, Lean and Six Sigma

1998

Export to Meritor Plant commenced

1990

Export of SKD axles to Indonesia

2016-17

- 2016** - Certified CQ 15 for Welding process & CQ 9 for Heat treatment process
- 2016** - Certified as OHSAS 18001-2007

2013-15

- 2015** - VDA 6.3 Standards approved for Meritor HVS (India) Ltd. supplies to MAN Truck
- 2015** - Heat treatment facility certified for Continuous Quality Improvement (CQI) 9 Standards
- 2014** - Score 100 Team launched for Cost Reduction Projects
- 2014** - Started commercial production at Jamshedpur Plant
- 2013** - Six Sigma Methodology launch
- 2013** - ISO/TS-16949:2009 Re-certified by Underwriters Laboratories Inc. for Automotive Axles Ltd. Mysuru
- 2013** - Received Service Quality Award from Ashok Leyland
- 2015** - Mission 18 project launched to improve Revenue, profitability, reliability & quality of the product.

2011-12

- 2012** - ISO/TS-16949: 2009 certification by Underwriters Laboratories Inc. for Automotive Axles Ltd., Rudrapur Plant
- 2012** - ISO 1400: 2004 re-certification by Underwriters Laboratories Inc.
- 2011** - ISO 9000/TS-16949: 2009 Re-certification by Underwriters Laboratories Inc.
- 2011** - Started commercial production at Rudrapur Plant
- 2011** - Award for being the Best in category for Quality Capacity Ramp up by Ashok Leyland

2001-09

- 2008** - Introduction of Total Productive Maintenance (TPM) – Japan Institute of Plant Maintenance (JIPM) Methodology
- 2006** - ISO 14001: 2004 certification by Underwriters Laboratories Inc.
- 2005** - ISO 9000/TS-16949 : 2002 certification by Underwriters Laboratories Inc.
- 2003** - Sale of Brake business to a new company – KTMS Engineering Pvt. Ltd.

1991-99

- 1998** - Meritor HVS (India) Ltd. incorporated to handle Design & Marketing
- 1998** - ISO 19001:1994 certification by Underwriters Laboratories Inc.

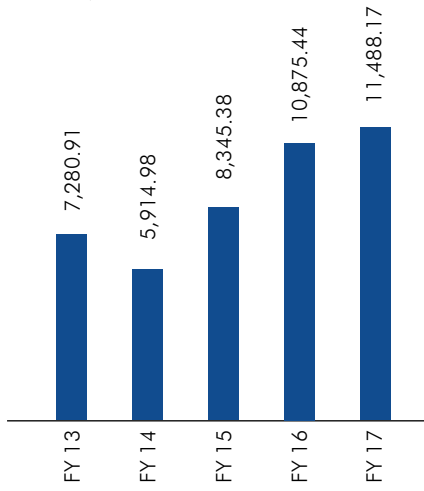
1980-89

- 1988** - Commercial production of Axle assembly started
- 1986** - Commercial production of brake assembly started
- 1984** - Commercial production of axle housings started
- 1981** - Established as a Joint Venture Company between Kalyani Group and Meritor, USA

FINANCIAL PERFORMANCE

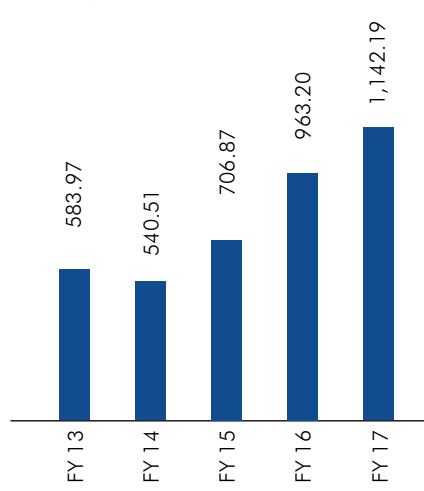
TOTAL REVENUE

(₹ in mn)



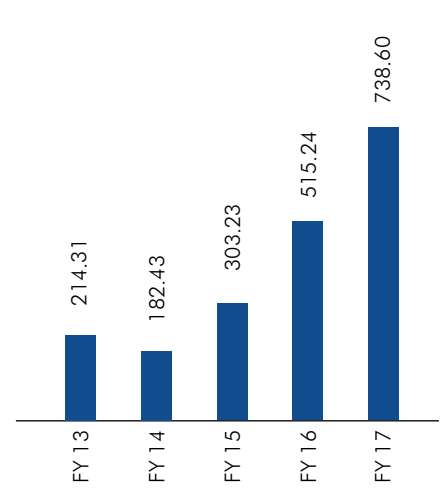
EBIDTA

(₹ in mn)



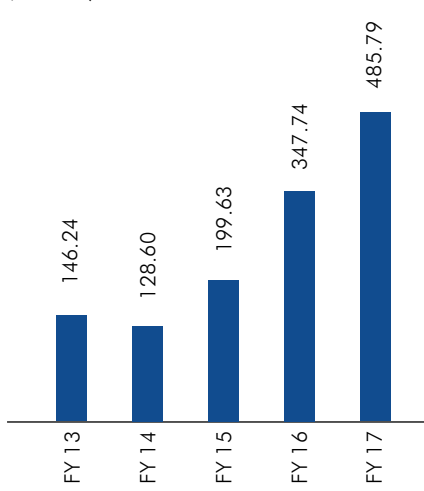
PBT

(₹ in mn)



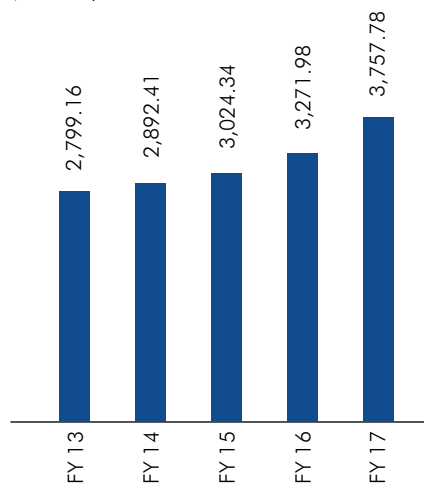
PAT

(₹ in mn)



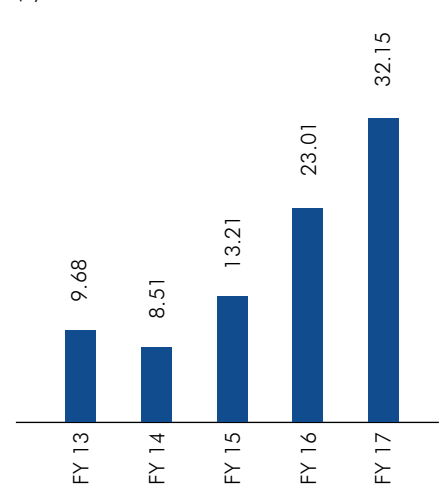
NETWORTH

(₹ in mn)



EPS

(₹)



Note: All the figures in the above bar charts are pertaining to the period from 1st April to 31st March



CHAIRMAN'S PERSPECTIVE

Dear Shareholders,

The global economy seems to be on the road to recovery after a considerable period of volatility. Global growth is expected to rise from 3.1% in CY 2016 to 3.5% in CY 2017 and 3.6% in CY 2018. What we see here is a more gradual elevation of the curve, rather than a significant jump in global growth rates. In other words, downside risks continue to hinder growth rates, especially in advanced countries of the world.

At the other end of the spectrum are emerging markets and developing economies. These economies have become increasingly important in the global economy in recent years. Although the growth patterns in emerging economies are not uniform, we can expect good growth in some of these economies at least for the medium term. And of course, the best performer in the squad continues to be India.

India's GDP growth rate was 7.1% in FY 2016-17, owing to wide-ranging reforms pursued by the Government of India; and even some of the state governments participating in competitive federalism. During the year, the government implemented and approved seminal reforms such as demonetisation and GST. Both these initiatives will usher in long-term benefits for the economy. While demonetisation was the first step towards formalisation and digitalisation of the economy, the GST was a radical step in spurring growth, competitiveness, indirect tax simplification and greater transparency.

During FY 2016-17, India also became the world's sixth largest manufacturing country, rising from the previous ninth position. The Union Budget FY 2017-18 has also provided an impetus to manufacturing.

INDUSTRY INSIGHT

FY 2016-17 has been an eventful year for the auto industry. The early part of the year saw a revival in



We are happy to report another successful year for Automotive Axles Limited (AAL). We reported a 5.63% revenue growth of ₹ 11,488 Million in FY 2016-17, compared to ₹ 10,875 Million in FY 2015-16. Simultaneously, our EBIDTA increased 18.58% to ₹ 1,142 Million in FY 2016-17 against ₹ 963 Million in FY 2015-16.

automobile sales across segments and the second half of FY 2016-17 started witnessing a strong positive sentiment. This was backed by factors such as improved consumer sentiment (following the Seventh Pay Commission pay hike), average monsoon after two successive years of deficit rainfall, and low financing costs. However, factors such as demonetisation and lower than anticipated pre-buy on account of change in emission norms led to weak H2 FY 2016-17. Overall, the Indian automobile industry registered a moderate growth of 5.41% in FY 2016-17 over the same period last year.

India's auto component market is growing steadily. Factors such as rising vendor consolidation, faster replacement market growth, increasing localisation, export-oriented growth, and growing electronic content per vehicle are drivers of future growth. Interestingly, the rate of growth was much faster than the Original Equipment Manufacturer (OEM) segment. This, will pave the way for more exports to OEMs from auto component manufacturers. The Make in India initiative is extremely relevant for manufacturing companies like ours.

OUR PERFORMANCE

We are happy to report another successful year for Automotive Axles Limited (AAL). We reported a 5.63% revenue growth of ₹ 11,488 Million in FY 2016-17, compared to ₹ 10,875 Million in FY 2015-16. Simultaneously, our EBITDA increased 18.58% to ₹ 1,142 Million in FY 2016-17 against ₹ 963 Million in FY 2015-16. Our net profit grew by 39.70% to ₹ 486 Million in FY 2016-17 against ₹ 348 Million in FY 2015-16 and our earnings per share stood at ₹ 32.15 in FY 2016-17, compared to ₹ 23.01 in FY 2015-16, a growth of 39.7%. Our strong performance was driven by enhanced operational efficiency, stringent end-to-end performance monitoring, increased input-output ratio and better manpower productivity.

We have continued to upgrade our manufacturing facilities through enhanced capacity and adoption of latest technologies, which will benefit us through better productivity. Moreover, we have delivered on our 'consistent quality pledge' by ensuring precise 'part per million' standards.

We reinforced our concept of Built in Quality (BIQ) to achieve world-class manufacturing standards through multiple initiatives. Our teams ensure quality of products by following the principle of 'Don't Accept, Don't Produce, Don't Release' defective products.

We also focused on sustainable business practices like usage of rain harvested water for manufacturing processes, installation of bio-gas plant and solar rooftops. We also implemented energy-efficient lighting solutions across shop floors.

TEAM AAL

At AAL, we believe our most important asset is our people. We nurture our people by continuously upgrading their skillsets. We also encourage diversity in our workforce. We promote a performance-based



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inclusive culture that awards and recognises quality services. We have a robust talent management system, which helps us to organise need-based training programmes.

Our company is on a firm growth track and we will continue to respond to opportunities, reinforce our competitive advantage and play a larger role in India's auto component industry. On behalf of the Board of Directors, I must express my sincere gratitude to our shareholders, employees, customers, business associates and other stakeholders for their trust and support.

Warm regards,

Dr. B N KALYANI

Chairman



BOARD'S REPORT

To the Members,

Your Directors have the pleasure in presenting the 36th Annual Report on the business and operations of your Company together with the Audited Statements of Accounts for the financial period ended March 31, 2017:

FINANCIAL HIGHLIGHTS:

		(₹ in million)
Particulars	2016-2017	2015-2016
Total Revenue	11,488.17	10,875.44
Profit before depreciation & tax	1133.23	919.94
Less : Depreciation, amortization & Loss on assets discarded	394.63	404.70
Tax expenses	252.81	167.50
Profit After Tax	485.79	347.74
Balance of Profit from Previous Year	2546.45	2,298.81
Profit available for appropriation	3032.25	2,646.55
Appropriations :		
Dividend for the year	-	83.12
Tax on dividend	-	16.98
Transfer to General Reserve	-	-
Surplus retained in Profit & Loss Account	3032.25	2,546.45

DIVIDEND

The Board, at its meeting held on May 18, 2017, is pleased to recommend a dividend of ₹ 8/- per Equity Share of the face value of ₹ 10/- each for the financial year ended March 31, 2017 subject to the approval of shareholders at the ensuing Annual General Meeting to be held on Friday, August 18, 2017.

The total amount of Dividend aggregates to ₹ 120.90 million, excluding Dividend Distribution Tax.

The register of members and share transfer books will remain closed from August 16, 2017 to August 18, 2017 (both days inclusive) for the payment of final dividend to the shareholders of the Company, for the year ended on March 31, 2017.

The Dividend will be paid to members within 30 days from the date of declaration of dividend to the Members whose names appear in the Register of Members as on August 15, 2017.

Transfer of Amount to Investor Education & Protection Fund

In terms of the provisions of the Companies Act, 2013 and Investor Education Protection Fund Authority (Accounting,

Audit, Transfer and Refund) Rules, 2016 a sum of ₹ 133,753/- which is unpaid/unclaimed dividends pertaining to the FY 2008-09 was transferred to the Investor Education and Protection Fund during the year.

PERFORMANCE OF THE COMPANY

The Sales and other income for the financial year under review was ₹ 11,488.17 Million as against ₹ 10,875.44 Million for the previous financial year. The Profit before tax (PBT) was ₹ 738.60 Million and the Profit after tax (PAT) was ₹ 485.79 Million for the financial year under review, as against ₹ 515.24 Million and ₹ 347.74 Million respectively for the previous financial year.

SHARE CAPITAL

The paid up Equity Share Capital as on March 31, 2017 stood at ₹ 151.12 Million. During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options nor sweat equity.

DEPOSITS

Your Company has not accepted any deposits under Chapter V of the Companies Act, 2013 during the year.

TRANSFER TO RESERVE

There is no transfer to General Reserve Account during the year under review.

LISTING

The equity shares of the Company are listed with BSE Limited and National Stock Exchange of India Limited. There are no arrears on account of payment of listing fees to the Stock Exchanges.

DIRECTORS & KEY MANAGERIAL PERSONNEL:

As on March 31, 2017 there were seven (7) Directors on the Board of your Company, consisting of four (4) Independent Directors, two (2) Non-Executive Directors of whom one is the Chairman and one (1) Executive Director. None of the Directors have resigned or appointed during the year under review.

In terms of the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Dr. Narayanaswamy Muthukumar, President & Whole Time Director of the Company retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

Mr. S Ramkumar, Chief Financial Officer & Company Secretary retired from his office with effect from April 30, 2016 and Mr. Ranganathan Sankaran has been appointed as Chief Financial Officer of the Company with effect from April 1, 2016.

Ms. Thejeshwini. N has been appointed as Company Secretary of the Company with effect from November 5, 2016.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence and that there has been no change in the circumstances which may affect their status as independent director during the year as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015.

BOARD EVALUATION:

The Companies Act, 2013 states that a formal Annual Evaluation needs to be made by the Board of its own performance and that of its committees and individual Directors. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandates that the Board shall monitor and review the Board evaluation framework. Pursuant

to these provisions, the Company has developed a framework for the Board evaluation. The framework includes evaluation on various parameters such as information flow, Board dynamics, decision making, company performance and strategy, Board and committee's effectiveness and peer evaluation.

The evaluation of all the Directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board.

During the year 2016-17, Independent Directors met on February 6, 2017, discussed and reviewed the below:

- » Performance of Non Independent Directors
- » Performance of the Chairman
- » Performance of the Board Committees
- » Discussed on the quality, quantity and timeliness of flow of information between the Company management and the Board Members
- » Overall performance of the Company

FAMILIARIZATION PROGRAMME FOR THE BOARD MEMBERS

Your Company has in place a structured induction and familiarization programme for all its Directors including Independent Directors and new appointee(s) to the Board. Through such programs, the Directors are briefed on the background of your Company, their roles, rights, responsibilities, nature of the industry in which it operates, business model operations, ongoing events etc.

The Board members are provided with the necessary documents, brochures, reports and internal policies to enable them to familiarize with the Company's procedure and practice.

Periodic presentation are made at the Board Meetings, Board Committee Meetings and Independent Directors Meetings on business and overall performance updates of the Company, business strategy and risk involved.

The details of programs for Familiarization for Independent Directors are posted on the website of the Company and can be accessed at: www.autoaxle.com/Directors.aspx

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, your Directors make the following statements:

- (a) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures if any;
- (b) we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2017 and of the profit of the company for the year ended on that date;
- (c) we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) we have prepared the annual accounts on a going concern basis;
- (e) we have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- (f) we have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDITORS & AUDITORS' REPORT**a. Statutory Auditors**

M/s. Deloitte Haskins & Sells, Chartered Accountant, Bangalore (Firm Registration No.008072S) were appointed as auditors of the Company since its inception. They were last re-appointed as auditors of the Company at 33rd Annual General Meeting held on February 5, 2015 as per the Companies Act, 2013. Currently, they are holding office of the auditors up to the conclusion of the 36th Annual General Meeting. As per second proviso to Section 139(2) of the Companies Act, 2013, (the Act), a transition period of three years from the commencement of the Act is provided to appoint a new auditor if the existing auditor's firm has already completed the tenure as per the provisions of the Companies Act, 2013.

Accordingly, as per the said requirements of the Act, M/s. S R Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004) are proposed to be appointed as auditors for a period of 5 years commencing from the conclusion of 36th Annual General Meeting till the conclusion of the 41st Annual General Meeting, subject to ratification by shareholders every year, as may be applicable, in place of M/s. Deloitte Haskins & Sells, Chartered Accountants.

M/s. S R Batliboi & Associates LLP, Chartered Accountants, have consented to the said appointment, and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as statutory auditor in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

The Audit Committee and the Board of Directors recommend for the appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants, as statutory auditors of the Company from the conclusion of the 36th Annual General Meeting till the conclusion of 41st Annual General Meeting, to the shareholders.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Further no frauds have been reported by the Auditors in their reports.

b. Internal Auditor

The Audit Committee and the Board of Directors recommend for the re-appointment of M/s. Price Waterhouse & Co. Bangalore, LLP, Chartered Accountants, as Internal Auditors of the Company for the Financial Year 2017-18.

c. Secretarial Auditor

Pursuant to the provisions of the Section 204 of the Companies Act, 2013 and the rules made there under and based on the recommendations of the Audit Committee, CS Pracheta M, Practicing Company Secretary has been appointed to conduct Secretarial Audit of the Company's secretarial and other related records for the Financial year 2016-17.