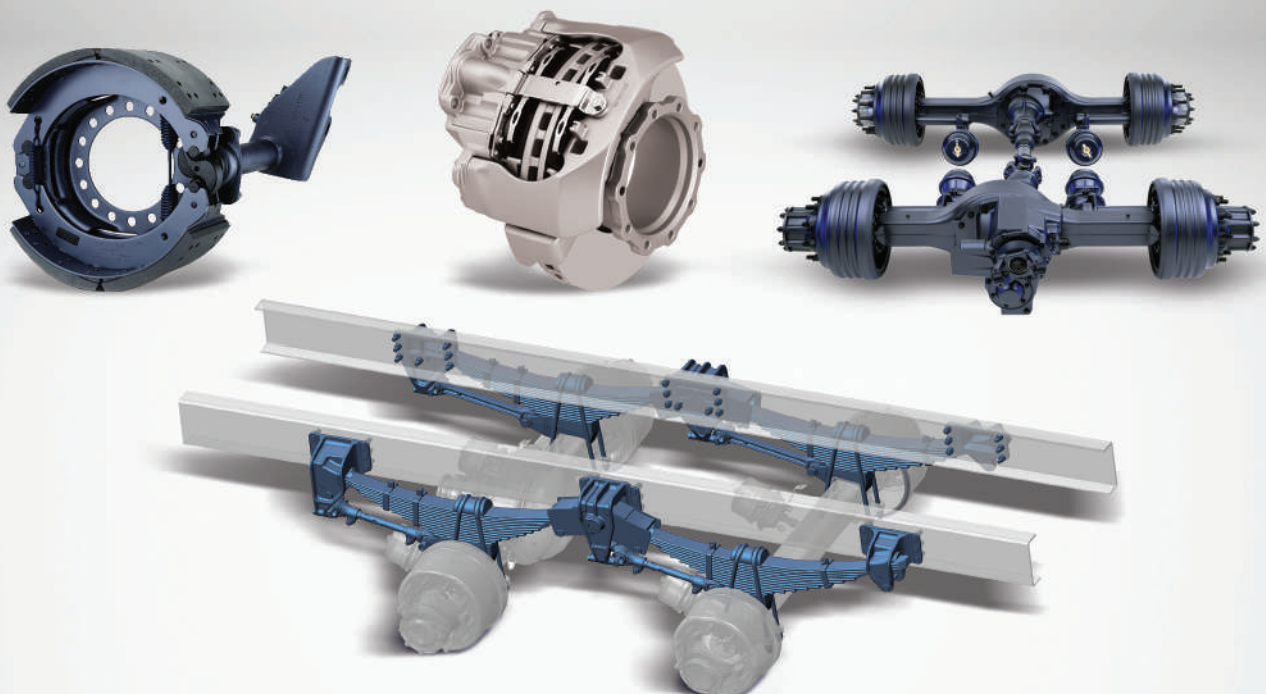




Growth and Sustainability

THROUGH TECHNOLOGY AND TEAMWORK

38th Annual Report 2018-19



Automotive Axles Limited



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Corporate Information

Board of Directors

Dr. Babasaheb N Kalyani, Chairman
Mr. Chrisnan Anton Sebastian Villavarayan, Director
Mr. Bhalachandra B Hattarki, Independent Director
Mr. B C Prabhakar, Independent Director
Mr. Rakesh Kalra, Independent Director
Dr. Shalini Sarin, Independent Director
Dr. N. Muthukumar, Whole-time Director

Key Managerial Personnel

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

Statutory Auditors

S R Batliboi & Associates LLP, Bengaluru

Internal Auditors

PricewaterhouseCoopers Pvt Ltd., 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, Malleshwaram
Bangalore – 560 003
Ph: 080-23460815-818;
E-mail: irg@integratedindia.in
* RTA: 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, Mysore, Karnataka – 570 018

2. Rudrapur

Plot No. 3, ITBT Park, SIIDCUL- IEE Pant Nagar, (NH-4),
Dist. Udham Singh Nagar, Uttarakhand - 263 150

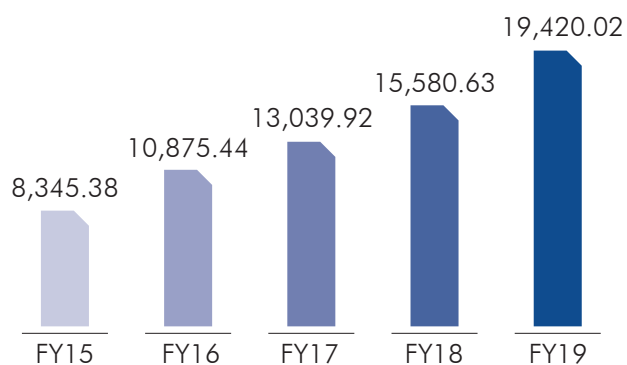
3. Jamshedpur

Old Khakripara, Village & Post – Chhota Govindpur,
Jamshedpur, Dist. E. Singhbhum, Jharkhand – 831 015

Financial Performance

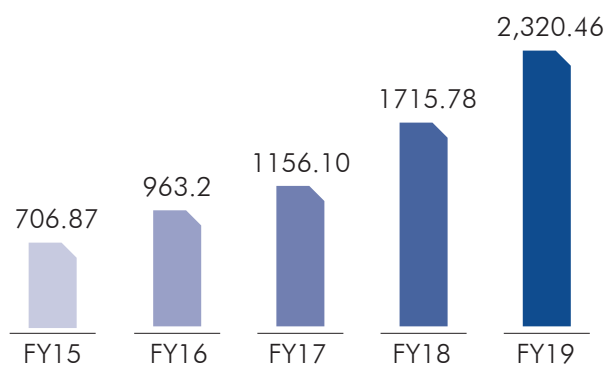
Total Revenue

(₹ in mn)



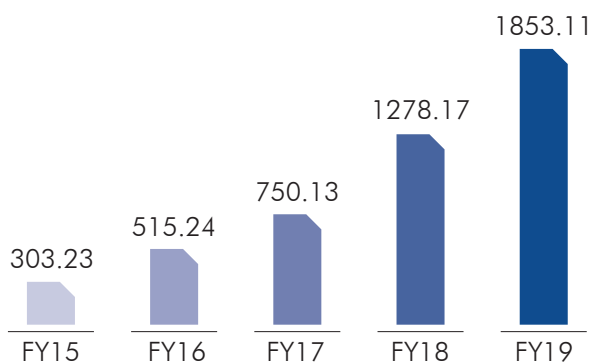
EBIDTA

(₹ in mn)



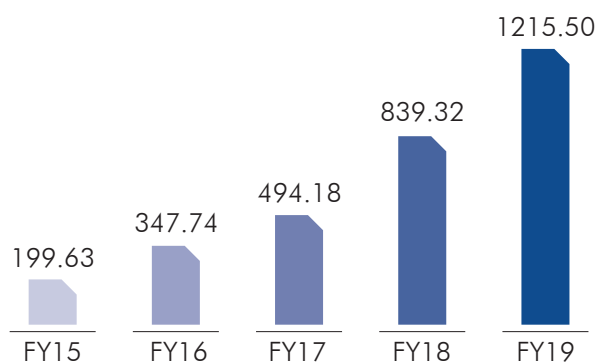
PBT

(₹ in mn)



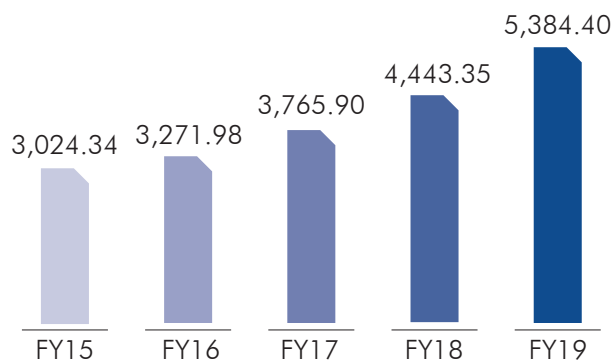
PAT

(₹ in mn)



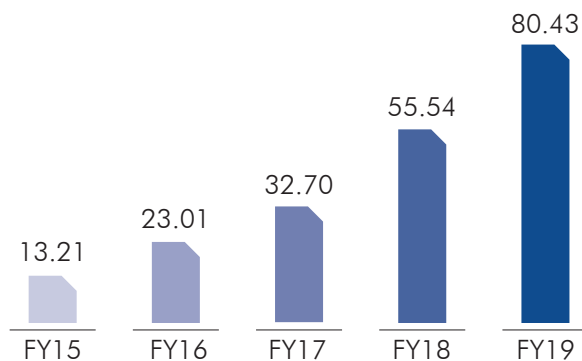
Network

(₹ in mn)



EPS

(₹ in mn)



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

(2) The figures for FY 17 onward are as per the applicability of Indian Accounting Standards.

Chairman's Review

Dear Shareholders,

Global growth, which was close to 4% in 2017, decelerated to 3.6% in 2018. The escalation of US-China trade uncertainties, disruptions in the auto sector in Germany, and financial tightening alongside the normalisation of monetary policy in the advanced economies have all contributed to a significantly weakened global expansion, especially in the second half of 2018.

India continues to remain the shining star in the global economic landscape. The nation maintains its position as the fastest growing major economy, registering 6.8% growth in FY 2018-19. Rising consumer demand, waning Goods and Services Tax (GST) implementation impact, growing infrastructure investments and strong policy reforms is helping maintain a consistent growth trajectory. The Government of India's 'Make in India' programme is also enabling the country to emerge as a powerful manufacturing hub in the global grandstand.

During the year under review, the Indian automotive industry grew over 6% with a production of 3.09 crore vehicles in FY 2018-19 as against 2.9 crore in FY 2017-18. The passenger vehicles segment grew marginally by 2.7%, but the overall commercial vehicle segment reported significant growth of 17.55% in FY 2018-19 vis-à-vis the previous fiscal. In step with the automobile sector, the domestic auto components industry saw healthy growth. Auto component manufacturers from the organised sector are poised to see sustainable growth on account of high quality and reliability of their products.

I am happy to report another year of steady and satisfactory performance for your Company. Our sale of products (net of excise duty) grew 27% to ₹18,795.37 million in FY 2018-19 vis-à-vis ₹14,788.02 million in FY 2017-18 driven by capacity ramp up and expanded scale. The EBIDTA grew 35% to ₹2,320.46 million in FY 2018-19 vis-à-vis ₹1715.78 million in FY 2017-18. Commodity price volatility exerted pressure

Our sale of products (net of excise duty) grew 27% to ₹18,795.37 million in FY 2018-19 vis-à-vis ₹14,788.02 million in FY 2017-18 driven by capacity ramp up and expanded scale. The EBIDTA grew 35% to ₹2,320.46 million in FY 2018-19 vis-à-vis ₹1715.78 million in FY 2017-18.

on EBIDTA, but continuous improvement in productivity and operational efficiencies helped minimise the impact. Our focus on continuous monitoring and control of fixed cost helped us rationalise our overall cost structure. Our profit after tax increased 45% to ₹1215.50 million in FY 2018-19 vis-à-vis ₹839.32 million in FY 2017-18 and earning per share rose 45% to ₹80.43 per Equity Share in FY 2018-19 vis-à-vis ₹55.54 per Equity Share in FY 2017-18.

We have further diversified our product range with new launches, offering the most comprehensive range of axle and brake across light, medium, heavy and extra heavy vehicle categories. During the year under review, we reported several new business wins and expanded our footprint in India and globally. We forayed into suspension products with the launch of new products and more are in the pipeline. We are working to expand and improve our revenue share from off highway and defence segments.

We also commenced our planned capacity expansion of axle from the existing capacity of 16,500 to 20,000 per month and brakes from existing capacity of 83,000 to 120,000 per month. Our expansions will be complete in mid of FY 2019-20.

We strengthened our operational mechanism with the introduction of best-in-class technologies and equipment. Besides, we installed a new drive head test rig that facilitates data-driven approach towards optimising and improving performance. I am happy to share that we commissioned a new assembly with robotic painting, enabling paperless shop-floor with assembly value additions, which can be digitally tracked. This is in line with the prevailing trend (Industry 4.0) of automation and data exchange in manufacturing technologies.

We have improved our IT systems capabilities by migrating to the new upgraded HANA version of SAP. We are working on various IT projects focusing on automation in Human Resource Management System, vendor portal, e-way bill automation and digital signature in alignment to Industry 4.0 initiatives.

The energy behind our momentum is that of our proactive go-getters, who continue to play a pivotal role in all aspects of our business with technology and teamwork. We have implemented several people engagement initiatives and are continuously investing in upskilling our human assets.

We are glad that our increased focus on employee engagement activities, successful adoption of e-learning systems and implementing the learnings in day-to-day operations have strengthened our team. We have also launched our new online human resource management system 'Darwin Box', enabling greater efficiencies in people processes.

We have improved our IT systems capabilities by migrating to the new upgraded HANA version of SAP. We are working on various IT projects focusing on automation in Human Resource Management System, vendor portal, e-way bill automation and digital signature in alignment to Industry 4.0 initiatives.

In the coming years, our priority areas comprise:

- Completion of capacity expansion of axles and brakes
- Continuous improvement in safety, manufacturing processes and quality systems
- Operational excellence and focus on Industry 4.0
- Enhanced engagement with existing and new customers
- Grow revenue and profitability
- Focus on new product development
- Employee engagement and talent management

On behalf of the Board of Directors, I thank all our stakeholders for their continued trust and support. We will continue to balance growth and sustainability through our continued customer focus and a prudent mix of technology and teamwork.

Warm regards,

Dr. B N Kalyani
Chairman

Board's Report

To the Members,

Your Directors have the pleasure in presenting the 38th Annual Report on the business and operations of your Company together with the Audited Statements of Accounts for the financial period ended March 31, 2019:

Financial Highlights:

(₹ in million)		
Particulars	2018-2019	2017-2018
Total Revenue	19,420.02	15,580.63
Profit before depreciation & tax	2,314.97	1,710.30
Less : Depreciation, amortization & Loss on assets discarded	461.86	432.13
Tax expenses	637.61	438.85
Profit for the year after tax	1,215.50	839.32
Other comprehensive income for the year, net of tax	(28.51)	(16.35)
Total comprehensive income for the year	1,186.99	822.97
Balance of Profit from Previous Year	3,717.82	3,040.37
Less: Dividend	204.00	120.90
Dividend Distribution tax on Dividend	41.94	24.62
Profit available for appropriation	4,658.87	3,717.82

Dividend

The Board, at its meeting held on May 13, 2019, is pleased to recommend a dividend of ₹19.50/- per Equity Share of the face value of ₹10/- each for the financial year ended March 31, 2019 subject to the approval of shareholders at the ensuing Annual General Meeting to be held on Wednesday, 14th August, 2019.

The total amount of Dividend aggregates to ₹294.68 million, excluding Dividend Distribution Tax.

The register of members and share transfer books will remain closed from 9th August 2019 to 14th August, 2019 (both days inclusive) for the payment of final dividend to the shareholders of the Company, for the year ended on March 31, 2019.

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 8th August, 2019.

Transfer of unpaid or unclaimed amount to Investor Education and Protection Fund (IEPF)

Pursuant to provisions of the Companies Act, 2013, the declared dividends, which remained unpaid or unclaimed for a period of seven years, shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Pursuant to Section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more, shall be transferred by the Company to the IEPF.

Accordingly, the Company has sent notice to the respective shareholders who have not claimed their dividend for seven consecutive years or more and the newspaper advertisement stating the same has been published in the newspapers.

In terms of the provisions of the Companies Act, 2013 and Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 a sum of ₹7,08,480/- which is unpaid/unclaimed dividends pertaining to the FY 2010-11 was transferred to the Investor Education and Protection Fund during the year.

The list of equity shareholders whose shares are transferred to IEPF can be accessed on the website of the Company at below mentioned link: www.autoaxle.com/Annual_reports.aspx under the head IEPF Transfers

Performance of the Company

The total income for the financial year under review was ₹19,420.02 Million as against ₹15,580.63 Million for the previous financial year. The Profit before tax (PBT) was

₹1853.11 Million for the financial year under review, as against ₹1278.17 Million for the previous financial year.

Share Capital

The paid up Equity Share Capital as on March 31, 2019 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

The company has not proposed any amount to be transferred to the General Reserve.

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, 2019 there were seven (7) Directors on the Board of your Company, consisting of four (4) Independent Directors, one (1) Executive Director and two (2) Non-Executive Directors of whom one is the Chairman.

Ms. Supriti Bhandary (DIN: 07233024) has resigned from directorship with effect from February 12, 2019. The Company has, on the recommendation of Nomination & Remuneration Committee and in accordance with provisions of the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015, appointed Dr. Shalini Sarin (DIN: 06604529) as Additional and Independent Director, for a tenure of 5 years on February 12, 2019, subject to approval of Members at the forth coming Annual General Meeting (AGM) of the Company. She shall hold office as Additional Director upto the date of the AGM and is eligible for appointment as Director.

In terms of the provisions of the Companies Act, 2013 Mr. Chrishan Anton Sebastian Villavarayan, Director of the Company retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

Below two resolutions were passed by the shareholders through postal ballot on January 3, 2019;

1. Approval for continuation of Mr. Bhalachandra Basappa Hattarki (DIN: 00145710) as a Director (Category- Non Executive , Independent) of the Company, not liable to retire by rotation, who has already attained the age of seventy-five (75) years beyond April 1, 2019 on the existing terms and condition of appointment , till cessation as Independent Director of the Company.
2. Approval for continuation of Mr. Bhoopalam Chandrashekharaiiah Prabhakar (DIN: 00040052) as a Director (Category- Non Executive , Independent) of the Company, not liable to retire by rotation, on attaining the age of seventy-five (75) years, beyond April 1, 2019 on the existing terms and condition of appointment , till cessation as Independent Director of the Company.

The term of appointment of Mr. Bhalachandra Basappa Hattarki (DIN: 00145710) and Mr. Bhoopalam Chandrashekharaiiah Prabhakar (DIN: 00040052) as Independent director of the company will expire on 4th February, 2020.

Notice under section 160 of the Companies Act, 2013 received from a member of the company proposing candidature of Mr. Bhalachandra Basappa Hattarki and Mr. Bhoopalam Chandrashekharaiiah Prabhakar. The company has received from Mr. Bhalachandra Basappa Hattarki and Mr. Bhoopalam Chandrashekharaiiah Prabhakar i) consent in writing to act as a Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; ii) intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that they are not disqualified as per section 164(2) of the Companies Act, 2013; and iii) a declaration to the effect that they meets the criteria of independence as provided under Section 149 of the Companies Act, 2013.

The Nomination and Remuneration Committee at their meeting held on May 13, 2019 and the Board of Directors at their meeting held on May 13, 2019 have recommended the re-appointment of Mr. Bhalachandra Basappa Hattarki and Mr. Bhoopalam

Chandrashekharaiyah Prabhakar as Independent Director for further period from February 5, 2020 upto February 4, 2025.

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 2018-19, Independent Directors met on February 12, 2019, 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 presentations 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, 2019, 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, 2019 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;
- (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

At the 37th Annual General Meeting of the Company held on 13th August, 2018, shareholders ratified the appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants [Firm Registration No.: 101049W/E300004] to hold office for a period of four years commencing from the conclusion of 37th AGM, till the conclusion of 41st AGM, without seeking any further ratification of their appointment from the shareholders of the company for their appointment as statutory auditors till the conclusion of their tenure.

The Auditors' Report does not contain any qualification, reservation or adverse remarks.

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 appointment of M/s. PwC Services LLP as Internal Auditors of the Company for the Financial Year 2019-20.

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 2018-19.

The Secretarial Audit Report for the financial year ended March 31, 2019 in form MR-3 is appended to this report under **Annexure – A**

Explanation for observations made under Secretarial Audit Report:

Company has good systems and practices for compliances under the Companies Act, 2013 and the Secretarial Standards. During the year Company has met with all the compliance requirements and its process except for few suggestions

on improvement on current procedural requirements and henceforth which would be taken care with.

Internal Financial Control

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

Corporate Governance

Corporate Governance is about maximizing the value and to ensure fairness to all its shareholders. Your Company is renowned for its exemplary governance standards and believe that sound corporate governance is critical to enhance and retain investor trust. Your Company ensures that performance is driven by integrity.

The Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 have strengthened the governance regime in the country and your Company is in compliance with the governance requirements provided under the law both in letter and spirit. The Board also exercises its fiduciary responsibilities in the widest sense of the term.

Your Company has in place all the statutory committees required under the law. Details of the Board Committees along with their terms of reference, composition and meeting of the Board and its Committees held during the year are provided in the Corporate Governance Report which is presented in a separate section forming part of the Annual Report.

A Certificate from CS. Pracheta M., Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Regulation 34(3) Schedule V (E) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to the Corporate Governance Report.

Meetings of the Board

During the financial year, the Board met four times, details of which are provided in the Corporate Governance Report. The maximum interval between any two meetings did not exceed 120 days as prescribed under the Companies Act, 2013.

Committees of the Board

Your Company has the following committees which have been established as a part of the corporate governance practices and are in compliance with the requirements of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- Risk Management Committee

The details with respect to the compositions, roles, number of meetings held during the year is detailed in the corporate governance report of the Company, which forms a part of this Board's Report.

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 134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are appended as Annexure - B to this report.

Particulars of Remuneration of Directors & certain specified employees:

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, the ratio of remuneration of each Director to the median of the employees' remuneration, a statement containing the names of top ten employees in terms of remuneration drawn and every employee who is employed throughout the financial year and was in receipt of a remuneration of ₹102 lacs per annum or more and of every employee who is employed part of the financial year, was in receipt of remuneration of ₹8.50 lacs or more per month is appended as **Annexure - C**.

Extract of Annual Return 2018-19

The detail forming part of the extract of Annual Return in MGT-9 is appended as Annexure – D to this report. The Annual Return is also available at www.autoaxle.com.

Particulars of Loans, Guarantees or Investment under section 186 of the Companies Act, 2013

Particulars of loans covered under section 186 of the Companies Act, 2013 form part of the notes to the financial statement provided in this Annual Report. These loans are primarily granted for furtherance of business of the borrowing companies.

Your Company has not given any guarantee or provided any security in connection with a loan to any other body corporate or persons and has not made any investment in the securities of any other body corporate.

Policy on Directors' Appointment & Remuneration

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board and separate its functions of governance and management. On March 31, 2019, the Board consisted of seven members, one of whom is executive or whole-time director, two are non executive directors and four are independent directors out of whom one is Independent Woman Director.

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for selection and appointment of Directors, Key Managerial Personnel and Senior Management Personnel and their remuneration.

The Nomination and Remuneration policy is appended as Annexure - E to this report and is also available on Company's website at www.autoaxle.com/Policy.aspx.

Particulars of contracts or arrangements with Related Parties (RPT)

The related party transactions that were entered into during the financial year were in the ordinary course of business and on the arm's length basis.

All related party transactions are placed before the Audit Committee and also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on a yearly