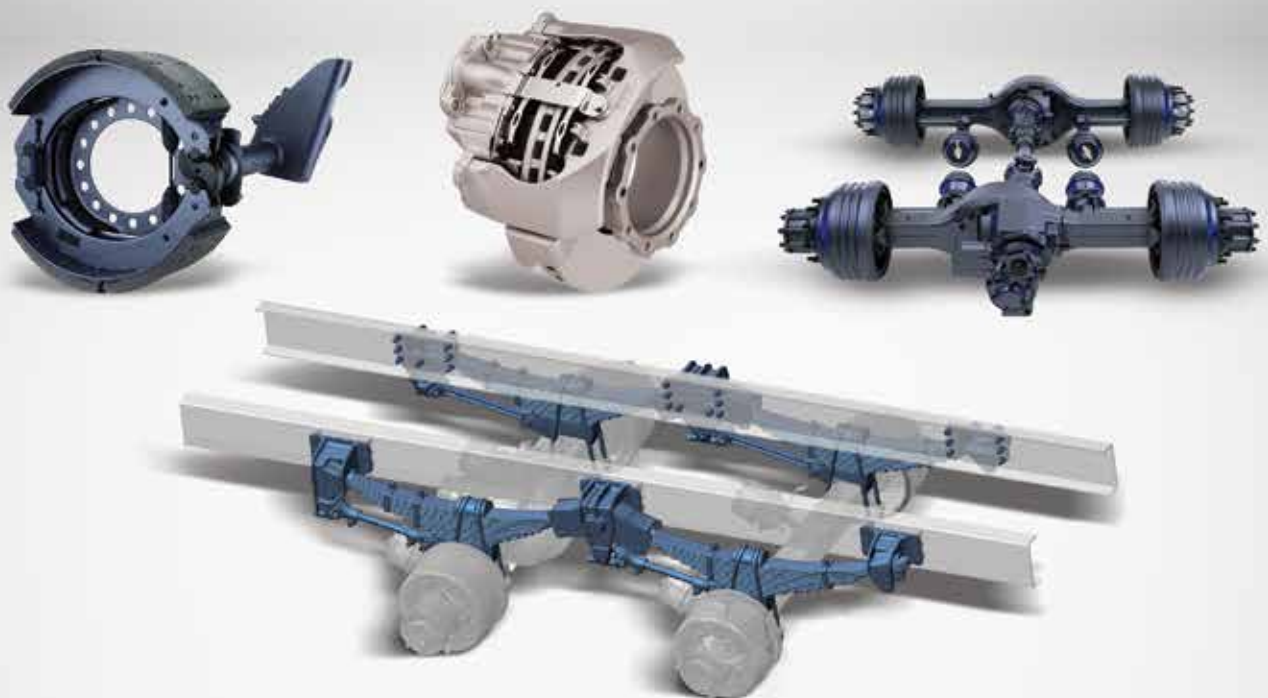




Growth and Sustainability

THROUGH TECHNOLOGY AND TEAMWORK

39th Annual Report 2019-20



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
Mr. Srinivasan Kumaradevan, Sr. Vice President & Whole-time Director

Key Managerial Personnel

Mr. Srinivasan Kumaradevan, Sr. Vice 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

PriceWaterhouse Coopers Services LLP, Bengaluru

Bankers

HDFC Bank Limited
Kotak Mahindra Bank
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 - 570 018
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

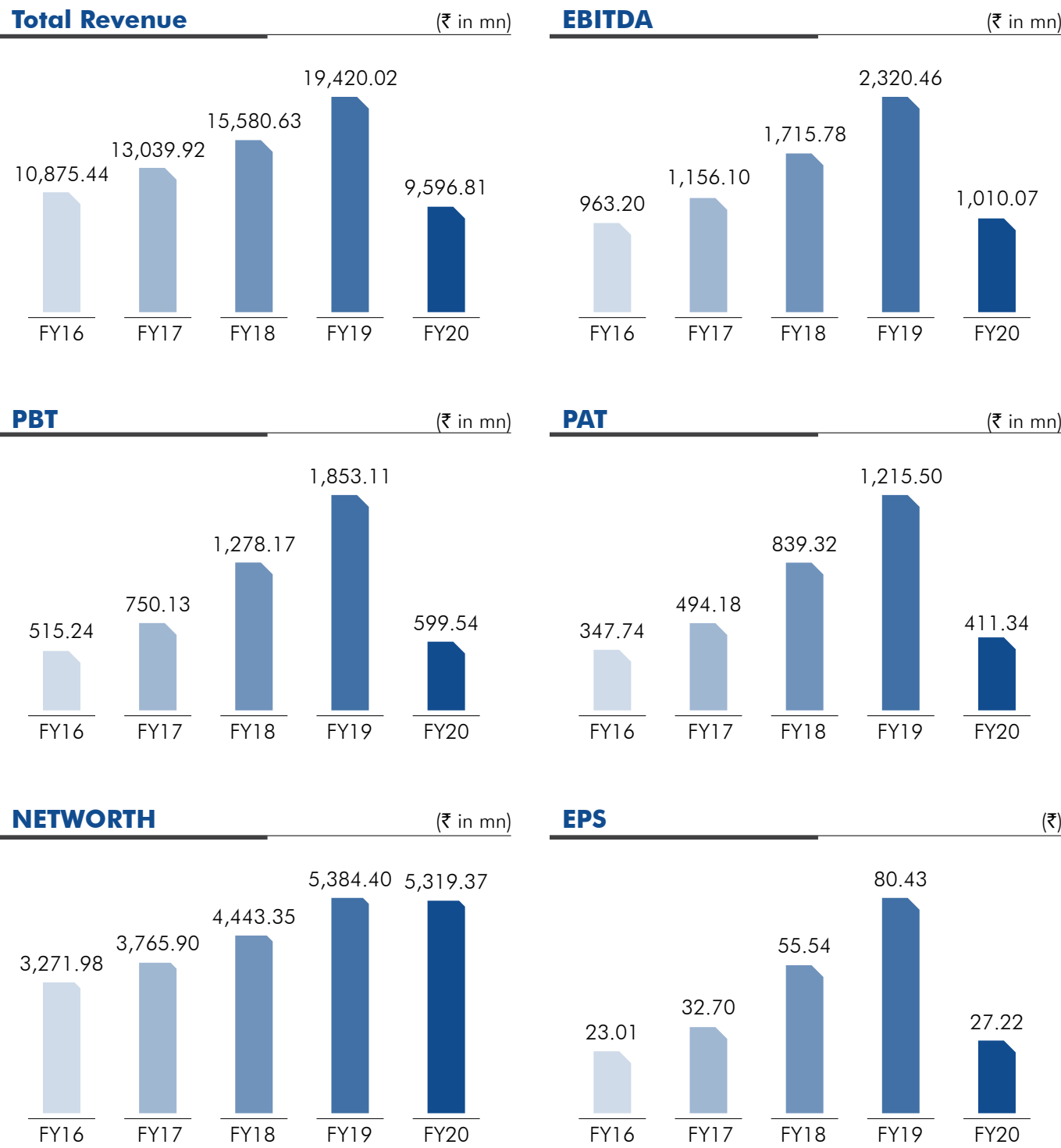
3. Jamshedpur

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

4. Hosur Plant

Plot No 39, Sipcot Industrial Area, LAS Phase-I,
Mookandapalli, Hosur, Tamilnadu, 635 126

Financial Performance



Chairman's Review

Dear Stakeholders,

These are challenging times, and I hope you and all other members of your family are safe and in good health.

We are facing a health emergency that is disrupting the lives and livelihoods of millions of people across the world. It is reassuring to note that India's response to the COVID-19 outbreak has been prompt and the Government of India has already announced a ₹1.7 lakh crores relief package to help support the lives and livelihoods of millions of people. The Reserve Bank of India's (RBI) accommodative monetary policy has also helped ease the credit scenario to a very large extent.

I salute the spirit and solidarity of all citizens of our country, especially doctors, nurses, healthcare workers and other officials, who are endangering their lives to help save others. I am happy to share that your Company has pledged assistance through direct contribution of ₹1.50 crores to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) to help combat the COVID-19 pandemic.

Our Group is committed to assist the central and state governments and local authorities in all possible ways to deal with the pandemic. As part of our corporate social responsibility initiatives, we are addressing the food requirements of the local community and will continue to scale up our efforts in the coming days.

I would like to assure the shareholders that your Company has taken every step to ensure safety of the employees and the community. We have established world-class safety measures and preventive protocols at all locations. We are taking employees health and safety as the number one priority during the lockdown, unlock and ramp up period.

Operating landscape

The global economy continues to grapple with headwinds arising from the COVID-19 pandemic with many countries expected to witness sharp decline in GDP. While it is too early to talk about recovery, IMF and other agencies

India's auto industry which consists of automobiles and auto components witnessed one of its most challenging years during FY 2019-20 with declining sales figures vis-à-vis the previous few years owing to weak domestic demand and falling exports.

are predicting recovery in CY 2021 driven by demand improvement and resumption of activities globally. Whether the recovery is 'V' shaped or 'U' shaped depends on how quickly normal economic activity can be resumed post lockdowns without further loss of lives and livelihoods. India is going through a graded exit from the lockdown, depending on the evolving scenario in the states. According to the Ministry of Statistics and Programme Implementation, Government of India, India's economy grew ~5% in FY 2019-20, despite a weak demand scenario across almost all sectors of the economy.

India's auto industry which consists of automobiles and auto components witnessed one of its most challenging years during FY 2019-20, with declining sales figures vis-à-vis the previous few years owing to weak domestic demand and falling exports. We are hoping that there will be marginal revival after the COVID crisis blows over, because the credit scenario in India is very encouraging right now, which can help drive demand.

Our performance

We recorded revenues of ₹952 crores and EBITDA of ₹101 crores. Our decline in numbers is a direct result of low production among our key OEM clients. This decline in production is due to an extremely weak demand scenario in the Commercial Vehicle (CV) industry, as OEMs remain cautious in ramping up BS-VI vehicles production.

We expected a decent performance for FY 2020-21, but the pandemic is set to impact our business brutally during the first half of the year and to a limited extent thereafter. However, we look forward to growth in the coming years.

Efficiency optimisation

During the year, we inaugurated our new state-of-the-art assembly line, which uses cutting-edge technology and contemporary equipment like robotic painting line and IoT-enabled processes. The facility also enables a digitally driven, paperless shop-floor in line with the Industry 4.0 trend of automation and data exchange in the manufacturing sector. It has already delivered a batch of products and facilitated improved cost structure and productivity. We remain confident that our recent capital expansion will help us to steer growth and improve margins once volumes return in the industry.

We have also successfully overcome the technical challenges in the way of manufacturing BS-VI-complaint products and now are capable of catering to this market requirement.

Over the years, we have embraced IT systems that strengthen our core. We have migrated to HANA version of SAP, which facilitates data-driven decision-making at AAL, increasing our efficiency and productivity. IT systems and processes play a big role in the organisation, as we continue to focus on automation in Human Resource Management System, vendor portal, e-way bills to align the enterprise better with the emerging trends of Industry 4.0.

Despite growing focus on technology, our people continue to be pivotal to our success and sustainability. We emphasise a congenial work environment that inspires talent to deliver their best every day. We invest in developing the skills of our teams and engaging with them continuously to build a collaborative work environment.

We have also successfully overcome the technical challenges in the way of manufacturing BS-VI-complaint products and now are capable of catering to this market requirement.

Road ahead

Going forward, we will prioritise:

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

We will continue to manage and mitigate the evolving risk scenario in the business and deliver on sustainability commitments to create value for all stakeholders.

On behalf of the Board and the leadership team, I thank you for your continued trust and support in all our endeavours.

Warm regards,

Dr. B N Kalyani
Chairman

Board's Report

To the Members,

Your Directors have the pleasure in presenting the 39th Annual Report on the business and operations of your Company together with the Audited Statements of Accounts for the financial period ended March 31, 2020:

Financial Highlights:

	(₹ in million)	
Particulars	2019-2020	2018-2019
Total Revenue	9,596.81	19,420.02
Profit before depreciation & tax	971.76	2,314.97
Less : Depreciation, amortization & Loss on assets discarded	372.22	461.86
Tax expenses	188.20	637.61
Profit for the year after tax	411.34	1,215.50
Other comprehensive income for the year, net of tax	(5.04)	(28.51)
Total comprehensive income for the year	406.30	1,186.99
Balance of Profit from Previous Year	4,658.87	3,717.82
Less: Dividend	385.36	204.00
Dividend Distribution tax on Dividend	79.21	41.94
Effect of adoption of Ind AS 116 (net of taxes)	6.76	-
Profit available for appropriation	4,593.84	4,658.87

Dividend

The Board by passing resolution by circulation on 2nd of March, 2020 declared an interim dividend for the year 2019-20 of INR 6/- per Equity Share (i.e. 60%) of the face value of INR 10/- aggregating to INR 90.67 million, excluding Dividend Distribution Tax.

The Board, at its meeting held on 26th May, 2020, is pleased to recommend a dividend of ₹0.80/- per Equity Share of the face value of ₹10/- each for the financial year ended 31st March, 2020 subject to the approval of shareholders at the ensuing Annual General Meeting to be held on Wednesday, 19th August, 2020.

The total amount of Dividend aggregates to ₹1.21 million excluding Dividend Distribution Tax.

The register of members and share transfer books will remain closed from 14th August 2020 to 19th August, 2020 (both days inclusive) for the payment of final dividend to the shareholders of the Company, for the year ended on 31st March, 2020.

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 13th August, 2020.

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 ₹5,07,980/- which is unpaid/unclaimed dividends pertaining to the FY 2011-12 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 ₹9,596.81 million as against ₹19,420.02 million for the previous financial year. The Profit before tax (PBT) was ₹619.78 million for the financial year under review, as against ₹1,853.11 million for the previous financial year.

Share Capital

The paid up Equity Share Capital as on 31st March, 2020 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 31st March, 2020 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.

During the year under review, the following changes have taken place in the Board of Directors of the Company:

1. Dr. Muthukumar N. (DIN: 06708535) has resigned from the position of whole time Director of the Company with effect from 14th August 2019 due to his personal reason.
2. Mr. Srinivasan Kumaradevan (DIN: 08107660) has been appointed as an additional director designated as Senior Vice President and Whole-time Director of the Company w.e.f. 14th August 2019 for a period of five years subject

to the approval of Members at the forth coming Annual General Meeting (AGM) of the Company.

In terms of the provisions of the Companies Act, 2013, Dr. B. N. Kalyani, Director of the Company retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

Notice under section 160 of the Companies Act, 2013 received from a member of the company proposing candidature of Mr. Srinivasan Kumaradevan. The company has received from Mr. Srinivasan Kumaradevan 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 and ii) intimation in Form DIR-8 pursuant to terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified as per section 164(2) of the Companies Act, 2013 before his appointment;

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.

Further the names of the Independent Directors of the Company have been included in the Data bank maintained by the Indian Institute of Corporate Affairs of Independent directors as per the provisions of the Companies Act 2013 and the rules made thereunder.

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 2019-20, Independent Directors met on 10th February, 2020, 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 program 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 31st March, 2020, 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 31st March, 2020 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

M/s. S R Batliboi & Associates LLP, Chartered Accountants [Firm Registration No.: 101049W/E300004] is holding the position of Statutory Auditor of the Company.

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 re-appointment of M/s Price Waterhouse Coopers Services LLP as Internal Auditors of the Company for the Financial Year 2020-21.

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 2019-20.

The Secretarial Audit Report for the financial year ended 31st March, 2020 in form MR-3 is appended to this report under **Annexure – A**

Explanation for observations made under Secretarial Audit Report:

As per reason mentioned in **Annexure-G**

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 lakh per annum or more and of every employee who is employed part of the financial year, was in receipt of remuneration of ₹8.50 lakh or more per month is appended as Annexure - C.

Extract of Annual Return 2019-20

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 31st March, 2020, 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 an 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 basis for the transactions, which are foreseen and of repetitive nature.

For transactions with Meritor HVS (India) Limited, the Company has obtained shareholders' approval at their 37th Annual General Meeting held on 13th August, 2018 for transaction value annually of ₹30,000 million p.a for a period of five (5) financial years starting from 1st April, 2019.

Further, all transactions entered into pursuant to the omnibus approval so granted are reviewed and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis.

In accordance with the requirements of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at www.autoaxle.com/Policy.aspx.

Related Party disclosures as per Indian Accounting Standards (Ind AS) -24 have been provided in Note No. 36 to the financial statement.

The particulars on RPTs in AOC 2 is annexed to the Report as **Annexure – F**