

# GROWTH AND SUSTAINABILITY

Through Technology and Empowerment

42<sup>nd</sup> Annual Report 2022-23



**Automotive Axles Limited**



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# Corporate Information

## Board of Directors

Dr. Babasaheb N Kalyani  
*Chairman*

Mr. Kenneth James Hogan  
*Director*

Mr. Bhalachandra B Hattarki  
*Independent Director*

Mr. B C Prabhakar  
*Independent Director*

Dr. Shalini Sarin  
*Independent Director*

Mr. Nagaraja Sadashiva Murthy  
Gargeshwari  
*President & Whole-time Director*

## Key Managerial Personnel

Mr. Nagaraja Sadashiva Murthy  
Gargeshwari  
*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  
State Bank of India  
Axis Bank Limited  
The Federal Bank Limited

## Registrar & Share Transfer Agents (RTA)

Integrated Registry Management  
Services Private Limited\*  
#30, Ramana Residency,  
4<sup>th</sup> cross Sampige Road,  
Malleshwaram  
Bangalore – 560 003  
Ph: 080-23460815-818;  
E-mail: [irg@integratedindia.in](mailto: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](http://www.autoaxle.com)  
Email: [sec@autoaxle.com](mailto:sec@autoaxle.com)

## Works

### Mysuru

Hootagalli Industrial Area,  
Off Hunsur Road, Mysore,  
Karnataka – 570 018

### Rudrapur

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

### Jamshedpur

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

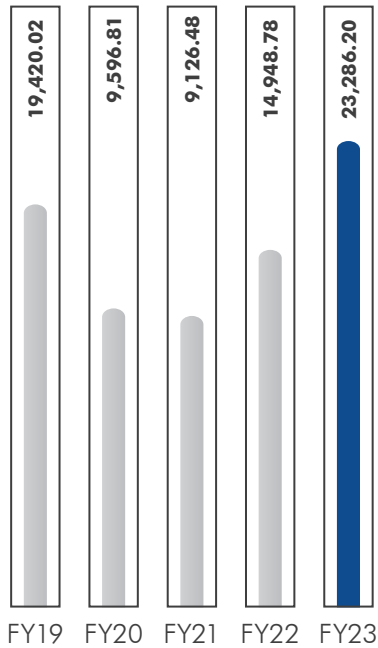
### Hosur

Survey No 609/3H, Pathakotta  
Road Addakurukki, Kamandoddi  
Village, Shoolagiri, Krishnagiri,  
Tamil Nadu, 635117

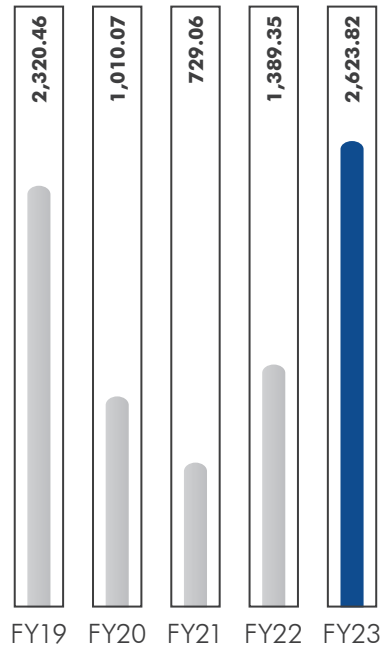


## Key Performance Indicators

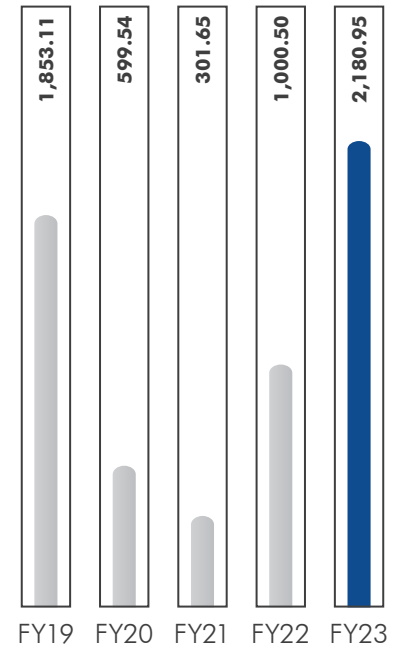
Total Revenue (₹ in mn)



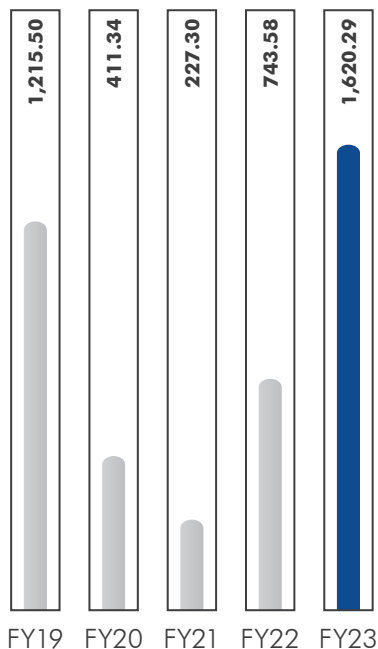
EBITDA (₹ in mn)



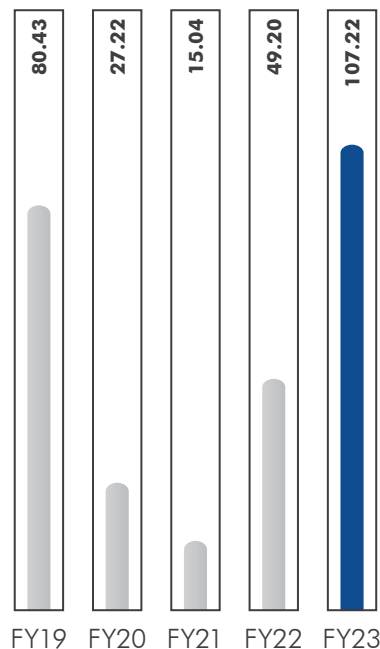
PBT (₹ in mn)



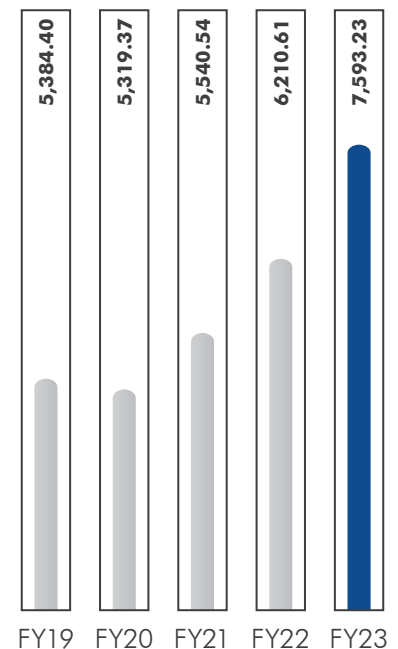
PAT (₹ in mn)



EPS (₹ in mn)



Networth (₹ in mn)



# Chairman's Message



## Dear Shareholders,

The one positive aspect of the pandemic has been that it has turned the spotlight towards sustainable growth for economies and businesses. It means balancing growth aspirations with a renewed focus on environmental, social and governance (ESG) parameters and bringing the sustainability agenda to the centre of every strategy and action.

Having said that, it is reassuring to note that the global economy is now on the road to a modest recovery. India has navigated global headwinds with resilience and has emerged as one of the fastest-growing major economies in the world. A conducive domestic policy environment and the government's focus on structural reforms have kept India's economic activity robust. With moderating inflation, consumer demand is also growing steadily.

## Industry overview

India's automobile sector has bounced back and demonstrated strong growth in FY 2022-23. The country became the third-largest automobile market in FY 2022-23, surpassing Japan as vehicle sales rose on the back of easing semiconductor issues and a strong demand rebound during the festival season. The global semiconductor situation is improving, leading to positive sentiment in the sector. To address the growing demand, most OEMs are investing heavily in various segments of the industry in recent times. The domestic auto components industry is also growing at a steady pace.

## Our performance

I am happy to report that our total revenue increased by 56% to ₹ 2,328.62 crore in FY 2022-23 from ₹ 1,494.88 crore in FY 2021-22. Our EBITDA grew by 89% to ₹ 262.38 crore from ₹ 138.94 crore and PAT increased by 118% to ₹ 162.03 crore from ₹ 74.36 crore. Our quest for innovation has enabled us to consistently enrich our offerings and emerge as a valuable partner for our customers. During the reporting year, we focused on the critical aggregation of technologies, capacities and people. We have elevated our operating efficiencies in line with global benchmarks, creating cutting-edge products and strengthening our relationships with our customers.

## Operational achievements

We made several strategic investments to improve our production lines and increase efficiency. One of our key investments focused on computer numeric control (CNC) equipment, which enabled us to manufacture new models and variants, while also boosting productivity, maintaining flexibility, and responding quickly to varying demands.

To further enhance our manufacturing processes, we reorganised our plant by adopting single-piece flow and cell concepts, which helped us eliminate non-value-added activities and improve productivity through the multi-manning of machines. As a result, we were able to improve our cost competitiveness and remain a leading provider of high-quality gears for global markets.

To support our efforts, we incorporated Industry 4.0 technology and the Internet of Things (IoT) into our new axle assembly line. We implemented in-house programming, relevant hardware and software and devices to capture critical process and quality parameters. As a result, we were able to achieve higher operational efficiency and effectiveness.

In line with our commitment to adopting best practices, we began implementing Total Productive Maintenance (TPM) to enhance our manufacturing systems. We made significant progress in initiating activities in all eight pillars of TPM.





“

Our total revenue increased by 56% to ₹ 2,328.62 crore in FY 2022-23 from ₹ 1,494.88 crore in FY 2021-22. Our EBITDA grew by 89% to ₹ 262.38 crore from ₹ 138.94 crore and PAT increased by 118% to ₹ 162.03 crore from ₹ 74.36 crore.

Finally, we installed a fully automated assembly line to support the production of new models. These investments in equipment and processes have positioned us for continued success in meeting the changing requirements of our customers. Further towards our objective of a paperless office lot of automation projects have been implemented in all admin and other support functions.

### Corporate action

On February 21, 2022, Cummins Inc. entered into an Agreement and Plan of Merger with Meritor, Inc., to acquire 100% of the capital stock of Meritor Inc. The merger was successfully completed on August 3, 2022. This strategic acquisition strengthens Cummins' already industry-leading range of powertrain components and significantly accelerates the development of electrified power solutions. Following these transactions, Cummins Inc. proceeded with an open offer to acquire 26% of the Voting Share Capital of our Company in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The open offer was completed on January 11, 2023, with the acquisition of a total of 145 Equity Shares.

### Sustainability is all-encompassing

During the year under review, we stepped up our ESG initiatives under the overall umbrella of our sustainability mission. We continue to focus on water conservation, reusable packaging, carbon emission control, energy conservation and waste management. Carbon sequestration and similar other initiatives help to reduce our carbon footprint.

At the end of the day, sustainable growth is the outcome of great teamwork. Our consistent performance is driven by the efforts of skilled and dedicated teams. We nurture a performance-driven culture through continuous capability building and evaluation, empowering our people to achieve more and raising the bar higher. We are fostering leadership at all levels through trust, inclusiveness, empowerment and openness. We are proud of each team member for their steadfast commitment to ensuring consistent progress and growth.

Giving back to society is also integral to our sustainable growth strategy. Towards this end, we have initiated several programmes to promote education and enhance vocational skills. We also prioritise healthcare, including preventive care, to ensure that individuals and communities have access to essential medical services. As a part of our efforts to promote culture, we support the preservation and celebration of local customs and traditions.

From decarbonisation to water positivity, green supply chain, digitalisation, social connect to corporate governance our sustainability model encompasses a wide spectrum. The Board is committed to achieving the highest standards of corporate governance. Our robust corporate governance framework ensures effective engagement with our stakeholders and helps us evolve with changing times.

### Looking ahead with optimism

I am particularly encouraged by the milestones of growth accomplished over the years. However, our best years are still ahead of us in view of the strategies we have undertaken and the gradual improvement in our sector as a whole. Our goal is to achieve excellence in sustainability by 2028. We have set a definite target and are aggressively pursuing it.

I see a stronger, more agile organisation that remains true to its purpose and is well-positioned to capture new opportunities in the industry. On behalf of the Board and the entire leadership team, I thank our esteemed customers, bankers, business associates, management team, employees and shareholders for their continued support and encouragement.

*Regards,*

Dr. B N Kalyani  
Chairman

# Board's Report

To the Members,

Your Directors have the pleasure in presenting the 42<sup>nd</sup> Annual Report on the business and operations of your Company together with the Audited Statements of Accounts for the financial period ended March 31, 2023:

## Financial Highlights:

Particulars	(₹ in million)	
	2022-2023	2021-2022
Total Revenue	23,286.20	14,948.78
Profit before depreciation & tax	2,594.67	1,364.68
Less : Depreciation, amortization expenses	413.72	364.18
Profit before tax	2,180.95	1000.50
Tax expenses	560.66	256.92
Profit for the year after tax	1,620.29	743.58
Other comprehensive income/(Loss) for the year, net of tax	(10.99)	(5.50)
<b>Total comprehensive income for the year</b>	<b>1,609.30</b>	<b>738.08</b>
<b>Balance of Profit from Previous Year</b>	<b>5,485.09</b>	<b>4,815.02</b>
Less: Dividend	226.68	68.01
Profit available for appropriation	6,867.71	5,485.09

## Dividend

The Board, at its meeting held on May 16, 2023, is pleased to recommend a dividend of ₹ 32/- per Equity Share of the face value of ₹10/- each for the financial year ended March 31, 2023 subject to the approval of shareholders at the ensuing Annual General Meeting to be held on Thursday, August 3, 2023.

The total amount of Dividend aggregates to ₹ 483.58 million.

The register of members and share transfer books will remain closed from July 28, 2023 to August 3, 2023 (both days inclusive) for the payment of final dividend to the shareholders of the Company, for the year ended on March 31, 2023.

The Dividend will be paid to members within 30 days from the date of declaration of dividend whose names appear in the Register of Members as on July 27, 2023 and as per the Dividend Distribution Policy of the Company.

The Dividend Distribution Policy, in terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") is available on the Company's website at <https://www.autoaxle.com/Downloads/Dividend%20Distribution%20Policy.pdf>.

## 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 ₹ 59,076/- which is unpaid/unclaimed dividends pertaining to the FY 2014-15 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: [https://autoaxle.com/Annual\\_reports.aspx](https://autoaxle.com/Annual_reports.aspx) under the head IEPF Transfers

## Performance of the Company

The total income for the financial year under review was ₹ 23,286.20 million as against ₹ 14,948.78 million for the previous financial year. The Profit before tax (PBT) was ₹ 2,180.95 million for the financial year under review, as against ₹ 1000.50 million for the previous financial year.



## General Information

Cummins Inc. acquire 145 number of Equity Shares of the Company on January 11, 2023 against the open offer made, pursuant to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, for indirect acquisition of up to 3,929,114 fully paid-up equity shares with a face value of ₹ 10/- representing 26% of the Voting Share Capital of the Company. Cummins Inc. is categorized under Promoter Group of the Company.

## Share Capital

The paid up Equity Share Capital as on March 31, 2023 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 Reserves.

## 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, 2023 there were six (6) Directors on the Board of your Company, consisting of three (3) Independent Directors, one (1) Executive Director and two (2) Non-Executive Directors of whom one is the Chairman.

Mr. Nagaraja Sadashiva Murthy Gargeshwari, (DIN:00839616) has been appointed as President and Whole-time Director of the Company w.e.f. April 7, 2022 for a period of five years subject to the approval of Central Government, which is still pending.

Dr. Muthukumar N. (DIN : 06708535) has resigned from the position of Wholetime Director of the company with effect from April 05, 2022.

Below two resolutions were passed by the shareholders through postal ballot on April 26, 2022;

1. Appointment of Mr. Nagaraja Sadashiva Murthy Gargeshwari, (DIN:00839616) as Whole Time Director of the Company for a period of five (5) years effective April 7, 2022.
2. Ratification of appointment of Dr. Muthukumar N., (DIN : 06708535) as Whole Time Director of the Company from January 27, 2022 to April 5, 2022.

Mr. Rakesh Kalra (DIN : 00780354) has ceased from the position of Independent Director of the company with effect from February 13, 2023 due to completion of his term.

In terms of the provisions of the Companies Act, 2013, Mr. Kenneth James Hogan, Director of the Company retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-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.

Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

Company has received a confirmation from the Directors and senior management personnel of the company w.r.t. compliance of the code of conduct required under Regulation 26 of the SEBI (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 2022-23, Independent Directors met on March 31, 2023, 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;

The Nomination and Remuneration Committee is responsible for the formulation of criteria for evaluation.

### **Familiarization program for the Board Members**

Your Company has in place a structured induction and familiarization program 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 below weblink:

<https://www.autoaxle.com/Downloads/Familiarisation%20Programme%20for%20Independent%20Directors%20of%20Automotive%20Axles%20Limited.pdf>

### **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:

- in the preparation of the annual accounts for the year ended March 31, 2023, the applicable accounting standards have been followed along with proper explanation relating to material departures if any;
- 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, 2023 and of the profit of the company for the year ended on that date;
- 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;
- we have prepared the annual accounts on a going concern basis;

- 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;
- 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 auditor**

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

On recommendation of the Audit Committee the Board of Directors approved the re-appointment of M/s PriceWaterhouse Coopers Services LLP as Internal Auditors of the Company for the Financial Year 2022-23.

#### **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 2022-23.

The Secretarial Audit Report for the financial year ended March 31, 2023 in Form MR-3 is appended to this report under **Annexure – A**

### **Internal Financial Controls**

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 believes 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.

As per Regulation 26(6) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the board of directors had constituted a committee of independent directors on November 7, 2022 with the chairmanship of Mr. B. C. Prabhakar to provide reasoned recommendations on the Open offer for

acquisition of up to 3,929,114 (three million nine hundred twenty nine thousand and one hundred fourteen) fully paid-up equity shares of face value of ₹ 10/- (Indian Rupees ten) each, representing 26.00% of the Voting Share Capital of the Company made by Cummins Inc. to the shareholders of the company.

### 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**.

### Annual Return 2022-23

The copy of Annual Return for the financial year ending March 31, 2023- is available at [https://www.autoaxle.com/Annual\\_Return.aspx](https://www.autoaxle.com/Annual_Return.aspx)

### 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.

Company has made investment of ₹ 22.50 million during the FY-2022-23 in Parola Renewables Private Limited to acquire 25,00,000 number of Equity Shares of ₹ 10/- each, constituting 26% of total equity shareholding as per Share Subscription and Shareholder's Agreement entered into with Parola Renewables Private Limited on February 7, 2022, to comply with regulatory requirements of the Electricity Act, 2003 read with Electricity Rules, 2005 to procure Solar Power. Particulars of Investment made by the company form part of the notes to the financial statement provided in this Annual Report.

## 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, 2023, the Board consist of six members, one of whom is executive or whole-time director, two are non executive directors and three are independent directors out of whom one is an Independent Woman Director.

The Nomination and Remuneration Policy of the Company has been formulated in accordance with the Act and Listing Regulations. The Policy is designed to guide the Board in relation to appointment and removal of directors, Key Managerial Personnel and Senior Management and recommend to the Board on remuneration payable to them. Policy enables the Company to retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage. The policy was modified due to the changes in the definition of Senior Management as per the notification of SEBI (Listing Obligation and Disclosure Requirements) Amendment Regulation, 2023 dated 17<sup>th</sup> Jan, 2023. The current policy is available on Company's website at [https://www.autoaxle.com/Investor\\_Policy.aspx](https://www.autoaxle.com/Investor_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 37<sup>th</sup> Annual General Meeting held on August 13, 2018 for transaction value annually of ₹ 30,000 million for a period of five (5) financial years starting from April 1, 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 review 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 [https://www.autoaxle.com/Investor\\_Policy.aspx](https://www.autoaxle.com/Investor_Policy.aspx)

Related Party disclosures as per Indian Accounting Standards (Ind AS) -24 have been provided in Note No. 37 to the financial statement.

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

## Risk Management System

The Company has a robust risk management framework comprising risk governance structure and defined risk management processes. This processes include the development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company. The risk governance structure of the Company is a formal organisation structure with defined roles and responsibilities for risk management.

The processes and practices of risk management of the Company encompass risk identification, classification and evaluation. The Company identifies all strategic, operational and financial risks that the Company faces, by assessing and analysing the latest trends in risk information available internally and externally and using the same to plan for risk activities.

The Company has set up a Risk Management Committee to review the risks faced by the Company and monitor the development and deployment of risk mitigation action plans and the status is updated to the members of the Audit Committee and the Board of Directors on quarterly basis.

## Corporate Social Responsibility (CSR)

The Company has been carrying out various Corporate Social Responsibility (CSR) activities. These activities are in terms of Section 135 read with Schedule VII of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 read with CSR policy of the Company. During the year the Company has spent ₹ 13.11 million on various CSR activities including the excess spent of previous year of ₹ 0.51 million.

The Annual Report on CSR activities that includes details about the CSR policy developed and implemented by the Company and CSR initiatives taken during the year is appended to the Report as **Annexure – E**.

## State of Company's Affairs

Discussion on state of Company's affairs has been covered as part of the Management Discussion and Analysis (MDA). MDA for the year under review, as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section forming part of the Annual Report.

## Management Discussion and Analysis Report

Pursuant to Regulation 34(2)(e) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 Management Discussion and Analysis Report is presented in a separate section forming part of the Annual Report.