

Board of Directors	S Ram (<i>Chairman & Managing Director</i>) T Raghavan K R Ragavan T Ramabhadran P N Kapadia (<i>Alternate to Mr. Peter Chrichard</i>) T W O' Boyle Joaquin Zuza Yoldi Peter Chrichard M J Sidgwick
General Manager (Finance)	V R Ravi
Secretary	R Kothandaraman
Bankers	Indian Overseas Bank United Bank of India Bank of Baroda
Auditors	Sundaram and Srinivasan, Chennai
Registered Office	21, Patullos Road, Chennai – 600 002 Phone : 8522745
Factories	Sriperumbudur, Kancheepuram District Tamil Nadu - 602 105 Phone : 04111 - 32371, 32372 Cheyyar Taluk, Thiruvannamalai District Tamil Nadu - 604 410 Phone : 04112 - 42209
Office	110, Nelson Manickam Road Chennai – 600 029 Phone : 374 2691, 374 2692 Fax : 3741272
Stock Exchange Listing	Madras Stock Exchange Ltd. Bangalore Stock Exchange Ltd.

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Report of the Directors to the Shareholders

Your Directors present herewith the Seventeenth Annual Report of the Company along with the audited accounts for the year ended 31st March 1999.

WORKING RESULTS

The turnover during the year 1998-99 was Rs.45.87 crores against Rs.42.20 crores in 1997-98, 9 % higher than the previous year.

	<i>(Rs. in lakhs)</i>
Loss before depreciation	(214.82)
Depreciation	157.50
Loss for the year	(372.32)
Balance carried from last year	(386.11)
Debenture Redemption	
Reserve written back	16.67
Balance carried to Balance Sheet	(741.76)

DIVIDEND

With the reported loss of Rs. 372.32 lakhs for the year ended 31st March 1999, the Directors do not recommend payment of dividend.

PROSPECTS

In the year 98-99 production of Medium and Heavy Commercial Vehicles declined by 16 % on top of the 40 % decline in 97-98. Commercial Vehicle production decline in two successive years was unprecedented. Your Company toiled up for additional models of Vehicles. With the result, sales of Axle Housings improved to 52471 nos. from previous year's 49915 nos. With better cost control, savings were made in the manufacturing costs. With your Company incurring losses in the second consecutive year, the financing costs went up resulting in a loss of Rs. 372 lakhs for the year 98-99. So far in the current year (99-00) there is improvement in production of Commercial Vehicles and consequently our production and sales have been higher. The higher level of production is expected to be sustained during the year.

DEPOSITS

The deposits from public and shareholders as on 31st March 1999 were Rs. 191.72 lakhs.

PREFERENCE CAPITAL

In December 98, the Company issued 14% Cumulative Non Convertible Redeemable

Preference Shares of Rs.382 lakhs to augment your Company's long term needs.

DIRECTORS

Mr. S Ram was reappointed as the Managing Director by the Board at its meeting held on 12th December 1998. In terms of Section 269 of the Companies Act, 1956 read with Schedule XIII, the same is to be approved by the members.

Mr. Joaquin Zuza Yoldi and Mr. M J Sidgwick Directors retire at the ensuing Annual General Meeting by rotation and being eligible offer themselves for re-election.

AUDITORS

The Auditors of the Company Messrs. Sundaram and Srinivasan, Chartered Accountants, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

None of the employees was in receipt of remuneration in excess of the limit prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

GENERAL

As regards the provision for gratuity and leave encashment, Note No. 21 read with Note No. 1 of Schedule XV is self explanatory.

The particulars prescribed under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 to the extent applicable are given in the annexure to this report.

Your Directors wish to thank the customers, Indian Overseas Bank, United Bank of India, Bank of Baroda, SBI Mutual Fund, Financial Institutions, Tamil Nadu Government, SIPCOT, subscribers to the Preference Capital, Eaton, Wheels India and Sundaram Finance for their continued support. Your Directors wish to place on record their appreciation of the excellent effort put in by all the employees of the Company.

For and on behalf of the Board of Directors

S RAM

Chennai
19th June 1999

*Chairman and
Managing Director*

Report of the Auditors to the Shareholders

We have audited the attached Balance Sheet of Axles India Limited as at 31st March 1999, and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of audit, we enclose in the annexure a statement on the matters specified in the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books subject to Note No. 21 of Schedule XV regarding accounting of gratuity and leave encashment benefit amounting to Rs. 31.78 lakhs and Rs.5.32 lakhs respectively on cash basis instead of accrual basis.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit and Loss account and Balance Sheet comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956 except Accounting Standard 15 in regard to gratuity and leave encashment benefit to employees referred to in para 2 (b) above.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 1999, and
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended 31st March 1999.

For **SUNDARAM AND SRINIVASAN**
Chartered Accountants

Chennai
19th June 1999

K. SRINIVASAN
Partner

Annexure to the Report of the Auditors

1. The Company is maintaining proper records showing full particulars including quantitative details and the situation of fixed assets. These fixed assets were physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
2. The fixed assets of the Company have not been revalued during the year.
3. The stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals.
4. The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records, were not material.
6. The valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. In respect of unsecured loan taken from a company which is required to be listed in the register maintained under Section 301 of the Companies Act, 1956, the rate of interest and other terms and conditions of such loan are not *prima facie* prejudicial to the interest of the company. The Company has not taken any loans from a Company under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956.
8. The company has not granted any loans, secured or unsecured to companies, firms or other parties which are required to be listed in the register maintained under Section 301 of the Companies Act, 1956, or to a company under the same management as defined under Sub Section (1B) of Section 370 of the Companies Act, 1956.
9. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts wherever stipulated and are also regular in the payment of interest where applicable.
10. There is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. The transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements which are required to be entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices, which in our opinion are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.
12. The Company has no unserviceable or damaged stores, raw materials and finished goods .
13. The Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Rules framed thereunder with regard to the deposits accepted from the public.
14. The Company is maintaining reasonable records for the sale and disposal of realisable scrap. The Company has no by-products.

15. The Company has an internal audit system commensurate with its size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the products manufactured by the Company.
17. The Company is regular in depositing Provident Fund dues with the appropriate authority. The Company does not have Employees' State Insurance Scheme.
18. There are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty as at 31st March 1999, outstanding for a period of more than six months from the date on which they became payable.
19. According to the information and explanations given to us and the records examined by us, no personal expenses have been charged to revenue account.
20. The Company is not a sick industrial company within the meaning of Clause "o" of Sub Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **SUNDARAM AND SRINIVASAN**
Chartered Accountants

Chennai
19th June 1999

K. SRINIVASAN
Partner

