



Axles India Limited

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**TWENTIETH ANNUAL REPORT
31ST MARCH 2002**

Twentieth Annual Report**Axles India Limited****Registered Office**

21, Patullos Road,
Chennai 600 002.
Phone: 852 2745

Factories

Singaperumal Koil Road
Sriperumbudur, Tamil Nadu 602 105
Phone No. 04111-362371, 362372

Cheyyar Taluk, Tiruvannamalai Dist.
Tamil Nadu 604 410
Phone No. 04112-242209

Bankers

Indian Overseas Bank
Bank of Baroda
United Bank of India

Registrars & Share Transfer Agents

Cameo Corporate Services Ltd.
"Subramanian Building"
1, Club House Road
Chennai 600 002
Phone No. 846 0084, 846 0390
Fax: 846 0129

Stock Exchange Listing

Madras Stock Exchange Limited
Bangalore Stock Exchange Limited

Board of Directors

S Ram (*Chairman & Managing Director*)
K R Ragavan
T Ramabhadran
B N Cole
J M Zugaldia
W D Gieseler

Audit Committee

S Ram (*Chairman*)
T Ramabhadran
J M Zugaldia

Auditors

Sundaram and Srinivasan
Chartered Accountants
Chennai 600 018

General Manager - Finance

V R Ravi

Secretary

R Kothandaraman

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Twentieth Annual Report

Notice to the Shareholders

NOTICE is hereby given that the Twentieth Annual General Meeting of the Company will be held on Monday the 30th September 2002 at Narada Gana Sabha, Mini Hall, No. 314 (Old No. 254), TTK Salai, Chennai 600 018 at 10.15 a.m. to transact the following items of business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statements of accounts for the year ended 31st March 2002 and the Report of the Directors and the Auditors thereon.
2. To elect a Director in the place of Mr. K R Ragavan who retires by rotation and being eligible offers himself for re-election.
3. To elect a Director in the place of Mr. W D Gieseler who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the

conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification the following as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956 and other applicable provisions Mr. Bernard Nicholas Cole be and is hereby appointed as a Director of the Company.

By order of the Board

Regd. Office:
21, Patullos Road,
Chennai 600 002
30th July 2002

S RAM
Chairman and
Managing Director

Notes:

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out in the Notice is annexed.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. Proxies must be lodged with the Company or the Registrars not less than 48 hours before the meeting.

4. The Register of Members and Share Transfer Books of the Company will remain closed from 25th September 2002 to 30th September 2002 (both days inclusive).

5. As per Sec. 205C of the Companies Act, 1956 the unclaimed and unpaid dividend for the years ended 31st March 1996 and 31st March 1997 will be transferred to the Investors Education and Protection Fund in October 2003 and November 2004 respectively. Members who have not encashed their dividend warrants are requested to approach the Company for revalidation/duplicate warrants.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956.

SPECIAL BUSINESS

ITEM 5

Mr. Bernard Nicholas Cole was appointed as a Director of the Company at the Board Meeting held on 24th June 2002 under Section 260 of the Companies Act, 1956 to hold office till the ensuing Annual General Meeting.

Notice has been received from a member of the Company proposing the appointment of Mr. Cole as a Director of the Company.

Mr. Cole is the President of the Heavy Vehicle Technologies & Systems Group of Dana Corporation and his association will be beneficial to the Company. None of the other Directors of the Company is interested or concerned in the resolution.

By order of the Board

Regd. Office:
21, Patullos Road, Chennai 600 002
30th July 2002

S RAM
Chairman and Managing Director

Axles India Limited**Report of the Directors to the Shareholders**

Your Directors present herewith the Twentieth Annual Report of the Company along with the audited accounts for the year ended 31st March 2002.

WORKING RESULTS

The turnover during the year 2001-02 was Rs. 59.42 crores against Rs. 57.40 crores in 2000-01, 3.50% higher than the previous year.

(Rs. in lakhs)

Profit before depreciation	72.15
Depreciation	162.06
Loss for the year	89.91
Deferred Tax provision	(31.96)
Net loss for the year	57.95
Loss carried from last year	441.57
Loss carried to Balance Sheet	499.52

DIVIDEND

With the reported net loss of Rs. 57.95 lakhs for the year ended 31st March 2002, the Directors do not recommend payment of dividend.

OPEN OFFER BY PROMOTERS

Against the stipulated minimum of 10 %, the non-promoter shareholding in your Company was 9.04 %. To comply with the listing agreement requirement, the Promoter Companies made open offers to acquire the balance public shareholding under the SEBI Takeover Regulations.

PROSPECTS

Medium, Heavy Commercial vehicle production in 2001-02 was 90,849, against 87,714 in 2000-01. Your Company's sale of Housings to the OEMs in 2001-02 was 52,152 against 52,427. In the LCV segment, our sale of Housings went up to 18,256 Nos. in 2001-02 from 15,439, Nos. in 2000-01 as the vehicles we catered to had a higher penetration in the market. Your Company has

installed the Machine Tools for machining of Drive Head components to Dana design and trial production is being carried out. Sales of Drive Head will take place in 2002-03. With higher proportion of our customer's vehicles being specified with our Axle Housings, sales to the Medium and Heavy Commercial Vehicles is expected to increase.

DEPOSITS

The deposits from public and shareholders as on 31st March 2002 were Rs. 196.00 lakhs.

DIRECTORS

Mr. R L Clayton resigned from the Board and Mr. Nick Cole has been appointed as a Director of the Company under Section 260 of the Companies Act, 1956. He will be appointed as a Director at the ensuing Annual General Meeting. The Board wishes to place on record its appreciation for the contributions of Mr. Clayton during his tenure as Director.

Mr. K R Ragavan and Mr. W D Gieseler retire by rotation at the ensuing Annual General Meeting 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 of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, Directors' Responsibility

Twentieth Annual Report

Report of the Directors to the Shareholders

Statement is annexed hereto and forms an integral part of this report (Annexure A).

GENERAL

As regards the observation of the Auditors on provision for excise duty on stock of finished goods and customs duty on stock of raw materials, these have not been provided for in line with the practice adopted so far. As mentioned in the Notes to the Accounts, these have no impact on the loss for the year.

As regards provision for Gratuity and Leave Encashment, Note No. 18 read with Note No. 1 of Schedule XVI 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 (Annexure B). Pursuant

to clause 43 of the Listing Agreement, Statement of projected and actual utilisation of Rights Issue proceeds is annexed to this report (Annexure C).

Your Directors wish to thank the customers, Indian Overseas Bank, United Bank of India, Bank of Baroda, Tamil Nadu Government, SIPCOT, Wheels India, Sundaram Finance and Spicer 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

Chennai
24th June 2002

S RAM
Chairman and Managing Director

Annexure A to Directors' Report

Directors' Responsibility Statement pursuant to Section 217 (2AA) of the Companies Act, 1956

The Board of Directors of Axles India Ltd. hereby declares that

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company as at 31st March, 2002 and of the loss of the company for the year ended on that date;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board of Directors

Chennai
24th June 2002

S RAM
Chairman and Managing Director

Axles India Limited**Annexure to Directors' Report****Annexure B to Directors' Report****Information under Section 217 (1) (e) of the Companies Act, 1956****Conservation of Energy**

Energy Audit is being conducted and steps are being taken to conserve energy.

Technology absorption

Your Company has achieved adequate capability to design, manufacture and test Axle Housings for a wide range of commercial vehicles. Your Company has access to technology for manufacture of Drive Heads suitable for different ranges of commercial vehicles.

Foreign Exchange earnings and outgo

Foreign Exchange used	Rs. 12.19 lakhs
Foreich Exchange earned	Nil

For and on behalf of the Board of Directors

Chennai
24th June 2002

S RAM
Chairman and Managing Director

Annexure C to Directors' Report**Statement pursuant to Clause 43 of the Listing Agreement**

Details of Projected and actual utilisation of Rights Issue Proceeds

(Rs. in lakhs)

Particulars	Projected	Utilised
Redemption of Preference share capital	400.00	240.00
Drive Head Project	200.00	53.76
Issue Expenses	12.00	12.00

Other major equipment for the Drive Head project have since been received and paid for.

For and on behalf of the Board of Directors

Chennai
24th June 2002

S RAM
Chairman and Managing Director

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Report of the Auditors to the Shareholders

We have audited the attached Balance Sheet of Axles India Limited as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

Further to our comments in the annexure referred to above we report that:

- i. 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.
- ii. 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. 18 of Schedule XVI regarding accounting of Gratuity and Leave Encashment

benefits amounting to Rs. 53.22 lakhs and Rs. 10.22 lakhs respectively on cash basis instead of accrual basis.

- iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Profit and Loss Account and Balance Sheet dealt with by this report comply with the Accounting Standards referred to in sub-section (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 (ii) above.
- v. As per information furnished to us, no Director of the Company is disqualified as on 31st March, 2002 from being appointed as Director under Clause (g) of Sub-Section (1) of Section 274 of the *Companies Act, 1956*.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the *Companies Act, 1956*, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2002 and
 - b. in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For SUNDARAM AND SRINIVASAN
Chartered Accountants

Chennai
24th June 2002

K. SRINIVASAN
Partner