

Axles India Limited



TWENTYTHIRD ANNUAL REPORT
31ST MARCH 2005

Twentythird Annual Report

Axles India Limited

Registered Office

21, Patullos Road
Chennai 600 002
Phone: 2852 2745

Factories

Singaperumal Koil Road
Sriperumbudur, Tamil Nadu 602 105
Phone No. 04111-262371, 262372

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

Bankers

Indian Overseas Bank
UTI Bank Limited

Registrars & Share Transfer Agents

Cameo Corporate Services Ltd.
"Subramanian Building"
1, Club House Road
Chennai 600 002
Phone No. 2846 0084, 2846 0390
Fax: 2846 0129

Board of Directors

S Ram (*Chairman & Managing Director*)
K R Ragavan
T Ramabhadran
B N Cole
Normand Boisvert
Douglas Hodge
Shrikant Kale (*Alternate to B N Cole*)

Audit Committee

S Ram (*Chairman*)
T Ramabhadran
Douglas Hodge

Auditors

Sundaram and Srinivasan
Chartered Accountants
Chennai 600 018

General Manager - Finance

V R Ravi

Secretary

R Kothandaraman

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Notice to Shareholders

NOTICE is hereby given that the Twentythird Annual General Meeting of the Company will be held on Monday, the 19th September 2005 at Kasturi Srinivasan Building (Mini Hall, Music Academy) 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 2005 and the Report of the Directors and the Auditors thereon.
2. To record and confirm the interim dividend for the year ended 31st March 2005 as final dividend.
3. To elect a Director in the place of Mr. K R Ragavan who retires by rotation and being eligible offers himself for re-election.
4. To elect a Director in the place of Mr. T Ramabhadran who retires by rotation and being eligible offers himself for re-election.
5. 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

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**
RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956, Mr. Douglas Hodge be and is hereby appointed as a Director of the Company liable to retire by rotation.

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**
RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956, Mr. Normand Boisvert be and is hereby appointed as a Director of the Company liable to retire by rotation.

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**
RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 28th September 2004 and in accordance with the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time such sums of money as they deem requisite for the purpose of and in the course of carrying on the business of the Company, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from such temporary loans obtained or to be obtained by the Company from its bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves.

Provided that the total of such borrowings at any given time shall not exceed a sum of Rs. 47 crores (Rupees forty seven crores only).

Axles India Limited

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to this resolution.

9. To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**

RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 28th September 2004, and in accordance with the provisions of Section 293(1)(a) and other applicable provisions, if any of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to create/modify any mortgage, hypothecation or other charge or encumbrance from time to time, on such terms as it may think fit, over the whole or substantially whole of the company's undertaking, including all present and future immovable and movable properties of the Company, wherever situate, in favour of banks, financial institutions, mutual funds or any other party for securing term loans, deferred payment credits, guarantees or other facilities provided or to be provided by them to the Company or to secure debentures issued or to be issued by the Company whether by way of private placement or otherwise, which borrowings and facilities, together with the existing ones shall not exceed an aggregate limit of Rs. 47 crores (Rupees forty seven crores only) apart from security created /to be created for borrowings from banks for working capital purposes.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things and to take such steps as may be necessary or expedient for giving effect to this resolution.

By order of the Board

Regd. Office:
21, Patullos Road
Chennai 600 002
Date: 25th July 2005

S RAM
*Chairman and
Managing Director*

Notes:

1. 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.
2. Proxies must be lodged with the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 12th September 2005 to 19th September 2005 (both days inclusive).
4. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, unclaimed and unpaid dividend for the years ended 31st March 1996 & 31st March 1997 have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. As per the provisions of Section 205C of the Act, no claim shall lie against the Company or IEPF in respect of the amount so transferred.
5. Members who have not encashed their interim dividend warrants for the year 2004 - 05 are requested to send the same to the Secretarial Department of the Company at Singaperumal Koil Road, Sriperumbudur - 602 105 for revalidation.

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Explanatory Statement Under Section 173 (2) of the Companies Act, 1956

SPECIAL BUSINESS

ITEM 6

Mr. Douglas Hodge was appointed as a Director of the Company at the Board Meeting held on 24th August 2004 in the casual vacancy created by the resignation of Mr. J M Zugaldia. In terms of Section 262 of the Companies Act, 1956, Mr. Hodge will hold office till the ensuing Annual General Meeting.

Notice has been received from a Member of the Company proposing the appointment of Mr. Hodge as a Director of the Company.

Mr. Douglas Hodge is the Vice President and Group Controller, Heavy Vehicles Technologies and System Group of Dana Corporation and his association will be fruitful to the Company. The Board of Directors recommends the above resolution for the approval of the shareholders.

Except Mr. Hodge, none of the other Directors is interested or concerned in the resolution.

ITEM 7

Mr. Normand Boisvert was appointed as a Director of the Company at the Board Meeting held on 25th July 2005 in the casual vacancy created by the resignation of Mr. W E Hennessy. In terms of Section 262 of the Companies Act, 1956, Mr. Boisvert will hold office till the ensuing Annual General Meeting.

Notice has been received from a Member of the Company proposing the appointment of Mr. Boisvert as a Director of the Company.

Mr. Boisvert is the Vice President – International, Heavy Vehicles Technologies and Systems Group of Dana Corporation and his association will be fruitful to the Company. The Board of Directors recommends the above resolution for the approval of the shareholders.

Except Mr. Boisvert, none of the other Directors is interested or concerned in the resolution.

ITEMS 8 & 9

At present the Board of Directors is empowered to borrow and to mortgage/hypothecate the assets of the Company as security for borrowings upto Rs. 32 crores (apart from temporary loans taken from bankers) under Section 293(1)(d)/293(1)(a) of the Companies Act, 1956. Taking into account the investment requirements of the Company, the existing borrowing/mortgaging powers are proposed to be increased to Rs. 47 crores under Section 293(1)(d) and 293(1)(a) of the Companies Act, 1956. The Directors recommend the above resolution for the approval of the shareholders.

None of the Directors of the Company is concerned or interested in the above resolution.

By order of the Board

Regd. Office:

21, Patullos Road

Chennai 600 002

Date: 25th July 2005

S RAM

*Chairman and
Managing Director*

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

Mr. T S Santhanam, Founder Chairman of Axles India passed away on 15th April 2005. He was instrumental in the formation of Axles India as a joint venture. His guidance and counsel during the initial difficult period benefited the Company immensely.

Your Directors place on record their appreciation for the guidance and support extended by him during his tenure as Chairman of the Company.

Your Directors present the Twentythird Annual Report of the Company along with the audited accounts for the year ended 31st March 2005.

WORKING RESULTS

The turnover during the year 2004-05 was Rs. 180.23 Crores against Rs. 124.11 crores in 2003-04.

	<i>(Rs. in lakhs)</i>	
	2004-05	2003-04
Profit before depreciation	1190.84	863.15
Depreciation	(334.69)	(242.36)
Profit for the year	856.15	620.79
Tax provision		
Current Tax	(67.13)	(47.72)
Deferred Tax	(276.88)	(213.75)
Net profit for the year	512.14	359.32
Dividend paid and tax thereon	(144.07)	—
Amount transferred to General Reserve	(12.80)	—
Balance carried from last year	14.40	(344.92)
Balance transferred to Balance Sheet	369.67	14.40

PROSPECTS

Sale of Axle Housings increased to 1,65,130 Nos. from 1,33,261 Nos. last financial year. The Drive Heads production stabilized and the Company produced 3,130 Nos. in the year. The Drive Head side of the business is expected to expand significantly in the coming years. The steel cost increase have again impacted our costs affecting the profitability.

DIVIDEND

Interim dividend of 12.50% amounting to Rs. 1,27,42,205 was paid for the year ended 31st March 2005. The Directors are not recommending any further dividend for the year ended 31st March 2005.

DEPOSITS

The deposits from public and shareholders as on 31st March 2005 were Rs. 366.64 lakhs.

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DIRECTORS

Mr. Bill Hennessy resigned from the Board. The Board wishes to place on record its appreciation for the contributions of Mr. Hennessy during his tenure as Director. Mr. Normand Boisvert has been appointed as a Director of the Company in this casual vacancy under Section 262 of the Companies Act, 1956 and we welcome him to the Board.

He will hold office till the ensuing Annual General Meeting.

Mr. Douglas Hodge and Mr. Normand Boisvert hold office till the ensuing Annual General Meeting. Notices have been received proposing their appointment as Directors of the Company under Section 257 of the Act. *The Board is pleased to recommend the appointment of Mr. Hodge and Mr. Boisvert as Directors of the Company at the Annual General Meeting.*

Mr. K R Ragavan and T Ramabhadran 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 Statement is annexed hereto and forms an integral part of this report.

GENERAL

As regards provision for Gratuity and Leave Encashment, Note No. 19 read with Note No. 1 of Schedule XVII 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, UTI Bank and South Indian Bank for their 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

*Chairman and
Managing Director*

Chennai
25th July 2005