

Axles India Limited



TWENTYFOURTH ANNUAL REPORT
31ST MARCH 2006

Twentyfourth 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. 27162371-74

Cheyyar Taluk, Tiruvannamalai Dist.
Tamil Nadu 604 410
Phone No. 27242209

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*)
T Ramabhadran
Srivats Ram
Dennis Greenwald
Normand Boisvert
Steven Ellis
Shrikant Kale (*Alternate to Ellis*)

Audit Committee

S Ram (*Chairman*)
T Ramabhadran
Steven Ellis

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 Twenty-fourth Annual General Meeting of the Company will be held on Saturday, the 30th September 2006 at Narada Gana Sabha, (Mini Hall), TTK Salai, Chennai 18 at 11.00 am 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 2006 and the Report of the Directors and the Auditors thereon.
2. To record and confirm the interim dividend for the year ended 31st March 2006 as final dividend.
3. To elect a Director in the place of Mr. Norm Boisvert 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. Steven Ellis 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. Srivats Ram 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 pursuant to the provisions of Section 257 of the Companies Act, 1956, Mr. Dennis Greenwald be and is hereby appointed as a Director of the Company.

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 19th September 2005 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.

Axles India Limited

Provided that the total of such borrowings at any given time shall not exceed a sum of Rs. 55 crores (Rupees fifty five crores only)

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

10. 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 19th September 2005, 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. 55 crores (Rupees fifty five 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.

Regd. Office:

21, Patullos Road

Chennai 600 002

Date: 6th September 2006

By order of the Board

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 20th September 06 to 30th September 06 (both days inclusive).
4. Members who have not encashed their interim dividend warrants for the year 2004-05 and 2005-06 are requested to send the same to Secretarial Department of the Company at Singaperumal Koil Road, Sriperumbudur 602105 for revalidation.

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

SPECIAL BUSINESS

ITEM 6

Mr. Steven Ellis was appointed as a Director of the Company at the Board Meeting held on 29th June 2006 in the place of Mr. Douglas Hodge and he will hold office till the ensuing Annual General Meeting.

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

Mr. Ellis is the Contoller, Heavy Vehicle Systems & Technology 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. Ellis, none of the other Directors is interested or concerned in the resolution.

ITEM 7

Mr. Srivats Ram was appointed as a Director of the Company at the Board Meeting held on 29th June 2006 in the place of Mr. K R Ragavan and he will hold office till the ensuing Annual General Meeting.

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

Mr. Srivats Ram is the Joint Managing Director of Wheels India Limited 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. Srivats Ram and Mr. S Ram none of the other Directors is interested or concerned in the resolution.

ITEM 8

Mr. Dennis Greenwald was appointed as a Director of the Company at the Board Meeting held on 29th June 2006 in the place of Mr. B N Cole and he will hold office till the ensuing Annual General Meeting.

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

Mr. Greenwald is the Vice President (International Finance) 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. Greenwald none of the other Directors is interested or concerned in the resolution.

ITEM 9 & 10

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. 47 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. 55 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.

Regd. Office:
21, Patullos Road
Chennai 600 002
Date: 6th September 2006

By order of the Board

S RAM
Chairman and
Managing Director

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

Your Directors present the Twenty-fourth Annual Report of the Company along with the audited accounts for the year ended 31st March 2006.

WORKING RESULTS

The turnover during the year 2005-06 was Rs.217.66 Crores against Rs.180.22 Crores in 2004-05.

(Rs. in lakhs)

	2005-06	2004-05
Profit before depreciation	1272.40	1190.84
Depreciation	(366.04)	(334.69)
Profit for the year	906.36	856.15
Tax provision:		
Current Tax	(151.00)	(67.13)
Deferred Tax	(155.31)	(276.88)
Fringe Benefit Tax	(16.00)	—
Net profit for the year	584.05	512.14
Dividend paid and tax thereon	(174.36)	(144.07)
Amount transferred to General Reserve	(30.00)	(12.80)
Balance carried from last year	369.67	14.40
Balance transferred to Balance Sheet	749.36	369.67

PROSPECTS

Sale of Housings in the last financial year increased to 178,519 nos from 165,130 nos. Sale of Drive Heads from 3,311 nos to 12,006 nos. Your company has commenced production of tandem Axles for the domestic market and expects to increase the sale of full axles in the coming year. Your company has established an EOU production line for export of Housings.

In spite of growth in sales by approximately 20%, profits have not grown proportionately due to increase in input costs, mainly Steel costs and energy costs and inadequate compensation of selling prices for the same. Other factor that is affecting the profits is the cost of additional borrowings for the EOU and Drive Head Investments.

The company expects to increase the sale of Drive Heads and export of Housings in the coming year.

DIVIDEND

Interim dividend of 15% amounting to Rs.152.91 lakhs was paid for the year ended 31 March 2006. The Directors are not recommending any further dividend for the year ended 31st March 2006.

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DEPOSITS

The deposits from public and shareholders as on 31st March 2006 were Rs.494.23 Lakhs.

DIRECTORS

Mr. Nick Cole, Mr. Douglas Hodge and Mr. K R Ragavan resigned from the Board. The Board wishes to place on record its appreciation for the contributions of these Directors during their tenure on the Board. Mr. Dennis Greenwald, Mr. Steven Ellis and Mr. Srivats Ram have been appointed as Directors in the place of Mr. Cole, Mr. Hodge and Mr. Ragavan respectively. They will 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 Companies Act. The Board is pleased to recommend their appointment as Directors at the Annual General Meeting.

Mr. T Ramabhadran and Mr. Norm Boisvert retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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 XVI is self-explanatory. The Company has since constituted a Gratuity Scheme which is administered by the Life Insurance Corporation of India.

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

Chennai
6th September 2006

S RAM
Chairman and Managing Director