

AUTOMOTIVE AXLES LIMITED



27th Annual Report 2007-08



A KALYANI ARVINMERITOR
JOINT ENTERPRISE



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27th Annual Report 2007-08

Day : Wednesday

Date : 21st January 2009

Time : 12.30 p.m.

Place : Registered Office, Mysore

Corporate Information

BOARD OF DIRECTORS:	Mr. Ashok Rao	President & Whole time Director
	Dr. Babasaheb N Kalyani	Chairman & Non-Executive Director
	Mr. B B Hattarki	Independent Director
	Mr. B C Prabhakar	Independent Director
	Mr. Carsten J Reinhardt	Alternate Director (until 18th January 2008)
	Mr. C K Sabareeshan	Executive Director (Finance) & Company Secretary (until 30th July 2008)
	Mr. Larry Dowers	Non-Executive Director
	Mr. P C Bhalerao	Non-Executive Director (until 30th July 2008)
	Mr. Rakesh Sachdev	Non-Executive Director (until 30th July 2008)
	Mr. S S Marathe	Independent Director (until 28th Sep' 2008)

AUDITORS: M/s Deloitte Haskins and Sells (Chennai), Bangalore.

BANKERS: Axis Bank Limited
BNP Paribas
Citi Bank N.A
Export Import Bank of India
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
State Bank of India
State Bank of Mysore
Toronto Dominion Bank
The Hong Kong and Shanghai Banking Corpn Ltd.
The Bank of Nova Scotia

REGISTRAR & SHARE TRANSFER AGENTS: Alpha Systems Pvt. Ltd.
#30, Ramana Residency,
4th cross, Sampige Road, Malleshwaram
Bangalore Ph: 080-23460815-818
e-mail: alfint@vsnl.com

REGISTERED OFFICE & WORKS Hootagalli Industrial Area,
Off Hunsur Road, Mysore 570018.

Website: www.autoaxle.com

E-mail: info@autoaxle.com

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DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twenty-Seventh Annual Report of the Company and audited accounts for the year ended September 30, 2008.

1. Performance of your Company**Turnover:**

The turnover comprising gross sales (inclusive of duty and taxes) increased as follows:

(Rupees In Million)

Current Year	Previous Year	% Increase
8479.60	6944.47	22.11

Net Profit:

(Rupees in Million)

	Current Year	Previous Year
Profit for the year before Taxation	854.30	819.00
Provision for Taxation-Current/Deferred/Fringe Benefit Tax	296.45	282.73
Net Profit	557.85	536.27
Balance of Profit from Previous Year after adjusting transitional provision for deferred tax	779.99	518.42
Profit available for appropriation	1337.84	1054.69
Appropriations :		
Dividend for the year	98.23	188.90
Tax on dividend	16.69	32.10
Transfer to General Reserve	55.90	53.56
Surplus retained in Profit & Loss Account	1167.02	779.98

Management Discussion & Analysis and a report on Corporate Governance are furnished separately.

2. Capital expenditure

As reported in the previous year, your company has already accomplished the capital expenditure programme aggregating to Rs.224.70 Million towards enhancing Drive Axles Capacity by 24000 Nos. p.a.

3. Dividend

Having regard to the downturn in the CV market, and the threat to your company's market

share, the Directors have considered it prudent to retain the earnings to a larger extent than what was done hitherto and recommended a total dividend of 65% for the year 2007-08. This, together with the dividend tax aggregates to Rs. 114.92 million or a dividend pay out of 20.60%.

The Dividend Distribution tax shall be paid by the Company and the dividend is exempt from tax in the hands of shareholders.

4. Directors:

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Ashok Rao retires by rotation, and being eligible, offers himself for re-appointment.

During the year, Mr. Carsten J Reinhardt, who was an alternate Director to Mr. Rakesh Sachdev, vacated the office under section 313 of the Companies Act, 1956. Further, Mr. Rakesh Sachdev, Mr. P C Bhalerao and Mr. C K Sabareeshan resigned from the Board to comply with the amended requirements of clause 49 on the composition of the Board. The Board places its appreciation of their valuable contributions during their tenure.

Mr. S S Marathe, who was a Director of your Company for over a period of 24 years, passed away on 28th September 2008. During his tenure, he made invaluable contribution both during difficult times of the Company, as well as during successful years. The Board condoles his passing away and places on record its appreciation of his invaluable contribution during his tenure on the Board.

5. Directors' Responsibility Statement:

As required under Section 217 (2AA) of the Companies Act, 1956, it is hereby stated that:

- In the preparation of the annual accounts for the year under report, the applicable accounting standards have been followed;
- The Directors have selected such accounting policies and applied them consistently and make 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 at the end of the financial year and of the profit of the company for that period.

- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on an ongoing concern basis.

6. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo :

The additional information required under the provisions of section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report is given as Annexure "A" to this report.

7. Particulars of Employees:

In accordance with the provisions of section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the particulars of employees are given in Annexure "B" forming part of the Directors' Report.

8. Auditors :

The retiring auditors Deloitte Haskins & Sells (Chennai), Bangalore, have confirmed their availability, if re-appointed as auditors. Board recommends the appointment of M/s Deloitte Haskins & Sells (Chennai) Bangalore, as auditors of the Company, to hold office from the conclusion of this meeting until conclusion of the next Annual General Meeting.

9. Acknowledgements:

The Directors thank all the members for their continuing confidence reposed in the company. The Directors wish to place on record their appreciation for the support and assistance received from all the OE customers, the Kalyani Group, Pune, and Arvin Meritor Inc., USA. The Directors thank the financial institutions/banks, Government of Karnataka and Government of India for their understanding, co-operation and assistance extended to the Company. The Directors also wish to place on record their appreciation of employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board of Directors

Place : Pune

Date : 14th November 2008

B.N. Kalyani

Chairman

ANNEXURES TO DIRECTORS' REPORT ANNEXURE - A

Information in accordance with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988

A. Conservation of energy :

(a)	Energy conservation measures taken	1. Installation of Magnetic Resonators at the Furnace Burner Points
(b)	Additional investments and proposals, if any, being implemented for reduction of consumption of energy	<ol style="list-style-type: none"> 1. All Pumps & Blowers controlled thru VFD & Auto logic. 2. Installation of Temperature Controller for Cooling Tower 3. Air Compressor triggering by actual demand in shop. 4. Installation 550 KVAR APFC panel to Heat treatment feeder. 5. Auto control for shop & peripheral lightings.
(c)	The impact of the measures at (a) & (b)	<p>(a) 1: Savings of Rs. 1.44 Million / annum on account of approx. 3% lower LPG consumption (approx. 45 MT p.a).</p> <p>(b) 1, 2 & 3 : Rs. 2 Million / annum saving due to reduction in Load Current.</p> <p>4 : Rs. 0.2 Million / annum saving due to reduction in losses and Power Factor improvement.</p> <p>5 : Rs. 0.3 Million / annum saving by avoiding unnecessary consumption of power.</p>
(d)	Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedules there to	Not applicable

B. I. Research and Development (R & D)

1.	Specific areas in which R & D carried out by Company	➤ Robotized Machine Loading for Gear Cutting
2.	Benefits derived as a result of the above R & D	➤ Even better utilization of Dry cut face hobbing Gear Manufacturing Equipment.
3.	Future plan of action	<ul style="list-style-type: none"> ➤ Introduction of Upgraded Axles for Mining / Off Highway application. ➤ Progressive migration from conventional Gear cutting system to face hob dry cutting system. ➤ Introduction of Dry Machining.
4.	Expenditure on R & D	
	a. Capital	Rs. 14.81 million
	b. Recurring	Nil
	c. Total	Rs. 14.81 million
	d. Total R & D expenditure as a percentage to total turnover	0.20%



II. Technology Absorption, Adaptation and Innovation :

1.	Efforts in brief, made towards technology absorption, adaptation and innovation	2.	Benefits derived as a result of the efforts, e.g., product improvement, cost reduction, product development and import substitution, etc
a)	New Family of Steerable Front Axles for Low Floor Bus application	a)	To capture new business in upcoming Low Floor Bus requirements on intercity applications.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.

Technology imported (Product)	Year of Import	Has technology been fully absorbed	If not fully absorbed areas where this has not taken place, reasons there for and future plan of action
Not applicable			

III. Foreign Exchange Earnings and Outgo :

a.	Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans	Nil
b.	Total Foreign Exchange used and Earned: Used Earned	Rs. 251.86 million Nil, as all the sales for export are routed through Meritor HVS (India) Ltd in local currency

For and on behalf of the Board of Directors

Place : Pune
Date : 14.11.2008

B.N. Kalyani
Chairman

ANNEXURE - B

Information required as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the ended 30th September, 2008.

Name	Age	Qualification & Experience	Designation / Nature of Duties	Gross Remuneration (Rs.)	Date of Commencement of Employment	Particulars of last Employment	
						Name of the Organisation	Designation and period
Mr. Ashok Rao	44	M.S (Mfg Engineering) 18 Years	President & Wholetime Director	6,458,568	21.06.1999	MICO, Bangalore,	Deputy General Manager, 7 years
Mr. C K Sabareeshan#	53	B.Sc., ACA, ACS 28 years	Chief Financial Officer & Company Secretary	4,987,726	06.01.1994	Tata Keltron Ltd., Chennai,	Financial Controller & Secretary 1 year
Mr. N. Muthukumar*	43	M.Sc. (Polymer & Rubber Technology), MBA (International Marketing) 21 years	General Manager - Operations	1,130,077	16.04.2008	TTK-LIG Limited, Chennai	Vice President (Operations) 6 years

ceased to be Director w.e.f. 30.07.08

* Employed during part of the year

- Notes:
1. The nature of the employment is contractual
 2. None of the employees mentioned above are related to Directors
 3. None of the employees hold 2% or more shares in the Company
 4. Gross Remuneration includes Salary, Allowances and other perks like Leave Travel Allowance, Security, Medical reimbursement, Company's contribution towards Provident Fund, Gratuity, Superannuation etc.

For and on behalf of the Board of Directors

Place : Pune
Date : 14.11.2008

B.N. Kalyani
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Economy:

During the fiscal year ended March 2008, the GDP growth was robust @ 9%. Although inflation was high during the last quarter of the year @ 7.75%, the average inflation rate for the fiscal year was recorded only at 4.7%.

However, during the first two quarters of the current fiscal year, ending March 2009, the GDP growth has been moderated. While in the first quarter, the economy registered a GDP growth of 7.9%, significantly lower when compared to 9.2% growth during the corresponding period last year, the second quarter also witnessed a moderate growth of about 7.6%. This may be attributed to the Government's emphasis on control of the inflation, driven mainly by rise in crude oil and food prices world wide, that reached a 13-year high of **12.54%** during July 2008, as compared to an average inflation during the last fiscal year of under 5%.

Outlook:

The impact of the shrinking global GDP on the economy, and that of the crisis in the global financial market, caused by the fall of huge investment banks in the US and Europe, on the capital markets, would remain a concern at least during the current fiscal year. However, the global financial meltdown will not significantly affect India, on a long term, as its banking fundamentals are strong. Further, the Reserve Bank of India foresees single digit inflation by the end of this fiscal year. The policy measures by the RBI to reduce the inflation and, the cooling down of the crude oil prices at the global level, could pave way for the India's inflation rate to come down to single digit. The overall GDP growth is forecast at over 7% during this financial year.

Industry Structure & Developments:

The Indian CV industry remains fragmented, compared to the structure of fleet management in

US or Europe. The small and individual fleet operators form about 60% of the overall commercial vehicle industry. The finance companies which fund these small operators have slowed down their lending primarily due to pressure on containing NPAs and their revised norm for credit to such sectors (cautious approach to sub-prime sectors). This has resulted in reduced buying of CVs.

The Commercial Vehicle industry (M & HCV) posted a flat growth during the year under report. While the growth was significant during first three quarters of the year, the markets started slackening from July'08 onwards. The OEMs now carry high inventory of vehicles due to unexpected downturn in sales and have been resorting to aggressive sales promotion campaigns to liquidate the inventory. Following are the major factors that have influenced downturn:

- High interest rates
- Economic slowdown
- Financial institutions cautious advancing policies to contain NPA
- Delay in new projects due to project cost escalations.
- Business Cyclicity

The demand for multi-axle vehicles hitherto sustained by overloading restrictions appear to have receded as in many States, the over loading practice has resurfaced due to the financial constraints in procurement of new vehicles, as also the slackening enforcement perhaps due to political compulsions. Besides, high cost of commodities (steel, cement etc.) has caused slowdown of many infrastructure related projects.

The above factors have affected not only the Commercial Vehicle industry but also the dependant supply chain. This situation is expected to last about six months to an year.



The performance of M&HCVs during FY2008 is shown below:

Year (Oct-Sep)	2007-08	2006-07	B/ (W)	% B/ (W)
M/H C Vehicles	289,293	284,223	5070	1.8%
Multi-axle Vehicles	116,025	114,780	1245	1.1%

However, the longer term out look seems to be intact. There is a large scale investment planned during 11th Five year plan in Energy & Infrastructure sectors. The investment in Power sector, particularly thermal projects of about 12000 MW, is expected to be a good driver for the CV industry, particularly off-high way tipper, due to resulting heavy investment in Coal Mining.

The structure of the CV Market in future is expected to change dramatically with higher tonnage segments growing, while the demand for medium range vehicles is expected to taper of. This would result in lowered total vehicle production volumes, for the given rate of growth in GVW growth rates.

The strategic partnerships the global OEMs envisaged with local partners (like MAN - Force Motors, Volvo-Eicher, Daimler Chrysler - Hero Group, Navistar with Mahindra) would go well for your company on a long-run, as most of these global OEMs are existing customers of ArvinMeritor. These partnerships will also intensify a healthy competition in the domestic arena and OEMs will be bound to offer innovative and value-added products. Your company with technical strengths of ArvinMeritor is poised to enhance its product offerings to meet these new opportunities.

Segment analysis

Your Company has two primary segments namely, Domestic and Exports. The following table gives break-up for domestic sales and exports for the reporting period as compared to 2006-07. A report on segmental performance is furnished in Para 13 of Schedule 18 to the Balance Sheet as at 30th September 2008.

(Rs. In Million)

Turnover	2007-08	2006-07	Growth Rate %
Domestic	7453.77	5972.96	24.79
Exports	1076.13	971.51	10.77

Domestic

As a result of your company's leadership position in the multi-axle vehicles segment, your company's turnover reached the highest ever, during the year under report, representing an improvement of about 25 % over the previous year.

Exports

The Company is addressing all exports through Meritor HVS (India) Limited. During the year under report the exports increased to Rs.1076.13 million from Rs.971.51 million, representing an increase of about 10.77% over the previous year.

Opportunities & Threats:

Domestic:

Your company will, as in the past, be constantly exploring and tapping opportunities even during the difficult period ahead. The company's Product search initiatives have been stepped up to explore potential new products which are innovative in nature and meet growing expectation of OEMs and end customers in the emerging scenario. In this direction, your company has embarked upon a major restructuring of its product portfolio and strong Program Management initiatives to localize them at the shortest possible time frame. Over the next two years your company will have about three new products aimed at enhancing customer satisfaction and product positioning well ahead of market

requirements. The company will primarily focus on the high tonnage and high speed vehicles, as these segments are expected to grow above the industry growth rate over the next five years.

The expected downturn this year, together with enhanced competitor activities, new entrants, besides OEMs taking cautious approach to in-source axles with a view to contain input costs (due to high commodity prices) have posed threats on your company's market leadership for these current products. Your company is therefore revisiting its products strategy to upgrade these products to deliver enhanced performance levels with marginal additional costs.

Exports:

The global market slowdown has impacted our exports to ArvinMeritor plants. We expect this situation to prevail over the next one year and during FY 2009 the company has initiated to develop certain new product for Chinese and North American markets. While the revival in export business is expected from FY 2010, the company has been exploring all possible opportunities to sell its existing products base to other geographic locations of Arvin Meritor.

Risks & Concerns:

The high commodity prices which prevailed throughout FY2008 have prompted major OEMs to consider options to in-source axles. In addition, enhanced product offering by existing competition and new entrants pose threats to the company's prospects. The company has embarked on a major programme to implement material cost optimization through value engineering and effective supply-chain and inventory management.

The economic slow down has haunted all auto ancillaries to a large extent. The company has embarked upon a major cost-cutting drive and will be able to reasonably offset certain fixed costs, thus expects to maintain current operating margins.

Internal Control Systems and their adequacy

Your company has a proper and adequate system of internal controls, commensurate with its

nature of business and the size of its operations. The internal control measures have been instituted to ensure that all the assets are safeguarded and not exposed to risks arising out of unauthorized use or disposal and also to ensure that assets are properly accounted for and transactions are authorised, recorded and reported correctly. The internal controls are periodically reviewed by the Internal Audit which is performed by M/s Price Waterhouse Coopers Pvt Ltd, to ensure independence of the audit. The Audit Committee of the Board, chaired by an Independent Director, reviews the Internal Audit Reports periodically and ensures that recommendations of the auditors are implemented effectively.

Human Resources:

'Human Capital', being considered the most critical resource of your company, needs to be dynamic, competent, motivated and effective to enable your company meet the challenges of the competitive world.

To this end, the Management/Leadership bandwidth available was reassessed, gaps identified and the following initiatives were taken:

1. Talent Acquisition :-

Based on the competency gaps so identified, recruitments at leadership positions, with requisite talent were taken up, where internal talent was not available. We recruited expertise for leadership positions in the domains of Quality Management System, Operations, Plant Engineering, Heat treatment process, Manufacturing Engineering, & Purchase.

2. Competency Building :-

Internal searches for filling the competency gaps so identified also resulted in identifying talent that could be groomed for acquiring the required competencies. In this regard the following were the initiatives towards training across all levels, from Leadership positions to Middle Management, Operators, and Trainees.

A) Project Management Simulation Programme :-

A cross functional team of your company was



equipped with Project Management skills, through simulation workshops to develop requisite competencies that would enable your company to meet the challenges ahead.

- B) Risk Management Programme:-** A cross functional team of your company is also now equipped with risk management skills required for application of process for identifying and responding to risks at various levels. This is aimed at optimizing the risk profile of your company's business.
- C) Communication on Challenges and Strategies:-** To keep the operators abreast of competitive scenario by making them aware of significant changes taking place in this manufacturing sector with regard to Quality, Cost effectiveness and Delivery of products, Communication on Challenges and Strategies were organized for the Operators.
- D) In-plant training for Trade trainees:-** To enhance employability of new recruits, in plant training was given to develop skill pool at the entry level. This year, 75 candidates of various technical trades from a Centre of Excellence under went this training at the finishing school of your company.

3. Driving towards a Performance Culture :-

Your company is nurturing Performance Culture. The Performance Management System was redefined to provide the individual Key result area and synchronizing them to the functional and company's business objectives. Also, adequate scope was given for continuous improvement projects. A performance based reward mechanism is being practised wherein individual achievements and attainment of team objectives have been inter-linked.

4. Employee Morale :-

In the process of up-keeping the morale of employees in your company, we had undertaken various activities to strengthen family bonding of employees and their family with the company. We regularly organized educative and recreational programmes for employees' children and spouses. Also due care has been taken to educate them on Health and Safety matters.

These initiatives have facilitated cordial industrial relations and employee commitment to the performance of your company.

Safety, Health and Environment Management:

Safety:

Your company strongly believes in adopting best practices to achieve highest Safety Standards at its work place. These have led to significant reduction in the number of accidents. These have also been recognized by the Government of Karnataka this year, by conferring on your company the Karnataka Safety Institute's Best Safety Practices Award, in large scale industrial segment, on the occasion of 37th National Safety Day celebration, 2008.

An overview of the Safety Practices at the company is given below:

- An adequately equipped Emergency Control Room for onsite disaster management is established.
- All the new entrants, including contract workmen, undergo pre employment SHE training including the On Site Emergency Plan & Preparedness, Accident prevention, use of personal protective equipment/gadgets.
- On Site Emergency Mock drills are conducted once in 6 months to evaluate the strengths & weaknesses of our Disaster Management System
- Reported near miss/safety incidents are investigated and immediate corrective and preventive actions initiated.
- Work permit system is followed strictly for hazardous work in nature both internal and sub-contract works.
- Monthly safety Audit is being carried out by an external agency, and corrective & preventive actions initiated as required.

Health:

- Pre & Post employment health scan for all employees and those on contract is conducted annually and individual medical records maintained.

AUTOMOTIVE AXLES LIMITED

- Special medical examinations of colour vision test, skin checkup, and pulmonary function test & audiometric test is being conducted based on individual nature of work exposure for better monitoring of health status.
- Bio-medical wastes are handled, stored & disposed as per Bio-medical waste management Rules.

Environment:

- New 400 KLD Sewage Treatment Plant (STP) has been constructed with state of art technology for treatment of sewage water with the investment of Rs.14 Million & 100% treated water is being used for gardening.
- Effluent Treatment Plant (ETP) is upgraded to meet pollution control norms.
- In line with EMS-14001:2004, periodical awareness training being conducted for all employees.
- World Environmental Day (WED) was observed on June 5th 2008. On this occasion we have distributed Environment friendly reusable cotton bags with the message of "Say No to Plastic" to the employees to create awareness.
- Monthly monitoring of ambient air quality, ambient noise level is being carried out in the shop as well as outside the shop and necessary action is being initiated in case it is found beyond the permissible limits.
- 1200 saplings have been planted during 2007-08 in the nursery maintained by the company.
- Existing Incinerator has been upgraded with the dual new generation burners for effective incineration of hazardous wastes such as Paint Pigments & oil soaked cotton waste with investment of Rs. one million.

Quality Management System and TPM:

The Quality Management System successfully qualified for renewal of the certificate at the triennial assessment audit for ISO/ TS 16949:2002. Our endeavour now will be to take it to the next level of maturity, leading towards World Class Manufacturing.

Your company is, therefore, embarking on TPM Programme in the current year for best utilization of Human Resources and Plant Equipment aimed at reduction of all losses. This initiative is driving for cultural change across the Organization and further enhancing the Quality, Productivity, Delivery, Morale, Safety aspects and Reduction in Cost.

The TPM Programme is initiated for Manager's Model Machines and the participation by the employees and the initial results are encouraging. After achieving the set targets and implementation of all TPM Pillars for Model Machines, the process will be deployed across all business process with participation from all employees.

Financial Ratios:

The following table lists out the key financial ratios for 2007-08 and 2006-07.

	2007-08 (%)	2006-07 (%)
PBT / Total Income	11.35	13.26
PAT / Total Income	7.41	8.69
Return on Capital employed	23.06	23.65
Return on Net Worth	32.84	42.97
Earnings Per Share Rs.	36.91	35.49
Dividend Pay out Ratio	20.60	41.26

The dividend pay out ratio is less only due to the additional retention of earnings to protect the free cash flow in the receding CV market.

Cautionary Statement:

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements'. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include a downtrend in the automobile industry - global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relation and interest costs.



REPORT ON CORPORATE GOVERNANCE

Your company is fully committed to sound principles of Corporate Governance, encompassing high standards of transparency, accountability, social responsiveness and good/ethical commercial practices. On these principles your company aims to maximize the value for all stake holders in the company namely, the shareholders, business partners, suppliers, employees and the society.

Board of Directors:

- Composition of the Board**

The Board is headed by a Non-Executive Chairman and has an optimum blend of Executive and Non-Executive Directors. The following is the Composition of the Board:

Category	No. of Directors	Percentage to total no. of Directors	No. of Directors	Percentage to total no. of Directors
	1st Oct 2007- 30th July 2008		31st July 2008 - 30th Sep. 2008 *	
Executive Directors	2	22.22	1	16.67
Non-Executive Directors-Independent	3	33.33	3	50.00
Non-Executive-Others	4	44.45	2	33.33
Total	9	100.00	6	100.00

* To comply with the requirements of the recently amended clause 49 of the Listing Agreement, 3 non-independent Directors resigned at the Board meeting held on 30th July 2008.

- Number of Board Meetings**

During the year 2007-08, four Board Meetings were held on 19h November 2007, 18th January 2008, 15th April 2008 and 30th July 2008. The maximum interval between two board meetings, during the year, was less than four months.

- Directors' Attendance Record**

	19.11.2007	18.01.2008	15.04.2008	30.07.2008
Dr. B.N. Kalyani	Attended	Attended	LOA	Attended
Mr. S.S. Marathe@	Attended	LOA	LOA	Attended
Mr. P.C. Bhalerao*	LOA	LOA	LOA	LOA
Mr. Larry Dowers	N/A	Attended	Attended	Attended
Mr. Rakesh Sachdev*	Attended	Attended	LOA	Attended
Mr. Ashok Rao	Attended	Attended	Attended	Attended
Mr. C.K. Sabareeshan *	Attended	Attended	Attended	Attended
Mr. B C Prabhakar	Attended	Attended	Attended	Attended
Mr. B B Hattarki	Attended	Attended	Attended	Attended
Mr. Carsten Reinhardt **	LOA	N/A	N/A	N/A

• **Directorship held by Directors**

Name of Director	Status	Whether Attended last AGM	Number of Directorships of other Public Limited Companies	No. of Board Committees of other Companies in which a Member #
Dr. B.N. Kalyani	Non-Executive Chairman	No	13	4 (Chairman of 1)
Mr. S.S. Marathe@	Non-Executive Independent	No	NA	NA
Mr. P.C. Bhalerao*	Non-Executive	No	NA	NA
Mr. Larry Dowers	Non-Executive	No	1	Nil
Mr. Rakesh Sachdev*	Non-Executive	No	NA	NA
Mr. Ashok Rao	Executive	Yes	Nil	Nil
Mr. C.K. Sabareeshan *	Executive	Yes	NA	NA
Mr. B C Prabhakar	Non-Executive Independent	Yes	2	2
Mr. B B Hattarki	Non-Executive Independent	Yes	10	6 (Chairman of 1)
Mr. Carsten Reinhardt **	Alternate Director (to Mr.Rakesh Sachdev)	No	NA	NA

* Resigned w.e.f. 30th July 2008

** Ceased to be director w.e.f 18th January 2008

@ Expired on 28th September 2008

excludes committees of companies other than public limited companies and section 25 companies. Committee includes Audit Committee and Shareholders' grievance Committee only

• **Code of Conduct**

The company has adopted a code of conduct for the Board of Directors and the senior management of the company, and is available on company's website www.autoaxle.com. An affirmation as to compliance with the code of conduct is obtained from all the Directors and the senior management personnel annually.

• **Directors with materially significant pecuniary transaction or relationship with the Company**

There was no materially significant pecuniary transaction, or relationship between the Company and any of the Directors, during the year as contemplated under relevant guidelines of the SEBI/Stock Exchanges.

• **Information supplied to the Board**

The Board is being provided with all the essential information necessary for decision making. Detailed notes as necessary, along with the agenda, are presented well in advance of the meeting. The following is the list of some of the information provided regularly to the Board of Directors:

- Annual operating plans and budgets, capital budget, updates
- Quarterly results for the company and its operating divisions or business segments
- Minutes of meetings of Audit Committee and other Committees
- Materially important issues, disputes with the Government Authorities on show cause, demand, prosecution and penalty notices



- Fatal or serious accidents or dangerous occurrences
- Significant labour problems and their proposed solutions
- Significant development in human resources and industrial relations front
- Sale of material nature, assets, which is not in normal course of business
- Quarterly updations on Risk Management system
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement; and
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder service such as non-payment of dividend and delay in share transfer

Audit Committee:

Audit Committee of your Board consists of only Non-Executive Directors. The composition of the committee is as follows:

Mr. B B Hattarki, (Independent) - Chairman

Mr. S.S. Marathe# (Independent)

Mr. B C Prabhakar (Independent) and

Mr. P.C. Bhalerao. *

Expired on 28th September 2008

*Resigned w.e.f 30th July 2008

The terms of reference of Audit committee consist of review and recommendation to the Board certain matters including the following:

- Oversight of company's financial reporting system to ensure the disclosure of financial information is correct, sufficient and credible;
- Review of the annual financial statements, before submission to the Board, focusing primarily on changes if any, in the accounting policies or practices, compliance of accounting standards, qualifications in draft audit report, compliance with Stock Exchanges and legal requirements concerning financial statements, related party transactions etc.;
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- Reviewing the effectiveness of the internal audit function.

The committee met four times during the course of the year.

Attendance record of Audit Committee members is as follows:

	18th Nov 2007	18th Jan 2008	15th April 2008	29th July 2008
Mr. B B Hattarki	Attended	Attended	Attended	Attended
Mr. B C Prabhakar	Attended	Attended	Attended	Attended
Mr. P C Bhalerao *	LOA	LOA	LOA	LOA
Mr. S S Marathe#	LOA	LOA	LOA	LOA

* Resigned w.e.f. 30th July 2008

Expired on 28th September 2008

Remuneration Committee:

The Remuneration Committee is authorized to review the performance and award the performance bonus to the Whole time Directors of the Company. The Committee, consisting of Dr. B N Kalyani, Chairman,

AUTOMOTIVE AXLES LIMITED

Mr. Rakesh Sachdev and Mr. P C Bhalerao, met once in the year on 18th January 2008 at Mysore. The Committee discussed the performance and the bonus payable to the Whole time Directors for the previous year was reviewed.

- **Remuneration Policy:**

The policy of remuneration to Executive and Non-Executive Directors is as follows:

- The remuneration to Executive Directors shall be paid according to their contract of employment, and the performance bonus will be based on the review by the committee annually.
- The Non-executive Directors are not paid any remuneration. However, sitting fees is paid to them for the meetings of Board or Committee, which are attended by them.

- **Remuneration of Directors:**

The details of remuneration to Directors and their relationship with each other are presented below:

Name of Director	Audit Committee Meeting Sitting Fees (Rs.)	Board Meeting Sitting Fees (Rs.)	Other Meetings Sitting Fees	Salaries, performance bonus and perquisites (Rs.)	Total (Rs.)
Dr. B. N. Kalyani	Nil	60,000	20,000	Nil	80,000
Mr. S.S. Marathe#	Nil	40,000	Nil	Nil	40,000
Mr. P.C. Bhalerao *	Nil	Nil	Nil	Nil	Nil
Mr. B C Prabhakar	80,000	80,000	Nil	Nil	1,60,000
Mr. Rakesh Sachdev *	Nil	Nil	Nil	Nil	Nil
Mr. Larry Dowers	Nil	Nil	Nil	Nil	Nil
Mr. Ashok Rao	Nil	Nil	Nil	6,458,568	6,458,568
Mr. C.K. Sabareeshan *	Nil	Nil	Nil	4,156,437	4,156,437
Mr. B B Hattarki	80,000	80,000	Nil	Nil	1,60,000

* resigned as a director w.e.f. 30th July 2008

expired on 28th September 2008

-The employment of the Executive Directors is contractual.

- None of the directors is related to any of the directors.

- Dr. B N Kalyani, the Non-executive Director of the company holds 166 shares jointly with his spouse.

Risk Management:

Your company is now operating in a fiercely competitive, fast changing, environment which presents a multitude of risks. Your company believes that effective Risk Management is critical to sustained growth in such environment, as it assists in capturing opportunities and mitigating impact from adverse events.

The company's Risk Management Committee, assisted by Chief Risk Co-ordinators and Risk coordinators, carries out, periodically, an Entity Level Risk Assessment and a Risk Matrix for the Inherent & Residual Risks confronting the company. This risk management framework continuously monitors and also identifies the risk mitigators. The residual risks are then rated on the basis of the risk parameters decided by the management. The Committee has identified functional wise risks viz, risk relating to Materials, Manufacturing, Finance, Systems, Human Resources etc. The Committee meets periodically to review the mitigation process, to evaluate the risk rating, to identify new risks etc. The adequacy of the Risk Management process is periodically reviewed by the Audit Committee.



Investors Grievances Committee

The Shareholders/Investors' Grievances Committee comprises of Dr. B.N. Kalyani, (Chairman and Non-executive Director), Mr. S.S. Marathe, Mr. Ashok Rao (President & Wholetime Director) and Mr. C.K. Sabareeshan (Chief Financial Officer & Company Secretary). To facilitate prompt and speedy disposal of requests for transfer/transmission, certain officers of the company are authorized to address such matters.

The status on complaints is reported to the Board of Directors by Mr. C.K. Sabareeshan, Company Secretary, who is the compliance officer, and the status for the year under report is given below:

Nature of Complaint	No. of complaints Received	No. of Complaints Redressed
Non receipt of Dividend	26	26
Issue of Duplicate Certificates/Share Certificates	3	3
Non receipt of Annual Report	1	1
Total	30	30

Secretarial Audit for Reconciliation of Capital

As mandated by the Securities and Exchange Board of India, quarterly Secretarial Audits are carried out to verify if the total issued / paid-up capital is in agreement with the aggregate of the total number of the shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

General Body-Meetings

Date, time and venue for the last three Annual General Meetings are given below:

Financial Year	Date	Time	Venue
2004-2005	18th January 2006	12.30 p.m.	Regd. Office of the Company
2005-2006	12th January 2007	12.30 p.m.	Regd. Office of the Company
2006-2007	18th January 2008	12.30 p.m.	Regd. Office of the Company

No special resolutions were passed at any of the three Annual General Meetings mentioned above. No resolutions were passed through postal ballot at the last Annual General Meeting.

Disclosures:

- Materially significant related party transactions
- These are disclosed at Para 14 of Schedule 18 to the Balance Sheet as at 30th September 2008.
- Details of non-compliance by the company, penalties, strictures imposed on the company by the Stock Exchange or SEBI or any authority, on any matter related to capital markets, during the last three years
- There was no instance of any penalty/stricture imposed on the company by any authority for non-compliance on any matter related to the capital markets during the last three years.
- Disclosures regarding appointment or re-appointment of Directors
The information relating to the Directors being appointed / re-appointed at the ensuing Annual General Meeting, is furnished in the Notice of the Annual General Meeting.
- All mandatory requirements as per Clause 49 of the Listing agreement have been complied by the company.

Communication to Shareholders

Quarterly/half yearly/annual results and information relating to convening of Annual General Meeting are published in leading newspapers, both National and local, and also notified to the stock exchanges. The same is also displayed on the company's website www.autoaxle.com. The website also carries the key information on the company. A report on the Management Discussions & Analysis is enclosed as a part of the Directors' Report to the Members.

AUTOMOTIVE AXLES LIMITED

General Shareholder Information

Annual General Meeting	Date & Time : 21st January 2009 at 12.30 p.m. Venue : Registered Office Hootagalli Industrial Area Off Hunsur Road, Mysore						
Financial Year	1st October 2007 to 30th September 2008						
Record Date and Book Closure Dates	19th January 2009 to 21st January 2009 - 65% Dividend						
Dividend Payment Date	within the time limit prescribed by the Companies Act, 1956						
Listing	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra East, Mumbai-400 051 The Company confirms that the annual listing fees for the year 2008-09 have been paid to both the stock exchanges.						
Stock Codes	BSE - 505010 NSE-AUTOAXLES Demat ISIN Number: INE449A01011						
Stock Data	Monthly High and Low price at which the shares of the Company were traded at the BSE and NSE are given below:						
	Month	BSE			NSE		
		High (Rs.)	Low (Rs.)	No. of Shares Traded	High (Rs.)	Low (Rs.)	No. of Shares Traded
	October, 2007	532.00	447.50	40897	530.00	453.20	44526
	November, 2007	500.00	402.05	38203	508.00	415.00	44053
	December, 2007	670.00	480.00	131513	680.00	475.00	140816
	January, 2008	661.95	402.00	38936	665.00	375.00	89024
	February, 2008	639.90	506.00	51655	640.00	475.00	73365
	March, 2008	604.90	360.00	105794	570.00	370.00	150258
	April, 2008	394.95	325.10	22065	399.75	330.00	49227
	May, 2008	363.95	306.50	52973	358.00	308.00	57273
	June, 2008	315.90	230.00	51669	325.00	230.20	23765
	July 2008	263.55	193.10	24993	260.05	191.35	73487
	August 2008	319.50	240.05	34145	319.95	259.00	48069
	September 2008	298.00	211.60	10603	299.85	214.35	23390



Share Transfer System	<p>In compliance with the SEBI circular dated 27th December 2002, requiring share registry in terms of both physical and electronic mode to be maintained at a single point, the company has appointed M/s. Alpha Systems Pvt Ltd., Ramana Residency, 4th Cross, Malleshwaram, Bangalore 560 003, as its Registrar and Share Transfer Agents.</p> <p>Company's shares are traded on the Stock Exchanges compulsorily in demat mode.</p>																							
Shareholding pattern as on 30th September 2008																								
Pattern of shareholding by ownership			Pattern of shareholding by share class																					
Ownership	No. of Shares held	Share Holding %	Category	No. of Share holders	No. of Shares held	Share Holding %																		
Promoters	10735081	71.04	Upto 500	9083	543879	3.60																		
Non Promoter (Public)			501 to 1000	113	86769	0.57																		
Bodies Corporate	1648587	10.91	1001 to 2000	49	69252	0.46																		
Financial Institutions / Banks	153	0.00	2001 to 3000	15	35732	0.24																		
Foreign Institutional Investors	161095	1.07	3001 to 4000	7	23787	0.16																		
Non Resident Indians / OCB	36341	0.24	4001 to 5000	6	27648	0.18																		
Mutual Fund	1690223	11.18	5001 to 10000	9	63348	0.42																		
Others	840495	5.56	10000 & above	23	14261560	94.37																		
Total	15111975	100.00	Total	9305	15111975	100.00																		
Dematerialisation	<p>The Company's Equity Shares are under compulsory demat trading.</p> <p>As on 30th September 2008, dematerialised shares accounted for 63.32% of total equity.</p>																							
Details of Public funds obtained in the last three years	Nil																							
Outstanding warrants and their implications on Equity	There are no outstanding warrants.																							
Plant Locations	Hootagalli Industrial Area Off Hunsur Road, Mysore 570 018																							
Investor Correspondence address:	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Company</td> <td style="width: 50%;">Share Transfer Agents</td> </tr> <tr> <td>Secretarial Department</td> <td>Alpha Systems Pvt. Ltd</td> </tr> <tr> <td>Automotive Axles Limited</td> <td>Ramana Residency, 4th Cross</td> </tr> <tr> <td>Hootagalli Industrial Area</td> <td>Sampige Road,</td> </tr> <tr> <td>Off Hunsur Road</td> <td>Malleshwaram</td> </tr> <tr> <td>Mysore 570 018</td> <td>Bangalore - 560 003</td> </tr> <tr> <td>Phone : 2402582 - 86 (5 lines)</td> <td>Phone : 23460815-818</td> </tr> <tr> <td>Fax : 2402451, 2402217</td> <td>Fax : 23460819</td> </tr> <tr> <td>E-Mail : sec@autoaxle.com</td> <td>E-mail : alfint@vsnl.com</td> </tr> </table>						Company	Share Transfer Agents	Secretarial Department	Alpha Systems Pvt. Ltd	Automotive Axles Limited	Ramana Residency, 4th Cross	Hootagalli Industrial Area	Sampige Road,	Off Hunsur Road	Malleshwaram	Mysore 570 018	Bangalore - 560 003	Phone : 2402582 - 86 (5 lines)	Phone : 23460815-818	Fax : 2402451, 2402217	Fax : 23460819	E-Mail : sec@autoaxle.com	E-mail : alfint@vsnl.com
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E-Mail : sec@autoaxle.com	E-mail : alfint@vsnl.com																							

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

We, Ashok Rao, President & Wholetime Director and C K Sabareeshan, Chief Financial Officer & Company Secretary of Automotive Axles Limited, to the best of our knowledge and belief, certify that;

1. We have reviewed the financial statements and the cash flow statement for the year ended 30th September 2008 and to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of knowledge and belief, no transactions entered into by Automotive Axles Limited during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We are responsible for establishing and maintaining internal controls for financial reporting in Automotive Axles Limited and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, which we are aware and the steps we have taken or proposed to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee:
 - I) significant changes in internal control over financial reporting during the year;
 - II) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - III) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.
5. We affirm that we have not denied any personal access to the Audit Committee of the Company (in respect of matters involving alleged misconduct)
6. We further declare that all Board members and senior management have affirmed compliance with the code of conduct for the current year.

Place : Mysore

Date : 14.11.2008

Ashok Rao
President &
Wholetime Director

C K Sabareeshan
Chief Financial Officer &
Company Secretary



**CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF
CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To

The Members of Automotive Axles Limited

I have examined the compliance of conditions of Corporate Governance by Automotive Axles Limited for the year ended 30th September 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

I have conducted my review on the basis of the relevant records and documents maintained by the Company and furnished to me for the review, and the information and explanations given to me by the Company.

Based on such a review, in my opinion, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Mysore

Date : 5th November 2008

Nimmoo Kinger

CP NO. 2775

AUDITORS' REPORT

TO THE MEMBERS OF AUTOMOTIVE AXLES LIMITED

1. We have audited the attached Balance Sheet of AUTOMOTIVE AXLES LIMITED ("the Company"), as at September 30, 2008, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. These 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 a 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. 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 purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on September 30, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2008 from being appointed as a director in terms of 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 read together with the notes thereon 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 September 30, 2008
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for **DELOITTE HASKINS & SELLS**
Chartered Accountants

S. GANESH

Partner

M. No. 204108

Place: Bangalore

Date : 14.11.2008



ANNEXURES TO THE AUDITORS' REPORT (Referred to in our report of even date)

1. The provisions of clauses i (c), iii (b) to (d), (f) & (g), v(b), x, xii, xiii, xiv, xv, xviii, xix and xx of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable for the current year.
2. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
3. In respect of inventories:
 - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. The Company has not taken/granted any loans, secured or unsecured from/to Companies, firms or other parties in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weakness in such internal controls.
6. To the best of our knowledge and belief, and according to the information and explanations given to us, and the records of the Company examined by us, there were no contracts / arrangements that needed to be entered in the Register maintained under Section 301 of the Companies Act, 1956
7. The Company has not accepted any deposits from the public.
8. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
9. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of automobile parts, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
10. In respect of Statutory dues:
 - (a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, as at the year-end there are no statutory dues outstanding for more than six months from the date they became payable as at the Balance Sheet date.
 - (c) According to the information and explanations given to us, as at the year-end there are no dues of income tax, wealth tax, sales tax, customs duty, excise duty and cess which have not been deposited on account any dispute.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in the repayment of dues to financial institutions and banks.
12. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
13. According to information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
14. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

S. Ganesh
Partner
M. No. 204108

Place : Bangalore
Date : 14.11.2008

AUTOMOTIVE AXLES LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER													
	Schedule No.	2008 Rs.	2007 Rs.										
SOURCES OF FUNDS													
1. Shareholders Funds													
a) Share Capital	1	151,119,750	151,119,750										
b) Reserves & Surplus	2	<u>1,547,782,739</u>	<u>1,104,850,372</u>										
		1,698,902,489	1,255,970,122										
2. Loan Funds													
a) Secured Loans	3	565,687,810	841,808,890										
b) Unsecured Loans	4	<u>155,033,794</u>	<u>177,345,781</u>										
		720,721,604	1,019,154,671										
3. Deferred tax liability (Net)		<u>140,250,000</u>	<u>129,600,000</u>										
TOTAL		2,559,874,093	2,404,724,793										
APPLICATION OF FUNDS													
1. Fixed Assets	5												
a) Gross Block at cost		2,735,095,830	2,331,610,966										
b) Less : Accumulated Depreciation		<u>1,127,998,848</u>	<u>959,871,355</u>										
c) Net Block		1,607,096,982	1,371,739,611										
d) Capital work-in-progress - at cost		<u>79,613,324</u>	<u>143,806,048</u>										
		1,686,710,306	1,515,545,659										
2. Current Assets , Loans & Advances													
a) Current Assets													
Inventories	6	875,129,831	760,251,830										
Sundry Debtors	7	651,004,904	912,582,196										
Cash and Bank	8	192,028,587	114,902,515										
b) Loans & Advances	9	<u>162,385,631</u>	<u>215,718,000</u>										
		1,880,548,953	2,003,454,541										
Less : Current Liabilities & Provisions													
a) Current Liabilities	10	853,610,584	969,420,125										
b) Provisions	11	<u>153,774,582</u>	<u>144,855,282</u>										
		1,007,385,166	1,114,275,407										
Net Current Assets		<u>873,163,787</u>	<u>889,179,134</u>										
TOTAL		2,559,874,093	2,404,724,793										
Significant Accounting Policies and Notes to Balance Sheet & Profit & Loss Account	18												
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>As per our report of even date attached For DELOITTE HASKINS & SELLS Chartered Accountants</p> </td> <td style="width: 50%; vertical-align: top; text-align: center;"> <p>On behalf of the Board of Directors</p> </td> </tr> <tr> <td style="vertical-align: top;"> <p>S. Ganesh <i>Partner</i></p> </td> <td style="vertical-align: top;"> <p>B.N.Kalyani <i>Chairman</i></p> </td> <td style="vertical-align: top;"> <p>Ashok Rao <i>President and Wholtime Director</i></p> </td> <td style="vertical-align: top;"> <p>C.K. Sabareeshan <i>Chief Financial Officer & Company Secretary</i></p> </td> </tr> <tr> <td style="vertical-align: top;"> <p>Place : Bangalore Date : 14th November 2008</p> </td> <td style="vertical-align: top;"> <p>Place : Bangalore Date : 14th November 2008</p> </td> <td></td> <td></td> </tr> </table>				<p>As per our report of even date attached For DELOITTE HASKINS & SELLS Chartered Accountants</p>	<p>On behalf of the Board of Directors</p>	<p>S. Ganesh <i>Partner</i></p>	<p>B.N.Kalyani <i>Chairman</i></p>	<p>Ashok Rao <i>President and Wholtime Director</i></p>	<p>C.K. Sabareeshan <i>Chief Financial Officer & Company Secretary</i></p>	<p>Place : Bangalore Date : 14th November 2008</p>	<p>Place : Bangalore Date : 14th November 2008</p>		
<p>As per our report of even date attached For DELOITTE HASKINS & SELLS Chartered Accountants</p>	<p>On behalf of the Board of Directors</p>												
<p>S. Ganesh <i>Partner</i></p>	<p>B.N.Kalyani <i>Chairman</i></p>	<p>Ashok Rao <i>President and Wholtime Director</i></p>	<p>C.K. Sabareeshan <i>Chief Financial Officer & Company Secretary</i></p>										
<p>Place : Bangalore Date : 14th November 2008</p>	<p>Place : Bangalore Date : 14th November 2008</p>												



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER

	Schedule No.	2008 Rs.	2007 Rs.
INCOME			
Sales - Gross		8,479,599,543	6,944,474,039
Less: Excise Duty		1,011,118,225	872,525,355
		7,468,481,318	6,071,948,684
Other Income			
- Operational	12	50,664,440	44,667,209
- Others	13	8,571,885	57,901,221
		7,527,717,643	6,174,517,114
EXPENDITURE			
Raw Materials Consumed	14	5,214,018,254	4,232,175,645
(Increase)/Decrease In Stock of Finished Goods & Work-in-Process	15	14,990,233	(54,530,676)
Manufacturing, Administration & Selling Expenses	16	1,171,608,390	931,756,662
Interest	17	63,858,774	75,206,409
Depreciation		208,937,965	170,903,725
		6,673,413,616	5,355,511,766
Profit before Tax		854, 304,027	819,005,348
Provision for Taxation			
- Current Tax		284,000,000	245,700,000
- Deferred Tax		10,650,000	35,432,440
- Fringe Benefit Tax		1,800,000	1,600,000
Profit after Tax		557,854,027	536,272,908
Add : Balance brought forward from previous year		779,987,109	518,417,398
Profit available for appropriation		1,337,841,136	1,054,690,306
APPROPRIATIONS			
Proposed Dividend		98,227,838	98,227,838
Interim Dividend		-	90,671,850
Tax on Dividend		16,693,820	32,103,510
Transfer to General Reserve		55,900,000	53,700,000
Surplus carried to Balance Sheet		1,167,019,478	779,987,109
No. of Equity Shares		15,111,975	15,111,975
Basic and Diluted Earnings per Equity Share (Rs.) (Face value of Rs. 10 /- per share)		36.91	35.49
Significant Accounting Policies and Notes to Balance Sheet & Profit & Loss Account	18		

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

On behalf of the Board of Directors

S. Ganesh
Partner

B.N.Kalyani
Chairman

Ashok Rao
*President and
Wholetime Director*

C.K. Sabareeshan
*Chief Financial Officer
& Company Secretary*

Place : Bangalore
Date : 14th November 2008

Place : Bangalore
Date : 14th November 2008

AUTOMOTIVE AXLES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER				
	2008		2007	
	Rs.	Rs.	Rs.	Rs.
I) Cash Flow From Operating Activities				
A) Net Profit before Tax and Extraordinary Items		854,304,027		819,005,350
B) Adjustments				
Add : Depreciation	208,937,965		170,903,725	
Unrealised Exchange Loss	44,959,362		-	
Interest Expense	63,858,774	317,756,101	75,206,409	246,110,134
		1,172,060,128		1,065,115,484
Less :				
Unrealised Exchange Gain	-		42,780,130	
Liabilities written back	530,306	-	-	
Profit on sale of asset (net)	1,569,668		86,761	
Interest Income	649,152	2,749,126	79,34,419	50,801,310
Operating Profit Before Working Capital Changes		1,169,311,002		1,014,314,174
C) Adjustments for				
Inventory	(114,878,001)		(179,504,213)	
Sundry Debtors	261,577,292		(544,380,715)	
Loans & Advances	11,767,099		(60,446,982)	
Current Liabilities & Provisions	(112,755,132)	45,711,258	371,048,272	(413,283,638)
D) Cash Generated From Operations		1,215,022,260		601,030,536
Advance Tax (Net of refunds)		(235,233,502)		(281,640,133)
E) Net Cash From Operating Activities		979,788,758		319,390,403
II) Cash Flow From Investing Activities				
Purchase of Fixed Assets (Net of exchange fluctuation capitalised & assets acquired on finance lease & including Capital Work-In-Progress)		(380,372,554)		(444,608,335)
Sale of Assets		1,839,612		327,432
Interest Income		649,152		7,934,419
Net Cash Used in Investing Activities		(377,883,790)		(436,346,484)



	2008		2007	
	Rs.	Rs.	Rs.	Rs.
III) Cash Flow From Financing Activities				
A) Inflow				
Proceeds From Long Term Borrowings		158,963,241		489,590,597
Proceeds From Short Term Borrowings		493,537,527		650,378,812
		65,250,768		1,139,969,409
B) Outflow				
Repayment of Long Term Borrowings		(229,910,026)		(235,713,196)
Repayment of Short Term Borrowings		(765,983,172)		(389,705,132)
Dividend & Tax on Dividend		(114,989,585)		(234,870,437)
Interest Paid		(66,396,880)		(73,136,005)
		(1,177,279,663)		(933,424,770)
Net Cash Used in Financing activities		(524,778,895)		206,544,639
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		77,126,073		89,588,559
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD		114,902,515		25,313,956
CASH AND CASH EQUIVALENTS AT END OF PERIOD		192,028,558		114,902,515

Note: 1. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3-Cash Flow Statement issued under the Companies (Accounting Standard) Rules, 2006.

2. Cash and cash equivalents at the end of the year include balances with Scheduled Banks in unpaid Dividend accounts Rs. 3,336,145/- (Previous Year Rs. 3,404,070/-)

As per our report of even date attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

On behalf of the Board of Directors

S. Ganesh
Partner

B.N.Kalyani
Chairman

Ashok Rao
President and
Wholtime Director

C.K.Sabareeshan
Chief Financial Officer
& Company Secretary

Place : Bangalore

Date : 14th November, 2008

Place : Bangalore

Date : 14th November, 2008

AUTOMOTIVE AXLES LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS		
SCHEDULE - 1 SHARE CAPITAL	2008 Rs.	2007 Rs.
Authorised: 23,000,000 Equity Shares of Rs.10 each 2,000,000 Preference Shares of Rs.10 each	230,000,000 20,000,000 <hr/> 250,000,000	230,000,000 20,000,000 <hr/> 250,000,000
Issued, Subscribed & Paid up : 15,111,975 Equity Shares of Rs.10 each fully paid up	151,119,750	151,119,750
SCHEDULE - 2 RESERVES & SURPLUS	2008 Rs.	2007 Rs.
Share Premium as per last Balance Sheet	115,588,500	115,588,500
General Reserve		
As per last Balance sheet	209,274,761	166,318,925
Add: Transfer from Profit & Loss Account	55,900,000	53,700,000
Less: Transitional liability in Gratuity	-	16,195,604
Deferred tax asset on the above	-	(5,451,440)
As on 30th September, 2008	265,174,761	209,274,761
Surplus in Profit & Loss Account	1,167,019,478	779,987,109
TOTAL	1,547,782,739	1,104,850,371
SCHEDULE - 3 SECURED LOANS	2008 Rs.	2007 Rs.
From Financial Institutions		
-Finance Lease Obligations (Includes amounts due within one year Rs. 885,132/- previous year 1,200,033/-)	2,200,145 <hr/> 2,200,145	2,085,580 <hr/> 2,085,580
From Banks		
-Foreign Currency Term Loans (Includes amounts due within one year Rs. 79,147,500/- previous year 73,662,500/-)	104,625,000	159,040,000
-Rupee Term Loans (Includes amounts due within one year Rs.123,000,000/- previous year Rs. 99,375,000/-)	439,375,000	388,750,000
-Working Capital Borrowings	19,487,665	291,933,310
	563,487,665	839,723,310
TOTAL	565,687,810	841,808,890
<ol style="list-style-type: none"> 1. Foreign currency term loan of Rs. 104,625,000/- (Previous year Rs.159,040,000/-) is secured by first charge on the entire Plant & Machinery of the Company. 2. Rupee Term loan of Rs. 439,375,000/- (Previous year Rs.388,750,000/-) secured by a first pari-passu charge by hypothecation of the Plant and Machinery of the Company. 3. Working Capital Borrowings include : Working capital facilities from banks and financial institutions of Rs.19,487,665/- (Previous year Rs.291,933,310/-) secured by a first charge ranking pari-passu inter-se, by way of hypothecation of current asset. 4. Finance lease obligations are secured by assets purchased under the respective agreements. 		



SCHEDULE - 4 UNSECURED LOANS	2008 Rs.	2007 Rs.
From Bank Foreign Currency Term Loans (Includes amounts due within one year Rs.39,071,192/- previous year Rs.33,369,661/-)	155,033,794	157,613,486
From the Govt. of Karnataka -Sales tax Loan - Interest free (Includes amounts due within one year Rs.NIL previous year Rs.19,472,000/-)	-	19,732,295
TOTAL	155,033,794	177,345,781

**SCHEDULE - 5
FIXED ASSETS**

(In Rupees)

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.10.2007	Additions/ Adjustments during the year	Disposals/ Adjustments during the year	As at 30.09.2008	Upto 30.09.2007	For the year	Adjustments during the year	As at 30.09.2008	As at 30.09.2008	As at 30.09.2007
Land - Freehold	3,832,366	-	-	3,832,366	-	-	-	-	3,832,366	3,832,366
Building	190,642,774	22,612,206	2,552,325	210,702,655	39,756,733	8,434,311	2,552,325	45,638,719	165,063,936	150,886,039
Plant & Machinery	2,088,250,344	417,427,559	34,554,171	2,471,123,732	891,219,427	194,508,203	34,299,941	1,051,427,689	1,419,696,043	1,197,030,917
Furniture & office equipment	42,949,007	3,265,684	3,973,920	42,240,771	25,923,884	5,043,608	3,958,206	27,009,286	15,231,485	17,025,123
Vehicles										
Own Vehicle	3,002,906	-	-	3,002,906	1,869,197	467,305	-	2,336,502	666,404	1,133,709
Finance Lease	2,905,075	1,259,829	-	4,164,904	1,073,619	484,538	-	1,558,157	2,606,747	1,831,456
Assets held for disposal	28,496	-	-	28,496	28,495	-	-	28,495	1	1
Total	2,331,610,968	444,565,278	41,080,416	2,735,095,830	959,871,355	208,937,965	40,810,472	1,127,998,848	1,607,096,982	1,371,739,611
Capital work in progress (a)									79,613,324	1,43,806,048
Total									1,686,710,306	1,515,545,659
Previous Year	1,947,553,469	392,551,976	8,494,479	2,331,610,966	797,221,438	170,903,724	8,253,807	959,871,366	1,515,545,659	

(a) Capital work in progress includes Capital Advances Rs. 28,491,359/- (Previous Year Rs.54,682,238/-)

(b) During the year, a sum of Rs.30,62,151/- (Previous Year - Nil) being interest on Borrowings attributable to qualifying assets have been capitalised under the head Plant & Machinery.

AUTOMOTIVE AXLES LIMITED

SCHEDULE - 6 CURRENT ASSETS	2008 Rs.		2007 Rs.
Inventories (at the lower of cost and net realisable value)			
Raw materials & Components	565,657,953		453,435,106
Work-in-process	137,938,152		206,505,966
Finished goods	86,063,039		23,576,756
Stores & Spares	85,470,687		76,734,002
	875,129,831		760,251,830

SCHEDULE - 7 SUNDRY DEBTORS	2008 Rs.		2007 Rs.
(Unsecured, Considered good)			
Over Six months	4,721,768		1,162,706
Others	646,283,136		911,419,490
	651,004,904		912,582,196
Includes amounts due from Meritor HVS (India) Ltd, a Company under the same Management.	575,479,320		728,846,284

SCHEDULE - 8 CASH AND BANK BALANCES	2008 Rs.		2007 Rs.
Cash on hand	146,333		73,613
Cheques on hand	41,207,534		-
Bank Balances			
With Scheduled Banks			
- in Current accounts	20,674,720		114,828,902
- in Fixed Deposits	130,000,000		-
	192,028,587		114,902,515

SCHEDULE - 9 LOANS & ADVANCES - Considered good	2008 Rs.		2007 Rs.
Advances recoverable in cash or in kind or for value to be received	153,965,278		165,601,642
Advance Income Tax		719,612,639	
Less: Provision for Income tax		(678,047,369)	41,565,270
Deposits with Govt. Authorities	7,887,658		7,896,090
Balances With Customs & Central Excise Dept.	53,323		53,323
Deposits - Others	459,372		401,675
TOTAL	162,385,631		215,718,000
Note :-			
1. Of the above			
-Secured	-		1,550,000
-Unsecured	162,385,631		214,168,000
	162,385,631		215,718,000
2. Advances recoverable includes amounts due from Meritor HVS (India) Ltd, a Company under the same Management.	-		27,885
Maximum amount outstanding during the year	64,222		329,398



SCHEDULE - 10 CURRENT LIABILITIES	2008 Rs.		2007 Rs.
Sundry Creditors			
- Micro, Small & Medium Scale Enterprises	4,086,186		23,682,309
- Others	575,012,578		551,306,377
Other Liabilities	98,116,007		120,670,872
Interest accrued but not due on loans	7,076,465		9,614,571
Unpaid Dividend #	3,336,145		3,404,070
Bills Payable	163,086,797		255,794,305
Advances from Suppliers	2,896,406		4,947,621
TOTAL	853,610,584		969,420,125
# There is no amount due and outstanding as at the Balance sheet date to be credited to the Investor Education and Protection Fund			

SCHEDULE - 11 PROVISIONS	2008 Rs.		2007 Rs.
Provision for Employee Benefits	16,018,152		19,166,965
Warranty	13,772,882		10,705,997
Provision for Income Tax	962,047,369	-	-
Less: Advance Income Tax (953,121,141)	8,926,228	-	-
Provision for Fringe Benefit Tax	6,368,141	4,568,141	
Less: Advance Fringe Benefit Tax (6,232,479)	135,662	(4,507,479)	60,662
Proposed Dividend	98,227,838		96,227,838
Tax on Proposed Dividend	16,693,820		16,693,820
TOTAL	153,774,582		144,866,282

SCHEDULE - 12 OPERATIONAL INCOME	2008 Rs.		2007 Rs.
Jobbing Charges	3,638,837		9,304,531
Scrap Sales	45,778		2,877,576
Others	46,979,825		32,485,102
TOTAL	50,664,440		44,667,209

SCHEDULE - 13 OTHER INCOME	2008 Rs.		2007 Rs.
Profit on sale of assets (net)	1,569,668		86,761
Interest (Tax deducted at source Rs. 37,441/- Previous year - Rs.1,221,846/-)	649,152		7,934,419
Exchange gain	-		49,318,539
Miscellaneous Income	6,353,065		561,502
TOTAL	8,571,885		57,901,221

SCHEDULE - 14 RAW MATERIAL CONSUMED	2008 Rs.		2007 Rs.
Opening Stock	453,435,105		349,727,928
Add: Purchases	5,625,746,507		
Less : Cash Discount & Scrap Sales	<u>299,505,405</u>		
	5,326,241,102		4,335,882,823
	5,779,676,207		4,685,610,751
Less: Closing Stock	565,657,953		453,435,106
TOTAL	5,214,018,254		4,232,175,645

AUTOMOTIVE AXLES LIMITED

SCHEDULE - 15 (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS & WORK-IN-PROCESS	2008 Rs.	2007 Rs.
Closing Stock		
- Finished Goods	86,063,039	23,576,756
- Excise duty on Finished Goods	(11,826,860)	(2,918,158)
- Work-in-process	137,938,152	206,505,966
	212,174,331	227,164,564
Opening Stock		
- Finished Goods	23,576,756	20,643,242
- Excise duty on Finished Goods	(2,918,158)	(3,087,788)
- Work-in-process	206,505,966	155,078,434
	227,164,564	172,633,888
TOTAL	14,990,233	(54,530,676)

SCHEDULE - 16 MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES	2008 Rs.	2007 Rs.
Payments to and provision for employees:		
-Salaries & Wages	270,723,314	222,211,165
-Contribution to Provident Fund and other funds	24,590,242	19,388,572
-Welfare expenses	33,715,181	25,235,401
	329,028,737	266,835,138
Stores & Spares consumed	199,813,230	159,792,701
Power & Fuel	177,057,817	151,111,193
Rates & Taxes	820,396	908,359
Travelling Expenses	7,967,974	5,278,819
Repairs & Maintenance		
- Buildings	-	19,000
- Plant & Machinery	78,017,156	57,639,651
- Others	5,184,108	4,230,806
Insurance charges	1,966,682	4,421,682
Postage, Telephone & Telegrams	1,667,776	1,766,881
Vehicle Running Expenses	1,244,573	1,230,746
Directors' Sitting fees	440,000	440,000
Legal and Professional Fees	13,414,029	11,562,917
Technical Fees	34,666,831	10,626,919
Bank charges/Commission	1,053,806	1,663,287
Outside Processing Charges	223,157,270	179,578,378
Lease Rent	494,160	494,160
Exchange loss	43,200,530	-
Warranty	19,923,630	22,015,521
Export Expenses	6,000,920	32,677,037
Miscellaneous Expenses	26,488,765	19,463,468
TOTAL	1,171,609,390	931,756,662
SCHEDULE - 17 INTEREST	2008 Rs.	2007 Rs.
Interest on term loans	48,386,416	45,319,175
Interest on Working capital borrowings	15,472,774	29,887,234
TOTAL	68,868,774	75,206,409



SCHEDULE 18

NOTES FORMING PART OF ACCOUNTS

1. Significant Accounting Policies

a) Accounting convention

The financial statements are based on historical cost and have been prepared on the accrual concept of accounting under the historical cost convention in accordance with the Generally Accepted Accounting Principles and comply with the mandatory Accounting Standards as applicable, in accordance with the relevant provisions of the Companies Act, 1956.

b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires that the management makes estimates & assumptions that affect the reported amount of Assets & Liabilities, disclosure of contingent liabilities as at the date of financial statements & reported amounts of Revenue & Expenses during the reported period. Actual results could differ from those estimates.

c) Fixed Assets and Depreciation

(i) Fixed Assets

Fixed assets are stated at cost (net of CENVAT) less accumulated depreciation. Cost includes all costs relating to the acquisition and installation of fixed assets including interest on borrowings for the project / Fixed Asset till the date of Commercial Production / the assets are put in use.

Expenditure on reconditioning of machinery is capitalised where such expenditure results in increase in the future benefits from the asset and /or results in an extension of the useful life of the asset based on technical assessment.

(ii) Depreciation

Depreciation on Buildings and Plant & Machinery is provided under the "Straight line method" and on other assets under the "Reducing balance method" at the rates specified in Schedule XIV to the Companies Act, 1956, based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates.

In cases where the useful lives are estimated to be lower than those considered in determining the rates specified in that Schedule, depreciation is provided under the Straight Line Method over the useful lives of the assets as follows :

- Reconditioned machinery and related Expenditure - as specifically estimated and currently ranging between 3 to 10 Years
- Tools, Jig and Fixtures and Measuring Gauges - 2 to 5 Years
- Certain imported machinery - As per technical evaluation, of their useful life and currently ranging between 4 to 15 Years.

In case of diminution in value of the asset due to technological reasons, the difference between written down value and estimated net realisable value of assets is provided as depreciation in the year in which it is ascertained. In case of assets costing less than Rs. 5,000/- is 100% depreciated.

d) Inventories

Raw material, stores & spares, work-in process and finished goods are valued at the lower of cost and estimated realisable value. Cost of materials is determined on Weighted Average basis. In the case of work-in-process and finished goods, cost includes the cost of conversion. Closing stock of Finished Goods includes liability towards Excise duty payable on clearance of goods. Imported materials in transit at the year-end are valued inclusive of customs duty.

e) Foreign Currency Transactions

Monetary Assets & Liabilities denominated in foreign currency at the balance sheet date are translated into rupees at the exchange rate prevailing on that date. Gains or Losses arising on settlement/ restatement are charged to the profit & loss account.

Premium in respect of Forward contract is accounted over the period of the contract.

f) Revenue Recognition

Sales: - Sales are recognised on dispatch and transfer of underlying risk & rewards as per contracted terms and are recorded at invoice value, net of Sales Taxes, but including excise duties.

Export Incentives: - Export Incentives are accounted for on accrual basis at the time of Export of Goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

g) Research and Development

Revenue expenditure on Research and Development is charged to the Profit and Loss Account in the year of incurrence. However capital expenditure on research and development is treated in the same way as other fixed assets.

h) Employee Benefits

(i) Short term employee benefits including salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related employee service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits (such as medical care) for current employees are estimated and measured on an undiscounted basis.

(ii) Defined Contribution Plan

Company's contributions paid / payable during the year to Provident Fund and Superannuation Fund are recognised in the Profit and Loss Account.

(iii) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by a fund manager are determined by an independent actuarial valuation made at the end of each financial year. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

Actuarial gain and losses are recognized immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(iv) Liability for Leave Encashment is provided based on accumulated leave credit outstanding to the employees as on the date of Balance Sheet.

i) Events subsequent to the Balance Sheet date

Events occurring after the balance sheet date, which have a material impact on the financial affairs of the Company, are taken into cognisance.

j) Prior period and Extraordinary items

Prior period and extraordinary items, and changes in accounting policies, having a material impact on the financial affairs of the Company are disclosed.

k) Income Tax

Income tax comprises the current tax provision, net change in the deferred tax asset or liability in the year and Fringe Benefit Tax.



Provision for current tax is made taking into account the admissible deductions/ allowances and is subject to revision based on the taxable income for the fiscal year ending 31st March each year.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between carrying values of the assets and liabilities and their respective tax bases and are measured using enacted tax rates applicable on the Balance Sheet date. Deferred tax assets are recognized subject to management's judgment that realization is virtually certain.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Fringe Benefit Tax has been provided as per provisions of Indian Income Tax Act, 1961.

l) Cash flow Statement

Cash Flow Statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

m) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to Profit and Loss Account in the year in which an asset is identified as impaired. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value. A previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

n) Earnings per Share

In determining the earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date.

o) Provision & Contingencies

A Provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Warranty expenses are provided for in the year of sale based on technical estimates. In addition, specific provision is also made against customer claims for manufacturing defects, where necessary, even though the same may pertain to prior years.

2.	(a) Installed Capacity: (Product)	UM	As on 30.09.08	As on 30.09.07
	Axle Housing (a component of Axle, including Tag Hsg.)	(Nos)	202,000	162,500
	Complete Axles	(Nos)	168,000	130,000
	Brake Assemblies **	(Nos)	1,248,000	1,248,000
	Gear Sets	(MT)	9,552	7,163
	(as certified by management and relied upon by the auditors, being a technical matter)			
	** Brake Assemblies include sub assemblies			
	(b) Actual Production: (Product)	UM	2007-08	2006-07
	Axle Housings * (a component of Axle, including Tag Hsg.)	(Nos)	142,797	137,947
	Complete Axles	(Nos)	109,662	104,633
	Gear Sets@	(MT)	6,493.40	4,561.84
	@ Includes jobbing 5.74 MT (previous year 11.06 MT)			
	* Actual production of Axle Housings includes 109,662 Nos. used for production of Complete Axles (previous year 104,633 Nos)			

AUTOMOTIVE AXLES LIMITED

3. Details of Gross Sales : (Excluding Warranty replacements & Samples)

	2007-08		2006-07	
	Quantity (Nos)	Amount (Rs.)	Quantity (Nos)	Amount (Rs.)
• Axle Housing	33,320	442,990,597	33,373	388,741,592
• Axles	108,449	6,605,424,943	104,740	5,400,522,679
• Spares		1,431,184,003		1,155,209,768
		8,479,599,543		6,944,474,039

4. Opening and Closing Stock of Finished Goods:

	2007-08		2006-07	
	Quantity (Nos)	Amount (Rs.)	Quantity (Nos)	Amount (Rs.)
Opening Stock:				
• Axle Housing	42	451,129	208	1,795,880
• Axles	276	16,118,008	383	15,254,369
• Others		7,007,619		3,592,993
		23,576,756		20,643,242
Closing Stock:				
• Axle Housing	91	1,018,959	42	451,129
• Axles	1255	74,417,617	276	16,118,008
• Others		10,626,463		7,007,619
		86,063,039		23,576,756

5. Raw Materials and Components consumed:

	2007-08		2006-07	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
• Steel (M.T)	22,038	909,802,517	27,546	883,669,877
• Castings (Nos.)	879,196	704,775,821	849,432	553,805,697
• Forgings (Nos.)	1,353,353	1,155,458,678	1,331,391	951,556,990
• Bought out Finished Components		2,095,947,157		1,617,017,813
• Others		348,034,081		226,125,268
		5,214,018,254		4,232,175,645

6. Value of Raw Materials, Stores & Spares consumed during the year:

	2007-08		2006-07	
	Consumption %	(Rs.)	Consumption %	(Rs.)
a) Raw Materials				
• Imported	2	113,679,501	2	85,917,610
• Indigenous	98	5,100,338,753	98	4,146,258,035
	100	5,214,018,254	100	4,232,175,645
b) Stores & Spares				
• Imported	3	6,301,290	1	2,028,579
• Indigenous	97	193,511,940	99	157,764,122
	100	199,813,230	100	159,792,701



7. Value of imports on C.I.F. basis:

	2007-08	2006-07
	(Rs.)	(Rs.)
i. Raw Material	130,063,177	76,322,509
ii. Consumables & Spares	6,728,972	9,712,886
iii. Capital Goods	58,984,055	149,956,995
	195,776,204	235,992,390

8. Expenditure in Foreign Currency:

	2007-08	2006-07
	(Rs.)	(Rs.)
a) Foreign Travel	1,865,870	2,439,481
b) Bank Charges	292,934	153,657
c) Others	4,638,810	5,415,399
d) Interest	14,397,317	20,311,462

9. Remittances in Foreign Currency on account of dividends to non resident share holders:

	2007-08	2006-07
	(Rs.)	(Rs.)
a. No. of Non resident Shareholders	1	1
b. No. of equity shares held	5,367,275	5,367,275
c. Amount of dividend paid	34,887,288	72,458,212
d. Year to which dividend relates		
Final Dividend	2006-07	2005-06
Interim Dividend	-	2006-07

10. Managerial Remuneration :

	2007-08	2006-07
	(Rs.)	(Rs.)
Salary & allowances	8,938,462	8,256,168
Contribution to Provident and other funds	1,321,967	1,175,714
Perquisites	354,576	322,861
	10,615,005	9,754,743

Note: Managerial remuneration for the current year in respect of one of the directors is for a period of 10 months

11. Payment to Auditors:

	2007-08	2006-07
	(Rs.)	(Rs.)
As Auditors	1,800,000	1,548,000
In other capacity	561,600	650,000
Service Tax (including Education Cess as applicable)	291,894	265,493
Reimbursement of expenses	247,213	169,885
	2,900,707	2,633,480

12. Employee Benefits :

I. Defined Contribution Plans:

During the year, the Company has recognized the following amount in the Profit and Loss Account-

Particulars	2007-08 Rs.	2006-07 Rs.
Employer's contribution to Provident Fund including Family Pension Fund*	14,161,029	12,516,414
Superannuation Fund*	3,322,726	4,448,700

* Included in Contribution to provident and other funds (Refer Schedule - 16)

II. Defined Benefit Plan : Contribution to Gratuity Fund

In accordance with Accounting Standrad 15, acturial valuation was carried out in respect of aforesaid defined benefit plan.

Particulars	30.09.2008	30.09.2007
Discount Rate	8.00%	8.00%
Expected Rate of Return on Plan Assets	8.00%	8.00%
Salary Escalation Rate	6.50%	6.50%

Change in Present Value of Obligation:-

Particulars	30.09.2008	30.09.2007
Present Value of Obligation at the beginning of the year	41,305,856	40,423,702
Current Service Cost	1,305,724	2,345,786
Interest on Defined Benefit Obligation	3,218,337	1,616,948
Benefits Paid	(2,153,283)	(1,568,328)
Net Actuarial Losses / (Gains) Recognized during the Year	(173,628)	(1,512,252)
Closing Present Value of Obligations	43,503,006	41,305,856

Change in the Fair Value of Assets:-

Particulars	30.09.2008	30.09.2007
Opening Fair Value of Plan Assets	29,411,010	24,228,098
Expected Return on Plan Assets	2,534,343	969,124
Actuarial Gains / (Losses)	(2,971,400)	392,696
Contributions by Employer	6,689,848	5,389,420
Benefits Paid	(2,153,283)	(1,568,328)
Closing Fair Value of Plan Assets	33,510,518	29,411,010



Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of plan assets:-

Particulars	30.09.2008	30.09.2007
Closing Present Value of Funded Obligation	43,503,006	41,305,856
Closing Fair Value of Plan Assets	33,510,518	29,411,010
Closing Funded Assets	(9,992,488)	(11,894,846)
Unrecognized Actuarial gains (losses)	--	
Unfunded Net Asset / (Liability) recognised in Balance Sheet	(9,992,488)	(11,894,846)

Amount recognized in the Balance Sheet:-

Particulars	30.09.2008	30.09.2007
Closing Present Value of obligation	43,503,006	41,305,856
Closing Fair Value of Plan Assets	33,510,518	29,411,010
Liability Recognised in Balance Sheet	(9,992,488)	(11,894,846)

Expenses recognized in the Profit & Loss Account:-

Particulars	30.09.2008	30.09.2007
Service Cost	1,305,724	2,345,786
Interest Cost	3,218,337	1,616,948
Expected Return on Plan Assets	(2,534,343)	(969,124)
Actuarial Gains / (Losses)	2,797,772	(1,904,948)
Net Cost	4,787,490	1,088,662

The estimated rate escalation in salary considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by actuary

Other Employee Benefits:

Compensated absences benefit expensed in the profit and loss account for the year is Rs.3,851,396/-

13. Segment Reporting

	Domestic	Sale for Exports	Consolidated
	(Rs.)	(Note 2 Below) (Rs.)	(Rs.)
I. Revenue			
Sales to external Customers	7,454,057,646 (6,014,705,872)	1,076,125,335 (971,506,735)	8,530,182,981 (6,986,212,607)
Segment Result	899,027,881 (709,710,924)	148,151,926 (202,118,728)	1,047,179,807 (911,829,652)
Unallocated Expenses net of Unallocated income			129,017,001 (17,617,896)
Operating Profit			918,162,806 (894,211,756)
Interest Expenses			63,858,779 (75,206,408)
Income Taxes			296,450,000 (282,732,440)
Net Profit			557,854,027 (536,272,908)

AUTOMOTIVE AXLES LIMITED

II. Other Information

Segment Assets	1,419,787,769 (1,441,122,112)	106,346,966 (231,711,903)	1,526,134,735 (1,672,834,015)
Unallocated Assets			3,000,478,144 (2,524,213,543)
Total Assets			4,526,612,879 (4,197,047,558)
Segment Liabilities			
Unlocated Liabilities			2,827,710,390 (2,941,077,447)
Total Liabilities			2,827,710,390 (2,941,077,447)
Depreciation	159,381,927 (129,761,817)	44,385,842 (35,521,945)	203,767,769 (165,283,760)
Depreciation:-Unallocable	-	-	6,449,710 (5,619,964)
Non Cash Charges other than depreciation	-	-	-

1. The Company has identified its primary segment as geographical, i.e., domestic and exports. Export Markets have been considered together as the product sold to these markets have comparable risks and rewards.
2. Sales for Exports represent export sales channelised through Meritor HVS (India) Limited and includes DEPB.
3. There are no Inter-segment Transactions during the year (Previous year Rs. Nil).
4. Fixed Assets of the Company have not been identified to the segments as they are common to the segments. Depreciation has been allocated to segments based on standard rates determined by the Company.
5. Secondary Segment disclosures have not been furnished as there is only a Single Business Segment.
6. Figures in brackets relate to the previous year.

14. Related party transactions :

a. List of Related Parties and Relationships

Relationship	Related Parties
(i) Controlling Enterprises	Meritor Heavy Vehicle System LLC., USA Arvin Meritor Inc.,
(ii) Other related parties with whom the Company had transactions :-	
Enterprises under Common Control	Bharat Forge Limited Kalyani Forge Limited Meritor HVS Cameri, SPA, Italy. Meritor HVS India Ltd Meritor HVS, Florence Meritor Automotive Inc, Fletcher USA Meritor Automotive Inc, Ohio USA Meritor HVS, Sweden.
Key Management Personnel	Dr. B.N. Kalyani Chairman (Non-retiring) Mr. Ashok Rao President and Wholetime Director Mr. C. K. Sabareeshan Chief Financial Officer & Company Secretary


b. Transactions with Related Parties

Transactions	Controlling Enterprises	Enterprises under Common Control	Key Management Personnel and their Relatives	Total
1) Purchase of Goods				
Bharat Forge Limited		207,133,368		207,133,368
		(178,456,753)		(178,456,753)
Others	29,110,065	5,045,116		34,155,181
	(19,649,976)	(4,095,070)		(23,745,046)
	29,110,065	212,178,484		241,288,549
	(19,649,976)	(182,551,823)		(202,201,799)
2) Sale of goods				
Meritor HVS (India) Limited		7,987,829,453		7,987,829,453
		(6,673,191,772)		(6,673,191,772)
Bharat Forge Limited		53,148,600		53,148,600
		(23,336,536)		(23,336,536)
		8,040,978,053		8,040,978,053
		(6,696,528,308)		(6,696,528,308)
3) Purchase of Fixed Assets				
Bharat Forge Limited		16,952,874		16,952,874
		(5,954,744)		(5,954,744)
		16,952,874		16,952,874
		(5,954,744)		(5,954,744)
4) Service Received				
Bharat Forge Limited		149,521,020		149,521,020
		(117,232,353)		(117,232,353)
Others	4,129,848	35,176,793		39,306,641
	(3,861,727)	(12,635,359)		(16,497,086)
	4,129,848	184,697,813		188,827,661
	(3,861,727)	(129,867,712)		(133,729,439)
5) Services Rendered				
Bharat Forge Limited		Nil		Nil
		(657,017)		(657,017)
Others		156,052		156,052
		(159,000)		(159,000)
		156,052		156,052
		(816,017)		(816,017)
6) Other Recoveries				
Bharat Forge Limited		Nil		Nil
		(2,144,979)		(2,144,979)
Meritor HVS (India) Limited		163,777		163,777
		(533,503)		(533,503)
		163,777		163,777
		(2,678,482)		(2,678,482)
7) Trade Advances				
Bharat Forge Limited		500,000		500,000
		(8,970,420)		(8,970,420)
		500,000		5,00,000
		(8,970,420)		(8,970,420)
8) Managerial Remuneration and Sitting Fees				
Mr. Ashok Rao			6,458,568	6,458,568
			(5,912,343)	(5,912,343)

AUTOMOTIVE AXLES LIMITED

Mr. C.K.Sabareeshan	4,987,726	4,987,726	
Others	(4,610,880)	(4,610,880)	
	80,000	80,000	
	(60,000)	(60,000)	
	11,526,294	11,526,294	
	(10,583,223)	(10,583,223)	
Amounts Outstanding at the Balance Sheet Date			
9) Amounts Receivable			
Meritor HVS (India) Limited	574,524,751	574,524,751	
	(728,874,169)	(728,874,169)	
Others	1,584,537	1,584,537	
	(4,319,746)	(4,319,746)	
	576,109,288	576,109,288	
	(733,193,915)	(733,193,915)	
Amounts Payable			
10) Bharat Forge Limited			
	34,914,799	34,914,799	
	(66,682,839)	(66,682,839)	
Others	7,088,640	7,476,784	
	(Nil)	3,227,633	
	(610,245)	(Nil)	
	7,088,640	42,391,783	
	Nil	3,227,633	
	(67,293,084)	52,707,856	
	(67,293,084)	(67,293,084)	
<p>1. Related Party relationships are as identified by the Company on the basis of information available with them and accepted by the auditors.</p> <p>2. No amount is/has been written off or written back during the year in respect of debts due from or to related party.</p> <p>3. Figures in brackets relate to the previous year.</p>			
15. Taxation			
a) The net deferred tax liability comprises the tax impact arising from timing differences on account of :			
	2007-08	2006-07	
	Rs.	Rs.	
Depreciation & Amortisation	481,900,423	409,447,267	
Provision for employee benefits & others	(67,968,435)	(28,895,030)	
	413,931,988	380,552,237	
Net deferred tax liability relating to the above	140,250,000	129,600,000	
(b) Transfer Pricing: The Company maintains the information and documents as required under the transfer pricing regulations under Section 92-92F of the Income Tax Act 1961. The management is of the view that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation			
16. (a) Finance Lease: The lease transactions of the Company represent lease of vehicles on a non-cancelable basis. The minimum lease payments under the various agreements are given below:			
	2007-08 (Rs.)	2006-07 (Rs.)	
Amount repayable not later than one year	8,85,132	1,200,053	
Amount repayable later than one year and not later than five years	1,917,685	1,250,858	
Amount repayable more than five year	10,735		
Total	<u>2,813,552</u>	<u>2,450,910</u>	
Less: Interest	613,407	365,330	
Present value of minimum lease payments	<u>2,200,145</u>	<u>2,085,580</u>	
(b) Operating Lease: The Company has taken vehicles for certain employees under operating leases, which expire in the year 2013. Gross rental expenses for the year ended September 30, 2008 aggregated to Rs. 494,160 (2007-Rs.494,160). The committed lease rental in the future are:			
	2007-08	2006-07	
Not later than One year	494,160	494,160	
Later than one year and not later than five years	558,635	1,052,795	
17. Earnings Per Share :			
(In Rs. except for No. shares)			
Sl.No.	Particulars	2007-08	2006-07
1.	Profit after tax attributable to ordinary share holders	557,854,027	536,272,910
2.	Weighted average number of shares outstanding during the year	15,111,975	15,111,975
3.	Nominal value of ordinary shares	10	10
4.	Basic and diluted earnings per ordinary share	36.91	35.49



18. Details of Provisions Under AS - 29 (Provisions, Contingent Liabilities and Contingent Assets)

Sl. No.	Nature of Expense	Probable outflow estimated within	Provision o/s as on 1st October 2007	Provision made during the period	Provision utilized during the period	Provision reversed during the period	Provision as on 30th September 2008
1	Provision for warranty	One year	10,705,997 (4,105,299)	19,923,630 (22,201,233)	14,947,197 (15,414,822)	1,909,548 (185,713)	13,772,882 (10,705,997)
2	Trade facilities		2,086,796 (Nil)	10,045,631 (2,086,796)	Nil (Nil)	Nil (Nil)	12,132,427 (2,086,796)

(Figures in brackets relate to the previous year)

19. Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided for, Rs. 58,923,843/- (Previous year- Rs.198,815,217)

20. Claims against the company not acknowledged as debt for Rs.3, 634,573 /- (Previous year Rs4, 522,148).

21. Contingent Liability : Company has certain labour disputes which are pending adjudication. The liability that may arise on account of these disputes cannot be reasonably estimated but is not expected to be material.

22. Dues to Micro Enterprises and Small Enterprises to whom the company owes, above 30 days, sums are NIL. The information and that given in current liabilities regarding dues to Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors

23. Foreign Exchange Exposure:

(a) The company has entered into the following hedging mechanism:

(i) Forward Exchange Contracts, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

(ii) The following are the outstanding Forward Exchange Contracts (two contracts) entered into by the company as on 30th September, 2008:

Currency	Amount	Buy / Sell	Cross Currency
US Dollar	1,046,032.09 (Pr. Yr. 1,511,150.74)	Buy	Rupees

(b) The foreign currency exposure as on 30th September, 2008 that have not been hedged are given below:

	2007-08		2006-07	
	In Rs. / In foreign currency		In Rs. / In foreign currency	
• Import of Goods and services	Rs. 28,061,314 Rs. 410,350 Rs. 187,790	USD 5,98,833 Euro 5,967 GBP 2,175	Rs. 1,544,882 Rs. 6,10,245 Rs. 1,583,098	USD 38,507 Euro 10,712 Yen 4,450,000
• Capital Imports (including intangibles)	Rs. 19,62,403	USD 41,878	Rs. 9,958,810	USD 248,226
• Interest Payable	Rs. 2,053,906	USD 44,170	Rs. 6,643,030	USD 167,078
• Loans Payable	Rs. 212,640,268	USD 4,572,909	Rs. 256,570,131	USD 6,452,971

24. Previous year's figures have been regrouped/reclassified wherever necessary.

Signatures to Schedule 1 to 18.

On behalf of the Board of Directors

B.N. Kalyani
Chairman

Ashok Rao
President and
Wholtime Director

C.K. Sabareeshan
Chief Financial Officer &
Company Secretary

Place : Bangalore

Date : 14th November, 2008

AUTOMOTIVE AXLES LIMITED

SCHEDULE 19

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

Registration No.	4198	State Code	8
Balance Sheet date	30.09.2008		

II Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III Position of Mobilisation and Deployment of funds (Amount in Thousands)

Total Liabilities	2,559,874.09	Total Assets	2,559,874.09
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Sources of funds

Paid-up Capital	151,119.75	Reserves & Surplus	1,547,782.74
Secured Loans	565,687.81	Unsecured Loans	155,033.79
Deferred Tax Liability (net)	140,250.00		

Application of Funds

Net Fixed Assets	1,686,710.31	Investments	Nil
Net Current Assets	873,163.79	Misc. Expenditure	Nil
Accumulated Losses	Nil		

IV Performance of Company (Amount in Rs. Thousands)

Turnover	7,468,481.32	Total Expenditure	6,673,413.62
Profit before Tax	854,304.02	Profit after Tax	557,854.02
Earning per Share in Rs.	36.91	Dividend rate	65%

V Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC CODE)	870850.00
Product Description	Drive Axles (Rear)
Item Code No. (ITC CODE)	870839.00
Product Description	Brakes
Item Code No. (ITC CODE)	870899.00
Product Description	Other parts

On behalf of the Board of Directors

B.N. Kalyani
Chairman

Ashok Rao
*President and
Wholtime Director*

C.K. Sabareeshan
*Chief Financial Officer &
Company Secretary*

Place : Bangalore
Date : 14th November, 2008



NOTICE

Notice is hereby given that the Twenty-Seventh Annual General Meeting of the Members of Automotive Axles Limited, will be held at the Registered Office of the Company at Hootagalli Industrial Area, Off Hunsur Road, Mysore 570 018 on Wednesday, 21st January 2009 at 12.30 p.m. to transact the following business:

Ordinary Business :

- 1 To receive, consider and adopt the Balance Sheet as at 30th September 2008, the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
- 2 To declare dividend for the year ended 30th September 2008.
- 3 To appoint a Director in place of Mr. Ashok Rao who retires by rotation and, being eligible, offers himself for reappointment
- 4 To appoint M/s. Deloitte Haskins and Sells (Chennai), Chartered Accountants, Bangalore, the retiring auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors, to fix their remuneration for the period.

Place : Bangalore

Date : 14.11.2008

Registered Office: Hootagalli Industrial Area
Off Hunsur Road
Mysore 570 018

By Order of the Board of Directors
For **Automotive Axles Limited**

C.K. Sabareeshan
Chief Financial Officer &
Company Secretary

AUTOMOTIVE AXLES LIMITED

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form should be submitted to the company at least 48 hours before the commencement of the Annual General Meeting.
2. Dividend on Equity Shares, if declared at the meeting, will be paid to those members, whose name appear either on the Company's Register of Members or on the List of Beneficial owners in the records of Depositories as on the date of the Annual General Meeting.
3. The register of Members and Share Transfer Books will remain closed from 19.01.2009 to 21.01.2009 (both days inclusive).
4. As required under the Companies Act, 1956, dividends unclaimed/unpaid for a period of seven years, have to be transferred to the 'Investor Education and Protection Fund', constituted by the Central Government. The Dividend warrants remaining unpaid for the year 2000-2001, are to be claimed by the members on or before 24th January 2009. Those who have not encashed these or for any subsequent years are requested to contact the Registered office of the company.
5. The Shareholders are requested to present the duly filled Attendance slips before the commencement of the Meeting.
6. The equity shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialized their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company.
7. **Shareholders may kindly note that no gifts/coupons will be distributed at the Annual General Meeting.**

Annexure to Notice

Additional Information pursuant to Clause 49 of the Listing Agreement:

The information relating to the Directors being appointed / re-appointed at the ensuing Annual General Meeting to be held on 21st January 2009 are given below:

Mr. Ashok Rao is a Mechanical Engineer from Karnataka Regional Engineering College, Surathkal, with a Masters Degree in Manufacturing Engineering from the University of Massachusetts, Amherst. He has served your Company as Wholetime Director since year 2001 and was appointed President & Wholetime Director in November 2002. Before taking assignment at the Company, Mr. Ashok Rao, was with MICO, Bangalore and worked in various capacities in Machine Design, Machine Building and Production / Process Planning. He does not hold Directorship in any other companies.

AUTOMOTIVE AXLES LIMITED

AUTOMOTIVE AXLES LIMITED

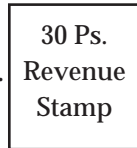
Regd. Office: Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570 018

FORM OF PROXY

I/We.....
of
being Member(s) of Automotive Axles Limited hereby appoint Mr.
.....or failing him
Mr.....
of
..... as my/our Proxy to vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on Wednesday, 21st January 2009 and at any adjournment thereof.
Signed this day

Regd. Folio No./Demat Account No.
No. of Shares

Signature.....



AUTOMOTIVE AXLES LIMITED

Regd. Office: Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570 018

ATTENDANCE SLIP

Twenty Seventh Annual General Meeting

Regd. Folio No./DP ID/Client ID

No. of shares held

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the TWENTY-SEVENTH ANNUAL GENERAL MEETING of the Company at Regd. Office, Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570 018, at 12.30 p.m on Wednesday, 21st January, 2009.

.....
Name of the member / proxy

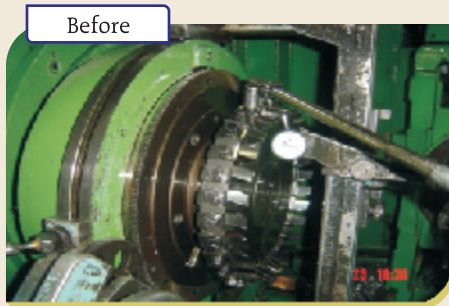
.....
Signature of member / proxy

Note : Please fill up this attendance slip and hand it over at the entrance of the meeting hall.
Members are requested to bring their copies of the Annual Report to the meeting.

Total Productive Maintenance

The TPM Programme initiated at the company is already seen yielding measurable improvements in terms of Productivity, Quality and Cost. Here are some highlights of the programme.
Some of the Kaizens contributing to the Results

Model Machine: GL 650 Generator Pinion Cutting M/c (Gear Shop)
Kaizen Idea: Elimination of Cutter Truing on Machine



Before

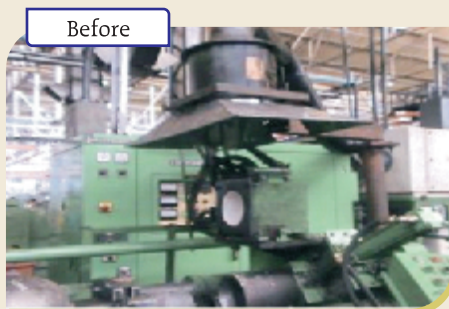
Cutter Truing on Machine-70 Minutes



After

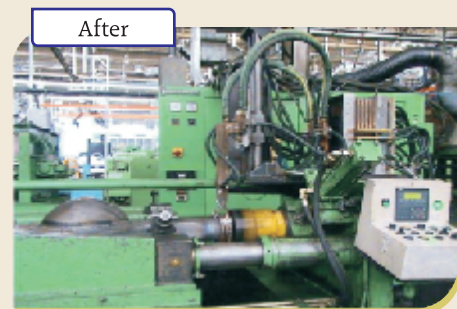
Cutter Truing outside the Machine-Zero Min in Machine

Model Machine: Hot Swage Machine- Bay 4 (Housing Line)
Kaizen Idea: Eliminate movement of the Component



Before

Component Moving up/
up forward/up reverse/down



After

Inductor coil moving
forward/reverse

Model Machine: Centreless Grinder-Bay 2 (Housing Line)
Kaizen Idea: Eliminate tool pick-up time



Before

Tools are not at the arm
reach of the operators



After

Tools are made available at arm
reach location of the operators

