



Innovating...
...through technology and teamwork



Automotive Axles Limited
30th Annual Report 2010-11

30th Anniversary Celebration



Celebration started with lighting of lamps by dignitaries



One Millionth Axle unveiled by Dr. Baba Kalyani (Chairman, Automotive Axles Ltd.) and Mr. Chip McClure (Chairman, Meritor Inc.)



Dignitaries on dias



The senior most employees were felicitated for their uninterrupted services



Audience being stakeholders

Contents

Corporate Information	01
Chairman's Review	02
Directors' Report	04
Management Discussion & Analysis	08
Report on Corporate Governance	12
Auditors' Report	19
Financials	
Balance Sheet	22
Profit & Loss Account	23
Cash Flow Statement	24
Schedules to Accounts	26
Notice	47

CORPORATE INFORMATION

Board of Directors

Mr. Babasaheb N Kalyani	Chairman
Mr. Pedro N Ferro	Director
Mr. Bhalachandra B Hattarki	Director
Mr. B C Prabhakar	Director
Mr. Prakash C. Bhalerao	Director
Mr. Satish Sekhri	Director
Mr. Ashok Rao	Executive Director

Company Secretary & Chief Financial Officer

Mr. S Ramkumar

Statutory Auditors

Deloitte Haskins and Sells (Chennai), Bangalore

Internal Auditors

PriceWaterHouseCoopers, Bangalore

Banker

Axis Bank Limited
HDFC Bank Limited
State Bank of Mysore
The Toronto Dominion Bank
Citi Bank N.A
IDBI Bank Limited
Kotak Mahindra Bank

Registrar & Share Transfer Agents:

Integrated Enterprises (I) Limited
#30, Ramana Residency, 4th cross, Sampige Road, Malleshwaram
Bangalore Ph: 080-23460815-818; e-mail: alfint@vsnl.com

Registered Office

Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570018.
Ph: 0821-2402582-86, 2402452-53
Website: www.autoaxle.com
Email : info@autoaxle.com

Works

- Unit I : Hootagalli Industrial Area,
Off Hunsur Road, Mysore - 570018.
- Unit II : Plot No.34 & 35P, Hootagalli Industrial Area,
Off Hunsur Road, Mysore – 570018
- Unit III : 6KM Stone, Kichha Road, Village Shimla Pistor,
Rudrapur, Udham Singh Nagar, Uttarakhand
- Unit IV : No.19, Udyog Vihar, Greater Noida, Uttar Pradesh



Operating in a largely volatile business environment, our performance at Automotive Axles Limited (AAL) was commendable. We rationalised costs, improved organisational flexibility, diversified proactively, encouraged innovation and optimised capital allocation.

CHAIRMAN'S COMMUNIQUÉ

Dear Friends,

As we celebrate the 30th year of our existence, we are more confident to face the future. Thanks for your trust and support in all these years, which has helped us achieve more than what we anticipated, when we began our journey three decades ago. We believe we can shape our future by dint of coordinated strategy and sensible action.

In all these years, our fundamental business strategy has been to drive product-process innovation, notwithstanding challenges. We have always worked closely with the evolving market scenario and customer aspirations, and delivered on the strength of technology and teamwork.

Despite an uncertain global business scenario, our performance in 2010-11 has been encouraging: we registered a 52% growth in gross sales (including other income) from ₹ 7,323.62 Million in 2009-10 to ₹ 11,113 Million in 2010-11. Moreover, our PAT and PBT increased by 32% and 31%, respectively. We focused on high-growth areas, accelerated product launches and extended the portfolio of customers. Diversification was also big on our intellectual radar. Recently, we forayed into the automotive brakes business, which has an attractive opportunity in the auto component OEM and aftermarkets.

Global economies have now entered into a phase in which the share of volatility will be higher than that of stability. Opportunities for growth will surely be there, but those will be punctuated by extended phases of uncertainties, bewildering governments and policy makers. The truth of the statement is borne out by sluggish growth in the US, financial crises in Eurozone economies and unmistakable signs of inertia in the Indian economy.

Despite the temporary shortcomings, the long-term outlook for India continues to be bright. We are confident that India's GDP growth rate will hover around 7-7.5% going ahead. Operating in a largely volatile business environment, our performance at Automotive Axles Limited (AAL) was commendable. We rationalised costs, improved organisational flexibility, diversified proactively, encouraged innovation and optimised capital allocation.

In business, as in life, we can either get bogged down by current realities, or choose to look beyond them. In line with the deeply cherished values and technology prowess of both the Kalyani Group and Meritor, AAL continues to focus on the long term. The organisation is concentrating on expanding capacities and continuously diversifying the product portfolio. We are continuing with our investment plans, so that when the markets gain momentum, we can reap maximum benefits.

AAL has established a brake manufacturing facility at Mysore and Rudrapur to foray into the brakes business, and has also started a contract manufacturing facility for the manufacture of Trailer Axles in Greater Noida, Uttar Pradesh. This will help diversify our business offerings and enhance product portfolio.

Emphasising on eco-friendliness in productisation, we have indigenously developed a product called the 'green axle'. This product will help reduce fuel consumption from 7-10% and higher levels of performance. Currently, it is in pilot production stage and we foresee high demand when commercially launched. We also launched the Hub Reduction Axle for heavy automobiles with advanced traction control, heavy load-bearing capability and enhanced durability.

Our clients comprise most of the commercial automobile industry players, such as Ashok Leyland, Tata Motors, Asia MotorWorks, Volvo Eicher, Vehicle Factory-Jabalpur, BEML, Man Force Trucks Pvt. Ltd. and Mahindra Navistar, among others. During the year under review, our strategy was to reduce dependence on a small group of clients and widen our client base, resulting in a more de-risked revenue source. Moreover, in 2010-11 we got associated with Caterpillar to cater to their needs for off-highway products. These products primarily address the construction and mining sectors, witnessing a steady growth with consistent government investment, increasing urbanisation and escalating foreign investments. We are also reducing our carbon footprint and enhancing our use of clean energy. Besides, enhanced automation at AAL is expected to drive productivity and achieve economies of scale.

We have planned a technology investment to the tune of ₹ 65 crores to elevate our product portfolio for the next fiscal, and going ahead we are committed to enhance focus on product-process innovation, strengthen intellectual capital through prudent recruitment and focused training, generate repeat business from existing client portfolio, foray into unexplored geographies and finally increased proportion of margin-accretive products.

Our robust financials, enduring brand appeal, strong national and international footprints and highly motivated employees represent the growth engines for the future. Let me take this opportunity to thank the entire family of AAL stakeholders.

The best days of AAL are still ahead!

Dr. B N Kalyani

Chairman

we are committed to enhance focus on product-process innovation, strengthen intellectual capital through prudent recruitment and focused training, generate repeat business from existing client portfolio, foray into unexplored geographies and finally increase proportion of margin-accretive products.



DIRECTORS' REPORT

To the Members,

At Automotive Axles Limited, our vision is to emerge as a world-class manufacturer of cost competitive products nationally and internationally. The year 2010-11 has witnessed a decisive step in that direction in terms of capacity expansion, operational excellence, enhanced technological focus and fiscal prudence. The result has been a substantial growth in revenue and profits and a wider visibility in multiple markets globally.

Your Directors have the pleasure in presenting the Thirtieth Annual Report on the business and operations of the Company and the accounts for the Financial Year, ended 30th September, 2011.

FINANCIAL RESULTS

	(₹ in Million)	
	2010-2011	2009-2010
Profit before Depreciation & Tax	1,105.28	868.83
Less : depreciation & amortisation	233.93	209.96
Provision for Taxation – Current/ Deferred/ Fringe Benefit Tax	295.78	218.13
Profit After Tax	575.57	440.74
Balance of Profit from the Previous Year	1,453.09	1,206.24
Profit available for appropriation	2,028.66	1,646.98
Appropriations :		
Dividend for the year	151.12	128.45
Tax on dividend	24.52	21.33
Transfer to General Reserve	57.60	44.10
Surplus retained in Profit & Loss Account	1,795.42	1,453.10

REVIEW OF PERFORMANCE

The Gross Sales and other income for the financial year under review was ₹ 11,112.58 Million as against ₹ 7323.62 Million for the previous financial year, registering a 52% growth. The Profit Before Tax of ₹ 871.35 Million and the Profit After Tax of ₹ 575.56 Million for the financial year under review as against ₹ 658.87 Million and ₹ 440.74 Million respectively for the financial year, improved by 32% and 31% respectively.

Your Company has established brake manufacturing facility at Mysore & Rudrapur with Building, Plant and Machinery purchased from Kalyani Global Engineering Pvt Ltd.

Your Company has also established Contract Manufacturing Facility for manufacturing Trailer Axles in Greater Noida, Uttar Pradesh with the plant and inventories purchased from ANG Industries Limited.

DIVIDEND

The Directors recommend the payment of dividend of ₹ 10 per share of ₹ 10.00 each.

The Dividend Distribution tax shall be paid by the Company and the dividend distributed to shareholders is exempt from tax.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualification.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 relating to conversion of Energy, Technology Absorption, Foreign Exchange Earning and outgo is provided in the Annexure "A" forming part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT AND REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

In accordance with Clause 49 of the Listing Agreement with Stock Exchanges, the Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

PARTICULARS OF EMPLOYEES

The Board of Directors wishes to express their appreciation to all the employees for their dedicated contribution to facilitate smooth operations during the year. The Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, form part of this Report. In

terms of Section 219(1)(b)iv) of the Act, the report and accounts are being sent to the shareholders of the Company excluding the aforesaid Annexure. Any member interested in obtaining a copy of the statement, may write to the Company Secretary of the Company. None of the employees listed in the said Annexure is related to any Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- Appropriate accounting policies have been selected and applied consistently, and judgments and estimates that have been made 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.
- Proper and sufficient care has been taken 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 annual accounts have been prepared on an ongoing concern basis.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, M/s B B Hattarki & Mr. Ashok Rao retires by rotation and being eligible, offer themselves for re-appointment.

Mr. Timothy Bowes who was appointed in November 2009 as a non-retiring Director based on nomination received from Meritor HVS LLC, USA has resigned from the Board. The Board places its appreciation for his valuable contributions during their tenure.

Meritor HVS LLC, USA has in exercise of powers conferred under Clause 113 of Article of Association of the Company and as permitted under Section 255 of the Companies Act, 1956 appointed Mr. Pedro N Ferro as non-retiring Director w.e.f. 28.11.2011.

AUDITORS

M/s Deloitte Haskins & Sells (Chennai), Bangalore, Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of ensuing AGM and are eligible for Reappointment. The Company has received a confirmation from M/s. Deloitte Haskins & Sells (Chennai) to the effect that their appointment if made, would be within the limits prescribed under Section 224(1B) of the companies Act, 1956.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank the financial institutions, Banks, central & state government authorities, Regulatory authorities, Stock exchanges and the stakeholders for their continued co-operation and support to the Company.

Your Directors wish to place on record their appreciation for the continued co-operation and support received from the Kalyani Group, Pune, and Meritor Inc., USA.

For and on behalf of the Board of Directors

Place: Mysore

Date: 29th November, 2011

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 in 2010-11	<ol style="list-style-type: none"> VFD panel to Housing line Cooling tower adopted with temperature feedback – ₹ 0.7 Million Solar LED lights to factory periphery walk path installed - ₹ 1.5 Million Coolant recovery treatment plant installed in the month of November 2010 - ₹ 1.5 Million
(b) Additional investments and proposals, if any, being implemented to reduce energy consumption for 2010-11	<ol style="list-style-type: none"> VFD Panels to Heat treatment cooling towers – ₹ 1.3 Million Modification of hot swage machine heating system – ₹ 1.5 Automation of 1000 CFM compressors- ₹ 1.5 Million
(c) The impact of the measures at (a) & (b)	<p>(a)</p> <ol style="list-style-type: none"> The energy cost of ₹ 0.55 Million per annum saved on account of frequency and temp control Energy cost of ₹ 0.1 Million per annum saved on account of elimination of conventional light fittings. Cost of ₹ 0.8 Million per annum on account of coolant usage by ozone treatment process <p>(b)</p> <ol style="list-style-type: none"> The total energy cost saving will be ₹ 0.9 Million per annum on account of controlled frequency and temp. ₹ 2.5 Million will be the savings by modifying the coil design and reducing running frequency Energy cost savings of ₹ 0.8 Million per annum on account of optimum utilisation of air consumption

B. I. RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D is conducted by the Company	<ul style="list-style-type: none"> Development of Hub Reduction solo axle with modified 1495 Drive head and housing integrated with Hub Reduction wheel end.
2. Benefits derived as a result of the above R & D	<ul style="list-style-type: none"> Creation of new axle segment for Agriculture Tractor sector. Expansion of product portfolio to target new customers
3. Future plan of action	<ul style="list-style-type: none"> Development of Rear axle for Light Commercial Vehicle Part development, & Industrialisation of completely dressed Rear Axle for 60 Tonne dumpers
4. Expenditure on R & D	
a. Capital	Nil
b. Recurring	
c. Total	Nil
d. Total R & D expenditure as a percentage to total turnover	

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		
Nil	Nil		
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 therefor 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:	₹ 161.94 Million
Used	Nil, as all the sales for export are routed through Meritor HVS(India) Ltd in local currency.
Earned	

For and on behalf of the Board of Directors

Place: Mysore

Date: 29th November, 2011

B.N. Kalyani

Chairman



MANAGEMENT DISCUSSION & ANALYSIS

INDIAN ECONOMIC OVERVIEW

The year under review commenced on a high note, but a mild pessimism crept in due to combination of domestic and international factors. As 2011 draws to a close, multiple issues plague the Indian economy: high inflation, low industrial growth, policy slowdown, weak currency and global economic uncertainties.

The first quarter registered a GDP growth of 8.2%, but the growth declined in the subsequent quarters: 7.8% in the second and 7.7% in the third quarter. The GDP growth rate is expected to plummet, touching 7.5% or even lower, belying the high expectations at the beginning of the year.

High inflation persisted throughout the year (October 2010 – September 2011) and this prompted the Central Bank to increase interest rates 13 times in the preceding 18 months. Escalating interest rates are detrimental to economic growth and the RBI has clearly indicated that controlling inflation is its top most priority.

Industrial Production Index, an indicator of industrial growth, demonstrated strong growth in the first six months (October 2010 – March 2011) after which the growth moderated. The recent slowdown in industrial activities can be partially attributed to the high interest rates. Agriculture sector performed well in the first two quarters, posting 8%-plus growth rates, and it moderated in the third quarter. The services sector continues to remain strong and exceeded the overall growth rate of the economy.

Indian Rupee (INR) remained robust, hovering around ₹ 45 per US\$ for most of the year, but depreciated sharply in the last two months of the year. Weak currency has made the imports costlier and for a country which imports more than 70% of its crude oil requirements, this could put a significant strain on the exchequer. However, FY'2010-11 witnessed spectacular export performance, reinforcing the idea that India's export capability is witnessing exciting times.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Commercial Vehicles Market

The commercial vehicle (CV) industry witnessed robust growth in the year under report (October 2010 to September 2011). Medium & Heavy commercial vehicle production (M&HCV) (>7.5T) grew by 14% to cross 3,61,000 units in FY2011.

M&HCV domestic sales registered a 9% growth to cross 3,31,000 units. Strong economic growth was seen in the first half of the year and the robust growth of construction industry catalysed CV sales. Besides, the enforcement of overloading ban in states, such as Uttar Pradesh, Madhya Pradesh and Bihar has facilitated the sales growth.

Although there were uncertainties in the global macro-economic environment, the export market for M&HCVs witnessed a 25% growth to surpass 29,000 units. The weakening rupee in the last two months has made the export market more attractive.

Commercial vehicle growth

Year (Oct-Sep)	2010-11	2009-10	B(W)	% growth
7.5 T – 12 T	67,014	59,892	7,122	12%
> 12 T	293,347	257,502	35,845	14%

[Source: Society of Indian Automobile Manufacturers (SIAM)]

As large fleet owners (>20 vehicles) gain more share in the transportation industry, the adoption of hub-and-spokes model is gaining ground. This is pushing sales to both ends of the tonnage spectrum. The sales this year falls in the continuing trend of medium commercial vehicles (MCV) losing share to heavy commercial vehicles (HCV) and light commercial vehicles (LCV). The 31T vehicles had the highest Y-O-Y growth in M&HCV category and tractor segment saw an impressive growth. Also, the sub 3.5T segment witnessed phenomenal growth. Improving road infrastructure, organised retail and emergence of goods & service tax will aid the sales momentum, going forward.

India's CV market (currently dominated by three players) is expected to witness intense competition due to the emergence of new entrants. This year saw a considerable number of new models being launched by original equipment manufacturers (OEM). The enhanced competition is expected to unleash more choices to customers, exerting pressures on margins.

Road Ahead

- High interest rate and fuel price act as dampeners to the growth of CV industry in the short term. The retail prices of diesel were increased this year and the possibility of further revision to reduce the subsidy burden of the government could become a dampener for CV sales.
- In its second quarterly review of credit policy, RBI had revised its GDP growth projection downward to 7.6% from its earlier

estimate of 8%. Despite the negative sentiment in the last quarter, the CV industry has performed well. We expect the CV market to remain sluggish in the short term and the rebound is expected in January-March 2012 quarter. The possible introduction of Goods and Service tax and the relaxation of FDI limits for the retail industry are expected to drive the transportation industry.

Growth Drivers

- India is poised to become a global components sourcing hub: Major global OEMs are planning to make India a component sourcing hub for their global operations.
- Product-development capabilities have improved: Component manufactures are consistently increasing investments in R&D operations and laboratories, which are being set up to conduct activities, such as analysis and simulation and engineering animations. This will result in more innovative products.
- FDI inflow: Between April 2000 and August 2010, cumulative FDI inflow to the automotive sector, including both automobile and auto components, totalling to US\$ 4,710 Million. Leading global carmakers such as Honda, Volkswagen, Mercedes and Ford are now shifting their manufacturing plants and units from China to India.
- Increasing infrastructure investment: Indian Infrastructure development is thriving, with investments of around US\$ 500 billion in the sector expected by 2013 [Source: IBEF]. This will surge the demand for commercial vehicles, especially medium and heavy commercial vehicles.
- Growing trend in medium and heavy commercial vehicles: The M&HCV segment has shown consistent growth in the past and is expected to grow at a 9.5-11.5% CAGR during 2011-16E [Source: SIAM, ICRA's estimates].

Automotive Axle Limited (AAL)

- **30 years of excellence:** Incorporated in 1981
- **In good company:** Joint venture of Kalyani Group and Meritor Inc., USA (formerly the automotive division of Rockwell International Corporation)
- **Manufacturing locations:** Manufacturing facilities located at Mysore, Pantnagar and Noida

- **Wide product basket:** India's largest independent manufacturer of Rear Drive Axle Assemblies. Offers wide range of Rear Drive Axles cater to commercial vehicles (6 Tons to 35 Tons GCW), S-Cam Actuated Quick Change Air Brakes for commercial vehicles and Trailer Axles for 10 Tons to 13 Tons GVW. Also forayed into the production of brakes
- **Eminent clientele:** Ashok Leyland, Tata Motors, Eicher, Asia MotorWorks, Vehicle Factory-Jabalpur, BEML, Man Force Trucks Pvt. Ltd., Mahindra Navistar, Volvo India and SML Isuzu Ltd., Caterpillar, VE Commercial Vehicles, Corona Bus Mfrs., and Godrej
- **Global footprints:** Exports presence in USA, France, Italy, China, Brazil and Australia
- **Operational capabilities:** Manufacturing processes involve Friction Welding, CO2 Welding, CNC Machining, Flexible Machine Centres and a range of specially built machines for the production of axles and brakes. Facility comprises Gleason Gear Manufacturing Equipment, backed by a modern Heat Treatment Shop including Continuous Carburising and Sealed Quench Furnaces
- **Accreditations:** Quality Management System certifies to ISO/TS 16949:2009 standard and Environmental Management System certifies to ISO 14001:2004 standard

AAL's Product USPs

- High efficiency gearing
- Integral brake to axle design and manufacturing capability
- Wide ratio availability
- Weight option designs
- Driver operated differential locks
- Worldwide availability



Financial Performance

	(₹ in Million)	
On the growth path	2010-11	2009-10
Gross Sales and other income	11,112.57	7,323.62
Profit before Depreciation & Tax	1,105.28	868.83
Profit After Tax	575.57	440.74
Earnings Per Share (₹)	38.09	29.17

	(%)	
Key financial ratios	2010-11	2009-10
PBT / Total Income	8.60	9.80
PAT / Total Income	5.69	6.56
Return on Capital employed	18.85	16.06
Return on Net Worth	23.63	21.63
Dividend Pay out Ratio	30.52	33.98

Opportunities

Your Company introduced the first Green Axle (Two Speed Axle) in India during the last quarter, while Planetary Hub Reduction Axle will be introduced during the first quarter of FY12. These products have significant business potential, and the Company will continue to focus on new product launches in line with customer aspirations.

The entry into the fast growing LCV segment and efforts to strengthen our presence in the off highway and military segments and enhanced focus on Aftermarket and trailer business have provided significant opportunities for your companies, going forward.

Risks and Concerns

High commodity prices still remain an area of concern, warranting resource optimisation, value engineering, effective supply chain management and inventory management.

A weak global economy and the possibility of another economic recession pose a downside risk to the CV industry demand.

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 unauthorised 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

At AAL, employees have always played significant role in the success of this 30 years young organisation. In your Company the development of an employee is a continuous process thus talent management practices were always given due priority and updated at par with practices at similar industries in the region. Thus to leverage effective career growth of employees, grades and designations were restructured. The Succession and Development Programme is also restructured for effective talent management and to facilitate de-risking of various critical positions.

Keeping the business growth ahead, young talent from tier one business schools and technical institutions were also inducted to strengthen the existing talent pool.

Safety, Health and Environment (SHE) Management

Safety

Safety is a 24X7 priority at AAL. The workforce is constantly made aware of safety practices as a part of AAL's objective to attain zero tolerance on negligence-triggering accidents. Training on SHE practices forms a significant part of the induction program for all new hires.

Regular safety audits and mock drills are conducted to mitigate potential hazards. AAL also has engineering controls with Kaizen at the shop by technology up-gradation and to mitigate safety and environmental risks. Initiatives at the shop floor were adopted to maintain a safe workplace in your Company.

To enhance on-road safety, awareness programmes were conducted for employees. These programmes trained the employees to wear helmets, while driving two wheelers.

Health

Employee health is also accorded top priority in your Company; employees are provided with sophisticated medical care at Occupational Health Centre. Annual health fitness examinations were conducted for all the employees, including the flexi work force.

Special medical examinations were carried out for all personnel working in special processes like shot blasting, heat treatment, welding and grinding as specified in Indian Statutes.

Pre-employment medical check-ups is a prerequisite for all entrants including the flexi work force.

Environment

The Company's focus during the last year was to increase the green cover. On the occasion of the World Environment day on 5th June, your Company actively participated in the awareness programme conducted by Karnataka State Pollution Control Board (KPSB). It also organised programme for sapling plantation by school children at a nearby school. In the Company campus 750 new plants have been planted taking it to total of 5000+.

Your Company disseminates knowledge and awareness on various environmental initiatives, and also organised a plant visit for the school children of adjacent villages. They were also taken to an exhibition organised by KSPCB.

Your Company has done maximum rain water harvesting and have created eight percolating ponds. It is heartening to note the ground water level has improved by 20%.

The coolant recovery system installed has yielded 20% reduction in coolant consumption there by making your Company marching towards Green.

During this year, a summer camp for the employees' children was organised on environmental theme. We also organised sapling plantation by employees' children in the Company premises. In addition, employees' spouses were provided inputs by the experts on Safety, Health and Environment.

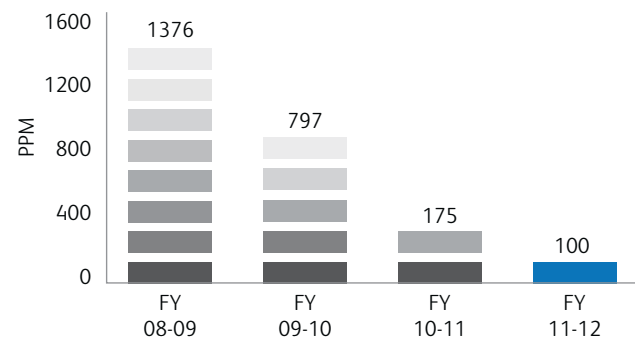
Quality Management System and Lean Management System

At AAL, our Quality Management System, certified for ISO/ TS 16949, has attained maturity, encouraging the Company to continue its journey towards world class manufacturing. The Company is implementing Lean Management Systems and Quality Health checks of Manufacturing Processes using the AutoAxle Production Systems (APS). Engineers from middle and senior management for a 3-week training programme to understand its concept to accelerate implementation across the organisation. The Performance Plus (P Plus) Team and Quality Health Check teams have been formed to develop, establish and implement an effective and sustainable Performance Management and Process Review System. The Visual Transformation of the Plant and process robustness has been implemented in phases and the sustenance is being ensured through 5S Principles. The above mentioned processes are an all inclusive one covering all employees.

The above initiatives have enhanced confidence in meeting the current challenges and improve productivity and reliability to lead and enhance customer satisfaction.

Your Company is striving towards excellence in all aspects of business processes through employee participation across the organisation and practising continuous improvement as a way of life. The employee participation is visible through a reduction in internal failure cost and zero KM complaints from customers.

Zero KM Complaints PPM Trend



Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. 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

Corporate governance is far more relevant now in India than before, because of the abuse of authority, resulting in high-profile scandals. Such a scenario creates an environment of trust deficit and can jeopardise the sustainability of organisations.

Corporate governance is more than a set of rules that guide an organisation's day-to-day business operations and human relations. It reflects the pattern in which an organisation relates with all its stakeholders, and creates a distinct identity for itself and its brands. So that the stakeholder is proud to be associated with that identity, and even competitors respect its values and culture. In other words, good corporate governance encompasses conduct of the Company's business in an ethical, transparent, fair and equitable manner.

Our Company complies with the requirement of corporate governance under Clause 49 of the listing agreement with the stock exchanges.

Our Company's corporate governance ensures transparency, fairness and independence in its decision-making and also follows the same standard, while exercising control over its properties and transactions. It is reviewed periodically to measure their responsiveness and effectiveness to the needs of our shareholders.

This report, along with the report on Management Discussion and Analysis, and Additional Shareholders' Information, affirms your Company's conformity with the spirit of Corporate Governance as enshrined under Clause 49 of the Listing Agreement with Stock Exchanges.

BOARD OF DIRECTORS

The Board of Directors consists of professionals from diverse fields who bring in a wide range of skills and experience to the Board. The organisation's day-to-day management is conducted by an Executive Director, subject to the supervision and control of the Board of Directors.

Composition of the Board

The Board is chaired by a Non-Executive Chairman, who also represents one of the promoters. The Board consists of 6 Non-Executive Directors and 1 Executive Director. Among 6 Non-executive Directors, 4 are Independent Directors.

Number of Board Meetings

In 2009-10, the Board met four times on 18th November, 2010, 21st January, 2011, 12th April, 2011 and 27th July, 2011. The maximum gap between any two Board meetings was less than four months.

Directors' Attendance Record and Directorships

Director	Category	No. of Board meetings attended out of 4	Attendance in last AGM	Nos. of Directorships and Committee Memberships in Indian public companies		
				Directorships	Committee Memberships	Committee Chairmanships
Dr. B.N. Kalyani	Promoter, Non-Executive	3	No	15	3	2
Mr. Timothy Bowes	Non-Executive	1	No	2	1	Nil
Mr. B. B. Hattarki	Independent	4	Yes	9	2	4
Mr. Prabhakar B.C	Independent	3	No	3	4	Nil
Mr. P C Bhalerao	Independent	1	No	4	2	Nil
Mr. Satish Sekhri	Independent	4	Yes	5	5	Nil
Mr. Ashok Rao	Executive	3	Yes	1	1	Nil

Code of Conduct

The Company has adopted a code of conduct for the Board of Directors and the Senior Management, available on the Company's website: www.autoaxle.com. The code is regularly reviewed and updated as necessary to ensure it reflects the highest standard of behaviour and professionalism. An affirmation as to the compliance with the code of conduct is obtained from all the Directors and the Senior Management annually.

Information supplied to the Board

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

- Annual Operating Plan, Capital Budget and updates
- Quarterly results of the Company and its Operating Divisions or Business Segments
- Minutes of meetings of Audit and other Committees of the Board.
- Materially important issues, disputes with the Government Authorities on show cause notices, demands, prosecutions and penalty notices.
- Fatal or serious accidents or dangerous occurrences
- Significant development in human resources and industrial relations front
- Sale of assets of material nature, not in normal course of business
- Quarterly update on Risk Management System
- Quarterly details of foreign exchange exposure and the steps undertaken by the management to limit the risks of adverse exchange rate movement;
- Acquisitions of relevant business, and
- Non-compliance with any regulatory, statutory requirements.

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee of your Board consists of M/s. B.B. Hattarki (Chairman), B. C. Prabhakar, P.C. Bhalerao, Timothy Bowes, and Satish Sekhri. All members of the Audit Committee are financially literate, with one of them having management expertise. The Annual General Meeting which held on 21st January, 2011 was attended by the Chairman of the Committee, who satisfactorily answered shareholders' queries.

The committee met four times during the year on 17th November, 2010, 20th January, 2011, 11th April, 2011 and 22nd July, 2011.

Attendance record of Audit Committee members for 2010-11

Director	Category	Status	Meetings	
			Held	Attended
Mr. B. B. Hattarki	Independent	Chairman	4	4
Mr. Prabhakar B.C	Independent	Member	4	3
Mr. P.C. Bhalerao	Independent	Member	4	0
Mr. Timothy Bowes	Non-Executive	Member	4	0
Mr. Satish Sekhri	Independent	Meber	3	3

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

- Oversight of the 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, related party transactions, etc;
- Reviewing the adequacy of internal control systems with the management, external and internal auditors;
- Reviewing the effectiveness of the internal audit function;
- Reviewing the external audit plans, findings, problems, reports and fees

Remuneration Committee

The Remuneration Committee consisted of Dr. B.N. Kalyani (Chairman & Non-executive Director) and Mr. Timothy Bowes (Non-executive Director). The Committee reviews the performance and awards the performance bonus to the Whole time Director.

The Committee also advises the Board on remuneration policies and packages, and other terms of employment for the senior executives.

The Committee met on 22nd July, 2011 to review the performance for the year ended 30th September, 2010 and approved the Performance Bonus payable to the Whole-time Director.

Remuneration Policy

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

- The remuneration to Executive Director shall be paid according to his 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, other than the sitting fee paid to them for the meetings of Board or Committees thereof, 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 Meetings Sitting Fees (₹)	Board Meeting Sitting Fees (₹)	Salaries, performance bonus and perquisites (₹)	Total (₹)
Dr. B.N. Kalyani	N.A	60,000	NIL	60,000
Mr. Timothy Bowes*	Nil			
Mr. B.B. Hattarki	80,000	80,000	NIL	160,000
Mr. B.C. Prabhakar	60,000	60,000	NIL	120,000
Mr. P.C. Bhalerao	Nil	20,000	NIL	20,000
Mr. Satish Sekhri	60,000	80,000	Nil	140,000
Mr. Ashok Rao	N.A	N.A	82,78,008	82,78,008

*Mr. Timothy Bowes does not claim any sitting fee, in conformity with Meritor's Policy for such nominees for attending the meetings.

- The employment of the Executive Director 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 126 shares

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.

Risk Management System

Your Company's Risk Management Mechanism is periodically reviewed for adequacy and effectiveness by the Audit Committee and the Board. It believes that effective Risk Management is critical to sustained growth in a fiercely competitive, fast changing environment which presents a multitude of risks as it assists in capturing opportunities, preventing and mitigating impact from adverse events.

The Company's Risk Management Committee is being assisted by Chief Risk Coordinators and Risk Coordinators.

Investors Grievances Committee

The Shareholders/Investors' Grievances Committee comprises Dr. B. N. Kalyani, (Chairman and Non-executive Director), and Mr. Ashok Rao (President & Whole time Director). To facilitate prompt and speedy disposal of requests for transfer/ transmission, certain officers of the Company, and of the RTA, are authorised to address such matters.

The status on complaints is reported to the Board of Directors by the Company Secretary and the status for the year under report is given below:

Nature of complaint	Number of complaints received	Number of complaints redressed
Non receipt of dividend	2	2
Issue of duplicate certificates/ Share certificates	0	0
Non-receipt of Annual Report	0	0
Total	2	2

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 dematerialised 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
2007-08	21 st January, 2009	12.30 p.m	Regd. Office of the Company
2008-09	15 th January, 2010	12.30 p.m	Regd. Office of the Company
2009-10	21 st January, 2011	12.30 p.m	Regd. Office of the Company

No special resolution was 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

Related Party Transactions:

- During the year under review, no transaction of material nature has been entered into by the Company with its promoters, the Directors or the management, their subsidiaries or relatives etc., which may have a potential conflict with its interest. The register of contracts containing the transactions, in which the Directors are interested, is placed before the board regularly
- The Particulars of transactions between the Company and its related parties as per Accounting Standards 18(AS-18) are set out at Para 13 of Schedule 18 to the Balance Sheet as at 30th September, 2011.

Compliances by the Company

There has been no instance of non-compliance by the Company on any matters relating to Capital Markets during the last three (3) financial years and hence no penalties or strictures were imposed by SEBI, the stock exchanges or any other statutory authorities.

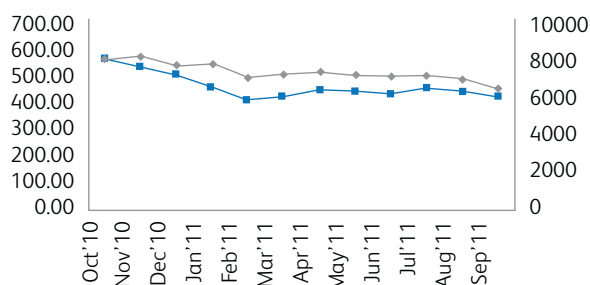
Means of Communication:

- The unaudited Financial Results for every Quarter and the Annual Audited Results of the Company, in the Prescribed Performa are taken on record by the Board and are submitted to the stock exchanges. The same are published within 48 hours in "The Financial Express" and "Mysooru Mithra".
- The quarterly/annual Results are also put on the Company's website at www.autoaxle.com
- Management Discussion & analysis Report forms part of this Annual Report

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting	Date & Time : 17 th January, 2012 at 12.30 p.m																																																																																																	
	Venue : Registered Office Hootagalli Industrial Area Off Hunsur Road, Mysore																																																																																																	
Financial Year	1 st October, 2010 to 30 th September, 2011																																																																																																	
Record Date and Block Closure Dates	15.01.2012 to 17.01.2012 (both days inclusive).																																																																																																	
Dividend Payment Date	15.02.2012																																																																																																	
Listing	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 National Stock Exchange of India Limited, Exchange Plaza, 5 th 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 2011-12 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:																																																																																																	
	<table border="1"> <thead> <tr> <th rowspan="2">Month</th> <th colspan="3">BSE</th> <th colspan="3">NSE</th> </tr> <tr> <th>High (₹)</th> <th>Low (₹)</th> <th>No. of Shares Traded</th> <th>High (₹)</th> <th>Low (₹)</th> <th>No. of Shares Traded</th> </tr> </thead> <tbody> <tr> <td>October, 2010</td> <td>559.00</td> <td>483.00</td> <td>1,06,807</td> <td>580.00</td> <td>481.00</td> <td>77,407</td> </tr> <tr> <td>November, 2010</td> <td>549.90</td> <td>398.50</td> <td>1,20,623</td> <td>519.90</td> <td>395.00</td> <td>93,164</td> </tr> <tr> <td>December, 2010</td> <td>515.00</td> <td>416.00</td> <td>75,661</td> <td>520.00</td> <td>378.00</td> <td>82,967</td> </tr> <tr> <td>January, 2011</td> <td>449.40</td> <td>330.55</td> <td>94,485</td> <td>470.00</td> <td>332.00</td> <td>76,578</td> </tr> <tr> <td>February, 2011</td> <td>419.00</td> <td>341.50</td> <td>41,515</td> <td>409.00</td> <td>332.60</td> <td>18,763</td> </tr> <tr> <td>March, 2011</td> <td>435.00</td> <td>377.25</td> <td>1,67,957</td> <td>432.00</td> <td>367.25</td> <td>29,182</td> </tr> <tr> <td>April, 2011</td> <td>463.85</td> <td>407.50</td> <td>1,69,508</td> <td>463.80</td> <td>403.60</td> <td>1,65,564</td> </tr> <tr> <td>May, 2011</td> <td>458.00</td> <td>395.10</td> <td>73,471</td> <td>440.00</td> <td>390.30</td> <td>26,153</td> </tr> <tr> <td>June, 2011</td> <td>446.90</td> <td>407.05</td> <td>15,457</td> <td>448.00</td> <td>406.00</td> <td>24,304</td> </tr> <tr> <td>July, 2011</td> <td>471.00</td> <td>411.00</td> <td>84,045</td> <td>472.00</td> <td>411.00</td> <td>85,038</td> </tr> <tr> <td>August, 2011</td> <td>460.05</td> <td>385.55</td> <td>13,112</td> <td>457.00</td> <td>392.10</td> <td>37,672</td> </tr> <tr> <td>September, 2011</td> <td>427.80</td> <td>385.00</td> <td>7,758</td> <td>435.00</td> <td>390.00</td> <td>13,000</td> </tr> </tbody> </table>	Month	BSE			NSE			High (₹)	Low (₹)	No. of Shares Traded	High (₹)	Low (₹)	No. of Shares Traded	October, 2010	559.00	483.00	1,06,807	580.00	481.00	77,407	November, 2010	549.90	398.50	1,20,623	519.90	395.00	93,164	December, 2010	515.00	416.00	75,661	520.00	378.00	82,967	January, 2011	449.40	330.55	94,485	470.00	332.00	76,578	February, 2011	419.00	341.50	41,515	409.00	332.60	18,763	March, 2011	435.00	377.25	1,67,957	432.00	367.25	29,182	April, 2011	463.85	407.50	1,69,508	463.80	403.60	1,65,564	May, 2011	458.00	395.10	73,471	440.00	390.30	26,153	June, 2011	446.90	407.05	15,457	448.00	406.00	24,304	July, 2011	471.00	411.00	84,045	472.00	411.00	85,038	August, 2011	460.05	385.55	13,112	457.00	392.10	37,672	September, 2011	427.80	385.00	7,758	435.00	390.00	13,000
Month	BSE			NSE																																																																																														
	High (₹)	Low (₹)	No. of Shares Traded	High (₹)	Low (₹)	No. of Shares Traded																																																																																												
October, 2010	559.00	483.00	1,06,807	580.00	481.00	77,407																																																																																												
November, 2010	549.90	398.50	1,20,623	519.90	395.00	93,164																																																																																												
December, 2010	515.00	416.00	75,661	520.00	378.00	82,967																																																																																												
January, 2011	449.40	330.55	94,485	470.00	332.00	76,578																																																																																												
February, 2011	419.00	341.50	41,515	409.00	332.60	18,763																																																																																												
March, 2011	435.00	377.25	1,67,957	432.00	367.25	29,182																																																																																												
April, 2011	463.85	407.50	1,69,508	463.80	403.60	1,65,564																																																																																												
May, 2011	458.00	395.10	73,471	440.00	390.30	26,153																																																																																												
June, 2011	446.90	407.05	15,457	448.00	406.00	24,304																																																																																												
July, 2011	471.00	411.00	84,045	472.00	411.00	85,038																																																																																												
August, 2011	460.05	385.55	13,112	457.00	392.10	37,672																																																																																												
September, 2011	427.80	385.00	7,758	435.00	390.00	13,000																																																																																												

AAL Share Price V/s BSE 500 Series





Share Transfer System	In compliance with the SEBI circular dated 27 th December, 2002, requiring share registry in terms of both physical and electronic mode to be maintained at a single point, the Company has appointed Integrated Enterprises (I) Limited, Ramana Residency, 4 th Cross, Malleshwaram, Bangalore 560 003, as its Registrar and Share Transfer Agents. Company's shares are traded on the Stock Exchanges compulsorily in demat mode.					
Shareholding pattern as on 30th September, 2011 :						
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 Share held	Share Holding %
Promoters	10735081	71.04	Upto 500	9294	617673	4.09
Non Promoter (Public)			501-1000	160	120323	0.80
Bodies Corporate	1484277	9.82	1001-2000	87	122858	0.81
FIs/Banks	113	0.00	2001-3000	28	67297	0.45
FII's	24976	0.17	3001-4000	16	55050	0.36
NRI's/OCB	46164	0.30	4001-5000	9	39900	0.26
Mutual Funds	1473666	9.75	5001-10000	17	129741	0.86
Others	1347698	8.92	10000 & Above	31	13959133	92.37
Total	15111975	100.00	Total	9642	15111975	100.00
Dematerialisation	The Company's Equity Shares are under compulsory demat trading. As on 30 th September, 2011, dematerialised shares accounted for 63.51 % of total equity.					
Outstanding warrants and their implications on Equity	There are no outstanding warrants					
Details of Public funds obtained in the last three years	Nil					
CEO/CFO Certification	As required by clause 49 (Corporate Governance) of the listing Agreement, the whole time Director and CFO have furnished the necessary Certificate to the Board of Directors with respect to Financial Statements and Cash flow Statement for the Year ended 30 th September, 2011.					
Registered Office	Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570 018 Phone : 2402582-86(5 lines), Fax : 2402451					
Audit Qualification	There were no audit qualification in the financial Statements of the Company for the year ended 30 th September, 2011					
Half –yearly communication to Shareholders	The Company does not mail the Unaudited Half yearly Financial Results individually to its shareholders. However these are published in "The Financial Express" and "Mysooru Mithra" and are also posted on the website of the company : www.autoaxle.com					
Investor Grievance Correspondence :						
Company	Secretarial Dept. , Automotive Axles Limited Automotive Axles Limited, Hootagalli Industrial Area Off Hunsur Road, Mysore - 570 018 Phone : 2402582-86(5 lines) Fax : 2402451 Email : sec@autoaxle.com		Share Transfer Agents Integrated Enterprises (I) Limited Ramana Residency, 4 th Cross Sampige Road, Malleshwaram Bangalore – 560 003 Phone: 2340815-818 Fax : 23460819 E-mail :investorgrievance@123alpha.com			

CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

We, Ashok Rao, President & Wholetime Director and S. Ramkumar, 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, 2011 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 violate 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:
 - a) Significant changes in internal control over financial reporting during the year;
 - b) substantial changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - c) instances of fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a 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: 29th November, 2011

Ashok Rao

President & Whole time Director

S. Ramkumar

Chief Financial Officer & Company Secretary



**CERTIFICATE OF 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, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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 all the conditions of Corporate Governance as stipulated under clause 49 of the 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 : 14th November, 2011

Nimmoo Kinger

Practicing Company Secretary

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 30th September, 2011, 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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 in paragraph 3 above, we report that:
 - a. 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;
 - b. 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 those books;
 - c. 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;
 - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2011;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 30th September, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Registration No. 008072S

V. Srikumar

Partner

Membership No. 84494

Date : 5th December, 2011

Place : Bangalore



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- i. Having regard to the nature of the Company's business/activities/result, clauses i (c), iii (b) to (d), (f) & (g), v, vi, ix (b), xii, xiii, xiv, xix and xx of CARO are not applicable.
- ii. 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. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- iii. In respect of its 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 explanations 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 explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- v. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- vii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of automotive parts 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.
- viii. According to the information and explanations given to us in respect of statutory dues:
 - a. The Company has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - b. There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 30th September, 2011 for a period of more than six months from the date they became payable.
- ix. The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- x. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.

- xi. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xii. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- xiii. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- xiv. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act.
- xv. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
Registration No. 008072S

V. Srikumar

Partner

Membership No. 84494

Date : 5th December, 2011

Place : Bangalore

**BALANCE SHEET** As at 30th September, 2011

(Amount in ₹)

	Schedule No	As at 30 th	As at 30 th
		September, 2011	September, 2010
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	151,119,750	151,119,750
b) Reserves & Surplus	2	2,287,550,686	1,887,618,853
		2,438,670,436	2,038,738,603
2. Loan Funds			
a) Secured Loans	3	580,234,546	633,122,251
b) Unsecured Loans	4	37,638,903	73,482,013
		617,873,449	706,604,264
3. Deferred tax liability (Net)			
		119,600,652	135,350,652
TOTAL		3,176,144,537	2,880,693,519
APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block at Cost	5	3,172,101,042	2,813,748,738
b) Less : Accumulated Depreciation		1,712,581,627	1,485,589,993
c) Net Block		1,459,519,415	1,328,158,745
d) Capital work-in-progress - at cost (includes capital advances ₹ 65,079,190/- [PY ₹ 14,671,354/-])		104,908,445	78,982,474
		1,564,427,860	1,407,141,219
2. Current Assets , Loans & Advances			
a) Current Assets			
-Inventories	6	1,102,048,348	902,764,317
-Sundry Debtors	7	1,910,556,383	1,237,474,792
-Cash and Bank	8	113,307,263	89,716,376
b) Loans & Advances	9	223,271,918	114,843,228
		3,349,183,912	2,344,798,713
Less : Current Liabilities & Provisions			
a) Current Liabilities	10	1,469,012,325	650,037,957
b) Provisions	11	268,454,910	221,208,456
		1,737,467,235	871,246,413
Net Current Assets			
		1,611,716,677	1,473,552,300
TOTAL		3,176,144,537	2,880,693,519
Significant Accounting Policies and Notes to Balance Sheet & Profit & Loss Account			
	18		

The Schedules referred to above form an integral part of the Balance Sheet in terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

On behalf of the Board of Directors

V.SRIKUMAR
Partner

B.N.Kalyani
Chairman

Ashok Rao
President and
Wholtime Director

S. Ramkumar
Chief Financial Officer
& Company Secretary

Place : Bangalore
Date : 05.12.2011

Place : Mysore
Date : 29.11.2011

PROFIT & LOSS ACCOUNT for the year ended 30th September, 2011

(Amount in ₹)

	Schedule No	For the Year Ended 30 th September, 2011	For the Year Ended 30 th September, 2010
INCOME			
Sales - Gross		11,112,576,666	7,323,622,042
Less: Excise Duty		1,014,864,112	643,672,064
		10,097,712,554	6,679,949,978
Other Income			
- Operational	12	27,227,573	17,374,011
- Others	13	5,094,143	22,948,186
		10,130,034,270	6,720,272,175
EXPENDITURE			
Raw Materials Consumed	14	7,345,743,702	4,743,006,541
(Increase)/Decrease In Stock of Finished Goods and Work-in-Process	15	(50,617,400)	(7,670,908)
Manufacturing, Administration & Selling Expenses	16	1,663,873,769	1,080,555,899
Interest	17	65,755,586	35,552,339
Depreciation		233,927,908	209,956,144
		9,258,683,565	6,061,400,015
		871,350,705	658,872,160
Profit before Tax			
Provision for Taxation			
- Current Tax			
for Current year		301,600,000	224,500,000
for Earlier Period		9,933,721	142,518
- Deferred Tax		(15,750,000)	(6,350,000)
- Fringe Benefit Tax		-	(164,689)
Profit after Tax		575,566,984	440,744,331
Add : Balance brought forward from Previous Year		1,453,094,142	1,205,665,276
Add : Proposed Dividend and Dividend Tax written back		-	570,559
Profit available for appropriation		2,028,661,126	1,646,980,166
APPROPRIATIONS			
Proposed Dividend		151,119,750	128,451,788
Tax on Dividend		24,515,401	21,334,236
Transfer to General Reserve		57,600,000	44,100,000
Surplus carried to Balance Sheet		1,795,425,975	1,453,094,142
No of weighted average Equity Shares		15,111,975	15,111,975
Basic and Diluted Earnings per Equity Share (₹) (Face value of ₹ 10 /- per share)		38.09	29.17
Significant Accounting Policies and Notes to Balance Sheet & Profit & Loss Account	18		

The Schedules referred to above form an integral part of the Balance Sheet in terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

On behalf of the Board of Directors

V.SRIKUMAR
Partner

B.N.Kalyani
Chairman

Ashok Rao
President and
Wholetime Director

S. Ramkumar
Chief Financial Officer
& Company Secretary

Place : Bangalore
Date : 05.12.2011

Place : Mysore
Date : 29.11.2011

**CASH FLOW STATEMENT** for the year ended 30th September, 2011

(Amount in ₹)

	For the Year Ended 30 th September, 2011		For the Year Ended 30 th September, 2010	
I) CASH FLOW FROM OPERATING ACTIVITIES				
A) Net Profit before Tax and Extraordinary Items		871,350,705		658,872,160
B) Adjustments				
Add :				
Depreciation	233,927,908		209,956,144	
Unrealised Exchange Loss / (Gain)	2,455,039		(6,282,482)	
Interest Expense	65,755,586	302,138,533	35,552,339	239,226,001
		1,173,489,238		898,098,161
Less :				
Liabilities Written Back	2,346,629		9,248,810	
Profit/ (Loss) on sale of asset (net)	(39,886)		1,157,828	
Interest Received	1,606,005	3,912,748	822,956	11,229,594
Operating Profit Before Working Capital Changes		1,169,576,490		886,868,567
C) Adjustments for				
Inventory	(199,284,031)		(303,103,778)	
Sundry Debtors	(673,081,591)		(565,875,331)	
Loans & Advances	(97,333,326)		(39,598,426)	
Current Liabilities & Provisions	838,916,400	(130,782,548)	119,002,266	(789,575,269)
D) Cash Generated From Operations		1,038,793,942		97,293,298
Advance Tax (Net of refunds)		(317,181,137)		(175,272,417)
E) Net Cash From Operating Activities		721,612,805		(77,979,119)
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)		(392,318,627)		(95,372,369)
Sale of Assets		1,064,192		1,660,983
Interest Received		(581,099)		756,958

(Amount in ₹)

	For the Year Ended 30 th September, 2011	For the Year Ended 30 th September, 2010
Net Cash Used in Investing Activities	(391,835,534)	(92,954,428)
III) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds From Long Term Borrowings	339,345,880	461,040,626
Repayment of Long Term Borrowings	(169,491,108)	(202,306,263)
Repayment of Short Term Borrowings	(261,040,626)	-
Dividend & Tax on Dividend	(150,039,431)	(48,099,120)
Interest Paid	(64,961,099)	(36,662,690)
	(645,532,264)	(287,068,073)
Net Cash Used in Financing activities	(306,186,384)	173,972,553
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	23,590,887	3,039,006
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	89,716,376	86,677,370
CASH AND CASH EQUIVALENTS AT END OF PERIOD	113,307,263	89,716,376

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 .

- Cash and cash equivalents at the end of the year include balances with Scheduled Banks in unpaid Dividend accounts ₹ 2,786,477/- (Previous Year ₹ 3,039,884/-) and deposits under lien ₹ 10,040,000/- (Previous Year ₹ 2,200,000/-), not available for use by the Company.
- Details of items included in cash and cash equivalents are given in Schedule 8.

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

On behalf of the Board of Directors

V.SRIKUMAR
Partner

B.N.Kalyani
Chairman

Ashok Rao
President and
Wholtime Director

S. Ramkumar
Chief Financial Officer
& Company Secretary

Place : Bangalore
Date : 05.12.2011

Place : Mysore
Date : 29.11.2011

**SCHEDULES** forming part of the accounts

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 1		
Share Capital		
Authorised:		
23,000,000 (Previous Year 23,000,000) Equity Shares of ₹ 10 each	230,000,000	230,000,000
2,000,000 (Previous Year 2,000,000) Preference Shares of ₹ 10 each	20,000,000	20,000,000
	250,000,000	250,000,000
Issued, Subscribed & Paid up :		
15,111,975 (Previous Year 15,111,975) Equity Shares of ₹ 10 each fully paid up	151,119,750	151,119,750
	151,119,750	151,119,750

	As at 30 th September, 2011		As at 30 th September, 2010	
SCHEDULE - 2				
Reserves & Surplus				
Share Premium as per last Balance Sheet		115,588,500		115,588,500
General Reserve				
As per last Balance sheet	318,936,211		274,836,211	
Add: Transfer from P&L Account	57,600,000	376,536,211	44,100,000	318,936,211
Surplus in Profit & Loss Account		1,795,425,975		1,453,094,142
TOTAL		2,287,550,686		1,887,618,853

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 3		
Secured Loans		
From Financial Institutions		
-Finance Lease Obligations (Includes amounts due within one year ₹ 669,628/- previous year ₹ 520,250/-)	1,305,329	1,039,956
From Banks		
-Rupee Term Loans (Includes amounts due within one year ₹ 94,583,332/- previous year ₹ 131,458,332/-)	239,583,337	371,041,669
-Cash Credit	339,345,880	261,040,626
TOTAL	580,234,546	633,122,251

1. Rupee Term loan of ₹ 239,583,337/- (Previous year ₹ 371,041,669/-) is secured by a first pari-passu charge by hypothecation of the Plant and Machinery of the Company.
2. Finance lease obligations are secured by assets purchased under the respective agreements.
3. Cash Credit Facility of ₹ 339,345,880/- (Previous Year ₹ 261,040,626/-) is secured by inventory and receivable.

SCHEDULE - 4		
Unsecured Loans		
From Bank		
Foreign Currency Term Loans (Includes amounts due within one year ₹ 29,382,849/- previous year ₹ 38,858,805/-)	37,638,903	73,482,013
TOTAL	37,638,903	73,482,013

SCHEDULES forming part of the accounts

SCHEDULE - 5

Fixed Assets

(Amount in ₹)

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.10.2010	Additions/ Adjustments during the year	Disposals/ Adjustments during the year	As at 30.09.2011	upto 01.10.2010	For the year	Adjustments during the year	As at 30.09.2011	As at 30.09.2011	As at 30.09.2010
Land - Freehold	3,832,366	-	-	3,832,366	-	-	-	-	3,832,366	3,832,366
Building	224,892,119	28,249,379	472,777	252,668,211	61,363,252	9,998,221	513	71,360,966	181,307,761	163,528,867
Plant & Machinery	2,536,413,679	310,078,712	5,120,125	2,841,372,266	1,388,966,658	216,229,984	5,024,041	1,600,172,601	1,241,199,665	1,147,447,021
Furniture & office equipment	43,913,563	27,232,462	2,447,450	68,698,575	31,939,683	7,130,559	1,911,720	37,158,522	31,540,053	11,973,880
Vehicles										
Own Vehicle	1,780,867	32,983	-	1,813,850	1,675,075	80,393	-	1,755,468	58,382	105,792
Finance Lease	2,916,144	799,120	-	3,715,264	1,645,325	488,751	-	2,134,076	1,581,188	1,270,819
Total	2,813,748,738	366,392,656	8,040,352	3,172,101,042	1,485,589,993	233,927,908	6,936,274	1,712,581,627	1,459,519,415	1,328,158,745
Capital work in progress (a)									104,908,445	78,982,474
Total									1,564,427,860	1,407,141,219
Previous Year	2,756,210,597	87,464,817	29,926,676	2,813,748,738	1,305,057,370	209,956,144	29,423,521	1,485,589,993		

(a) During the year a sum of ₹ Nil/- (Previous Year ₹ 76,937/-) being interest on borrowings attributable to qualifying assets have been capitalised under the head Capital work in progress.

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 6		
Current Assets		
Inventory (at the lower of cost and net realisable value)		
Raw materials & Components	792,460,588	664,339,994
Work-in-process	167,264,459	142,337,405
Finished goods	49,801,178	21,464,741
Stores & Spares	92,522,123	74,622,177
	1,102,048,348	902,764,317
SCHEDULE - 7		
Sundry Debtors		
(Unsecured)		
Over Six months		
Considered good	-	-
Considered doubtful	400,571	578,093
Others		
Considered good	1,910,556,383	1,237,474,792
Considered doubtful	-	-
	1,910,956,954	1,238,052,885
Less: Provision for Doubtful debts	(400,571)	(578,093)
	1,910,556,383	1,237,474,792
Includes amounts due from		
Companies under the same Management.		
Meritor HVS (India) Ltd,	1,781,971,398	1,082,680,927
Bharath Forge Ltd.	11,859,536	4,586,192



SCHEDULES forming part of the accounts

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 8		
Cash and Bank Balances		
Cash on hand	223,132	12,324
Cheques on hand	85,516,760	-
Bank Balances		
With Scheduled Banks		
- in Current accounts	17,527,371	33,504,052
- in Fixed Deposits	10,040,000	56,200,000
(includes ₹ 10,040,000/- under lien for guarantees issued Previous year ₹ 2,200,000/-)		
	113,307,263	89,716,376

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 9		
LOANS & ADVANCES - Considered good		
Advances recoverable in cash or in kind or for value to be received	117,182,604	73,519,654
Less : Provision for doubtful advances	(780,408)	-
	116,402,196	73,519,654
Interest Accrued but not Due	656,212	72,353
Deposits with Govt. Authorities	14,654,178	7,111,145
Balances With Customs & Central Excise Dept.	64,371,212	16,735,716
Deposits - Others	1,111,372	235,872
Advance Income Tax	19,154,269	10,246,009
Advance Fringe Benefit Tax	6,922,479	6,922,479
TOTAL	223,271,918	114,843,228
Note :-		
1. Of the above,		
-Secured	-	-
-Unsecured	223,271,918	114,843,228
	223,271,918	114,843,228
2. Advances recoverable includes amounts due from Meritor HVS (India) Ltd, a Company under the same Management.	-	-
Maximum amount outstanding during the year	13,525	13,525

SCHEDULES forming part of the accounts

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 10		
Current Liabilities		
Sundry Creditors		
- Micro & Small Enterprises	31,457,044	12,913,880
- Others	1,368,381,603	579,905,750
Other Liabilities	56,354,678	41,647,231
Interest accrued but not due on loans	3,442,454	2,647,967
Unpaid Dividend #	2,786,477	3,039,884
Advances Received	6,590,069	9,883,245
TOTAL	1,469,012,325	650,037,957

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		
Provision for Employee Benefits	37,251,857	28,511,324
Warranty	25,669,698	16,273,748
Provision for Income Tax	22,915,063	19,654,219
Provision for Fringe Benefit Tax	6,983,141	6,983,141
Proposed Dividend	151,119,750	128,451,788
Tax on Proposed Dividend	24,515,401	21,334,236
TOTAL	268,454,910	221,208,456

SCHEDULE - 12		
Operational income		
Jobbing Charges	647,825	925,148
Scrap Sales	124,720	115,760
Others	26,455,028	16,333,103
TOTAL	27,227,573	17,374,011

**SCHEDULES** forming part of the accounts

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 13		
Other Income		
Profit on sale of assets	8,946	1,157,828
Interest (Tax deducted at source ₹ 85,171/- previous year - ₹ 42,913/-)	1,606,005	822,956
Liabilities written back	2,346,629	9,248,810
Exchange Gain (Net)	-	7,790,806
Miscellaneous Income	800,878	3,888,880
Provision for Debtors written back	331,685	38,906
TOTAL	5,094,143	22,948,186

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 14		
Raw Material Consumed		
Opening Stock	664,339,994	372,360,518
Add: Purchases	7,887,646,234	5,297,669,896
Less : Cash Discount & Scrap Sales	413,781,937	262,683,879
	7,473,864,297	5,034,986,017
	8,138,204,291	5,407,346,535
Less: Closing Stock	792,460,589	664,339,994
TOTAL	7,345,743,702	4,743,006,541

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 15		
(Increase)/Decrease In Stock Of Finished Goods & Work-In-Process		
Closing Stock		
- Finished Goods	49,801,178	21,464,741
- Excise duty on Finished Goods	(5,168,125)	(2,522,034)
- Work-in-process	167,264,459	142,337,405
	211,897,512	161,280,112
Opening Stock		
- Finished Goods	21,464,741	30,554,982
- Excise duty on Finished Goods	(2,522,034)	(1,961,474)
- Work-in-process	142,337,405	125,015,696
	161,280,112	153,609,204
TOTAL	(50,617,400)	(7,670,908)

SCHEDULES forming part of the accounts

(Amount in ₹)

	Year Ended 30 th September, 2011	Year Ended 30 th September, 2010
SCHEDULE - 16		
Manufacturing, Administration and Selling Expenses		
Payments to and provision for employees:		
-Salaries & Wages	429,755,813	341,092,644
-Contribution to Provident Fund and other funds	35,367,306	28,809,932
-Welfare expenses	60,579,874	31,145,849
	525,702,993	401,048,425
Stores & Spares consumed	201,976,184	151,118,986
Power & Fuel	215,597,466	127,955,992
Rates & Taxes	1,175,703	639,270
Travelling Expenses	16,070,001	11,658,390
Repairs & Maintenance		
- Buildings	19,811,117	19,210,486
- Plant & Machinery	127,580,645	98,135,170
- Others	10,631,417	9,842,842
Insurance charges	2,686,056	2,099,861
Postage, Telephone & Telegrams	1,892,921	1,421,308
Vehicle Running Expenses	1,652,735	1,383,089
Directors' Sitting fees	500,000	460,000
Legal and Professional Fees (Refer note 10 of schedule 18)	19,964,689	9,162,089
Technical fees	47,341,289	30,929,073
Bank charges/Commission	1,975,668	1,682,735
Outside Processing Charges	388,807,281	175,127,168
Lease Rent	2,142,579	522,034
Exchange loss (Net)	3,522,632	-
Product Service	4,964,389	943,779
Warranty	26,417,721	15,243,838
Export Expenses	1,054,827	145,305
Loss on Sale of Assets	48,832	-
Provision for Doubtful Debts	801,577	310,174
Debtors Written Off	647,413	593,161
Less : Provision for Doubtful Debts	647,413	593,161
Provision for doubtful advances	780,408	493,776
Miscellaneous Expenses	40,774,639	21,022,109
TOTAL	1,663,873,769	1,080,555,899

(Amount in ₹)

	As at 30 th September, 2011	As at 30 th September, 2010
SCHEDULE - 17		
Interest		
Interest on term loans	32,080,432	26,042,531
Interest on Working capital borrowings	33,675,154	9,509,808
TOTAL	65,755,586	35,552,339

NOTES forming part of the accounts

SCHEDULE 18

Notes to 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 qualifying 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 and 13 years
Tools, Jig and Fixtures and Measuring gauges	As per technical evaluation of their useful life and currently ranging from 1 ½ to 5 years.
Certain imported machinery	As 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. Assets costing less than ₹ 5,000/- is 100% depreciated in the year of purchase.

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

Transactions in foreign currency are recorded on the basis of the exchange rate prevailing as on the date of transaction. 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.

NOTES forming part of the accounts

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 precedents 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.

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, Superannuation Fund and Employee state insurance 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 recognised 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 recognised 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 recognised subject to management's judgment that realisation is virtually certain.

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

NOTES forming part of the accounts

l) Cash flow Statement

Cash Flow Statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3.

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 recognised impairment loss is further provided or reversed depending on changes in circumstances.

n) Earning Per Share

In determining the earning 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 earning per share comprises the weighted average shares considered for deriving basic earning 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 recognised 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 at 30 th September, 2011	As at 30 th September, 2010
Axle Housing (A Component of Axle, Including Tag Hsg.)	(Nos)	190,000	202,000
Complete Axles	(Nos)	195,000	195,000
Brake Assemblies **	(Nos)	2,038,000	1,248,000
Gear Sets	(MT)	9,552	9,552

(as certified by management and relied upon by the auditors, being a technical matter)

** Brake Assemblies include sub assemblies

(b) Actual Production

Product	UM	As at 30 th September, 2011	As at 30 th September, 2010
Axle Housing* (A Component of Axle, Including Tag Hsg.)	(Nos)	151,717	132,100
Complete Axles	(Nos)	127,161	103,123
Brake Assemblies	(Nos)	393,901	--
Gear Sets	(MT)	5,832	3,752

*Actual production of Axle Housings includes 127,161 Nos used for production of Complete Axles (previous year 103,123 Nos).

NOTES forming part of the accounts

(c) Details of Gross Sales : (Excluding Warranty Replacements & Samples)

Product	2010-11		2009-10	
	Quantity	Amount (₹)	Quantity	Amount (₹)
• Axle Housing (Nos)	24,506	371,856,729	29,058	399,459,546
• Axles (Nos)	126,792	8,289,048,941	103,034	6,094,017,528
• Brake Assemblies (Nos)	392,771	1,564,611,253	-	-
• Gear Sets (MT)*	1,503	442,094,918	645	217,467,448
• Others		444,964,825		612,677,520
		11,112,576,666		7,323,622,042

* Exclusive of Axles & Drive Head Sales

Note: Quantity details of sale of others have not been given since none of the individual items constitute greater than 10% of the value.

3. Opening and Closing Stock of Finished Goods

Product	2010-11		2009-10	
	Quantity	Amount (₹)	Quantity	Amount (₹)
Opening Stock:				
• Axle Housing (Nos.)	42	545,490	123	1,583,177
• Axle (Nos.)	381	19,973,707	292	13,532,323
• Gear Set (MT)*	23	237,380	97	14,914,687
• Others		708,164		524,795
		21,464,741		30,554,982
Closing Stock:				
• Axle Housing (Nos.)	92	1,018,283	42	545,490
• Axle (Nos.)	750	35,990,296	381	19,973,707
• Brake Assemblies (Nos.)	1,130	4,484,186	--	--
• Gear Set (MT)*	6	1,410,709	23	237,380
• Others		6,897,704		708,164
		49,801,178		21,464,741

* Exclusive of Axles & Drive Head

Note: 1. Quantity details of stock of others have not been given since none of the individual items constitute greater than 10% of the value.

2. Inclusive of Slow Moving and Non Moving Provision

4. Raw Materials and Components Consumed

Raw Material and Components	2010-11		2009-10	
	Quantity	Amount (₹)	Quantity	Amount (₹)
• Steel (M.T)	35,219	1,521,401,454	25,839	972,740,664
• Castings (Nos)	1,656,586	1,304,470,319	843,834	689,139,181
• Forgings (Nos)	1,215,208	1,113,823,449	980,471	777,592,578
• Bought Out Finished Components	-	2,521,753,728	-	1,844,223,724
• Others		884,294,752		459,310,394
		7,345,743,702		4,743,006,541

Note: Quantity details of consumption of others and bought out finished components have not been given since none of the individual items constitute greater than 10% of the value.

**NOTES** forming part of the accounts**5. Value of Raw Materials, Stores & Spares Consumed During the Year**

Particulars	2010-11		2009-10	
	Consumption %	(₹)	Consumption %	(₹)
a) Raw Materials				
• Imports	1	64,861,102	1	39,334,567
• Indigenous	99	7,280,882,600	99	4,703,671,974
	100	7,345,743,702	100	4,743,006,541
b) Stores & Spares				
• Imports	2	4,071,524	--	514,554
• Indigenous	98	197,904,660	100	150,604,432
	100	201,976,184	100	151,118,986

6. Value of Imports on C.I.F. Basis

Particulars	2010-11 (₹)	2009-10 (₹)
a) Raw Material	63,740,666	61,508,448
b) Consumable & Spares	9,717,224	1,989,940
c) Capital Goods	42,367,958	1,709,698
	115,825,848	65,208,086

7. Expenditure in Foreign Currency

Particulars	2010-11 (₹)	2009-10 (₹)
a) Foreign Travel	3,509,939	1,674,347
b) Bank Charges	12,989	9,525
c) Others	9,126,234	4,069,773
d) Interest	539,259	1,252,595

8. Remittances in Foreign Currency on Account of Dividends to Non-resident Shareholders

Particulars	2010-11 (₹)	2009-10 (₹)
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	45,621,838	14,491,643
d) Year to which Dividend Related - Final Dividend	2009-10	2008-09

NOTES forming part of the accounts

9. Managerial Remuneration

Particulars	2010-11	2009-10
	(₹)	(₹)
Salary & Allowances*	6,806,355	6,230,619
Contribution to Provident and Other Funds*	1,135,260	1,014,350
Perquisites	336,393	301,859
	8,278,008	7,546,828

* Excludes contributions towards Gratuity and provision for leave salary, as the same have been provided on an actuarial basis for the Company as a whole.

10. Payment to Auditors: (Included in Legal and Professional Fees in Schedule 16)

Particulars	2010-11	2009-10
	(₹)	(₹)
As Statutory Auditors	2,300,000	1,800,000
For Other Attest Services	600,000	561,000
Reimbursement of Expenses	213,044	171,816
	3,113,044	2,532,816

11. Employee Benefits

I Defined Contribution Plans:

During the year, the Company has recognised the following amount in the Profit and Loss Account –

Particulars	2010-11	2009-10
	(₹)	(₹)
Employers' Contribution to Provident Fund Including Family Pension Fund* (Excluding Administration Charges)	21,377,066	16,520,024
Superannuation Fund*	5,176,560	5,577,499
Employers' State Insurance	2,691,347	3,864,803

* Included in Contribution to Provident and Other Funds (Refer Schedule - 16)

II Defined Benefit Plan :

Contribution to Gratuity Fund

In accordance with Accounting Standard 15 actuarial valuation was carried out in respect of the aforesaid defined benefit plan.

Particulars	Gratuity	
	As at 30 th September, 2011	As at 30 th September, 2010
Discount Rate	8.00 %	8.00 %
Expected Return on Plan Assets	8.00 %	8.00 %
Salary Escalation Rate – Staff	12.00 %	7.00 %
Salary Escalation Rate – Workmen	5.00 %	7.00 %

Change in Present Value Obligation

NOTES forming part of the accounts

Particulars	Gratuity	
	As at 30 th September, 2011	As at 30 th September, 2010
Opening Present Value of Obligation	60,175,568	52,140,084
Current Service Cost	5,046,315	6,376,359
Interest on Defined Benefit Obligation	4,503,332	4,107,180
Benefits Paid	(7,767,828)	(1,600,657)
Net Actuarial Losses/(Gains) Recognised During the Year	(2,650,958)	(847,398)
Liability taken over	1,762,973	-
Closing Present Value of Obligation	61,069,402	60,175,568

Change in Fair Value of Assets

Particulars	Gratuity	
	As at 30 th September, 2011	As at 30 th September, 2010
Opening Fair Value of Plan Asset	52,370,674	42,295,034
Expected Return on Plan Assets	4,109,460	3,579,576
Actuarial Gains/(Losses)	(4,152,839)	1,596,721
Contribution by Employer	5,762,974	6,500,000
Benefits Paid	(7,767,828)	(1,600,657)
Closing Fair Value of Plan Assets	50,322,441	52,370,674

Investment Details of Fund Assets

Fund	Percentage As at 30 th September, 2011	As at 30 th September, 2011 Amount (₹)	Percentage As at 30 th September, 2010	As at 30 th September, 2010 Amount (₹)
	Group Balanced Fund	19%	9,357,560	17%
Group Debt Fund	20%	10,118,927	18%	9,357,480
Group Growth Fund	40%	20,051,194	33%	17,371,434
Group Short Term Debt Fund	18%	9,031,787	32%	16,586,093
Fund for liabilities taken over	03%	1,762,973	-	-
Total	100%	50,322,441	100%	52,370,674

Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Plan Assets

Particulars	Gratuity	
	As at 30 th September, 2011	As at 30 th September, 2010
Closing Present Value of Funded Obligation	61,069,402	60,175,568
Closing Fair Value of Plan Assets	50,322,441	52,370,674
Unfunded Liability	(10,746,961)	(7,804,894)
Unrecognised Actuarial Gains/(Losses)	--	--
Unfunded Net Asset/(Liability) Recognised in Balance Sheet	(10,746,961)	(7,804,894)

NOTES forming part of the accounts

Amount Recognised in the Balance Sheet

Particulars	Gratuity	
	As at 30 th September, 2011	As at 30 th September, 2010
Closing Present Value of Obligation	61,069,402	60,175,568
Closing Fair Value of Plan Assets	50,322,441	52,370,674
Liability Recognised In The Balance Sheet	(10,746,961)	(7,804,894)

Expenses Recognised in Profit and Loss Account

Particulars	Gratuity	
	As at 30 th September, 2011	As at 30 th September, 2010
Service Cost	5,046,315	6,376,359
Interest Cost	4,503,332	4,107,180
Expected Return on Plan Asset	(4,109,460)	(3,579,576)
Actuarial Gains/(Losses)	1,501,881	(2,444,119)
Net Cost	6,942,068	4,459,844

Experience Adjustment

Particulars	As at 30 th September, 2011	As at 30 th September, 2010	As at 30 th September, 2009	As at 30 th September, 2008	As at 30 th September, 2007
Defined Benefit Obligations	61,069,403	60,175,568	52,140,084	43,503,006	41,305,856
Plan Assets	50,322,441	52,370,674	42,295,034	33,510,518	29,411,010
Surplus/ Deficit	(10,746,962)	(7,804,894)	(9,845,050)	(9,992,488)	(11,894,846)
Experience Adjustment on Plan Liabilities	(2,650,958)	(847,398)	(225,851)	(173,628)	(1,512,252)
Experience Adjustment on Plan Assets	(4,152,839)	1,596,721	3,548,836	(2,971,400)	(392,696)

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

III Other Employee Benefits:

Compensated Leave absences benefit expensed in the profit and loss account for the year is ₹ 10,974,826/- (Previous Year ₹ 19,218,360/-). Liability carried in the Balance Sheet at the year end is ₹ 23,522,184/- (Previous Year ₹ 18,794,463/-)

NOTES forming part of the accounts

12. Segment Reporting

Particulars	Domestic (₹)	Sale for Exports (Note 2 Below) (₹)	Consolidated (₹)
I. Revenue			
Income	10,568,261,925 (7,066,453,217)	571,447,881 (274,427,077)	11,139,709,806 (7,340,880,294)
Segment Result	1,021,958,388 (737,235,149)	48,166,918 (23,878,472)	1,070,125,306 (761,113,621)
Unallocated Expenses net of Unallocated income			133,019,017 (66,689,122)
Operating Profit			937,106,289 (694,424,499)
Interest Expenses			65,755,586 (35,552,339)
Income Taxes			295,783,721 (218,127,829)
Net Profit			575,566,984 (440,744,331)
II. Other Information			
Segment Assets	2,862,313,590 (2,031,620,839)	150,291,141 (120,844,145)	3,012,604,731 (2,152,464,984)
Unallocated Assets			1,901,007,041 (1,599,474,948)
Total Assets			4,913,611,772 (3,751,939,932)
Segment Liabilities			
Unallocated Liabilities			2,474,941,336 (1,713,201,329)
Total Liabilities			2,474,941,336 (1,713,201,329)
Depreciation	201,920,640 (193,296,136)	24,362,432 (12,799,570)	226,283,073 (206,095,706)
Depreciation - Unallocable	-	-	7,644,835 (3,860,438)
Non Cash Charges other than depreciation	-	-	1,581,985 (803,950)

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 None).
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.

NOTES forming part of the accounts

13. Related Party Transactions

a. List of Related Parties and Relationships

Relationship	Related Parties	
(i) Controlling Enterprises	Meritor Heavy Vehicle System LLC., USA Meritor Inc.,	
(ii) Other Related Parties with Whom the Company had Transactions :-		
Enterprises under Common Control / Enterprises over which Key Management Personnel have significant influence	Bharat 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 Meritor Automotive Export Ltd., UK TRW Automotive U.S. LLC, USA Meritor Heavy Vehicle, Australia Meritor, Brazil Meritor Frankfort, USA Meritor Inc., Maxton, USA Meritor Automotive Export, South Wales NP TRW Commercial Sterring Ege Fren AS Turkey	
Key Management Personnel	Dr. B.N. Kalyani	Chairman (Non-retiring)
	Mr. Ashok Rao	President and Whole-time Director



NOTES forming part of the accounts

b. Transactions with Related Parties

Sl. No.	Transactions	Controlling Enterprises	Enterprises Under Common Control	Key Management Personnel & their Relatives	Total
1)	Purchase of Goods				
	Bharat Forge Ltd.,		11,821,886		11,821,886
			(80,986,299)		(80,986,299)
	Meritor HVS LLC, USA	15,193,831			15,193,831
		(8,158,580)			(8,158,580)
	Meritor Inc., Troy	Nil			Nil
		(1,128,126)			(1,128,126)
	Others		14,402,165		14,402,165
			(20,692,226)		(20,692,226)
		15,193,831	26,224,051		41,417,882
		(9,286,706)	(101,678,525)		(110,965,231)
2)	Sale of Goods				
	Meritor HVS (India) Limited		10,489,846,708		10,489,846,708
			(6,071,533,984)		(6,071,533,984)
	Bharat Forge Ltd.,		106,574,160		106,574,160
			(85,310,493)		(85,310,493)
			10,596,420,868		10,596,420,868
			(6,156,844,477)		(6,156,844,477)
3)	Purchase of Fixed Assets				
	Bharat Forge Ltd.,		21,011,796		21,011,796
			(2,287,884)		(2,287,884)
			21,011,796		21,011,796
			(2,287,884)		(2,287,884)
4)	Services Received				
	Bharat Forge Ltd.,		175,227,516		175,227,516
			(158,543,514)		(158,543,514)
	Meritor Inc USA	4,732,800			4,732,800
		(4,069,773)			(4,069,773)
	Meritor HVS (India) Limited		36,044,577		36,044,577
			(26,859,300)		(26,859,300)
		4,732,800	211,272,093		216,004,893
		(4,069,773)	(185,402,814)		(189,472,587)
5)	Services Rendered				
	Meritor HVS (India) Limited		394,611		394,611
			(241,018)		(241,018)
			394,611		394,611
			(241,018)		(241,018)
6)	Other Recoveries				
	Meritor HVS (India) Limited		2,195,266		2,195,266
			(3,901,166)		(3,901,166)
			2,195,266		2,195,266
			(3,901,166)		(3,901,166)
7)	Trade Advances Paid				
	Bharat Forge Ltd.,		6,000,000		6,000,000
			(6,175,000)		(6,175,000)
			6,000,000		6,000,000
			(6,175,000)		(6,175,000)

NOTES forming part of the accounts

b. Transactions with Related Parties (Contd.)

SI. No.	Transactions	Controlling Enterprises	Enterprises Under Common Control	Key Management Personnel & their Relatives	Total
8)	Managerial Remuneration and Sitting Fee				
	Mr. Ashok Rao			8,278,008	8,278,008
				(7,546,828)	(7,546,828)
	Dr. B N Kalyani			60,000	60,000
				(80,000)	(80,000)
				8,338,008	8,338,008
				(7,626,828)	(7,626,828)
	Amount Outstanding at the Balance Sheet Date				
9)	Amounts Receivable				
	Meritor HVS (India) Limited		1,781,971,398		1,781,971,398
			(1,082,680,927)		(1,082,680,927)
	Others		11,859,356		11,859,356
			(4,586,192)		(4,586,192)
			1,793,830,754		1,793,830,754
			(1,087,267,119)		(1,087,267,119)
10)	Amounts Payable				
	Bharat Forge Ltd.,		44,739,337		44,739,337
			(32,033,643)		(32,033,643)
	Others		7,526,615	601,250	8,127,865
			(485,162)	(549,000)	(1,034,162)
			52,265,952	601,250	52,867,202
			(32,518,805)	(549,000)	(33,067,805)

1. Related Party relationships are as identified by the Company on the basis of information available with them and accepted by the auditors.
2. The above amounts exclude reimbursement of expenses.
3. No amount is/has been written off or written back during the year in respect of debts due from or to related party.
4. Transactions reported above reflects, relationship with the parties from the date such relationship came into effect and hence the current year figures may not be comparable to the previous years figures.
5. Figures in brackets relate to the previous year.

14. Taxation

- (a) The net deferred tax liability comprises the tax impact arising from timing differences on account of :

Particulars	2010-11 (₹)	2009-10 (₹)
Depreciation & Amortisation	384,218,981	438,460,140
Provision for Employee Benefits & Others	(24,192,936)	(30,989,400)
	360,026,045	407,470,740
Net Deferred Tax Liability Relating to the Above	119,600,652	135,350,652

- (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.

**NOTES** forming part of the accounts**15. 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:

Particulars	2010-11 (₹)	2009-10 (₹)
Amount Repayable Not Later than One Year	669,628	520,260
Amount Repayable Later than One Year and Not Later than Five Years	929,042	704,460
Amount Repayable More than Five Years	--	--
Total	1,598,670	1,224,720
Less: Interest Payable	293,341	184,764
Present Value of Minimum Lease Payments	1,305,329	1,039,956

16. Earnings Per Share

Sl. No.	Particulars	2010-11	2009-10
		(In ₹ Except for No. Shares)	
1	Profit After Tax Attributable to Ordinary Shareholders	575,566,984	440,744,331
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	38.09	29.17

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

Particulars	2010-11 (₹)	2009-10 (₹)
Nature of Expenses	Warranty	Warranty
Probable Outflow Estimated within	One Year	One Year
Liability as at Beginning of the Year	16,273,748	14,032,968
Amount Provided During the Year	27,755,484	24,862,115
Amount Utilised During the Year	17,057,517	13,003,056
Amount Reversed During the Year	1,302,017	9,618,278
Liability as on End of the Year	25,669,698	16,273,748

18. Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided for, ₹ 141,607,930/- (Previous year- ₹ 58,792,300/-).

19. 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.
- Other claims against the Company not acknowledged as debt for ₹ Nil (Previous year ₹ Nil).

20. The information as required to be disclosed under The Micro, Small and Medium Enterprises Development Act, 2006 and that given in Current Liabilities – Schedule 10 regarding Micro and Small enterprises determined to the extent such parties have been identified on the basis of the information available with the Company. This has been relied upon by the auditors.

21. Foreign Exchange Exposure

- The Company has entered into the following hedging mechanism:

NOTES forming part of the accounts

- (i) There is no outstanding Forward Exchange Contract as on 30th September, 2011 (Previous Year: Nil).
- ii. The foreign currency exposure as at year end that have not been hedged are given below:

	2010-11		2009-10	
	In ₹	In Foreign Currency	In ₹	In Foreign Currency
Import of Goods and Services	2,475,407	US\$ 50,109	252,714	US\$ 5,561
	2,387,937	EUR 35,414	388,238	EUR 6,271
	245,980	GBP 3,177	-	GBP -
	73,373	SEK 10,010	-	SEK -
Capital Imports (Including Intangibles)	43,990,822	US\$ 989,100	--	US\$ --
Interest Payable	132,428	US\$ 2,686	293,210	US\$ 6,465
Loans Payable	37,638,903	US\$ 763,467	73,482,013	US\$ 1,620,331

22. 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
Wholetime Director

S. Ramkumar
Chief Financial Officer
& Company Secretary

Place : Mysore
Date : 29.11.2011

**NOTES** forming part of the accounts**SCHEDULE 19****Balance Sheet Abstract And Company's General Business Profile**

I	Registration details			
	Registration No.	4198	State Code	8
	Balance Sheet date	30.09.2011		
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	3,176,144.54	Total Assets	3,176,144.54
	Sources of funds			
	Paid-up Capital	151,119.75	Reserves & Surplus	2,287,550.69
	Secured Loans	580,234.55	Unsecured Loans	37,638.90
	Deferred Tax Liability (net)	119,600.65		
	Application of Funds			
	Net Fixed Assets	1,564,427.86	Investments	Nil
	Net Current Assets	1,611,716.68	Misc. Expenditure	Nil
	Accumulated Losses	Nil		
IV	Performance of Company (Amount in Rs. Thousands)			
	Turnover	10,097,712.55	Total Expenditure	9,258,683.57
	Profit before Tax	871,350.71	Profit after Tax	575,566.98
	Earning per Share in ₹	38.09	Dividend rate	100%
V	Generic Names of Three Principal Products/Services of Company (as per monetary terms)			
	Item Code No.		87085000	
	(ITC CODE)			
	Product Description		Drive Axles (Rear)	
	Item Code No.		87083000	
	(ITC CODE)			
	Product Description		Brakes	
	Item Code No.		87085000	
	(ITC CODE)			
	Product Description		Other parts	

On behalf of the Board of Directors

B.N.Kalyani
ChairmanAshok Rao
President and
Wholtime DirectorS. Ramkumar
Chief Financial Officer
& Company SecretaryPlace : Mysore
Date : 29.11.2011

NOTICE

Notice is hereby given that the Thirtieth 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 17th January, 2012 at 12.30 p.m. to transact the following business:

Ordinary Business:

- To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th September, 2011 and Balance Sheet as at 30th September, 2011 together with the Report of the Board of Directors and Auditors thereon.
- To declare dividend on equity shares for the year ended 30th September, 2011
- To appoint a Director in place of Mr. B.B. Hattarki who retires by rotation and being eligible offers himself for reappointment
- To appoint a Director in place of Mr. Ashok Rao who retires by rotation and being eligible offers himself for reappointment
- To appoint Auditors, Deloitte Haskins & Sells, Chartered Accountants (ICAI Reg.No.008072S) and to authorise the Board of Directors, to fix their remuneration for the period.

Special Business :

- To Consider, and, if thought fit, to pass the following as an ordinary resolution:

"Resolved that pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, as amended, the Company accords its consent and approval to the appointment of Mr. Ashok Rao, President & Wholetime Director of the Company, for a period of five years, effective 25.07.2011, on the terms and conditions set out below :

Component	Previous	Proposed - New Contract
		Eff. 25.07.2011
Basic Salary	₹ 2,90,000 per month	₹ 3,20,000 per month,
House Rent Allowance (40% of Basic)	₹ 1,16,000 per month	₹ 1,28,000 per month
Professional Development Expenses	₹ 1,200 per month	Nil
Education Allowance	₹ 1,200 per month	₹ 15,000 per month
House Upkeep Allowance	₹ 1,200 per month	Nil
Attire Allowance	₹ 960 per month	Nil
Special Allowance	Nil	₹ 16,949 per month
Conveyance	Company car + Driver + Fuel (Max. 200 Ltrs. of Petrol per month)	Company car + Driver + Fuel (Max. 200 Ltrs. of Petrol per month)
Leave Travel Allowance	1 month's Basic Salary per annum	1 month's Basic Salary per annum
Medical Reimbursement	₹ 24,167 per month	₹ 26,667 per month
Provident Fund	12% of Basic Salary per month	12% of Basic Salary per month
Superannuation	15% of Basic Salary per month	15% of Basic Salary per month
Gratuity	As per Gratuity Scheme in force	As per Gratuity Scheme in force
Group Hospitalisation Policy	As per Company Policy	As per Company Policy
Group Savings Linked Insurance	As per Company Policy	As per Company Policy
Performance Bonus	₹ 15,00,000 per annum	₹ 15,00,000 per annum

By Order of the Board of Directors

Place: Mysore
Date: 29.11.2011

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

For Automotive Axles Limited
S. Ramkumar
Chief Financial Officer &
Company Secretary

NOTICE

Notes:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item No.6 of the Notice is annexed.
2. 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.
3. Dividend on Equity Shares as recommended by the Board Of Directors, 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.
4. The register of Members and Share Transfer Books will remain closed from 15.01.2012 to 17.01.2012 (both days inclusive).
5. Those Members who have so far not encashed their Dividend Warrants for the below mentioned Financial Years, may claim or approach the Companies Share Transfer Agents for the payment thereof, as the same will be transferred to the Investor Education and protection Fund of the Central Government, pursuant to section 205C of the Companies Act, 1956, on the Respective due date(s) mentioned there against. Kindly note that after such date, the members will not be entitled to claim such dividend

Financial Year	Particulars of dividend declaration	Declared on	Due Date of Transfer
2003-04	65 % Final Dividend	27.01.2005	24.02.2012
2004-05	50 % Interim Dividend	21.04.2005	19.05.2012
2004-05	75 % Second Interim Dividend	24.11.2005	19.12.2012
2005-06	55 % Interim Dividend	22.07.2006	17.08.2013
2005-06	75 % Final Dividend	12.02.2007	07.02.2014
2006-07	60 % Interim Dividend	21.07.2007	17.08.2014
2006-07	65 % Final Dividend	18.01.2008	21.02.2015
2007-08	65 % Final Dividend	21.01.2009	20.02.2016
2008-09	27 % Final Dividend	15.01.2010	14.02.2017
2009-10	85 % Final Dividend	21.01.2011	20.02.2018

6. The Members are requested to present the duly filled Attendance slips before the commencement of the Meeting.
7. Members are requested to bring their copy of the Annual Report to the Meeting
8. Shareholders may kindly note that no gifts/coupons will be distributed at the Annual General Meeting.

ANNEXURE TO NOTICE

The following Explanatory Statement sets out material facts relating to the item No. 6 mentioned in the Notice, as required under section 173(2) of the Companies Act, 1956

Item No.6

Pursuant to Article 117 of the Articles of Association of the Company read with Sections 198, 269 & 309 of the Companies Act, 1956, Mr. Ashok Rao was appointed as President & Wholetime Director of the Company for a period of five years, effective 25.07.2006, pursuant to Article 120.

Considering the contributions made by the Wholetime Director to the better performance of the Company, and having regard to the growing needs of the Company, the Board of Directors at its meeting held on 27th July 2011, reappointed and renewed the contract of appointment of the Wholetime Director for a further period of five years w.e.f , 25.07.2011 on the revised remuneration and perquisites as mentioned in the resolution.

Members are requested to approve the appointment and increased remuneration as required under section 198, 269 & 309 of the Companies Act, 1956

Mr. Ashok Rao being the recipient of the remuneration, may be regarded as concerned or interested in the Resolution. None of the other Directors is concerned or interested in the resolution.

Disclosure under Section 302 of the Companies Act, 1956:

NOTICE

The details of remuneration furnished in the resolution also constitute the abstract of terms and contract, as required to be disclosed, pursuant to provisions under Section 302 of the Companies Act, 1956.

For brief resume of the Director please refer "Additional Information pursuant to clause 49 of the listing agreement"

Information required under clause 49 of the listing Agreement with the stock exchanges with respect to the Directors retiring by rotation and being eligible, seeking reappointment is as under:

(a) **Mr. Bhalchandra B. Hattarki**, is a Metallurgy and Mechanical Engineer, having 47 years of rich experience in the steel and forging industry. Mr. Hattarki also serves on the Board of Kalyani Steels Limited, Kalyani International Limited, Kalyani Mukand Limited, Hospet Steels Limited, BF Utilities Limited, Khed Developers Limited, BF Investment Limited and Kalyani Investment Limited.

(b) **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 company.

(c) **Mr. Pedro N.Ferro** has an advanced degree in Industrial Administration and has earned a Bachelor of Science Degree in Mechanical Engineering from Faculdade de Engenharia Industrial (FEI) in Sao Paulo, Brazil. Currently, he is President of Meritor's Industrial and Asia Pacific and responsible for managing the Company's business in off-highway, military, bus and coach, fire and emergency, and other industrial applications. He also has responsibility for the Company's on- and off-highway activities in Asia Pacific.

Pedro has been in the commercial vehicle / industrial businesses since 1983. From 1985 until 1998, Pedro held leadership positions of increasing responsibility with Cummins, Inc., including Vice President of automotive information products; Director of Sales and Marketing, for Cummins Mexico; area director for Latin America; GM of Field Operations in Brazil.

By Order of the Board of Directors

Place: Mysore

Date: 29.11.2011

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

For Automotive Axles Limited

S. Ramkumar

Chief Financial Officer &
Company Secretary



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.ofas my/our Proxy to vote
for me/us and on my/ our behalf at the Thirtieth Annual General Meeting of the Company to be held on 17th January 2012 and at any adjournment
thereof.

Signed thisday

Regd. Folio No./ Demat Account No.

No. of Shares

Affix a
Revenue
Stamp

Signature.....



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

ATTENDANCE SLIP

Thirtieth 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 Thirtieth Annual General Meeting of the Company at Regd. Office, Hootagalli Industrial Area, Off Hunsur Road, Mysore – 570 018, at 12.30 p.m. on 17th January, 2012.

.....

.....

.....

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.

Disclaimer

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward looking-statements, whether as a result of new information, future events or otherwise.