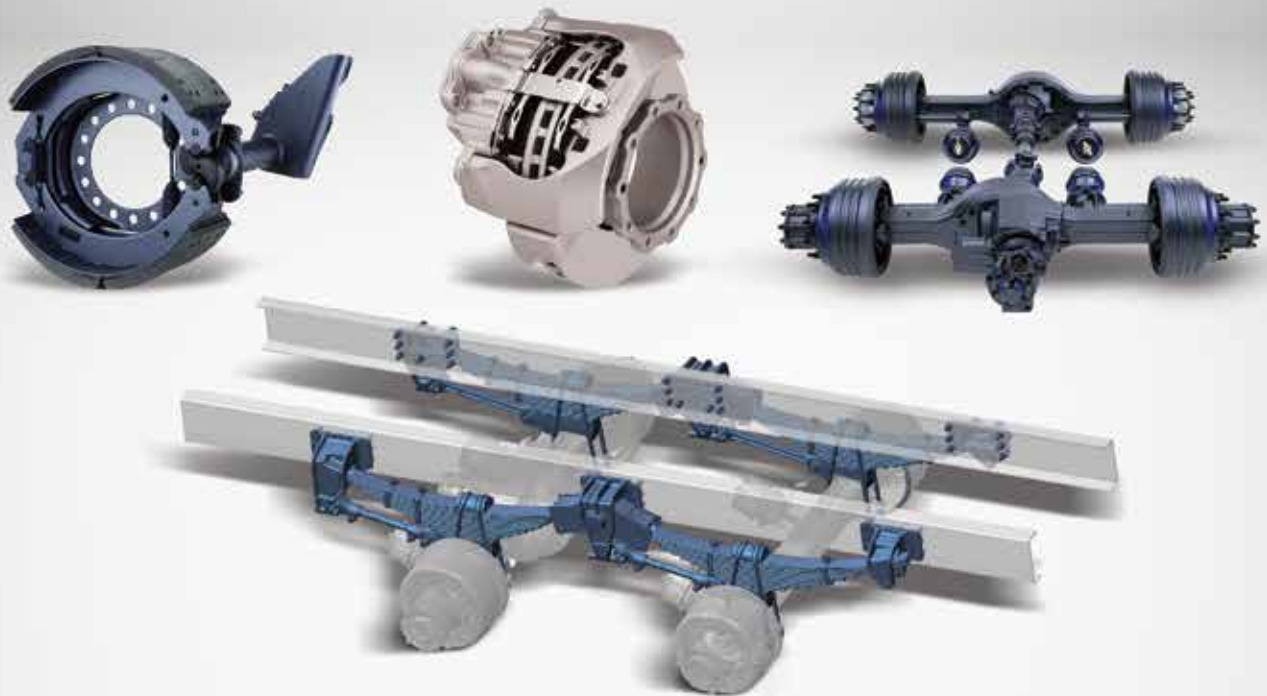




# Growth and Sustainability

THROUGH TECHNOLOGY AND TEAMWORK

37<sup>th</sup> Annual Report 2017-18



KALYANI

Automotive Axles Limited



MERITOR

# Contents

Financial Performance	01
Chairman's Review	02
Board's Report	04
Management Discussion and Analysis	34
Report on Corporate Governance	43
Independent Auditor's Report	58
Balance Sheet	64
Statement of Profit & Loss	65
Statement of Changes in Equity	66
Cash Flow Statement	67
Notes	68
Notice	101

## Corporate Information

### Board of Directors

Dr. Babasaheb N Kalyani, Chairman  
Mr. Chrishan Anton Sebastian Villavarayan, Director  
Mr. Bhalachandra B Hattarki, Independent Director  
Mr. B C Prabhakar, Independent Director  
Mr. Rakesh Kalra, Independent Director  
Ms. Supriti Bhandary, Independent Director  
Dr. N. Muthukumar, Whole-time Director

### Key Managerial Personnel

Dr. N. Muthukumar, President & Whole-time Director  
Mr. Ranganathan S, Chief Financial Officer  
Mr. Debadas Panda, Company Secretary

### Statutory Auditors

S R Batliboi & Associates LLP, Bengaluru

### Internal Auditors

PricewaterhouseCoopers Pvt Ltd., Bengaluru

### Bankers

HDFC Bank Limited  
Axis Bank Limited  
State Bank of India  
Kotak Mahindra Bank Limited

### Registrar & Share Transfer Agents (RTA)

Integrated Registry Management Services Private Limited\*  
#30, Ramana Residency, 4th cross  
Sampige Road, Malleshwaram  
Bangalore – 560 003  
Ph: 080-23460815-818;  
E-mail: irg@integratedindia.in  
\* RTA: Earlier name: Integrated Enterprises (India) Limited

### Registered Office

Hootagalli Industrial Area, Off Hunsur Road,  
Mysore, Karnataka - 570018  
Ph: 0821-7197500  
Website: www.autoaxle.com  
Email: sec@autoaxle.com

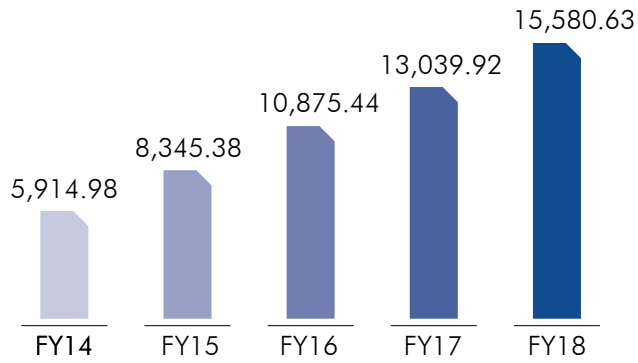
### Works

- Mysuru**  
Hootagalli Industrial Area,  
Off Hunsur Road, Mysore, Karnataka – 570 018
- Rudrapur**  
6 Km Stone, Kichha Road, Village Shimla Pistor,  
Rudrapur, Udham Singh Nagar, Uttarakhand – 263 153
- Jamshedpur**  
Old Khakripara, Village & Post – Chhota Govindpur,  
Jamshedpur, Dist. E. Singhbhum, Jharkhand – 831 015

# Financial Performance

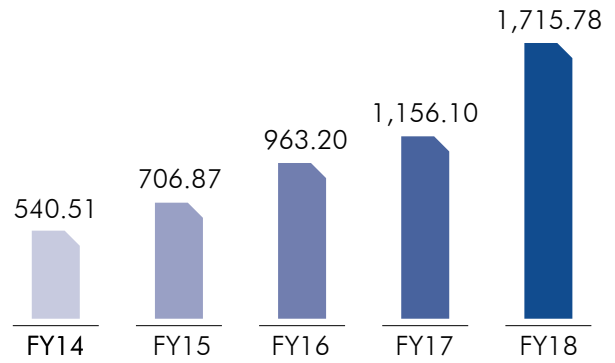
## Total Revenue

(₹ in mn)



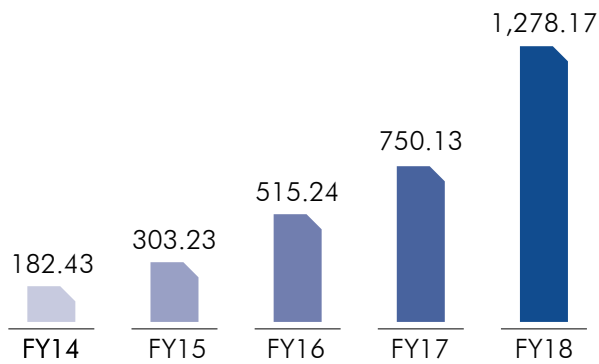
## EBIDTA

(₹ in mn)



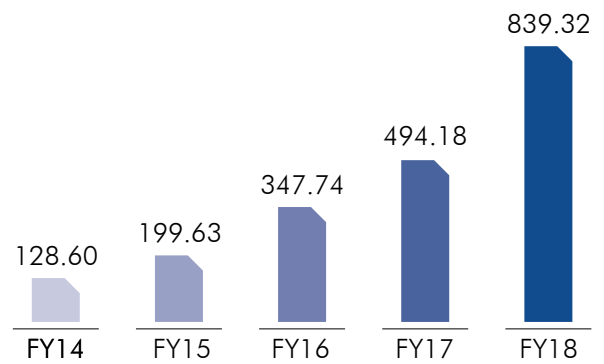
## PBT

(₹ in mn)



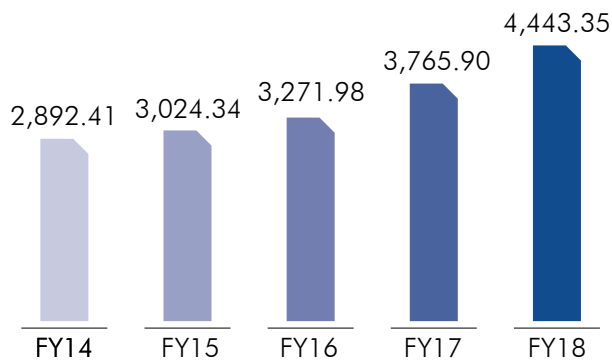
## PAT

(₹ in mn)



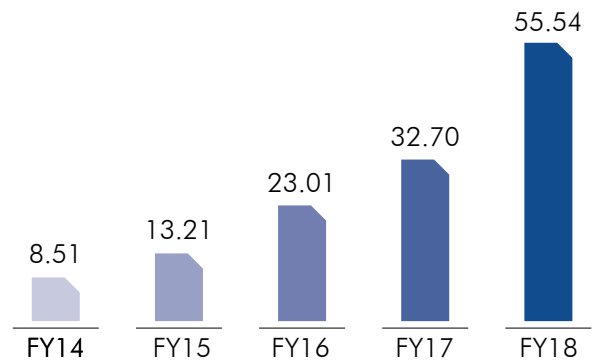
## Network

(₹ in mn)



## EPS

(₹ in mn)



Note: (1) All the figures in the above bar charts are pertaining to the period from 1st April to 31st March.  
 (2) The figures for FY 17 & FY 18 are as per the applicability of Indian Accounting Standards.

# Chairman's Review

## Dear Shareholders,

The global economy set a cheerful pace and grew by 3.8% in 2017 due to increase in private consumption and investments\*. Favourable financing costs, rising profits and improved business sentiment also contributed to growth across advanced economies and emerging markets.

India too did well on the economic front as the GDP growth rate was 6.6% for FY 2017-18, which helped it remain one of the world's fastest growing major economies. There were some headwinds at the start of the fiscal with the introduction of the Goods and Services Tax (GST), which caused temporary disruption in manufacturing and industrial growth. The GST is helping improve trucks' delivery lead time, simplify tax compliance, deepen economic linkages between states, broaden the tax base and improve revenue collection. Eventually, this will strengthen the broader business environment and drive investment and employment in the country. Consequently, it was a year in which both the Indian auto industry and your Company posted promising growth.

There was some more good news in FY 2017-18 with India gaining a spot among the top 5 as a global investment economy, which reflects in the country's sovereign rating being upgraded from Baa3 to Baa2 by Moody's Investors Service.

## Auto industry drives forward

The Indian auto industry has been able to create a strong domestic and international market, with strong policy support from the Government. The Government aim to develop India as a global manufacturing centre, build an innovative R&D hub and its Automotive Mission Plan: 2016-26 are a boost for our industry. We also expect demand growth from favourable demographics, rising disposable incomes, thrust on the Make in India initiative, abundance of skilled labour and improved access to finance.

A series of reforms, including demonetisation, implementation of Bharat Stage-IV (BS-IV) emission norms, implementation of the GST, and enforcement of overloading norms, have resulted in significant volatility in the purchase considerations of fleet operators, influencing the demand for Commercial Vehicles (CVs). Nevertheless, in

**We reported a 29% revenue growth from sale of products (net of excise duty) of ₹14,788 million in FY 2017-18, compared to ₹11,453 million in FY 2016-17. Simultaneously, our EBIDTA increased 48% to ₹1,716 million in FY 2017-18 against ₹1,156 million in FY 2016-17.**

FY 2017-18, the domestic CV sales have grown by 20% in volume terms over FY 2016-17. Medium and Heavy Commercial Vehicles (M&HCV) Trucks and Light Commercial Vehicles (LCV) Trucks grew by 19.4% and 28%, respectively, in unit terms in the same period.

We are already witnessing progress with new products and advanced technologies entering India through joint ventures, partnerships and acquisitions, due to which the quality and cost competitiveness of Indian auto components is improving steadily.

Automobile exports from India are also on the rise. Low production costs and significant cost advantages are making India an attractive outsourcing hub, leading to domestic companies significantly increasing production capacities.

## Strong financial performance

FY 2017-18 was a strong operational year for Automotive Axles Limited (AAL). Our constant focus on new product development, forward integration with the customers, adherence to stringent quality standards including Built-in Quality (BIQ), improved input-output mix and strict adherence and continuous focus to meet the customers delivery performance were the key drivers for our continuous growth. We reported a 29% revenue growth from sale of products (net of excise duty) of ₹14,788 million in FY 2017-18, compared to ₹11,453 million in FY 2016-17. Simultaneously, our EBIDTA increased 48% to ₹1,716 million in FY 2017-18 against ₹1,156 million in FY 2016-17. Our net profit grew by 70% to ₹839 million in

\*Source: International Monetary Fund

FY 2017-18 against ₹494 million in the previous year and our Earnings Per Share (EPS) stood at ₹55.54 in FY 2017-18, compared to ₹32.70 in FY 2016-17, a growth of 70%.

### Operational excellence

We upgraded our state-of-the-art manufacturing facilities with modern equipment and technologies such as Face-Hob Gear Cutting and Robotic Gear Quenching for enhanced productivity and energy conservation. We have implemented forward integration by incorporating Brake Setting and Oil Filling operations into our production, assembly and testing facilities.

We have also planned to increase our axle capacity and brakes capacity to cater to the increasing demand of our customers.

We are geared up to provide electrical solutions through electric drivetrains for the electrical CVs, which are poised for higher production in India over the next few years. As part of the Make in India programme and to meet the stricter emission norms, our endeavour is to provide indigenous electrical solutions.

We have further reinforced our sustainability efforts by adopting the best business practices on conservation of energy, water, controlling heat treatment processes and creating a peaceful ecosystem.

### Recognition

For our continuous drive towards on-time delivery, I am very proud to announce that your Company has been recognised with a Gold Award for our outstanding performance in meeting our delivery commitments to our key customer Ashok Leyland.

Moreover, your Company has been certified by the Union of Japanese Scientists & Engineers (JUSE) through Quality Circle Forum of India (QCFI) in the month of December 2017 for implementing the best 5S practices across the Company.

### People at AAL

Our people give us the strength to deliver on our commitments. They help us realise our ambition through their

**We upgraded our state-of-the-art manufacturing facilities with modern equipment and technologies such as Face-Hob Gear Cutting and Robotic Gear Quenching for enhanced productivity and energy conservation.**

determination and perseverance. We believe in building an inclusive culture for our people to align their personal and professional goals with the Company's strategic objectives. This way, we attract and retain the industry's best talent.

### Way forward

We are confident of a sustainable future for the organisation owing to our strong team and robust processes. We are treading the path of innovation through digital transformations and constantly improvising to meet the dynamic needs of customers, efficiently. We are constantly calibrating our growth strategies with the objective of delivering value to all our stakeholders. We look forward to strengthening our technical expertise and we are increasing our focus on innovation to leverage our existing expertise and meet our organisational vision and goals.

I take this opportunity to thank our Board, Senior Management team and our staff across the organisation for their contribution to our Company. Together, we make a formidable and sustainable enterprise. Finally, I pay respect to all our stakeholders for their ongoing support and trust in us.

Warm regards,

**Dr. B N Kalyani**  
Chairman

# Board's Report

## To the Members,

Your Directors have the pleasure in presenting the 37th Annual Report on the business and operations of your Company together with the Audited Statements of Accounts for the financial period ended March 31, 2018:

## Financial Highlights:

Particulars	(₹ in million)	
	2017-2018	2016-2017
Total Revenue	15,580.63	13039.92
Profit before depreciation & tax	1710.30	1143.77
Less : Depreciation, amortization & Loss on assets discarded	432.13	393.64
Tax expenses	438.85	255.95
Profit for the year after tax	839.32	494.18
Other comprehensive income for the year, net of tax	(16.35)	(5.93)
<b>Total comprehensive income for the year</b>	<b>822.97</b>	<b>488.25</b>
<b>Balance of Profit from Previous Year</b>	<b>3040.37</b>	<b>2652.16</b>
Less: Dividend	120.90	83.12
Dividend Distribution tax on Dividend	24.62	16.92
<b>Profit available for appropriation</b>	<b>3717.82</b>	<b>3040.37</b>

## Indian Accounting Standards

The Ministry of Corporate Affairs (MCA), vide its notification dated February 16, 2015, notified the Indian Accounting Standards (Ind AS) applicable to certain classes of companies. Ind AS has replaced the existing Indian GAAP prescribed under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. Being applicable, the Company has adopted Ind AS from April 1, 2017 and accordingly, the transition was carried out, from the Indian GAAP as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (previous GAAP) to Ind AS 101 "First time adoption of Indian Accounting Standards".

The impact of transition has been recorded in opening reserves as at April 1, 2016 and the periods presented have been restated / reclassified. The reconciliation and descriptions of the effect of the transition from Indian GAAP to Ind AS have been provided in [Note 39 to 41] in the notes to accounts in the standalone and consolidated financial statements.

## Dividend

The Board, at its meeting held on May 8, 2018, is pleased to recommend a dividend of ₹13.50/- per Equity Share of the face value of ₹10/- each for the financial year ended March 31, 2018 subject to the approval of shareholders at the ensuing Annual General Meeting to be held on Monday, 13th August, 2018.

The total amount of Dividend aggregates to ₹204.01 million, excluding Dividend Distribution Tax.

The register of members and share transfer books will remain closed from August 4, 2018 to August 13, 2018 (both days inclusive) for the payment of final dividend to the shareholders of the Company, for the year ended on March 31, 2018.

The Dividend will be paid to members within 30 days from the date of declaration of dividend to the Members whose names appear in the Register of Members as on August 3, 2018.

## Transfer of unpaid or unclaimed amount to Investor Education and Protection Fund (IEPF)

Pursuant to provisions of the Companies Act, 2013, the declared dividends, which remained unpaid or unclaimed for a period of seven years, shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Pursuant Section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more, shall be transferred by the Company to the IEPF.

Accordingly, the Company has sent notice to the respective shareholders who have not claimed their dividend for seven consecutive years or more and the newspaper advertisement stating the same has been published in the newspapers.

In terms of the provisions of the Companies Act, 2013 and Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 a sum of ₹374,757/- which is unpaid/unclaimed dividends pertaining to the FY 2009-10 was transferred to the Investor Education and Protection Fund during the year.

The list of equity shareholders whose shares are transferred to IEPF can be accessed on the website of the Company at below mentioned link: [www.autoaxle.com/Annual\\_reports.aspx](http://www.autoaxle.com/Annual_reports.aspx) under the head IEPF Transfers

### Performance of the Company

The total income for the financial year under review was ₹15,580.63 Million as against ₹13,039.92 Million for the previous financial year. The Profit before tax (PBT) was ₹1278.17 Million and the Profit after tax (PAT) was ₹839.32 Million for the financial year under review, as against ₹750.13 Million and ₹494.18 Million respectively for the previous financial year.

### Share Capital

The paid up Equity Share Capital as on March 31, 2018 stood at ₹151.12 Million. During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options nor sweat equity.

### Deposits

Your Company has not accepted any deposits under Chapter V of the Companies Act, 2013 during the year.

### Transfer to Reserve

The company has not proposed any amount to be transferred to the General Reserve.

### Listing

The equity shares of the Company are listed with BSE Limited and National Stock Exchange of India Limited. There are no arrears on account of payment of listing fees to the Stock Exchanges.

### Directors & Key Managerial Personnel:

As on March 31, 2018 there were seven (7) Directors on the Board of your Company, consisting of four (4) Independent

Directors, one (1) Executive Director and two (2) Non-Executive Directors of whom one is the Chairman..

Mr. Chrishan Anton Sebastian Villavarayan (DIN: 03020467) was appointed as an Additional Director of the Board based on nomination received from the Meritor Heavy Vehicle System LLC, one of the promoters, and also on the recommendation of Nomination & Remuneration Committee of the Company, in place of Mr. Joseph A Plomin (DIN: 06739214) who resigned from the Board, with effect from January 31, 2018. The Board places its appreciation for Mr. Plomin's valuable contributions during his tenure. Mr. Villavarayan holds the office upto the ensuing Annual General meeting and his appointment is being sought to be regularised at the ensuing Annual General Meeting.

Mr. Satish Sekhri (DIN: 00211478) has resigned from directorship with effect from February 13, 2018. The Company has, on the recommendation of Nomination & Remuneration Committee and in accordance with provisions of the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015, appointed Mr Rakesh Kalra (DIN: 00780354) as Additional and Independent Director, for a tenure of 5 years on February 13, 2018, subject to approval of Members at the forth coming Annual General Meeting (AGM) of the Company. He shall hold office as Additional Director upto the date of the AGM and is eligible for appointment as Director.

In terms of the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Dr. Narayanaswamy Muthukumar, President & Whole Time Director of the Company retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

Ms. Thejeshwini. N, Company Secretary resigned from her office with effect from 18th August, 2017 and Mr. Debadas Panda has been appointed as Company Secretary of the Company with effect from 18th August, 2017.

### Declaration by Independent Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence and that there has been no change in the circumstances which may affect their status as independent director during the year as prescribed

under sub-section (6) of Section 149 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015.

### Board Evaluation:

The Companies Act, 2013 states that a formal Annual Evaluation needs to be made by the Board of its own performance and that of its committees and individual Directors. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandates that the Board shall monitor and review the Board evaluation framework. Pursuant to these provisions, the Company has developed a framework for the Board evaluation. The framework includes evaluation on various parameters such as information flow, Board dynamics, decision making, company performance and strategy, Board and committee's effectiveness and peer evaluation.

The evaluation of all the Directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board.

During the year 2017-18, Independent Directors met on February 13, 2018, discussed and reviewed the below:

- Performance of Non Independent Directors
- Performance of the Chairman
- Performance of the Board Committees
- Discussed on the quality, quantity and timeliness of flow of information between the Company management and the Board Members.
- Overall performance of the Company.

### Familiarization programme for the Board Members

Your Company has in place a structured induction and familiarization programme for all its Directors including Independent Directors and new appointee(s) to the Board. Through such programs, the Directors are briefed on the background of your Company, their roles, rights, responsibilities, nature of the industry in which it operates, business model operations, ongoing events etc.

The Board members are provided with the necessary documents, brochures, reports and internal policies to enable them to familiarize with the Company's procedure and practice.

Periodic presentations are made at the Board Meetings, Board Committee Meetings and Independent Directors

Meetings on business and overall performance updates of the Company, business strategy and risk involved.

The details of programs for Familiarization for Independent Directors are posted on the website of the Company and can be accessed at: [www.autoaxle.com/Directors.aspx](http://www.autoaxle.com/Directors.aspx)

### Directors' Responsibility Statement

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, your Directors make the following statements:

- (a) in the preparation of the annual accounts for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures if any;
- (b) we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2018 and of the profit of the company for the year ended on that date;
- (c) we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) we have prepared the annual accounts on a going concern basis;
- (e) we have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- (f) we have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### Auditors & Auditors' Report

#### a. Statutory Auditors

At the 36th Annual General Meeting of the Company held on 18th August, 2017, M/s. S R Batliboi & Associates LLP, Chartered Accountants [Firm Registration No.: 101049W/E300004], were appointed as Statutory Auditors to hold office upto the conclusion of the 41st Annual General Meeting of the Company subject to



ratification of appointment at every Annual General Meeting. However, the Companies (Amendment) Act, 2017, published in the Gazette of India on January 3, 2018, omitted first proviso to Section 139(1) of Companies Act 2013, which provided for ratification of appointment of Statutory Auditors by members at every AGM which has been effective from May 7, 2018.

In view of the above, the Board of Directors of the Company have proposed to ratify the appointment of Statutory Auditors and recommended to continue their appointment for the period of four years commencing from the conclusion of this AGM, till the conclusion of 41st AGM, without seeking any further ratification of their appointment from members at the ensuing AGMs.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Further, no frauds have been reported by the Auditors in their reports.

#### **b. Internal Auditor**

The Audit Committee and the Board of Directors recommend for the re-appointment of M/s. Pricewaterhouse Coopers Pvt. Ltd. as Internal Auditors of the Company for the Financial Year 2018-19.

#### **c. Secretarial Auditor**

Pursuant to the provisions of the Section 204 of the Companies Act, 2013 and the rules made there under and based on the recommendations of the Audit Committee, CS Pracheta M, Practicing Company Secretary has been appointed to conduct Secretarial Audit of the Company's secretarial and other related records for the Financial year 2017-18.

The Secretarial Audit Report for the financial year ended March 31, 2018 in form MR-3 is appended to this report under **Annexure – A**

#### **Explanation for observations made by the Company Secretary in practice:**

Explanation for observation under clause no. (a) of the Secretarial Audit Report please refer to the reason for 'part of CSR Amount Un-spent' mentioned in **Annexure – G** attached to this report.

Explanation for observation under clause no. (b) of the Secretarial Audit Report: Company has good systems and practices for compliances under the Companies Act, 2013 and the Secretarial Standards. During the year Company has met with all the compliance requirements and its process except for few suggestions on improvement on current procedural requirements and henceforth which would be taken care with.

#### **Internal Financial Control**

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

#### **Corporate Governance**

Corporate Governance is about maximizing the value and to ensure fairness to all its shareholders. Your Company is renowned for its exemplary governance standards and believe that sound corporate governance is critical to enhance and retain investor trust. Your Company ensures that performance is driven by integrity.

The Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 have strengthened the governance regime in the country and your Company is in compliance with the governance requirements provided under the law both in letter and spirit. The Board also exercises its fiduciary responsibilities in the widest sense of the term.

Your Company has in place all the statutory committees required under the law. Details of the Board Committees along with their terms of reference, composition and meeting of the Board and its Committees held during the year are provided in the Corporate Governance Report which is presented in a separate section forming part of the Annual Report.

A Certificate from an Independent Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Regulation 34(3) Schedule V (E) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to the Corporate Governance Report.

## Meetings of the Board

During the financial year, the Board met four times, details of which are provided in the Corporate Governance Report. The maximum interval between any two meetings did not exceed 120 days as prescribed under the Companies Act, 2013.

## Committees of the Board

Your Company has the following committees which have been established as a part of the corporate governance practices and are in compliance with the requirements of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- Risk Management Committee

The details with respect to the compositions, roles, number of meetings held during the year is detailed in the corporate governance report of the Company, which forms a part of this Board's Report.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are appended as **Annexure - B** to this report.

## Particulars of Remuneration of Directors & certain specified employees:

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, the ratio of remuneration of each Director to the median of the employees' remuneration, a statement containing the names of top ten employees in terms of remuneration drawn and every employee who is employed throughout the financial year and was in receipt of a remuneration of ₹102 lacs per annum or more and of every employee who is employed part of the financial year, was in receipt of remuneration of ₹8.50 lacs or more per month is appended as **Annexure - C**.

## Extract of Annual Return 2017-18

The detail forming part of the extract of Annual Return in MGT-9 is appended as **Annexure - D** to this report.

Particulars of Loans, Guarantees or Investment under section 186 of the Companies Act, 2013

Particulars of loans covered under section 186 of the Companies Act, 2013 form part of the notes to the financial statement provided in this Annual Report. These loans are primarily granted for furtherance of business of the borrowing companies.

Your Company has not given any guarantee or provided any security in connection with a loan to any other body corporate or persons and has not made any investment in the securities of any other body corporate.

## Policy on Directors' Appointment & Remuneration

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board and separate its functions of governance and management. On March 31, 2018, the Board consisted of seven members, one of whom is executive or whole-time director, two are non executive directors and four are independent directors out of whom one is Independent Woman Director.

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for selection and appointment of Directors, Key Managerial Personnel and Senior Management Personnel and their remuneration.

The Nomination and Remuneration policy is appended as **Annexure - E** to this report.

## Particulars of contracts or arrangements with Related Parties (RPT)

The related party transactions that were entered into during the financial year were in the ordinary course of business and on the arm's length basis.

All related party transactions are placed before the Audit Committee and also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on a yearly basis for the transactions, which are foreseen and of repetitive nature.

For transactions with Meritor HVS (India) Limited, the Company has obtained shareholders' approval at their 33rd Annual General Meeting held on February 5, 2015 for transaction value annually of ₹25,000 Million p.a for a period of five (5) financial years starting from October 1, 2014.

Further, all transactions entered into pursuant to the omnibus approval so granted are reviewed and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis.

In accordance with the requirements of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at [www.autoaxle.com/Policy.aspx](http://www.autoaxle.com/Policy.aspx).

Related Party disclosures as per Indian Accounting Standards (Ind AS)-24 have been provided in Note No. 34 to the financial statement.

The particulars on RPTs in AOC 2 is annexed to the Report as **Annexure – F**

### **Risk Management System**

The Company has a robust risk management framework comprising risk governance structure and defined risk management processes. The risk governance structure of the Company is a formal organisation structure with defined roles and responsibilities for risk management.

The processes and practices of risk management of the Company encompass risk identification, classification and evaluation. The Company identifies all strategic, operational and financial risks that the Company faces, by assessing and analysing the latest trends in risk information available internally and externally and using the same to plan for risk activities.

The Company has set up a Risk Management Committee to review the risks faced by the Company and monitor the development and deployment of risk mitigation action plans and the status is updated to the members of the Audit Committee and the Board of Directors on quarterly basis.

### **Corporate Social Responsibility (CSR):**

The Company has been carrying out various Corporate Social Responsibility (CSR) activities. These activities are in

terms of section 135 read with Schedule VII of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014. During the year the Company has spent ₹7.13 Million on various CSR activities.

The Annual Report on CSR activities that includes details about the CSR policy developed and implemented by the Company and CSR initiatives taken during the year is appended to the Report as **Annexure – G**.

### **State of Company's Affairs**

Discussion on state of Company's affairs has been covered as part of the Management Discussion and Analysis (MDA). MDA for the year under review, as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section forming part of the Annual Report.

### **Management Discussion and Analysis Report**

Pursuant to Regulation 34(2)(e) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 Management Discussion and Analysis Report is presented in a separate section forming part of the Annual Report.

### **Vigil Mechanism**

Your Company is committed to highest standards of ethical, moral and legal business conduct. Accordingly, the Board of Directors have formulated a Whistle Blower Policy which is in compliance with the provisions of Section 177 of the Companies Act, 2013 and Regulation 22 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. Under the policy, the Directors and Employees are free to report any violation of the applicable laws and regulations and the code of conduct of the Company. The reportable matters are to be disclosed to the Audit Committee. During the year under review, the Company has not received any complaints under the said mechanism.

### **Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

Your Company has always believed in providing a safe workplace for every individual working in Company's premise through various interventions and practices. The Company always endeavours to create and provide an environment that is free from discrimination and harassment including sexual harassment.

In terms of provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has formulated a Policy to prevent Sexual Harassment of Women at Workplace. During the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### Significant and Material Orders

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

### Material Changes and Commitments, if any, affecting the Financial Position of the Company

There were no adverse material changes or commitments occurred after March 31, 2018 which may affect the financial position of the Company or may require disclosure.

### Subsidiaries, Joint Ventures and Associates

Your Company does not have any subsidiary, joint venture nor any associates.

### Change in the nature of business

There is no change in the nature of business of your Company.

### Secretarial Standards:

The Company has complied with the applicable secretarial standards. The improvements suggested by the Secretarial auditor shall be implemented in the ensuing year.

### Awards and Recognition

During the year 2017-18, your Company was conferred with awards and recognition as listed below:

1. The Company bags Gold Award for outstanding performance in delivery during the Ashok Leyland Supplier Conference meet held in Chennai during April' 2017.
2. Got Certified by Union of Japanese Scientists & Engineers (JUSE) through Quality Circle Forum of India (QCFI) in the month of Dec 2017 for Implementing best 5S practices.
3. During Quality Circle Forum of India (QCFI) 1st Chapter Convention held on May 28, 2017 at Vidyavardhaka Engineering College, Mysuru, AAL Teams bagged 9 gold awards and 1 silver award.
4. Won Gold Awards in Ooty and Bangalore conventions which was organised by Quality Circle Forum of India (QCFI) during the months of Aug and Sep 2017.
5. Won 3 Excellence and 1 Par Excellence Awards during National Convention on Quality Concepts-at Mysuru held during the month of Dec 2017 including one 5S Home Kaizen Award.

### Acknowledgements

Your Directors wish to convey their gratitude and place on record their appreciation for all the employees at all levels for their hard work, cooperation and dedication during the year. Your Directors sincerely convey their appreciation to customers, shareholders, bankers, business associates, regulatory and government authorities for their continued support.

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

For and on behalf of the Board of Directors

Place : Pune  
Date : 8th May 2018

Dr. N. Muthukumar  
President & Whole-time Director

B. C. Prabhakar  
Director

## Annexure A

### Form No. MR-3 SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

#### [Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
Automotive Axles Limited  
CIN: L51909KA1981PLC004198

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by AUTOMOTIVE AXLES LIMITED (herein after called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Automotive Axles Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Automotive Axles Limited for the financial year ended on 31st March 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('Securities and Exchange Board of India Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; -Not applicable since no ESOPs or ESPs are issued
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; Not applicable since no Debt securities are issued
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; -Not applicable since the Company is not a Registrar and Share transfer agent
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; - Not applicable since the Company has not applied for delisting; and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; -Not applicable since the Company has not bought back any securities;
- (vi) No laws are specifically applicable to the Company

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India and notified by the Central Government.
- (ii) Uniform Listing agreements with the Stock Exchanges and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and noted the following:

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, subject to the following observations:

- a. *The Company has taken up several CSR projects. However, it has not exhausted its 2% of Net profits towards the Corporate Social Responsibility activities.*
- b. *Some improvements are suggested for certain procedural aspects of Secretarial Standards, which are not material in nature.*

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting is to be designed by the Company.

Based on the management representation, majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes, though no such views were available in the minutes and the management has informed that there were no dissenting views.

I further report that based on the compliance mechanism at the Company and based on the quarterly compliance report of the management to the Board, there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, there are no specific events/actions having a major bearing on the Company's affairs in pursuance of the laws, rules, regulations, guidelines etc referred to above.

CS. Pracheta M.  
Practicing Company Secretary

Place: Mysuru  
Date: 8<sup>th</sup> May 2018

FCS No.: 9323  
C P No.: 9838

This report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A

To,  
The Members of  
Automotive Axles Limited

My Secretarial audit report of even date is to be read along with this letter.

1. The maintenance of Secretarial records is the responsibility of the management of the Company. Further, the Company is also responsible for devising proper systems and processes to ensure the compliance of the various statutory requirements and Governance systems.
2. It is the responsibility of the management of the Company to ensure that the systems and processes devised are operating effectively and efficiently.
3. My responsibility is to express an opinion on these secretarial records based on our audit.
4. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
5. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company and hence unable to comment on the compliance with the fiscal laws.
6. Wherever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
7. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. My examination was limited to the verification of procedure on test basis.
8. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

CS. Pracheta M.  
Practicing Company Secretary

Place: Mysuru  
Date: 8<sup>th</sup> May 2018

FCS No.: 9323  
C P No.: 9838

## Annexure B

Information as per Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014

### A. Conservation of Energy :

(a) The steps taken or impact on conservation of energy	<ol style="list-style-type: none"> <li>1. Switch over from LPG operated Forklift to Battery operated Rental Forklift for reduction of LPG consumption</li> <li>2. Installation of Energy efficient Air compressors in place for new shot peening machine</li> <li>3. Installation of 30 kWp Roof top Solar Power Plant for Brakes Plant</li> <li>4. Installation and Commissioning of 150W Induction lamp in place of 250W Metal Halide Lamp for shop floor to reduce power consumption</li> <li>5. Replacing 400W focus lamp with 120W LED lamp for Peripheral area to reduce Power Consumption with standard illumination.</li> <li>6. Canteen Peripheral Lighting are illuminated with Solar Power and 9W LED Lights</li> <li>7. Installation Eclipse make Burner and Recuperators for Sealed Quench Furnace and Pusher furnace</li> <li>8. Online monitoring and management (vigilant) system</li> <li>9. Installation of Energy efficient air compressor.</li> <li>10. 2 lamp one switch control for shop floor Lighting – to reduce needless load</li> </ol>
(b) The steps taken by the company for utilizing alternate sources of energy	<ol style="list-style-type: none"> <li>1. Green Power Purchase under Group captive mechanism</li> <li>2. Perpetuation of Power purchase through Indian energy exchange</li> <li>3. Installation of Auto Power Factor Correction Relay Panel (APFCR) panel for Power Factor Improvement across the plant</li> <li>4. 100kWp roof top Solar power plant at VMI / Unit-II area</li> <li>5. Installation of LED lights for shop office area in place of Compact Fluorescent lamps to reduce energy and improve life</li> <li>6. Installation of 120W LED lights for peripheral area to reduce energy and improve life</li> <li>7. Installation of Variable Frequency Drive (vfd) panel for Heat treatment cooling Tower</li> <li>8. Endo gas generator</li> <li>9. Air Compressor Automation for reduction of power Consumption</li> <li>10. Installation Compressor &amp; Blower settings optimized using Six Sigma methodology</li> <li>11. Solar hot water for component washing machines</li> <li>12. Additional 5MVA transformer bay for feeding power to new expansion Plant</li> </ol>
(c) The Capital investment on energy conservation equipment's.	<p>Your Company made capital investments amounting to ₹34.50 Mn during the financial year 2017-18 on energy conservation equipment which resulted in savings of ₹18 Mn.</p>



**B. Research and Development (R & D):**

1. The efforts made towards technology absorption:	<ul style="list-style-type: none"> <li>Tractor, Loader &amp; Backhoe axles sub-assemblies built and are under various inspections and test as part of the new technology introduction</li> <li>Field trials and various different applications for the MT846 is in progress</li> <li>Forward axle of 151 axle is in design phase to accompany the MS151 for tandem axle</li> <li>Company has successfully Design and develop slipper suspension completed and field and rig level validation is in progress</li> </ul>
2. The benefits derived like product improvement, cost reduction, product development or import substitution	<ul style="list-style-type: none"> <li>Import substitute for cast housing are developed and are in production.</li> <li>Developed the housings with 16mm thickness and have completed the validation for sever loads successfully.</li> <li>Induction hardening of the brakes anchor pins from carburizing for consistency of the process.</li> <li>Ring rolling of the brake flange for material yield improvement.</li> <li>Alternate grade of casting for the differential housing under development and trials.</li> <li>Slipper suspension is lighter suspension by 100kg as compared to current suspensions in market, lower maintenance cost, better wheel alignment and improver tire wear</li> </ul>
3. In case of imported technology (imported during the last 3 years reckoned from the beginning of financial year) :	NIL
a. Details of technology imported	
b. The year of import	
c. Whether the technology been fully absorbed	
d. If not fully absorbed, areas where absorption has no taken place, and the reasons thereof	
4. Expenditure on R & D	NIL
a. Capital	
b. Recurring	
c. Total	
d. Total R & D expenditure as a percentage to total turnover	

**C. Foreign Exchange Earnings and Outgo:**

a. Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans	NIL
b. Total Foreign Exchange used and Earned:	
Used	₹52.79 Million (includes remittance of dividend for the FY 2016-17)
Earned	Nil, as all the sales for export are routed through Meritor HVS (India) Ltd., Mysuru

For and on behalf of the Board of Directors

Place : Pune  
Date : 8th May 2018Dr. N. Muthukumar  
President & Whole-time DirectorB. C. Prabhakar  
Director

## Annexure C

### Statement of Disclosure of Remuneration U/s 197 of Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

#### I.

(i)	the ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year;	Refer below table
(ii)	the percentage increase in remuneration of : (a) Director (b) Chief Financial Officer (c) Company Secretary	Refer below table 9% 9%
(iii)	the percentage increase in the median remuneration of employees in the financial year	9.5%
(iv)	the number of permanent employees on the rolls of company as on March 31 2018	1000
(v)	average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentage increase made in the salaries of the employees other than managerial personnel in the last financial year i.e. 2017-18 was 9.5% whereas the increase in the managerial remuneration for 2017-18 was 12%.

It is hereby affirmed that the remuneration paid during the year is as per the Remuneration Policy of the Company.

#### II. Ratio of Remuneration of each Director to the Median remuneration of the Employees of the Company

Sr. No	Name of the Director	Designation	Ratio of remuneration of each Director to the median remuneration of the employees of the Company	% Increase /(decrease) in the remuneration*
1	Dr. B N Kalyani	Chairman, Non – Executive Director	0.28:1	275%
2	Mr. B B Hattarki	Independent Director	0.73:1	150%
3	Mr. B C Prabhakar	Independent Director	0.55:1	87.5%
4	Mr. Satish Sekhri	Independent Director	0.37:1	150%
5	Mr. Rakesh Kalra	Independent Director	0.09:1	N.A.
6	Ms. Supriti Bhandary	Independent Director	0.28:1	150%
7	Dr. N. Muthukumar	Whole Time Director	21.30:1	12%

\*Note:

Percentage increase in the remuneration i.e (sitting fees) of Directors, apart from Dr. N. Muthukumar has been arrived by comparing the actual sitting fee paid during the last Financial Year.

### III. Information required pursuant to Section 197(12) of the Companies Act, 2013 read with the Rule 5(2) of the Companies (Appointment and Remuneration to Managerial Personnel) Rules, 2014.

Sl. No	Name	Age	Designation	Remuneration (In ₹)	Qualification	Experience (years)	Date of employment	Last employment	Related to any Director
1	Dr. N. Muthukumar	53	President & Whole Time Director	1,16,14,954/-	M. Sc., MBA, Phd	30	16-Apr-08	T.T.K Ltd	No
2	Mr. Ranganathan S	51	Chief Financial Officer	60,99,023/-	B.com, CA, Cost & Works Accountancy	24	6-May-15	Circor Flow Technologies India Pvt Ltd	No
3	Mr. Satyendra O Devarkonde	52	Vice President - Operations	56,36,157/-	Diploma(Tool & Die making)	31	10-May-17	Rane Madras Ltd	No
4	Mr. Shivakumar R	55	Sr.General Manager - Manufacturing & Factory Manager	55,83,971/-	BE (Mech), MS (Engineering Business Management)	33	4-Jan-85	NA	No
5	Mr. Muthusamy E	57	General Manager- Capex & Projects	47,50,309/-	Dip(Electrical), B. Sc. (Engineering Technology), MS(Mfg.Mgt)	37	2-May-08	TVS Motor Company Ltd	No
6	Mr. Muraleekrishnan V	49	General Manager - Sales administration, Customer Support & MPS	44,71,831/-	B. Tech, M.Tech	24	13-Oct-08	M & M	No
7	Mr. Satish K S	53	General Manager- Quality, Service & Metallurgy	38,01,680/-	Dip (Mech)	19	22-Nov-00	Gleason Works India Pvt Ltd	No
8	Mr. Manjunatha S	57	Dy.General Manager-ER/IR	30,16,389/-	MSW, LLB	31	3-Sep-12	BOSCH Ltd	No
9	Mr. Abdul Kareem	52	Dy.General Manager – Brakes Manufacturing & Speciality Axles (Plant 2)	30,16,300/-	Dip (Mech)	31	17-Jan-87	NA	No
10	Mr. Murali Barki B	56	Dy. General Manager - Strategic Sourcing	29,45,753/-	BE(Mech)	28	1-Jul-94	Beaver Automotive(P) Ltd	No

## Notes:

- The nature of the employment is permanent and the terms of remuneration in the case of President and Wholetime Director is governed under the Board's and members' resolution.
- None of the above employee hold any shares in the Company except Mr. Ranganathan S who holds 152 no. of shares as on 31st March, 2018.
- Gross Remuneration includes Salary, Allowances and other perks like Leave Travel Allowance, Medical reimbursement and Company's contribution towards Provident Fund, Gratuity and Superannuation.

For and on behalf of the Board of Directors

Place : Pune  
Date : 8th May 2018

Dr. N. Muthukumar  
President & Whole-time Director

B. C. Prabhakar  
Director

## Annexure D

Form No. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31<sup>st</sup> MARCH, 2018

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS

i.	CIN	L51909KA1981PLC004198
ii.	Registration Date	21.04.1981
iii.	Name of the Company	Automotive Axles Limited
iv.	Category / Sub-Category of the Company	Public Company Limited by shares/Indian Non-Government Company
v.	Address of the Registered office and contact details	Hootagalli Industrial Area, Off Hunsur Road, Mysuru – 570 018 Ph : 0821-7197500, fax : 0821 2402451, email : sec@autoaxle.com
vi.	Whether listed company	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Integrated Registry Management Services Pvt. Ltd #30, Ramana Residency, 4th Cross, Sampige Road, Malleshwaram, Bengaluru, Karnataka Ph:080-23460815 Email: irg@integratedindia.in

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Rear Drive Axles	29301	71.56
2	Brakes	29301	20.52
3	Other Parts	29301	7.92

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary /Associate	% of shares held	Applicable Section
1			Nil		

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year - 01.04.2017			No. of Shares held at the end of the year - 31.03.2018				% change during the year	
	Demat	Physical	% of Total Shares	Demat	Physical	Total	% of Total Shares		
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	5367806	-	5367806	35.52	5367806	-	5367806	35.52	-
d) Bank/Fl	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL:(A) (1)</b>	<b>5367806</b>	<b>-</b>	<b>5367806</b>	<b>35.52</b>	<b>5367806</b>	<b>-</b>	<b>5367806</b>	<b>35.52</b>	<b>-</b>
<b>(2) Foreign</b>									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	5367275	-	5367275	35.52	5367275	-	5367275	35.52	-
d) Banks/Fl	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (A) (2)</b>	<b>5367275</b>	<b>-</b>	<b>5367275</b>	<b>35.52</b>	<b>5367275</b>	<b>-</b>	<b>5367275</b>	<b>35.52</b>	<b>-</b>
<b>Total Shareholding of Promoter</b>									
<b>(A)= (A)(1)+(A)(2)</b>	<b>10735081</b>	<b>-</b>	<b>10735081</b>	<b>71.04</b>	<b>10735081</b>	<b>-</b>	<b>10735081</b>	<b>71.04</b>	<b>-</b>
<b>B. PUBLIC SHAREHOLDING</b>									
<b>(1) Institutions</b>									
a) Mutual Funds	2003203	938	2004141	13.26	1713984	588	1714572	11.35	-1.91
b) Banks/Fl	4462	-	4462	0.03	8401	-	8401	0.06	0.03
c) Central govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	34280	-	34280	0.23	320483	-	320483	2.12	1.89
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (B)(1):</b>	<b>2041945</b>	<b>938</b>	<b>2042883</b>	<b>13.52</b>	<b>2042868</b>	<b>588</b>	<b>2043456</b>	<b>13.52</b>	<b>0.00</b>
<b>(2) Non Institutions</b>									
a) Bodies corporates									
i) Indian	883871	114	883985	5.85	754692	88	754780	4.99	-0.86
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	1040747	119231	1159978	7.68	1203786	86301	1290087	8.54	0.86

Category of Shareholders	No. of Shares held at the beginning of the year - 01.04.2017			No. of Shares held at the end of the year - 31.03.2018				% change during the year	
	Demat	Physical	% of Total Shares	Demat	Physical	Total	% of Total Shares		
ii) Individuals shareholders holding nominal share capital in excess of ₹1 lakhs	172851	-	172851	1.14	151006	-	151006	1.00	-0.14
c) Others (specify)									
NRI	66900	100	67000	0.44	81526	100	81626	0.54	0.10
Clearing Member	50197	-	50197	0.33	28473	-	28473	0.19	-0.14
Trusts	-	-	-	-	350	-	350	0.00	0.00
IEPF	-	-	-	-	27116	-	27116	0.18	0.18
<b>SUB TOTAL (B)(2):</b>	<b>2214566</b>	<b>119445</b>	<b>2334011</b>	<b>15.44</b>	<b>2246949</b>	<b>86489</b>	<b>2333438</b>	<b>15.44</b>	<b>0.00</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>4256511</b>	<b>120383</b>	<b>4376894</b>	<b>28.96</b>	<b>4289817</b>	<b>87077</b>	<b>4376894</b>	<b>28.96</b>	<b>0.00</b>
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>14991592</b>	<b>120383</b>	<b>15111975</b>	<b>100.00</b>	<b>15024898</b>	<b>87077</b>	<b>15111975</b>	<b>100.00</b>	<b>0.00</b>

## ii. Shareholding of Promoters

Sr. No	Shareholder's Name	Shareholding at the beginning of the year 01.04.2017			Shareholding at the end of the year 31.03.2018			% change in share holding during the year
		No. of Shares	% of total Shares of the Co.	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Co.	% of Shares Pledged / encumbered to total shares	
1.	BF Investment Limited	5,367,806	35.52	-	5,367,806	35.52	-	No Change
2.	Meritor Heavy Vehicle Systems LLC, USA	5,367,275	35.52	-	5,367,275	35.52	-	No Change
	<b>Total</b>	<b>10,735,081</b>	<b>71.04</b>	<b>-</b>	<b>10,735,081</b>	<b>71.04</b>	<b>-</b>	

## iii. Change in Promoters' Shareholding (please specify, if there is no change)

Particulars	Shareholding at the beginning of the year 01.04.2017		Shareholding at the end of the year 31.03.2018	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	10,735,081	71.04	10,735,081	71.04
Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease	No change			
At the End of the year	10,735,081	71.04	10,735,081	71.04

## iv. Shareholding pattern of top ten shareholders (other than Directors &amp; Promoters)

SL NO	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE YEAR - 01.04.2017		Date	Increase/Decrease in Share Holding	Reason	CUMULATIVE SHAREHOLDING DURING THE YEAR (01.04.2017 - 31.03.2018)	
		No. of Shares	% of Total Shares of the Company				No Of Shares	% of Total Shares of the Company
1	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	582419	3.85	01.04.2017	0 -		582419	3.85
				07.04.2017	10000	Transfer	592419	3.92
				28.04.2017	2000	Transfer	594419	3.93
				26.05.2017	-12000	Transfer	582419	3.85
				02.06.2017	3000	Transfer	585419	3.87
				30.06.2017	1500	Transfer	586919	3.88
				01.09.2017	5000	Transfer	591919	3.92
				08.09.2017	2000	Transfer	593919	3.93
				06.10.2017	6340	Transfer	600259	3.97
				17.11.2017	2000	Transfer	602259	3.99
				01.12.2017	-16100	Transfer	586159	3.88
				12.01.2018	-20000	Transfer	566159	3.75
				19.01.2018	-8000	Transfer	558159	3.69
				25.01.2018	-3000	Transfer	555159	3.67
				02.02.2018	5000	Transfer	560159	3.71
				16.02.2018	-2000	Transfer	558159	3.69
				23.02.2018	-4879	Transfer	553280	3.66
				02.03.2018	-4000	Transfer	549280	3.63
				09.03.2018	-9100	Transfer	540180	3.57
				<b>31.03.2018</b>		<b>6000</b>	<b>Transfer</b>	<b>546180</b>
2	UTI-MID CAP FUND	371678	2.46	01.04.2017	0		371678	2.46
				23.06.2017	-5632	Transfer	366046	2.42
				25.01.2018	-943	Transfer	365103	2.42
				02.02.2018	-5675	Transfer	359458	2.38
				<b>31.03.2018</b>		<b>0</b>		<b>359458</b>
3	RELIANCE CAPITAL TRUSTEE CO. LTD. - A/C RELIANCE TAX SAVER (ELSS) FUND	437674	2.9	01.04.2017	0 -		437674	2.90
				16.06.2017	-1483	Transfer	436191	2.89
				11.08.2017	-2236	Transfer	433955	2.87
				18.08.2017	17755	Transfer	451710	2.99
				25.08.2017	16201	Transfer	467911	3.10
				01.09.2017	9000	Transfer	476911	3.16
				08.09.2017	14358	Transfer	491269	3.25
				15.09.2017	9000	Transfer	500269	3.31
				22.09.2017	-14671	Transfer	485598	3.21
				30.09.2017	6232	Transfer	491830	3.25
				06.10.2017	-90000	Transfer	401830	2.66
				17.11.2017	-10000	Transfer	391830	2.59
				24.11.2017	-18000	Transfer	373830	2.47
				01.12.2017	-13890	Transfer	359940	2.38
				05.01.2018	-3604	Transfer	356336	2.36
				12.01.2018	-9155	Transfer	347181	2.30
				25.01.2018	-2165	Transfer	345016	2.28
		02.02.2018	-1909	Transfer	343107	2.27		

SL NO	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE YEAR - 01.04.2017		Date	Increase/Decrease in Share Holding	Reason	CUMULATIVE SHAREHOLDING DURING THE YEAR (01.04.2017 - 31.03.2018)	
		No. of Shares	% of Total Shares of the Company				No Of Shares	% of Total Shares of the Company
				16.02.2018	-288	Transfer	342819	2.27
				<b>31.03.2018</b>			<b>342819</b>	<b>2.27</b>
4	RELIANCE CAPITAL TRUSTEE COMPANY LIMITED A/C RELIANCE VISION FUND.	771360	5.10	01.04.2017	0	-	771360	5.10
				07.04.2017	-450	Transfer	770910	5.10
				21.04.2017	-154	Transfer	770756	5.10
				28.04.2017	-8894	Transfer	761862	5.04
				30.06.2017	-261	Transfer	761601	5.04
				07.07.2017	-1584	Transfer	760017	5.03
				14.07.2017	-5141	Transfer	754876	5.00
				04.08.2017	-1839	Transfer	753037	4.98
				22.09.2017	-6762	Transfer	746275	4.94
				30.09.2017	-542	Transfer	745733	4.93
				06.10.2017	-269723	Transfer	476010	3.15
				13.10.2017	-2064	Transfer	473946	3.14
				20.10.2017	-203946	Transfer	270000	1.79
				24.11.2017	-37293	Transfer	232707	1.54
				01.12.2017	-14597	Transfer	218110	1.44
				08.12.2017	-20110	Transfer	198000	1.31
				15.12.2017	-7454	Transfer	190546	1.26
				29.12.2017	-223	Transfer	190323	1.26
				05.01.2018	-19323	Transfer	171000	1.13
				02.03.2018	-1579	Transfer	169421	1.12
				09.03.2018	-7941	Transfer	161480	1.07
				23.03.2018	-2588	Transfer	158892	1.05
				<b>31.03.2018</b>	<b>0</b>		<b>158892</b>	<b>1.05</b>
5	UTI TRANSPORTATION AND LOGISTICS FUND	156921	1.04	01.04.2017		NO MOVEMENT DURING THE YEAR		
				<b>31.03.2018</b>			<b>156921</b>	<b>1.04</b>
6	RELIANCE CAPITAL TRUSTEE CO LTD A/C-RELIANCE REGULAR SAVINGS FUND-BALANCED OPTION	158399	1.05	01.04.2017	0		158399	1.05
				15.12.2017	-15257	Transfer	143142	0.95
				02.03.2018	-8352	Transfer	134790	0.89
				09.03.2018	-7941	Transfer	126849	0.84
				16.03.2018	-770	Transfer	126079	0.83
				23.03.2018	-3116	Transfer	122963	0.81
				<b>31.03.2018</b>	<b>0</b>		<b>122963</b>	<b>0.81</b>
7	ARUN NAHAR	70851	0.47	01.04.2016		NO MOVEMENT DURING THE YEAR		
				<b>31.03.2017</b>			<b>70851</b>	<b>0.47</b>



SL NO	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE YEAR - 01.04.2017		Date	Increase/Decrease in Share Holding	Reason	CUMULATIVE SHAREHOLDING DURING THE YEAR (01.04.2017 - 31.03.2018)		
		No. of Shares	% of Total Shares of the Company				No Of Shares	% of Total Shares of the Company	
8	ACADIAN EMERGING MARKETS SMALL CAP EQUITY FUND LLC	5250	0.03	01.04.2017	0		5250	0.03	
				21.04.2017	-2960	Transfer	2290	0.02	
				09.06.2017	2201	Transfer	4491	0.03	
				23.06.2017	1359	Transfer	5850	0.04	
				15.09.2017	4245	Transfer	10095	0.07	
				27.10.2017	4564	Transfer	14659	0.10	
				10.11.2017	3823	Transfer	18482	0.12	
				08.12.2017	6078	Transfer	24560	0.16	
				22.12.2017	6333	Transfer	30893	0.20	
				12.01.2018	5359	Transfer	36252	0.24	
				02.02.2018	5398	Transfer	41650	0.28	
				16.02.2018	3728	Transfer	45378	0.30	
				<b>31.03.2018</b>		<b>0</b>		<b>45378</b>	<b>0.30</b>
		9	THE EMERGING MARKETS SMALL CAP SERIES OF THE DFA INVESTMENT TRUST COMP	11656	0.08	01.04.2017	0		11656
				06.10.2017	2083	Transfer	13739	0.09	
				13.10.2017	996	Transfer	14735	0.10	
				20.10.2017	1122	Transfer	15857	0.10	
				27.10.2017	845	Transfer	16702	0.11	
				10.11.2017	1956	Transfer	18658	0.12	
				17.11.2017	710	Transfer	19368	0.13	
				15.12.2017	1345	Transfer	20713	0.14	
				12.01.2018	1121	Transfer	21834	0.14	
				19.01.2018	662	Transfer	22496	0.15	
				25.01.2018	4725	Transfer	27221	0.18	
				02.02.2018	3742	Transfer	30963	0.20	
				09.02.2018	529	Transfer	31492	0.21	
				<b>31.03.2018</b>		<b>0</b>		<b>31492</b>	<b>0.21</b>
10	SHRIYAM BROKING INTERMEDIARY LTD.	30000	0.20	01.04.2017	0		30000	0.20	
				02.06.2017	-2500	Transfer	27500	0.18	
				<b>31.03.2018</b>			<b>27500</b>	<b>0.18</b>	

\*Reasons for Change

- 1 Bought from Secondary Market
- 2 Sold in Secondary Market
- 3 No Change

## V. Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Particulars of each Director & KMP	Shareholdings at the beginning of the year 01.04.2017		Cumulative holding during the year (01.04.2017 – 31.03.2018)	
		No. of shares	% of total shares	No. of shares	% of total shares
<b>1</b>	<b>Dr. B N Kalyani (DIN - 00089380)</b>				
	At the beginning of the year	126	-	126	-
	Increase / Decrease during the year	-	-	-	-
	At the End of the year	126	-	126	-
<b>2</b>	<b>Satish Sekhri (DIN - 00211478)</b>				
	At the beginning of the year	10	-	10	-
	Increase / Decrease during the year	-	-	-	-
	At the End of the year	10	-	10	-
<b>3</b>	<b>B C Prabhakar (DIN - 00040052)</b>				
	At the beginning of the year	575	-	575	-
	Increase / Decrease during the year	-	-	-	-
	At the End of the year	575	-	575	-
<b>4</b>	<b>Ranganathan S. (Chief Financial Officer)</b>				
	At the beginning of the year	202	-	202	-
	Increase / Decrease during the year	(-)50	-	(-)50	-
	At the End of the year	152	-	152	-
<b>5</b>	<b>Debadas Panda (Company Secretary)</b>				
	At the beginning of the year	Nil	-	Nil	-
	Increase / Decrease during the year	1	-	1	-
	At the End of the year	1	-	1	-

## VI. Indebtedness:

### Indebtedness of the Company including interest outstanding/ accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total
<b>Indebtedness</b>				
Indebtedness at the beginning of Financial Year				
i) Principal Amount	NIL	NIL	NIL	NIL
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	NIL	NIL	NIL	NIL
Change during the Financial Year				
- Addition		NIL	NIL	NIL
- Reduction		NIL	NIL	NIL
Net Change	NIL	NIL	NIL	NIL
Indebtedness at the end of the Financial Year				
i) Principal Amount	NIL	NIL	NIL	NIL
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

**VI. Remuneration of Directors & Key Managerial Personnel :****A. Remuneration to Managing Director, Whole-time Directors and/or Manager**

Sl. No.	Particulars of Remuneration	Dr. N. Muthukumar, Whole Time Director (In ₹)
1.	<b>Gross salary</b>	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,01,29,387
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5,96,600
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission & Others	8,88,967
5.	Total (A)	1,16,14,954
	Ceiling as per the Act	6,43,62,116

**B. Remuneration to other directors:**

Particulars of Remuneration	Name of Director					Total Amount (In ₹)
	B B Hattarki	BC Prabhakar	Satish S	Supriti B	Rakesh Kalra	
<b>Independent Directors</b>						
Sitting Fee	4,00,000	3,00,000	2,00,000	1,50,000	50,000	11,00,000
Commission & others	-	-	-	-	-	-
Total (1)	4,00,000	3,00,000	2,00,000	1,50,000	50,000	11,00,000
Other Non-Executive Directors	B N Kalyani	Joseph A.P	Chrishan Villavarayan	-	-	-
-	1,50,000	Nil	Nil	-	-	1,50,000
-	-	-	-	-	-	-
Total (2)	1,50,000	-	-	-	-	1,50,000
Total (B)=(1+2)						
Total Managerial Remuneration						12,50,000
Overall Ceiling as per the Act						* ₹1.00 Lac Per meeting of the Board or Committee thereof

\* Other Directors did not receive any remuneration other than the sitting fees

**C. Remuneration to Key Managerial Personnel Other Than MD /Manager /WTD**

Particulars of Remuneration	Ranganathan S CFO (In ₹)
1. Gross salary	
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	56,56,327
(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-
(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2. Stock Option	-
3. Sweat Equity	-
4. Commission & Others	4,42,696
5. <b>Total (A)</b>	<b>60,99,023</b>

**D. Remuneration to Key Managerial Personnel Other Than MD /Manager /WTD**

Particulars of Remuneration	Nagajirao Thejaswini Company Secretary (01-04-17 to 17-08-17) (In ₹)	Debadas Panda Company Secretary (18-08-17 to 31-03-18) (In ₹)
1. Gross salary		
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,33,211	11,08,766
(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-
2. Stock Option	-	-
3. Sweat Equity	-	-
4. Commission & Others	23,416	98,955
5. <b>Total (A)</b>	<b>1,56,627</b>	<b>12,07,721</b>

**VII. Penalties/Punishment/Compounding of Offences:**

Type	Section of the companies Act	Brief description	Details of Penalty/	Authority[RD / NCLT/Court]	Appeal made. If any(give details)
<b>A. Company</b>					
Penalty					
Punishment			Nil		
Compounding					
<b>B. Directors</b>					
Penalty					
Punishment			Nil		
Compounding					
<b>C. Other Officers In Default</b>					
Penalty					
Punishment			Nil		
Compounding					

## Annexure E

### NOMINATION AND REMUNERATION POLICY

The Board of Directors of Automotive Axles Limited (“the Company”) constituted the “Nomination and Remuneration Committee” (“Committee”) at the Meeting held on April, 29 2014 with immediate effect.

#### 1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013, as amended from time to time, read along with the applicable rules thereto and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015. The Key Objectives of the Committee would be:

- 1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel (hereinafter referred to as “KMP”) and Senior Management.
- 1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.3. To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.
- 1.4. To provide to KMP and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- 1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.6. To devise a policy on Board diversity.
- 1.7. To develop a succession plan for the Board and to regularly review the plan;

#### 2. DEFINITIONS

- 2.1. Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2. Board means Board of Directors of the Company.
- 2.3. Directors mean Directors of the Company.
- 2.4. Key Managerial Personnel (KMP) means
  - 2.4.1. Whole-time Directors;

- 2.4.2. Chief Financial Officer; and

- 2.4.3. Company Secretary;

- 2.5. Listing Agreement means Agreement, as amended from time to time, executed with Stock Exchanges for Listing of Securities of the Company.

- 2.6. Senior Management means personnel of the Company who are members of its core management team being functional heads not below grade of Senior Vice President.

#### 3. ROLE OF COMMITTEE

- 3.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall:

- 3.1.1. Formulate the criteria for determining qualifications, positive attributes and independence of a director.

- 3.1.2. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

- 3.1.3. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

- 3.2. Policy for appointment and removal of Director, KMP and Senior Management

- 3.2.1. Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

- c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- d) The Committee shall decide on whether to extend or continue the term of appointment of Independent director, on the basis of the report of performance evaluation of Independent directors.
- 3.2.2. Term / Tenure
- a) Whole-time Director:  
The Company shall appoint or re-appoint any person as its Whole-time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- b) Independent Director:  
An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.
- 3.2.3. Evaluation  
The Committee shall carry out yearly evaluation of performance of every Director, KMP and Senior Management Personnel as per the performance evaluation policy of the Company.
- 3.2.4. Removal  
Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.
- 3.2.5. Retirement  
The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.
- 3.3. Policy relating to the Remuneration for the Whole-time / Executive Director, KMP and Senior Management Personnel
- 3.3.1. General:
- a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.
- d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.
- e) In case any difficulty or doubt arises in the interpretation or implementation of this Policy, the decision of the Chairman of the Company shall be final. In exceptional circumstances, the Chairman shall be authorized to exercise functions vested

in the committee in so far as these relate to Key Managerial Personnel covered under Clauses 2.4.3, 2.4.4 and the Senior Management; provided however that such actions taken by the Chairman shall be placed before the Committee for ratification in the succeeding meeting.

### 3.3.2. Remuneration to Whole-time / Executive Director, KMP and Senior Management Personnel:

- a) Fixed pay:  
The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
- b) Minimum Remuneration:  
If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- c) Provisions for excess remuneration:  
If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

### 3.3.3. Remuneration to Non- Executive / Independent Director:

- a) Remuneration / Commission:  
The remuneration / commission shall be fixed as per the slabs and conditions mentioned in

the Articles of Association of the Company and the Act.

- b) Sitting Fees:  
The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed ₹1,00,000/- (Rupees One Lac Only) per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- c) Commission:  
Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

## 4. MEMBERSHIP

- 4.1 The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- 4.2 Minimum two (2) members shall constitute a quorum for the Committee meeting.
- 4.3 Membership of the Committee shall be disclosed in the Annual Report.
- 4.4 Term of the Committee shall be continued unless terminated by the Board of Directors.

## 5. CHAIRPERSON

- 5.1 Chairperson of the Committee shall be an Independent Director.
- 5.2 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- 5.3 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 5.4 Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

## 6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

## 7. COMMITTEE MEMBERS' INTERESTS

7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

## 8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

## 9. VOTING

9.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

9.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

## 10. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

10.1 Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;

10.2 Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;

10.3 Determining the appropriate size, diversity and composition of the Board;

10.4 Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

10.5 Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

10.6 Evaluating the performance of the Board members and Senior Management in the context of the Company's

performance from business and compliance perspective;

10.7 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.

10.8 Delegating any of its powers to one or more of its members or the Secretary of the Committee;

10.9 Recommend any necessary changes to the Board; and

10.10 Considering any other matters, as may be requested by the Board.

## 11. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

11.1 to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.

11.2 to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

11.3 to delegate any of its powers to one or more of its members or the Secretary of the Committee.

11.4 to consider any other matters as may be requested by the Board.

11.5 Professional indemnity and liability insurance for Directors and senior management.

## 12. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.



## Annexure F

### Form AOC – 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto:

#### 1. Details of contracts or arrangements or transactions not at arm's length basis

a.	Name(s) of the related party and nature of relationship	Nil
b.	Nature of contracts/arrangements/transactions	Nil
c.	Duration of the contracts/arrangements/transactions Nil	Nil
d.	Salient terms of the contracts or arrangements or transactions including the value, if any	Nil
e.	Justification for entering into such contracts or arrangements or transactions	Nil
f.	Date(s) of approval by the Board	Nil
g.	Amount paid as advances, if any	Nil
h.	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	Nil

#### 2. Details of material contracts or arrangement or transactions at arm's length basis

a.	Name(s) of the related party and nature of relationship	Meritor HVS (India) Limited
b.	Nature of contracts/arrangements/ transactions	Purchase of raw material, sale of finish goods, availing technical service
c.	Duration of the contracts/arrangements/ transactions	On ongoing basis
d.	Salient terms of the contracts or arrangements or transactions including the value, if any	In tune with the market parameters. Estimated annual transaction value of ₹25,000 Million for a period of five (5) years Starting from 1st October, 2014
e.	Date(s) of approval by the Board, if any	November 14, 2014
f.	Amount paid as advances, if any:	Nil

## Annexure G

### CORPORATE SOCIAL RESPONSIBILITY

Information as per Section 135 of the Companies Act, 2013 & Companies (CSR Policy) Rules, 2014:

#### 1. Corporate Social Responsibility Policy

Business Enterprises are the economic organ of the society and rely on societal resources. Automotive Axles Limited (AAL) believes that a Company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing the societal sustainability. The concept of sustainability, responsibility and social welfare has intrinsically been woven into the corporate ethos of the organization.

CSR initiative has reinforced us as community conscious, socially responsible and value based organization, committed to making the world a better place to live in. All our CSR activities concentrate towards the holistic development of the individual and the society as whole.

The company's CSR policy can be accessed at: [www.autoaxle.com/Policy.aspx](http://www.autoaxle.com/Policy.aspx)

#### 2. Composition of the CSR Committee

The Board Committee of CSR comprises of:

- (a) Mr. B. C. Prabhakar, Chairman (Independent Director)
- (b) Ms. Supriti Bhandary, Member (Independent Director)
- (c) Dr. N. Muthukumar, Member

#### 3. Average net profit of the company for last three financial years: ₹519.02 Million

#### 4. Prescribed CSR Expenditure (Two percent of the amount as in Item 3 above): ₹10.39 Million

#### 5. Details of CSR spent during the financial year:

- a) Total amount to be spent for the financial year: ₹10.39 Million
- b) Amount unspent, if any: ₹3.26 Million
- c) Manner in which the amount spent during the financial year is detailed below:

1	2	3	4	5	6	7	8
S.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs at	Amount outlay (budget) (₹)	Amount spent on the projects (₹)	Cumulative expenditure upto the reporting period in ₹	Amount spent directly or through implementing agency
*1	Swachh Bharat Abhiyaan	Environmental Sanitation	Mysuru, Karnataka		Direct expenditure on projects:		Direct
*1	Swachh Bharat Abhiyaan	Environmental Sanitation	Mysuru, Karnataka	73,56,561	1,118,903	73,56,561	Direct
*2				5,000,000	39,76,928	39,76,928	Direct
*3				3,000,000	11,15,265	11,15,265	Direct
4	Livelihood enhancement project	Livelihood enhancement support to differently abled persons	Mysuru, Karnataka	53,865	53,865	53,865	Through Chiguru Foundation

1	2	3	4	5	6	7	8
S.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs at	Amount outlay (budget) (₹)	Amount spent on the projects (₹)	Cumulative expenditure upto the reporting period in ₹	Amount spent directly or through implementing agency
5	Promoting enhancement of vocation skills	Facelift of the auditorium of the Institute where vocational skills are being imparted	Bengaluru, Karnataka	7,34,788	7,34,788	7,34,788	Direct
6	Promoting Special Education	Soft Skill Development programs for Cops	Mysuru, Karnataka	125,000	125,000	125,000	Direct
7	Promoting primary education	LED Bulbs distributed to nearby govt. school	Mysuru, Karnataka	5,508	5,508	5,508	Direct
<b>Total</b>				<b>1,62,75,722</b>	<b>71,30,257</b>	<b>1,33,67,915</b>	

\*Note

(1) During the FY 2017-18 the project of constructing eco public convenience room at Chamundi Hills, Mysuru was completed which was started in the FY 2015-16

(2) Construction of Public Convenience Facility at Mysuru Palace

(3) Revival of nearby lake making Water positive which led to increase in Water storage capacity from 12.5 to 46 Thousand Cubic Meters and ground water level increased from 20 to 35% and the surrounding bore wells yield increased from 0.6 to 2 Meters

## 6. Reason for a part of CSR Amount Un-spent

The Company is interested in the projects with respect to lakes renovation, putting up Public Convenience facilities in tourists' spots, skill development programs etc. in and around Mysuru Area where the Company can spend the earmarked amount in a way which is more beneficial to the society but the amount could not be spent due to delay in getting necessary approvals.

## 7. CSR Committee Responsibility Statement:

The CSR Committee confirms that the implementation and monitoring of the CSR activities of the Company are in compliance with the CSR objectives and CSR Policy of the Company.

For and on behalf of the Board of Directors

Place : Pune  
Date : 8th May 2018

Dr. N. Muthukumar  
President & Whole-time Director

B. C. Prabhakar  
Chairman of the CSR Committee

# Management Discussion and Analysis

## INDIAN ECONOMY

The year 2017-18 was marked by a number of key structural initiatives to build strength across macro-economic parameters for sustainable growth in the future. The Central Statistics Organisation (CSO) expects a slower growth momentum of around 6.5% in 2017-18. The growth in the first half of the year suffered due to the two major policy events of demonetisation and implementation of the Goods and Services Tax (GST). However, the deceleration in the economic activity bottomed out as 2018 set in.

Currently, the economy seems to be on the path to recovery, with indicators of industrial production, stock market index, auto sales and exports having shown some uptick. We believe that India's economic outlook is expected to strengthen further in FY 2018-19 with the GDP accelerating to above 7%.

**Inflation:** Overall CPI inflation while remaining high at 5.1% in January 2018, fell marginally from its December 2017 level of 5.2%. WPI inflation fell more sharply to 2.8% from 3.6% during the same period.

**Fiscal deficit:** India's fiscal deficit estimate for FY 2017-18 was revised upward from 3.2% to 3.5% of GDP. The slippage was largely due to excess revenue expenditure, which could not be made up by a cut in capital expenditure or an increase in disinvestment proceeds and net tax revenues. The revenue deficit estimate was also revised from 1.6% to 2.6% of GDP for FY 2017-18.

**Trade deficit:** Trade deficit widened to a 56-month high of US\$16.3 billion in January from US\$14.9 billion in December.

**Currency:** The Indian rupee appreciated marginally to ₹63.6 per US dollar in January from ₹64.2 per US dollar in December.

(Source: Economy Watch - EY Report Feb 2018)

## RECENT REFORMS

### Goods and Services Tax (GST)

Launched in July 2017 with the aim to consolidate all other indirect tax laws (except a few) and to bring a harmonized tax structure and uniform compliance practices both by regulators and businesses.

### Insolvency and Bankruptcy Code

Launched in December 2016, it is a one-stop solution for resolving insolvencies and protect the interests of small investors and make the process of doing business simpler.

## Jan Dhan Yojana and Aadhaar

As on December, 2017, a total of 307 million accounts have been opened under PMJDY, including 180 million accounts opened in rural/semi-urban areas. This reform is aimed at encouraging financial inclusion.

## INDIAN AUTOMOBILES INDUSTRY

The Indian automobile industry is the third largest in the world. The industry accounts for 7.1 % of the country's Gross Domestic Product (GDP). Growing middle class, rising disposable incomes and increasing aspirations of young population are driving the growth for the industry. Additionally, the growing interest of big industry players in exploring the rural markets has further aided the growth of the sector.

India is also a prominent auto exporter and has strong export growth expectations in the coming years. In addition, several initiatives by the Government of India (GoI) and the major automobile players in the Indian market are expected to make India a leader in the two-wheeler and four-wheeler market in the world by 2020.

## DOMESTIC VOLUME GROWTH TRENDS ACROSS SEGMENTS

Segment-Wise Sales	FY 2017	FY 2018	Change (%)
Passenger vehicles	3,047,582	3,287,965	7.9%
Commercial vehicles	714,082	856,453	19.9%
Two wheelers	17,589,738	20,192,672	14.8%
Three wheelers	511,879	635,698	24.2%
Tractors	582,844	711,478	22.1%

(Source: SIAM, Industry Data, ICRA Research)

## IMPLEMENTATION OF BHARAT STAGE - VI NORMS

In response to the deteriorating air quality, the GoI announced in November 2017, its plan to advance the introduction of cleaner auto grade fuel Bharat Stage VI (BS-VI) in the country. With a view to conserve natural resources as well as to reduce pollution, GoI has decided to implement BS-VI emission norms in Delhi NCR from 1st April, 2018 and in rest of the country from 1st April, 2020.

### Implications

- The amount of Sulphur in both petrol and diesel in BS-VI fuel is limited to a maximum of 10 parts per million (PPM), similar to that of its Euro counterpart (Euro-VI)

- Oil retailers introduced the BS-IV grade auto fuel across the country in April 2017 and are now planning to leapfrog to BS-VI grade fuel by April 2020
- The companies have already invested around ₹30,000 crore in order to upgrade their facilities to adhere to the grade change
- Increased car prices
- The two-wheeler market will be affected as pricing of the motorcycles and scooters will be much higher
- The diesel cars will see a large hike in pricing, which will affect the sales of diesel models as the development process of these engines are much costlier than petrol motors

The revised standards will improve the environment and reduce respiratory problems due to reduction in permissible sulphur content which will also reduce emission of nitrogen oxides (NOX). Also, these standards permit increased blending of Ethanol in petrol and bio-diesel in diesel which will help in conservation of natural resources and reduction in import of Crude.

### Growth Drivers

- Rising disposable incomes and a large young population with growing aspirations
- Greater availability of credit and financing options
- Increasing demand for commercial vehicles due to high level of activity in the infrastructure sector

- Clear vision of Indian government to make India an auto manufacturing hub
- Initiatives like 'Make in India', 'Automotive Mission Plan 2026', and NEMMP 2020 to give a huge boost to the sector
- 5% of total FDI inflows to India dedicated to the automobiles sector

The auto industry is set to witness major changes in the form of electric vehicles (EVs), shared mobility, Bharat Stage-VI emission and safety norms. It is estimated to grow at around 10-15% to reach US\$ 16.5 billion by 2021. It has the potential to generate up to US\$ 300 billion in annual revenue by 2026, create 65 million additional jobs and contribute over 12 % to India's GDP.

### COMMERCIAL VEHICLE (CV) SEGMENT

In FY 2018, the domestic CV sales grew by 19.9% primarily driven by healthy growth in the light commercial vehicle (LCV) and medium and heavy commercial vehicles (M&HCV) truck segments. The M&HCV (truck) segment grew by 19.4% in volume terms aided by constrained demand post GST implementation, and stricter implementation of overloading norms in select states as well as healthy demand for heavy commercial vehicles (HCVs).

Similarly, the LCV (truck) segment also witnessed a strong growth of 29.5% in volume, driven by replacement cycle, improving financing environment and pick-up in rural demand.

While there was a sharp rise in the truck sales, demand for bus contracted to 13.7% in FY 2018, owing to weak orders

### Recent initiatives taken by the Government of India

- **The Ministry of Heavy Industries, GoI has shortlisted 11 cities in the country for introduction of electric vehicles (EVs) in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme.**
- **Energy Efficiency Services Limited (EESL), under Ministry for Power and New and Renewable Energy, Government of India, is planning to procure 10,000 e-vehicles via demand aggregation.**
- **The GoI is planning to set up a committee to develop an institutional framework on large-scale adoption of electric vehicles in India as a viable clean energy mode, especially for shared mass transport, to help bring down pollution level in major cities.**
- **The Government of Karnataka is obtaining electric vehicles under FAME Scheme and setting up charging infrastructure across Bengaluru.**

from both State Road Transport Undertakings (SRTUs) and private segment.

The Union Budget 2018-19 increased thrust on infrastructure projects, higher demand from consumption-driven sectors and e-commerce logistic service providers, especially for LCVs and ICVs will continue to support demand for CVs in FY 2019. The M&HCV and LCV truck segment is projected to grow at 4-6% and 9-11%, respectively in FY 2019. The bus segment is also expected to recover by 12-14% in FY 2019 aided by the expectation of replacement-led demand.

(Source: ICRA report on Indian Automobile Industry, March 2018)

## PASSENGER VEHICLE (PV) SEGMENT

The domestic passenger vehicle volumes grew by 6.4% year-on-year(y-o-y) in March 2018 as all the components of passenger vehicles exhibited growth. The car sales, utility vehicle, and van segment grew by 0.4%, 17.7%, and 23% as compared to the last year. The exports also rose by 1.6% in 2017-18.

The outlook for domestic PV segment remains positive. Increasing capacity utilization trend, capacity addition plans in the medium term and rise in capital expenditure are the growth drivers for this segment in the foreseeable future. The sound credit profile of the Indian PV original equipment manufacturers (OEMs) is sure to pave the path for the segment's growth.

## TRACTORS

FY 2017-18 witnessed robust development in the domestic tractor industry recording growth in volumes of 22.3%. While the growth in agriculture Gross Value Added (GVA) remained moderate due to uneven monsoon, the tractor industry volume growth remained healthy as the farm cash flows benefitted from two favourable crop cycles. In March 2018, the industry recorded a significant growth in volumes of 52%, partially attributable to an early festive season.

## INDIAN AUTO COMPONENT INDUSTRY

The Indian automotive components industry has registered a CAGR of 14% over the last decade. The industry accounts for almost 7% of India's GDP and employs as many as 19 million people. The OEMs dominate production volumes by market range with an encouraging exports figure of around 28%.

The industry is highly fragmented as the number of manufacturing units in the unorganised sector is fairly higher than in the organised sector. However, the organised sector accounts for almost 85% of total industry turnover.

## Growth Drivers

- Presence of a large pool of skilled and semi-skilled workforce amidst a strong educational system
- Strong support for research and development (R&D) and product development by establishing National Automotive Testing and R&D Infrastructure Project (NATRIP) centres
- The growth of global OEM sourcing from India and the increased indigenisation of global OEMs is turning the country into a preferred designing and manufacturing base
- Increasing investment in road infrastructure
- Policies such as Automotive Mission Plan 2016-26, Faster Adoption & Manufacturing of Electric Hybrid Vehicles (FAME, April, 2015), National Mission for Electric Mobility (NMEM) 2020, likely to infuse growth in the auto component sector of the country

## OUTLOOK

India is emerging as a global hub for auto component sourcing. The auto-components industry is expected to follow OEMs in adoption of electric vehicle technologies. The global move towards electric vehicles will generate new opportunities for automotive suppliers. The mass conversion to electric vehicles may generate a US\$ 300 billion domestic market for EV batteries in India by 2030.

India's auto component aftermarket is expected to grow at 10.5% to touch US\$ 13 billion by 2019-20.

## AUTOMOTIVE AXLES LIMITED – AT A GLANCE

Automotive Axles Limited (AAL) is the largest independent manufacturer of Rear Drive Axle Assemblies in India. It also manufactures S-Cam actuated quick change air brakes and trailer axles for 10 tonnes to 13 tonnes Gross Vehicle Weight (GVW).

The Company was established in 1981 as a joint venture between Kalyani Group and Meritor Inc., USA. It has manufacturing footprints across Mysuru, Rudrapur and Jamshedpur. Apart from India, it also has a strong presence in international markets. The Company is listed on both National Stock Exchange and Bombay Stock Exchange.

At AAL, we reinforce the concept of built-in quality to strengthen our world-class manufacturing standards by underlining the principle of Don't Accept, Don't Produce, Don't Release' defective products.

## Our Vision

To be a world-class quality manufacturer of axles, providing innovative solutions to customers at competitive price that enhance mobility, safety and environment and retain leadership.

## Our Growth Enablers

At AAL, excellence is our forte. The thrust to be among the top is our motto, which helps us in delivering quality and reliable products to our customers. We view the following as our growth drivers

**Deep understanding of customer demands:** We have 35+ years' experience in axle-production and can perceive what our clients actually want. We are consistently working on product development, while driving down costs and serving the needs of our large customer base.

**Technically efficient team:** Our team's vast technical knowledge has given us a competitive advantage to manufacture reliable and durable products. Further, our joint venture with Meritor Heavy Vehicle Systems LLC, USA provides us technology leadership to deliver bespoke products and services for our customers.

**Consistently strengthening quality:** We adhere to stringent quality standards by ensuring we bolster the concept of not accepting, producing or releasing defective products.

**Extensive product portfolio:** We have a wide auto components portfolio that includes drive axles, front steer axles, defence axles, off-highway axles, non-drive axles, light duty drive axles, suspension systems drum brake and disc brake, among others. We design efficient engineering modules or systems comprising high-efficiency gearing, integral brake to axle design, weight option designs and driver-operated differential locks.

## Our Best-in-class Operations

At AAL, our leading-edge operations allow us to deliver quality and reliable products. We have state-of-the-art manufacturing processes that include:

- Friction welding
- Argon CO<sub>2</sub> welding
- Robotic welding
- CNC machining

- Gear and pinion dry cutting
- Robotic gear quenching
- Specialty axles manufacturing unit
- Robotic brake web hot forming
- Robotic welding of housing halves
- Automated inside welding machines for housing manufacturing
- Special purpose multi-spindle high productive machines
- Flexible machining centers and specially built machines for producing axles and brakes.
- Metallurgy, chemical and metrology lab with CMM

Our manufacturing units are fitted with sophisticated Gear manufacturing equipment, reinforced by a modern heat treatment shop including continuous carburising and sealed quench furnaces. Further, we have implemented one furnace with Robotic Gear Quenching facility to improve productivity and save energy.

To meet the challenges of both off-highway and on-highway needs, we have introduced hub reduction axles and installed a state-of-the-art production, assembly and testing facility. We have also employed forward integration by incorporating Brake Setting and Oil Filling operations that enhance value for our customers.

As a part of productivity improvement, we introduced Robotic Seam Welding machine for housing half welding, eliminating the need for manual tack welding. Besides, we have introduced automated machine for housing to cover inside welding to enhance the reliability of the product. With increase in product complexity to meet stringent quality standards, we introduced high productive Double Spindle Cam Pad Milling machine which can combine three machines output into one.

## New technology

**We are Karnataka's first industry to adopt an LPG ground mounted bullet with a capacity of 30x2 metric tonnes. This implementation eliminates risks due to LPG storage, which is necessary for the heat treatment process**

## Our customers

We have a robust client base that includes companies like Ashok Leyland, Daimler India, Man Trucks, Mahindra & Mahindra, Tata Motors, Volvo Eicher and Asia Motor Works, among others. During FY 2017-18, we added Volvo Thailand to our esteemed client list by securing export order for solo and tandem axles and brakes. Besides, we are deepening our international footprint by enhancing our presence in the markets of China, USA, France, Italy, Brazil and so on.

## Our certifications

- Quality Management System certified with ISO/TS 16949:2009
- Environmental Management System certified with ISO 14001:2015
- Occupational Health and Safety Management System certified with BS OHSAS 18001:2007
- 5S certification through QCFI-JUSE
- Quality Management System certified with IATF 16949:2016
- Heat Treatment Process certified with CQI 9
- Welding processes certified with CQ 15

## Our recognitions

Our consistent efforts to make work conditions at Automotive Axles Limited (AAL) more favorable has garnered for us:

1. The Company bags Gold Award for outstanding performance in delivery during the Ashok Leyland Supplier Conference meet held in Chennai during April' 2017.
2. Got Certified by Union of Japanese Scientists & Engineers (JUSE) through Quality Circle Forum of India (QCFI) in the month of Dec 2017 for Implementing best 5S practices.
3. During Quality Circle Forum of India (QCFI) 1st Chapter Convention held on May 28, 2017 at Vidyavardhaka Engineering College, Mysuru, AAL Teams bagged 9 gold awards and 1 silver award.
4. Won Gold Awards in Ooty and Bangalore conventions which was organised by Quality Circle Forum of India (QCFI) during the months of Aug and Sep 2017.
5. Won 3 Excellence and 1 Par Excellence Awards during National Convention on Quality Concepts at Mysuru held during the month of Dec 2017 including one 5S Home Kaizen Award.

## FINANCIAL PERFORMANCE

Key highlights	(₹ in Million)				
	2017-18	*2016-17	2015-16	2014-15	2013-14
Total Revenue	15580.63	13039.92	10,875.44	4,617.04	6,825.77
Profit before Depreciation & Tax	1710.30	1143.77	909.66	338.03	553.40
Profit After Tax	839.32	494.18	347.74	105.42	181.79
Earnings Per Share (₹)	55.54	32.70	23.01	6.98	12.03

## KEY FINANCIAL RATIOS

Key financial ratios	(In %)				
	2017-18	*2016-17	2015-16	2014-15	2013-14
PBT / Total Income	8.20	5.75	4.74	3.57	3.79
PAT / Total Income	5.39	3.79	3.20	2.28	2.66
Return on Capital employed	28.00	19.73	16.86	3.32	5.65
Return on Net Worth	18.52	12.96	10.63	3.47	6.09
Dividend Payout Ratio	24.31	24.46	23.90	17.20	24.32

\*Figures are based on the applicability of Indian Accounting Standards



## Talent and Teamwork

We believe our human capital is our most important asset and thus we focus on bringing talented people on-board and hone their skills through training. We motivate our people to collaborate and innovate with experts to enhance their skills. At AAL, we understand the importance of diversity in a workforce and value the viewpoint of every individual. Accordingly, we have designed a diversity and inclusion awareness programme, where our people discuss inclusion and how it impacts their day-to-day work.

We encourage a progressive, high performing and inclusive culture that recognises and rewards strengths, promotes empowerment, improves communication and reduces conflict. Our talent management process helps to identify, develop and support high calibre individuals to develop the organisation's bench strength.

We are aware that working in a global organisation requires managing matrix teams and working with virtual teams with people often not physically present in the same location. Recognising these challenges, we are developing a seamless process that will enable easy identification of team expectations.

During FY 2017-18, we successfully rolled out key HR initiatives and talent management practices that reinforced the principles of

- Treating employees with respect/dignity
- Motivating workforce to deliver quality output
- Encouraging a sense of belongingness
- Promoting the culture of innovation and participation

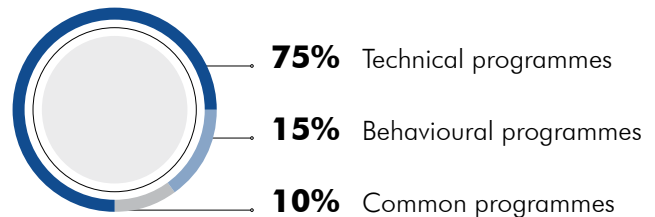
## Talent Management

Talent identification, succession process and driving high-performance culture

We focus on strategic development of our people through talent identification and succession process (TI & SP) and capability development programmes. TI & SP's primary objective is to identify successors for leadership positions, focus on talent across the organisation and identify career development opportunities for employees. We conduct periodic TI & SP talent reviews with the top management to ensure fast growth, stretch assignments and development opportunities for potential management staff.

As a part of TI & SP process and employee development, we focus on learning and development by rolling out various specific and customised training programmes. We organise approximately 75% technical programmes, 15% behavioural programmes and 10% common programmes. Moreover, we invest in high performing teams by facilitating robust awareness and implementing a performance management system with 80% weightage on performance and 20% weightage on leadership behaviour.

## Percentage of training and learning programmes



## Learning Centre

We have a specialised learning centre to provide induction, on-the-job-training (OJT) and special trainings to all operators. The learning centre is fully equipped to give training on Welding, CNC machine operation, material handling, tools identification and so on to our workforce. Additionally, we periodically conduct neuro-linguistic training programme (NLP) through an external trainer for our people.

## Diversity and Inclusive Culture

We have built a diverse and inclusive culture through improvement in employee retention, transfers and promotions, job rotations (inter and intra department/business unit), resource re-deployment and talent acquisition.

## Communication

We have implemented a clear and transparent communication system across the organisation. This initiative included quarterly and monthly town hall gatherings, group meetings and meeting of women employees once a quarter. We also organised quality and customer feedback meetings, one-on-one discussions with key employees and group meetings to focus on top talent in the organisation.

## 5S

We have successfully implemented 5S workplace management system and received 5S certification by Quality Circle Forum of India (QCFI) jointly with Japanese Union of Scientists and Engineers. An audit was performed by QCFI and it was found that all prerequisites are fulfilled.

## Employee Engagement

We encourage the concept of one team and have launched employee satisfaction surveys and action plans to enhance the concern areas post the surveys. Additionally, we engage our team with various activities like family day, sports day, festival celebrations, summer camps, annual sports and cultural activities, among others. We encourage participation in external events such as inter-company best safety worker competition, cricket tournaments and so on. Various competitions like essay writing and slogan writing are organised on special occasion like National Safety Day or World Environment Day. We also celebrate International Women's Day every year at AAL.

## Rewards and Recognitions

We acknowledge the achievements of our people to motivate them. We felicitate employees every month for their innovative ideas and special achievements. Besides, we reward the children of our employees to encourage meritocracy.

## Safety and Emergency Preparedness Training

At AAL, the safety of our people is crucial for us. Thus, we organise various safety trainings for our employees conducted by internal and external trainers. All our processes are covered under Hazard Identification and Risk Assessment (HIRA) that reduces risk factor from high to low and helps to lessen accidents and near misses at worksites. Besides, we have an on-site emergency plan prepared and approved from Department of Factories and Boilers Office, Karnataka.

Additionally, we provide periodic safety audits that address potential hazards and abnormalities immediately. We conduct mock drills to prepare on-site emergency routines. Moreover, we keep a well-trained emergency unit ready in all shifts to attend any eventual emergencies.

## Occupational Health Centre

Our Occupational Health Centre (OHC) has qualified doctors, paramedical staff and emergency medical equipment at all times. OHC also conducts health awareness programmes every month for all employees through external doctors.

## Policy for Female Employees

We have a stringent policy in place to address issues pertaining to female employees at AAL. With an aim to provide a safe environment to female employees and ensure redressal of their safety at workplace, we organise meetings for all female employees.

## Safety, Health and Environment

At AAL, we strive to better manage our sustainability drivers that includes safety, health and environment of our assets. This includes several community initiatives that help develop our workforce and the communities around us. These communities include areas around the AAL facilities, consumers, investors and other stakeholders.

We have undertaken the following safety, health and environment initiatives:

### Safety

- Completed successfully OHSAS-18001:2007 standard re-assessment and re-certification acquired during February 2018
- Celebrated 47th National Safety Day to promote and propagate safety awareness among our employees with poster display across the plant and distribution of safety calendar to all employees
- Implemented and practiced 'Hazard Mitigation' theme-based activities as a part our accident prevention programme to achieve zero accidents at workplace
- Launched a tailored safety refresher education and training programme to sensitise all levels of employees
- Implemented early warning detection system as a part of fire prevention and mitigation programmes; also, extended existing fire hydrant system extension
- Conducted periodical testing and certification of air receiver, hydraulic press, cranes, scissor lifts, lifting tools & tackles, material handling equipment by external authorised competent persons
- Organised periodical fire drill and mock drill to assess, evaluate and strengthen our plan and preparedness to mitigate any emergency effectively.

- Arranged site visit by EHS Team to M/s Volvo India Limited, along with safety committee members as a part of EOHS best practices sharing and learning
- On 4th March, National Safety Day celebration, our factory doctor Dr. T. Vijaykumar was awarded 'Occupational Arogya Seva Rathna Award' by the Karnataka Safety Council and Department of Industries and Health

## Health

- Celebrated World Health Day by conducting 'basic life support training' for all employees
- Arranged for periodic inspections by the in-house doctors to identify health hazards in workplace
- Conducted monthly trainings on common urological problems like 'Know Your Kidney' by external doctors
- Supervised trainings on team building, stress-free working and potential enhancement with all employees
- Organised pre-recruitment medical check-ups for all recruits and annual check-ups for regular employees and trainees
- Organised basic life support training for our 250 employees in April 2017
- Conducted health awareness classes for our employees on various diseases by expert from Apollo BGS Mysore Hospital on every month
- Equipped our Occupational Health Centre with all modern machines like ECG machine, automated external defibrillator machine and so on.
- Reduced wood consumption up to 70% by replacing wooden pallets for product packaging and transportation of axles to customer works
- Distributed eco-friendly Ganesha idols to all employees for Ganesha Chaturthi celebration to prevent water pollution
- Sponsored 40 LED lamps for our four adopted government schools; also created awareness on celebrating eco-friendly festivals
- Celebrated World Environment Day in 2017 with the theme of 'Connecting People to Nature - in the City and on the Land, from the Poles to Equator' by planting more than 500 saplings in our campus; also displayed video clippings in canteen and placed environment-related banners across the plant that created awareness among all employees
- Promoted a water positive attitude in Mysuru through 'Rejuvenated Thippayyanakere Lake located between Nanjangud Ooty Ring Road during September 2017
- Inaugurated public convenience facility at Mysuru Palace premises in December 2017
- Provided roof shelter, solar lamp and daily lunch at CHIGURU ASHRAMA for the people sheltered there

## Quality Management System (QMS) and Lean Management System (LMS)

Over the years, around 90% of our operations have matured through the built-in quality (BIQ) concept and ZERO COC (coolant, oil and chip) for manufacturing processes. Currently, most of our operations are synergised with the Automotive Axle Production Systems (APS). We significantly strengthened the processes through implementation of Gemba and 5S principle.

To further enhance the quality and reliability of our products, we have undertaken the following initiatives:

- Robust quality and environmental system supporting built-in quality: We are monitoring robust quality systems such as IATF 16949: 2016, CQI9 standard for heat treatment process, CQI15 welding process standards and OHSAS for the Environmental Occupational, Health & Safety Management System. Besides, we are digitalising inspection records for improving traceability.

## Environment

- Upgraded successfully our Environment Management System Certification of ISO: 14001:2004 version to new version of ISO-14001:2015; assessment carried out by External Certification Body-DQS India
- Embarked on the journey towards achieving water neutral status — 44% of raw water consumption is reduced with water conservation programmes of 3R Concept (recycle, recovery and reduce)

- Six Sigma: We have five engineers certified for level two Six Sigma black belt and 77 engineers accredited for level one black belt in various projects.
- Quality and reliability improvement: We initiated improvement in quality and reliability through Mission 18 Goal 3, focus on plant transformation, statistical process control (SPC), go green and go lean, critical to quality and gauges for customer fit form function.
- End-to-end product performance monitoring: We have a pool of engineers to support key customers, who are stationed at strategic locations to capture and improve end-to-end product performance and reliability.
- Product service training: We provide our customers and their end users with technical bulletins, service manuals, hands-on training on our products/performance to trouble shoot and reduce down time

## Risk Management

At AAL, we recognize that effective risk management is critical to enable us to meet our strategic goals and to achieve sustainable development. Our endeavor is to mitigate all inherent and operational risks.

**Industry risk:** A slowdown in the automobile industry may impact growth of our business.

### Mitigation

- Regular review of market conditions
- Resilient business model

**Cost inflation risk:** The growing cost of key raw materials may impact revenues and net profitability.

### Mitigation

- Develop cost-efficient manufacturing processes
- Consistent efforts to reduce costs

**Technology risk:** Failure to innovate and develop new technologies or products, or to adapt to changing customer behaviour could lead to our business being adversely impacted

### Mitigation

- Monitoring of emerging trends in automotive worldwide
- Continuous investment in technology

**People risk:** Failure to attract, recruit, retain and motivate our highly skilled workforce could result in the loss of key talent.

### Mitigation

- Career development plans to retain and develop the next level of executives
- Strong value-led culture throughout recruitment, induction and training
- Employee engagement activities and incentive plans

## Internal Control Systems

We have a robust internal control system that ensures to keep a track of our assets. The system corresponds to the size of our organisation and overviews operations. We conduct regular internal audits to comb out any discrepancies. We further employ PricewaterhouseCooper Pvt Ltd. to conduct internal audit. This ensures autonomy of the auditing body. We also ensure to implement the auditor's recommendations immediately.

# Report on Corporate Governance

## Corporate Governance Philosophy

Good Corporate Governance is all about maximizing the shareholder value on a sustainable basis while ensuring fairness to all stakeholders, customers, vendor-partners, investors, employees, government and society.

Your Company is committed to define, follow, practice, achieve and maintain the highest level of corporate governance in all its business functions. Your Company believes in the concept of good corporate governance involving transparency, empowerment, accountability, equity and integrity with a view to enhance stakeholder's value in order to achieve its vision and mission. Your Company's Corporate Governance framework ensures to make timely disclosures and share accurate information regarding the financials and performance, as well as disclosures related to leadership and governance of the Company. Your Company believes that an active, well informed and independent board is necessary to ensure the highest standards of corporate governance.

At Automotive Axles Limited, the Board of Directors (the Board) are at the core of the corporate governance practice. The Board thus oversees the Management's functions and protects the long term interest of its stakeholders. As on March 31, 2018 the Board consists of seven members

of which four are independent directors. An independent director is nominated as the chairperson of each of the Board Committees namely audit, nomination and remuneration, stakeholder relationship, risk management and corporate social responsibility committee.

Your Company has adopted practices as mandated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges and has established procedures and systems to be fully compliant with the Regulations.

## BOARD OF DIRECTORS

### Size and Composition of the Board

Your Company believes that the Board needs to have appropriate mix of executive and independent directors to maintain its independence and separate its functions of governance and management. On 31st March, 2018, Board comprised of seven (7) Directors.

The Board consists of one (1) Executive Director and six (6) Non-executive Directors, four (4) of whom are independent. This composition comprises of one woman director also. The Board periodically evaluates the need for change in its composition and size

## Composition of the Board, category and particulars of attendance is given below:

Director	Category	No. of Board meetings attended out of 4	Attendance in last AGM	Nos. of Directorships and Committee Memberships in Indian companies*		
				Directorships	Committee Memberships	Committee Chairmanships
Dr. B.N. Kalyani	Promoter, Non-Executive	3	No	11	3	Nil
Mr. Joseph A. Plomin (Resigned w.e.f. 31.01.2018)	Promoter, Non-Executive	1	No	2	Nil	Nil
Mr. Chrishan Anton Sebastian Villavarayan (Appointed w.e.f. 31.01.2018)	Promoter, Non-Executive	1	N.A.	2	Nil	Nil
Mr. B.B. Hattarki	Independent	4	Yes	16	3	4
Mr. B.C. Prabhakar	Independent	3	Yes	3	2	2
Mr. Satish Sekhri (Resigned w.e.f. 13.02.2018)	Independent	2	Yes	8	8	Nil
Ms. Supriti Bhandary	Independent	3	Yes	2	1	Nil
Mr. Rakesh Kalra (Appointed w.e.f. 13.02.2018)	Independent	1	N.A.	6	6	Nil
Dr. N. Muthukumar	Executive	4	Yes	1	1	Nil

### Notes:

(a) There are no inter-se relationship between our Board members.

(b) \* Directorships includes directorship in Private Companies but do not include companies incorporated outside India. In accordance with Regulation 26 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Memberships/Chairmanships of only the Audit Committee and Stakeholders Relationship Committee in all public limited companies (including Automotive Axles Limited) have been considered.

(c) Leave of absence was granted to the Director(s) for the Board Meeting(s), which they did not attend and sought the leave of absence from the meeting.

## Availability of information to the Board Members

The Board has unrestricted access to all the Company related 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 some of the information provided regularly to the Board of Directors:

- Annual Operating Plan and budgets, capital budgets and updates
- Quarterly results of the Company and its Operating Divisions
- Minutes of meetings of Audit and other Committees of the Board
- General notice of interests of Directors
- Declaration of Independent Directors at the time of appointment/annual declaration
- Dividend data
- Information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary
- Materially important issues, disputes with the Government Authorities on show cause notices, demands, prosecutions and penalty notices
- Fatal or serious accidents, dangerous occurrences, effluent or pollution problems
- Any material default in financial obligations to and by the Company
- Any issue that involves possible public or product liability claims of a substantial nature.
- 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 taken by management to limit the risks of adverse exchange rate movement;
- Any material default in financial obligations to and by the company or substantial non-payment for goods sold by the company

- Making of loans and investments, if any.
- Compliance Certificate with respect to all the laws as applicable to the Company
- Constitution/reconstitution of Board Committees
- CSR activities carried out by the Company and expenditure made thereon

## Role of Board of Directors

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. As trustees, the Board has the fiduciary relationship to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duties with care, skill, diligence and exercises independent judgement. The Board sets strategic goals and seeks accountability for their fulfillment. The Board also directs and exercise appropriate control to ensure that the Company is managed in a manner that fulfils stakeholder's aspirations and societal expectations.

## Board Membership Criteria

The Nomination and the Remuneration Committee works with the entire Board to determine the appropriate characteristics, skills and required experience for the Board as a whole and for individual members. Members are expected to possess the required qualification, integrity, expertise and experience for the position. They should also possess deep expertise and insight in sectors/areas relevant to the Company and ability to contribute to the Company's growth.

The Board members are expected to rigorously prepare to attend and participate in all Board and applicable committee meetings. Each member is expected to ensure that their other current and planned future commitments do not materially interfere with the responsibilities with the Company.

## Selection of New Director

The Board is responsible for the selection for new Directors. The Nomination and the Remuneration Committee makes recommendation to the Board on induction of new member after screening and the selection process, which is based on the nomination and remuneration policy of the Company

## Training of Board Members

All new Directors are inducted to the Board are introduced to Company's culture, its operations, customers, practices, organizational structure, role and responsibilities, services, board procedures, matters reserved for the board, risk and

the compliance details and such other details to familiarize the new Director about the Company.

A separate Independent Directors meeting was conducted during the year.

## Board Meetings

In FY 2017-18 (Apr'17-Mar'18), the Board met four (4) times on 18th May 2017, 18th August 2017, 15th November 2017 and 13th February 2018. The maximum gap between any two Board Meetings was less than one hundred and twenty (120) days.

### Attendance at Board meeting of the Directors during the FY 2017-18

Name of the Director	No. of meetings conducted and attended during the year				Total No. of Meetings Total Attendance	Total No. of Meetings	% of attendance
	18th May 17	18th Aug 17	15th Nov 17	13th Feb 18			
Dr. B N Kalyani	✓	LOA	✓	✓	3	4	75
Mr. Joseph A Plomin (Resigned w.e.f. 31.01.2018)	LOA	LOA	✓	N.A.	1	3	33
Mr. B B Hattarki	✓	✓	✓	✓	4	4	100
Mr. B C Prabhakar	LOA	✓	✓	✓	3	4	75
Mr. Satish Sekhri (Resigned w.e.f. 13.02.2018)	✓	✓	LOA	N.A.	2	4	50
Ms. Supriti Bhandary	LOA	✓	✓	✓	3	4	75
Dr. N. Muthukumar	✓	✓	✓	✓	4	4	100
Mr. Chrishan Anton Sebastian Villavarayan (Appointed w.e.f. 31.01.2018)	N.A.	N.A.	N.A.	✓	1	1	100
Mr. Rakesh Kalra (Appointed w.e.f. 13.02.2018)	N.A.	N.A.	N.A.	✓	1	1	100

## Code of Conduct

In compliance with the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has framed and adopted Code of Conduct (the Code). This is applicable to all Directors, Independent Directors and Senior Management of the Company. The Code gives guidance and support needed for ethical conduct of business and compliance of law. All members of the Board and Senior Management personnel have affirmed the compliance with the Code as on 31st March, 2018.

The Code is available on Company's website [www.autoaxle.com/Conduct\\_code.aspx](http://www.autoaxle.com/Conduct_code.aspx).

## Prevention of Insider Trading

The Board has formulated a policy on Trading of shares by

an insider and code of conduct for regulating, monitoring and reporting of trading of shares by insider.

The code lays down guidelines, procedures to be followed and disclosure to be made while dealing with the shares of the Company and cautioning them on consequences of non-compliances.

The copy of the policy is available on Company's website [www.autoaxle.com/Policy.aspx](http://www.autoaxle.com/Policy.aspx)

## BOARD COMMITTEES

As on March 31, 2018 the Company has five committees namely Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Risk Management Committee. The Board Committees are set

up under the formal approval of the Board to carry out respective roles which are considered to be performed by the members of the respective Board Committees. The Company's guidelines relating to Board Meetings are applicable to Committee Meetings, as far as may be practicable. Each Committee has the authority to engage

outside experts, advisors and counsels to the extent it considers appropriate to assist in its work. Minutes of the proceedings of the Committee Meetings are placed before the Board meeting for perusal and noting. The Company Secretary acts as the secretary of all Committees.

### Board and Committee composition as on March 31, 2018

Sl. No	Directors	Board	Audit Committee	Risk Management Committee	Stakeholders Relationship Committee	Corporate Social Responsibility Committee	Nomination & Remuneration Committee
1	Dr. B N Kalyani	✓					
2	Mr. Chrishan Anton Sebastian Villavarayan	✓					
3	Mr. B B Hattarki	✓	Chairman				
4	Mr. B C Prabhakar	✓	Member	Chairman	Chairman	Chairman	Chairman
5	Mr. Rakesh Kalra	✓	Member		Member		Member
6	Ms. Supriti Bhandary	✓				Member	Member
7	Dr. N. Muthukumar	✓		Member	Member	Member	

## AUDIT COMMITTEE

### The Audit Committee of your Board consists of three Independent Directors:

Mr. B B Hattarki, Chairman  
Mr. B C Prabhakar, Member  
Mr. Rakesh Kalra, Members

During the year, the Audit Committee has been reconstituted by replacing Mr. Satish Sekhri by Mr. Rakesh Kalra.

Members of the Audit Committee are financial literates and

possess required expertise.

The committee met four (4) times during the year on 18th May'17, 18th August'17, 15th November'17 and 13th February'18.

The meetings of the Audit Committee are also attended by the Executive Director, Chief Financial Officer, Company Secretary, Statutory Auditors, Internal Auditors and other Management representatives as special invitees.

### Attendance record of Audit Committee members for 2017-18

Name of the Director	Audit Committee Meeting held during the year 2017-18				Total Attendance	Total No. of Meetings	% of attendance	Status
	18th May 17	18th Aug 17	15th Nov 17	13th Feb 18				
Mr. B B Hattarki	✓	✓	✓	✓	4	4	100	Chairman
Mr. B C Prabhakar	LOA	✓	✓	✓	3	4	75	Member
Mr. Satish Sekhri	✓	✓	LOA	LOA	2	4	50	Member



The Audit Committee assists the Board in its responsibility to oversee the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial reporting statements, the appointment, independence, performance and remuneration of the Statutory Auditors, including the Secretarial Auditor and Internal Auditors of the Company.

### Qualified and Independent Audit Committee

The composition of the Audit Committee meets with the requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

1. Audit Committee presently consists of the three Independent Directors.
2. All members of the committee are financially literate and having requisite financial management expertise.
3. The Chairman of the Audit Committee is an Independent Director.

### Powers of the Audit Committee

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

### Role of the Audit Committee inter alia includes the following:

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

- Review of Management discussion and analysis of financial condition and results of operations;
- Oversight of Company's financial reporting system;
- 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, Directors' responsibility statement etc.;

- Reviewing with the management the quarterly financial statements before submission to the board for approval;
- Reviewing the adequacy of internal control systems with the management, statutory and internal auditors;
- Evaluation of internal financial controls and risk management systems;
- Review and monitor the auditor's independence and performance effectiveness of audit process;
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditors, scope and the fixation of audit fees;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Review of Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
- The appointment, removal and terms of remuneration of the Internal Auditors;
- Reviewing the effectiveness and adequacy of internal audit function and discussion with internal auditors any significant findings and follow up there on;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- To review the functioning of the Whistle Blower mechanism;
- Approval of appointment of CFO or any other person heading the finance function after assessing the qualifications, experience & background, etc. of the candidate;

- Carrying out such other functions, as may be specifically referred to the Committee by the Board of Directors and or other Committees of Directors of the Company;

Mr. B C Prabhakar, Chairman,  
Mr. Rakesh Kalra, Member  
Ms. Supriti Bhandary, Member

## NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Nomination and Remuneration Committee consists of three Independent Directors:

During the year the Nomination and Remuneration Committee has been reconstituted by replacing Mr. Satish Sekhri by Mr. Rakesh Kalra.

### The committee met two (2) times during the year on 18th August, 2017 and 13th February, 2018.

Name of the Director	NRC meeting held during the year 2017-18		Total Attendance	Total No. of Meetings	Attendance %	Status
	18th Aug 17	13th Feb 18				
Mr. B C Prabhakar	✓	✓	2	2	100	Chairman
Mr. Satish Sekhri	✓	LOA	1	2	50	Member
Ms. Supriti Bhandary	✓	✓	2	2	100	Member

## Terms of Reference

- To identify qualified persons to become directors and senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and to carry out evaluation of every director's performance.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- Formulation of criteria for evaluation of Independent Directors and the Board
- Devising policy on Board diversity
- To act in terms of any consequent statutory modification(s) /amendment(s) / revision(s) to any of the applicable provisions to the said Committee.
- To decide on terms of appointment/re-appointment of Independent Director based on the performance evaluation report received.

attendance of non-independent directors and the members of management. It is recommended that all the independent directors to be present at such meetings. These meetings are expected to review the performance of the non-independent directors and the Board as a whole, as well as the chairman of the Board, taking into account the views of the non-executive directors, assess the quality, quantity and timeliness of the flow of information between the management and the Board that is necessary for it to effectively and reasonably perform its duties.

During the year 2017-18, Independent Directors met on 13th February, 2018, discussed and reviewed the below:

- Performance of Non-Independent Directors
- Performance of Chairman
- Performance of Board Committees
- Discussed on the quality, quantity and timeliness of flow of information between the Company management and the Board Members.
- Overall performance of the Company.

## Independent Directors

Schedule IV of the Companies Act, 2013 and the Rules under mandates that the Independent Directors of the Company hold at least one meeting in a year, without the

## Performance evaluation criteria for independent directors:

- Attendance and participation in the meetings and timely inputs on the minutes of the meetings

- b) Adherence to ethical standards and code of conduct of company and disclosure of non-independence, as and when exists and disclosure of interest
- c) Raising of valid concerns to the Board and constructive contribution to resolution of issue at meetings
- d) Interpersonal relations with other Directors & Management
- e) Objective evaluation of Board's performance, rendering independent, unbiased opinion
- f) Understanding of the company and the external environment in which it operates and contribution to strategic direction.
- g) Safeguarding interest of whistle-blowers under vigil mechanism and safeguard of confidential information.

## Remuneration of Directors

The details of remuneration to Directors, their relationship with each other and Equity Shares held as on 31st March 2018 are presented below:

Directors	Relationship with other Directors	Equity Shares held	Board Meeting Sitting Fees (In ₹)	Audit Committee Meetings Sitting Fees (In ₹)	Salaries, performance bonus and perquisites (In ₹)	Total (In ₹)
Dr. B.N. Kalyani	None	126	1,50,000	N.A.	Nil	1,50,000
Mr. Joseph A Plomin*	None	Nil	N.A	N.A	Nil	NA
Mr. B B Hattarki	None	Nil	2,00,000	2,00,000	Nil	4,00,000
Mr. B C Prabhakar	None	575	1,50,000	1,50,000	Nil	3,00,000
Mr. Satish Sekhri (Resigned w.e.f. 13.02.2018)	None	10	1,00,000	1,00,000	Nil	2,00,000
Ms. Supriti Bhandary	None	Nil	1,50,000	NA	Nil	1,50,000
Dr. N. Muthukumar**	None	Nil	NA	NA	1,16,14,954	1,16,14,954
Mr. Chrishan Anton Sebastian Villavarayan (Appointed w.e.f. 31.01.2018)	None	Nil	NA	NA	Nil	NA
Mr. Rakesh Kalra (Appointed w.e.f. 13.02.2018)	None	Nil	50,000	NA	Nil	50,000

Note:

- \*Joseph A Plomin/ Mr. Chrishan Anton Sebastian Villavarayan does not claim any sitting fee, being in conformity with Meritor's Policy for such nominees for attending the meetings.
- \*\*The employment of the Executive Director is for a fixed term and subject to renewal with the approval of Board and Shareholders.
3. All the above elements are fixed component but for the Performance linked Bonus

## Directors with materially significant pecuniary transaction or relationship with the Company

There was no pecuniary relationship or transactions between the Company and any of the Non-Executive Directors during the year as contemplated under relevant guidelines of the Securities and Exchange Board of India/Stock Exchanges.

## STAKEHOLDERS RELATIONSHIP COMMITTEE (SRC)

The Stakeholders Relationship Committee comprises of three directors and meets the requirement under section 178(5) of the Companies Act, 2013 and Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.

Mr. B.C. Prabhakar, Chairman  
Mr. Rakesh Kalra, Member  
Dr. N. Muthukumar, Member

During the year, the Stakeholders Relationship Committee has been reconstituted by replacing Mr. Satish Sekhri by Mr. Rakesh Kalra.

The Committee met four times during the year on 18th May, 2017, 18th August, 2017, 15th November, 2017 and 13th February, 2018.

#### Attendance record of SRC members for 2017-18

Name of the Director	SRC Meeting held during 2017-18				Total Attendance	Total No. of Meetings	Attendance %	Status
	18th May 17	18th Aug 17	15th Nov 17	13th Feb 18				
Mr. B C Prabhakar	LOA	✓	✓	✓	3	4	75	Chairman
Mr. Satish Sekhri	✓	✓	LOA	LOA	2	4	50	Member
Dr. N. Muthukumar	✓	✓	✓	✓	4	4	100	Member

#### Compliance Officer

Mr. Bedadas Panda, Company Secretary & Compliance Officer, is the Compliance Officer of the Company for complying with requirements of the Securities Laws and Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Terms of Reference of SRC inter alia include the following:

- To specifically look into the redressal of grievances of shareholders and other security holders, if any.
- To consider and resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. and
- To act in terms of any consequent statutory modification(s) / amendment(s) / revision(s) to any of the applicable provisions to the said Committee.

Your Company has 14978 shareholders as on March 31, 2018. All complaints received during the year have been resolved and there are no complaints which remain unsolved.

#### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR)

The Committee comprises of three members as on March 31, 2018:

Mr. B C Prabhakar, Chairman,  
Ms. Supriti Bhandary, Member  
Dr. N. Muthukumar, Member

The CSR committee met four times during the year on 17th May, 2017, 18th August, 2017, 15th November, 2017 and 13th February, 2018.

#### Attendance record of CSR members for 2017-18

Name of the Director	CSR Meeting held during the year 2017-18				Total Attendance	Total No. of Meetings	Attendance %	Status
	17th May 17	18th Aug 17	15th Nov 17	13th Feb 18				
Mr. B C Prabhakar	✓	✓	✓	✓	4	4	100	Chairman
Ms. Supriti Bhandary	LOA	✓	✓	✓	3	4	75	Member
Dr. N. Muthukumar	✓	✓	✓	✓	4	4	100	Member

### Terms of reference inter alia includes the following:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy in terms of Schedule VII of the Companies Act, 2013.
- To recommend the amount of expenditure to be incurred on the CSR activities.
- To review the Corporate Social Responsibility Policy of the Company from time to time and
- To act in terms of any consequent statutory modification(s)/amendment(s)/revision(s) to any of the applicable provisions to the said Committee.

The RMS committee met four times during the year on 17th May, 2017, 18th August, 2017, 15th November, 2017 and 13th February, 2018

Name of the Director	RMS meeting held during the year 2017-18				Total Attendance	Total No. of Meetings	Attendance %	Status
	17th May 17	18th Aug 17	15th Nov 17	13th Feb 18				
Mr. B C Prabhakar	✓	✓	✓	✓	4	4	100	Chairman
Dr. N. Muthukumar	✓	✓	✓	✓	4	4	100	Member

### Terms of Reference inter alia include the following:

The Committee shall monitor and review the risk management plan and such other functions as it may deem fit.

Your Company has voluntarily constituted the Risk Management Committee though it is not compulsorily required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### Secretarial Audit for Reconciliation of Share Capital

As mandated by the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 – Regulation 55A quarterly Secretarial Audits are carried out to verify if the total issued/ paid-up capital is in agreement with the aggregate of the total number of the shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

The Committee's prime responsibility is to assist the Board in discharging its social responsibilities by way of formulating and monitoring implementation of the framework of CSR Policy. The CSR policy is available on the website of the Company at [www.autoaxle.com/Policy.aspx](http://www.autoaxle.com/Policy.aspx)

### RISK MANAGEMENT COMMITTEE (RMS)

The Committee comprises of two members as on March 31, 2018:

Mr. B C Prabhakar, Chairman,  
Dr. N. Muthukumar, Member

### General Body Meetings

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

Financial Year	Date	Time	Venue
2014-15	5th August 2015	12.30 p.m.	Regd. Office of the Company
2015-16	12th August 2016	12.30 p.m.	Regd. Office of the Company
2016-17	18th August 2017	12.30 p.m.	Regd. Office of the Company

No special resolutions were passed at the Annual General Meeting held on 18th August, 2017, 12th August 2016 and 5th August 2015.

No Extraordinary General Meeting of the Members was held during the financial year 2017-18.

### Postal Ballot:

No resolution was passed through Postal Ballot during the year 2017-18.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a Special resolution conducted through Postal Ballot.

## DISCLOSURES

### Related Party Transactions:

All Related Party Transactions are placed before the Audit Committee and also the Board for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. A statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis.

None of the transactions with any of the related parties were in conflict with the interest of the Company. Attention of the Members is drawn to the disclosure set out in notes to Financial Statement.

A Policy on Related Party Transactions is being uploaded in the website of the company [www.autoaxle.com/Policy.aspx](http://www.autoaxle.com/Policy.aspx)

### Management Discussion & Analysis:

This Annual Report has a detailed chapter on Management Discussion and Analysis and includes discussion on various matters specified under Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### Whistle Blower Mechanism

The Board has formulated a Whistle Blower Policy for directors and employees of the Company. The policy comprehensively provides an opportunity for an employee/Director to report the instances of unethical behavior, actual or suspected fraud or any violation of the Code of Conduct and /or laws applicable to the Company and seek redressal. The policy provides for a mechanism to report such concerns to the Audit Committee through specified channels. The policy has been communicated to the employees and also posted on Company's website.

The Whistle Blower Policy complies with the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013. The details of establishment of Whistle Blower Policy/Vigil Mechanism have been disclosed on website of the Company [www.autoaxle.com/Policy.aspx](http://www.autoaxle.com/Policy.aspx).

No personnel have been denied access to audit committee.

During the year under review, no complaints received or registered under the legislation "Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace Act 2013"

### Compliances by the Company

The Company has complied with all the requirements of regulatory authorities and no non-compliance on matter related to capital market has been reported during the year under review and hence no penalties/strictures were imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India or any Statutory Authority on any matter related to capital market during the year.

Further there are no instances of non-compliances with respect to capital market during the last three years.

### MEANS OF COMMUNICATION

Your Company puts forth all vital information about the Company's performance including quarterly result and communication to investors on Company's website : [www.autoaxle.com](http://www.autoaxle.com) regularly for the benefit of the public at large

The unaudited Financial Results for every Quarter and the Annual Audited Results of the Company, in the prescribed format 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 "The Andolana".

The quarterly/annual results are also uploaded on the Company's website at: [www.autoaxle.com/Financial\\_reports.aspx](http://www.autoaxle.com/Financial_reports.aspx)

### COMPLIANCE WITH MANDATORY & NON MANDATORY REQUIREMENTS/ DISCRETIONARY REQUIREMENTS:

The Company has complied with the applicable mandatory requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has adopted following non-mandatory requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Regulation 27(1)).

### Modified Opinion(s) in Audit Report

The Company is in the regime of financial statements with unmodified audit opinion.

### Separate posts of Chairman and Chief Executive Officer (CEO)

The company has appointed separate persons to the post of the Chairman and the CEO. CEO has been designated as President & Whole-time Director.

### Reporting of Internal Auditor

The Internal auditor reports directly to the Audit Committee.

### Securities and Exchange Board of India Complaints System (SCORES)

The investor complaints are processed in a centralized web based complaints redress system. The salient features of this system are: centralized database of all companies, online upload of Action Taken reports by concerned companies and online viewing by investors of action taken on the complaints and its current status.

### Reminders to Investors

Every year reminder letters for unpaid dividend are sent to the shareholders who have not claimed their dividend.

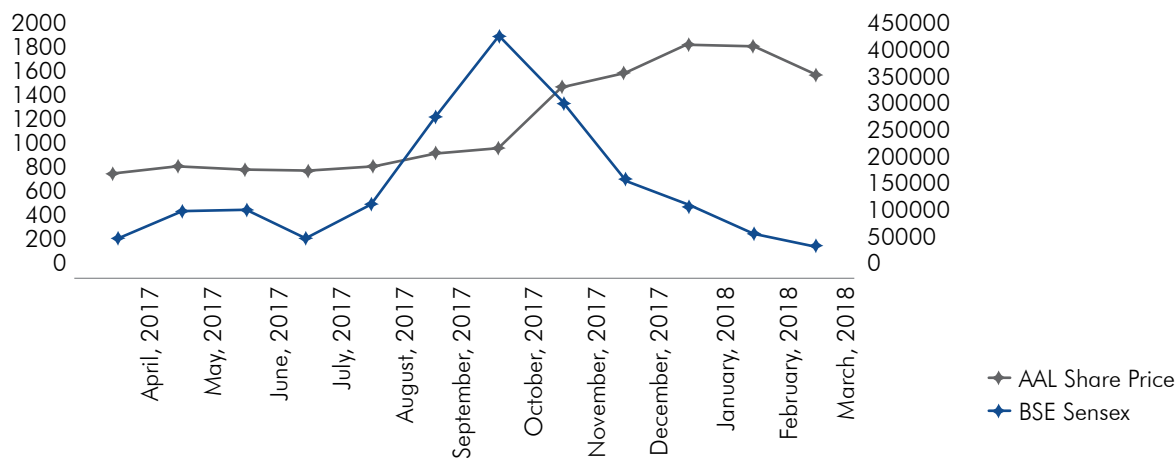
## GENERAL SHAREHOLDER INFORMATION

Annual General Meeting	Date & Time : 13th August 2018 at 12.30 p.m. Venue : Registered Office of the Company at Hootagalli Industrial Area, Off Hunsur road, Mysuru, Karnataka – 570 0 18
CIN	L51909KA1981PLC004198
Financial Year	1st April, 2017 to 31st March, 2018
Book Closure Dates	4th August, 2018 to 13th August, 2018 (both days inclusive)
Dividend Payment Date	Expected on or before 11th September, 2018
Plant Locations	Mysuru Plant : Hootagalli Industrial Area Off Hunsur Road, Mysuru, Karnataka - 570018.  Rudrapur Plant : 6 Km Stone, Kichha Road, Village Shimla Pistor, Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153  Jamshedpur Plant : Old Khakripara, Vill & Post – Chhota Govindpur, Jamshedpur, Dist. E. Singhbhum, Jharkhand - 831 015
Securities Listing	BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001  National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra East, Mumbai - 400 051  The Company confirms that the annual listing fee for the year 2017-18 has been paid to both the stock exchanges.
Stock Codes	BSE – 505010 NSE – AUTOAXLES Demat ISIN Number: INE449A01011

**Stock Data**

Monthly High and Low price at which the shares of the Company were traded at the BSE and NSE are given below:

Month	BSE			NSE		
	High (In ₹)	Low (In ₹)	No. of Shares Traded	High (In ₹)	Low (In ₹)	No. of Shares Traded
April, 2017	745	703	39,269	775	702	2,03,969
May, 2017	803	684	98,780	802	679	5,85,072
June, 2017	785	710	1,02,554	784	715	4,43,646
July, 2017	769	720	43,457	771	721	2,60,439
August, 2017	802	704	1,08,158	799	704	6,12,713
September, 2017	918	718	2,73,682	920	719	10,82,669
October, 2017	962	880	4,24,178	960	874	7,20,993
November, 2017	1,461	925	3,03,812	1474	920	18,15,470
December, 2017	1,599	1317	1,56,306	1599	1312	8,66,809
January, 2018	1,826	1417	1,06,305	1849	1416	7,28,438
February, 2018	1,820	1,398	51,141	1819	1406	3,38,582
March, 2018	1,573	1,366	29,800	1586	1390	2,56,728

**AAL Share Price v/s BSE 500 Series****Share Transfer System & Share Transfer Agents**

In compliance with the Securities and Exchange Board of India circular dated 27th December 2002, requiring share registry in terms of both physical and electronic mode to be maintained at a single point, the Company has appointed Integrated Registry Management Services Private Limited, No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003, as its Registrar and Share Transfer Agents (RTA). Company's shares are traded on the Stock Exchanges compulsorily in demat mode.



**Shareholding pattern as on 31st March 2018 :**

Pattern of Shareholding by ownership			Pattern of shareholding by share class			
Ownership	No. of Shares held	Share holding	Category	No. of Shares holders	No. of Shares held	Share holding
		%				%
Promoters	10,735,081	71.04	=/< 500	14,478	8,20,724	5.44
Non Promoter (Public)			501-1000	238	1,83,852	1.23
Bodies Corporate	754,780	4.99	1001-2000	123	1,73,081	1.16
FIs	320,483	2.12	2001-3000	37	92,024	0.52
NRI's	81,626	0.54	3001-4000	23	81,146	0.55
Mutual Funds	1,714,572	11.35	4001-5000	20	91,785	0.62
Others	1,505,433	9.96	5001-10000	29	2,10,826	1.41
Total	15,111,975	100	> 10000	30	1,34,58,537	89.07
			Total	14,978	1,51,11,975	100

Dematerialization The Company's Equity Shares are under compulsory demat trading. As on 31st March 2018, dematerialized shares accounted for 99.42% of total equity.

Audit Qualification There is no audit qualification in the financial Statements of the Company for the year ended 31st March, 2018

Investor Grievance Correspondence :

**Company**

Secretarial Dept.  
Automotive Axles Limited  
Hootagalli Industrial Area,  
Off Hunsur Road, Mysuru - 570 018  
Phone : 0821-7197500  
Fax : 0821-2402451  
Email : sec@autoaxle.com

**Share Transfer Agents**

Integrated Registry Management Services Pvt.Ltd  
No. 30 Ramana Residency, 4th Cross  
Sampige Road, Malleswaram  
Bangalore – 560 003  
Phone: 080-23460815-818  
Fax : 080-23460819  
E-mail : irg@integratedindia.in

**DECLARATION ON COMPLIANCE WITH THE CODE OF CONDUCT**

I, Dr. N. Muthukumar, President & Whole-time Director of Automotive Axles Limited hereby declare that all the Board Members and Senior Managerial Personnel have affirmed for the year ended March 31, 2018 compliance with the Code of Conduct of the Company laid down for them.

Place: Pune

Date: 8th May, 2018

**Dr. N. Muthukumar**  
President & Wholetime Director

## **TO THE BOARD OF DIRECTORS OF AUTOMOTIVE AXLES LIMITED**

### **Certification by Chief Executive Officer and Chief Financial Officer of the Company**

We, Dr. N. Muthukumar, President & Whole time Director and Ranganathan S, Chief Financial Officer of Automotive Axles Limited as required under the Regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the best of our knowledge and belief, certify with respect the financial results for the financial year ending 31st March 2018 as follows:

- A. We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
- 1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - 2) 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.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit committee:
- 1) significant changes in internal control over financial reporting during the year;
  - 2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - 3) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Pune  
Date: 8th May, 2018

**Dr. N. Muthukumar**  
President & Whole-time Director

**Ranganathan S.**  
Chief Financial Officer

## **CERTIFICATE OF THE COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURES REQUIREMENTS) REGULATIONS, 2015**

Registration No. of the Company: L51909KA1981PLC004198

Nominal Capital: ₹250,000,000/-

To,

The Members of

**Automotive Axles Limited**

I have examined the compliance of the conditions of Corporate Governance by Automotive Axles Limited (hereinafter referred to as 'Company'), for the financial year ended 31st March 2018, as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 entered into by the Company with the Stock Exchanges (hereinafter referred to as LODR Regulations)

The compliance with the conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedure and implementation thereof by the Company. This Certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of my examination of the records produced, explanations and information furnished to me by the Company, I certify that the Company has complied with the mandatory conditions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Place: Pune

Date: 8th May, 2018

**CS. Pracheta M.**

Practicing Company Secretary

C.P.No.9838

# Independent Auditor's Report

To the Members of Automotive Axles Limited

## Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Automotive Axles Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply

with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## Other Matter

The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 01, 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 audited by the predecessor auditor whose report for the year ended March 31, 2017 and March 31, 2016 dated May 18, 2017 and May 10, 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report; and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations which would impact its financial position;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Rajeev Kumar**

Partner

Membership Number: 213803

Place of Signature: Pune

Date: May 08, 2018

# Annexure 1

## Referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

Re: Automotive Axles Limited ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties, included in property, plant and equipment are held in the name of the Company.
- (ii) The inventory has been physically verified during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been verified by the Company as at year end and no material discrepancies were noticed on such verifications.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act, 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the products of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, goods and service tax, value added tax and cess which have not been deposited on account of any dispute.
- (viii) According to information and explanations given by the management, the Company does not have any dues to a financial institution, bank or debenture holders or government, hence, reporting under clause 3(viii) of the Order is not applicable to the Company and hence not commented upon.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer (including debt instruments) and term loans hence, reporting under clause 3(ix) of the Order is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial

statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet,

the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Rajeev Kumar**

Partner

Membership Number: 213803

Place of Signature: Pune

Date: May 08, 2018

# Annexure 2

## To the Independent Auditors' Report of even date on the Ind AS financial statements of Automotive Axles Limited Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Automotive Axles Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial

reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Rajeev Kumar**

Partner

Membership Number: 213803

Place of Signature: Pune

Date: May 08, 2018

# Balance Sheet

as at March 31 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

	Notes	March 31, 2018	March 31, 2017	April 01, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3	1,170.65	1,451.85	1,582.36
Capital work in progress		167.07	72.57	89.07
Intangible assets	4	5.56	5.88	4.55
<b>Financial assets</b>				
Loans	5	0.73	1.35	3.44
Other financial assets	5	31.81	31.13	30.04
Other non-current assets	6	176.55	119.74	138.11
Income tax assets, net	19	-	-	10.25
Deferred tax assets (net)	20	58.88	-	-
		<b>1,611.25</b>	<b>1,682.52</b>	<b>1,857.82</b>
<b>Current assets</b>				
Inventories	7	1,370.94	988.01	1,105.76
<b>Financial assets</b>				
Loans	5	6.11	6.33	7.43
Trade receivables	8	3,500.26	2,313.96	1,980.07
Cash and cash equivalents	9	442.19	348.27	0.53
Other bank balances	10	2.48	2.27	1.99
Other financial assets	5	1.55	1.49	9.72
Other current assets	6	407.26	293.40	279.67
		<b>5,730.79</b>	<b>3,953.73</b>	<b>3,385.17</b>
		<b>7,342.04</b>	<b>5,636.25</b>	<b>5,242.99</b>
<b>Total assets</b>				
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	11	151.12	151.12	151.12
Other equity	12	4,292.23	3,614.78	3,226.57
		<b>4,443.35</b>	<b>3,765.90</b>	<b>3,377.69</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other non-current liabilities	15	6.76	6.43	5.07
Deferred tax liabilities (net)	20	-	11.12	66.92
Provisions	16	45.70	34.41	23.61
		<b>52.46</b>	<b>51.96</b>	<b>95.60</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	17	-	-	288.42
Trade payables	18	2,562.00	1,687.88	1,371.11
Other financial liabilities	14	11.99	11.15	21.64
Other current liabilities	15	192.81	63.75	39.85
Provisions	16	56.51	25.06	14.08
Current tax liabilities (net)	19	22.92	30.55	34.60
		<b>2,846.23</b>	<b>1,818.39</b>	<b>1,769.70</b>
		<b>2,898.69</b>	<b>1,870.35</b>	<b>1,865.30</b>
		<b>7,342.04</b>	<b>5,636.25</b>	<b>5,242.99</b>
<b>Total liabilities</b>				
<b>Total equity and liabilities</b>				

Summary of significant accounting policies

2

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

**per Rajeev Kumar**

Partner

Membership No.: 213803

For and on behalf of the Board of Directors

**Automotive Axles Limited**

**Dr. N. Muthukumar**

President

& Whole time Director

DIN: 06708535

**B C Prabhakar**

Director

DIN: 00040052

**Ranganathan S**

Chief Financial Officer

**Debadas Panda**

Company Secretary

Place : Pune

Date : 8th May, 2018

Place : Pune

Date : 8th May, 2018

# Statement of Profit and Loss

## for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

	Notes	Year ended March 31, 2018	Year ended March 31, 2017
<b>Income</b>			
Revenue from operations	21	15,535.42	13,019.71
Other income	22	45.21	20.21
<b>Total income</b>		<b>15,580.63</b>	<b>13,039.92</b>
<b>Expenses</b>			
Cost of raw materials consumed	23	10,789.51	8,262.02
(Increase)/decrease in inventories	24	(161.24)	(3.63)
Excise duty on sale of goods		341.76	1,296.65
Employee benefits expense	25	993.04	814.01
Depreciation and amortisation expense	26	432.13	393.64
Finance costs	27	5.48	12.33
Other expenses	28	1,901.78	1,514.77
<b>Total expense</b>		<b>14,302.46</b>	<b>12,289.79</b>
<b>Profit before tax</b>		<b>1,278.17</b>	<b>750.13</b>
<b>Tax expenses</b>			
Current tax	20	500.20	308.61
Deferred tax	20	(61.35)	(52.66)
<b>Total tax expenses</b>		<b>438.85</b>	<b>255.95</b>
<b>Profit for the year</b>		<b>839.32</b>	<b>494.18</b>
<b>Other comprehensive income/ (loss) (OCI)</b>			
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Remeasurement gain/(loss) on items that will not be reclassified to profit or loss defined benefit plans	35	(25.00)	(9.07)
Income tax effect on above	20	8.65	3.14
<b>Other comprehensive income for the year, net of tax</b>		<b>(16.35)</b>	<b>(5.93)</b>
<b>Total comprehensive income for the year</b>		<b>822.97</b>	<b>488.25</b>
Earnings per equity share [nominal value of share ₹10 (March 31, 2017: ₹10)]			
Basic and diluted (in Rupees)	30	55.54	32.70
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

For and on behalf of the Board of Directors

**Automotive Axles Limited**

**per Rajeev Kumar**

Partner

Membership No.: 213803

**Dr. N. Muthukumar**

President

& Whole time Director

DIN: 06708535

**B C Prabhakar**

Director

DIN: 00040052

**Ranganathan S**

Chief Financial Officer

**Debadas Panda**

Company Secretary

Place : Pune

Date : 8th May, 2018

Place : Pune

Date : 8th May, 2018

# Statement of changes in equity

## for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### a) Equity share capital

Equity shares of ₹10 each issued, subscribed and fully paid

	Numbers	₹
<b>As at April 1, 2016</b>	15,111,975	151.12
Issued during the year	-	-
<b>As at March 31, 2017</b>	15,111,975	151.12
Issued during the year	-	-
<b>As at March 31, 2018</b>	15,111,975	151.12

### b) Other equity

	Attributable to equity holders of the Company			
	Reserves & surplus			
	Securities premium	General reserves	Retained earnings	Total
<b>Balance as at April 1, 2016</b>	115.59	458.82	2,652.16	3,226.57
Profit for the year	-	-	494.18	494.18
Other comprehensive income/ (loss)	-	-	(5.93)	(5.93)
Dividend paid	-	-	(83.12)	(83.12)
Dividend distribution tax	-	-	(16.92)	(16.92)
<b>Balance as at March 31, 2017</b>	<b>115.59</b>	<b>458.82</b>	<b>3,040.37</b>	<b>3,614.78</b>
Balance as at April 1, 2017	115.59	458.82	3,040.37	3,614.78
Profit for the year	-	-	839.32	839.32
Other comprehensive income/ (loss)	-	-	(16.35)	(16.35)
Dividend paid	-	-	(120.90)	(120.90)
Dividend distribution tax	-	-	(24.62)	(24.62)
<b>Balance as at March 31, 2018</b>	<b>115.59</b>	<b>458.82</b>	<b>3,717.82</b>	<b>4,292.23</b>

Summary of significant accounting policies (Refer Note 2)

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

For and on behalf of the Board of Directors

**Automotive Axles Limited**

**per Rajeev Kumar**

Partner

Membership No.: 213803

**Dr. N. Muthukumar**

President

& Whole time Director

DIN: 06708535

**B C Prabhakar**

Director

DIN: 00040052

**Ranganathan S**

Chief Financial Officer

**Debadas Panda**

Company Secretary

Place : Pune

Date : 8th May, 2018

Place : Pune

Date : 8th May, 2018

# Cash flow statement

## for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

	Notes	Year ended March 31, 2018	Year ended March 31, 2017
<b>I Operating activities</b>			
<b>Profit before tax</b>		1,278.17	750.13
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment		429.48	391.11
Amortisation of intangible assets		2.65	2.53
(Gain)/ loss on disposal of property, plant and equipment, net		(2.57)	(2.55)
Provision for doubtful trade receivables/advances (net)		(2.39)	13.83
Provision for warranty		58.21	40.03
Finance costs (Including fair value changes in financial instruments)		4.74	12.33
Finance income (Including fair value changes in financial instruments)		(28.65)	(9.26)
<b>Operating profit before working capital adjustments</b>		<b>1,739.64</b>	<b>1,198.15</b>
<b>Working capital adjustments :</b>			
(Increase)/ decrease in trade receivables		(1,183.91)	(347.72)
(Increase)/ decrease in loans		0.84	3.19
(Increase)/ decrease in other financial assets		(0.26)	(0.70)
(Increase)/ decrease in other assets		(112.81)	14.85
(Increase)/ decrease in inventories		(382.93)	117.75
Increase/ (decrease) in trade payables		869.63	313.40
Increase/ (decrease) in other liabilities		129.18	22.37
Increase/ (decrease) in other financial liabilities		0.84	(10.49)
Increase/ (decrease) in provisions		(40.47)	(27.32)
		<b>1,019.75</b>	<b>1,283.48</b>
Income tax paid		(507.83)	(312.66)
<b>Net cash flows from operating activities</b>		<b>511.92</b>	<b>970.82</b>
<b>II Investing activities</b>			
Purchase of property, plant and equipment		(307.88)	(244.07)
Proceeds from sale of property, plant and equipment		7.75	9.82
Interest received		28.11	8.87
<b>Net cash flows used in investing activities</b>		<b>(272.02)</b>	<b>(225.38)</b>
<b>III Financing activities</b>			
Repayment of borrowings		-	(288.42)
Interest paid		(0.25)	(8.96)
Dividend paid to equity holders		(121.11)	(83.40)
Dividend distribution tax		(24.62)	(16.92)
<b>Net cash flows used in financing activities</b>		<b>(145.98)</b>	<b>(397.70)</b>
<b>IV Net increase in cash and cash equivalents (I + II + III)</b>		<b>93.92</b>	<b>347.74</b>
Cash and cash equivalents at the beginning of the year	9	348.27	0.53
<b>V Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>442.19</b>	<b>348.27</b>
<b>Components of cash and cash equivalents as at the end of the year</b>	<b>9</b>		
Cash on hand		0.10	0.10
Balances with banks			
- in current accounts		212.09	348.17
- in deposit accounts with original maturity of less than three months		230.00	-
<b>Total cash and cash equivalents</b>		<b>442.19</b>	<b>348.27</b>
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

**per Rajeev Kumar**

Partner

Membership No.: 213803

For and on behalf of the Board of Directors

**Automotive Axles Limited**

**Dr. N. Muthukumar**

President

& Whole time Director

DIN: 06708535

**Debadas Panda**

Company Secretary

**B C Prabhakar**

Director

DIN: 00040052

**Ranganathan S**

Chief Financial Officer

Place : Pune

Date : 8th May, 2018

Place : Pune

Date : 8th May, 2018

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 1. Corporate information

Automotive Axles Limited ("the Company") is a joint venture of Kalyani Group and Meritor Inc., USA (formerly the automotive division of Rockwell International Corporation) incorporated in 1981. The Company is a public company domiciled in India. The registered office of the company is located at Hootagalli Industrial Area, Off Hunsur Road, Mysuru, Karnataka- 570018. The Company CIN is L51909KA1981PLC004198.

The Company is primarily engaged in manufacturing of Axles and Brakes at Mysuru, Rudrapur and Jamshedpur.

The financial statements were authorised for issue in accordance with a resolution of the Company's Board of Directors on May 08, 2018.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

For all periods up to and including the year ended March 31, 2017, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended March 31, 2018 are the first the Company has prepared in accordance with Ind AS. Refer to note 39 and note 41 for information on first time adoption of Ind AS from April 01, 2016.

These financial statements have been prepared on a historical cost basis as explained in the accounting policies below, except for the following assets and liabilities which have been measured at fair value:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The financial statements are presented in Indian Rupees (₹) and all values are rounded to the nearest million (₹000,000), except when otherwise indicated.

### 2.2 Summary of significant accounting policies

#### (a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

#### (b) Foreign currencies

The financial statements are presented in Indian Rupees ('INR'), which is the functional currency of the Company.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Company using spot rates on the date the transaction first qualifies for recognition.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at exchange rates at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

### (c) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Based on the Educational Material on Ind AS 18 issued by the Institute of Chartered Accountants of India (ICAI), the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise

duty flows to the Company on its own account, revenue includes excise duty.

However, sales tax/ value added tax (VAT) / Goods and Service Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognized.

### Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer which generally coincides with the delivery of goods to customers. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

### Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

### Export Incentives

Revenue from export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable assurance and conditions precedent to claim are fulfilled.

### Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### (d) Income Tax

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognized in the statement of profit and loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

#### Current tax

Current income tax for the current and prior periods are measured at the amount expected to be paid to the taxation authorities based on the taxable income for that period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized either in other comprehensive income or in equity, in correlation to the underlying transaction.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

#### Minimum alternate tax (MAT)

MAT payable for a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as 'MAT Credit Entitlement' under Deferred Tax. The Company reviews the same at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

### (e) Property, plant and equipment

The Company has elected to continue with the



# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

carrying value for all of its property, plant and equipment as recognised in its Indian GAAP financial statements as deemed cost at the transition date, viz., April 01, 2016.

Property, plant and equipment and Capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes cost of replacing part of plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation on building and plant & machinery is provided using the Straight Line Method and other property, plant and equipment using the reducing balance method over the useful lives estimated by the management basis technical assessment, as given in the table below:

<b>Nature of Asset</b>	<b>Useful lives (in years)</b>
Building- Factory	30
Building- Others (including Roads)	5-60
Plant & Machinery	2-15
Plant & Machinery – Windmill	9

Electrical installation	3-10
Furniture & Fixtures	5-10
Computers and servers	3-6
Office equipment	5
Vehicles	4-8

Leasehold improvements are depreciated over the primary period of lease, or useful life, whichever is lower, on a straight line basis.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### (f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Computer Software which is not an integral part of the related hardware is classified as an intangible asset. Intangible assets are amortized on a reducing balance method basis over the estimated useful economic life of 3 years.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with Ind AS.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds/net realisable value and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

### (g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

### (h) Lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 01, 2016, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

#### Company as a Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so

as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

### (i) Inventories

Inventories are valued at the lower of cost or net realisable value.

Cost of inventories have been computed to include all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

- Raw materials and components, stores and spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on moving weighted average basis.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on moving weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (ii) Impairment

#### Financial assets (other than at fair value)

The Company assesses at each date of balance

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 ('Financial Instruments') requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company provides for impairment upon the occurrence of the triggering event.

### Non-financial assets

#### Tangible and intangible assets

Property, plant and equipment and intangible assets are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

#### (k) Provisions and contingent liability

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

#### Warranty provisions

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claim will arise being typically up to three years.

As per the terms of the contracts, the company provides post-contract services / warranty support to some of its customers. The company accounts for the post-contract support / provision for warranty on the basis of the information available with management duly taking into the account the current and post technical estimates.

#### (l) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan. The Company contributes to a gratuity fund maintained by an independent insurance company.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense and Income

### Leave Encashment / compensated absences

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay

as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

### (m) Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contract that gives rise to financial assets and financial liabilities. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

### Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

### Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

principal amount outstanding.

### Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognised in statement of profit and loss.

### Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

### De-recognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

### Fair value of financial instruments

In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

### Fair value hierarchy:

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

### (n) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### (o) Cash and cash equivalents

Cash and cash equivalents for purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### (p) Cash dividend to equity shareholders of the Company

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

# Notes

To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

## 3. Property, plant and equipment

Particulars	Freehold land	Building	Road	Plant & Machinery	Furniture & fixtures	Office equipment & electricals	Computers & servers	Vehicles	Total
<b>Cost</b>									
<b>At April 1, 2016</b>	3.83	231.71	8.75	1,299.66	11.17	10.98	14.65	1.61	1,582.36
Additions	-	50.82	-	201.47	-	10.22	2.87	2.49	267.87
Disposals	-	1.54	-	5.94	-	-	-	0.04	7.52
<b>At March 31, 2017</b>	<b>3.83</b>	<b>280.99</b>	<b>8.75</b>	<b>1,495.19</b>	<b>11.17</b>	<b>21.20</b>	<b>17.52</b>	<b>4.06</b>	<b>1,842.71</b>
Additions	-	13.58	-	129.28	2.90	5.71	1.99	-	153.46
Disposals	-	0.03	-	18.56	0.55	0.25	-	0.01	19.40
<b>At March 31, 2018</b>	<b>3.83</b>	<b>294.54</b>	<b>8.75</b>	<b>1,605.91</b>	<b>13.52</b>	<b>26.66</b>	<b>19.51</b>	<b>4.05</b>	<b>1,976.77</b>
<b>Depreciation</b>									
<b>At April 1, 2016</b>	-	-	-	-	-	-	-	-	-
Charge for the year	-	20.81	2.01	343.83	3.24	7.29	12.51	1.42	391.11
Disposals	-	0.07	-	0.18	-	-	-	-	0.25
<b>At March 31, 2017</b>	<b>-</b>	<b>20.74</b>	<b>2.01</b>	<b>343.65</b>	<b>3.24</b>	<b>7.29</b>	<b>12.51</b>	<b>1.42</b>	<b>390.86</b>
Charge for the year	-	15.76	1.89	400.08	2.53	5.40	2.46	1.36	429.48
Disposals	-	-	-	13.82	0.31	0.09	-	-	14.22
<b>At March 31, 2018</b>	<b>-</b>	<b>36.50</b>	<b>3.90</b>	<b>729.91</b>	<b>5.46</b>	<b>12.60</b>	<b>14.97</b>	<b>2.78</b>	<b>806.12</b>
<b>Net block</b>									
<b>At April 1, 2016</b>	<b>3.83</b>	<b>231.71</b>	<b>8.75</b>	<b>1,299.66</b>	<b>11.17</b>	<b>10.98</b>	<b>14.65</b>	<b>1.61</b>	<b>1,582.36</b>
<b>At March 31, 2017</b>	<b>3.83</b>	<b>260.25</b>	<b>6.74</b>	<b>1,151.54</b>	<b>7.93</b>	<b>13.91</b>	<b>5.01</b>	<b>2.64</b>	<b>1,451.85</b>
<b>At March 31, 2018</b>	<b>3.83</b>	<b>258.04</b>	<b>4.85</b>	<b>876.00</b>	<b>8.06</b>	<b>14.06</b>	<b>4.54</b>	<b>1.27</b>	<b>1,170.65</b>

## 4. Intangible assets

Particulars	Software	Total
<b>Cost</b>		
<b>At April 1, 2016</b>	4.55	4.55
Additions	3.86	3.86
Disposals	-	-
<b>At March 31, 2017</b>	<b>8.41</b>	<b>8.41</b>
Additions	2.33	2.33
Disposals	-	-
<b>At March 31, 2018</b>	<b>10.74</b>	<b>10.74</b>
<b>Amortization</b>		
<b>At April 1, 2016</b>	-	-
Charge for the year	2.53	2.53
Disposals	-	-
<b>At March 31, 2017</b>	<b>2.53</b>	<b>2.53</b>
Charge for the year	2.65	2.65
Disposals	-	-
<b>At March 31, 2018</b>	<b>5.18</b>	<b>5.18</b>
<b>Net book value</b>		
<b>At April 1, 2016</b>	4.55	4.55
<b>At March 31, 2017</b>	<b>5.88</b>	<b>5.88</b>
<b>At March 31, 2018</b>	<b>5.56</b>	<b>5.56</b>

### Note:

a. The Company has elected to avail exemption under Ind AS 101 to use previous GAAP carrying value as deemed cost at the date of transition for all items of property, plant and equipment and intangible assets as per the financial statements prepared in accordance with the previous GAAP.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 5. Financial assets At amortised cost

Loans	Non-current			Current		
	March 31, 2018	March 31, 2017	April 01, 2016	March 31, 2018	March 31, 2017	April 01, 2016
<b>Unsecured, considered good</b>						
Loans to employees	0.73	1.35	3.44	6.11	6.33	7.43
	<b>0.73</b>	<b>1.35</b>	<b>3.44</b>	<b>6.11</b>	<b>6.33</b>	<b>7.43</b>
<b>Financial assets - Others</b>						
Security deposits	31.81	31.13	30.04	-	-	-
Others	-	-	-	1.55	1.49	9.72
	<b>31.81</b>	<b>31.13</b>	<b>30.04</b>	<b>1.55</b>	<b>1.49</b>	<b>9.72</b>
<b>Total financial assets</b>	<b>32.54</b>	<b>32.48</b>	<b>33.48</b>	<b>7.66</b>	<b>7.82</b>	<b>17.15</b>

### 6. Other assets

Particulars	Non-current			Current		
	March 31, 2018	March 31, 2017	April 01, 2016	March 31, 2018	March 31, 2017	April 01, 2016
<b>Unsecured, considered good</b>						
<b>Capital advances</b>	80.45	22.65	30.92	-	-	-
Advances other than capital advances		-				
Advance to suppliers	-	-	10.10	344.21	108.34	155.02
Advance to related parties	-	96.95	-	10.04	4.27	9.37
Prepaid expenses *	95.96		96.95	13.63	13.61	18.22
Balance with statutory/ government authorities	0.14	0.14	0.14	39.38	167.18	97.06
<b>Total financial assets</b>	<b>176.55</b>	<b>119.74</b>	<b>138.11</b>	<b>407.26</b>	<b>293.40</b>	<b>279.67</b>

\* includes leasehold land under lease for 99 years which has been reclassified from property, plant and equipment on transition to Ind AS.

### 7. Inventories

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Raw material [Includes ₹Nil (March 31, 2017- ₹17.57) (April 01, 2016- ₹22.49) in transit]	584.61	356.80	467.56
Work-in-progress	676.20	518.88	491.76
Finished goods	84.19	56.71	75.20
Stores and spares	71.32	77.44	88.06
Less: Provision for slow moving and non moving Items	(45.38)	(21.82)	(16.82)
	<b>1,370.94</b>	<b>988.01</b>	<b>1,105.76</b>

During the year ended March 31, 2018, ₹23.56 (March 31, 2017- ₹5) was recognised as an expense for provision for inventories



# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 8. Trade receivables

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>At amortised cost</b>			
Current			
Unsecured, considered good*	3,500.26	2,313.96	1,980.07
Unsecured, considered doubtful	9.39	11.78	7.30
	<b>3,509.65</b>	<b>2,325.74</b>	<b>1,987.37</b>
Less: Allowance for doubtful debts	(9.39)	(11.78)	(7.30)
	<b>3,500.26</b>	<b>2,313.96</b>	<b>1,980.07</b>

\* For transactions with related parties refer note 34.

Trade receivables are non-interest bearing and are generally on terms of 30 to 50 days.

### 9. Cash and cash equivalents

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>At amortised cost</b>			
Cash on hand	0.10	0.10	0.21
<b>Balances with banks:</b>			
Current accounts	212.09	348.17	0.32
Deposits with original maturity of less than three months	230.00	-	-
	<b>442.19</b>	<b>348.27</b>	<b>0.53</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective deposit rates.

### 10. Other bank balances

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>At amortised cost</b>			
Unpaid dividend	2.41	2.20	1.92
In deposit account- Under lien for bank guarantee	0.07	0.07	0.07
	<b>2.48</b>	<b>2.27</b>	<b>1.99</b>

### 11. Share capital

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>Authorised share capital</b>			
<b>Equity share capital of ₹10 [(March 31, 2017: ₹10) (April 01, 2016: ₹10)] each with voting rights</b>			
23,000,000 [(March 31, 2017: 23,000,000) (April 01, 2016: 23,000,000)] equity shares	230.00	230.00	230.00
<b>Preference share capital of ₹10 [(March 31, 2017: ₹10) (April 01, 2016: ₹10)] each</b>			
2,000,000 [(March 31, 2017: 2,000,000) (April 01, 2016: 2,000,000)] preference shares	20.00	20.00	20.00

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>Issued equity capital</b>			
Equity share of ₹10 [(March 31, 2017: ₹10) (April 01, 2016: ₹10)] each issued, subscribed and fully paid			
15,111,975 [(March 31, 2017: 15,111,975) (April 01, 2016: 15,111,975)] equity shares	151.12	151.12	151.12
	151.12	151.12	151.12

### (a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares with Voting Rights	March 31, 2018		March 31, 2017		April 01, 2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<b>Equity shares</b>						
At the commencement of the year	15,111,975	151.12	15,111,975	151.12	15,111,975	151.12
Add: shares issued	-	-	-	-	-	-
<b>At the end of the year</b>	<b>15,111,975</b>	<b>151.12</b>	<b>15,111,975</b>	<b>151.12</b>	<b>15,111,975</b>	<b>151.12</b>

### (b) Details of shares held by each shareholder holding more than 5% shares in the Company:

Class of Shares/ Name of the Shareholder Equity Shares with Voting Rights	March 31, 2018		March 31, 2017		April 01, 2016	
	Number of shares	Holding percentage	Number of shares	Holding percentage	Number of shares	Holding percentage
BF Investments Ltd.,	5,367,806	35.52%	5,367,806	35.52%	5,367,806	35.52%
Meritor Heavy Vehicle Systems, LLC USA	5,367,275	35.52%	5,367,275	35.52%	5,367,275	35.52%
Reliance Capital Trustee Company Ltd., A/C Reliance Vision Fund	158,892	1.05%	771,360	5.10%	911,007	6.03%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

### (c) Terms/right attached to equity shares

The Company has issued only one class of equity share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

# Notes

To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

## 12. Other equity

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Securities premium account</b>		
Balance as per last financial statements	115.59	115.59
Add : Additions during the year	-	-
<b>Closing balance (a)</b>	<b>115.59</b>	<b>115.59</b>
<b>Retained earnings</b>		
Balance as per last financial statements	3,040.37	2,652.16
Profit for the year	822.97	488.25
Less:		
Dividend	120.90	83.12
Dividend distribution tax on dividend	24.62	16.92
<b>Closing balance (b)</b>	<b>3,717.82</b>	<b>3,040.37</b>
<b>Other reserves</b>		
Balance as per last financial statements	458.82	458.82
Add: Transfer from statement of profit and loss	-	-
<b>Closing balance (c)</b>	<b>458.82</b>	<b>458.82</b>
<b>Total (a+b+c)</b>	<b>4,292.23</b>	<b>3,614.78</b>

## 13. Dividend distribution made and proposed

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Cash dividends on equity shares declared and paid:</b>		
Dividend for the year ended on March 2017: ₹8 per share (March 31, 2016: ₹5.5 per share)	120.90	83.12
Dividend distribution tax on dividend	24.62	16.92
	<b>145.52</b>	<b>100.04</b>
<b>Proposed dividends on equity shares*</b>		
Final dividend for the year ended on March 2018: ₹13.50 per share (March 31, 2017: ₹8 per share)	204.01	120.90
Dividend distribution tax on dividend	41.94	24.62
	<b>245.95</b>	<b>145.52</b>

\*Proposed dividends on equity shares are subject to approval at the annual general meeting and hence not recognised as a liability (including DDT thereon) as at March 31.

## 14. Financial liabilities

Particulars	Current		
	March 31, 2018	March 31, 2017	April 01, 2016
<b>At amortised cost</b>			
<b>Financial liabilities - Others</b>			
Current maturities of finance lease obligation	-	-	10.66
Payable towards capital expenditure	9.16	8.95	6.06
Employee benefit expenses	0.42	-	3.00
Unclaimed dividend	2.41	2.20	1.92
	<b>11.99</b>	<b>11.15</b>	<b>21.64</b>

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 15. Other liabilities

Particulars	Non-current			Current		
	March 31, 2018	March 31, 2017	April 01, 2016	March 31, 2018	March 31, 2017	April 01, 2016
Deferred rent	6.76	6.43	5.07	-	-	-
Statutory liabilities**	-	-	-	147.74	35.43	15.05
Advance from customers	-	-	-	45.07	28.32	24.80
	6.76	6.43	5.07	192.81	63.75	39.85

\*\* statutory liabilities include provident fund, employee state insurance, professional tax, GST, withholding taxes payables and other indirect taxes payable.

### 16. Provision

Particulars	Non-current			Current		
	March 31, 2018	March 31, 2017	April 01, 2016	March 31, 2018	March 31, 2017	April 01, 2016
<b>Provision for employee benefits</b>						
Provision for gratuity (Refer note 35)	-	-	-	22.60	2.30	-
Provision for compensated absence	-	-	-	8.78	5.65	0.98
<b>Others</b>						
Provision for warranty (Refer note below)	45.70	34.41	23.61	25.13	17.11	13.10
	45.70	34.41	23.61	56.51	25.06	14.08

### Warranty

Provision for warranty relates to the estimated outflow in respect of warranty for products sold by the Company.

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Opening Balance</b>	51.52	36.71
Additions during the year	58.21	40.03
Utilised/reversed during the year	(38.90)	(25.22)
<b>Closing Balance</b>	70.83	51.52

### 17. Short-term borrowings

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>At amortised cost</b>			
Secured working capital borrowings from banks	-	-	288.42
	-	-	288.42

Secured by first pari-passu charge on inventory, spares, packing material, receivables and the entire other current assets of the company (both existing and future). The Company has not utilised the above working capital facility during the year ended March 31, 2018.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 18. Trade payables

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>At amortised cost</b>			
<b>Trade payables (including acceptances)</b>			
Total outstanding dues of micro enterprises and small enterprises*	31.47	29.69	55.13
Total outstanding dues of creditors other than micro enterprises and small enterprises	2,530.53	1,658.19	1,315.98
	<b>2,562.00</b>	<b>1687.88</b>	<b>1371.11</b>

\* Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Company has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at March 31, 2018, March 31, 2017 and April 01, 2016. The details in respect of such dues are as follows:

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Principal amount remaining unpaid to any supplier as at the end of the accounting year	31.47	29.69	55.13
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year			
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year			
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.			
The amount of interest accrued and remaining unpaid at the end of the accounting year			
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid			

There are no Micro, Small and Medium Enterprises to whom the company owes dues which are outstanding for more than 45 days from the due date at the balance sheet date. The information as required to be disclosed under The Micro, Small and Medium Enterprises Development Act, 2006 regarding Micro and Small enterprises determined to the extent such parties have been identified on the basis of the information available with the company.

### 19. Income tax

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>Income tax assets (net)</b>			
Advance income-tax (net of provision for taxation)	-	-	10.25
	-	-	<b>10.25</b>
<b>Current tax liabilities (net)</b>			
Provision for taxation (net of advance taxation)	22.92	30.55	34.60
	<b>22.92</b>	<b>30.55</b>	<b>34.60</b>

# Notes

To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

## 20. Deferred tax liabilities/ (assets) (net)

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Depreciation and amortization expense: difference between tax depreciation and depreciation as per statement of profit and loss	(26.21)	30.19	79.41
Provision for employee benefits and others	(32.67)	(19.07)	(12.49)
<b>Net Deferred tax liabilities/ (assets) (net)</b>	<b>(58.88)</b>	<b>11.12</b>	<b>66.92</b>

### Income taxes

Components of income tax expense

(a) The major components of income tax expense for the year ended March 31, 2018 and March 31, 2017 are:

Particulars	As at March 31, 2018	As at March 31, 2017
<b>(i) Statement of Profit and loss</b>		
Current tax	500.20	308.61
Deferred tax relating to origination and reversal of temporary differences	(61.35)	(52.66)
<b>Tax expense reported in the statement of profit and loss</b>	<b>438.85</b>	<b>255.95</b>
<b>(ii) OCI section</b>		
Deferred tax related to items recognized in OCI during the year		
Net actuarial (loss) /gain on remeasurement of defined benefit plans	8.65	3.14
<b>Income tax (credit) / charge to OCI</b>	<b>8.65</b>	<b>3.14</b>

(b) Reconciliation of tax expense and accounting profit for the year ended March 31, 2018 and March 31, 2017

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Accounting profit before income tax</b>	<b>1,278.17</b>	<b>750.13</b>
Enacted tax rates in India	34.61%	34.61%
Computed expected tax expense	442.37	259.62
Tax effect on permanent non-deductible expenses	5.28	2.32
Tax effect on income tax benefits	(11.72)	(7.52)
Others	2.92	1.53
<b>At the effective income tax rate</b>	<b>438.85</b>	<b>255.95</b>
<b>Income tax expense reported in the statement of profit and loss</b>	<b>438.85</b>	<b>255.95</b>

## 21. Revenue from operations

Particulars	As at March 31, 2018	As at March 31, 2017
Sale of products (including excise duty)	15,129.78	12,749.28
	<b>15,129.78</b>	<b>12,749.28</b>
<b>Other operating revenue</b>		
Sale of scrap and others	377.24	248.46
Tooling Income	17.12	10.23
Income from wind power generation	11.28	11.74
	<b>405.64</b>	<b>270.43</b>
	<b>15,535.42</b>	<b>13,019.71</b>

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

Sale of products includes excise duty collected from customers of ₹341.76 (March 31, 2017 : ₹1,296.65).

Sale of products net of excise duty is ₹14,788.02 (March 31, 2017 : ₹11,452.63).

The Government of India has implemented Goods and Service Tax ("GST") from July 01, 2017 replacing Excise Duty, Service tax and various other indirect taxes. As per Ind AS 18, the revenue for the year ended March 31, 2018 is reported net of GST.

### 22. Other income

Particulars	March 31, 2018	March 31, 2017
Interest income	21.33	1.96
Interest - others	6.90	5.11
Income tax refund	-	1.80
Fair value gain on financial instruments at fair value through profit or loss	0.42	0.39
Profit on sale of fixed assets	2.57	2.55
Miscellaneous income	13.99	8.40
	<b>45.21</b>	<b>20.21</b>

### 23. Cost of raw materials consumed

Particulars	March 31, 2018	March 31, 2017
Inventory at the beginning of the year	356.80	467.56
Add: Purchases	11,017.32	8,151.26
Less: inventory at the end of the year	(584.61)	(356.80)
	<b>10,789.51</b>	<b>8,262.02</b>

### 24. (Increase)/decrease in inventories

Particulars	March 31, 2018	March 31, 2017
<b>Closing stock</b>		
Finished goods	84.19	56.71
Work-in-progress	676.20	518.88
Less: Provision for slow moving and non moving items	(45.38)	(21.82)
<b>Total</b>	<b>715.01</b>	<b>553.77</b>
<b>Opening stock</b>		
Finished goods	56.71	75.20
Work-in-progress	518.88	491.76
Less: Provision for slow moving and non moving items	(21.82)	(16.82)
<b>Total</b>	<b>553.77</b>	<b>550.14</b>
<b>(Increase)/Decrease</b>	<b>(161.24)</b>	<b>(3.63)</b>

### 25. Employee benefits expenses

Particulars	March 31, 2018	March 31, 2017
Salaries, wages and bonus	806.89	668.83
Contribution to provident and other funds	63.24	52.86
Gratuity expense (Refer note 35)	8.32	7.74
Compensated absences	23.82	17.80
Staff welfare expenses	90.77	66.78
	<b>993.04</b>	<b>814.01</b>

# Notes

To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

## 26. Depreciation and amortisation expense

Particulars	March 31, 2018	March 31, 2017
Depreciation of property, plant and equipment	429.48	391.11
Amortisation of intangible assets	2.65	2.53
	432.13	393.64

## 27. Finance costs

Particulars	March 31, 2018	March 31, 2017
Interest expense		
- on borrowings from banks	0.18	2.92
- on others	4.56	9.19
Bank charges	0.74	0.22
	5.48	12.33

## 28. Other expenses

Particulars	March 31, 2018	March 31, 2017
Stores & spares consumed	388.15	300.67
Power & fuel	268.16	193.61
Increase /(decrease) in excise duty	(6.09)	(1.09)
Travelling expenses	21.18	19.81
Rent including lease rentals	17.10	16.93
Repairs and maintenance		
Buildings	0.72	2.22
Plant & machinery	207.27	158.86
Others	25.43	19.09
Rates & taxes	12.95	9.75
Insurance charges	8.08	8.00
Postage, telephone & telegram	2.91	2.76
Vehicle running expenses	1.00	0.72
Directors' sitting fees	1.25	0.50
Legal and professional charges	27.11	22.00
Auditors remuneration (Refer Note (i) below)	3.34	3.41
Technical fees	83.54	76.64
Outside processing charges	685.97	545.56
Exchange loss	-	0.98
Warranty (net) (Refer note 16)	58.21	40.03
Freight Charges	52.99	46.33
Allowances for doubtful trade/ other receivables, net of reversals	-	12.85
Corporate social responsibility expenditure (Refer note 29)	7.13	6.71
Miscellaneous expenses	35.38	28.43
	1,901.78	1,514.77

### Note

#### (i) Payments to auditors:

Particulars	March 31, 2018	March 31, 2017
<b>As auditor (including taxes)</b>		
Statutory audit fee	2.70	3.20
Reimbursement of expenses	0.64	0.21
	3.34	3.41

# Previous year represents payment to erstwhile auditors



# Notes

To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

## 29. Disclosures in accordance with Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities

Particulars		March 31, 2018	March 31, 2017
a) Gross amount required to be spent by the Company during the year		10.39	6.71
<b>b) Amount spent during the year ended March 31, 2018:</b>	<b>In cash</b>	<b>Yet to be paid in cash</b>	<b>Total</b>
(i) Construction/acquisition of any assets	-	-	-
(ii) On purposes other than (i) above	5.39	1.74	7.13
<b>b) Amount spent during the year ended March 31, 2017:</b>	<b>In cash</b>	<b>Yet to be paid in cash</b>	<b>Total</b>
(i) Construction/acquisition of any assets	-	-	-
(ii) On purposes other than (i) above	3.83	0.30	4.13

## 30. Earnings per share (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations:

Particulars	March 31, 2018	March 31, 2017
Profit attributable to equity shareholders for basic and diluted earnings	839.32	494.18
Weighted average number of Equity shares for basic and diluted EPS (nos) *	15,111,975	15,111,975

\* There have been no transactions involving equity shares or potential equity shares between the reporting date and the date of authorisation of these financial statements.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 31. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with Ind AS requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses for the year reported. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and future periods are affected. Key source of estimation of uncertainty as at the date of financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of the following:

#### Defined benefit plans (gratuity benefits):

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date (refer note 35). The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables. These mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

#### Estimation of current tax expense and payable:

The Company's tax jurisdiction is India. Significant judgments are involved in determining the provision for income taxes and tax credits including the amount expected to be paid or refunded. Also refer note 2.2(d), note 19 and note 20.

#### Provision for Inventories:

Management reviews the aged inventory on a periodic basis. This review involves comparison of the carrying value of the aged inventory item with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the financial statements.

#### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

#### Provision for warranty:

Warranty estimates are established using historical information on the nature, frequency and average cost of warranty claims and also management estimates regarding possible future outflow on servicing the customers for any corrective action in respect of product failure.

### 32. Segment reporting

The Company is predominately engaged in the business of manufacturing and sale of automotive components, which constitutes a single business segment and is governed by similar set of risks and returns. The operations of the Company primarily cater to the market in India, which the management views as a single segment. The management monitors the operating results of its single segment for the purpose of making decisions about resource allocation and performance assessment.

One customer individually accounted for ₹12,379.21 (March 31, 2017: ₹9,273.35) which is more than 10% of the total revenue of the Company for the year ended March 31, 2018.

The Company is domiciled in India. The Company's revenue from operations from external customers primarily relate to operations in India and all the non-current assets of the Company are located in India.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 33. Commitments and contingencies

#### a) Finance lease: Company as lessee

The Company has taken certain Computers & Data processing units under finance lease on non- cancellable basis. The minimum lease payments as per agreement is given below:

	March 31, 2018		March 31, 2017		April 01, 2016	
	Minimum payment	Present value of MLP	Minimum payment	Present value of MLP	Minimum payment	Present value of MLP
Minimum lease Payments (MLP):						
Within one year	-	-	-	-	10.66	8.97
Later than one year and not later than 5 years	-	-	-	-	-	-
Total minimum lease payments	-	-	-	-	10.66	8.97
Less: amount representing finance charges	-	-	-	-	1.69	-
Present value of MLP	-	-	-	-	8.97	8.97

#### b) Operating lease: Company as a lessee

The Company has entered into property leases consisting of Company's corporate office, a manufacturing facility, branch offices and certain equipments. These leases are for a period of one to five years with renewal option included in the contracts. Rent expense for such operating lease recognised in the statement of profit & loss is ₹16.12 for the year ended March 31, 2018 (March 31, 2017 : ₹15.95)

The future minimum lease payments under non-cancellable operating leases are as follows:

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Not later than one year	13.16	13.06	11.83
Later than one year and not later than five years	56.49	55.17	53.75

The above does not include leasehold land taken by the Company for 99 years for which the upfront lease premium has been paid in earlier years. (Refer note 6)

#### c) Commitments

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Estimated amount of contracts remaining to be executed on capital account and not provided for	278.27	116.88	122.97

# Notes

To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

## 34. Related party transactions

<b>i) Names of related parties and related party relationship</b>	
<b>(a) Related parties where controls exist irrespective of whether transactions have occurred or not:</b>	
<b>Entities having joint control of the Company</b>	
<b>Name of the entities</b>	
Meritor Heavy Vehicle System LLC	
Meritor Inc, Troy	
BF Investments Limited	
<b>(b) Other Related Parties with whom the Company had transactions:</b>	
<b>Enterprises under Common Control</b>	
Meritor HVS (India) Limited	
Meritor Heavy Vehicle systems Singapore Pte Ltd	
Arvin Meritor, Brazil	
Arvin Meritor, Sweden	
Meritor Heavy Vehicle Systems Cameri Spa	
Meritor Automotive Inc, Ohio	
Xuzhou Meritor Axle Co.Ltd.,	
Fonderie Venissieux SAS	
Sistemas Automotrices de Maxico, S.A de C.V.	
Master Sistemas Automotivos Ltda.	
Meritor Manufacturing de Maxico S.A de C.V.	
Meritor Commercial Vehicle Systems (India) Pvt Ltd	
Meritor do Brasil Sistemas Automotivos LTDA	
<b>Enterprises over which Key Managerial Personnel (KMP) have significant influence</b>	
Bharat Forge Limited	
Synise Technologies Ltd	
<b>Key management personnel</b>	
Dr. B N Kalyani	Chairman
Dr. N Muthukumar	President & whole time director
Mr. Ranganathan S	Chief financial officer
Ms. Thejeshwini N	Company secretary- Resigned w.e.f August 18, 2017
Mr. Debadas Panda	Company secretary- Appointed w.e.f August 18, 2017
Joseph A Plomin Jr.	Director- Resigned w.e.f January 31, 2018
Bhalachandra B Hattarki	Independent Director
B C Prabhakar	Independent Director
Satish Sekhri	Independent Director- Resigned w.e.f February 13, 2018
Supriti Bhandary	Independent Director
Chrishan Anton Sebastian Villavarayan	Director- Appointed w.e.f January 31, 2018.
Rakesh Kalra	Independent Director- Appointed w.e.f February 13, 2018

Transactions and balances less than 10% of the total transactions and balances disclosed as "Others".

# Notes

To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

## (ii) Related Party disclosures

Particulars	March 31, 2018	March 31, 2017	
<b>Purchase of Goods</b>			
Bharat Forge Limited	504.01	310.63	
Fonderie Venissieux SAS	40.39	23.37	
Meritor H.V.S Cameri Spa	11.86	3.48	
Arvin Meritor, Sweden	10.93	9.35	
Meritor Heavy Vehicle Systems LLC,	10.20	19.85	
Others	7.86	3.40	
	<b>585.25</b>	<b>370.08</b>	
<b>Sale of Goods</b>			
Meritor HVS (India) Limited (excluding taxes)	12,371.71	9,273.35	
Bharat Forge Limited	-	0.73	
	<b>12,371.71</b>	<b>9274.08</b>	
<b>Purchase of MLFPS and MEIS Licences</b>			
Meritor HVS (India) Limited	13.35	30.20	
<b>Services Received</b>			
Bharat Forge Limited	239.85	168.19	
Meritor HVS (India) Limited	83.54	76.64	
Synise Technologies Ltd	6.10	4.88	
	<b>329.49</b>	<b>249.71</b>	
<b>Advance from customers</b>			
Meritor HVS (India) Limited	-	6.35	
<b>Other Recoveries</b>			
Meritor HVS (India) Limited	14.42	24.94	
Bharat Forge Limited	4.72	-	
	<b>19.14</b>	<b>24.94</b>	
<b>Advance to suppliers</b>			
Bharat Forge Limited	10.04	4.27	
<b>Directors sitting fees</b>			
Dr. B N Kalyani	0.15	0.04	
Bhalachandra B Hattarki	0.40	0.16	
B C Prabhakar	0.30	0.16	
Satish Sekhri	0.20	0.08	
Supriti Bhandary	0.15	0.06	
	<b>1.20</b>	<b>0.50</b>	
<b>Balance outstanding as at year end</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>	<b>April 01, 2016</b>
<b>Trade receivables</b>			
Meritor HVS (India) Limited	2,861.17	1,988.63	1,672.40
<b>Trade payables</b>			
Bharat Forge Limited	173.40	119.18	80.39
Meritor HVS (India) Limited	9.83	13.48	17.28
Meritor Heavy Vehicle Systems LLC	1.64	0.43	9.61
Others	5.13	2.05	7.99
	<b>190.00</b>	<b>135.14</b>	<b>115.27</b>
<b>Other payables</b>			
Meritor HVS (India) Limited	14.58	6.35	15.48
Bharat Forge Limited	3.67	22.00	-
Others	0.56	3.22	-
	<b>18.81</b>	<b>31.57</b>	<b>15.48</b>
<b>Dividend Paid</b>			
Meritor Heavy Vehicle System LLC	42.94	29.52	5.37
BF Investments Limited	42.94	29.52	5.37

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2017: Nil, April 01, 2016: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Particulars	March 31, 2018	March 31, 2017
<b>Compensation of key management personnel:</b>		
Salaries and allowances	19.08	19.32
Post-employment gratuity and medical benefits	1.78	0.92
<b>Total compensation paid to key management personnel</b>	<b>20.86</b>	<b>20.24</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

## 35. Employee benefits

### Defined contribution plans

The Company makes contributions to Provident Fund, Employee State Insurance scheme contributions which are defined contribution plan for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹45.95 (March 31, 2017: ₹38.33) for Provident Fund contributions and ₹9.62 (March 31, 2017: ₹7.29) for Employee State Insurance scheme contribution in the statement of profit and loss.

### Defined benefit plans

The Company has a defined benefit gratuity plan for its employees. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age.

The following tables summarize the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the Balance Sheet.

Particulars	March 31, 2018	March 31, 2017
<b>Change in projected benefit obligations</b>		
Obligations at beginning of the year	134.28	117.59
Service cost	8.63	8.32
Interest cost	9.87	7.75
Benefits settled	(6.77)	(9.02)
Actuarial (gain) /loss (through OCI)	24.52	9.64
<b>Obligations at end of the year</b>	<b>170.53</b>	<b>134.28</b>
<b>Change in plan assets</b>		
Plan assets at beginning of the year, at fair value	131.98	120.10
Interest income	10.18	8.33
Actuarial gain /(loss) (through OCI)	(0.48)	0.57
Contributions	13.02	12.00

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

Particulars	March 31, 2018	March 31, 2017
Benefits settled	(6.77)	(9.02)
<b>Plan assets at end of the year</b>	<b>147.93</b>	<b>131.98</b>
Present value of defined benefit obligation at the end of the year	170.53	134.28
Less: Fair value of plan assets at the end of the year	147.93	131.98
<b>Net liability/(asset) recognised in the balance sheet</b>	<b>22.60</b>	<b>2.30</b>
Expenses recognised in statement of profit and loss		
Service cost	8.63	8.32
Interest cost (net)	(0.31)	(0.58)
<b>Net gratuity cost</b>	<b>8.32</b>	<b>7.74</b>
<b>Re-measurement gains / (losses) in OCI</b>		
Actuarial (gain) / loss due to demographic assumptions	-	0.99
Actuarial (gain) / loss due to financial assumption changes	(5.33)	4.95
Actuarial (gain) / loss due to experience adjustments	29.85	3.70
Return on plan assets (greater)/less than discount rate	0.48	(0.57)
<b>Total expenses routed through OCI</b>	<b>25.00</b>	<b>9.07</b>

### The major categories of plan assets of the fair value of the total plan assets are as follows:

Particulars	March 31, 2018	March 31, 2017
Investments with insurer	100%	100%

### The principal assumptions used in determining gratuity benefit obligations for the company's plans are shown below:

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
	%	%	%
Discount rate	7.54%	6.85%	7.64%
Future salary increases	5.00%	5.00%	5.00%
Employee turnover	12.00%	12.00%	10.25%
Estimated rate of return on plan assets	7.54%	6.85%	8.00%

### A quantitative sensitivity analysis for significant assumption as at March 31, 2018 is as shown below:

Particulars	Sensitivity Level	Defined benefit obligation			
		March 31, 2018		March 31, 2017	
		Increase	Decrease	Increase	Decrease
Discount rate	1% increase/decrease	178.23	163.41	141.03	128.06
Further salary increase	1% increase/decrease	177.56	163.91	140.03	128.59
Attrition rate	1% increase/Decrease	171.04	169.96	134.61	133.93
Mortality rate	10% increase	170.61	-	134.34	-

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

The following payments are expected contributions to the defined benefit plan in future years:

Particulars	March 31, 2018	March 31, 2017
<b>Five Years pay-outs</b>	26.10	20.84
Year 1	22.90	17.93
Year 2	20.30	15.57
Year 3	18.01	14.03
Year 4	15.88	12.03
Year 5	52.49	42.85
Next 5 years		
Contributions likely to be made for the next one year	22.60	12.78

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.78 years (March 31, 2017: 7.25 years).

### 36. Fair values hierarchy

The carrying value of financial instruments by categories is as follows:

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
<b>Financial assets measured at amortized cost:</b>			
Loans to employees *	6.84	7.68	10.87
Security Deposit **	31.81	31.13	30.04
Others financial asset*	1.55	1.49	9.72
Trade receivable *	3,500.26	2,313.96	1,980.07
	<b>3,540.46</b>	<b>2,354.26</b>	<b>2,030.70</b>
<b>Cash and cash equivalents and other bank balances</b>			
Cash and cash equivalents #	442.19	348.27	0.53
Other bank balances #	2.48	2.27	1.99
	<b>444.67</b>	<b>350.54</b>	<b>2.52</b>
<b>Financial liabilities measured at amortized cost:</b>			
Borrowings**	-	-	288.42
Trade payables*	2,562.00	1,687.88	1,371.11
Others *	11.99	11.15	21.64
	<b>2,573.99</b>	<b>1,699.03</b>	<b>1,681.17</b>

\* The carrying value of these accounts are considered to be the same as their fair value, due to their short term nature. Accordingly, these are classified as level 3 of fair value hierarchy.

\*\* The fair value of these accounts was calculated based on cash flow discounted using a current lending/ borrowing rate, they are classified as level 3 fair value hierarchy due to inclusion of unobservable inputs including counterparty credit risk.

# These accounts are considered to be highly liquid/ liquid and the carrying amount of these are considered to be the same as their fair value.



# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 37. Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings. The sensitivity analyses in the following sections relate to the position as at March 31, 2018 and March 31, 2017. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt.

The analysis exclude the impact of movement in market variables on the carrying values of gratuity and other post retirement obligations and provisions.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2018 and March 31, 2017.

#### a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any debt obligation, hence there is no interest rate risk.

#### b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will

fluctuate because in foreign exchange rates. The Company does not have material foreign currency transaction. Hence, it does not have any significant foreign currency risk.

#### ii. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, other receivables and deposits, and other financial instruments.

#### a. Trade Receivable

The Company mainly sells to its related party and other marquee OEMs and Tier I companies, having long standing relationship with the Company. Outstanding customer receivables are regularly monitored and reconciled. At March 31, 2018, receivable from Company's top 3 customers accounted for approximately 92% (March 31, 2017: 96.27%) of all the receivables outstanding. An impairment analysis is performed at each reporting date on an individual basis for major clients. Based on historical experience, the Company does not have any material bad debts. The Company does not hold collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. Further, for movement in provision for doubtful receivables during the year refer note 8.

#### b. Financial Instrument and Cash Deposit

Credit risk from balances with banks is managed by the Company in accordance with its policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

The Company's maximum exposure to credit risk for the component of balance sheet as at March 31, 2018 and March 31, 2017 is the carrying amounts as illustrated in Note 8.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### iii. Liquidity Risk

The table below summarises the maturity profile of the Company's financial liabilities based on contractual payments.

Particulars	Less than 1 year	1 to 3 years	Total
<b>March 31, 2018</b>			
Other financial liabilities	11.99	-	11.99
Trade payables	2,562.00	-	2,562.00
	<b>2,573.99</b>	-	<b>2,573.99</b>
<b>March 31, 2017</b>			
Other financial liabilities	11.15	-	11.15
Trade payables	1,687.88	-	1,687.88
	<b>1,699.03</b>	-	<b>1,699.03</b>
<b>April 01, 2016</b>			
Borrowings	288.42	-	288.42
Other financial liabilities	21.64	-	21.64
Trade payables	1,371.11	-	1,371.11
	<b>1,681.17</b>	-	<b>1,681.17</b>

### 38. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, securities premium and all other equity reserves. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To

maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. The Company's gearing ratio, which is net debt divided by total capital plus net debt is as below:

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Borrowings (refer note 17)	-	-	288.42
Trade payables (refer note 18)	2,562.00	1,687.88	1,371.11
Other liabilities (refer note 14 & note 15)	211.56	81.33	66.56
Less: Cash and cash equivalents and other bank balances (refer note 9 & note 10)	(444.67)	(350.54)	(2.52)
<b>Net Debt - A</b>	<b>2,328.89</b>	<b>1,418.67</b>	<b>1,723.57</b>
Equity	4,443.35	3,765.90	3,377.69
<b>Total capital-B</b>	<b>4,443.35</b>	<b>3,765.90</b>	<b>3,377.69</b>
<b>Capital and net debt - C = (A+B)</b>	<b>6,772.24</b>	<b>5,184.57</b>	<b>5,101.26</b>
<b>Gearing ratio D = (A/C)</b>	<b>34%</b>	<b>27%</b>	<b>34%</b>

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 39. First time adoption of Ind AS

These financial statements, for the year ended March 31, 2018, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2017, the Company prepared its financial statements in accordance with generally accepted accounting principle in India (Indian GAAP). Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for period ending on March 31, 2018, together with the comparative period data as at and for the year ended March 31, 2017, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at April 01, 2016, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the statement of financial position as at April 01, 2016 and the financial statements as at and for the year ended March 31, 2017.

#### Exemptions applied

Ind AS 101 allows first time adopters certain exemptions from the retrospective application of certain requirements under Ind AS:

The Company has applied the following exemptions:

- 1 **Deemed cost for property, plant and equipment and intangible assets:** - The Company has elected to avail exemption under Ind AS 101 to use previous GAAP carrying value as deemed cost at the date of transition for all items of property, plant and equipment and intangible assets as per the financial statements prepared in accordance with previous GAAP.
- 2 **Embedded lease:-** Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangements based for embedded leases based on conditions in place as at the date of transition.

### 40. Standards issued but not yet effective

The standards issued, but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards when they become effective.

#### i) Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 was notified on March 28, 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after April 01, 2018. The Company will adopt the new standard on the required effective date using the modified retrospective method. The Company has established an implementation team to implement Ind AS 115 related to the recognition of revenue from contracts with customers and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary. A reliable estimate of the quantitative impact of Ind AS 115 on the financial statements will only be possible once the implementation project has been completed. However, considering the nature of business of the Company, the impact is not likely to be material.

#### ii) Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the Appendix requirements on a fully retrospective basis. Alternatively, an entity may apply these requirements prospectively to all assets, expenses and income in its scope that are initially recognised on or after

(i) The beginning of the reporting period in which the entity first applies the Appendix, or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Appendix. The Appendix is effective for annual periods beginning on or after 1 April 2018. The Company's operation primarily relate to operations in India. The directors of the Company do not anticipate that the application of the new standard in future will have significant impact on the financial statement.

## 41. Reconciliation of total equity between previous GAAP and Ind AS

### A) Equity reconciliation:

#### For the year ended March 31, 2017

Particulars	Notes	As at March 31, 2017
<b>Equity as reported under previous GAAP</b>		<b>3,757.78</b>
<b>Effect of transition to Ind AS</b>		
- Impact on measurement at fair value of warranty provisions	41(C)(e)	8.13
- Other (net)		(0.01)
<b>Equity as per Ind AS</b>		<b>3,765.90</b>

#### For the year ended April 01, 2016

Particulars	Notes	As at April 01, 2016
<b>Equity as reported under previous GAAP</b>		<b>3,271.98</b>
<b>Effect of transition to Ind AS</b>		
- Dividend not recognised as liability until declared	41(C)(c)	83.12
- Dividend distribution tax not recognised as liability until declared	41(C)(c)	16.92
- Impact on measurement at fair value of warranty provisions	41(C)(e)	5.67
<b>Equity as per Ind AS</b>		<b>3,377.69</b>

### B) Total comprehensive income reconciliation in the year ended March 31, 2017

Particulars	Notes	As at March 31, 2017
<b>Net profit under previous GAAP</b>		<b>485.79</b>
Remeasurement of the defined benefit plans	41(C)(b)	9.07
Tax on remeasurement of defined benefit plans	41(C)(d)	(3.14)
Others (net)	41(C)(a)	2.46
<b>Profit after Tax under Ind AS</b>		<b>494.18</b>
Other Comprehensive income		
Remeasurement of the defined benefit plans	41(C)(b)	(9.07)
Tax on remeasurement of defined benefit plans	41(C)(d)	3.14
<b>Total Other Comprehensive income</b>		<b>(5.93)</b>
<b>Total Comprehensive income as reported under Ind AS</b>		<b>488.25</b>

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### C) Notes to reconciliation between previous GAAP and Ind AS

#### a. Fair valuation of security deposit

Under Ind AS interest free security deposits are carried at amortised cost by, discounting the same using interest rates applicable to the counter party. The difference between transaction cost and fair value is recognised as prepaid lease and amortised over the period of the lease on a straight-line basis. Further, interest income is recognised on the amortised cost of the security deposits over the lease period.

#### b. Employee benefits

Under previous GAAP, actuarial gains and losses were recognized in the statement of profit and loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of net defined benefit liability/asset which is recognized in other comprehensive income in the respective periods.

#### c. Proposed dividend and dividend distribution tax thereon

Under Ind AS, liability for dividend is recognized in the period in which obligation to pay is established. Under previous GAAP, dividend payable is recorded as liability in the period to which the dividend relates, even though the dividend may be approved by the Board of Directors/Shareholders subsequent to the reporting date. This has resulted in an increase in equity of April 01, 2016

#### d. Effect of Income tax

Tax adjustments include deferred tax impact on account of differences between Ind AS and Previous GAAP. This has resulted in change in equity and profit and loss.

#### e. Provision of warranty

The Company provides normal warranty provisions for general repairs for three years on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold – see Note 16 for more information. The Company does not provide any extended warranties or maintenance contracts to its customers.

#### f. Other comprehensive income

Under previous GAAP, the Company had not presented other comprehensive income separately. Hence, it has reconciled previous GAAP profit or loss to total comprehensive income as per Ind AS.

#### Statement of cash flows

The transition from previous GAAP to Ind AS did not have a material impact on statement of cash flows.

# Notes

## To the financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees Millions, unless otherwise stated)

### 42. 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 transactions are at arm's length and 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.

### 43. Events after reporting period

The Board of Directors recommended a final dividend of ₹13.50 per equity share for the financial year ended March 31, 2018. The payment is subject to the approval of the shareholders in the ensuing Annual General

Meeting of the Company. The final dividend declared in the previous year was ₹8.00 per equity share.

### 44. Previous year figures

The comparative financial information of the Company for the transition date opening balance sheet as at April 01, 2016 and comparative period ended March 31, 2017 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by a firm of Chartered Accountants, other than S.R. Batliboi & Associates LLP.

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

**per Rajeev Kumar**

Partner

Membership No.: 213803

For and on behalf of the Board of Directors

**Automotive Axles Limited**

**Dr. N. Muthukumar**

President  
& Whole time Director  
DIN: 06708535

**B C Prabhakar**

Director  
DIN: 00040052

**Ranganathan S**

Chief Financial Officer

**Debadas Panda**

Company Secretary

Place : Pune

Date : 8th May, 2018

Place : Pune

Date : 8th May, 2018

# NOTICE OF 37<sup>th</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting (AGM) of the Members of Automotive Axles Limited, will be held at the registered office of the Company at Hootagalli Industrial Area, Off Hunsur Road, Mysuru – 570 018, Karnataka, India on Monday, 13th August, 2018 at 12.30 p.m. (IST) to transact the following business:

## ORDINARY BUSINESS:

### Item No. 1 – Adoption of Audited Standalone Financial Statement

To receive, consider and adopt the Financial Statements of the Company for the year ended March 31, 2018, including the audited Balance Sheet of the Company as at March 31, 2018 and Statement of Profit & Loss for the year ended on that date and the Reports of Board of Directors and Auditors thereon.

### Item No. 2 – Declaration of Dividend

To declare final dividend on equity shares at ₹13.50/- per equity share of ₹10/- for the year ended 31st March 2018.

### Item No. 3 – Re-appointment of a Director

To appoint a director in place of Dr. Narayanaswamy Muthukumar (DIN: 06708535) who retires by rotation in terms of sec 152(6) of the Companies Act, 2013 and being eligible for re-appointment.

## SPECIAL BUSINESS:

### Item No. 4 – Consider Appointment of M/s. S R Batliboi & Associates LLP as Statutory Auditors of the Company:

To consider and if though fit to pass the following resolution with or without modification as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 139, 142 and all other applicable provisions of Companies Act, 2013 (“the Act”) read with the Companies (Audit and Auditors) Rules, 2014 and the Companies (Amendment) Act 2017 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in partial modification of the resolution passed by the Members of the Company at 36th Annual General Meeting (AGM) of the Company held on 18th August, 2017, the company hereby ratifies the appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants [Firm Registration No.: 101049W/E300004] as Statutory Auditors of the Company to hold office for a period

of four years commencing i.e. from the conclusion of this 37th AGM till the conclusion of 41st AGM of the Company be and are hereby continues for the said term, without seeking any further ratification from the shareholders of the Company for their appointment as statutory auditors till the conclusion of their tenure, at such remuneration and out of pocket expenses, as may be decided by the Board of Directors.”

### Item No. 5 – Appointment of Mr. Rakesh Kalra as an Independent Director of the Company:

To consider and if though fit to pass the following resolution with or without modification as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to section 149, 152, 161 read with Schedule IV of the Companies Act, 2013 (‘Act’) and Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force and pursuant to Regulation 16(1)(b) & 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, Mr. Rakesh Kalra (DIN: 00780354) who was appointed as the Additional Director of the Company by the Board of Directors and who holds office up to the date of this Annual General Meeting (AGM) in terms of section 161 of the Act and Clause 117 of the Articles of Association of the Company and who is eligible for appointment and has consented to act as Director of the Company, be and is hereby appointed as Director (Independent) of the Company not being liable to retire by rotation for a period of five (5) years commencing from February 13, 2018 to February 12, 2023.

### Item No. 6 – Appointment of Mr. Chrishan Anton Sebastian Villavarayan as a Director of the Company

To consider and if though fit to pass the following resolution with or without modification as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to section 152 of the Companies Act, 2013, read with other applicable provisions, Mr. Chrishan Anton Sebastian Villavarayan (DIN: 03020467) who was appointed as Additional Director of the Company by the Board of Directors and holds office up to the date of this Annual General Meeting be and is hereby appointed as a non-retiring Director of the Company pursuant to Clause 113(1) of Articles of Association.”

**Item No. 7- Related Party Transactions of the Company with Meritor HVS (India) Limited**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the applicable provisions of Section 188 and any other provisions of the Companies Act, 2013 and Rules framed thereunder and in terms of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (including statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other statutory approvals as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors to enter into transaction/s of purchase/sale of goods / services,

lease, transfer, assign or otherwise etc., whether material or otherwise, for the period of five (5) financial years with effect from April 1, 2019, of the Company with Meritor HVS (India) Limited - Related Party, upto an estimated annual value of ₹30,000 millions, to be discharged in a manner and on such terms and conditions as may be mutually agreed upon between the Board of Directors of the Company and Meritor HVS (India) Limited.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to negotiate and finalise other terms and conditions and to do all such acts, deeds and things including delegation of powers as may be necessary, proper or expedient to give effect to this Resolution.”

By Order of the Board of Directors  
For Automotive Axles Limited

Debadas Panda  
Company Secretary

Registered Office: Hootagalli Industrial Area  
Off Hunsur Road, Mysuru 570 018  
Karnataka

CIN : L51909KA1981PLC004198  
Phone No. : 0821-7197500  
Email : sec@autoaxle.com  
Web : www.autoaxle.com

Place: Pune  
Date: 8th May, 2018



**Notes:**

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the business under Item No.4 to Item No.7 as set out above and details as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of Directors seeking appointment and re-appointment at this Annual General Meeting (AGM) are annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND MUST BE RECEIVED AT THE REGISTERED OFFICE, NOT LATER THAN 48 HOURS BEFORE THE TIME FIXED FOR THE COMMENCEMENT OF THE MEETING.**

**A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS (NOT EXCEEDING 50 MEMBERS) AND HOLDING IN AGGREGATE NOT MORE THAN 10% OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHT. HOWEVER, A MEMBER HOLDING MORE THAN 10% OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS PROXY FOR ANY OTHER SHAREHOLDER.**
3. Proxies submitted on behalf of limited companies, societies, etc. must be supported by appropriate resolutions /authority as applicable.
4. Corporate Members are requested to send a board resolution duly certified, authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
5. The register of Members and Share Transfer Books will remain closed from 4th August, 2018 to 13th August, 2018 (both days inclusive) for determining the names of the members eligible for final dividend on equity shares, if declared at the meeting.
6. Dividend on Equity Shares as recommended by the Board of Directors, if declared at the meeting, will be paid to the members whose names appear –
  - i) As beneficial owners of the shares as per list to be furnished by the depositories in respect of the shares held in de-mat form on the closing hours of the business on Friday, 3rd August, 2018 and
  - ii) As Members on the Register of Members of the Company as on Friday, 3rd August, 2018 after giving effect to all valid shares transfer in physical form which would be received by the Company end of the business hours on Friday, 3rd August, 2018.
7. The notice of the AGM along with the annual report for the year 2017-18 is being sent by electronic mode to those members whose email addresses are registered with the Company/Depositories, unless the member has requested for a physical copy of the same. For members who have not registered their email addresses, physical copies are being sent by the permitted mode.
8. To support the Green initiative members who have not registered their e-mail addresses so far, including changes, if any including any change in their address, bank details, ECS details etc., are requested to update immediately, in respect of electronic holdings with the Depository through their concerned Depository Participants and Members who hold shares in physical form are requested to intimate to the Registrar & Share Transfer Agents of the Company or to the Company at its e-mail address sec@autoaxle.com or at its Registered Office at Secretarial Department, Hootagalli Industrial Area, Mysuru,-570018, Karnataka.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (“PAN”) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants and Members holding shares in physical form can submit their PAN details to our Registrar & Share Transfer Agent.
10. Those Members who have so far not encashed their Dividend Warrants for the below mentioned Financial Years, may claim or approach the Company’s Registrar & Share Transfer Agents for the payment thereof, as the same will be transferred to the Investor Education and protection Fund (“IEPF”) of the Central Government, pursuant to section 124 of the Companies Act, 2013, 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 from the Company. The members may also note that as per the new provisions,

the shares on which dividend remains unclaimed for a continuous period of 7 years, shall also be transferred to IEPF.

Year	Particulars	Date of Declaration	Due date of Transfer
2010-11	100% Dividend	17-Jan-2012	22-Feb-2019
2011-12	100% Dividend	06-Feb-2013	14-Mar-2020
2012-13	20% Dividend	10-Feb-2014	18-Mar-2021
2013-14	25% Dividend	05-Feb-2015	12-Mar-2022
2014-15	10% Dividend	05-Aug-2015	10-Sep-2022
2015-16	55% Dividend	12-Aug-2016	15-Sep-2023
2016-17	80% Dividend	18-Aug-2017	21-Sep-2024

- 11.** The Members are requested to present the duly filled Attendance slips before the commencement of the Meeting to facilitate identification of Membership at the meeting.
- 12.** Members are requested to bring their copy of the Annual Report to the Meeting
- 13.** Shareholders may kindly note that no gifts/coupons will be distributed at the Annual General Meeting.
- 14.** Members may also note that the Notice of the 37th Annual General Meeting and the Annual Report for 2018 will also be available on the Company's website [www.autoaxle.com](http://www.autoaxle.com) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Mysuru for inspection during normal business hours on working days. For any communication, the shareholders may also send requests to the Company's investor email id: [sec@autoaxle.com](mailto:sec@autoaxle.com).
- 15.** Road map showing directions to reach the venue of the AGM is given at the end of this Notice.

## 16. Voting through electronic means

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirement) Regulation, 2015, the Company is pleased to provide members facility to exercise their right to vote at the 37th AGM by electronic means and the business that may be transacted through e-Voting Services. The facility of casting the votes by members using an electronic voting system from a place other than venue of the AGM ('remote e-voting') shall be provided by Central Depository Services (India) Limited (CDSL):

The instructions for shareholder voting electronically are as under:

- i. The voting period begins on Thursday, 9th August, 2018 (9.00 A.M) and ends on Sunday, 12th August, 2018 (5.00 P.M). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date Friday, 3rd August, 2018 may cast their vote electronically. The e-voting module shall be blocked forth with by CDSL at the end of the voting period mentioned above.
- ii. The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- iii. Click on Shareholders/ Members
- iv. Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- v. Next enter the Image Verification as displayed and Click on Login.
- vi. If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- vii. If you are a first time user, for members holding shares in Demat Form & Physical Form, follow the steps given below:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>

Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).
--	--

- viii. After entering these details appropriately, click on “SUBMIT” tab.
- ix. Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- x. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- xi. Click on the EVSN of **AUTOMOTIVE AXLES LIMITED**
- xii. On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- xiii. Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- xiv. After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- xv. Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- xvi. You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- xvii. If Demat account holder has forgotten the changed login password then enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.
- xviii. Note for Non-Individual Shareholders and Custodians:**
- a. Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
- b. A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)
- c. After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- d. The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- e. A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- xix. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- xx. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of Friday, 3rd August, 2018.
- xxi. Any person who acquires the shares and becomes a member of the Company after the despatch of the notice of the AGM and holds shares as on the cut-off date, should follow the same procedure for e-Voting as mentioned above.
- xxii. The facility for voting through ballot paper shall be made available at the meeting and the members attending the meeting who have not already casted their votes by remote e-voting shall be able to exercise their right at the meeting by means of ballot voting.

- xxiii. The members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
- xxiv. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- xxv. Ms. Pracheta M, Practicing Company Secretary (Membership No. FCS 9323 & CP No. 9838) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- xxvi. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- xxvii. The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.autoaxle.com](http://www.autoaxle.com) and on the website of CDSL e-Voting within three (3) days of passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.
- xxviii. All the documents referred to in the Notice shall be available for inspection at the registered office of the Company between 10.30 a.m. to 12.30 p.m. on all working days till the date of the Annual General meeting.

## **ANNEXURE TO NOTICE EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

Pursuant to section 102 of the Companies Act, 2013 (Act), the following Explanatory Statement sets out all the material facts relating to the business mentioned under Item No. 4 to Item No. 7 of the accompanying Notice dated 8th May, 2018.

### **Item No.4**

At the 36th Annual General Meeting (AGM) of the Company, the shareholders had approved appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants [Firm Registration No.: 101049W/E300004] as Statutory Auditors of the Company from the conclusion of 36th AGM till the conclusion of 41st AGM, subject to ratification by the shareholders at every AGM.

The Companies (Amendment) Act, 2017 published in the Gazette of India on January 3, 2018, amended few sections of Companies Act, 2013 including omission of first proviso to Section 139(1) of Companies Act 2013 which provided for ratification of appointment of Statutory Auditors by members at every AGM. The amendment to said section is already effective from May 7, 2018.

In view of the same, the fresh approval of the members is sought for the ratification of appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants [Firm Registration No.: 101049W/E300004], as Auditors of the Company, for the remaining term of four years i.e. from the Conclusion of this Annual General Meeting till the conclusion of the 41st Annual General Meeting.

The Board recommends the Ordinary Resolution set out at Item No.4 of the Notice for approval by the members.

None of the Directors, Key Managerial Personnel or their respective relatives are concerned or interested, financially or otherwise, in this resolution.

### **Item No.5**

Pursuant to Clause 117 of the Articles of Association of the Company read with Section 161(1) of the Companies Act, 2013, and based on the recommendation of the Nomination & Remuneration Committee (NRC), the Board of Directors has appointed Mr. Rakesh Kalra as an Additional Director on the Board of the Company at their meeting held on 13th February, 2018. In terms of Section 161(1) of the Companies Act, 2013, Mr. Kalra shall hold office up to the date of this ensuing Annual General Meeting and is eligible for appointment by the shareholders in this Annual General Meeting. His appointment may be regularized as an Independent Director not liable to retire by rotation.

Mr. Kalra has given his declaration to the Board that he meets the criteria of Independence as provided under section 149(6) of the Act. Further, he is not disqualified to be appointed as Director in terms of section 164 of the Act and has also given his consent to act as Director.

Mr. Rakesh Kalra has over 40 years of rich experience.

A mechanical engineer from Birla Institute of Technology & Science, Pilani, he started his working career at Bharat Electronics Ltd where he specialized in the manufacture of turn tables and antennae structures for the radar equipment. He then moved on to the automotive industry and joined Eicher. He rose to the position of MD/CEO of Eicher Motors Ltd. He also worked at Mahindra & Mahindra as the MD/CEO of Mahindra Navistar Automotives Ltd. After his superannuation from Mahindra he was the Vice Chairman of the Indian Operations with the Chinese automotive major Foton Motors. His last assignment was with Bharat Forge as the Chief Mentor-Strategic Growth.

He has attended advanced management programs at Carnegie Mellon and at Harvard Business School. He played an active role in industry bodies like Confederation of Indian Industry, Society of Indian Automobile Manufacturers and Automotive Research Association of India. Further, he has been a member of the Board of Governors at the Indian Institute of Management, Indore. He has also chaired the Board of Governors at the Asian School of Business Management. Currently, he is on the Boards of a diverse set of companies as an Independent Director.

In the opinion of the Board, Mr. Kalra fulfils the conditions specified in the Act and the Rules made thereunder and the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 (Listing Regulations) for appointment as Independent Director and he is Independent of the Management.

The terms and conditions of appointment of the Independent Director shall be open for inspection by the Members at the Registered office of the Company on all working days, except Sunday during the business hours upto the date of the AGM and is also placed on the website of the Company @ [www.autoaxle.com/Directors.aspx](http://www.autoaxle.com/Directors.aspx).

Considering his vast experience, his presence on the Board will be of immense value to the Company and accordingly the Board recommends the Resolution at Item No. 5 for approval by the Members.

Mr. Kalra is not related to any other Director of the Company.

Except for Mr. Kalra, none of the other Directors, Key Managerial Personnel or their relatives are concerned or interested, financially or otherwise in Item No. 5 of the Notice.

### **Item No.6**

Pursuant to Section 152 of the Companies Act, 2013 and Clause 113 of the Articles of Association, the Company received notice from its Promoter Company, Meritor Heavy Vehicle Systems, LLC to appoint Mr. Chrishan Anton Sebastian Villavarayan as a non-retiring director who would represent the promoter on the Board.

Hence, pursuant to Clause 117 of the Articles of Association of the Company read with Section 161(1) of the Companies

Act, 2013 and on the recommendation of the Nomination and Remuneration Committee, Mr. Chrishan Anton Sebastian Villavarayan was appointed as Additional Director on the Board. In terms of Section 161(1) of the Companies Act, 2013 Mr. Chrishan Anton Sebastian Villavarayan shall hold the office only up to the date of this ensuing Annual General Meeting and is eligible for appointment as non-retiring Director.

Further, Mr. Chrishan Anton Sebastian Villavarayan is not disqualified from being appointed as a Director in terms of section 164 of the Act and also has given his consent to act as a Director of the Company.

Mr. Chrishan Anton Sebastian Villavarayan, has Honors Bachelor of Engineering from McMaster University, Hamilton, Ontario., Canada. He has around 2 decades of leadership experience in operations management, strategic planning, and project management, delivering flawless execution of cost reduction programs, production transfers, facility rationalisation, and Greenfield startups. Uniquely skilled at developing cohesive and collaborative teams while empowering employees to drive out waste and improve bottom line company performance by driving vigorous action, measurement and implementation. Mr. Villavarayan was formerly general manager, Operations, Strategy and Planning, responsible for worldwide capacity and manufacturing planning, industrialisation and program management. He has also been the General Manager for Meritor Inc. (formerly ArvinMeritor) Europe Operations. Mr. Villavarayan joined Meritor Inc. in 2000 as Site Manager of its facility in St. Thomas, Ontario. Currently, he has been elevated to the position of Senior Vice President and President-Global Truck. This new role recognizes the increasingly global nature of Meritor's on-highway OE customer base and enables him to apply his proven management approach in the Americas to our global truck business.

The Board considers it desirable that the Company should avail the services of Mr. Villavarayan and recommends the resolution at Item No. 6 for approval by the Members.

Mr. Villavarayan is not related to any other Director of the Company.

Except for Mr. Villavarayan, none of the other Directors, Key Managerial Personnel or their relatives are concerned or interested, financially or otherwise in Item No. 6 of the Notice.

### Item No.7

Further to the applicable provisions of Section 188 and any other provisions of the Companies Act, 2013 and Rules framed thereunder and Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, all Related Party Transactions shall require prior approval of the Audit Committee and all material Related Party Transactions shall require approval of the shareholders by Ordinary Resolution.

The Company has been in the field of manufacturing Axles, Brakes and other related automotive components for automotive applications. The Company's 90% product sales (Approx.) happens to a single customer i.e., Meritor HVS (India) Ltd., (MHVSIL) Mysuru who is a related party to the Company. MHVSIL is a joint venture company, promoted by Meritor Heavy Vehicle Systems LLC, Troy, U.S.A., and the Bharat Forge Limited, Pune. MHVSIL is engaged in design, development and marketing of Drive Axles, Non-Drive Steer Axles, Drum Brake and Air Disc Brake Assemblies for commercial vehicles. MHVSIL is equipped with design validation capabilities and has been customizing various products of Meritor design to suit various rigorous application requirements in India using the Company's manufacturing facility. MHVSIL has strong marketing, sales & distribution network with customer base consisting of Ashok Leyland, TATA Motors, Daimler and most of the other Heavy & Commercial Vehicle manufacturers in India as well as in abroad.

In light of all these advantages, the Company has been dealing sales transactions with MHVSIL and the Technical support is being availed from MHVSIL. The Company has been focusing on export market as one of the main growth area. It is expanding its customer base as well as geographies with the support of MHVSIL.

The transaction values would be revised, if required, based on mutual discussions to align the same at arm's length rates, as far as possible duly certified / advised by the Third Party Independent Consultants at current market rates. These transactions are material in terms of the provisions of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Board has proposed the same to be placed before the shareholders for their approval as a an ordinary resolution at the Annual General Meeting of the Company. The said approval would be effective for the period of five financial years with effect from April 1, 2019. Looking at the nature of business of the Company and the transactions, such approval of shareholders for the period of five years would be essentially required at this point of time.

The key details as required under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 are as below:

1. Name of the related party: Meritor HVS (India) Limited
2. Name of the directors who is related: Mr. B. N. Kalyani, Mr. Chrishan Anton Sebastian Villavarayan, Mr. B C Prabhakar & Ms. Supriti Bhandary
3. Nature of relationship: Common Directorship of above mentioned directors and common Joint Venture partners
4. Nature, material terms, monetary value and particulars of the contract or arrangements: Sale of Axles, Brakes & other related auto components and receiving service with respect to design, drawing and other

technical support and leasing of property to attain its main business activity as per the estimated values as mentioned in the resolution.

The Board recommends the Ordinary Resolution set out at Item No.7 of the Notice for approval by the members.

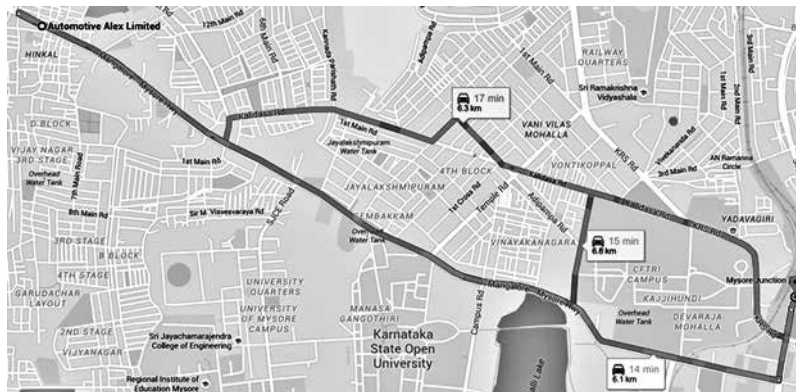
5. Any other information relevant or important for the members to take a decision on the proposed resolution: None

Except as mentioned above, no Director, Key Managerial Personnel or their respective relatives are concerned or interested, financially or otherwise, in this resolution.

**Additional information as required under Standard 1.2.5 of Secretarial Standards-2 and Listing Regulations**

Particulars	Rakesh Kalra	Chrishan Anton Sebastian Villavarayan
Age	68 Years	47 Years
Qualification	Mechanical engineer from BITS, Pilani	Bachelor of Engineering from McMaster University,
Hamilton, Ontario, Canada.		
Experience	Over 40 Years	Over 20 Years
Terms of appointment/re-appointment	Appointed as Independent Director of the Company as per Item no. 5 of the Notice of AGM	Appointed as Non Executive Director of the Company as per Item no. 6 of the Notice of AGM
Remuneration sought to be paid	No remuneration except sitting fee paid as per the company policy for attending Board and Committee Meetings	NIL
Remuneration last drawn	N.A.	N.A.
Date of first appointment at the Board	13.02.2018	31.01.2018
Shareholding in the Company	Nil	Nil
Relationship with other directors and Key Managerial Personnel	No relationship	No relationship
Number of Board meetings attended during the year 2017-18	1 (One)	1 (One)
Other Directorships (including Listed entities)	5 (Five)	1 (One)
Membership/Chairmanship of Committees of other Board	9 (Nine)	Nil

**Route map for the AGM venue: Landmark – Hotel Silent Shores**











# Our CSR Initiatives



**Public Convenience Facility at Mysuru Palace premises**



**Chiguru Ashrama - Facility provided Roof Shelter, Solar lamp & daily lunch**



**Automotive Axles Limited**

If undelivered please return to

**Automotive Axles Limited**

Hootagalli Industrial Area

Mysuru – 570 018

Karnataka

[www.autoaxle.com](http://www.autoaxle.com)