

**Automotive Axles Limited**  
**“39<sup>th</sup> Annual General Meeting call transcript”**  
**19<sup>th</sup> August 2020**  
**(3.00 PM- 3.55 PM IST)**

**Corporate Participants:**

**Dr. B.N. Kalyani**

Chairman

**Mr Chris Villavarayan**

Director (USA)

**Mr B.B. Hattarki**

Director & Chairman of Audit Committee)

**Mr Rakesh Kalra**

Director

**Dr. Shalini Sarin**

Director

**Mr. Kumaradevan Srinivasan**

Whole Time Director

**Mr. Ranganathan**

Chief Financial Officer

**Mr. Debadas Panda**

Company Secretary

**Mr. Pradip Agarwal**

Representative- Statutory Auditors

**Ms. Pracheta M**

Scrutinizer

**Mr. K. Harish**

**Representative from Integrated Registry Management Services (RTA)**

Shareholders

## **Introduction and Briefing on conduct of AGM through VC /OAVM**

I, **Debadas Panda**, Company Secretary of Automotive Axles Limited welcome to you all to the 39<sup>th</sup> Annual General Meeting of the Company.

I request our CFO Mr. Ranganathan to make few necessary announcements.

### **Mr Ranganathan (Chief Financial Officer):**

For convenience of Members, I would now like to brief on certain points regarding participation by Members and speakers at this meeting.”

“Facility of participation by Members in this AGM through NSDL e-voting platform is provided on first come first serve basis. All Members present at this meeting are by default put on mute by the Moderator to avoid any disturbance arising out of background noise and for smooth and seam-less conduct of the meeting.”

“Members may please note that: On receipt of requests from certain shareholders, Company has registered them as speakers at this AGM.”

“Once the floor for questions and answers is opened by the Chairman, name of the Members registered will be announced one by one. Each Speaker, on his/her turn will be unmuted by the Company’s Moderator. Concerned speaker is thereafter requested to click audio and video ON button in his/her system. If speakers are not able to activate video mode, speakers can speak by audio mode. While speaking, we request speakers to use ear-phone to minimise any noise in the background, ensure that wifi / internet is not connected to any other devices, no other applications are running, and proper lighting and sound is in place for having good video and audio experience. If there is connectivity problem at speakers end, Company reserves the right to ask next speakers to join. Once the connectivity improves, the speaker Member will be re-connected to speak, after other registered speaker Members complete their turn.”

“Speaker Member once allowed to speak is requested to mention his/her name, folio no. and place from where joining.”

“We would like to request speakers to limit their speech to three minutes. Questions should be relevant and should not be forward looking or personal.”

“Speaker members may please note that in order to avoid repetition, answers will be given by the Chairman at the end after completion of queries by all speakers.”

“During the AGM, if a Member faces any technical issue, he/she may contact the helpline no. mentioned in the Notice of AGM. “

Thank you very much.”

**Debadas Panda:**

I hereby declare that the requisite quorum is present in this meeting and I request the Chairman to proceed for conducting the Meeting.

**Dr. B.N Kalyani (Chairman)**, then welcomed the Members and declared quorum:

Ladies & Gentlemen, Good afternoon. I am happy to welcome all the Members to the 39<sup>th</sup> Annual General Meeting of your Company. As the requisite quorum is present and the meeting is validly convened, I will now call the meeting to order. Before proceeding further, I would like to request Directors, to introduce themselves one by one.

**1. Mr. Chris Villavarayan, Director**

I am Chris Villavarayan, I am the Director of the company attending from U.S.A.

**2. Mr. B. B. Hattarki, Independent Director**

I am B. B. Hattarki, Independent Director; Chairman of Audit Committee of the Company - Attending from Pune.

**3. Mr. B. C. Prabhakar, Independent Director**

I am B. C. Prabhakar, Independent Director; Chairman of Stakeholder Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee of the Company - Attending from Bangalore.

**4. Dr. Shalini Sarin**

I am Shalini Sarin, Independent Women Director - Attending from New Delhi.

**5. Mr. Rakesh Kalra**

I am Rakesh Kalra, Independent Director of the Company - Attending from Pune.

**6. Mr. Srinivasan Kumaradevan**

I am Srinivasan Kumaradevan, Wholetime Director of the Company - Attending from Mysuru.

**Dr. B. N. Kalyani announced that:**

We also have Statutory Auditor, Secretarial Auditor, Chief Financial Officer and Company Secretary participating in this AGM through VC from their respective locations.

I would like to thank all Directors, officials and Members for joining this meeting.

I hope all of you are safe and in good health.

Due to spread of COVID-19 and social distancing norms, we are for the first time meeting through Video Conferencing or Other Audio Visual Means. This is in compliance with the directions issued by Ministry of Corporate Affairs and SEBI. Live streaming of this AGM is also webcasted through NSDL website.

Since this AGM is being held pursuant to the MCA Circulars through VC without physical attendance of Members, the requirement of appointing proxies by the Members is not applicable.”

Statutory Registers, as required under Companies Act, 2013, are open to the Members for inspection. Members who want to inspect these registers may kindly send their request to email id provided on Company’s website under the Investors Service Center.

### **Chairman Speech - Dr. B.N Kalyani:**

Dear Shareholders,

On behalf of the Board of Directors of Automotive Axle Limited, I welcome you all to our 39th Annual General Meeting. As you can see, this year’s AGM is unlike any other time; we could not have imagined the times we are living through even six months back.

Before we start the business of the day, let us take a moment to extend our heartfelt gratitude to those fighting on the frontline against the global pandemic. I hope you and your family are following all the precautions to stay safe. The need of the hour is of restraint and resolve.

Your Company remains committed to extending all possible support to government and healthcare agencies in staving off an enemy we know very little about. We have contributed ₹1.50 crore to the PMCARES Fund and have worked towards enabling the local community to tide over the crisis through our CSR interventions.

With the requisite quorum being present, I now call the meeting to order. I hope you have already gone through our Annual Report for FY 2019-20, which also contains our Directors’ Report and Audited Financial Report.

As you may be aware, the global economy grappled with several headwinds in FY 2019-20, much before the COVID-19 pandemic brought it to a standstill in the last quarter. The US-China trade tension, weak manufacturing, volatility in oil prices, and heightened protectionism dampened the investor and business sentiments. This weak environment was aggravated by the pandemic outbreak, and the subsequent ‘Great Lockdown’.

India too faced its own share of challenges, amid sluggish manufacturing, weak domestic consumption demand and overall credit tightness in the system. The government, along with the Reserve Bank of India, made concerted efforts to revive economic growth, but the pandemic outbreak derailed any prospects of a recovery. India recorded its slowest growth in over a decade.

The economic slowdown significantly impacted the nation’s automobile industry, with falling sales and piling inventory. The increase in third-party insurance cost and road tax, coupled with the liquidity crunch, raised the cost of acquisition for end consumers and kept the industry firmly in grip of a prolonged weakness. Being an auto components manufacturer, your Company was not immune to the industry-specific challenges. That being said, we believe these are transient in nature. And the auto industry will stage a sharp

rebound as soon as the COVID-19 situation is brought under control. In fact, a marginal recovery in demand was witnessed as the lockdown measures were eased.

Against such a backdrop, we recorded revenues of ₹952 crore and remained profitable with an EBITDA of ₹101 crore. However, production cuts at our key OEM clients were a drag on our performance, as they remained cautious in ramping up BS-VI vehicles production due to an extremely weak demand scenario, especially in the commercial vehicles (CV) segment.

As you know, the pandemic situation continues to evolve. Thus, it is difficult to ascertain the magnitude of impact it would leave in its wake. We have thus undertaken several strategic initiatives that will not only enable us to ride out the storm, but also consolidate our strong positioning to capitalise on the long-term growth potential of the Indian auto industry.

During the year under review, we prioritised three key areas:

1. Efficiency optimisation: We inaugurated our new state-of-the-art assembly line, which uses cutting-edge technology and contemporary equipment like robotic painting line and IoT-enabled processes. It has already delivered a batch of products and facilitated improved cost structure and productivity.
2. Digital-focused production: The new production facility enables a digital shop-floor that drives automation and data mining, in line with Industry 4.0, to facilitate data-driven decision-making in optimising production and costs. We are also strengthening our IT core by deploying the best available technologies and systems.
3. Manufacturing BS-VI-complaint products: We have successfully overcome the technical challenges to producing BS-VI-complaint offerings and are efficiently catering to this market requirement.

The safety of our people remains a priority. Our people continue to be pivotal to our success and sustainability, despite the growing focus on technology and automation. Their safety and wellbeing remain our utmost priority. This culture of safety played a key role in implementing proactive measures during the lockdown, unlock and ramp-up phases. We established world-class measures and preventive protocols, in strict adherence to the government and health ministry advisories.

Notwithstanding the current adverse environment, the long-term India growth story remains intact. The government's focus on building a 'self-reliant' India bodes well for the domestic manufacturing industry. And we remain confident that our recent capital expansion will help us steer growth and improve margins once volumes return to pre-COVID levels.

I believe, together with your trust and support, the Board and Team AAL, your Company will continue to be a formidable and sustainable business.

Dr. B.N Kalyani request members to take the notice convening the meeting as read.

Since Notice convening 39<sup>th</sup> Annual General Meeting was already circulated, I request the Members present to take the Notice of the AGM together with the Financial Statements and Board's Report as read."

The Company has taken requisite steps and provided facilities to enable Members to participate and vote electronically on all five Agenda items of the Notice of this AGM.

Members who have not voted earlier through remote e-voting can cast their vote during the course of the meeting through NSDL e-voting facility.

The Auditors' Report on the Financial Statements of the Company for the year ended 31st March, 2020 and Secretarial Audit doesn't have any qualifications, observations or comments on financial statements (which have any adverse effect on the functioning of the Company). Accordingly, as per section 145 of the Companies Act, 2013, with the concurrence of the Members the Auditors' Report to be taken as read.

***We now take up agenda items as set forth in the Notice, namely:***

**Item No. 1:** Adoption of the Audited Financial Statements of the Company for the financial year ended 31st March, 2020, including the Audited Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss for the year ended on that date and Reports of the Board of Directors and the Auditors thereon.

**Item No. 2:** Confirmation of interim dividend of Rs.6/- per equity share of Rs.10/- each paid for the financial year 2019-20.

**Item No. 3:** Declaration of final dividend of Rs. 0.80 per equity share of Rs. 10/- each for the financial year 2019-20.

**Item No. 4:** To appoint a Director in place of Dr. B. N. Kalyani, who retires by rotation and being eligible, offers himself for re-appointment.

**Item No. 5:** Appointment of Mr. Srinivasan Kumaradevan as Whole Time Director of the Company.

**Mr. Debadas Panda:**

As per the Companies Act, 2013 and SEBI Listing Regulations, the Company had provided remote e-voting facility to the Members, whose shareholding is recorded as on cut-off date of 13<sup>rd</sup> August, 2020, to enable them to cast their votes electronically on all the AGM agenda items between 16<sup>th</sup> August, 2020 (9:00 am) to 18<sup>th</sup> August, 2020 (5:00 pm).

Facility of e-voting is also provided to Members present in the meeting and who have not yet cast their votes. Such Members may please go to voting page of NSDL e-voting website and can now exercise their votes, while at the same time watch the proceedings of AGM.

Ms. Pracheta M., Practicing Company Secretaries has been appointed as the Scrutinizer to scrutinize the votes cast at the meeting and through remote e-voting. The Scrutinizer will

submit her report in the prescribed manner to the Chairman or his authorised representative within 24 hours of the conclusion of the meeting.

Since the AGM has been convened through Video Conferencing and Other Audio Visual Means and all resolutions contained in the Notice have already been put to vote through remote e-voting and also announced by the Chairman at this meeting, there will be no vote by show of hands or no proposing and seconding of resolutions.

Now I request Chairman to proceed with rest of proceedings.

**Dr. B.N Kalyani:**

Thank you very much.

Now I would like to open the floor of questions and answers and take up the questions from Members, who are already registered as Speakers through mail.

Members may please note that in order to avoid repetition, answers will be given at the end after completion of queries by all speakers.

Members who have registered their name through mail may ask the questions.

**Debadas Panda:**

Dinesh Kotecha you may ask your question please:

**Dinesh Kotecha:** Chairman Saheb Dr. B. N. Kalyani; my happy regards and Namaste to you and all the Board Members. I have pleasure in attending this e-meeting for the first time with you. I was very happy with the result. In spite of the problem faced due to COVID and other matters you have done one thing very nicely i.e. reduction in Debt. On page 26 we had a debt of Rs. 73 Crores and debt at the end of the year is Rs.23 Crores. This is a nice thing what you have done in this difficult period. Success is the time to redefine our goal and setback is the time to redefine our method and this is the first step you had taken.

I would like to know whether we will be debt free at the end of the year.

Secondly you had said three priority actions taken by you, Cost Reduction, Product Development and Process optimization and automation. I have understood the first and third point and under product development what are the new product you are going to make. We have already got series of products we are making for the industry in autoaxles and brakes category. When we are talking about the new product whether we have order in hands from any of the company is what I would like to know.

Sir, one year ago you have inaugurated a new axle plant and R&D facility on 14th August, 2019. What is the additional capex incurred therein and in the R&D facility, how many members are there and on ongoing R & D what benefits which are accrued and which will be accruing during the current year?

In this pandemic everybody is in a problematic situation and we are fighting against it everywhere.

I wish you all the Best. Thank you very much.

**Dr. B.N Kalyani:**

Thank you Mr. Kotecha. I will answer the questions after I get all the questions.

**Debadas Panda:**

Sunil Kothari you can ask your question please:

**Sunil Kothari:** Thanks for the opportunity and congratulations. I wanted to convey thanks and congratulations to the team of Automotive Axles Limited. Basically, Mr. Kumaradevan, CFO, Mr. Panda and from Meritor Mr. Thimmaiah and luckily we are getting conference call coverage in every quarter as an Investor. So, thanks for that.

I have sent 3-4 questions. Which you could answer, I would be grateful and thankful. Thanks all and thank you very much.

**Debadas Panda:** Now all the questions received from the shareholders. I request Chairman to answer all the questions.

**Dr. B.N Kalyani:**

Thank you, Mr. Kotecha and thank you Mr. Kothari for your interest in your company. I will first get to the questions asked by Mr. Dinesh Kotecha.

We are a company that never has believed in having too much of debt. It is prudent for a company having certain banking limit which may be useful for any future time. But we can be debt free at any time we need to. We have reasonable cashflow and very little debt.

In terms of your question on Research & Development site, I think one of the good effects of having our own R & D area with testing facility is the ability to develop products that are required. There is a big change happens when Euro-6 norms come into effect. There is change in the whole driveline. Therefore, you are able to see less develop Euro-6 products for the customers with a new driveline. I think we have to wait for our customers in order to sell more Commercial Vehicles in the market and we will see the impact of our product once we see more and more trucks on the road using our products which I think will happen in next one or two quarters.

You had asked the questions on product development. We are doing a lot of work bringing products that will help us to create some kind of relations just like the pure commercial vehicle business. We are working very hard in 2-3 new areas. One of them is constructions and offroad vehicles and constructions equipments. We have some new customers in that area with whom we are developing products. Second area is the declaration of Atmanirbhar Bharat. The new defense policy has come into the country just 2-3 weeks ago. Automotive

Axles Limited will get lot of opportunities through its OEMs to participate in the defense program of its OEM. We have some unique products that are related to this part of the activity and I think we can be pretty much ahead of other people as far as these products are concerned.

Thirdly, at some point in time we will be moving towards electric mobility and also in that area, our partner Meritor have very good strength in terms of Electric Mobility and we are working to see what electric mobility Axle we can bring into India for application. This is as far as product development is concerned.

I have already answered the questions in relation to defense. Let me just say that we are also working on how do we improve our margin on the existing products with technology, cost reductions, value engineering of the products to reduce weights etc. There is a lot of work that is going in new product development and this is really a part of our strategic drive to increase market share as well as to create new product to get a revenue growth in the company. I think once we see the pandemic situation under control, we will start seeing the impact of the New Product Development that we are doing. Of course, one of our strategic pillars is to increase export and we are exploring opportunities with Meritor to see how we can do that but right now I don't know. Because of the pandemic the whole global CV industries and the products going to the CV industries have a problem in demand and I think this has resulted in overcapacity. But hopefully at any point of time things that go down will also go up some time. We are hoping that by the mid of next year we should start seeing growth coming back into this business.

Other question: At current level we can roughly say that we generate about 2 & ½ thousand crores topline. That is the capacity we have currently without too much of difficulty but all depend on demands and lots will depend on our success in New Product Development in the area that I just talked about.

These are the answers to your questions. If anything else is left out please feel free to send us an email and I am sure we will be able to answer any other questions you might have.

With this, I thank all the Members and Directors and operating team for joining this meeting through video conferencing.

I will now authorize Mr. Debadas Panda, Company Secretary, to conduct the voting procedure and conclude the meeting.

E-voting facility will be open on NSDL site for next 15 minutes to enable those Members who have not casted their votes and would like to cast their votes at this AGM.

Results of the votes would be announced to stock exchanges at the earliest and the same would also be available on the website of the Company and NSDL.

With your consent, I and other Board Members would like to leave the meeting and wish all stakeholders, members a safe, well and healthy future.