

AUTOMOTIVE AXLES LIMITED



28th Annual Report 2008-09



KALYANI

A Kalyani ArvinMeritor
Joint Enterprise



MERITORTM

A Heritage of Rockwell Technology

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28th Annual Report 2008-09

Day :	Friday
Date :	15th Jan 2010
Time :	12.30 p.m.
Place :	Registered Office, Mysore

Corporate Information

Board of Directors	Dr. Babasaheb N Kalyani	Chairman Non-Independent & Non-executive Director
	Mr. Larry Dowers	Non-Independent & Non-executive Director (until 2 nd November, 2009)
	Mr. Timothy Earl Joseph Bowes	Non-Independent & Non-executive Director (w.e.f 16 th November, 2009)
	Mr. Bhalachandra B Hattarki	Independent Director
	Mr. B C Prabhakar	Independent Director
	Mr. Prakash C. Bhalerao	Independent Director (w.e.f 16 th November, 2009)
	Mr. Ashok Rao	Whole Time Director
Company Secretary & Compliance Officer	Mr. C K Sabareeshan	
Statutory Auditors	M/s. Deloitte Haskins and Sells (Chennai), Bangalore	
Internal Auditors	M/s. PriceWaterHouseCoopers, Bangalore	
Bankers	Axis Bank Limited BNP Paribas ICICI Bank Limited HDFC Bank Limited State Bank of India State Bank of Mysore Toronto Dominion Bank Citi Bank N.A Punjab National Bank	
Registered Office & Works	Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570018. Ph: 0821-2402452-56, 2402452-55; Website: www.autoaxle.com	
Registrar & Share Transfer Agents:	Alpha Systems Pvt. Ltd #30, Ramana Residency, 4th cross, Sampige Road, Malleshwaram Bangalore Ph: 080-23460815-818; e-mail: alfint@vsnl.com	

Website: www.autoaxle.com **E-mail:** info@autoaxle.com

Ph: 0821-2402452-56, 2402452-55

DIRECTORS' REPORT

Dear Member,

The Directors take pleasure in presenting the Twenty-Eighth Annual Report together with the Audited Statements of Accounts of the Company for the financial year ended September 30, 2009.

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

The turn over comprising gross sales (inclusive of duty and taxes) and profit decreased dramatically as shown below:

(Rs. in Million)

Current Year	Previous Year	% drop
2907.99	8479.60	65.70

Net Profit:

(Rs in Million)

	Current Year	Previous Year
Profit for the year before Taxation	126.69	854.30
Provision for Taxation-Current/Deferred/Fringe Benefit Tax	30.07	296.45
Net Profit	96.61	557.85
Balance of Profit from Previous Year after adjusting transitional provision for deferred tax	1,167.01	779.99
Profit available for appropriation	1,263.63	1,337.84
Appropriations :		
Dividend for the year	41.29	98.23
Tax on dividend	7.01	16.69
Transfer to General Reserve	9.66	55.90
Surplus retained in Profit & Loss Account	1,205.66	1,167.02

Management Discussion & Analysis furnished separately carries a detail analysis of the performance during the year under report.

2. Capital expenditure

Owing to the severe downturn in the addressed market, your company had to freeze all capital expenditure, aimed at capacity increase, but did authorize capital expenditure aggregating to Rs.16.82 Mn towards new products and product upgrades that were considered required to either penetrate product segments or retain market share.

3. Dividend

The Directors recommend a total dividend of Rs. 2.70 per share of Rs.10/- each for the year 2008-09 being 50% of PAT including Dividend Distribution Tax. This aggregates to Rs. 48.31 Million.

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

4. Directors:

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

In the casual vacancy that arose by the resignation of Mr. Larry Dowers, effective 02.11.2009, Mr. Prakash C. Bhalerao was appointed an Independent Director in accordance with Section 262 of the Companies Act, 1956 w.e.f. 16.11.2009. He holds office up to the date which Mr.Larry Dowers would have held office but for his resignation.

Arvin Meritor has, in exercise of powers conferred under Clause 113 of Article of Association of the Company and as permitted under Section 255 of the Companies Act, 1956 appointed Mr. Timothy Earl Joseph Bowes, Non-retiring Director w.e.f 02.11.2009.

Your Directors wish to place on record their appreciation for the valuable contribution made by Mr. Larry Dowers during his tenure on the Board.

5. Directors' Responsibility Statement:

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

- In the preparation of the annual accounts for the year under report, the applicable accounting standards have been followed;
- The Directors have selected such accounting policies and applied them consistently and make judgments and estimates that are



reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.

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

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

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

7. Particulars of Employees

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

8. Auditors:

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

9. Acknowledgements:

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

For and on behalf of the Board of Directors

Place : Mysore
Date : 16.11.2009

B.N. Kalyani
Chairman

ANNEXURES TO DIRECTORS' REPORT ANNEXURE - A

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

A. Conservation of Energy :

(a)	Energy conservation measures taken in 2008-09	<ol style="list-style-type: none"> 1. Elimination of Idle running of machines (fume killers, chilling units, fresh air units) across the plant. 2. Installation of Temperature Controller for Cooling Tower to regulate the running of the fan. 3. Auto control for shop and peripheral lightings 4. Auto shut down software on all stand alone PCs. 5. All Pumps and Blowers controlled through VFD & Auto Logic 6. Max Demand maintained within 2470 KVA 7. Surrendering of additional special concession units provided by electricity board.
(b)	Additional investments and proposals, if any, being implemented for reduction of consumption of energy for the year 2009-10	<ol style="list-style-type: none"> 1. Electrical panel with VFD for Paint booth -Rs.0.8 Mn 2. Conversion of power intensive Metal Halide lightings to energy efficient lightings - Rs.0.75 Mn 3. VFD Panels to cooling towers - Rs.0.6 Mn 4. Heat recovery from additional furnace to Painting Shop - Rs.4.2 Mn 5. Coolant recovery treatment plant - Rs.1.4 Mn
(c)	The impact of the measures at (a) & (b)	<p>I</p> <ol style="list-style-type: none"> 1. The total energy cost saving during the year aggregate to Rs.4.44 Mn due to the energy conservation initiatives taken during the year 2008-09 (Point 1 to 7 in (a)) 2. LPG cost savings of Rs.1.44 Mn/annum on account of installation of Magnetic Resonators to the Furnace (3% lower LPG consumption). <p>II</p> <ol style="list-style-type: none"> 1. The total energy cost saving will be Rs.2.05 Mn/annum when measures listed in 1 to 3 of (b) implemented fully. 2. Saving of Rs. 1.92 Mn per annum on account of LPG Saving of approx. 60 MT per annum. (Point No.4) 3. Savings of Rs. 0.5 Mn/annum on account of coolant usage by ozone treatment process (Point No.5)
(d)	Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedules there to	NA

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

1.	Specific areas in which R & D carried out by Company	<ul style="list-style-type: none"> ➤ Introduction of Upgraded Axles for Mining / Off Highway application. ➤ Progressive migration from conventional Gear cutting system to face hob dry cutting system.
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2.	Benefits derived as a result of the above R & D	<ul style="list-style-type: none"> > Upgraded Axles when used after testing / validation, will provide better performance in their respective segments for the harsh mining / off highway applications. The additional performance (15%+) is available to the customer at affordable price. > More than 50% of the high runner gear part numbers have been migrated to Face Hob Dry Cutting system
3.	Future plan of action	> Development of New High Performance Brakes (15%+) for ICV segment.
4.	Expenditure on R & D	
	a. Capital	Rs. 3 Million
	b. Recurring	Nil
	c. Total	Rs. 3 million
	d. Total R & D expenditure as a percentage to total turnover	0.10%

II. Technology Absorption, Adaptation and Innovation :

1.	Efforts in brief, made towards technology absorption, adaptation and innovation	2.	Benefits derived as a result of the efforts, e.g., product improvement, cost reduction, product development and import substitution, etc
a)	2 Speed Axle indigenization in Progress	a)	Cost effective solution to decrease turn around time /increase vehicle utilization at improved fuel performance levels

3.	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.			
	Technology imported (Product)	Year of Import	Has technology been fully absorbed	If not fully absorbed areas where this has not taken place, reasons there for and future plan of action
	Not applicable			

III. Foreign Exchange Earnings and Outgo :

a.	Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans	NIL
b.	Total Foreign Exchange used and Earned: Used Earned	Rs. 139.86 million Nil, as all the sales for export are routed through Meritor HVS (India) Ltd in local currency

For and on behalf of the Board of Directors

Place : Mysore
Date : 16.11.2009

B.N. Kalyani
Chairman

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ANNEXURE - B

Information required as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the ended 30th September, 2009

Name	Age	Qualification & Experience	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Date of Commencement of Employment	Particulars of last Employment	
						Name of the Organisation	Designation and period
Mr. Ashok Rao	45	M.S (Mfg Engineering) 19 Years	President & Wholetime Director	5,637,362	21.06.1999	MICO, Bangalore,	Deputy General Manager, 7 years
Mr. C K Sabareeshan	54	B.Sc., ACA, ACS 29 years	Chief Financial Officer & Company Secretary	4,762,693	06.01.1994	Tata Keltron Ltd., Chennai,	Financial Controller & Company Secretary, 1 year
Mr. N. Muthukumar	44	M.Sc. (Polymer & Rubber Technology), MBA (International Marketing) 22 years	General Manager - Operations	2,399,496	16.04.2008	TTK-LIG Limited, Chennai	Vice President (Operations), 6 years

Notes:

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

For and on behalf of the Board of Directors

Place : Mysore
Date : 16.11.2009

B.N. Kalyani
Chairman



MANAGEMENT DISCUSSION & ANALYSIS

Economy

The year 2008-09 (Apr 08-Mar 09) ended with a reviving Gross Domestic Product growth rate of 6.7%. The agriculture component of the GDP was low and dipped into negative growth in the 3rd quarter while the manufacturing growth declined in the 3rd and 4th quarters due to global economic meltdown. The services sector remained string and stable at 9% through the year. The developing markets seem to have been less affected by the global meltdown and at the same time coming out of it sooner than developed nations. The growth estimates for FY10 is being pegged at 6.3%.

Inflation (WPI) numbers remained volatile through the year. Inflation rose to around 13% in Aug'08 from 8% during Apr'08, while fell as low as 0.4% by Mar'09. The fall in inflation was mainly attributed to the economic meltdown and softening of commodities, fuel and food articles. Oil prices also dipped to the lows of USD 40 per barrel from the highs of USD 144 per barrel due to changing economic conditions. The oil price has however recovered to around USD 70 per barrel by Sep'09.

The exchange rate though went to the highs of 1USD=INR50 during early FY09, has weakened to 1USD = INR 46 during fag end of the year, due to inflow of USD consequent to renewed interest by foreign institutional investors in the Indian markets in the wake of market recovery. Though the weakening of US currency has hit the exporting community, government is expected to announce incentives in the event of any further weakening.

Outlook

In the long term we expect the Indian economy restoring to 8-9% GDP growth and the large scale investment planned in infrastructure will result in the Commercial Vehicle industry witnessing healthy growth.

Many international players had put their India specific plans on hold due to the economic slowdown. With market situation improving, these players have revived their plans. The OEMs have already started interacting with the supplier base with RFQs and at the same time are focusing on establishing market and service networks. These new players will not only provide healthy competition to the existing OEMs but will also have plans to introduce the latest technology.

In the short term, also, the CV market started looking up from Aug-Sept 09 onwards, on expectations of the following:

- Rising domestic consumption
- New Emission norms being introduced in April 10 and pre-buying spree by operators, as the vehicle prices are bound to increase
- Improved liquidity situation
- Infusion of fresh capital consequent to market revival

The retarding factors are:

- High oil prices and consequential impact on economy.
- Inflationary pressures and consequential impact on liquidity and interest rates
- High fiscal deficits
- Concerns on extending stimulus package
- Export growth concerns

Market is expected to witness a distinct shift towards higher tonnage vehicles. Existing 4x2 vehicles are being replaced by 6x2 and 8x2 vehicles for their increased load carrying capacity. With improved road infrastructure, markets will also witness switch over to high powered engines.

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Industry Structure & Developments

Commercial Vehicles' Market:

During the year under report, the addressed CV (M &HCV) market fell by an unprecedented level of over 44 % as a result of the Global Financial Crisis and recession in developed economies. The industry also saw a marked shift in the product mix during the downturn. The LCV market especially the below 3.5T market registered growth despite the industry declining as a whole. This was largely due to the

products from Tata Motors (Ace model) and similar models from other manufacturers. The liquidity crunch plays an important role here as financiers were comfortable handing out loans for small vehicles.

Large and heavy truck sales not only suffered from high interest rates but also due to the decision by large fleet owners to postpone the renewal of the fleets due to sudden stoppage of iron ore mining activities for almost one or two quarters.

The performance of M&HCVs during FY2009 is shown below:

Year (Oct-Sep)	2008-09	2007-08	B (W)	% B (W)
M/H C Vehicles	160,362	289,293	(128,931)	(45%)
Multi-axle Vehicles	53,200	116,025	(62,825)	(54%)

Segment analysis:

Your Company has two primary segments namely, Domestic and Exports. The following table gives break-up for domestic sales and exports for the reporting period as compared to 2007-08. A report on segmental performance is furnished in Para 13 of Schedule 18 to the Balance Sheet as at 30th September 2009.

(Rs. In Million)

Turnover	2008-09	2007-08	Drop Rate %
Domestic	2,728.56	7,453.77	63.39%
Exports	188.78	1,076.13	82.45%

Domestic:

Ashok Leyland production dipped to a larger extent as compared to Tata Motors. This was due to high inventory at Ashok Leyland and also due to a relatively higher regional exposure of Ashok Leyland. Meritor's presence in the heavier end of the CV market made us vulnerable to the credit crunch as finance firms refused loans to fleet owners who themselves were skeptic of investing in fleet renewal.

The economic slow down has challenged all auto and commercial vehicle ancillaries to a large extent. The company has embarked upon a major cost-cutting drive to offset certain fixed costs, and thus, plans to maintain current operating margins.

The company has taken this opportunity to explore new market segments and diversify its portfolio of products so as to reduce the effects of cyclic nature of the business. At the same time the company has improved and implemented new project management philosophies so as to reduce internal costs and streamline processes. The company is working towards launching new products which the industry will be using in the future and plans to utilize its technological advantage over its competitors to gain market share, as well improve profit margins. .

Exports:

The global market slowdown has impacted our exports to ArvinMeritor plants. Existing and firm schedules were stopped, we expect this situation to continue in the first half of FY10 and slowly improve towards the financial year end. However the new programs like 177 for China market, improved schedules for 177/160 housings from China and



anticipated improvements in the European markets will improve our exports during FY10.

Opportunities & Threats

Domestic:

Your company's persistent exploration for opportunities even during the difficult period has resulted two or three new products for Bus, Truck and Off-High way segments. While deep drop front steer axle assemblies cater to the low floor bus application, the two-speed axles under introduction would radically change the performance of vehicles both in terms of turnaround time and fuel economics.

The downturn last year, together with enhanced competitor activities, new entrants, besides OEMs taking cautious approach to in-source axles with a view to improve their bottom lines continue to pose threats on your company's market leadership for the current products. Your company has therefore revisited its products strategy to upgrade these products to deliver enhanced performance levels with marginal additional costs.

Exports:

The global market slowdown continues to impact our exports to ArvinMeritor plants. We expect this situation to improve over the next one year and during FY 2010 the company expects to see enhanced level volumes.

Risks & Concerns:

The high commodity prices which prevailed until the early part of 2009 have relented due significant drop in commodity prices. To meet customers' raising expectation of price reductions, your company has intensified its programmes to implement material cost optimization through value engineering and effective supply-chain and inventory management.

The sever downturn last year has haunted all auto ancillaries, especially the small and medium ancillaries to a large extent. The company is revisiting its sourcing strategy to strengthen its supply chain

to be able to meet the growing demand for its products.

Internal Control Systems and their adequacy

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

Human Resources

The year under report was, perhaps, the most challenging for your company in the recent past, not only in terms of the unprecedented business down turn, but also in terms of the resulting issues of managing the employees in such a situation. The task of retaining their confidence in the organization and motivating them to put forth their best efforts to take your company through the difficult time was daunting. We are happy to report that all your employees met the situation in a very mature and level headed manner.

A series of austerity measures were introduced, to reduce the burden on the company. These included salary cuts & suspension of annual and accrued benefits. Extensive communication sessions were convened to explain the business scenario on account of economic recession and the impact on our company. All this had the whole hearted support of your employees who responded admirably. Incidentally the austerity measures were designed with a linkage to the turnover and the Grade. Lower

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turnover attracted higher austerity measures. Similarly the senior management took the highest reductions & progressively the reductions were lower for the Middle and Junior Staff / Workmen.

During the lean quarters, we continued to focus on developing talents through various training programs covering all employees. The training programs not only focused on developing the functional competencies but also on creating systems to improve the performance of marginal & non performers. The lean period training was done with a view to keep people ready to work more effectively & efficiently during busy quarters so that we meet / exceed the customer expectation and the overall efficiency of the organization is also taken to the next level. We are surely on our way to a high performing work culture.

Safety, Health and Environment Management

Safety:

Your company's commitment for adopting best safety practices that earned your company the State Safety Institute's first prize previous year in its category, is leading it towards **Zero Accidents**. To achieve this objective, your company is following the JIPM methodology. The salient features of these practices are as follows:

- This is a two pronged approach of **Prevention of Recurrence of the accidents** occurred by identifying root cause and eliminating the same as well as **Preventing the occurrence of the accidents by Proactive identification** and elimination of potential causes by employees themselves by proper Training.
- All the new entrants, including contract workmen, undergo pre employment SHE training including the Onsite Emergency Plan & Preparedness, Accident prevention, and use of PPE's (Personal Protection Equipments).
- Your company is sustaining the Work permit system for in house service contract jobs and has achieved Zero accidents in that area.

- Your company is up-to-date on all statutory approvals for Storage and Handling of Hazardous materials.
- **On site Mock emergency Drill in Off General shift Hours** which is first of the nature in Mysore area.

Health:

- Classes on Safety, EMS, Onsite emergency, Health awareness were conducted for 919 hrs
- Factory Medical officer was sponsored to undergo post graduation course in occupational health at National Model Centre for occupational health and he has been awarded Associate fellow of Industrial health by Central Labor Institute, Mumbai.
- Health talk by external faculty on Smoking and Heart disease was organized.
- Employees found to have altered lipid levels were counseled individually.
- Physical and Pathological check up for 32 canteen employees conducted. All were found healthy.
- Health profiles emerging from Periodic health check ups are monitored by counseling and appropriate changes to the Nutritious content in the food served in the canteen.

Environment:

- Effluent Treatment Plant (ETP) has been upgraded using old Sewage Treatment Plant (STP) structure for achieving better results.
- Treated sewage from Sewage Treatment Plant (STP) is being used across the plant for gardening & toilet flushing by laying separate pipe line. Raw water consumption has been reduced by 30% due to usage of treated water during the 4th quarter.
- EMS ISO 14001: 2004, Triennial recertification audit was carried out on 16th & 17th March, 2009 & certification is renewed upto 12th April, 2012. Your company was appreciated by M/s. UL for the efforts made in maintaining the



Environment quality & improvements carried out.

- In line with EMS ISO 14001: 2004, training was provided on Internal Audit & Legal Evaluation for all Environmental Core Team (ECT) members, 12 members have been qualified as Internal Auditor.
- World Environmental Day (WED) was observed on 5th June 2009. On this occasion 150 Nos. of trees were planted in the premises.
- Monthly monitoring of ambient air quality & noise level is being carried out in the shop as well as outside the shop & your company's emission level is well under the stated norm.
- We have taken up an agreement with Ramky Enviro Engineers Limited, Bangalore for disposal of Landfillable Hazardous Waste. In regard to this, we have already disposed 6.02 MT of Phosphate Sludge.

Quality Management System and TPM

Our Quality Management System that is certified to ISO/ TS 16949:2002 has now attained maturity encouraging the company to continue its journey towards World Class Manufacturing. The Quality Management System coupled with Total Productive Maintenance Programme initiated last year, has further strengthened the processes and is driving us to achieve Zero Defect.

The Quality Improvement initiatives are visible through the downtrend of Internal Failure Cost during FY09. The initiatives are further extended to reduce the external failure cost with specific focus on Warranty cost.

Your company is striving towards excellence in all aspects of Business processes with the improvement initiatives implemented with the

participation of all employees across the organization with customer focus.

The focus on Cost reduction with TPM Methodology has given your company a distinct advantage during the year of Down turn, The trend on Key conversion cost indicates an improvement of 10% in spite of a drop in production to the tune of 70%. With the formal announcement of the TPM Pillars the programme is expected to take your company to greater heights of success during the current year.

Financial Ratios

The following table lists out the key financial ratios for 2008-09 and 2007-08

	2008-09 (%)	2007-08 (%)
PBT / Total Income	4.38	11.35
PAT / Total Income	3.57	7.41
Return on Capital employed	4.39	23.06
Return on Net Worth	5.53	32.84
Earnings Per Share Rs.	6.39	36.91
Dividend Pay out Ratio	50.00	20.60

Cautionary Statement

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

REPORT ON CORPORATE GOVERNANCE

Your Company driven by its commitment to sound principles of Corporate Governance, has adopted consistent accounting policies, adequate disclosure practices, and strives for best-in-class Board practices with consistently high standards of corporate conduct to maximize value for every stakeholder.

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

BOARD OF DIRECTORS

Composition of the Board

The Board is chaired by a Non-Executive Chairman, who also represents one of the promoters, and consists of Executive and Non-Executive Directors. The following is the Composition of the Board:

Category	No. of Directors	Percentage to total no. of Directors
1st Oct 2008 - 30th Sep 2009		
Executive Directors	1	20%
Non-Executive Directors - Independent	2	40%
Non-Executive - Others	2	40%
Total	5	100%

Number of Board Meetings

In 2008-09, the Board of the Company met four times on 14th November 2008, 21st January 2009, 24th April 2009 and 22nd July 2009. The maximum gap between any two Board meetings was less than Four months.

Directors' Attendance Record and Directorships

Director	Category	Attendance Particulars			Nos. of Directorships and Committee Memberships in other public companies		
		No. of Board Meetings		Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Dr. B.N. Kalyani	Promoter & Chairman	4	2	No	14	3	1
Mr. Ashok Rao	Executive	4	4	Yes	Nil	Nil	Nil
Mr. B. B. Hattarki	Independent	4	4	Yes	10	5	1
Mr. Prabhakar B.C	Independent	4	4	Yes	1	2	Nil
Mr. Larry Dowers	Non-Executive	4	4	Yes	1	1	Nil



Code of Conduct

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

Information supplied to the Board

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

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

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee of your Board consisted of Mr. B. B. Hattarki (Chairman), Mr. B. C. Prabhakar, and Mr. Larry Dowers. All members of the Audit Committee are financially literate, with one of them having management expertise. Annual General Meeting held on 21st January, 2009 was attended by the Chairman of the Committee, who satisfactorily answered shareholders' queries.

The committee met four times during the year on 13 November 2008, 21st January 2009, 23rd April 2009 and 17th July 2009.

Attendance record of Audit Committee members for 2008-09

Director	Category	Status	No. of Board Meetings	
			Held	Attended
Mr. B. B. Hattarki	Independent	Chairman	4	4
Mr. Prabhakar B.C	Independent	Member	4	4
Mr. Larry Dowers	Non-Executive	Member	4	3*

(* Appointed subsequent to the first meeting, consequent to the passing away of Shri. S.S.Marathe)

AUTOMOTIVE AXLES LIMITED

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

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

Remuneration Committee

The Remuneration Committee consisted of Dr. B.N. Kalyani (Non-executive Director) and Mr. Larry Dowers (Non-executive Director). The Committee reviews the performance and awards the performance bonus to the Whole time Director and Chief Financial Officer of the Company.

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

The Committee met on 5th December 2008 to review the performance for the year ended 30th September 2008 and approved the Performance Bonus payable to the Whole-time Director/Key managerial Personnel for that year.

Remuneration Policy

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

- The remuneration to Executive Director shall be paid according to his contract of employment, and the performance bonus will be based on the review by the committee annually.
- The Non-executive Directors are not paid any remuneration, other than the sitting fee paid to them for the meetings of Board or Committees thereof, attended by them.

Remuneration of Directors

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

Name of Director	Audit Committee Meetings Sitting Fees (INR)	Board Meeting Sitting Fees (INR)	Other Meetings Sitting Fees (INR)	Salaries, performance bonus and perquisites (INR)	Total (INR)
Dr. B. N. Kalyani	N.A	40,000	NIL	NIL	40,000
Mr. B. C. Prabhakar	80,000	80,000	NIL	NIL	160,000
Mr. Larry Dowers	NIL*	NIL*	NIL	NIL	-
Mr. Ashok Rao	N.A	N.A	NIL	5,647,362	5,647,362
Mr. B. B. Hattarki	80,000	80,000	NIL	NIL	160,000

*Mr. Larry Dowers does not claim any sitting fees, being in conformity with Arvin Meritor's Policy for such nominees for attending the meetings.



- The employment of the Executive Director is contractual
- None of the directors is related to any of the directors
- Dr. B.N Kalyani, the Non-executive Director of the company holds 188 shares jointly with his Father and spouse.

Directors with materially significant pecuniary transaction or relationship with the Company

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

Risk Management

Your company's Risk Management System has been periodically reviewed for adequacy and effectiveness by the Audit Committee and the Board, and is now attaining some maturity. This has helped your company to mitigate risks from the recent severe downturn and still prevent its bottom line from going negative. Your company believes that effective Risk Management is critical to sustained growth in a fiercely competitive, fast changing environment which presents a multitude of risks, as it assists in capturing opportunities and mitigating impact from adverse events.

The company's Risk Management Committee, assisted by Chief Risk Coordinators and Risk Coordinators, carries out, periodically, refresher training to enhance further the maturity of the system.

Investors Grievances Committee

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

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

Nature of Complaint	No. of complaints Received	No. of Complaints Redressed
Non receipt of Dividend	5	5
Issue of Duplicate Certificates/Share Certificates	Nil	Nil
Non receipt of Annual Report	2	2
Total	7	7

Secretarial Audit for Reconciliation of Capital

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

General Body Meetings

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

Financial Year	Date	Time	Venue
2005-2006	12th January 2007	12.30 p.m.	Regd. Office of the Company
2006-2007	18th January 2008	12.30 p.m.	Regd. Office of the Company
2007-2008	21st January 2009	12.30 p.m.	Regd. Office of the Company

No special resolutions were passed at any of the three Annual General Meetings mentioned above.

No resolutions were passed through postal ballot at the last Annual General Meeting.

Disclosures

- (a) Materially significant related party transactions
- These are disclosed at Para 14 of Schedule 18 to the Balance Sheet as at 30th September 2009.
- (b) Details of non-compliance by the company, penalties, and strictures imposed on the company by the Stock Exchange or SEBI or any authority, on any matter related to capital markets, during the last three years.
- There was no instance of any penalty/stricture imposed on the company by any authority for non compliance on any matter related to the capital markets during the last three years.
- (c) Disclosures regarding appointment or re-appointment of Directors
- The information relating to the Directors being appointed/re-appointed at the ensuing Annual General Meeting is furnished in the Notice of the Annual General Meetings.

Communication to Shareholders

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



General Shareholder Information

Annual General Meeting	Date & Time : 15th January 2010 at 12.30 p.m. Venue : Registered Office Hootagalli Industrial Area Off Hunsur Road, Mysore						
Financial Year	1st October 2008 to 30th September 2009						
Record Date and Book Closure Dates	13.01.2010 to 15.01.2010 (both days inclusive).						
Dividend Payment Date	14.02.2010						
Listing	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra East, Mumbai-400 051 The Company confirms that the annual listing fees for the year 2009-10 have been paid to both the stock exchanges.						
Stock Codes	BSE - 505010 NSE-AUTOAXLES Demat ISIN Number: INE449A01011						
Stock Data	Monthly High and Low price at which the shares of the Company were traded at the BSE and NSE are given below:						
	Month	BSE			NSE		
		High (Rs.)	Low (Rs.)	No. of Shares Traded	High (Rs.)	Low (Rs.)	No. of Shares Traded
	October, 2008	245.00	129.95	41409	244.00	123.70	57572
	November, 2008	170.00	86.00	41974	164.80	86.55	51644
	December, 2008	110.00	78.05	84535	114.00	81.00	50749
	January, 2009	124.90	81.20	30425	134.60	78.65	48423
	February, 2009	87.95	74.05	13730	89.95	72.65	25135
	March, 2009	87.00	70.25	25534	87.00	72.05	22385
	April, 2009	117.95	85.85	76064	111.00	83.10	102336
	May, 2009	166.90	99.05	49596	164.00	97.80	56386
	June, 2009	166.00	128.15	40590	163.80	130.10	84348
	July, 2009	217.45	126.30	683420	195.00	120.15	246467
	August, 2009	252.90	190.75	104474	254.10	200.00	129687
	September, 2009	285.00	240.10	50290	286.50	246.00	34858

AUTOMOTIVE AXLES LIMITED

Share Transfer System	<p>In compliance with the SEBI circular dated 27th December 2002, requiring share registry in terms of both physical and electronic mode to be maintained at a single point, the company has appointed M/s. Alpha Systems Pvt Ltd., Ramana Residency, 4th Cross, Malleshwaram, Bangalore 560 003, as its Registrar and Share Transfer Agents.</p> <p>Company's shares are traded on the Stock Exchanges compulsorily in demat mode.</p>																							
Shareholding pattern as on 30th September 2009																								
Pattern of shareholding by ownership			Pattern of shareholding by share class																					
Ownership	No. of Shares held	Share Holding %	Category	No. of Share holders	No. of Shares held	Share Holding %																		
Promoters	10735081	71.04	Upto 500	9239	597875	3.96																		
Non Promoter (Public)			501 to 1000	162	121627	0.80																		
Bodies Corporate	1530440	10.13	1001 to 2000	103	147171	0.97																		
Financial Institutions / Banks	153	0.00	2001 to 3000	29	70715	0.47																		
Foreign Institutional Investors	83476	0.55	3001 to 4000	10	35432	0.23																		
Non Resident Indians / OCB	42886	0.28	4001 to 5000	12	55697	0.37																		
Mutual Fund	1569344	10.38	5001 to 10000	15	119454	0.79																		
Others	1150595	7.61	10000 & above	21	13964004	92.40																		
Total	15111975	100	Total	9591	15111975	100																		
Dematerialisation	<p>The Company's Equity Shares are under compulsory demat trading.</p> <p>As on 30th September 2009, dematerialised shares accounted for 63.36% of total equity.</p>																							
Details of Public funds obtained in the last three years	Nil																							
Outstanding warrants and their implications on Equity	There are no outstanding warrants.																							
Plant Locations	Hootagalli Industrial Area Off Hunsur Road, Mysore 570 018																							
Investor Correspondence address:	<p>Shareholders are requested to post their requests/grievances to email ID sec@autoaxle.com, to get their requests/grievances redressed immediately. Also, mention the contact number in the mails so that, in case required, the shareholder can be contacted instantly.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Company</td> <td style="width: 50%;">Share Transfer Agents</td> </tr> <tr> <td>Secretarial Department</td> <td>Alpha Systems Pvt. Ltd</td> </tr> <tr> <td>Automotive Axles Limited</td> <td>Ramana Residency, 4th Cross</td> </tr> <tr> <td>Hootagalli Industrial Area</td> <td>Sampige Road,</td> </tr> <tr> <td>Off Hunsur Road</td> <td>Malleshwaram</td> </tr> <tr> <td>Mysore 570 018</td> <td>Bangalore - 560 003</td> </tr> <tr> <td>Phone : 2402582 - 86 (5 lines)</td> <td>Phone : 2340815-818</td> </tr> <tr> <td>Fax : 2402451, 2402217</td> <td>Fax : 23460819</td> </tr> <tr> <td>E-Mail : sec@autoaxle.com</td> <td>E-mail : alfint@vsnl.com</td> </tr> </table>						Company	Share Transfer Agents	Secretarial Department	Alpha Systems Pvt. Ltd	Automotive Axles Limited	Ramana Residency, 4th Cross	Hootagalli Industrial Area	Sampige Road,	Off Hunsur Road	Malleshwaram	Mysore 570 018	Bangalore - 560 003	Phone : 2402582 - 86 (5 lines)	Phone : 2340815-818	Fax : 2402451, 2402217	Fax : 23460819	E-Mail : sec@autoaxle.com	E-mail : alfint@vsnl.com
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CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

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

1. We have reviewed the financial statements and the cash flow statement for the year ended 30th September 2009 and to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of knowledge and belief, no transactions entered into by Automotive Axles Limited during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We are responsible for establishing and maintaining internal controls for financial reporting in Automotive Axles Limited and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, which we are aware and the steps we have taken or proposed to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee:
 - a) significant changes in internal control over financial reporting during the year;
 - b) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - c) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.
5. We affirm that we have not denied any personal access to the Audit Committee of the Company (in respect of matters involving alleged misconduct)
6. We further declare that all Board members and senior management have affirmed compliance with the code of conduct for the current year.

Place : Mysore
Date : 16.11.2009

Ashok Rao
President &
Whole time Director

CK Sabareeshan
Chief Financial Officer &
Company Secretary

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

TO

The Members of Automotive Axles Limited

I have examined the compliance of conditions of Corporate Governance by Automotive Axles Limited for the year ended 30th September 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

Based on such a review, in my opinion, the Company has not complied with the requirements related to the composition of the Board under Clause 49 A (ii) which provides as follows:

Where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.

The Board of Directors of the company comprises of a Non Executive promoter Chairman and the number of independent directors is less than half of the Board.

Further, in my opinion, the Company has complied with all other conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Place : Mysore
Date : 09.11.2009

Nimmoo Kinger
CP No. 2775



AUDITORS' REPORT

TO THE MEMBERS OF AUTOMOTIVE AXLES LIMITED

1. We have audited the attached Balance Sheet of **AUTOMOTIVE AXLES LIMITED (the "Company")** as at September 30, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of the written representations received from the directors of the Company, as at September 30, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2009 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2009;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

V.SRIKUMAR
Partner
No.84494

Place : Bangalore
Date : 16.11.2009

ANNEXURES TO THE AUDITORS' REPORT (Referred to in paragraph 3 of our report of even date)

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

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

V. Srikumar
Partner
M. No. 84494

Place : Bangalore
Date : 16.11.2009



BALANCE SHEET AS AT 30TH SEPTEMBER 2009

	Schedule No.	2009 Rs.	2008 Rs.
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	151,119,750	151,119,750
b) Reserves & Surplus	2	1,596,089,987	1,547,782,739
		1,747,209,737	1,698,902,489
2. Loan Funds			
a) Secured Loans	3	334,968,312	565,687,810
b) Unsecured Loans	4	119,184,071	155,033,794
		454,152,383	720,721,604
3. Deferred tax liability (Net)		141,700,652	140,250,000
TOTAL		2,343,062,772	2,559,874,093
APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block at cost		2,756,210,597	2,735,095,830
b) Less : Accumulated Depreciation		1,305,057,370	1,127,998,848
c) Net Block		1,451,153,227	1,607,096,982
d) Capital work-in-progress - at cost (includes capital advances Rs.7,613,885/-) [PY Rs.28,491,359/-]		71,074,922	79,613,324
		1,522,228,149	1,686,710,306
2. Current Assets , Loans & Advances			
a) Current Assets			
Inventories	6	599,660,539	875,129,831
Sundry Debtors	7	671,599,461	651,004,904
Cash and Bank	8	86,677,370	192,028,587
b) Loans & Advances	9	97,746,856	162,385,631
		1,455,684,226	1,880,548,953
Less : Current Liabilities & Provisions			
a) Current Liabilities	10	554,217,358	853,610,584
b) Provisions	11	80,632,245	153,774,582
		634,849,603	1,007,385,166
Net Current Assets		820,834,623	873,163,787
TOTAL		2,343,062,772	2,559,874,093
Significant Accounting Policies and Notes to Balance Sheet and Profit & Loss Account	18		

The Schedules referred to above from an integral part of the Balance Sheet

As per our report of even date attached

For DELOITTE HASKINS & SELLS

Chartered Accountants

V. Srikumar

Partner

Membership No. : 84494

B.N.Kalyani

Chairman

On behalf of the Board of Directors

Ashok Rao

President and

Wholetime Director

C.K. Sabareeshan

Chief Financial Officer

& Company Secretary

Place : Bangalore

Date : 16.11.2009

Place : Mysore

Date : 16.11.2009

AUTOMOTIVE AXLES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2009			
	Schedule No.	2009 Rs.	2008 Rs.
INCOME			
Sales - Gross		2,907,992,368	8,479,599,543
Less: Excise Duty		244,949,984	1,011,118,225
		2,663,042,384	7,468,481,318
Other Income			
- Operational	12	9,343,378	50,664,440
- Others	13	32,365,240	8,571,885
		2,704,751,002	7,527,717,643
EXPENDITURE			
Raw Materials Consumed	14	1,754,148,545	5,214,018,254
(Increase)/Decrease In Stock of Finished Goods & Work-in-Process	15	58,565,127	14,990,233
Manufacturing, Administration & Selling Expenses	16	533,499,600	1,171,608,390
Interest	17	46,874,483	63,858,774
Depreciation		184,972,134	208,937,965
		2,578,059,889	6,673,413,616
Profit before Tax		126,691,113	854,304,027
Provision for Taxation			
Current Tax			
- for Current year		44,645,000	284,000,000
- for Earlier year		(16,798,724)	-
Deferred Tax		1,450,652	10,650,000
Fringe Benefit Tax		779,689	1,800,000
Profit after Tax		96,614,496	557,854,027
Add : Balance brought forward from previous year		1,167,019,478	779,987,109
Profit available for appropriation		1,263,633,974	1,337,841,136
APPROPRIATIONS			
Proposed Dividend		41,290,011	98,227,838
Tax on Dividend		7,017,237	16,693,820
Transfer to General Reserve		9,661,450	55,900,000
Surplus carried to Balance Sheet		1,205,665,276	1,167,019,478
No. of weighted average Equity Shares		15,111,975	15,111,975
Basic and Diluted Earnings per Equity Share (Rs.) (Face value of Rs. 10/- per share)		6.39	36.91
Significant Accounting Policies and Notes to Balance Sheet and Profit & Loss Account	18		
The Schedule referred to above from an integral part of the Profit and Loss Account As per our report of even date attached For DELOITTE HASKINS & SELLS Chartered Accountants			
		On behalf of the Board of Directors	
V. Srikumar Partner Membership No. : 84494	B.N.Kalyani Chairman	Ashok Rao President and Wholetime Director	C.K. Sabareeshan Chief Financial Officer & Company Secretary
Place : Bangalore Date : 16.11.2009	Place : Mysore Date : 16.11.2009		



CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2009

	2009		2008	
	Rs.	Rs.	Rs.	Rs.
I) Cash Flow From Operating Activities				
A) Net Profit Before Tax and Extraordinary Items		126,691,113		854,304,027
B) Adjustments				
Add : Depreciation	184,972,134		208,937,965	
Unrealised Exchange Loss	6,116,332		44,959,361	
Interest Expense	46,874,483	237,962,949	63,858,774	317,756,100
		364,654,062		1,172,060,127
Less :				
Liabilities written back	26,193,768		530,306	
Profit on sale of asset (net)	(88,253)		1,569,668	
Interest Income	3,831,832	29,937,347	649,152	2,749,126
Operating Profit Before Working Capital Changes		334,716,715		1,169,311,001
C) Adjustments for				
Inventory	275,469,292		(114,878,001)	
Sundry Debtors	(20,594,557)		261,577,292	
Loans & Advances	104,375,315		11,767,099	
Current Liabilities & Provisions	(267,413,514)	91,836,536	(112,755,132)	45,711,258
D) Cash Generated From Operations		426,553,251		1,215,022,259
Advance Tax (Net of refunds)		(77,424,395)		(235,233,502)
E) Net Cash From Operating Activities		349,128,856		979,788,757
II) Cash Flow From Investing Activities				
Purchase of Fixed Assets (Net of exchange fluctuation capitalised & assets acquired on finance lease & including Capital Work-In-Progress)		(28,940,840)		(380,372,554)
Sale of Assets		8,362,604		1,839,612
Interest Income		3,831,832		649,152
Net Cash Used in Investing Activities		(16,746,404)		(377,883,790)

AUTOMOTIVE AXLES LIMITED

	2009		2008	
	Rs.	Rs.	Rs.	Rs.
III) Cash Flow From Financing Activities				
A) Inflow				
Proceeds From Long Term Borrowings		-		158,963,241
Proceeds From Short Term Borrowings		-		493,537,527
		-		652,500,768
B) Outflow				
Repayment of Long Term Borrowings		(253,197,888)		(229,910,026)
Repayment of Short Term Borrowings		(19,487,665)		(765,983,172)
Dividend & Tax on Dividend		(114,855,486)		(114,989,585)
Interest Paid		(50,192,630)		(66,396,880)
		(437,733,669)		(1,177,279,663)
Net Cash Used in Financing activities		(437,733,669)		(524,778,895)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(105,351,217)		77,126,072
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		192,028,587		114,902,515
CASH AND CASH EQUIVALENTS AT END OF PERIOD		86,677,370		192,028,587

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

2. Cash and cash equivalents at the end of the year include balances with Scheduled Banks in unpaid Dividend accounts Rs. 3,402,315/- (Previous Year Rs. 3,336,145/-)

As per our report of even date attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

On behalf of the Board of Directors

V. Srikumar
Partner
Membership No. : 84494

B.N.Kalyani
Chairman

Ashok Rao
President and
Wholetime Director

C.K.Sabareeshan
Chief Financial Officer
& Company Secretary

Place : Bangalore
Date : 16.11.2009

Place : Mysore
Date : 16.11.2009



SCHEDULES FORMING PART OF THE ACCOUNTS				
SCHEDULE - 1 SHARE CAPITAL		2009 Rs.	2008 Rs.	
Authorised: 23,000,000 Equity Shares of Rs.10 each 2,000,000 Preference Shares of Rs.10 each		230,000,000	230,000,000	
		20,000,000	20,000,000	
		250,000,000	250,000,000	
Issued, Subscribed & Paid up : 15,111,975 (Previous Year 15,111,975) Equity Shares of Rs.10 each fully paid up		151,119,750	151,119,750	
		151,119,750	151,119,750	
SCHEDULE - 2 RESERVES & SURPLUS		2009 Rs.	2008 Rs.	
Share Premium as per last Balance Sheet		115,588,500	115,588,500	
General Reserve				
As per last Balance sheet	265,174,761		209,274,761	
Add: Transfer from Profit & Loss Account	<u>9,661,450</u>	274,836,211	<u>55,900,000</u>	265,174,761
Surplus in Profit & Loss Account		1,205,665,276		1,167,019,478
TOTAL		1,596,089,987		1,547,782,739
		2009 Rs.	2008 Rs.	
SCHEDULE - 3 SECURED LOANS				
From Financial Institutions				
-Finance Lease Obligations (Includes amounts due within one year Rs. 677,306/- previous year Rs.885,132/-)		1,537,061		2,200,145
From Banks				
-Foreign Currency Term Loans (Includes amounts due within one year Rs. 24,056,250/- previous year 79,147,500/-)		24,056,250		104,625,000
-Rupee Term Loans (Includes amounts due within one year Rs.138,333,332/- previous year Rs. 123,000,000/-)		309,375,001		439,375,000
-Working Capital Borrowings		-		19,487,665
TOTAL		334,968,312		565,687,810
<ol style="list-style-type: none"> Foreign currency term loan of Rs. 24,056,250/- (Previous year Rs.104,625,000/-) is secured by first charge on the entire Plant & Machinery of the Company. Rupee Term loan of Rs. 309,375,001/- (Previous year Rs.439,375,000/-) secured by a first pari-passu charge by hypothecation of the Plant and Machinery of the Company. Working Capital Borrowings include : Working capital facilities from banks and financial institutions of Rs.NIL (Previous year Rs.19,487,665/-) secured by a first charge ranking pari-passu inter-se, by way of hypothecation of current asset. Finance lease obligations are secured by assets purchased under the respective agreements. 				

AUTOMOTIVE AXLES LIMITED

SCHEDULE - 4 UNSECURED LOANS	2009 Rs.	2008 Rs.
From Bank Foreign Currency Term Loans (Includes amounts due within one year Rs. 41,225,893/- previous year Rs.39,071,192/-)	119,184,071	155,033,794
TOTAL	119,184,071	155,033,794

SCHEDULE - 5 FIXED ASSETS

(In Rupees)

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.10.2008	Additions/ Adjustments during the year	Disposals/ Adjustments during the year	As at 30.09.2009	Upto 30.09.2008	For the year	Adjustments during the year	As at 30.09.2009	As at 30.09.2009	As at 30.09.2008
Land - Freehold	3,832,366	-	-	3,832,366	-	-	-	-	3,832,366	3,832,366
Building	210,702,655	9,124,959	-	219,827,614	45,638,719	7,726,813	-	53,365,532	166,462,082	165,063,936
Plant & Machinery	2,471,152,228	26,398,381	13,162,841	2,484,387,768	1,051,456,184	172,436,504	4,957,163	1,218,935,525	1,265,452,243	1,419,696,045
Furniture & office equipment Vehicles	42,240,771	1,955,902	2,554,349	41,642,324	27,009,286	4,003,561	2,507,562	28,505,285	13,137,039	15,231,485
- Own Vehicle	3,002,906	-	-	3,002,906	2,336,502	218,482	-	2,554,984	447,922	666,404
- Finance Lease	4,164,904	-	647,285	3,517,619	1,558,157	586,774	448,887	1,696,044	1,821,575	2,606,746
Total	2,735,095,830	37,479,242	16,364,475	2,756,210,597	1,127,998,848	184,972,134	7,913,612	1,305,057,370	1,451,153,227	1,607,096,982
Capital work in progress (a)									71,074,922	79,613,324
Total									1,522,228,149	1,686,710,306
Previous Year	2,331,610,968	444,565,278	41,080,416	2,735,095,830	959,871,355	208,937,965	40,810,472	1,127,998,848	1,686,710,306	

(a) During the year, a sum of Rs.359,726/- (Previous Year - Rs.3,062,151/-) being interest on Borrowings attributable to qualifying assets have been capitalised under the head Plant & Machinery.

SCHEDULE - 6 CURRENT ASSETS	2009 Rs.	2008 Rs.
Inventory (at the lower of cost and net realisable value)		
Raw materials & Components	372,360,517	565,657,953
Work-in-process	125,015,696	137,938,152
Finished goods	30,554,982	86,063,039
Stores & Spares	71,729,344	85,470,687
	599,660,539	875,129,831



SCHEDULE - 7	2009		2008
SUNDRY DEBTORS	Rs.		Rs.
(Unsecured)			
Over Six months			
- Considered good	-		4,271,768
- Considered doubtful	899,986		-
Others			
- Considered good	671,599,461		646,283,136
- Considered doubtful	-		-
	672,499,447		651,004,904
Less: Provision for Doubtful debts	(899,986)		-
	671,599,461		651,004,904
Includes amounts due from Meritor HVS (India) Ltd, a Company under the same Management.	622,760,196		575,479,320

SCHEDULE - 8	2009		2008
CASH AND BANK BALANCES	Rs.		Rs.
Cash on hand	65,240		146,333
Cheques on hand	9,869,513		41,207,534
Bank Balances			
With Scheduled Banks			
- in Current accounts	74,542,617		20,674,720
- in Fixed Deposits	2,200,000		130,000,000
	86,677,370		192,028,587

SCHEDULE - 9	2009		2008
LOANS & ADVANCES - Considered good	Rs.		Rs.
Advances recoverable in cash or in kind or for value to be received	50,409,097		153,985,278
Deposits with Govt. Authorities	7,110,124		7,887,658
Balances With Customs & Central Excise Dept.	53,323		53,323
Deposits - Others	437,772		459,372
Advance Income Tax	886,337,695	-	-
Less: Provision for Income Tax	(846,775,804)	39,561,891	-
Advance Fringe Benefit Tax	7,322,479	-	-
Less : Provision for Fringe Benefit Tax	(7,147,830)	174,649	-
TOTAL	97,746,856		162,385,631
Note :-			
1. Of the above			
-Secured	-		-
-Unsecured	97,746,856		162,385,631
TOTAL	97,746,856		162,385,631
2. Advances recoverable includes amounts due from Meritor HVS (India) Ltd, a Company under the same Management.	-		-
Maximum amount outstanding during the year	13,525		64,222

AUTOMOTIVE AXLES LIMITED

SCHEDULE - 10 CURRENT LIABILITIES	2009 Rs.		2008 Rs.
Sundry Creditors			
- Micro, Small & Medium Scale Enterprises	20,073,076		4,086,186
- Others	495,620,923		575,012,578
Other Liabilities	24,527,453		98,116,007
Interest accrued but not due on loans	3,758,318		7,076,465
Unpaid Dividend #	3,402,315		3,336,145
Bills Payable	-		163,086,797
Advances received	6,835,273		2,896,406
TOTAL	554,217,358		853,610,584
# There is no amount due and outstanding as at the Balance sheet date to be credited to the Investor Education and Protection Fund			
SCHEDULE - 11 PROVISIONS	2009 Rs.		2008 Rs.
Provision for Employee Benefits	17,077,268		16,018,152
Warranty	14,032,968		13,772,882
Other Provisions	1,214,761		-
Provision for Income Tax	-	962,047,369	
Less: Advance Income Tax	-	(953,121,141)	8,926,228
Provision for Fringe Benefit Tax	-	6,368,141	
Less: Advance Fringe Benefit Tax	-	(6,232,479)	135,662
Proposed Dividend	41,290,011		98,227,838
Tax on Proposed Dividend	7,017,237		16,693,820
TOTAL	80,632,245		153,774,582
SCHEDULE - 12 OPERATIONAL INCOME	2009 Rs.		2008 Rs.
Jobbing Charges	565,965		3,638,837
Scrap Sales	25,418		45,778
Others	8,751,995		46,979,825
TOTAL	9,343,378		50,664,440
SCHEDULE - 13 OTHER INCOME	2009 Rs.		2008 Rs.
Profit on sale of assets (net)	-		1,569,668
Interest (Tax deducted at source Rs. 834,445/- Previous year - Rs.37,441/-)	3,831,832		649,152
Provisions written back	26,193,768		530,307
Miscellaneous Income	2,339,640		5,822,758
TOTAL	32,365,240		8,571,885
SCHEDULE - 14 RAW MATERIAL CONSUMED	2009 Rs.		2008 Rs.
Opening Stock	565,657,953		453,435,105
Add: Purchases		5,625,746,507	
1,636,641,022		299,505,405	
Less : Cash Discount	1,560,851,110		5,326,241,102
75,789,912	2,126,509,063		5,779,676,207
Less: Closing Stock	372,360,518		565,657,953
TOTAL	1,754,148,545		5,214,018,254



SCHEDULE - 15 (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS & WORK-IN-PROCESS	2009 Rs.	2008 Rs.
Closing Stock		
- Finished Goods	30,554,982	86,063,039
- Excise duty on Finished Goods	(1,961,474)	(11,826,860)
- Work-in-process	125,015,696	137,938,152
	153,609,204	212,174,331
Opening Stock		
- Finished Goods	86,063,039	23,576,756
- Excise duty on Finished Goods	(11,826,860)	(2,918,158)
- Work-in-process	137,938,152	206,505,966
	212,174,331	227,164,564
TOTAL	58,565,127	14,990,233
SCHEDULE - 16 MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES	2009 Rs.	2008 Rs.
Payments to and provision for employees:		
-Salaries & Wages	207,805,664	270,723,314
-Contribution to Provident Fund and other funds	17,278,859	24,590,242
-Welfare expenses	17,133,152	33,715,181
	242,217,675	329,028,737
Stores & Spares consumed	57,237,483	199,813,230
Power & Fuel	65,418,264	177,057,817
Rates & Taxes	758,752	820,396
Travelling Expenses	4,545,202	7,967,974
Repairs & Maintenance		
- Buildings	-	-
- Plant & Machinery	34,658,566	79,596,671
- Others	5,115,843	5,184,108
Insurance charges	2,306,667	1,966,682
Postage, Telephone & Telegrams	1,060,476	1,667,776
Vehicle Running Expenses	1,015,117	1,244,573
Directors' Sitting fees	360,000	440,000
Legal and Professional Fees (Refer note 11 of schedule 18)	5,999,944	13,414,029
Technical fees	16,848,453	34,666,831
Bank charges/Commission	2,439,248	1,053,806
Outside Processing Charges	58,745,400	223,157,270
Lease Rent	486,882	494,160
Exchange loss	7,658,425	43,200,530
Warranty	11,170,110	19,923,630
Export Expenses	176,334	6,000,920
Loss on Sale of Assets	88,256	-
Provision for Doubtful Debts	899,986	-
Miscellaneous Expenses	14,292,517	24,909,250
TOTAL	533,499,600	1,171,608,390
SCHEDULE - 17 INTEREST	2009 Rs.	2008 Rs.
Interest on term loans	46,761,038	48,386,416
Interest on Working capital borrowings	113,445	15,472,358
TOTAL	46,874,483	63,858,774

SCHEDULE 18**NOTES FORMING PART OF ACCOUNTS****1. Significant Accounting Policies****a) Accounting convention**

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

b) Use of estimates

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

c) Fixed Assets and Depreciation**(i) Fixed Assets**

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

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

(ii) Depreciation

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

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

- Reconditioned machinery and related Expenditure - as specifically estimated and currently ranging between 3 to 13 Years
- Tools, Jig and Fixtures and Measuring Gauges - As per technical evaluation of their useful life and currently ranging from 1½ to 5 years
- Certain imported machinery - As per technical evaluation of their useful life and currently ranging between 4 to 15 Years.

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

d) Inventories

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



e) Foreign Currency Transactions

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

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

f) Revenue Recognition

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

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

g) Research and Development

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

h) Employee Benefits

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

(ii) Defined Contribution Plan

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

(iii) Defined Benefit Plan

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

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

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

i) Events subsequent to the Balance Sheet date

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

j) Prior period and Extraordinary items

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

k) Income Tax

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

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

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

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

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

l) Cash flow Statement

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

m) Impairment of Assets

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

n) Earnings per Share

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

o) Provision & Contingencies

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

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

2. (a) Installed Capacity: (Product)	UM	As on 30.09.09	As on 30.09.08
Axle Housing (a component of Axle, including Tag Hsg.)	(Nos)	202,000	202,000
Complete Axles	(Nos)	172,000	168,000
Brake Assemblies **	(Nos)	1,248,000	1,248,000
Gear Sets	(MT)	9,552	9,552
(as certified by management and relied upon by the auditors, being a technical matter)			
** Brake Assemblies include sub assemblies			
(b) Actual Production: (Product)	UM	2008-09	2007-08
Axle Housings * (a component of Axle, including Tag Hsg.)	(Nos)	46,842	142,797
Complete Axles	(Nos)	38,262	109,662
Brake Shoe	(Nos)	436,416	883,546
Gear Sets@	(MT)	1,911.69	6,493.40

@ Includes jobbing nil MT (previous year 5.74 MT)

* Actual production of Axle Housings includes 38,262 Nos. used for production of Complete Axles (previous year 109,662 Nos)



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

	2008-09		2007-08	
	Quantity (Nos)	Amount (Rs.)	Quantity (Nos)	Amount (Rs.)
• Axle Housing (Nos)	8,548	139,671,728	33,320	442,990,597
• Axles (Nos)	39,225	2,112,275,643	108,449	6,605,424,943
• Brake Shoe (Nos)	435,965	145,010,965	378,573	138,032,799
• Gear Sets (MT)	1,912	27,250,163	6,437	500,765,732
• Others		483,783,869		792,385,472
		2,907,992,368		8,479,599,543

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

4. Opening and Closing Stock of Finished Goods:

	2008-09		2007-08	
	Quantity (Nos)	Amount (Rs.)	Quantity (Nos)	Amount (Rs.)
Opening Stock:				
• Axle Housing	91	1,018,959	42	451,129
• Axles	1255	74,417,617	276	16,118,008
• Others		10,626,463		7,007,619
		86,063,039		23,576,756
Closing Stock:				
• Axle Housing	123	1,583,177	91	1,018,959
• Axles	292	13,532,323	1255	74,417,617
• Others		15,439,482		10,626,463
		30,554,982		86,063,039

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

5. Raw Materials and Components consumed:

	2008-09		2007-08	
	Quantity (Nos)	Amount (Rs.)	Quantity (Nos)	Amount (Rs.)
• Steel (M.T)	8,068	289,982,804	22,038	909,802,517
• Castings (Nos.)	320,288	247,172,777	879,196	704,775,821
• Forgings (Nos.)	467,743	356,793,795	1,353,353	1,155,458,678
• Bought out Finished Components	-	601,640,900	-	2,095,947,157
• Others	-	258,558,269	-	348,034,081
		1,754,148,545		5,214,018,254

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

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

	2008-09		2007-08	
	Consumption %	(Rs.)	Consumption %	(Rs.)
a) Raw Materials				
• Imported	6	101,258,846	2	113,679,501
• Indigenous	94	1,652,889,699	98	5,100,338,753
	100	1,754,148,545	100	5,214,018,254
b) Stores & Spares				
• Imported	4	2,285,899	3	6,301,290
• Indigenous	96	54,951,584	97	193,511,940
	100	57,237,483	100	199,813,230

AUTOMOTIVE AXLES LIMITED

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

	2008-09	2007-08
	(Rs.)	(Rs.)
i. Raw Material	51,419,226	130,063,177
ii. Consumables & Spares	1,128,470	6,728,972
iii. Capital Goods	40,064,490	58,984,055
	92,612,186	195,776,204

8. Expenditure in Foreign Currency:

	2008-09	2007-08
	(Rs.)	(Rs.)
a) Foreign Travel	207,108	1,865,870
b) Bank Charges	94,994	292,934
c) Others	1,220,332	4,638,810
d) Interest	10,848,041	14,397,317

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

	2008-09	2007-08
	(Rs.)	(Rs.)
a. No. of Non resident Shareholders	1	1
b. No. of equity shares held	5,367,275	5,367,275
c. Amount of dividend paid	34,887,288	34,887,288
d. Year to which dividend relates		
Final Dividend	2007-08	2006-07

10. Managerial Remuneration :

	2008-09	2007-08
	(Rs.)	(Rs.)
Salary & allowances	3,403,017	8,938,462
Contribution to Provident and other funds	427,930	1,321,967
Perquisites	296,495	354,576
	4,127,442	10,615,005

Note: Managerial remuneration for the current year in respect of only one director, as compared to 2 directors in the previous year.

11. Payment to Auditors: (Included in legal and professional fees in schedule 16)

	2008-09	2007-08
	(Rs.)	(Rs.)
As Auditors	1,620,000	1,800,000
In other capacity	505,440	561,600
Service Tax (including Education Cess as applicable)	218,920	291,894
Reimbursement of expenses	217,540	247,213
	2,561,900	2,900,707



12. Employee Benefits :

I. Defined Contribution Plans:

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

Particulars	2008-09 Rs.	2007-08 Rs.
Employer's contribution to Provident Fund including Family Pension Fund* (Excluding administration charges)	10,405,342	14,161,029
Superannuation Fund*	Nil	3,322,726
Employee's State Insurance	1,188,392	3,652,235

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

II. Defined Benefit Plan : Contribution to Gratuity Fund

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

Particulars	30.09.2009	30.09.2008
Discount Rate	7.00%	8.00%
Expected Rate of Return on Plan Assets	7.00%	8.00%
Salary Escalation Rate	5.00%	6.50%

Change in Present Value of Obligation:-

Particulars	30.09.2009	30.09.2008
Opening Present Value of Obligation	43,503,006	41,305,856
Current Service Cost	8,031,627	1,305,724
Interest on Defined Benefit Obligation	2,971,358	3,218,337
Benefits Paid	(2,110,056)	(2,153,283)
Net Actuarial Losses / (Gains) Recognized during the Year	(255,851)	(173,628)
Closing Present Value of Obligations	52,140,084	43,503,006

Change in the Fair Value of Assets:-

Particulars	30.09.2009	30.09.2008
Opening Fair Value of Plan Assets	33,510,518	29,411,010
Expected Return on Plan Assets	2,345,736	2,534,343
Actuarial Gains / (Losses)	3,548,836	(2,971,400)
Contributions by Employer	5,000,000	6,689,848
Benefits Paid	(2,110,056)	(2,153,283)
Closing Fair Value of Plan Assets	42,295,034	33,510,518

Investment Details of Fund Assets:-

Fund	Percentage	30.09.2009 Amount (Rs.)	30.09.2008 Amount (Rs.)
Group Balanced fund	20%	8,339,472	7,062,159
Group Debt Fund	15%	6,362,272	-
Group Growth fund	35%	14,651,634	14,350,273
Group short term Debt fund	30%	12,941,656	12,098,086
Total	100%	42,295,034	33,510,518

AUTOMOTIVE AXLES LIMITED

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

Particulars	30.09.2009	30.09.2008
Closing Present Value of Funded Obligation	52,140,084	43,503,006
Closing Fair Value of Plan Assets	42,295,034	33,510,518
Unfunded Liability	(9,845,050)	(9,992,488)
Unrecognized Actuarial gains (losses)	--	--
Unfunded Net Asset / (Liability) recognised in Balance Sheet	(9,845,050)	(9,992,488)

Amount recognized in the Balance Sheet:-

Particulars	30.09.2009	30.09.2008
Closing Present Value of obligation	52,140,084	43,503,006
Closing Fair Value of Plan Assets	42,295,034	33,510,518
Liability Recognised in Balance Sheet	(9,845,050)	(9,992,488)

Expenses recognized in the Profit & Loss Account:-

Particulars	30.09.2009	30.09.2008
Service Cost	8,031,627	1,305,724
Interest Cost	2,971,358	3,218,337
Expected Return on Plan Assets	(2,345,736)	(2,534,343)
Actuarial Gains / (Losses)	(3,804,687)	(2,797,772)
Net Cost	4,852,562	(808,054)

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

Other Employee Benefits:

Compensated Leave absences benefit expensed in the profit and loss account for the year is Rs.7,232,217/- (Previous Year Rs.3,851,396/-). Liability carried in the Balance Sheet at the year end is Rs.7,232,217/- (Previous Year Rs.4,381,446/-).

13. Segment Reporting

	Domestic	Sale for Exports	Consolidated
	(Rs.)	(Note 2 Below) (Rs.)	(Rs.)
I. Revenue			
Income	2,728,539,043 (7,454,057,646)	188,780,231 (1,076,125,335)	2,917,319,274 (8,530,182,981)
Segment Result	186,720,292 (899,027,881)	22,690,738 (148,151,926)	209,411,030 (1,047,179,807)
Unallocated Expenses net of Unallocated income			35,845,433 (129,01,001)
Operating Profit			173,565,597 (918,162,806)
Interest Expenses			46,874,483 (63,858,779)
Income Taxes			30,076,618 (296,450,000)
Net Profit			96,614,496 (557,854,027)



II. Other Information

Segment Assets	1,232,295,252 (1,419,787,769)	38,964,748 (106,346,966)	1,271,260,000 (1,526,134,735)
Unallocated Assets			2,600,312,549 (3,000,478,144)
Total Assets			3,871,572,549 (4,526,612,879)
Segment Liabilities			
Unlocated Liabilities			2,124,362,812 (2,827,710,390)
Total Liabilities			2,124,362,812 (2,827,710,390)
Depreciation	164,469,368 (159,381,927)	15,310,300 (44,385,842)	179,779,668 (203,767,769)
Depreciation:-Unallocable	-	-	5,192,466 (5,619,964)
Non Cash Charges other than depreciation	-	-	-

- The Company has identified its primary segment as geographical, i.e., domestic and exports. Export Markets have been considered together as the product sold to these markets have comparable risks and rewards.
- Sales for Exports represent export sales channelised through Meritor HVS (India) Limited and includes DEPB.
- There are no Inter-segment Transactions during the year (Previous year None).
- Fixed Assets of the Company have not been identified to the segments as they are common to the segments. Depreciation has been allocated to segments based on standard rates determined by the Company.
- Secondary Segment disclosures have not been furnished as there is only a Single Business Segment.
- Figures in brackets relate to the previous year.

14. Related party transactions :

- List of Related Parties and Relationships

Relationship	Related Parties
(i) Controlling Enterprises	Meritor Heavy Vehicle System LLC., USA Arvin Meritor Inc.,
(ii) Other related parties with whom the Company had transactions :-	
Enterprises under Common Control	Bharat Forge Limited Kalyani Forge Limited Meritor HVS Cameri, SPA, Italy. Meritor HVS India Ltd Meritor HVS, Florence Meritor Automotive Inc, Fletcher, USA Meritor Automotive Inc, Ohio, USA Meritor HVS, Sweden. Meritor Automotive Export Ltd., UK (w.e.f. 12.03.2009) Arvin Meritor China (Wuxi) (w.e.f. 18.03.2009) TRW Automotive U.S. LLC, USA (w.e.f. 02.02.2009)
Key Management Personnel	Dr. B.N. Kalyani Chairman (Non-retiring) Mr. Ashok Rao President and Wholtime Director Mr. C. K. Sabareshan Chief Financial Officer & Company Secretary

AUTOMOTIVE AXLES LIMITED

b. Transactions with Related Parties				
Transactions	Controlling Enterprises	Enterprises under Common Control	Key Management Personnel and their Relatives	Total
1) Purchase of Goods				
Bharat Forge Limited		15,456,504 (207,133,368)		15,456,504 (207,133,368)
Others	3,165,137 (29,110,065)	15,044,243 (5,045,116)		18,209,380 (34,155,181)
	3,165,137 (29,110,065)	30,500,747 (212,178,484)		33,665,884 (241,288,549)
2) Sale of goods				
Meritor HVS (India) Limited		2,496,014,215 (7,987,829,453)		2,496,014,215 (7,987,829,453)
Bharat Forge Limited		16,637,665 (53,148,600)		16,637,665 (53,148,600)
		2,512,651,880 (8,040,978,053)		2,512,651,880 (8,040,978,053)
3) Purchase of Fixed Assets				
Bharat Forge Limited		Nil (16,952,874)		Nil (16,952,874)
		Nil (16,952,874)		Nil (16,952,874)
4) Service Received				
Bharat Forge Limited		48,783,458 (149,521,020)		48,783,458 (149,521,020)
Others	1,220,332 (4,129,848)	26,506,218 (35,176,793)		27,726,550 (39,306,641)
	1,220,332 (4,129,848)	75,289,676 (184,697,813)		76,510,008 (188,827,661)
5) Services Rendered				
Meritor HVS (India) Limited		165,485 (156,052)		165,485 (156,052)
Others		165,485 (156,052)		165,485 (156,052)
6) Other Recoveries				
Meritor HVS (India) Limited		778,293 (163,777)		778,293 (163,777)
		778,293 (163,777)		778,293 (163,777)
7) Trade Advances Paid				
Bharat Forge Limited		1,375,000 (500,000)		1,375,000 (500,000)
		1,375,000 (500,000)		1,375,000 (5,00,000)
8) Advances Recovered				
Bharat Forge Limited		1,975,000 (Nil)		1,975,000 (Nil)
		1,975,000 (Nil)		1,975,000 (Nil)
9) Managerial Remuneration and Sitting Fees				
Mr. Ashok Rao			4,127,442 (6,458,568)	4,127,442 (6,458,568)



Mr. C.K.Sabareeshan	3,394,387	3,394,387
Others	(4,987,726)	(4,987,726)
	40,000	40,000
	(80,000)	(80,000)
	7,561,829	7,561,829
	(11,526,294)	(11,526,294)

Amounts Outstanding at the Balance Sheet Date

10) Amounts Receivable		
Meritor HVS (India) Limited	622,760,196	622,760,196
	(574,524,751)	(574,524,751)
Others	4,489,594	4,489,594
	(1,584,537)	(1,584,537)
	627,249,790	627,249,790
	(576,109,288)	(576,109,288)

11) Amounts Payable		
Bharat Forge Limited	19,962,357	19,962,357
	(34,914,799)	(34,914,799)
Others	Nil	Nil
	2,153,314	2,153,314
	(7,088,640)	(3,227,633)
	(7,088,640)	(17,793,057)
	Nil	Nil
	22,115,671	22,115,671
	(42,391,583)	(3,227,633)
		(52,707,856)

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

15. Taxation

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

	2008-09	2007-08
	Rs.	Rs.
Depreciation & Amortisation	560,945,436	481,900,423
Provision for employee benefits & others	(144,056,198)	(67,968,435)
	416,889,238	413,931,988
Net deferred tax liability relating to the above	141,700,652	140,250,000

(b) **Transfer Pricing:** The Company maintains the information and documents as required under the transfer pricing regulations under Section 92-92F of the Income Tax Act 1961. The management is of the view that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation

16. (a) **Finance Lease:** The lease transactions of the Company represent lease of vehicles on a non-cancelable basis. The minimum lease payments under the various agreements are given below:

	2008-09 (Rs.)	2007-08 (Rs.)
Amount repayable not later than one year	677,306	885,132
Amount repayable later than one year and not later than five years	1,224,720	1,917,685
Amount repayable more than five years	-	10,735
Total	1,902,026	2,813,552
Less: Interest	364,965	613,407
Present value of minimum lease payments	1,537,061	2,200,145

- (b) **Operating Lease:** The Company has taken vehicles for certain employees under operating leases, which expire in the year 2010. Gross rental expenses for the year ended September 30, 2009 aggregated to Rs. 240,852/- (2008-Rs.494,160). The committed lease rental in the future are:

	2008-09	2007-08
Not later than One year	375,480	494,160
Later than one year and not later than five years	40,865	558,635

AUTOMOTIVE AXLES LIMITED

17. Earnings Per Share :		(In Rs. except for No. shares)	
Sl.No.	Particulars	2008-09	2007-08
1.	Profit after tax attributable to ordinary share holders	96,614,496	557,854,027
2.	Weighted average number of shares outstanding during the year	15,111,975	15,111,975
3.	Nominal value of ordinary shares	10	10
4.	Basic and diluted earnings per ordinary share	6.39	36.91

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

Sl. No.	Nature of Expense	Probable outflow estimated within	Provision o/s as on 1st October 2008	Provision made during the period	Provision utilized during the period	Provision reversed during the period	Provision as on 30th September 2009
1	Provision for warranty	One year	13,772,882 (10,705,997)	11,170,110 (19,923,630)	9,124,782 (14,947,197)	1,785,242 (1,909,548)	14,032,968 (13,772,882)
2	Trade Liabilities		12,132,427 (2,086,796)	1,267,180 (10,045,631)	Nil (Nil)	13,399,607 (Nil)	Nil (12,132,427)

(Figures in brackets relate to the previous year)

19. Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided for, Rs. 13,209,563/- (Previous year- Rs.58,923,843/-)

20. Contingent Liability :

- a) Claims against the company not acknowledged as debt for Rs.Nil (Previous year Rs.3,634,573/-).
- b) Company has certain labour disputes which are pending adjudication. The liability that may arise on account of these disputes cannot be reasonably estimated but is not expected to be material.
- c) Company has discounted endorsed customer bills with its bankers which are with recourse and the liability that may arise on account of the same is to the extent of Rs.172 million.

21. The information as required to be disclosed under The Micro, Small and Medium Enterprises Development Act, 2006 and that given in Current Liabilities - Schedule 11 regarding Micro and Small Enterprises determined to the extent such parties have been identified on the basis of the information available with the company. This has been relied upon by the auditors

22. Foreign Exchange Exposure:

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

- (i) Forward Exchange Contracts, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.
- (ii) There is no outstanding Forward Exchange Contract as on 30th September, 2009:

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

(b) The foreign currency exposure as on 30th September, 2009 that have not been hedged are given below:

	2008-09		2007-08	
	In Rs. / In foreign currency		In Rs. / In foreign currency	
• Import of Goods and services	Rs. 1,512,215	USD 31,816	Rs. 28,061,314	USD 598,833
	Rs. 657,277	EURO 9,489	Rs. 410,350	Euro 5,967
• Capital Imports (including intangibles)	-	YEN -	Rs. 187,790	YEN 2,175
	-	USD -	Rs. 1,962,403	USD 41,878
• Interest Payable	Rs. 1,082,253	USD 22,494	Rs. 2,053,906	USD 44,170
• Loans Payable	Rs. 143,240,321	USD 2,977,196	Rs. 212,640,268	USD 4,572,909

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

Signatures to Schedule 1 to 18.

On behalf of the Board of Directors

B.N. Kalyani
Chairman

Ashok Rao
*President and
Wholtime Director*

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

Place : Mysore
Date : 16.11.2009

**SCHEDULE 19****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I Registration details**

Registration No.	4198	State Code	8
Balance Sheet date	30.09.2009		

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

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

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

Total Liabilities	2,343,062.77	Total Assets	2,343,062.77
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Sources of funds

Paid-up Capital	151,119.75	Reserves & Surplus	1,596,089.99
Secured Loans	334,968.31	Unsecured Loans	119,184.07
Deferred Tax Liability (net)	141,700.65		

Application of Funds

Net Fixed Assets	1,522,228.15	Investments	Nil
Net Current Assets	820,834.62	Misc. Expenditure	Nil
Accumulated Losses	Nil		

IV Performance of Company (Amount in Rs. Thousands)

Turnover	2,663,042.38	Total Expenditure	2,578,059.89
Profit before Tax	126,691.11	Profit after Tax	96,614.50
Earning per Share in Rs.	6.39	Dividend rate	27%

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

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

On behalf of the Board of Directors

B.N. Kalyani
Chairman

Ashok Rao
*President and
Wholetime Director*

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

Place : Mysore
Date : 16.11.2009

AUTOMOTIVE AXLES LIMITED

NOTICE

Notice is hereby given that the Twenty-Eighth Annual General Meeting of the Members of Automotive Axles Limited, will be held at the Registered Office of the Company at Hootagalli Industrial Area, Off Hunsur Road, Mysore 570 018 on Friday, 15th January, 2010 at 12.30 p.m. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Profit & Loss Account and Balance Sheet as at 30th September 2009 together with the Report of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares for the year ended 30th September 2009
3. To appoint a Director in place of Mr. Bhalchandra B. Hattarki who retires by rotation and being eligible offers himself for reappointment
4. To appoint M/s Deloitte Haskins and Sells (Chennai), Chartered Accountants, Bangalore, the retiring auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors, to fix their remuneration for the period.

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

C.K. Sabareeshan
Chief Financial Officer &
Company Secretary

Place : Mysore
Date : 16.11.2009

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

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form should be submitted to the company at least 48 hours before the commencement of the Annual General Meeting.
2. Dividend on Equity Shares, if declared at the meeting, will be paid to those members, whose name appear either on the Company's Register of Members or on the List of Beneficial owners in the records of Depositories as on the date of the Annual General Meeting.
3. The register of Members and Share Transfer Books will remain closed from 13.01.2009 to 15.01.2009 (both days inclusive).



4. As required under the Companies Act, 1956, dividends unclaimed/unpaid for a period of seven years, have to be transferred to the 'Investor Protection Fund', constituted by the Central Government. The Dividend warrants remaining unpaid for the year 2001-2002 & 2002-2003 are to be claimed by the members on or before 26th January 2010 and 22nd May 2010 respectively. Those who have not encashed these or for any subsequent years are requested to contact the Registered office of the company.
5. The Shareholders are requested to present the duly filled Attendance slips before the commencement of the Meeting.
6. The equity shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialized their physical holding in the Company are advised to avail the facility of dematerialization of equity shares of the Company.
7. Shareholders may kindly note that no gifts/coupons will be distributed at the Annual General Meeting.

ANNEXURE TO NOTICE

Additional Information pursuant to Clause 49 of the Listing Agreement with Stock Exchanges:

The information relating to the Director being re-appointed at the ensuing Annual General Meeting to be held on 15th January 2010 :

Mr. Bhalchandra B. Hattarki, is a Metallurgy and Mechanical Engineer, having 45 years of rich experience in the steel and forging industry. Mr. Hattarki also serves on the Board of Kalyani Steels Limited, Kalyani International Ltd., Kalyani Mukand Ltd., Hospet Steels Ltd., BF Utilities Ltd., Chakrapani Investments and Trades Ltd., Surajmukhi Investment and Finance and Gladiolla Investments Ltd.,.

He does not hold any equity shares in the company.

The information relating to the new Directors:

Mr. Timothy Earl Joseph Bowes holds a Master of Business Administration in International Business from Wayne State University, Detroit, and completed a Bachelor Of Science in Industrial Management from Lawrence Technology University, Michigan. He has several year's rich experience in automobile sector. He was formerly Vice President of ArvinMeritor's Speciality Products' business unit. He has held several senior level management positions at various automotive suppliers including Hillite International, Westcast Industries and Internet Corporation.

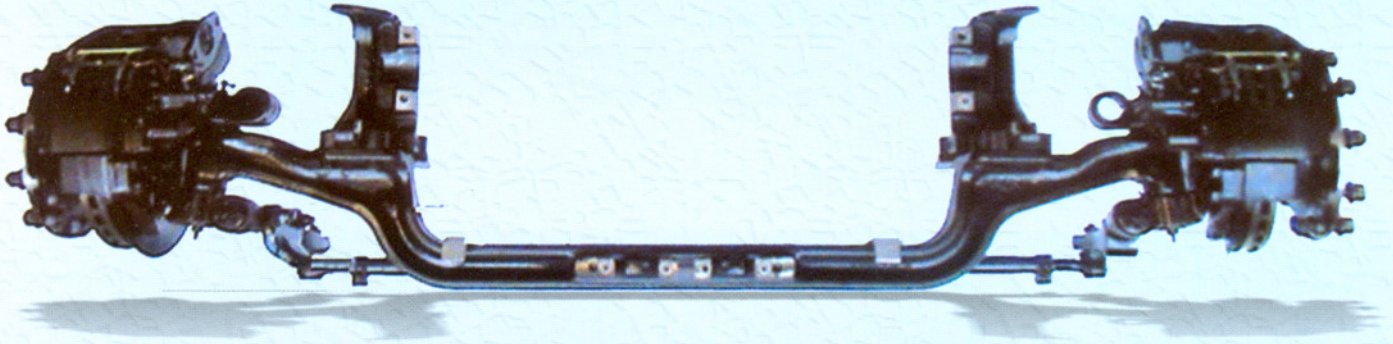
Currently, he is serving as Vice President and Managing Director of ArvinMeritor's Asia Pacific business. In this position, he has overall responsibility for the Company's on-and-off-highway commercial vehicle business in the region.

He does not hold any equity shares in the company.

Mr. Prakash C. Bhalerao is a first rank holder in Bachelor's degree in Engineering (Chemistry) and Post Graduate Diploma in Taxation. He also holds a degree of Masters in Business Administration with Specialisation in Finance. He has a vast experience relating to Capital Restructuring, Capital Issues, Strategic alliances with foreign companies, Corporate Finance etc. and is presently serving on the Board of Bharat Forge Limited.

He does not hold any equity shares in the company.

NEW PRODUCTS



Low Floor Bus-Front Axle

A product used in the city-bus application. Government's focus on improving urban transportation system through its JNNURM initiative sets good prospects for low-floor bus segment. High growth potential opens up avenues for this product.



Two Speed Axle

An innovative product for the Indian market providing dual mode operation aimed at improving fuel efficiency and turnaround time for both On-highway and Off-highway vehicle segments.