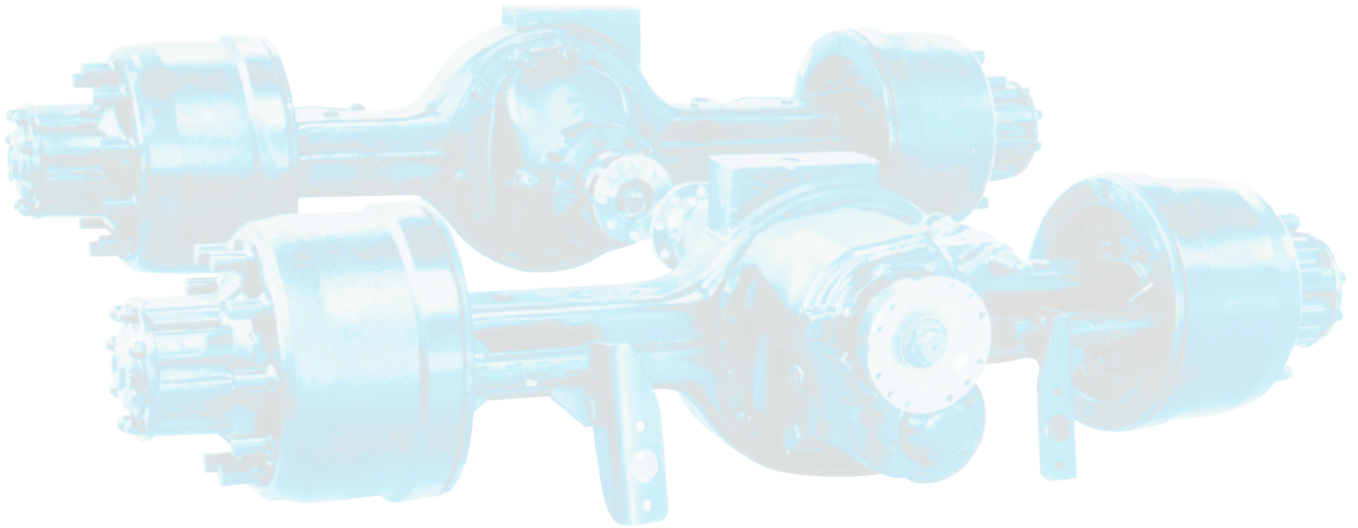




AUTOMOTIVE AXLES LIMITED



29th Annual Report 2009-10



KALYANI

**A Kalyani ArvinMeritor
Joint Enterprise**

ArvinMeritor[™]

Contents

Page No.

● Corporate Information	1
● Directors' Report	3
● Management Discussion & Analysis	7
● Report on Corporate Governance	12
● Auditors' Report	21
● Financial	
Balance Sheet	24
Profit & Loss Account	25
Cash Flow Statement	26
Schedules to Accounts	28
● Notice	45

29th Annual Report 2009-10

Day : Friday

Date : 21st Jan 2011

Time : 12.30 p.m.

Place : Registered Office, Mysore

Corporate Information

Board of Directors	Dr. Babasaheb N Kalyani	Chairman
	Mr. Timothy Earl Joseph Bowes	Director
	Mr. Bhalachandra B Hattarki	Director
	Mr. B C Prabhakar	Director
	Mr. Prakash C. Bhalerao	Director
	Mr. Satish Sekhri	Director
	Mr. Ashok Rao	Director

Company Secretary & Chief Financial Officer

Mr. S Ramkumar

Statutory Auditors

Deloitte Haskins and Sells (Chennai), Bangalore

Internal Auditors

PriceWaterHouseCoopers, Bangalore

Bankers

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

Registered Office & Works

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

Registrar & Share Transfer Agents

Integrated Enterprises (I) Limited
#30, Ramana Residency,
4th cross, Sampige Road, Malleshwaram
Bangalore Ph: 080-23460815-818;
e-mail: investorgrievance@123alpha.com

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DIRECTORS' REPORT

To the Members,

The Directors are pleased to present the Twenty-Ninth Annual Report of your company with the audited accounts for year ended September 30, 2010.

Financial Results

(₹ in Million)

	2009-2010	2008-2009
Profit before Depreciation & Tax	868.83	311.66
Less: Depreciation & amortization	209.95	184.97
Provision for Taxation-Current/Deferred/Fringe Benefit Tax	218.13	30.07
Profit After Tax	440.74	96.61
Balance of Profit from Previous Year	1,205.66	1,167.01
Profit available for appropriation	1,646.98	1,263.63
Appropriations :		
Dividend for the year	128.45	41.29
Tax on dividend	21.33	7.01
Transfer to General Reserve	44.10	9.66
Surplus retained in Profit & Loss Account	1,453.09	1,205.66

Review of performance

The Gross Sales and other income for the financial year under review was ₹ 7323.62 Mn as against ₹ 2,907.99 Mn for the previous financial year registering a growth of 152%. The Profit Before Tax of ₹ 658.87 Mn and the Profit After Tax of ₹ 440.74 Mn for the financial year under review as against ₹ 126.69 Mn and ₹ 96.61 Mn respectively for the financial year, improved by 420% and 356% respectively.

Dividend

The Directors recommend payment of dividend of ₹ 8.50 per share of ₹ 10.00 each.

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

Fixed deposits

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

Auditors' Report

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

Disclosure of Particulars

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

Management Discussion and analysis Report and Report of the Directors on Corporate Governance

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

Particulars of Employees

The Board of Directors wishes to express their appreciation to all the employees for their contribution to operation of the company during the year. The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, form part of this Report. In terms of Section 219(1)(b)iv) of the Act, the report and accounts are being sent to the shareholders of the company excluding the aforesaid Annexure. Any member interested in obtaining a copy of the statement, may write to the Company Secretary of the Company. None of the employees listed in the said Annexure is related to any Director of the company.

Directors' Responsibility Statement

The Board of Directors of the Company confirms that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure:



- Appropriate accounting policies have been selected and applied consistently, and judgments and estimates that have been made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on an ongoing concern basis.

Directors

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

Mr. P C Bhalerao was appointed a director in casual vacancy created by resignation of Mr. Larry Dowers and he holds office upto the date of ensuing Annual General meeting up to which Mr. Larry Dowers would have held office. In accordance with the provisions of the Companies Act, 1956, Mr. P C Bhalerao retires with effect from the date of the Annual General Meeting. The appointment of Mr. P C Bhalerao as Director liable to retire by rotation is proposed.

Mr. Satish Sekhri who was appointed as an Additional Director on 18th November 2010, holds office only up to the ensuing Annual General Meeting and his appointment has been proposed for the approval of the members.

Auditors

M/s. Deloitte Haskins & Sells (Chennai), Bangalore, Chartered Accountants, Statutory Auditors of the company hold office until the conclusion of ensuing AGM and are eligible for Reappointment.

The company has received a confirmation from M/s. Deloitte Haskins & Sells (Chennai) to the effect that their appointment if made, would be within the limits prescribed under section 224(1B) of the companies Act, 1956.

Acknowledgements

Your directors take an opportunity to thank the financial institutions, Banks, Central & State Governments' Authorities, Regulatory Authorities, Stock Exchanges and the stake holders for their continued co-operation and support to the company.

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

**For and on behalf of the
Board of Directors**

Place : Mysore

Date : 18th November 2010

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 2009-10	<ol style="list-style-type: none"> 1. Planned project of VFD panel to ABB Paint booth is under final stage of installation 2. 150 HP friction weld motor logic modified to run in STAR during idle condition instead of DELTA 3. Planned project of Coolant recovery treatment plant- Will be operational in the month of Nov 2010
(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. VFD Panels to cooling towers - ₹ 0.6 Mn. 2. Conversion of power intensive Metal Halide lightings to energy efficient lightings - ₹ 0.8 Mn. 3. Solar LED lights to factory periphery walk path - ₹ 1.5 Mn 4. Conversion of swaging machines hyd power pack with latest design and energy efficient motors - ₹ 1.3 Mn 5. Automation of 1000 CFM compressors - ₹ 1.5 Mn
(c)	The impact of the measures at (a) & (b)	<ol style="list-style-type: none"> (a) <ol style="list-style-type: none"> 1. The energy cost savings will be ₹ 0.47Mn per annum when implemented fully 2. Energy cost of ₹ 0.5 Mn per annum saved on account power reduction during non welding time 3. Savings of ₹ 0.5 Mn per annum on account of coolant usage by ozone treatment process (b) <ol style="list-style-type: none"> 4. The total energy cost saving will be ₹ 2.05 Mn per annum on account of controlled frequency 5. ₹ 0.4 Mn per annum on account of less power for same illumination level 6. No additional energy cost of approx ₹ 0.1 Mn per annum 7. Energy cost savings of ₹ 0.5 Mn per annum due to replacement of inefficient pumps and motors 8. Energy cost savings of ₹ 0.8 Mn per annum on account of optimum utilisation of air consumption
(d)	Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedules there to	Not Applicable



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

1.	Specific areas in which R & D carried out by Company	> Development of High Performance Brakes for ICV segment.
2.	Benefits derived as a result of the above R & D	> High Performance Brake for ICV segment providing additional braking performance (15%+) in the same envelope
3.	Future plan of action	> Development of existing high value axle parts with alternate grades of steel / modified processes to achieve the same performance at lower cost
4.	Expenditure on R & D a. Capital b. Recurring c. Total d. Total R & D expenditure as a percentage to total turnover	Nil ₹ 5 Lacs ₹ 5 Lacs 0.007%

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 completed	a)	Cost effective solution to decrease turn-around time / increase vehicle utilization at improved fuel performance levels.
b)	Hub Reduction Axle Indigenization initiated	b)	Provide cost effective high performance solutions for very heavy on & off highway axle requirements

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

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

III. Foreign Exchange Earnings and Outgo :

a.	Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans	NIL
b.	Total Foreign Exchange used and Earned: Used Earned	₹ 73.58 Mn 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 : 18th November 2010

B.N. Kalyani
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Economy

The year under report saw the Indian economy bouncing back strongly after a sudden and steep down turn and witnessed a strong growth in domestic consumption which was fueled by government spending and sustained by private growth. The first three quarters saw the economy registering a Gross Domestic Product growth rate of 8.0% with the economy likely to pass 8.5% levels for FY11.

Agriculture growth is forecasted to improve upto 3.5% on account of abundant rainfall in FY11. This is likely to give a boost to all industry dependent on Agriculture. This is by and large expected to influence Commercial Vehicle (CV) sales.

The Industry sector posted a very strong show during the said period with a consistent growth number of above 10% through the first three quarters. This was fueled by a healthy mix of spread across the sectors which make up the industry sector. The growth was led by Capital goods, the index of which went up by 53% signaling significant capacity addition and an increasing confidence in the future prospects of the industry

The service sector was the most consistent of the three sectors with an average growth of 8.4% in the first three quarters.

The resilience of Indian economy and the banking system was well demonstrated by the fast return to normalcy. The growth estimates for FY11 is being pegged at 8.5%

The Index of Industrial Production Index (IIP index) which follows the industry mirrored the strong show by the economy with a quarterly growth of as high as 15.1% on account of the strong capacity addition undertaken by the industry which was backed strongly by increased private consumption. The IIP showed signs of moderation to a level which would be much more sustainable in the future and is expected to settle by 10% by the end of the period under report.

Inflation (WPI) started rising from Oct-09 onwards due to demand and supply side pressures. The accommodative outlook of the government and a fast paced growth of the economy were the chief reasons behind it. The government had to maintain a fine line between excessive inflation and facilitating growth. The policy rates were regularly hiked to keep both variables under check, with an YTD cumulative increase of 275 bps with another increase being expected by the end of the year. The Inflation reached its peak June '10 and has come under control by September '10 though it is still higher than the government's targets of 6%.

The INR started to appreciate with respect to the USD from September '09 onwards on account of strong show by the economy and increased inflows. The INR reached a peak of 44.44 Rs per Dollar in Apr '10 and was later controlled on account of rising current account deficit and balance of payments weakness. However the rupee continued to appreciate once again on account of very strong capital inflows into the economy fuelled by strong show by the economy and confidence of the foreign investor. RBI is likely to intervene and cap the appreciation due to widening trade and current account deficit.

Outlook

In the long, the Indian economy is expected to restore to 8-9% GDP growth and the large scale investment planned in infrastructure will result in the CV industry witnessing healthy growth.

Most of the plans by domestic and international Original Equipment Manufacturers (OEMs) which had been put on hold due to economic pressures have been revived. India has seen intense movement in the last 12 months in the number of players who have entered the Indian CV market while many more OEMs have plans to do so in the next 1-2 years.

The industry has seen a large number of players entering the market which is dominated by two players. These two account for over 80% of the market. The entry



by so many new entrants will result in margin pressures across the value chain and result in introduction of the latest technology in the Indian market.

The industry also benefited from the introduction of emission norms. The change was affected in two steps. BS-IV norms were introduced in 13 cities on 1st April 2010, while BS-II norms were introduced in rest of India from 1st Oct 2010. This move by the government resulted in up-gradation of technology, phasing out of old truck models and price increases. The market has reacted favorably despite the price increase and this was proved by the strongest sales performance ever in India.

The strong show was facilitated by the improved liquidity situation on account of the accommodative and growth intensive path followed by the government. While the policy rates have been revised upwards regularly, it has not resulted in significant increase in the interest rates and hence the market was less affected by the hikes.

In the short term, also, the CV market is likely to show the following trends:

- OEMs to target niche segment and needs
- Sales to moderate after the intense activity before the emission norm introduction
- Improved liquidity situation to tighten and further moderate sales
- The strong infusion of capacity to strengthen demand for trucks
- Bus sales to moderate since most of the state transport authorities have renewed their fleets
- Export market to grow and aid sales
- Rising fiscal deficit to impact further infusion of capital and moderating growth
- Government steps in order to curtail inflation will moderate growth

Market has witnessed a strong comeback in high tonnage vehicles and this can be seen by the 143% improvement in production of Multi-Axle trucks over

last year. The tractor market of above 26.4 Tonnes also witnessed an increase of 233% over last year. Existing 4x2 vehicles are being replaced by 6x2 and 8x2 vehicles for their increased load carrying capacity and the same trend is also being recognized by new entrants with launches of more and more trucks in the higher tonnage category. Emission norms introduction has facilitated the introduction of better engine technology to power these heavier trucks and better infrastructure has given the necessary support for these trucks to do what they are being designed for.

Industry Structure & Developments

Commercial Vehicles' Market :

During the year (Oct '09 - Sep '10) under report, the addressed CV (Medium & Heavy Commercial Vehicles) market recovered from a low of 159,447 units of vehicles above 7.5T in 2009 to a healthy level of 317,387 units in 2010. This is a significant increase of 100%. This increase is among the highest across the world and it goes to prove that India recovered the down turn at a much faster pace as compared to other nations. The production figures ending September 2010 are infact the highest ever recorded by the industry.

This increase was experienced across the segment of commercial vehicles. The M&HCV Trucks went up from 123,036 units in FY09 to 263,078 units in FY10. The M&HCV Buses market went up from 36,421 units in FY09 to 54,309 units in FY10, mainly due to stronger sales on account of JNNURM project. LCV market also saw an increase with the below 3.5T market registering 55% growth. This was largely due to the products from Tata Motors (Ace model) and similar model from Mahindra.

Large and heavy truck sales improved significantly on account of increased good movement, improved industry activity fueled by government and private spending. The inflation remained high and RBI had to resort to regular hikes in policy rates, despite these the industry posted a strong growth.

The performance of M & HCVs during FY10 is shown below:

Year (Oct-Sep)	2009-10	2008-09	B (W)	% B (W)
M/H C Vehicles	317,387	159,447	157,940	100%
Multi-axle Vehicles	135,704	55,650	80,054	144%

Domestic:

The economic slowdown had challenged all auto and commercial vehicle ancillaries. Your company had embarked upon a major cost-cutting drive to mitigate the impact of the down turn and in addition, the company has initiated a number of new product programs and also planning a new foot-prints in the northern part of the country to maintain its leadership position within the independent axle manufacturers present in India.

Furthermore, the company is looking at different market segments to reduce its dependency on a single industry and is looking for ways to use its core competency in areas which would be profitable, sustainable and less cyclic in nature than the CV industry.

Exports:

The global market slowdown had impacted our exports to ArvinMeritor plants and with the markets in Europe and USA still to pickup, we continue to show a weak export growth. Though, the exports of complete build-up vehicles from India has increased as compared to last three years, but still the European and American sales continue to be slow and this is affecting the companies export to ArvinMeritor plants worldwide.

However, the company has taken this opportunity to realize new opportunities which can be met with current products and has been successful in adding further products to its export list and is committed to expand the number and type of products that can be exported from India.

Opportunities & Threats

Domestic:

Your company has embarked upon a major drive to introduce new products, with the changing

customer requirements. The products lined up over the next one year include Two-speed axle, Planetary Hub reduction axles, High End Coach Axle and Off Highway Axles. Introduction of these axles will ensure a healthy product portfolio and enhanced value propositions to our customer base.

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 revisited its products strategy to upgrade these products to deliver enhanced performance levels with marginal additional costs.

Exports:

The global market slowdown has impacted our exports to ArvinMeritor plants. The signs of recovery in US and European markets will see the company's exports surging back in FY11.

Risks & Concerns:

The commodity prices continued to surge, and it is becoming increasingly difficult to recover the increases from the customers. To meet customers' expectations of price reductions, your company has embarked upon a material optimization drive through value engineering and effective supply-chain and inventory management.

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

After the down trend in business, containing the talents within us was a great challenge as the employee market outside opened up. Our effective communication and reversing the losses to individual employee sacrificed on account of austerity measures have played a vital role in enhancing the employee morale and confidence on the company. The special talented people were inducted to improve the existing talent strength, bearing the future business in mind.

Safety, Health and Environment (SHE) Management

Safety:

Your company continues to adopt best safety practices giving rich dividends in terms of a reduced accident and severity rate. The initiation of new personnel in SHE practices before their deployment to the shop floor contributed to a significant reduction in unsafe practices. This is progressively taking the company towards achieving the target of **Zero Accidents**.

Regular safety inspection of plant and machinery is carried out to mitigate hazards by terminating the hazard at source by technology upgradation and treating the hazards against exposure to personnel by implementing engineering controls.

In the journey towards world class manufacturing, safety is receiving utmost priority. Changes / modifications in manufacturing activity are reviewed to ensure a safe work place.

Pursuing continual improvement, emergency facilities like fire hydrant system gone through a progressive upgrade based on review during

emergency preparedness, mock drills conducted in the presence of observers comprising officers from statutory bodies and SHE professionals from other industries. This has made your company proud of being best in the class.

Your company also actively participated in the table top exercise on off-site emergency preparedness conducted by the Director of Factories along with National Disaster Management authority and State Disaster Management Authority. Director of the National Disaster Management authority, Government of India visited our plant and appreciated the facilities / arrangements to mitigate emergencies.

Regular meetings are conducted with job workers emphasizing work safety and environment protection in their daily activities. This has brought about improvement in the quality of operations carried out by them.

Health:

Pre-employment medical check was carried out for all new entrants.

Health fitness examination was carried out for all personnel including security, housekeeping and construction workers.

Annual special medical examination was carried out to all personnel working in hazardous processes like shot blasting, heat treatment, welding and grinding as specified in Indian Statutes.

Personnel with history were screened for high B.P, diabetes, cholesterol levels. The findings of the examination were discussed with the examinees and remedial measures were counseled to control the parameters within permissible limits.

First Aid training was given to 25 persons through St. John's Ambulance association. This has increased the strength of trained first-aiders from 35 to 60 personnel.

On CSR front, primary health check-up was carried out for the children of 3 schools in the vicinity of the factory.

Environment:

Your company disposed a total of about 30 MT hazardous waste comprising of 2.5 MT of phosphate sludge, and 1 MT of incinerator ash to TSDF operated by M/s Ramky Engineers at Dabespet, Nelamangala Taluk and 26 MT of paint sludge to Karnataka State Pollution Control Board (KSPCB) authorized incinerators.

Your company has entered into a contract with E-Parisara for safe disposal and recycling of E-waste generated in the factory. 650 kgs of E-waste stored in the factory premises was disposed to E-parisara.

On the occasion of World Environment day on 5th June, your company actively participated in the awareness walkathon conducted by KSPCB and sponsored T-shirts to all participants.

On energy conservation front, your company installed an additional 150 numbers of turbo ventilators to exhaust flue gases and improve ventilation and ambient work atmosphere inside the hangar.

Roof gutters of the hangar were lined with Fibre Reinforced Plastic to give dual benefit of eliminating leakage of water during heavy rains and improve the collection of rainwater in the collection sumps.

In the process of transformation to be best in class, the floor in the production hangar was improved with a 3 mm Durocrete coating and a final Epoxy Poly Urethane top coat.

Your company successfully completed the First continuous assessment audit by UL. We were appreciated for the efforts put in for the sustenance and improvement exhibited in all spheres of activity.

Quality Management System and Lean Management System

Our Quality Management System that is certified to ISO/ TS 16949 has now attained maturity encouraging the company to continue its journey towards World Class Manufacturing. To facilitate quick transformation, your company is in the process of implementing Lean Management Systems and Quality Health checks of Manufacturing Processes

The Performance Plus (P Plus) Team and Quality Health Check teams have been formed to develop, establish and implement an effective and sustainable Performance Management and Process Review System. The Visual Transformation of the Plant and process robustness has been implemented in phases and the sustenance is being ensured through 5S Principles. The above processes are an all inclusive one covering all employees.

The above initiatives has enhanced confidence in meeting the current challenges and further to improve Productivity and Reduction in Cost to enhance Customer Satisfaction.

Your company is striving towards excellence in all aspects of business processes through participation of all employees across the organization and practicing Continuous Improvement as a way of life. The employee participation is visible through the reduction in Internal Failure Cost and Zero KM Complaints from Customers

Financial Ratios

The following table lists out the key financial ratios for 2009-10 and 2008-09.

	2009-10 (%)	2008-09 (%)
PBT / Total Income	9.80	4.68
PAT / Total Income	6.56	3.57
Return on Capital employed	16.06	4.39
Return on Net Worth	21.63	5.53
Earnings Per Share Rs.	29.17	6.39
Dividend Pay out Ratio	34.00	50.00

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

In line with the tradition of AAL, the Board of Directors of Automotive Axles view their role as trustees of the various stakeholders and the society at large and their endeavor to observe the best corporate governance practices. The Board of Directors has framed a Code of Conduct and Insider Trading Regulations to prevent employees and insiders from making profits in dealings in company's shares from privileged information, and also the Company takes annual confirmation certificates from senior employees who have access to privileged information that they have not made any profit in dealing in company's shares based on this information.

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.

1. BOARD OF DIRECTORS

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

Composition of the Board

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

Number of Board Meetings

In 2009-10, the Board of the Company met four times on 16th November 2009, 15th January 2010, 24th April 2010 and 20th July 2010. The maximum gap between any two Board meetings was less than Four months.

Directors' Attendance Record and Directorships

Director	Category	No. of Board Meetings attended out of 4	Attendance in last AGM	Nos. of Directorships and Committee Memberships in other public companies		
				Other Directorships	Committee Memberships	Committee Chairmanships
Dr. B.N. Kalyani	Promoter , Non-Executive	4	Yes	14	3	1
Mr. Timothy Bowes	Non-Executive	3	Yes	1	Nil	Nil
Mr. B.B. Hattarki	Independent	4	Yes	8	2	3
Mr. Prabhakar B.C.	Independent	4	Yes	2	3	1
Mr. P.C. Bhalerao	Independent	2	No	6	1	Nil
Mr. Ashok Rao	Executive	4	Yes	Nil	Nil	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 consists of M/s. B.B. Hattarki (Chairman), B. C. Prabhakar, P.C. Bhalerao, and Timothy Bowes. All members of the Audit Committee are financially literate, with one of them having management expertise. Annual General Meeting held on 15th January, 2010 was attended by the Chairman of the Committee, who satisfactorily answered shareholders' queries.

The committee met four times during the year on 15th November 2009, 14th January 2010, 23rd April 2010 and 17th July 2010.

Attendance record of Audit Committee members for 2009-10

Director	Category	Status	Meetings	
			Held	Attended
Mr. B. B. Hattarki	Independent	Chairman	4	4
Mr. Prabhakar B.C	Independent	Member	4	4
Mr. P.C. Bhalerao	Independent	Member	4	1
Mr. Timothy Bowes	Non-Executive	Member	3	0



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. Timothy Bowes (Non-executive Director). The Committee reviews the performance and awards the performance bonus to the Whole time Director and Chief Financial Officer & Company Secretary 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 15th January 2010 to review the performance for the year ended 30th September 2009 and approved the Performance Bonus payable to the Whole-time Director and Chief Financial Officer & Company Secretary of the Company.

Remuneration Policy

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

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

Remuneration of Directors

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

Name of Director	Audit Committee Meetings Sitting Fees (₹)	Board Meeting Sitting Fees (₹)	Salaries, performance bonus and perquisites (₹)	Total (₹)
Dr. B.N. Kalyani	N.A	80,000	NIL	80,000
Mr. Timothy Bowes*	Nil			
Mr. B.B. Hattarki	80,000	80,000	NIL	160,000
Mr. B.C. Prabhakar	80,000	80,000	NIL	160,000
Mr. P.C. Bhalerao	20,000	40,000	NIL	60,000
Mr. Ashok Rao	N.A	N.A	75,46,828	75,46,828

*Mr. Timothy Bowes does not claim any sitting fee, 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 126 shares jointly with his wife.

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 attaining maturity. 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, preventing 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 the Company Secretary 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	1	1
Issue of Duplicate certificates/ Share certificates	2	2
Non receipt of Annual Report	Nil	Nil
Total	3	3

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
2006-07	18th January 2008	12.30 p.m	Regd. Office of the Company
2007-08	21st January 2009	12.30 p.m	Regd. Office of the Company
2008-09	15th January 2010	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

Related Party Transactions :

- During the year under review, no transaction of material nature has been entered into by the company with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have a potential conflict with the interest of the company. The register of contracts containing the transactions, in which the directors are interested, is placed before the board regularly
- The Particulars of transactions between the company and its related parties as per Accounting Standards 18(AS-18) are set out at Para 14 of Schedule 18 to the Balance Sheet as at 30th September 2010.

Compliances by the Company

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

Particulars of directors' Seeking appointment /reappointment

- Mr. B.C. Prabhakar Director of the company, retire by rotation and being eligible, offer himself for reappointment
- Mr. P C Bhalerao was appointed a director in casual vacancy created by resignation of Mr. Larry Dowers and he holds office up to the date of ensuing Annual General meeting up to which Mr. Larry Dowers would have held office.
- Mr.Satish Sekhri who was appointed as an Additional Director on 18th November 2010, holds office only up to the ensuing Annual General Meeting and being eligible, offer himself for reappointment
- Notice convening the annual general Meeting includes the proposals for reappointment of directors.

Means of Communication :

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

General Shareholder Information

Annual General Meeting	Date & Time : 21st January 2011 at 12.30 p.m Venue : Registered Office Hootagalli Industrial Area Off Hunsur Road, Mysore						
Financial Year	1st October 2009 to 30th September 2010						
Record Date and Block Closure Dates	19.01.2011 to 21.01.2011 (both days inclusive).						
Dividend Payment Date	18.02.2011						
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 2010-11 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 (₹)	Low (₹)	No. of Shares Traded	High (₹)	Low (₹)	No. of Shares Traded
	October, 2009	325.05	252.45	50,095	325.00	245.00	61,944
	November, 2009	322.70	261.05	39,289	324.90	258.35	39,530
	December, 2009	431.95	305.00	68,325	433.00	306.65	88,368
	January, 2010	436.90	342.00	81,186	442.00	340.00	1,42,102
	February, 2010	396.65	330.00	34,863	395.00	320.20	31,683
	March, 2010	412.00	339.00	1,31,038	409.95	335.05	1,47,535
	April, 2010	450.00	361.25	56,406	444.00	355.00	65,960
	May, 2010	420.00	350.00	34,366	429.90	346.50	53,791
	June, 2010	449.00	345.00	68,167	449.00	355.05	88,342
	July, 2010	518.50	406.10	1,92,119	519.20	413.15	2,51,043
	August, 2010	534.85	431.10	76,122	504.85	421.05	94,562
	September, 2010	541.90	460.10	2,40,603	554.00	431.05	1,99,950



Share Transfer System	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 Integrated Enterprises (I) Limited, Ramana Residency, 4th Cross, Malleshwaram, Bangalore 560 003, as its Registrar and Share Transfer Agents. Company's shares are traded on the Stock Exchanges compulsorily in demat mode.					
Shareholding pattern as on 30th September 2010 :						
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	9576	642144	4.25
Non Promoter (Public)			501-1000	166	128147	0.85
Bodies Corporate	1734318	11.48	1001-2000	94	134872	0.89
FIs/Banks	113	0.00	2001-3000	26	65407	0.43
FII's	24976	0.17	3001-4000	10	35877	0.24
NRI's/OCB	49495	0.33	4001-5000	14	64547	0.43
Mutual Funds	1384668	9.16	5001-10000	15	114477	0.75
Others	1183324	7.83	10000 & Above	22	13926504	92.16
Total	15111975	100.00	Total	9923	15111975	100.00
Dematerialization	The Company's Equity Shares are under compulsory demat trading. As on 30th September 2010, dematerialized shares accounted for 63.44% of total equity.					
Outstanding warrants and their implications on Equity	There are no outstanding warrants					
Details of Public funds obtained in the last three years	Nil					
Plant Locations	Hootagalli Industrial Area, Off Hunsur Road, Mysore - 18					
CEO/CFO Certification	As required by clause 49 (Corporate Governance) of the listing Agreement, the whole time Director and CFO have furnished the necessary Certificate to the Board of Directors with respect to Financial Statements and Cash flow Statement for the Year ended 30th September 2010.					
Registered Office	Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570 018 Phone : 2402582-86 (5 lines) Fax : 240245					
Audit Qualification	There were no audit qualification in the financial Statements of the Company for the year ended 30th September, 2010					
Half -yearly communication to Shareholders	The Company does not mail the Unaudited Half yearly Financial Results individually to its shareholders. However these are published in "The Financial Express" and "Mysooru Mithra" and are also posted on the website of the company : www.autoaxle.com					
Investor Grievance Correspondence :						
Company	Secretarial Dept., Automotive Axles Limited Automotive Axles Limited, Hootagalli Industrial Area Off Hunsur Road, Mysore - 570 018 Phone : 2402582-86(5 lines) Fax : 2402451 Email : sec@autoaxle.com			Share Transfer Agents Integrated Enterprises (I) Limited Ramana Residency, 4th Cross, Sampige Road, Malleshwaram, Bangalore - 560 003 Phone: 2340815-818 Fax : 23460819 E-mail: investorgrievance@123alpha.com		

CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

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

1. We have reviewed the financial statements and the cash flow statement for the year ended 30th September 2010 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 : 18.11.2010

Ashok Rao
President &
Whole time Director

S. Ramkumar
Chief Financial Officer &
Company Secretary



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

To

The Members of Automotive Axles Limited

I have examined the compliance of conditions of Corporate Governance by Automotive Axles Limited for the year ended 30th September 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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

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

Based on such a review, in my opinion, the Company has complied with all the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement.

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

Place : Mysore
Date : 08.11.2010

Nimmoo Kinger
Practicing Company Secretary
CP No. 2775

AUDITORS' REPORT

TO THE MEMBERS OF AUTOMOTIVE AXLES LIMITED

1. We have audited the attached Balance Sheet of **AUTOMOTIVE AXLES LIMITED (the "Company")** as at September 30, 2010, 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and 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 give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (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 are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) 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, 2010;
 - 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 of the Company for the year ended on that date.
5. On the basis of the written representations received from the directors as on 30th September, 2010 taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2010 from being appointed as a director in terms of Section 274 (1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
Registration No. 008072S

V.Srikumar
Partner

Membership No. 84494

Place : Bangalore
Date : 18.11.2010



ANNEXURES TO THE AUDITORS' REPORT

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

- i. Having regard to the nature of the Company's business/activities/result, clauses i(c), iii(b) to (d), (f) & (g), v, vi, ix(b), xii, xiii, xiv, xix and xx of the Companies (Auditor's Report) Order, 2003 are not applicable.
- ii. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) 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.
- iii. In respect of its inventories:
 - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- v. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- vii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of automotive parts and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the

records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the company.

- viii. According to the information and explanations given to us in respect of statutory dues:
- (a) the Company has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities.
 - (b) there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 30th September, 2010 for a period of more than 6 months from the date they became payable.
- ix. The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- x. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- xi. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xii. In our opinion and according to the information and explanations give to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- xiii. In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet, we report that funds raised on short term basis have not been used during the year for long term investment.
- xiv. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xv. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Registration No. 008072S

V. Srikumar

Partner

M. No. 84494

Place : Bangalore

Date : 18.11.2010



BALANCE SHEET AS AT 30TH SEPTEMBER 2010

	Schedule No.	2010 ₹	2009 ₹
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	151,119,750	151,119,750
b) Reserves & Surplus	2	1,887,618,853	1,596,089,987
		2,038,738,603	1,747,209,737
2. Loan Funds			
a) Secured Loans	3	633,122,251	334,968,312
b) Unsecured Loans	4	73,482,013	119,184,071
		706,604,264	454,152,383
3. Deferred tax liability (Net)		135,350,652	141,700,652
TOTAL		2,880,693,519	2,343,062,772
APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block at cost		2,813,748,738	2,756,210,597
b) Less : Accumulated Depreciation		1,485,589,993	1,305,057,370
c) Net Block		1,328,158,745	1,451,153,227
d) Capital work-in-progress - at cost (includes capital advances ₹14,671,354/-) [PY ₹7,613,885/-]		78,982,474	71,074,922
		1,407,141,219	1,522,228,149
2. Current Assets , Loans & Advances			
a) Current Assets			
Inventories	6	902,764,317	599,660,539
Sundry Debtors	7	1,237,474,792	671,599,461
Cash and Bank	8	89,716,376	86,677,370
b) Loans & Advances	9	114,843,228	104,894,686
		2,344,798,713	1,462,832,056
Less : Current Liabilities & Provisions			
a) Current Liabilities	10	650,037,957	554,217,358
b) Provisions	11	221,208,456	87,780,075
		871,246,413	641,997,433
Net Current Assets		1,473,552,300	820,834,623
TOTAL		2,880,693,519	2,343,062,772
Significant Accounting Policies and Notes to Balance Sheet and Profit & Loss Account	18		

The Schedules referred to above form an integral part of the Balance Sheet in terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

On behalf of the Board of Directors

V. Srikumar
Partner

B.N.Kalyani
Chairman

Ashok Rao
President and
Wholetime Director

S. Ramkumar
Chief Financial Officer
& Company Secretary

Place : Bangalore
Date : 18.11.2010

Place : Mysore
Date : 18.11.2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010			
	Schedule No.	2010 ₹	2009 ₹
INCOME			
Sales - Gross		7,323,622,042	2,907,992,368
Less: Excise Duty		643,672,064	244,949,984
		6,679,949,978	2,663,042,384
Other Income			
- Operational	12	17,374,011	9,343,378
- Others	13	22,948,186	32,365,240
		6,720,272,175	2,704,751,002
EXPENDITURE			
Raw Materials Consumed	14	4,743,006,541	1,754,148,545
(Increase)/Decrease In Stock of Finished Goods & Work-in-Process	15	(7,670,908)	58,565,127
Manufacturing, Administration & Selling Expenses	16	1,080,555,899	533,499,600
Interest	17	35,552,339	46,874,483
Depreciation		209,956,144	184,972,134
		6,061,400,015	2,578,059,889
Profit before Tax ,		658,872,160	126,691,113
Provision for Taxation			
Current Tax			
- for Current year		224,500,000	44,645,000
- for Earlier period		142,518	(16,798,724)
Deferred Tax		(6,350,000)	1,450,652
Fringe Benefit Tax		(164,689)	779,689
Profit after Tax		440,744,331	96,614,496
Add : Balance brought forward from previous year		1,205,665,276	1,167,019,478
Add : Proposed Dividend and Dividend Tax written back		570,559	—
Profit available for appropriation		1,646,980,166	1,263,633,974
APPROPRIATIONS			
Proposed Dividend		128,451,788	41,290,011
Tax on Dividend		21,334,236	7,017,237
Transfer to General Reserve		44,100,000	9,661,450
Surplus carried to Balance Sheet		1,453,094,142	1,205,665,276
No. of weighted average Equity Shares		15,111,975	15,111,975
Basic and Diluted Earnings per Equity Share (₹) (Face value of ₹10/- per share)		29.17	6.39
Significant Accounting Policies and Notes to Balance Sheet and Profit & Loss Account	18		
The Schedules referred to above form an integral part of the Profit and Loss Account in terms of our report attached			
For DELOITTE HASKINS & SELLS Chartered Accountants		On behalf of the Board of Directors	
V. Srikumar Partner	B.N.Kalyani Chairman	Ashok Rao President and Wholetime Director	S. Ramkumar Chief Financial Officer & Company Secretary
Place : Bangalore Date : 18.11.2010	Place : Mysore Date : 18.11.2010		



CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2010

	2010		2009	
	₹	₹	₹	₹
I) Cash Flow From Operating Activities				
A) Net Profit Before Tax and Extraordinary Items		658,872,160		126,691,113
B) Adjustments				
Add : Depreciation	209,956,144		184,972,134	
Unrealised Exchange Loss / (Gain)	(6,282,482)		6,116,332	
Interest Expense	35,552,339	239,226,001	46,874,483	237,962,949
		898,098,161		364,654,062
Less :				
Liabilities written back	9,248,810		26,193,768	
Profit / (Loss) on sale of asset (net)	1,157,828		(88,253)	
Interest Received	822,956	11,229,594	3,831,832	29,937,347
Operating Profit Before Working Capital Changes		886,868,567		334,716,715
C) Adjustments for				
Inventory	(303,103,778)		275,469,292	
Sundry Debtors	(565,875,331)		(20,594,557)	
Loans & Advances	(39,598,426)		104,375,315	
Current Liabilities & Provisions	119,002,266	(789,575,269)	(267,413,514)	91,836,536
D) Cash Generated From Operations		97,293,298		426,553,251
Advance Tax (Net of refunds)		(175,272,417)		(77,424,395)
E) Net Cash From Operating Activities		(77,979,119)		349,128,856
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)		(95,372,369)		(28,940,840)
Sale of Assets		1,660,983		8,362,604
Interest Received		756,958		3,831,832
Net Cash Used in Investing Activities		(92,954,428)		(16,746,404)

	2010 ₹	2009 ₹
III) Cash Flow From Financing Activities		
Proceeds From Long Term Borrowings	461,040,626	–
	461,040,626	–
Repayment of Long Term Borrowings	(202,306,263)	(253,197,888)
Repayment of Short Term Borrowings	–	(19,487,665)
Dividend & Tax on Dividend	(48,099,120)	(114,855,486)
Interest Paid	(36,662,690)	(50,192,630)
	(287,068,073)	(437,733,669)
Net Cash Used in Financing activities	173,972,553	(437,733,669)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	3,039,006	(105,351,217)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	86,677,370	192,028,587
CASH AND CASH EQUIVALENTS AT END OF PERIOD	89,716,376	86,677,370
<p>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.</p> <p>2. Cash and cash equivalents at the end of the year include balances with Scheduled Banks in unpaid Dividend accounts ₹ 3,039,884/- (Previous Year ₹ 3,402,315/-) and deposits under lien ₹ 2,200,000/- (Previous Year ₹ 2,200,000/-), not available for use by the company.</p> <p>3. Details of items included in cash and cash equivalents are given in Schedule 8.</p>		
<p>In terms of our report of attached</p> <p>For DELOITTE HASKINS & SELLS On behalf of the Board of Directors Chartered Accountants</p>		
<p>V. Srikumar Partner</p>	<p>B.N.Kalyani Chairman</p>	<p>Ashok Rao President and Wholetime Director</p>
		<p>S. Ramkumar Chief Financial Officer & Company Secretary</p>
Place : Bangalore Date : 18.11.2010	Place : Mysore Date : 18.11.2010	



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 1 SHARE CAPITAL	2010 ₹	2009 ₹
Authorised: 23,000,000 (Previous Year 23,000,000) Equity Shares of ₹ 10 each 2,000,000 (Previous Year 2,000,000) Preference Shares of ₹ 10 each	230,000,000 20,000,000 250,000,000	230,000,000 20,000,000 250,000,000
Issued, Subscribed & Paid up : 15,111,975 (Previous Year 15,111,975) Equity Shares of ₹10 each fully paid up	151,119,750 151,119,750	151,119,750 151,119,750

SCHEDULE - 2 RESERVES & SURPLUS	2010		2009	
	₹	₹	₹	₹
Share Premium as per last Balance Sheet		115,588,500		115,588,500
General Reserve As per last Balance sheet	274,836,211		265,174,761	
Add: Transfer from Profit & Loss Account	<u>44,100,000</u>	318,936,211	<u>9,661,450</u>	274,836,211
Surplus in Profit & Loss Account		1,453,094,142		1,205,665,276
TOTAL		1,887,618,853		1,596,089,987

	2010 ₹	2009 ₹
SCHEDULE - 3 SECURED LOANS		
From Financial Institutions -Finance Lease Obligations (Includes amounts due within one year ₹520,260/- previous year ₹677,306/-)	1,039,956	1,537,061
From Banks -Foreign Currency Term Loans (Includes amounts due within one year Nil previous year ₹24,056,250/-)	-	24,056,250
-Rupee Term Loans (Includes amounts due within one year ₹ 131,458,332/- previous year ₹ 138,333,332/-)	371,041,669	309,375,001
-Cash Credit Loan	261,040,626	-
TOTAL	633,122,251	334,968,312

- Foreign currency term loan of Nil (Previous year ₹24,056,250/-) was secured by first charge on the entire Plant & Machinery of the Company.
- Rupee Term loan of ₹371,041,689/- (Previous year ₹309,375,001/-) secured by a first pari-passu charge by hypothecation of the Plant and Machinery of the Company.
- Finance lease obligations are secured by assets purchased under the respective agreements.
- Cash Credit Facility of ₹261,040,626/- (Previous Year ₹ Nil) is secured by inventory and receivable.

SCHEDULE - 4 UNSECURED LOANS	2010 ₹	2009 ₹
From Bank Foreign Currency Term Loans (Includes amounts due within one year ₹38,858,805/- previous year ₹41,225,893/-)	73,482,013	119,184,071
TOTAL	73,482,013	119,184,071

**SCHEDULE - 5
FIXED ASSETS**

(In Rupees)

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.10.2009	Additions/ Adjustments during the year	Disposals/ Adjustments during the year	As at 30.09.2010	Upto 30.09.2009	For the year	Adjustments during the year	As at 30.09.2010	As at 30.09.2010	As at 30.09.2009
Land - Freehold	3,832,366	—	—	3,832,366	—	—	—	—	3,832,366	3,832,366
Building	219,827,614	5,321,538	257,033	224,892,119	53,365,532	8,254,752	257,032	61,363,252	163,528,867	166,462,082
Plant & Machinery	2,484,387,768	79,486,177	27,460,266	2,536,413,679	1,218,935,525	197,377,220	27,346,087	1,388,966,658	1,147,447,021	1,265,452,243
Furniture & office equipment	41,642,324	2,657,102	385,863	43,913,563	28,505,285	3,779,988	345,590	31,939,683	11,973,880	13,137,039
Vehicles										
– Own Vehicle	3,002,906	—	1,222,039	1,780,867	2,554,984	156,513	1,036,422	1,675,075	105,792	447,922
– Finance Lease	3,517,619	—	601,475	2,916,144	1,696,044	387,671	438,390	1,645,325	1,270,819	1,821,575
Total	2,756,210,597	87,464,817	29,926,676	2,813,748,738	1,305,057,370	209,956,144	29,423,521	1,485,589,993	1,328,158,745	1,451,153,227
Capital work in progress (a)									78,982,474	71,074,922
Total									1,407,141,219	1,522,228,149
Previous Year	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		

(a) During the year, a sum of ₹76,937/- (Previous Year - ₹359,726/-) being interest on borrowings attributable to qualifying assets have been capitalised under the head Plant & Machinery.

SCHEDULE - 6 CURRENT ASSETS	2010 ₹	2009 ₹
Inventory (at the lower of cost and net realisable value)		
Raw materials & Components	664,339,994	372,360,517
Work-in-process	142,337,405	125,015,696
Finished goods	21,464,741	30,554,982
Stores & Spares	74,622,177	71,729,344
	902,764,317	599,660,539



SCHEDULE - 7	2010	2009
SUNDRY DEBTORS	₹	₹
(Unsecured)		
Over Six months		
– Considered good	–	–
– Considered doubtful	578,093	899,986
Others		
– Considered good	1,237,474,792	671,599,461
– Considered doubtful	–	–
	1,238,052,885	672,499,447
Less: Provision for Doubtful debts	(578,093)	(899,986)
	1,237,474,792	671,599,461
Includes amounts due from Meritor HVS (India) Ltd, a Company under the same Management.	1,082,680,927	622,760,196
SCHEDULE - 8	2010	2009
CASH AND BANK BALANCES	₹	₹
Cash on hand	12,324	65,240
Cheques on hand	—	9,869,513
Bank Balances		
With Scheduled Banks		
- in Current accounts	33,504,052	74,542,617
- in Fixed Deposits (includes ₹ 2,200,000/- under lien for guarantees issued) (Previous Year ₹ 2,000,000/-)	56,200,000	2,200,000
	89,716,376	86,677,370
SCHEDULE - 9	2010	2009
LOANS & ADVANCES - Considered good	₹	₹
Advances recoverable in cash or in kind or for value to be received	90,274,400	50,409,097
Deposits with Govt. Authorities	7,111,145	7,110,124
Balances With Customs & Central Excise Dept.	53,323	53,323
Deposits - Others	235,872	437,772
Advance Income Tax	10,246,009	39,561,891
Advance Fringe Benefit Tax	6,922,479	7,322,479
TOTAL	114,843,228	104,894,686
Note :-		
1. Of the above		
-Secured	–	–
-Unsecured	114,843,228	104,894,686
TOTAL	114,843,228	104,894,686
2. Advances recoverable includes amounts due from Meritor HVS (India) Ltd, a Company under the same Management.	–	–
Maximum amount outstanding during the year	13,525	13,525

SCHEDULE - 10		2010	2009
CURRENT LIABILITIES		₹	₹
Sundry Creditors			
- Micro & Small Enterprises		12,913,880	20,073,076
- Others		579,905,750	495,620,923
Other Liabilities		41,647,231	24,527,453
Interest accrued but not due on loans		2,647,967	3,758,318
Unpaid Dividend #		3,039,884	3,402,315
Advances received		9,883,245	6,835,273
TOTAL		650,037,957	554,217,358
#	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		2010	2009
PROVISIONS		₹	₹
Provision for Employee Benefits		28,511,324	17,077,268
Warranty		16,273,748	14,032,968
Other Provisions		–	1,214,761
Provision for Income Tax		19,654,219	–
Provision for Fringe Benefit Tax		6,983,141	7,147,830
Proposed Dividend		128,451,788	41,290,011
Tax on Proposed Dividend		21,334,236	7,017,237
TOTAL		221,208,456	87,780,075
SCHEDULE - 12		2010	2009
OPERATIONAL INCOME		₹	₹
Jobbing Charges		925,148	565,965
Scrap Sales		115,760	25,418
Others		16,333,103	8,751,995
TOTAL		17,374,011	9,343,378
SCHEDULE - 13		2010	2009
OTHER INCOME		₹	₹
Profit on sale of assets (net)		1,157,828	–
Interest (Tax deducted at source ₹ 42,913/- Previous year - ₹ 834,445/-)		822,956	3,831,832
Liabilities written back		9,248,810	26,193,768
Exchange Gain (Net)		7,790,806	–
Miscellaneous Income		3,888,880	2,339,640
Provision for Debtors Written Off		38,906	–
TOTAL		22,948,186	32,365,240
SCHEDULE - 14		2010	2009
RAW MATERIAL CONSUMED		₹	₹
Opening Stock		372,360,518	565,657,953
Add: Purchases	5,297,669,896		1,636,641,022
Less : Cash Discount & Scrap Sales	<u>262,683,879</u>		<u>75,789,912</u>
		5,034,986,017	1,560,851,110
		5,407,346,535	2,126,509,063
Less: Closing Stock		664,339,994	372,360,518
TOTAL		4,743,006,541	1,754,148,545



SCHEDULE - 15 (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS & WORK-IN-PROCESS	2010 ₹	2009 ₹
Closing Stock		
- Finished Goods	21,464,741	30,554,982
- Excise duty on Finished Goods	(2,522,034)	(1,961,474)
- Work-in-process	142,337,405	125,015,696
	161,280,112	153,609,204
Opening 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
TOTAL	(7,670,908)	58,565,127
SCHEDULE - 16 MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES	2010 ₹	2009 ₹
Payments to and provision for employees:		
-Salaries & Wages	341,092,644	207,805,664
-Contribution to Provident Fund and other funds	28,809,932	17,278,859
-Welfare expenses	31,145,849	17,133,152
	401,048,425	242,217,675
Stores & Spares consumed	151,118,986	57,237,483
Power & Fuel	127,955,992	65,418,264
Rates & Taxes	639,270	758,752
Travelling Expenses	11,658,390	4,545,202
Repairs & Maintenance		
- Buildings	19,210,486	-
- Plant & Machinery	98,135,170	34,658,566
- Others	9,842,842	5,115,843
Insurance charges	2,099,861	2,306,667
Postage, Telephone & Telegrams	1,421,308	1,060,476
Vehicle Running Expenses	1,383,089	1,015,117
Directors' Sitting fees	460,000	360,000
Legal and Professional Fees (Refer note 11 of schedule 18)	9,162,089	5,999,944
Technical fees	30,929,073	16,848,453
Bank charges/Commission	1,682,735	2,439,248
Outside Processing Charges	175,127,168	58,745,400
Lease Rent	522,034	486,882
Exchange loss	--	7,658,425
Product Service	943,779	
Warranty	15,243,838	11,170,110
Export Expenses	145,305	176,334
Loss on Sale of Assets	--	88,256
Provision for Doubtful Debts	310,174	899,986
Debtors Written Off	593,161	
Less : Provision for Doubtful Debts	<u>593,161</u>	-
Miscellaneous Expenses	21,515,885	14,292,517
TOTAL	1,080,555,899	533,499,600
SCHEDULE - 17 INTEREST	2010 ₹	2009 ₹
Interest on term loans	26,042,531	46,761,038
Interest on Working capital borrowings	9,509,808	113,445
TOTAL	35,552,339	46,874,483

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 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 12 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 ₹ 5,000/- is 100% depreciated in the year of purchase.

d) Inventories

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

e) Foreign Currency Transactions

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

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



f) Revenue Recognition

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

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

g) Research and Development

Revenue expenditure on Research and Development is charged to the Profit and Loss Account in the year of incurrence. 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.

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) Earning Per Share

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

o) Provision & Contingencies

A Provision is 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 30.09.10	As on 30.09.09
Axle Housing (a component of Axle, including Tag Hsg.)	(Nos)	202,000	202,000
Complete Axles	(Nos)	172,000	172,000
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	2009-10	2008-09
Axle Housings * (a component of Axle, including Tag Hsg.)	(Nos)	132,100	46,842
Complete Axles	(Nos)	103,123	38,262
Brake Shoe	(Nos)	886,283	436,416
Gear Sets@	(MT)	3,752.25	1,911.69
* Actual production of Axle Housings includes 103,123 Nos. used for production of Complete Axles (previous year 38,262 Nos)			
@ Includes jobbing nil MT (previous year Nil MT)			



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

Product	2009-10		2008-09	
	Quantity (Nos)	Amount ₹	Quantity (Nos)	Amount ₹
• Axle Housing (Nos)	29,058	420,914,447	8,548	139,671,728
• Axles (Nos)	103,034	6,123,647,628	39,225	2,112,275,643
• Brake Shoe (Nos)	886,283	353,400,702	435,965	145,010,965
• Gear Sets (MT)*	645	50,896,655	341	27,250,163
• Others		374,762,610		483,783,869
		7,323,622,042		2,907,992,368

* Exclusive of Axles & Drive Head Sales

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

4. Opening and Closing Stock of Finished Goods:

Product	2009-10		2008-09	
	Quantity (Nos)	Amount ₹	Quantity (Nos)	Amount ₹
Opening Stock:				
• Axle Housing	123	1,583,177	91	1,018,959
• Axles	292	13,532,323	1,255	74,417,617
• Gear Set (MT)*	97	14,914,687	–	–
• Others		524,795		10,626,463
		30,554,982		86,063,039
Closing Stock:				
• Axle Housing	42	545,490	123	1,583,177
• Axles	381	19,973,707	292	13,532,323
• Gear Set (MT)*	23	237,380	97	14,914,687
• Others		708,164		524,795
		21,464,741		30,554,982

* Exclusive of Axles & Drive Head

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

(2) Inclusive of Slow Moving and Non Moving Provision

5. Raw Materials and Components consumed:

Raw Material and Components	2009-10		2008-09	
	Quantity (Nos)	Amount ₹	Quantity (Nos)	Amount ₹
• Steel (M.T)	25,839	972,740,664	8,068	289,982,804
• Castings (Nos.)	843,834	689,139,181	320,288	247,172,777
• Forgings (Nos.)	980,471	777,592,578	467,743	356,793,795
• Bought out Finished Components	–	1,844,223,724	–	601,640,900
• Others	–	459,310,394	–	258,558,269
		4,743,006,541		1,754,148,545

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:

Particulars	2009-10		2008-09	
	Consumption %	₹	Consumption %	₹
a) Raw Materials				
• Imports	1	39,334,567	6	101,258,846
• Indigenous	99	4,703,671,974	94	1,652,889,699
	100	4,743,006,541	100	1,754,148,545
b) Stores & Spares				
• Imported		514,554	4	2,285,899
• Indigenous	100	150,604,432	96	54,951,584
	100	151,118,986	100	57,237,483

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

Particulars	2009-10 ₹	2008-09 ₹
i. Raw Material	61,508,448	51,419,226
ii. Consumables & Spares	1,989,940	1,128,470
iii. Capital Goods	1,709,698	40,064,490
	65,208,086	92,612,186

8. Expenditure in Foreign Currency:

Particulars	2009-10 ₹	2008-09 ₹
a) Foreign Travel	1,674,347	207,108
b) Bank Charges	9,525	94,994
c) Others	4,069,773	1,220,332
d) Interest	1,252,595	10,848,041

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

Particulars	2009-10 ₹	2008-09 ₹
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	14,491,643	34,887,288
d. Year to which dividend relates		
Final Dividend	2008-09	2007-08

10. Managerial Remuneration :

Particulars	2009-10 ₹	2008-09 ₹
Salary & allowances	6,230,619	3,403,017
Contribution to Provident and other funds	1,014,350	427,930
Perquisites	301,859	296,495
	7,546,828	4,127,442

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

Particulars	2009-10 ₹	2008-09 ₹
As Auditors	1,800,000	1,620,000
In other capacity	561,000	505,440
Service Tax (including Education Cess as applicable)	243,183	218,920
Reimbursement of expenses	171,816	217,540
	2,775,999	2,561,900



12. Employee Benefits :

I. Defined Contribution Plans:

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

Particulars	2009-10 ₹	2008-09 ₹
Employer's contribution to Provident Fund including Family Pension Fund* (Excluding administration charges)	16,520,024	10,405,342
Superannuation Fund*	5,577,499	Nil
Employee's State Insurance	3,864,803	1,188,392

* 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	30.09.2010	30.09.2009
Discount Rate	8.00%	7.00%
Expected Rate of Return on Plan Assets	8.00%	7.00%
Salary Escalation Rate	7.00%	5.00%

Change in Present Value of Obligation:-

Particulars	30.09.2010	30.09.2009
Opening Present Value of Obligation	52,140,084	43,503,006
Current Service Cost	6,376,359	8,031,627
Interest on Defined Benefit Obligation	4,107,180	2,971,358
Benefits Paid	(1,600,657)	(2,110,056)
Net Actuarial Losses / (Gains) Recognized during the Year	(847,398)	(255,851)
Closing Present Value of Obligations	60,175,568	52,140,084

Change in the Fair Value of Assets:-

Particulars	30.09.2010	30.09.2009
Opening Fair Value of Plan Assets	42,295,034	33,510,518
Expected Return on Plan Assets	3,579,576	2,345,736
Actuarial Gains / (Losses)	1,596,721	3,548,836
Contributions by Employer	6,500,000	5,000,000
Benefits Paid	(1,600,657)	(2,110,056)
Closing Fair Value of Plan Assets	52,370,674	42,295,034

Investment Details of Fund Assets:-

Fund	Percentage 30.09.10	30.09.2010 Amount ₹	Percentage 30.09.10	30.09.2009 Amount ₹
Group Balanced fund	17%	9,055,667	20%	8,339,472
Group Debt Fund	18%	9,357,480	15%	6,362,272
Group Growth fund	33%	17,371,434	35%	14,651,634
Group short term Debt fund	32%	16,586,093	30%	12,941,656
Total	100%	52,370,674	100%	42,295,034

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

Particulars	30.09.2010	30.09.2009
Closing Present Value of Funded Obligation	60,175,568	52,140,084
Closing Fair Value of Plan Assets	52,370,674	42,295,034
Unfunded Liability	(7,804,894)	(9,845,050)
Unrecognized Actuarial gains (losses)	—	—
Unfunded Net Asset / (Liability) recognised in Balance Sheet	(7,804,894)	(9,845,050)

Amount recognized in the Balance Sheet:-

Particulars	30.09.2010	30.09.2009
Closing Present Value of obligation	60,175,568	52,140,084
Closing Fair Value of Plan Assets	52,370,674	42,295,034
Liability Recognised in Balance Sheet	(7,804,894)	(9,845,050)

Expenses recognized in the Profit & Loss Account:-

Particulars	30.09.2010	30.09.2009
Service Cost	6,376,359	8,031,627
Interest Cost	4,107,180	2,971,358
Expected Return on Plan Assets	(3,579,576)	(2,345,736)
Actuarial Gains / (Losses)	(2,444,119)	(3,804,687)
Net Cost	4,459,844	4,852,562

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 ₹19,218,360/- (Previous Year ₹7,232,217/-). Liability carried in the Balance Sheet at the year end is ₹18,794,463/- (Previous Year ₹7,232,217/-).

13. Segment Reporting

	Domestic	Sale for Exports	Consolidated
	(₹)	(Note 2 Below) (₹)	(₹)
I. Revenue			
Income	7,066,453,217 (2,728,539,043)	274,427,077 (188,780,231)	7,340,880,294 (2,917,319,274)
Segment Result	737,235,149 (186,720,292)	23,878,472 (22,690,738)	761,113,621 (209,411,030)
Unallocated Expenses net of Unallocated income			66,689,122 (35,845,433)
Operating Profit			694,424,499 (173,565,597)
Interest Expenses			35,552,339 (46,874,483)
Income Taxes			218,127,829 (30,076,618)
Net Profit			440,744,331 (96,614,496)



II. Other Information

Segment Assets	2,031,620,839 (1,232,295,252)	120,844,145 (38,964,748)	2,152,464,984 (1,271,260,000)
Unallocated Assets			1,599,474,948 (1,713,800,205)
Total Assets			3,751,939,932 (2,985,060,205)
Segment Liabilities			
Un allocated Liabilities			1,713,201,329 (1,237,850,468)
Total Liabilities			1,713,201,329 (1,237,850,468)
Depreciation	193,296,136 (164,469,368)	12,799,570 (15,310,300)	206,095,706 (179,779,668)
Depreciation:-Unallocable	-	-	3,860,438 (5,192,466)
Non Cash Charges other than depreciation	-	-	310,174 (899,986)

- 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 :

- a. List of Related Parties and Relationships

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

b. Transactions with Related Parties				
Transactions	Controlling Enterprises	Enterprises under Common Control	Key Management Personnel and their Relatives	Total
1) Purchase of Goods				
Bharat Forge Limited		80,986,299 (15,456,504)		80,986,299 (15,456,504)
Meritor HVS LLC USA	8,158,580 (3,165,137)			8,158,580 (3,165,137)
Arvin Meritor Inc., Troy	1,128,126 (Nil)			1,128,126 (Nil)
Others		20,692,226 (15,044,243)		20,692,226 (15,044,243)
	9,286,706 (3,165,137)	101,678,525 (30,500,747)		110,965,231 (33,665,884)
2) Sale of goods				
Meritor HVS (India) Limited		6,071,533,984 (2,635,003,823)		6,071,533,984 (2,635,003,823)
Bharat Forge Limited		85,310,493 (16,637,665)		85,310,493 (16,637,665)
		6,156,844,477 (2,651,641,488)		6,156,844,477 (2,651,641,488)
3) Purchase of Fixed Assets				
Bharat Forge Limited		2,287,884 (Nil)		2,287,884 (Nil)
		2,287,884 (Nil)		2,287,884 (Nil)
4) Service Received				-
Bharat Forge Limited		158,543,514 (48,783,458)		158,543,514 (48,783,458)
Arvin Meritor Inc., USA	4,069,773 (1,220,332)			4,069,773 (1,220,332)
Meritor HVS (India) Limited		26,859,300 (26,506,218)		26,859,300 (26,506,218)
	4,069,773 (1,220,332)	185,402,814 (75,289,676)		189,472,587 (76,510,008)
5) Services Rendered				
Meritor HVS (India) Limited		241,018 (165,485)		241,018 (165,485)
		241,018 (165,485)		241,018 (165,485)
6) Other Recoveries				
Meritor HVS (India) Limited		3,901,166 (778,293)		3,901,166 (778,293)
		3,901,166 (778,293)		3,901,166 (778,293)
7) Trade Advances Paid				
Bharat Forge Limited		6,175,000 (1,375,000)		6,175,000 (1,375,000)
		6,175,000 (1,375,000)		6,175,000 (1,375,000)
8) Advances Recovered				
Bharat Forge Limited		Nil (1,975,000)		Nil (1,975,000)
		(Nil) 1,975,000		(Nil) 1,975,000
9) Managerial Remuneration and Sitting Fees				
Mr. Ashok Rao			7,546,828 (4,127,442)	7,546,828 (4,127,442)



Mr. C.K.Sabareeshan		6,543,996	6,543,996
		(3,394,387)	(3,394,387)
Others		80,000	80,000
		(40,000)	(40,000)
		14,170,824	14,170,824
		(7,561,829)	(7,561,829)
Amounts Outstanding at the Balance Sheet Date			
10) Amounts Receivable			
Meritor HVS (India) Limited	1,082,680,927		1,082,680,927
	(622,760,196)		(622,760,196)
Others	4,586,192		4,586,192
	(4,489,594)		(4,489,594)
	1,087,267,119		1,087,267,119
	(627,249,790)		(627,249,790)
Amounts Payable			
11) Bharat Forge Limited	32,033,643		32,033,643
	(19,962,357)		(19,962,357)
Others	485,162	549,000	1,034,162
	(2,153,314)	(Nil)	(2,153,314)
	32,518,805	549,000	33,067,805
	(22,115,671)	(Nil)	(22,115,671)

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 :

	2009-10 ₹	2008-09 ₹
Depreciation & Amortisation	438,460,140	560,945,436
Provision for employee benefits & others	(30,989,400)	(144,056,198)
	407,470,740	416,889,238
Net deferred tax liability relating to the above	135,350,652	141,700,652

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

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:

	2009-10 (₹)	2008-09 (₹)
Amount repayable not later than one year	520,260	677,306
Amount repayable later than one year and not later than five years	704,460	1,224,720
Amount repayable more than five year	-	-
Total	1,224,720	1,902,026
Less: Interest	184,764	364,965
Present value of minimum lease payments	1,039,956	1,537,061

- (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, 2010 aggregated to Rs. 291,159/- (2009-Rs..240,852/-). The committed lease rental in the future are:

	2009-10 (₹)	2008-09 (₹)
Not later than One year	35,735	375,480
Later than one year and not later than five years	-	40,865

17. Earnings Per Share :		(In ₹ except for No. shares)	
Sl.No.	Particulars	2009-10	2008-09
1.	Profit after tax attributable to ordinary share holders	440,744,331	96,614,496
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	29.17	6.39

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

Particulars	2009-10 ₹	2008-09 ₹
Nature of Expenses	Warranty	Warranty
Probable Outflow Estimated within	One Year	One Year
Liability as at Beginning of the Year	14,032,968	13,772,882
Amount Provided During the Year	24,862,115	11,170,110
Amount Utilized During the Year	13,003,056	9,124,782
Amount Reversed During the year	9,618,278	1,785,242
Liability as on End of the Year	16,273,748	14,032,968

19. Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided for, ₹ 58,792,300/- (Previous year - ₹13,209,563/-)

20. Contingent Liability :

- a) 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.
- b) Other claims against the company not acknowledged as debt for ₹ Nil (Previous year ₹ Nil).
- c) Company has discounted endorsed customer bills with its bankers which are with recourse and the liability that may rise on account of the same is to the extent of ₹ Nil (Previous Year ₹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 10 regarding Micro and Small enterprises determined to the extent such parties have been identified on the basis of the information available with the company. This has been relied upon by the auditors.

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, 2010:

Currency	Amount	Buy / Sell	Cross Currency
US Dollar	Nil (Pr. Yr. nil)	Buy	Rupees

(b) The foreign currency exposure as on year end that have not been hedged are given below:

	2009-10		2008-09	
	In ₹	In foreign currency	In ₹	In foreign currency
• Import of Goods and services	252,714 388,238	USD 5,561 EURO 6,271	1,512,215 657,277	USD 31,816 Euro 9,489
• Interest Payable	293,210	USD 6,465	1,082,253	USD 22,494
• Loans Payable	73,482,013	USD 1,620,331	143,240,321	USD 2,977,196

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
Wholetime Director

Ramkumar
Chief Financial Officer &
Company Secretary

Place : Mysore
Date : 18.11.2010



SCHEDULE 19

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

Registration No.	4198	State Code	8
Balance Sheet date	30.09.2010		

II Capital Raised during the Year (Amount in ₹ 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	2,880,693.52	Total Assets	2,880,693.52
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Sources of funds

Paid-up Capital	151,119.75	Reserves & Surplus	1,887,618.85
Secured Loans	633,122.25	Unsecured Loans	73,482.01
Deferred Tax Liability (net)	135,350.65		

Application of Funds

Net Fixed Assets	1,407,141.22	Investments	Nil
Net Current Assets	1,473,552.30	Misc. Expenditure	Nil
Accumulated Losses	Nil		

IV Performance of Company (Amount in Rs. Thousands)

Turnover	6,679,949.98	Total Expenditure	6,061,400.02
Profit before Tax	658,872.16	Profit after Tax	440,744.33
Earning per Share in ₹	29.17	Dividend rate	85%

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

Item Code No. (ITC CODE)	870850
Product Description	Drive Axles (Rear)
Item Code No. (ITC CODE)	870839
Product Description	Brakes
Item Code No. (ITC CODE)	870899
Product Description	Other parts

On behalf of the Board of Directors

B.N. Kalyani
Chairman

Ashok Rao
*President and
Wholtime Director*

S. Ramkumar
*Chief Financial Officer &
Company Secretary*

Place : Mysore
Date : 18.11.2010

NOTICE

Notice is hereby given that the Twenty-Ninth 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 21st January, 2011 at 12.30 p.m. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th September 2010 and Balance Sheet as at 30th September 2010 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 2010
3. To appoint a Director in place of Mr. B.C.Prabhakar who retires by rotation and being eligible offers himself for reappointment
4. To appoint Auditors and to authorise the Board of Directors, to fix their remuneration for the period.

Special Business :

5. To Consider and, if thought fit, to pass with or without

Place : Mysore

Date : 18.11.2010

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

Notes:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item No.5 & 6 of the Notice is annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and proxy need not be a member of the company. The proxy form should be submitted to the company at least 48 hours before the commencement of the Annual General Meeting.
3. Dividend on Equity Shares as recommended by the Board Of Directors, if declared at the meeting, will be paid to those members, whose name appear either on the Company's Register of Members or on the List of Beneficial owners in the records of Depositories as on the date of the Annual General Meeting.
4. The register of Members and Share Transfer Books will remain closed from 19.01.2011 to 21.01.2011 (both days inclusive).
5. Those Members who have so far not encashed their Dividend Warrants for the below mentioned Financial Years, may claim or approach the Companies Share Transfer Agents for the payment thereof, as the same will be transferred to the Investor Education and protection Fund of the Central Government, Pursuant to section 205C of the Companies Act, 1956, On the Respective due date(s) mentioned there against. Kindly note that after such date, the members will not be entitled to claim such dividend

Financial Year	Particulars of dividend declaration	Declared on	Due Date of Transfer
2002-03	47% Second Interim Dividend	28.11.2003	25.12.2010
2003-04	35% Interim Dividend	31.05.2004	25.06.2011
2003-04	65% Final Dividend	27.01.2005	24.02.2012
2004-05	50% Interim Dividend	21.04.2005	19.05.2012
2004-05	75% Second Interim Dividend	24.11.2005	19.12.2012
2005-06	55% Interim Dividend	22.07.2006	17.08.2013
2005-06	75% Final Dividend	12.02.2007	07.02.2014
2006-07	60% Interim Dividend	21.07.2007	17.08.2014
2006-07	65% Final Dividend	18.01.2008	21.02.2015
2007-08	65% Final Dividend	21.01.2009	20.02.2016
2008-09	27% Final Dividend	15.01.2010	14.02.2017

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

modification(s), the following resolution as an Ordinary Resolution :

“Resolved that Mr. P C Bhalerao who was appointed Director, in terms of provision under section 262 of the Companies Act, 1956, in the casual vacancy created by the resignation of Mr.Larry Dowers effective 16th November 2009, he would hold office only up to the date of this Annual General Meeting be and hereby appointed as a Director of the Company subject to retirement by rotation.”

6. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

“Resolved that Mr.Satish Sekhri who was appointed as an Additional Director of the Company by the Board of Directors pursuant to section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company subject to retirement by rotation.”

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

S. Ramkumar
Chief Financial Officer &
Company Secretary



ANNEXURE TO NOTICE

The following Explanatory Statement sets out material facts relating to the item No.5 & 6 mentioned in the Notice, as required under section 173(2) of the Companies Act, 1956

Item No.5

Pursuant to Article 118 of the Articles of Association of the Company read with Section 262 of the Companies Act, 1956, Mr.P C Bhalerao was appointed a Director in the casual vacancy created by the resignation of Mr.Larry Dowers effective 16th November 2009. In terms of provision under section 262 of the Companies Act, Mr.P C Bhalerao would hold office only up to the date of this Annual General Meetings. A Notice under section 257 of the Companies Act, 1956 has been received from a member specifying his intention to propose the appointment of Mr. P C Bhalerao, a Director subject to retirement by rotation. It would be in the best interest of the Company to appoint Mr. P C Bhalerao, a Director of the company.

The Board recommends adoption of the resolution.

None of the Directors of the Company is interested or concerned in the resolution.

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

Item No.6

Pursuant to Article 117 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956, Mr.Satish Sekhri was appointed as Additional Director on 18th November 2010. In terms of Section 260 of the Companies Act, 1956, Mr.Satish Sekhri shall hold the office only up to the date of the Annual General Meeting and is eligible for reappointment as Director. A notice under section 257 of the Companies Act, 1956 has been received from a member specifying his intention to propose the appointment of Mr.Satish Sekhri, a Director subject to retire by rotation. It would be in the best interest of the Company to appoint Mr.Satish Sekhri as the Director of the Company.

The Board recommends adoption of the resolution.

None of the Directors of the Company is interested or concerned in the resolution.

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

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

(a) **Mr. B C Prabhakar** is one of the leading advocate for the last 40 years and Management Consultant on Labour Laws and Service Matters. He is working President of Karnataka Employer's Association, which is leading and oldest Employer's Association in the State of Karnataka. He is serving the Employers community by representing the problems of the managements to the State Governments, Central Government. He has fought number of cases for Managements in the High Court and Supreme Court and land-mark Judgements have been rendered by the courts in those cases. He has represented the employers at various International Forums including International Labour Organisation both in India and abroad. He is an employer's Nominee of Employees State Insurance Corporation, New Delhi,

He has attended Indian Labour Conference for the past ten years which is the highest Tripartite Forum consisting of Representatives of Employers, workers and Government.

He has been on the Board of the company for the last 6 years.

He is also a director on the Board of Wipro Limited and 3M India Limited.

He does not hold any shares in the company.

(b) **Mr.Prakash C.Bhalerao**, holds a Bachelor's degree in Engineering in Chemistry, (First Rank), M.B.A with specialisation in Finance and Post graduate Diploma in Taxation (First Rank).He has a vast experience relating to Capital Restructuring, Capital Issues, Strategic alliances with foreign companies, Corporate Finance etc.,.

He has been on the Board of the company for the last 1 year.

He is also a director on the Board of the Bharat Forge Limited, Meritor HVS (India) Ltd., Nandi Infrastructure Corridor Enterprises Limited, Nandi Economic Corridor Enterprises Limited, Sanghvi Mover Limited, Kumar Housing & Land Development Ltd., CDP Bharat Forge GmbH, Germany, Bharat Forge Aluminiumtechnik GmbH & Co. KG, Germany

He does not hold any shares in the company

(d) **Mr.Satish Sekhri** is a Mechanical Engineer from Delhi College of Engineering and MBA (Gold Medalist) from Chandigarh. He has rich experience of 37 years in automotive industry. He has served as Managing Director in Bosch Chassis Systems India Ltd., Pune (formerly known as 'Kalyani Brakes Ltd'). He is also associated with professional bodies like CII, Automotive Component Manufacturers Association etc., as Executive Committee member.

He was inducted in to the Board of your company in November 2010.

He is also a director on the Board of Rico Auto Industries Limited, Clutch Auto Limited, Minda Industries Limited, and Victor Gaskets India Limited

He does not hold any shares in the company

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

S. Ramkumar
Chief Financial Officer &
Company Secretary

Place : Mysore
Date : 18.11.2010

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

AUTOMOTIVE AXLES LIMITED

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

FORM OF PROXY

I/We.....

of

being Member(s) of Automotive Axles Limited hereby appoint Mr.

.....or failing him

Mr.....

of

..... as my/our Proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on Friday, 21st January 2011 and at any adjournment thereof.

Signed this day

Regd. Folio No./Demat Account No.

No. of Shares

Signature.....



AUTOMOTIVE AXLES LIMITED

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

ATTENDANCE SLIP

Twenty Ninth Annual General Meeting

Regd. Folio No./DP ID/Client ID

No. of shares held

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

I hereby record my presence at the TWENTY-NINTH ANNUAL GENERAL MEETING of the Company at Regd. Office, Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570 018, at 12.30 p.m on Friday, 21st January, 2011.

.....
Name of the member / proxy

.....
Signature of member / proxy

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