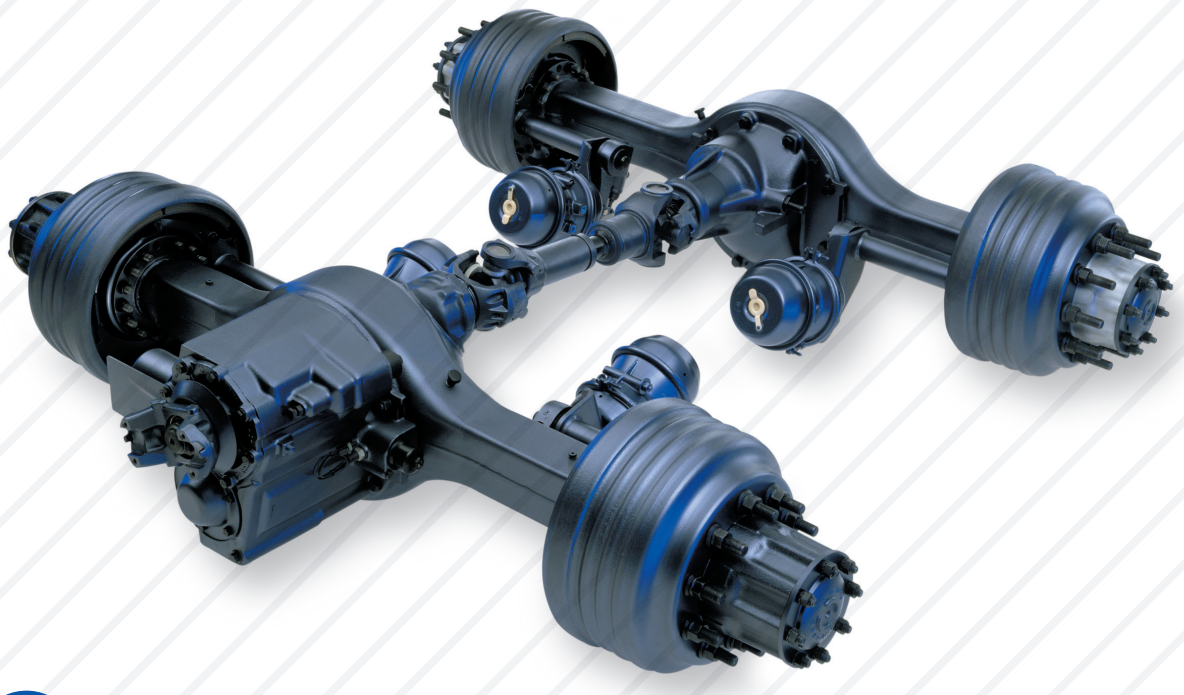
Growth and Performance.... through technology and teamwork

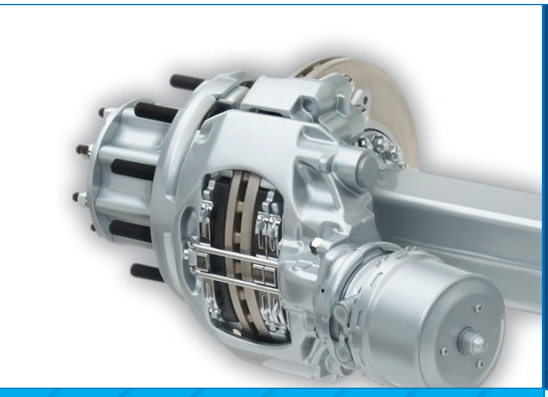
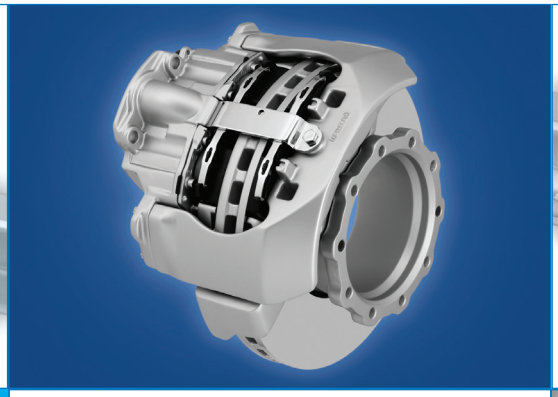
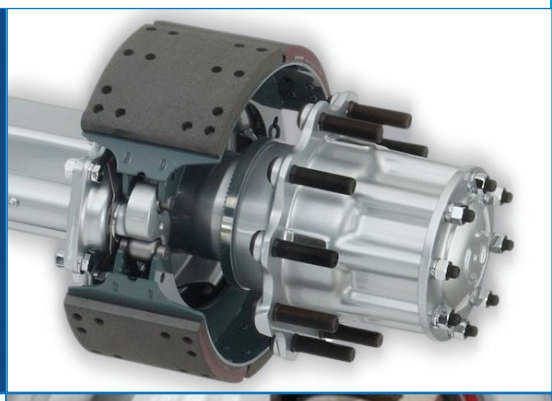
31ST Annual Report 2011-12

Automotive Axles Limited

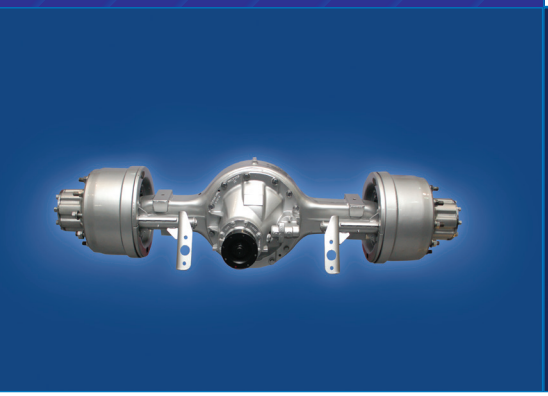


KALYANI

MERITOR

Our product range



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CORPORATE INFORMATION

BOARD OF DIRECTORS	**Mr. Babasaheb N Kalyani,** Chairman **Mr. Pedro N Ferro,** Director **Mr. Bhalachandra B Hattarki,** Director **Mr. B C Prabhakar,** Director **Mr. Prakash C. Bhalerao,** Director **Mr. Satish Sekhri,** Director **Mr. Ashok Rao,** Wholetime Director
COMPANY SECRETARY, COMPLIANCE OFFICER & CHIEF FINANCIAL OFFICER	Mr. S Ramkumar
STATUTORY AUDITORS	Deloitte Haskins and Sells (Chennai), Bangalore
INTERNAL AUDITORS	PriceWaterHouseCoopers, Bangalore
BANKER	HDFC Bank Limited Kotak Mahindra Bank State Bank of Mysore IDBI Bank Limited State Bank of India Axis Bank Limited ICICI Bank
REGISTRAR & SHARE TRANSFER AGENTS	Integrated enterprises (I) Limited #30, Ramana Residency, 4th cross, Sampige Road, Malleshwaram Bangalore ph: 080-23460815-818; e-mail: alfint@vsnl.com
REGISTERED OFFICE	Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570018. Ph: 0821-2402582-86, 2402452-53 Website: www.autoaxle.com Email: info@autoaxle.com / sec@autoaxle.com
WORKS	**Unit I:** Hootagalli Industrial Area, Off Hunsur Road, Mysore – 570018 **Unit II:** Plot No.34 & 35P, Hootagalli Industrial Area, Off Hunsur Road, Mysore – 570018 **Unit III:** 6 Km Stone, Kichha Road, Village Shimla Pistor, Rudrapur, Udham Singh Nagar, Uttarakhand **Unit IV:** No.19, Udyog Vihar, Greater Noida, Uttar Pradesh

CHAIRMAN'S COMMUNIQUÉ

Dear Shareholders,

The world is still grappling with a fragile economic recovery. However, if properly analysed, we can safely claim that future growth prospects will hinge on two critical factors: a) the ability of European policy makers to rein in the Euro crisis without further confusion; b) the US government's capability to rappel safely on ground from the enormous fiscal cliff, without reducing public spending or allowing tax increases considerably. These factors will have important ramifications for the emerging economies including India.

India's pro-reform approach will augur well for the country's long-term economic growth. One encouraging turn of events is the recent surge (8.2% in October) in manufacturing output, pushing India's industrial growth to its highest in more than one year. This is widely interpreted as a sign that Asia's third largest economy is gathering pace, despite sluggish growth and a high rate of inflation.

India's pro-reform approach will augur well for the country's long-term economic growth. One encouraging turn of events is the recent surge (8.2% in October) in manufacturing output, pushing India's industrial growth to its highest in more than one year.

In the Commercial Vehicle (CV) industry, the year under review began well and we saw January-March 2012 quarter registering a record production in Medium & Heavy Commercial Vehicles (M&HCV) space. But the second half of 2011-12 saw a sharp decline in the number of vehicles produced, owing to global headwinds and faltering business confidence.

Moreover, there was a decline in tipper truck production due to reduced mining activity. However, we are witnessing that the CV industry is moving towards higher tonnage vehicles, as it provides higher operating efficiency to fleet owners and more 'tonnage per km', ensuring optimised variable cost. This is encouraging for us as we are predominantly catering to the HCV segment.

The industry is not going to fare any better in the coming few months, but the second half of 2013 is expected to see a gradual strengthening of the economy. The automobile industry is also expected to revive, simultaneously pushing demand for automobile ancillaries. With more than 30 years of industry presence, Automotive Axles Limited (AAL) has navigated several industry cycles through relevant risk-focused initiatives.

In 2011-12, we focused on sustainability in the face of multiple challenges like demand slowdown nationally and internationally and a high rate of inflation. We registered a topline of ₹ 10,445.64 Million, representing a marginal decline as compared to ₹ 11,144.89 Million in 2010-11 which was on account of demand slowdown. The EBIDTA was ₹ 1,032.21 Million in 2011-12 as against ₹ 1,171.06 Million last year.

Profit after tax stood at ₹ 450.18 Million in 2011-12 against ₹ 575.57 Million during the previous year. The earnings per share stood at ₹ 29.79.

During the year, we launched two-speed axle for Ashok Leyland and Tata Motors. We also successfully launched two-speed axle for Ashok Leyland's haulage applications. Moreover, we expanded our customer portfolio and initiated new business with existing customers. We also enhanced our value-added product basket to cater to a larger pie of our customer's requirements. We also strengthened our supply chain management capability to help us provide faster response to customer demands.

As part of our Group initiatives to produce green energy, we have installed one wind turbine generator with 2 MW aggregate capacity at Tithwa, Gujarat. This will enable us to reduce our environmental impact by focusing on wind energy. Green energy will also entitle us for Clean Development Mechanism (CDM) benefits.

ROAD AHEAD FOR AAL

- Diversify our portfolio for existing and new clients, driving both volumes and margins
- Explore opportunities into the CV market with our 'Green Axle' (2-Speed Axle) and the hub-reduction axle
- Strengthen our presence in brakes, aftermarket and trailer businesses
- Widen visibility in the under-penetrated markets of USA, France, Italy, China and Brazil
- Generate repeat business from existing clients
- Strengthen intellectual capital through timely recruitments

We are driven by our people. Our achievement is the result of our people, who are willing to take challenges in their strides. We are more determined than ever to put our competitive advantages to work for long-term stakeholder returns.

As businesses are continuously being reshaped by global headwinds, we will continue to stay on course by virtue of our wide product basket, quality excellence and evolving marketing strategies. With the entry of global automobile players in the Indian market the prospects for our products are growing stronger.

Dr. B N Kalyani
Chairman

As businesses are continuously being reshaped by global headwinds, we will continue to stay on course by virtue of our wide product basket, quality excellence and evolving marketing strategies.

DIRECTORS' REPORT

To the Members,

Your Directors have the pleasure in presenting the 31st Annual Report on the business and operations of the Company and the accounts for the financial Year, ended 30th September, 2012.

FINANCIAL RESULTS

	(₹ in Million)	
	2011-2012	2010-2011
Profit before Depreciation & Tax	939.63	1,105.28
Less : depreciation & amortisation	273.88	233.93
Provision for Taxation – Current/ Deferred/ Fringe Benefit Tax	215.57	295.78
Profit After Tax	450.18	575.57
Balance of Profit from Previous Year	1,795.43	1,453.09
Profit available for appropriation	2,245.61	2,028.66
Appropriations :		
Dividend for the year	151.12	151.12
Tax on dividend	24.52	24.52
Transfer to General Reserve	45.10	57.56
Surplus retained in Profit & Loss Account	2,024.87	1,795.43

REVIEW OF PERFORMANCE

The Gross Sales and other income for the financial year under review was ₹10,445.60 Million as against ₹ 11,144.87 Million for the previous financial year. The Profit Before Tax of ₹ 665.75 Million and the profit After tax of ₹ 450.18 Million for the financial year under review as against ₹ 871.35 Million and ₹ 575.56 Million respectively for the financial year.

DIVIDEND

The Directors recommend the payment of dividend of ₹ 10/- per share of ₹ 10/- each. The Dividend Distribution tax shall be paid by the Company and the dividend distributed to shareholders is exempt from tax.

FIXED DEPOSITS

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

WIND MILL

During the year the Company took up the initiative, along with other group companies, to generate power from Green Energy sources and installed one Wind Turbine Generator with 2.00 MW generation capacity at Tithwa, Gujarat. Total Generation of power from the wind mill

during the year was 17.42 Lacs KwH (April to September, 2012) which was in turn sold to Gujarat Urja Vikas Nigam Limited.

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 conservation of energy, technology absorption, foreign exchange earning and outgo is provided in the Annexure " A " forming part of this report.

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

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- Appropriate accounting policies have been selected and applied consistently, and judgments and estimates that have been made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on an ongoing concern basis.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, M/s. B C Prabhakar & Satish Sekhri retires by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

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

ACKNOWLEDGEMENTS

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

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

Place: Mysore
Date: 29th November, 2012

B. N. Kalyani
Chairman

Annexure 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 2011-12	1. Introduction of 150 watts induction lamps for the new buildings instead of 250 watts metal halide fittings – ₹ 0.7 Million 2. Commercial gas introduction for LPG burners – ₹ 4.5 Million
(b)	Additional investments and proposals, if any, being implemented to reduce energy consumption for 2011-12	1. Modification of cold swage machine hyd power pack – ₹ 2.5 Million 2. Solar & LED lights to canteen periphery and lawn – ₹ 0.4 Million
(c)	The impact of the measures at (a) & (b) for reduction of energy consumption and consequent impact on the cost of production of goods	(a) 1. The energy cost of ₹ 0.14 Million per annum saved on account of less power consumption 2. LPG cost saving/year on account of commercial gas introduction : ₹ 4 Million/year
		(b) 1. ₹ 0.5 Million will be the savings & technology up gradation by modifying the hyd circuits and motor sizing 2. Electrical power cost savings by ₹ 0.8 Million 3 Our green energy focus will help reduce our environmental impact. We have a merchant sale agreement with the Gujarat Urja Vikas Nigam Limited (GUVNL).

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

1.	Specific areas in which R & D is conducted by the Company	• Development of Rear axle for Light Commercial Vehicle • Part development, & Industrialisation of completely dressed Rear Axle for 60 Tonnes dumpers
2.	Benefits derived as a result of the above R & D	• Creation of New Light Axle Segment targeted at Existing & New Customers • Creation of new Off Highway Heavy Duty Axle Segment catering to Big Dump Trucks
3.	Future plan of action	• Development of Military Axles for all Wheel Drive Vehicles • Development of next Gen Light Commercial Vehicle Axle
4.	Expenditure on R & D a. Capital b. Recurring c. Total d. Total R & D expenditure as a percentage to total turnover	 Nil Nil

II. Technology Absorption, Adaptation and Innovation

1.	Efforts in brief, made towards technology absorption, adaptation and innovation	2	Benefits derived as a result of the efforts, e.g., product improvement, cost reduction, product development and import substitution, etc
	Nil		Nil

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

III. Foreign Exchange Earnings and Outgo :

a.	Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans	NIL
b.	Total Foreign Exchange used and Earned:	
	Used	₹ 166.02 Million
	Earned	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: 29th November, 2012

B. N. Kalyani
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN ECONOMIC OVERVIEW

The year under review (October 2011 – September 2012) began on a cautious note with GDP falling continuously since quarter ending September 2010. The GDP grew 6.1% in the first quarter and continued to perform discouragingly 5.3% in the second quarter and 5.5% in the third quarter in the succeeding quarters. Increasing fuel and food prices, coupled with economic uncertainty and sluggish exports, resulted in the lowest GDP growth witnessed in the Q2 (quarter ending March 2012). However, towards the end of the year, the growth story painted a slightly more reassuring picture with government focusing on reforms to regain investor confidence.

After decelerating for over four successive quarters from 9.2% y-o-y in Q4 of FY 2010-11 to 5.3% in Q4 of FY 2011-12, the fiscal year 2011-12 closed with a GDP of 6.5%, much lower than the preceding two years. However, GDP growth was marginally higher at 5.5% in Q1 of FY 2012-13. The slight improvement in GDP growth in Q1 of FY 2012-13 was primarily driven by growth in construction and supported by better than expected growth in agriculture.

While headline inflation related to the wholesale price index (WPI) hovered around 9.5% at the start of the year, it gradually came down in the succeeding months to 7% levels primarily due to the receding demand from consumers. Towards the end of the year under review, inflation rose to 7.8% (September 2012) due to strong consumer demand. Amid growing inflation, RBI has clearly stated that its efforts will be to rein in inflation and support growth.

Index of Industrial Production (IIP), an indicator of industrial growth, showed a meagre growth of 2.9% in year ended March 2012. While the power sector showed a strong growth of 8.9% (Y-o-Y), mining sector de-grew 2% as a consequence of mining ban imposed on several states in India. The manufacturing sector, which contributes 75.5% to the IIP index, saw a modest growth of 3%, largely due to sluggish economic growth. The CMIE (Centre for Monitoring Indian Economy) however has estimated that in FY 2012-13 (April-March) the industrial output grew at 5.1%, which is lower than the preceding 7-year average of 7.9%, but significantly higher than the growth witnessed in FY 2012-13.

The Indian currency (₹) weakened sharply during the year, touching levels of ₹ 57 against the US dollar and continues to be weak at ₹ 53 levels during the end of the year. The rupee over the past year has been volatile. While weakening rupee helped the IT sector and exporters, it adversely impacted the trade deficit, which rose to US$ 189.7 Billion in the year ending March 2012, compared to the deficit of US$ 130.6 Billion in the corresponding period the year before. Rising crude oil prices, coupled with drying-up of FDI smothered the rupee against the dollar. However, the rupee is expected to strengthen following the government's focus on reforms, breaking the prevailing culture of policy impasse and low investor confidence. Sluggish economic growth affected each and every industry and the Commercial Vehicle (CV) industry was no exception; it posted negative growth in the year under review.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Medium & Heavy Commercial Vehicles (M&HCV) (GVW above 7.5T)

India stands as the fifth largest manufacturer of commercial vehicle globally. M&HCV saw a strong growth in the first half (October 2011 – March 2012) of the year under review and a sharp decline in second half (April – September 2012). While production in the first half grew 12.4% over the corresponding period in the previous year, second half de-grew 17.4%, making it an overall 2.4% de-growth.

In Q2 (January – March 2012) 111,982 vehicles were produced, which was a historical high; 69,290 vehicles were produced in Q3 (April – June 2012) which was the lowest quarterly production since January 2010. Overall, 351,543 vehicles were produced during the year under review, which is 2.4% lower than 360,358 units during the previous year.

M&HCV Domestic sales posted de-growth of 1% to reach 328,881 units, whereas exports declined 18% over the previous year to reach 24,508 units. While the haulage truck production slowed

down in line with slowdown in the economy, tipper production dropped (-10%) much more than the market drop, due to mining ban in several states.

M&HCV Industry Growth

	2011-12 (Oct – Sept)	2010-11 (Oct – Sept)	B(W)	% growth
Production				
MCV (7.5–12 T)	72,560	67,011	5,549	8%
HCV (> 12 T)	278,983	293,347	(14,364)	-5%
Domestic Sales				
MCV (7.5–12 T)	81,557	74,858	6,699	9%
HCV (> 12 T)	247,324	257,126	(9,802)	-4%
Exports				
MCV (7.5–12 T)	4,394	4,027	367	9%
HCV (> 12 T)	20,114	25,872	(5,758)	-22%

Source: Society of Indian Automobile Manufacturers (SIAM)

Improving infrastructure and roadways means that the commercial vehicle industry in general will move towards higher tonnage vehicles. Fuel prices saw a hike of around 10% in order to reduce the subsidy burden of the government. Rising fuel prices and paucity of drivers are compelling fleet owners to look for vehicles, with higher operating efficiency rather than the initial cost of vehicle acquisition.

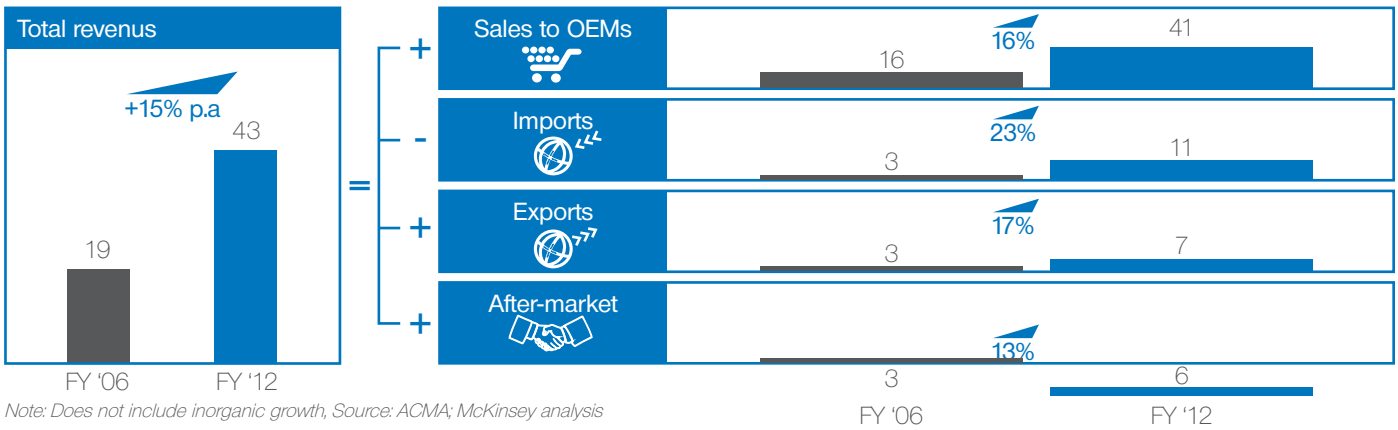
Outlook of M&HCV

The cumulative foreign direct investment (FDI) in the automobile industry stood at US$ 6,992 Million (between April 2000 to July 2012). This accounted for 4% of the total FDI inflows up till this period (Source: IBEF). The domestic CV market is expected to grow at a CAGR of 10-11% by FY 2017. The demand for M&HCV is likely to decline in the near term. However, the long term growth factors are expected to remain intact. Investments of around ₹ 4000-4,500 Crore are expected in the auto sector in over the next two years, creating significant opportunities *(Source: CARE)*

India's auto component industry

The Indian auto component industry is valued at ₹ 1,600 Billion. According to industry estimates, around 60% of the revenue is derived from sales to OEMs, 25% from domestic replacement market and 15% is derived from the export market *(Source: ICRA, 2012).*

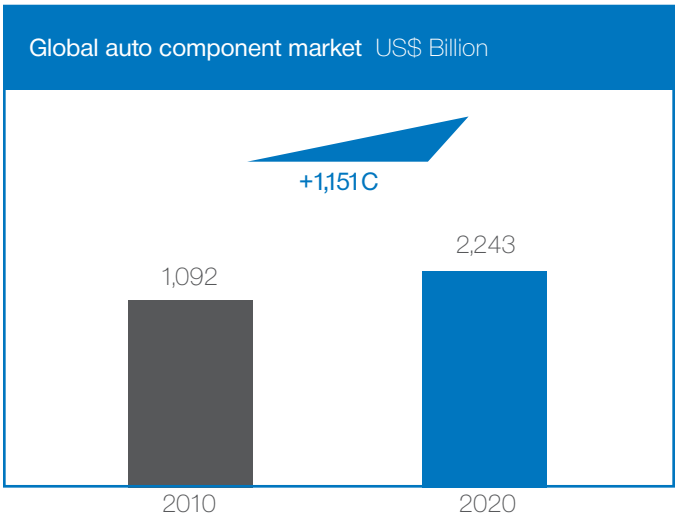
Indian auto component industry has achieved strong growth US$ Billion



Note: Does not include inorganic growth, Source: ACMA; McKinsey analysis

Outlook

The domestic auto component industry has experienced healthy growth, led by strong domestic demand. Both the auto and auto-component market is expected to witness sizeable growth. The global auto-component market is expected to be worth US$ 2,243 Billion in 2020.



Road Ahead

- The Reserve Bank of India (RBI) lowered GDP growth projection for FY 2012-13 to 5.8%, from 6.5% earlier, in view of global and domestic factors like poor investments and subdued demand
- The CV industry has entered a recovery phase as seen by a rise in production volumes in the last 2 months of the year under review. Next year M&HCV production is expected to be at level par with FY 2010-11.
- The government faces stiff challenges in stemming inflation, fostering growth and gaining investor confidence.

The Automotive Mission Plan (AMP) 2006-2016 envisages India to emerge as the destination of choice for design and manufacture of automobiles and auto components. It targets to take the level of output to US$ 145 Billion, which would account for more than 10% of the GDP and provide additional employment to 25 Million people by 2016.

Growth Drivers

Infrastructure investments

The Government has planned an investment of ₹ 65 lakh Crore under the 12th Five Year Plan (FY13-17) *[Source: PMEAC]* in order to sustain a real GDP growth rate of 9%. Almost half of this investment is planned for construction projects like roadways, rail and aviation. Investments in road sector are projected to grow at a CAGR of 16% over FY 2011-14 *(Source: Antique – India Auto sector).*

Agricultural production

Deficit monsoons adversely impacted the performance of agricultural sector and the sowing of Kharif crops declined by 18%, compared to that of last year. The CV industry was also affected, as evident from the lower production of haulage trucks in the months of May-July 2012. The agriculture sector is expected to do well in FY 2012-13, but major crop production is projected to fall by 0.5% *[Source: CMIE]*

Industrial output

Industrial output, which influences CV industry growth, to a large extent is expected to grow by 5.1% in FY 2012 -13 *[Source: CMIE]*. This is buoyed up by the pent-up demand and government's measures to curb inflation.

Government initiatives

The AMP 2006-2016 aims at doubling the contribution of automotive sector in gross domestic product (GDP) by taking the turnover to US$ 145 Billion in 2016 with special emphasis on the export of small cars, multi-utility vehicles (MUVs), two & three wheelers and auto components *(Source: IBEF).*

Rural market penetration

Growth in FY 2012-13 is likely to come from higher penetration and wider reach across tier 2 and tier 3 markets. Gradual increase in connectivity and increasing consumerism in rural areas will drive the growth of commercial vehicles ahead.

Exports

India has emerged as a centre of global manufacturing, backed by lower input costs, availability of local supplier base and skillful manpower. Your Company is ideally placed to leverage this opportunity from the global markets.

COMPANY OVERVIEW

Automotive Axle Limited (AAL) is the largest independent manufacturer of Rear Drive Axle Assemblies in the country. Your Company was incepted in 1981, as a joint venture of Kalyani Group and Meritor Inc., USA (formerly the automotive division of Rockwell International Corporation). It is equipped with highly specialised

manufacturing processes, and has its facilities located at Mysore, Panthnagar and Noida.

Product portfolio

- Rear drive axle assemblies
- S-Cam Actuated quick Change Air Brakes
- Trailer Axles for 10 tonnes to 13 tonnes GVW

Products equipped with

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

Certifications

- Quality Management System is certified to ISO/TS 16949:2009
- Environmental Management System that is certified to ISO 14001:2004

Operational capabilities

- Friction welding
- CO2 welding
- CNC machining
- Flexible machine centres

Latest technology

- Gleason gear manufacturing equipment
- Modern heat treatment shop including continuous carburising and sealed quench furnaces

Marque clientele

Your Company has a strong presence across USA, France, Italy, China and Brazil. It has a strong bonding and highly impressive OEM clients in India and globally.

Financial performance

(₹ in Million)

On the growth path	2011-12	2010-11
Gross Sales and other income	10,445.64	11,144.89
Profit before Depreciation & Tax	939.63	1,105.28
Profit After Tax	450.18	575.57
Earnings Per Share (₹)	29.79	38.09

(%)

Key financial ratios	2011-12	2010-11
PBT / Total Income	7.06	8.6
PAT / Total Income	4.78	5.69
Return on Capital employed	13.77	18.85
Return on Net Worth	16.59	23.63
Dividend Pay out Ratio	39.01	30.52

Opportunities

Your Company is already exploring opportunities in the CV market with its 'Green Axle' (2-Speed Axle) and the hub-reduction axle, which were launched in a phased manner in FY 2011 and FY 2012. The management's focused effort to strengthen its presence in brakes, aftermarket and trailer business, your Company foresees significant business opportunities, going forward.

Risks and Concerns

Challenging global conditions: The adverse impacts of global financial crisis and the relentless European debt crisis continue to be a global cause for concern. A weak global economy and the possibility of another economic slowdown pose a downside risk to the CV industry demand.

High inflationary pressure: Over the last 18 months, India has been facing high inflationary pressures: hike in interest rates, accompanied by growing input costs and suppressed demand. Such a scenario has impacted the demand across all sectors.

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

Hike in fuel prices: Oil prices hovered in the range of US$ 110 in FY 2011-12. Going ahead, high oil demand from emerging markets and suppressed supplies are expected to keep the fuel prices at high levels. The high fuel prices would adversely impact the demand for the automotive industry.

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 are not exposed to risks, arising out of unauthorised use or disposal and also to ensure that

assets are properly accounted for and transactions are authorised, recorded and reported correctly.

The internal controls are periodically reviewed by the Internal Audit team, which is performed by Price Waterhouse Coopers Pvt. Ltd, to ensure independence of the audit. The Audit Committee of the Board, chaired by an Independent Director, reviews the Internal Audit Reports periodically and ensures that recommendations of the auditors are implemented effectively.

Human Resources

At every step of our three decade journey, we have ensured to provide an environment that is encouraging and nurtures our employees to bring out their potential. Employees have always played a major role in organisational success. We ensure continuous development programme at all levels for the enhancement of skills and motivate our employees. The Succession and Development programme is also restructured for effective talent management and to facilitate de-risking of various critical positions.

Safety, Health and Environment (SHE) Management

Safety

The role of your Company for safety at work is to help protect workers by collecting, analyzing and disseminating information on safety at work, and by promoting a culture of prevention of accidents. In FY 2011-12, there were activities in a number of key areas, as your Company sought to emphasise on the fact that at a time of global economic volatilities, organisations cannot afford to downplay the importance of occupational safety.

Thus, your Company's foresight project will involve looking towards a five-year time horizon, helping to take action now for keeping your workers safe.

An overview of improved safety practices at your Company is given below, and with these continual improvements, your Company is giving away rich dividends in terms of reduced Frequency rate and Severity rate.

- Your Company won 1st Prize among 18 industries in Safety Skit Competition on the occasion of 41st National Safety Day Celebration 2012 organised by Deputy Director of Factories and Boilers, Mysore, Govt. of Karnataka.
- Practical information with Risk Area Map to better demonstrate the Risk Picture for each area was developed on the safety problems that affect workers, as well as case studies of ways to integrate or mainstream occupational safety into education.
- Collecting and analyzing information on Safety, your Company through its Risk Observatory studied different methodologies for anticipating the future Safety risks that may come from new technologies and new ways of working.
- Conducted on-site emergency preparedness Mock Drill as a part of regular activities in the presence of observers comprising KAS officers and SHE professionals from other industries for reviewing the progressive upgrade of present emergency preparedness activities.

Health

For three decades, your Company has been working to develop practical and financially responsible ways to make higher quality health care more accessible and affordable for you and your family. Your Company focuses on making it easier to get the care you need, personalising and simplifying your health care experience, modernising technology to improve consistency and connectivity among all the employees in health care and finding new ways to improve quality of system.

- Pre-employment medical check-up has been carried out for all new entrants along with annual checkups to our regular employees and trainees. Also special medical check-up was organised for employees working in hazardous workplace.
- Organised eye check-up through Vasan Eye Care team to nearby three govt. schools.
- Mysore BGS Apollo Hospital neurologist gave a health talk on head ache.
- First Aid Training Program was conducted from St. John's Ambulance Association and employees who underwent this training were certified as authorised First Aid Persons.

Environment

Your Company is committed to delivering and building on its promises. Aligned with the Karnataka State Pollution Control Board (KSPCB) norms, the strategies and key actions were pursued by your Company in fulfilling our mission to provide public service excellence in protecting the environment and promoting the sustainable use of natural resources to enhance economic and social benefits.

An overview of progress in environmental management system for the FY 2011-12 is highlighted below.

- Recertification audit was carried out by an external certification body (UL DQS Inc.) for implementing and maintaining an Environmental Management System requirements of Standard ISO 14001:2004, and the same was recommended for continuation.
- Wet Scrubber System in gear shop hard line, Phosphating machine was installed to inhibit the release of toxic fumes into the atmosphere and also preventing the employees from inhaling the fumes.
- On the occasion of the World Environment Day 2012 on 5th June, sewage treatment plant composted sludge was distributed among all employees as a part of awareness program.
- Also, a slow cycle rally was organised for the nearby government school children with KSPCB coordination for creating awareness among public to reduce the carbon footprint on the World Environment Day, 2012.
- Your Company is an active part of Green Nurturing Program (GNP), a KSPCB, Mysore initiative taken first time across India which includes minimum five Govt. Schools under each industry for inculcating the best resource conservation and utilisation practices among children.
- On the occasion of Ganesh Chaturthi Festival 2012, the employees were distributed free eco-friendly clay Ganesha idols without paint.
- Activated Carbon filtering system with Extended Aeration system in Effluent Treatment Plant was installed to improve the treatment quality for Company's irrigation application.

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

At AAL, QMS, certified for ISO/ TS 16949, has attained maturity, encouraging your Company to continue its journey towards world class manufacturing. Your Company is implementing LMS and quality health checks of manufacturing processes using the Auto Axle Production Systems (APS). The Visual transformation of the plant and process robustness has been implemented in phases and the sustenance is being ensured through 5S principles. In order to further enhance the Quality and Reliability – your Company has taken up following initiatives:

- Problem Solving Tools: A team of Cross functional Engineers across the Organisation are now undergoing the training for Six months using Six Sigma methodology.
- Enhance the process monitoring in Shop: A team of Cross functional Engineers across the Organisation are now undergoing the training on SPC tools to enhance the process monitoring in shop.
- End to End Product performance monitoring: A team of Cross functional Engineers are formed as a part of 'Tiger Team' to carry out analysis and study of all products in the field.

The above mentioned processes are an all inclusive one covering all employees. The above initiatives have enhanced confidence in meeting the current challenges and improve productivity and reliability to lead and enhance customer satisfaction.

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

Cautionary Statement

Statements in this management discussion and analysis describing your 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 your 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

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Our Company's philosophy on corporate governance is based on effective accountability to all shareholders with at most transparency.

The value of Corporate Governance is gaining momentum to a large extent because of its effectiveness and the rising awareness. The regulations which are contributed by regulatory authorities are forcing the companies go on the way of good governance practices.

Our Company complies with all the requirements of corporate governance under clause 49 of the listing agreement with the stock exchanges.

BOARD OF DIRECTORS

Our Board consists of experienced as well as skilled directors who add value to the strategic decisions which is taking the Company towards the wealth maximisation.

COMPOSITION OF THE BOARD

The Board of Directors consists of optimal combination of Executive as well as Non-Executive directors. The Board consists of 6 Non-Executive Directors and 1 Executive Director. Among 6 Non-Executive Directors, 4 are Independent Directors. The Board is chaired by Non-Executive Director who represents one of the promoters.

NUMBER OF BOARD MEETINGS

In 2011-12, the Board met four times on 29th November, 2011, 17th January, 2012, 30th April, 2012 and 18th July, 2012. The maximum gap between any two Board Meetings was less than four months.

Directors' Attendance Record and Directorships

Director	Category	No. of Board meetings attended out of 4	Attendance in last AGM	Nos. of Directorships and Committee Memberships in Indian public companies		
				Directorships	Committee Memberships	Committee Chairmanships
Dr. B.N. Kalyani	Promoter, Non-Executive	3	Yes	14	3	2
Mr. Pedro N Ferro	Non-Executive	2	Yes	2	1	Nil
Mr. B. B. Hattarki	Independent	4	Yes	9	3	4
Mr. Prabhakar B.C	Independent	4	Yes	4	4	1
Mr. P C Bhalerao	Independent	-	No	5	2	Nil
Mr. Satish Sekhri	Independent	4	Yes	7	4	Nil
Mr. Ashok Rao	Executive	4	Yes	1	1	Nil

CODE OF CONDUCT

The Company has adopted a code of conduct for the Board of Directors and the Senior Management of the Company. It is available on Company's website: www.autoaxle.com. The code is regularly reviewed and updated as necessary to ensure it reflects the highest standard of behavior 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
- Any material default in financial obligations to and by the Company
- 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
- Acquisitions of relevant business, and
- Non-compliance with any regulatory, statutory requirements.

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee of your Board consists of M/s. B. B. Hattarki (Chairman), B. C. Prabhakar, P. C. Bhalerao, Pedro N. Ferro and Satish Sekhri. All members of the Audit Committee are financially literate, with one of them having management expertise. Annual General Meeting held on 17th January, 2012 was attended by the Chairman of the Committee, who satisfactorily answered shareholders' queries.

The committee met four times during the year on 28th November, 2011, 16th January, 2012, 29th April, 2012 and 18th July, 2012.

Attendance record of Audit Committee members for 2011-12

Director	Category	Status	Meetings	
			Held	Attended
Mr. B. B. Hattarki	Independent	Chairman	4	4
Mr. B. C. Prabhakar	Independent	Member	4	4
Mr. Satish Sekhri	Independent	Member	4	4
Mr. P. C. Bhalerao	Independent	Member	4	0
Mr. Pedro N. Ferro	Non-Executive	Member	4	1

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, statutory and internal auditors.
- Reviewing the effectiveness of internal audit function.
- Reviewing of statutory audit plans, findings, problems, reports and fees.

Remuneration Committee

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

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

Remuneration Policy

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

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

Remuneration of Directors

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

Name of Director	Audit Committee Meetings Sitting Fees (₹)	Board Meeting Sitting Fees (₹)	Salaries, performance bonus and perquisites (₹)	Total (₹)
Dr. B. N. Kalyani	N.A.	60,000	Nil	60,000
Mr. Pedro N. Ferro*	Nil	Nil	Nil	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	Nil	Nil	Nil	Nil
Mr. Satish Sekhri	80,000	80,000	Nil	160,000
Mr. Ashok Rao	N. A.	N. A.	9,747,560	9,747,560

*Mr. Pedro N. Ferro does not claim any sitting fee, being in conformity with Meritor's Policy for such nominees for attending the meetings.

- The employment of the Executive Director is contractual
- None of the directors is related to any of the directors
- Dr. B. N. Kalyani, the Non-executive Director of the Company holds 126 shares

Directors with materially significant pecuniary transaction or relationship with the Company

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

Risk Management System

Your Company's Risk Management System has been periodically reviewed for adequacy and effectiveness by the Audit Committee and the Board.

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

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 authorised to address such matters.

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

Nature of Complaint	No. of complaints Received	No. of Complaints Redressed
Non receipt of Dividend	2	2
Issue of Duplicate certificates/ Share certificates	0	0
Non receipt of Annual Report	1	1
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 dematerialised shares held with NSDL and CDSL.

General Body-Meetings

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

Financial Year	Date	Time	Venue
2008-09	15th January 2010	12.30 p.m	Regd. Office of the Company
2009-10	21st January 2011	12.30 p.m	Regd. Office of the Company
2010-11	17th January 2012	12.30 p.m	Regd. Office of the Company

No special resolution was passed at any of the three Annual General Meetings mentioned above.

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

Disclosures

Related Party Transactions:

- During the year under review, no transaction of material nature has been entered in to 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 in notes to accounts forming a part of the Balance Sheet as at 30th September, 2012.

Compliances by the Company

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

Means of Communication

- The unaudited Financial Results for every Quarter and the Annual Audited Results of the Company, in the prescribed 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	: 6th February, 2013 at 12.30 p.m
	Venue	: Registered Office
		Hootagalli Industrial Area
		Off Hunsur Road, Mysore
Financial Year	1st October, 2011 to 30th September, 2012	
Record Date and Book Closure Dates	4th February, 2013 to 6th February, 2013 (both days inclusive)	
Dividend Payment Date	6th March, 2013	
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 fee for the year 2012-13 have been paid to both the stock exchanges.	

Stock Codes

BSE – 505010 NSE-AUTOAXLES

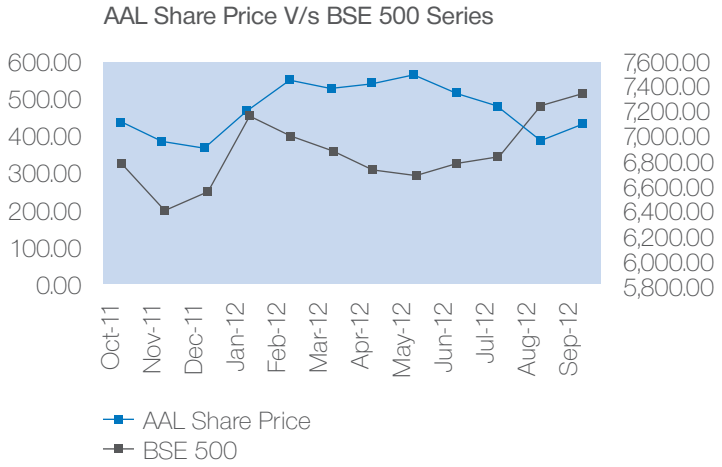
Demat ISIN Number: INE449A01011

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, 2011	426.95	372.10	5,302	439.00	370.00	3,609
November, 2011	387.70	342.00	109,456	386.35	342.00	10,235
December, 2011	368.00	320.00	65,043	369.95	321.00	13,493
January, 2012	463.90	339.80	27,094	462.00	338.00	43,234
February, 2012	518.00	446.00	29,028	549.90	447.00	55,481
March, 2012	517.90	465.55	41,252	523.95	465.00	37,919
April, 2012	538.00	494.00	13,515	539.00	495.00	19,958
May, 2012	560.00	441.05	16,569	560.00	441.00	27,854
June, 2012	514.70	435.40	4,089	469.95	431.00	6,515
July, 2012	464.95	371.00	113,300	477.00	371.10	19,006
August, 2012	388.90	330.00	17,282	388.00	333.00	20,432
September, 2012	421.00	336.55	36,585	434.00	336.00	26,807

AAL Share Price v/s BSE 500 Series



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, 2012 :

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	10,735,081	71.04	=/< 500	9,008	586,148	3.88
Non Promoter (Public)			501-1000	157	118,968	0.79
Bodies Corporate	1,578,863	10.45	1001-2000	86	121,238	0.80
FIs/Banks	113	0.00	2001-3000	29	69,848	0.46
FIIs	24,976	0.17	3001-4000	7	24,706	0.16
NRI's/OCB	38,453	0.25	4001-5000	8	35,491	0.23
Mutual Funds	1,511,235	10.00	5001-10000	18	128,812	0.85
Others	1,223,254	8.09	>/= 10000	27	14,026,764	92.82
Total	15,111,975	100.00	Total	9,340	15,111,975	100.00

Dematerialisation	The Company's Equity Shares are under compulsory demat trading. As on 30th September, 2012, dematerialised shares accounted for 99.06% of total equity.
Outstanding warrants and their implications on Equity	There are no outstanding warrants
Details of public funds obtained in last 3 years	Nil
CEO/CFO Certification	As required by clause 49 (Corporate Governance) of the Listing Agreement, the Whole Time Director and CFO have furnished the necessary Certificate to the Board of Directors with respect to Financial Statements and Cash Flow Statement for the Year ended 30th September, 2012.
Registered Office	Hootagalli Industrial Area, Off Hunsur Road, Mysore - 570 018 Phone : 2402582-86 (5 lines) Fax : 2402451
Audit Qualification	There were no audit qualification in the financial Statements of the Company for the year ended 30th September, 2012
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 S. Ramkumar, Compliance Officer Secretarial Dept. , Automotive Axles Limited, Off Hunsur Road, Hootagalli Industrial Area, Mysore - 570 018 Phone : 0821-2402582-86 (5 lines) Fax : 0821-2402451 Email : sec@autoaxle.com	Share Transfer Agents Integrated Enterprises (I) Limited Ramana Residency, 4th Cross Sampige Road, Malleshwaram Bangalore – 560 003 Phone: 080-23460815-818 Fax : 080-23460819 E-mail : irg@integratedindia.in

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

Registration No. of the Company: L51909KA1981PLC004198
Nominal Capital: ₹ 250,000,000/-

To,
The Members of
Automotive Axles Limited

I have examined the compliance of the conditions of Corporate Governance by Automotive Axles Limited (hereinafter referred to as 'Company'), for the year ended 30th September 2012, as stipulated under Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

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

On the basis of my examination of the records produced, explanations and information furnished to me by the Company, I certify that the Company has complied with all the mandatory conditions of Clause 49 of the Listing agreement.

Place: Mysore
Date: 20th November, 2012

Pracheta. M
C. P. No. : 9838

AUDITORS' REPORT

To The Members of Automotive Axles Limited

1. We have audited the attached Balance Sheet of AUTOMOTIVE AXLES LIMITED ("the Company") as at 30th September, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to 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 Statement of Profit and Loss 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 Statement of Profit and Loss 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 30th September, 2012;

      (b) in the case of the Statement of Profit and Loss, of the profit of the Company 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, 2012 taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30th September, 2012 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 : 28th December, 2012

AUDITORS' REPORT

ANNEXURE TO THE AUDITORS' REPORT

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

(i) Having regard to the nature of the Company's business/ activities/result, iii (b) to (d) and (f) & (g), v, vi, ix (b), xii, xiii, xiv, xix and xx of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) In respect of its inventories:

(a) As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(vii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(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 other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 30th September, 2012 for a period of more than six months from the date they became payable.

(ix) The Company neither has accumulated losses at the end of the financial year nor has it incurred cash losses during the current 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 and financial institutions.

(xi) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.

(xii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xiii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.

(xiv) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act.

(xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS

Chartered Accountants

Registration No. 008072S

V. Srikumar

Partner

Membership No. 84494

Place : Bangalore
Date : 28th December, 2012

BALANCE SHEET As at 30th September, 2012

(Amount in ₹)

Particulars	Note No.	As at 30th September, 2012	As at 30th September, 2011
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	151,119,750	151,119,750
(b) Reserves and surplus	4	2,562,099,533	2,287,550,686
		2,713,219,283	2,438,670,436
2 Non-current liabilities			
(a) Long-term borrowings	5	258,157,273	153,891,760
(b) Deferred tax (Net)	38	124,173,860	119,600,652
(c) Long-term provisions	6	20,338,434	12,607,913
		402,669,567	286,100,325
3 Current liabilities			
(a) Short-term borrowings	7	191,814,912	339,345,879
(b) Trade payables	8	1,139,071,756	1,400,549,599
(c) Other current liabilities	9	273,681,003	217,252,131
(d) Short-term provisions	10	222,236,167	224,770,926
		1,826,803,838	2,181,918,535
Total		4,942,692,688	4,906,689,296
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11(a)	1,723,664,991	1,458,762,463
(ii) Intangible assets	11(b)	31,521,381	756,952
(iii) Capital work-in-progress		190,525,860	40,253,755
		1,945,712,232	1,499,773,170
(b) Long-term loans and advances	12	115,894,397	129,509,605
(c) Other non-current assets	13	5,412,814	2,658,261
		2,067,019,443	1,631,941,036
2 Current assets			
(a) Inventories	14	940,111,314	1,102,048,348
(b) Trade receivables	15	1,591,532,402	1,910,556,383
(c) Cash and bank balances	16	23,501,526	111,067,265
(d) Short-term loans and advances	17	315,793,727	149,235,068
(e) Other current assets	18	4,734,276	1,841,196
		2,875,673,245	3,274,748,260
Total		4,942,692,688	4,906,689,296
See accompanying notes forming part of the financial statements	1 - 41		

In terms of our report attached.
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. SRIKUMAR
Partner

B. N. Kalyani
Chairman

S. Ramkumar
Chief Financial Officer & Company Secretary

Place : Bangalore
Date : 28th December, 2012

Ashok Rao
President and Wholetime Director

Place : Mysore
Date : 29th November, 2012

STATEMENT of PROFIT & LOSS for the year ended 30th September, 2012

(Amount in ₹)

	Particulars	Note No.	For the year ended 30th September, 2012	For the year ended 30th September, 2011
1	Revenue from operations (gross)		10,425,431,566	11,139,679,519
	Less : Excise duty		1,018,933,033	1,014,864,112
	Revenue from operations (net)	19	9,406,498,533	10,124,815,407
2	Other income	20	20,203,606	5,209,917
3	**Total revenue (1+2)**		**9,426,702,139**	**10,130,025,324**
4	**Expenses**			
	(a) Cost of materials consumed	21.a	6,944,775,953	7,346,189,204
	(b) Changes in inventories of finished goods and work-in-progress	21.b	(223,454,169)	(53,263,490)
	(c) Employee benefits expense	22	561,887,638	516,360,858
	(d) Finance costs	23	92,577,580	65,755,586
	(e) Depreciation / amortisation expenses	11.a & 11.b	273,877,473	233,927,908
	(f) Other expenses	24	1,111,280,458	1,149,704,553
	Total expenses		**8,760,944,933**	**9,258,674,619**
5	**Profit before tax (3 - 4)**		665,757,206	871,350,705
6	**Tax expense:**			
	(a) Tax expenses for the current year		211,000,000	301,600,000
	(b) Tax expenses relating to prior years		-	9,933,721
	(c) Deferred tax		4,573,208	(15,750,000)
			215,573,208	**295,783,721**
7	**Profit for the year (5 +/- 6)**		**450,183,998**	**575,566,984**
8	**Earnings per share of ₹10/- each:**			
	Basic & Diluted	37	29.79	38.09
	See accompanying notes forming part of the financial statements	1 - 41		

In terms of our report attached.
For Deloitte Haskins & Sells
Chartered Accountants

V. SRIKUMAR
Partner

Place : Bangalore
Date : 28th December, 2012

For and on behalf of the Board of Directors

B. N. Kalyani
Chairman

Ashok Rao
President and Wholetime Director

S. Ramkumar
Chief Financial Officer & Company Secretary

Place : Mysore
Date : 29th November, 2012

CASH FLOW STATEMENT for the year ended 30th September, 2012

(Amount in ₹)

Particulars	For the Year Ended 30th September, 2012	For the Year Ended 30th September, 2011
A) CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES		
Net profit before extraordinary items and tax Adjustments for	665,757,206	871,350,705
Add :		
Depreciation and amortisation expenses	273,877,473	233,927,908
Unrealised exchange loss	3,198,351	3,010,003
Provision for doubtdful trade and other receivables, loans and advances	642,083	1,581,985
Bad trade and other reveivables, loans and advances written off	2,744,812	823,135
Loss on fixed assets sold/ scrapped / written off	7,542,675	474,302
Interest expense	92,577,580	65,755,586
	1,046,340,180	1,176,923,624
Less :		
Liabilities / provisions no longer required	11,055,165	2,346,629
Interest Income	5,764,097	1,606,005
Operating profit before working capital changes	1,029,520,918	1,172,970,990
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets		
Inventories	161,937,034	(199,284,037)
Trade receivables	318,342,035	(673,883,169)
Short-term loans and advances	(169,263,608)	(70,859,498)
Long-term loans and advances	3,638,263	(27,897,371)
Other current assets	(2,347,770)	-
Adjustments for increase / (decrease) in operating liabilities		
Trade payables	(251,285,660)	807,438,923
Other current liabilities	92,695,603	10,583,494
Short-term provisions	(2,365,179)	10,173,543
long-term provisions	7,730,521	8,692,511
Cash generated from operations	1,188,602,157	1,037,935,386
Advance Tax (Net of refunds)	(249,558,442)	(317,181,137)
Net cash from / (used in) operating activities	939,043,715	720,754,249

(Amount in ₹)

Particulars		For the Year Ended 30th September, 2012	For the Year Ended 30th September, 2011
B)	CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		
	Capital expenditure on fixed assets	(701,577,940)	(391,025,654)
	(including capital work-in-progress and capital advances)		
	Proceeds from sale of assets	4,905,794	629,776
	Amounts placed in fixed deposit	(6,414,930)	(7,840,000)
	Interest received	5,429,164	(581,099)
	Cash flow from / (used in) investing activities	(697,657,912)	(398,816,977)
C)	CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
	Inflow		
	Proceeds from borrowings (net)	344,779,555	339,345,880
		344,779,555	339,345,880
	Outflow		
	Repayment of borrowings (net)	(407,765,120)	(430,531,734)
	Dividend and tax on dividend	(175,631,405)	(150,039,431)
	Movement in unpaid dividend account	(3,746)	253,405
	Interest paid	(93,784,570)	(64,961,099)
		(677,184,841)	(645,278,859)
	Cash flow from / (used in) financing activities	(332,405,286)	(305,932,979)
	Net (decrease)/ increase in cash and cash equivalents (A + B + C)	(91,019,483)	16,004,293
	Cash and cash equivalents at beginning of the period	100,480,783	84,476,490
	Cash and cash equivalents at end of the period (Refer Note 16)	9,461,300	100,480,783

Note

1. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3, Cash Flow Statement issued under the Companies (Accounting Standard) Rules, 2006 .
2. Cash and cash equivalents at the end of the year include balances with scheduled banks in deposits under lien ₹ 2,354,800 (PY ₹ Nil) not available for use by the Company.

In terms of our report attached.
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. SRIKUMAR
Partner

B. N. Kalyani
Chairman

S. Ramkumar
Chief Financial Officer & Company Secretary

Place : Bangalore
Date : 28th December, 2012

Ashok Rao
President and Wholetime Director

Place : Mysore
Date : 29th November, 2012

Notes forming part of financial statements

1. CORPORATE INFORMATION

Automotive Axles Limited (AAL) is a joint venture of Kalyani Group and Meritor Inc., USA (formerly the automotive division of Rockwell International Corporation) incorporated in 1981 under the Companies Act, 1956 with manufacturing facilities located at Mysore, Noida and Rudrapur.

2. 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) 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 moving 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.

d) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term balances (with a maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

e) Cash flow Statement

Cash Flow Statement has been prepared under the "indirect-method" set out on Accounting Standard 3 as specified in Companies Accounting Standard Rules, 2006.

f) 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.

g) 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.

h) Fixed Assets and Depreciation

(i) Tangible Fixed Assets

Tangible 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) Intangible Fixed Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase

Notes forming part of financial statements

is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefit in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

(iii) Depreciation / Amortisation

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

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

Reconditioned machinery and related expenditure	As specifically estimated and currently ranging between 3 and 13 years
Tools, Jig and Fixtures and Measuring gauges	As per technical evaluation of their useful life and currently ranging from $1^{1/2}$ to 5 years.
Certain imported machinery	As per technical evaluation of their useful life and currently ranging between 4 to 15 Years
Windmill and power generating equipments	Based on the useful life as estimated by the management over 9 years
Intangible assets - Software	3 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.

i) 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.

j) 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 Statement of Profit and Loss.

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

k) 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 Statement of Profit and Loss.

(iii) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme

Notes forming part of financial statements

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

Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss 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.

l) Borrowing Cost

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

m) Leases

Assets taken on lease where the Company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of minimum lease rental and other incidental expenses during the lease term or the fair value of the assets taken on lease. The rental obligations, net of interest charges, are reflected as secured loans. Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense as and when the payments are made over the lease term.

n) Earnings 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 earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date.

o) Income Tax

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

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

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

The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Statement of Profit and Loss in the period of enactment of the change.

Notes forming part of financial statements

p) Research and Development

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

q) 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 Statement of Profit and Loss in the year in which an asset is identified as impaired. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value. A previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

r) Provision & Contingencies

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

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

Notes forming part of financial statements

NOTE 3 SHARE CAPITAL

Particulars	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares	₹	Number of shares	₹
(a) Authorised				
Equity shares of ₹10 /- each (PY : ₹ 10/- each) with voting rights	23,000,000	230,000,000	23,000,000	230,000,000
Preference shares of ₹10 /- each (PY : ₹ 10/- each)	2,000,000	20,000,000	2,000,000	20,000,000
(b) Issued, subscribed and fully paid up				
Equity shares of ₹10 /- each (PY : ₹ 10/- each) with voting rights	15,111,975	151,119,750	15,111,975	151,119,750
	15,111,975	151,119,750	15,111,975	151,119,750

Refer notes (i) to (iii) below

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period

Particulars	Opening Balance	Closing Balance
EQUITY SHARES WITH VOTING RIGHTS		
Year ended 30th September, 2012		
- Number of shares	15,111,975	15,111,975
- Amount (₹)	151,119,750	151,119,750
Year ended 30 September, 2011		
- Number of shares	15,111,975	15,111,975
- Amount (₹)	151,119,750	151,119,750

(ii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 30th September, 2012		As at 30th September, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
EQUITY SHARES WITH VOTING RIGHTS				
BF Investments Ltd.,	5,367,806	35.520	5,367,806	35.520
Meritor Heavy Vehicle Systems, LLC USA	5,367,275	35.517	5,367,275	35.517
Reliance Capital Trustee Company Ltd.,	1,409,793	9.329	1,394,628	9.229
(A/C Reliance Vision Fund)				

Notes forming part of financial statements

(iii) Right, preferences and restrictions attached to shares

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

NOTE 4 RESERVES AND SURPLUS

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Securities premium account - as per last balance sheet		
Opening balance	115,588,500	115,588,500
Closing balance	115,588,500	115,588,500
(b) General reserve		
Opening balance	376,536,211	318,936,211
Add : Additions during the year	45,100,000	57,600,000
Closing balance	421,636,211	376,536,211
(c) Surplus in statement of profit and loss		
Opening balance	1,795,425,975	1,453,094,142
Add : Profit for the year	450,183,998	575,566,984
Less : Transferred to general reserve	45,100,000	57,600,000
Less : Proposed dividend (₹ 10/- per share) (Previous year ₹ 10/- per share)	151,119,750	151,119,750
Less : Tax on dividend	24,515,401	24,515,401
Closing balance	2,024,874,822	1,795,425,975
Total	2,562,099,533	2,287,550,686

NOTE 5 LONG-TERM BORROWINGS

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Term loans		
From banks		
Secured	252,945,104	145,000,005
Unsecured	-	8,256,054
(b) Long term maturity of finance lease obligations		
Secured (Refer note 35)	318,758	635,701
Unsecured (Refer note 35)	4,893,411	-
Total	258,157,273	153,891,760

Notes forming part of financial statements

(i) Details of terms of repayment for long-term borrowings and security provided

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Term loans from banks - Secured		
(i) HDFC Bank	88,421,059	25,000,005
(ii) KOTAK Bank	80,000,000	120,000,000
(iii) AXIS Bank	84,524,045	-
Total	252,945,104	145,000,005

(i) The loan is secured by first pari-passu charge on all existing and future fixed assets excluding the Land and existing Building (both movable and immovable) of the Borrower, to be shared with existing term lenders. Mortgage by way of first pari-passu charge on the immovable properties being building (funded out of term loan) to be situated at Hootagalli Industrial Area, Mysore. Repayable in equal quarterly installments along with interest ranging from 12.75% to 13.5% .

(ii) The loan is secured by hypothecation of first pari-passu charge on all movable and immovable plant and machinery of the Company both present and future. Repayable in equal quarterly installments along with interest ranging from 11.5% to 12% .

(iii) The loan is secured by hypothecation of first pari-passu charge on all movable and immovable assets of the wind mill project at Jadeshwar site in Rajkot District, Gujarat (excluding the land which is being leased by Govt. of Gujarat). The entire recievables of the project and escrow with axis bank designated account of the receivables from the sale of power generated. Repayable in equal quarterly installments starting from July 2013. Intererst payable monthly ranging from 12.5% to 13%

The finance lease is secured by first pari-passu charge on leased vehicle. Repayable in equal monthly installments along with interest ranging from 13% to 14.60%.

The unsecured finance lease is repayable in equal quarterly installments alongwith interest ranging from 10% to 12%

The unsecured term loan repayable in equal quarterly installments along with interest at LIBOR + 0.65%.

NOTE 6 LONG TERM PROVISIONS

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Provision - others:		
Provision for warranty (Refer note 39)	20,338,434	12,607,913
Total	20,338,434	12,607,913

NOTE 7 SHORT-TERM BORROWINGS

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Working capital borrowings		
From banks		
Secured	191,814,912	339,345,879
Unsecured	-	-
Total	191,814,912	339,345,879

Notes forming part of financial statements

(i) Details of security for the secured short-term borrowings

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Cash Credit Accounts	191,814,912	79,345,879
Short term Borrowings	-	260,000,000
Total	191,814,912	339,345,879

The above working capital borrowings are secured by first pari-passu charge on inventory, spares, packing material, receivables and the entire other current assets of the Company (both existing and future) and second pari-passu charge on entire gross block of fixed assets including capital work in progress of the Company.

NOTE 8 TRADE PAYABLES

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Trade payables:		
Acceptances	55,998,077	-
Other than Acceptances (Refer Note 26)	1,083,073,679	1,400,549,599
Total	1,139,071,756	1,400,549,599

NOTE 9 OTHER CURRENT LIABILITIES

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Current maturities of long-term debt (Refer Note (i) below)	105,801,683	123,966,181
(b) Current maturities of finance lease obligations (Refer note 35)"	1,449,382	669,628
(c) Interest accrued but not due on borrowings	2,235,464	3,442,454
(d) Unpaid dividends	2,790,223	2,786,477
(e) Other payables		
(i) Statutory remittances	119,172,635	32,241,115
(ii) Payables on purchase of fixed assets	5,723,873	23,402,616
(iii) Advance from customers	4,201,815	6,590,069
(iv) Gratuity payable (Refer note 32)	17,191,481	10,746,961
(v) Super annuation payable	4,144,550	2,982,711
(vi) Leave salary payable (Refer note 32)	10,969,897	10,423,919
Total	273,681,003	217,252,131

Notes forming part of financial statements

Note (i): Current maturities of long-term debt

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Term loans		
From banks		
Secured	96,904,238	94,583,332
Unsecured	8,897,445	29,382,849
Total	105,801,683	123,966,181

For details of security please refer note 5

NOTE 10 SHORT-TERM PROVISIONS

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Provision for employee benefits		
Provision for compensated absences (Refer note 32)	8,989,348	13,098,265
(b) Provision - others:		
Provision for taxation	22,806,145	22,975,725
Provision for warranty (Refer note 39)	14,805,523	13,061,785
Provision for proposed dividend	151,119,750	151,119,750
Provision for dividend distribution tax	24,515,401	24,515,401
Total	222,236,167	224,770,926

Notes forming part of financial statements

NOTE 11.a FIXED ASSETS - TANGIBLE

TANGIBLE ASSETS	Cost				Depreciation				Net Block	
Particulars	As at 1st Oct, 2011 ₹	Additions during the year ₹	Deductions during the year ₹	As at 30th Sept, 2012 ₹	Upto 1st Oct, 2011 ₹	For the year ₹	On Deductions ₹	Upto 30th Sept, 2012 ₹	As at 30th Sept, 2012 ₹	As at 30th Sept, 2011 ₹
Land - Freehold	3,832,366	-	-	3,832,366	-	-	-	-	3,832,366	3,832,366
Land - Leasehold*	-	76,830,558	-	76,830,558	-	-	-	-	76,830,558	-
Building	252,668,721	29,760,103	713,423	281,715,401	71,360,960	11,556,631	375,486	82,542,105	199,173,296	181,307,761
Plant & Machinery	2,841,372,266	428,628,385	134,566,370	3,135,434,281	1,600,172,601	245,814,395	123,012,921	1,722,974,075	1,412,460,206	1,241,199,665
Furniture & office equipment										
Owned	67,849,435	1,402,402	8,941,261	60,310,576	37,066,334	8,269,147	8,639,351	36,696,130	23,614,446	30,783,101
Finance lease	-	6,675,400	-	6,675,400	-	667,540	-	667,540	6,007,860	-
Vehicles										
Own Vehicle	1,813,850	870,399	439,237	2,245,012	1,755,468	139,329	390,430	1,504,367	740,645	58,382
Finance lease	3,715,264	-	731,806	2,983,458	2,134,076	369,208	525,440	1,977,844	1,005,614	1,581,188
Total	3,171,251,902	544,167,247	145,392,097	3,570,027,052	1,712,489,439	266,816,250	132,943,628	1,846,362,061	1,723,664,991	1,458,762,463
Previous year	2,813,748,738	365,543,516	8,040,352	3,171,251,902	1,485,589,993	233,835,720	6,936,274	1,712,489,439		

*The Company has been alloted 41.50 acres of of land on leasehold basis at the village Salampur, Tehsil Depalpur, Indore for a period of 99 years and no amortisation has been considered thereon.

NOTE 11.b FIXED ASSETS - INTANGIBLE

INTANGIBLE ASSETS	Cost				Amortisation				Net Block	
Particulars	As at 1st Oct, 2011 ₹	Additions during the year ₹	Deductions during the year ₹	As at 30th Sept, 2012 ₹	Upto 1st Oct, 2011 ₹	For the year ₹	On Deductions ₹	Upto 30th Sept, 2012 ₹	As at 30th Sept, 2012 ₹	As at 30th Sept, 2011 ₹
Software	849,140	37,825,652	-	38,674,792	92,188	7,061,223	-	7,153,411	31,521,381	756,952
Total	849,140	37,825,652	-	38,674,792	92,188	7,061,223	-	7,153,411	31,521,381	756,952
Previous year	-	849,140	-	849,140	-	92,188	-	92,188		

Notes forming part of financial statements

NOTE 12 LONG-TERM LOANS AND ADVANCES

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Unsecured, considered good		
(a) Capital advances	16,288,883	64,654,690
(b) Security deposits	24,050,570	16,050,912
(c) Loans and advance to employees	7,826,659	9,463,773
(d) Advance income tax (net of provisions)	57,543,131	19,154,269
(e) Supplier advances	10,000,000	20,000,000
(f) Balances with Government authorities	185,154	185,961
Total	115,894,397	129,509,605

NOTE 13 OTHER NON-CURRENT ASSETS

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Accruals		
Interest accrued on deposits	207,884	418,261
(b) Others		
Fixed deposit (under lien)	5,204,930	2,240,000
Total	5,412,814	2,658,261

NOTE 14 INVENTORIES

(At lower of cost and net realisable value)

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Raw materials and components	422,823,933	792,460,588
(b) Goods-in-transit - raw material	840,832	-
	423,664,765	792,460,588
(c) Work-in-progress	377,381,026	167,264,459
(d) Finished goods	63,138,779	49,801,178
(e) Stores and spares	75,368,175	88,957,769
(f) Goods-in-transit - stores and spares	558,569	3,564,354
	75,926,744	92,522,123
Total	940,111,314	1,102,048,348

Notes forming part of financial statements

Note (i): details of inventory of work-in-progress

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Brakes	27,388,456	12,301,043
Casting	15,981,634	10,945,671
Drive Head	14,961,248	8,635,160
Forging	40,497,105	14,849,020
Gear & Pinion	100,058,751	76,006,222
Housing	111,246,423	21,602,985
Others	67,247,409	22,924,358
Total	377,381,026	167,264,459

NOTE 15 TRADE RECEIVABLES

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, considered good	-	-
Doubtful	1,042,654	400,571
	1,042,654	400,571
Less: Provision for doubtful trade receivables	1,042,654	400,571
	-	-
Other trade receivables		
Unsecured, considered good	1,591,532,402	1,910,556,383
Doubtful	-	-
	1,591,532,402	1,910,556,383
Total	1,591,532,402	1,910,556,383

Notes forming part of financial statements

NOTE 16 CASH AND BANK BALANCES

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Cash on hand	74,596	223,132
(b) Cheques in hand	1,394,096	85,516,760
(c) Balances with banks		
In current accounts	5,637,808	14,740,891
In earmarked accounts		
- In deposit accounts - Refer Notes below	2,354,800	-
Total Cash and cash equivalents	9,461,300	100,480,783
In earmarked accounts		
- Unpaid dividend accounts	2,790,226	2,786,482
- In deposit accounts - Refer Note below	11,250,000	7,800,000
Total	23,501,526	111,067,265

(i) Balance with banks in deposit accounts includes margin money deposit amounting to ₹ 10,000,000/- (previous year ₹ 7,800,000) which have an original maturity of more than 12 months

(ii) Balance with banks in deposit accounts are under lien for loan / guarantee

NOTE 17 SHORT-TERM LOANS AND ADVANCES

Unsecured considered good unless otherwise stated

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
(a) Loans and advance to employees	7,336,926	7,777,925
(b) Prepaid expenses	10,587,911	8,960,490
(c) Balances with Government authorities	159,382,621	104,518,651
(d) Others		
Unsecured, considered good	138,486,269	27,978,002
Doubtful	-	780,408
	138,486,269	28,758,410
Less: Provision for other doubtful loans and advances	-	780,408
	138,486,269	27,978,002
Total	315,793,727	149,235,068

Notes forming part of financial statements

NOTE 18 OTHER CURRENT ASSETS

Particulars	As at 30th September, 2012	As at 30th September, 2011
	₹	₹
Unbilled revenue	660,618	-
Interest accrued on deposits	2,386,506	1,841,196
Other receivables (sale of electricity)	1,291,152	-
Other (Insurance claims)	396,000	-
Total	4,734,276	1,841,196

NOTE 19 REVENUE FROM OPERATIONS

Sl. No.	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(a)	Sale of products(Refer Note (i) below)	10,418,403,499	11,112,576,666
(b)	Less : Excise duty	1,018,933,033	1,014,864,112
		9,399,470,466	10,097,712,554
(c)	Other operating revenues (Refer Note (ii) below)	7,028,067	27,102,853
	Total	9,406,498,533	10,124,815,407

Note	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(i)	Sale of products comprises :		
	Axle Housings	336,640,032	371,856,729
	Axles	7,109,572,027	8,289,048,941
	Break Assemblies	2,336,529,169	1,564,611,253
	Gear Sets	244,545,848	442,094,918
	Others	391,116,423	444,964,825
	Total	10,418,403,499	11,112,576,666

Notes forming part of financial statements

Note	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(ii)	Other operating revenue comprises :		
	Export Incentive	1,179,023	26,455,028
	Other Income Jobbing	28,080	647,825
	Income from wind power generation	5,820,964	-
	Total	7,028,067	27,102,853

NOTE 20 OTHER INCOME

Sl. No.	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(a)	Interest income (Refer Note (i) below)	5,764,097	1,606,005
(b)	Other non-operating income (Refer Note (ii) below)	14,439,509	3,603,912
	Total	20,203,606	5,209,917

Note	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(i)	Interest income comprises:		
	a) Interest on short term deposit	1,348,125	605,671
	b) Other interest	4,415,972	1,000,334
	Total	5,764,097	1,606,005

Note	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(ii)	Other non-operating income comprises:		
	a) Liabilities/ provisions no longer required written back	11,055,165	2,346,629
	b) Provision for trade receivables written back	-	331,685
	c) Miscellaneous income	3,384,344	925,598
	Total	14,439,509	3,603,912

Notes forming part of financial statements

NOTE 21.a COST OF MATERIALS CONSUMED

Sl. No.	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(a)	Opening stock	792,460,579	664,339,988
(b)	**Add :** Purchases	6,988,662,117	7,887,646,229
		7,781,122,696	8,551,986,217
(c)	**Less :** Closing stock	423,664,765	792,460,582
(d)	**Less :** Scrap sales and cash discount	412,681,978	413,336,431
	Total	6,944,775,953	7,346,189,204

Note	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(i)	Rawmaterials consumed comprises:		
	Steel	1,658,820,833	1,521,401,454
	Castings	1,398,188,476	1,304,470,319
	Forgings	1,412,602,125	1,113,823,449
	Bought out finished components	2,156,557,275	2,521,753,728
	Others	318,607,244	884,740,254
	Total	6,944,775,953	7,346,189,204

NOTE 21.b CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Sl. No.	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
	Inventories at the end of the year:		
(a)	Finished goods	63,138,779	49,801,177
(b)	Work-in-progress	377,381,026	167,264,460
		440,519,805	217,065,637
	Inventories at the beginning of the year:		
(c)	Finished goods	49,801,177	21,464,741
(d)	Work-in-progress	167,264,459	142,337,406
		217,065,636	163,802,147
	Net (increase) / decrease	(223,454,169)	(53,263,490)

Notes forming part of financial statements

NOTE 22 EMPLOYEE BENEFITS EXPENSE

Sl. No.	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(a)	Salaries and wages	470,226,675	420,416,301
(b)	Contributions to provident and other funds (Refer Note 32)	41,638,480	34,945,167
(c)	Staff welfare expenses	50,022,483	60,999,390
	Total	561,887,638	516,360,858

NOTE 23 FINANCE COSTS

Sl. No.	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(a)	Interest on term loan	41,231,505	32,080,432
(b)	Interest on working capital borrowings	46,959,532	33,675,154
(c)	Interest on others	2,396,546	-
(d)	Interest on finance lease	164,147	-
(e)	Other borrowing cost	1,825,850	-
	Total	92,577,580	65,755,586

Notes forming part of financial statements

NOTE 24 OTHER EXPENSES

Sl. No.	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(a)	Stores & spares consumed	206,471,664	201,976,184
(b)	Power & fuel	211,872,863	215,597,466
(c)	increase /(decrease) in excise duty	2,542,894	2,646,091
(d)	Travelling expenses	19,390,649	16,125,862
(e)	Rent including lease rentals (Refer Note 36)	1,860,694	2,142,579
(f)	Repairs and maintenance - buildings	3,583,672	19,811,117
(g)	Repairs and maintenance - plant & machinery	125,396,138	136,485,742
(h)	Repairs and maintenance - others	16,309,611	10,631,416
(i)	Rates & taxes	1,852,038	1,193,410
(j)	Insurance charges	3,181,555	2,683,376
(k)	Postage, telephone & telegram	2,563,218	1,892,921
(l)	Vehicle running expenses	1,463,170	1,652,735
(m)	Directors' sitting fees	540,000	500,000
(n)	Legal and professional charges	15,867,671	16,851,645
(o)	Auditors remuneration	3,635,733	3,113,044
(p)	Technical fees	52,773,263	47,341,289
(q)	Bank charges / commission	5,408,338	1,957,962
(r)	Outside processing charges	341,062,006	388,361,777
(s)	Exchange loss	4,883,862	3,522,632
(t)	Product service	9,245,269	4,964,389
(u)	Warranty (net) (Refer note 39)	24,273,941	26,417,721
(v)	Export expenses	1,558,009	1,054,827
(w)	Loss on fixed assets sold/ scrapped/ written off	7,542,675	474,302
(x)	Provision for doubtful trade and other receivables, loans and advances (net)	642,083	1,581,985
(y)	Bad trade and other receivables, loans and advances written off	2,744,812	823,135
(z)	Miscellaneous expenses	44,614,630	39,900,946
	Total	1,111,280,458	1,149,704,553

Notes forming part of financial statements

Note	Particulars	For the year ended 30th September, 2012	For the year ended 30th September, 2011
		₹	₹
(i)	Payments to the auditors comprises (net of service tax input credit):		
	a) For statutory audit	2,600,000	2,300,000
	b) For other attest services	700,000	600,000
	c) Reimbursement of expenses	335,733	213,044
	Total	3,635,733	3,113,044

25. COMMITMENTS

Sl No.	Particulars	2011-12 In ₹	2010-11 In ₹
a)	Commitments		
	Estimated amount of contracts remain to be executed and not provided for		
	i) Tangible asset	91,426,053	141,607,930

26. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

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

27. Foreign exchange exposure :

There is no outstanding forward exchange contract as at 30th September 2012. Currency exposure as on 30th September 2012 that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	2011-12			2010-11		
	In ₹	In Foreign Currency		In ₹	In Foreign Currency	
LIABILITIES						
Trade payables	10,830,315	US$	203,821	7,208,207	US$	146,109
	1,895,164	EUR	27,434	2,387,937	EUR	35,414
	1,788,807	GBP	20,613	245,980	GBP	3,177
	-	-	-	73,373	SEK	10,010
Interest payable	35,035	US$	659	132,428	US$	2,686
Loans payable						
Other current liabilities	8,897,445	US$	167,466	29,382,849	US$	596,001
Long term borrowings	-	-	-	8,256,054	US$	167,466
ASSETS						
Long term loans and advances	-	US$	-	43,990,822	US$	989,100

Notes forming part of financial statements

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

Particulars	2011-12	2010-11
	(₹)	(₹)
Raw Material	48,437,467	63,740,666
Consumable & Spares	6,069,029	9,717,224
Capital Goods	209,046,105	42,367,958
	263,552,601	115,825,848

29. Value of raw materials, stores & spares consumed during the year :

Particulars	2011-12		2010-11	
	Consumption %	(₹)	Consumption %	(₹)
a) Raw Materials				
• Imports	1	80,258,215	1	64,861,102
• Indigenous	99	6,864,517,738	99	7,281,328,102
	100	6,944,775,953	100	7,346,189,204
b) Stores & Spares				
• Imports	5	9,403,496	2	4,071,524
• Indigenous	95	197,068,168	98	197,904,660
	100	206,471,664	100	201,976,184

30. Expenditure in foreign currency:

Particulars	2011-12	2010-11
	(₹)	(₹)
Travelling expenses	2,006,191	3,509,939
Bank charges	7,912	12,989
Technical fee	6,568,245	9,126,234
Interest expenses	322,964	539,259

31. Remittances in foreign currency on account of dividends to non-resident shareholders

Particulars	2011-12	2010-11
	(₹)	(₹)
No. of non-resident shareholders	1	1
No. of equity shares held	5,367,275	5,367,275
Amount of dividend paid	53,672,750	45,621,838
Year to which dividend related - final dividend	2010-11	2009-10

Notes forming part of financial statements

32. Employee benefits:

I Defined Contribution Plans:

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

Particulars	2011-12 (₹)	2010-11 (₹)
Employers' Contribution to Provident Fund Including Family Pension Fund* (Excluding Administration Charges)	24,689,807	21,377,066
Superannuation Fund*	8,200,261	5,176,560
Employers' State Insurance	2,304,709	2,691,347

* Included in Contribution to Provident and Other Funds (Refer Note – 22)

II Defined Benefit Plan :

Contribution to Gratuity Fund:

In accordance with Accounting Standard 15 (Revised 2005) actuarial valuation as on 30th September, 2012 was carried out in respect of the defined benefit plan of Gratuity based on the following assumptions.

Particulars	Gratuity 2011-12	Gratuity 2010-11
Discount Rate	8.50%	8.00%
Expected Return on Plan Assets	8.50%	8.00%
Salary Escalation Rate – Staff	12.00%	12.00%
Salary Escalation Rate – Workmen	5.00%	5.00%

Change in present value of obligation:

Particulars	Gratuity 2011-12	Gratuity 2010-11
Opening Present Value of Obligation	61,069,402	60,175,568
Current Service Cost	8,036,415	5,046,315
Interest on Defined Benefit Obligation	5,021,719	4,503,332
Benefits Paid	(3,980,709)	(7,767,828)
Net Actuarial Losses/(Gains) Recognised During the Year	(243,655)	(2,650,958)
Liability taken over	-	1,762,973
Closing Present Value of Obligation	69,903,172	61,069,402

Notes forming part of financial statements

Change in fair value of assets:

Particulars	Gratuity 2011-12	2010-11
Opening Fair Value of Plan Asset	50,322,441	52,370,674
Expected Return on Plan Assets	4,142,227	4,109,460
Actuarial Gains/(Losses)	1,427,732	(4,152,839)
Contribution by Employer	800,000	5,762,974
Benefits Paid	(3,980,709)	(7,767,828)
Closing Fair Value of Plan Assets	52,711,691	50,322,441

Investment details of fund assets :

Fund	Percentage 2011-12	2011-12 Amount (₹)	Percentage 2010-11	2010-11 Amount (₹)
Group Balanced Fund	20%	10,436,542	19%	9,357,560
Group Debt Fund	21%	11,289,809	20%	10,118,927
Group Growth Fund	46%	23,969,027	40%	20,051,194
Group Short Term Debt Fund	13%	7,016,313	18%	9,031,787
Fund for liabilities taken over	-	-	03%	1,762,973
Total	100%	52,711,691	100%	50,322,441

Reconciliation of present value of defined benefit obligation and the fair value of plan assets :

Particulars	Gratuity 2011-12	2010-11
Closing Present Value of Funded Obligation	69,903,172	61,069,402
Closing Fair Value of Plan Assets	52,711,691	50,322,441
Unfunded Liability	(17,191,481)	(10,746,961)
Unrecognised Actuarial Gains/(Losses)	--	--
Unfunded Net Asset/(Liability) Recognised in Balance Sheet	(17,191,481)	(10,746,961)

Amount recognised in the balance sheet :

Particulars	Gratuity 2011-12	2010-11
Closing Present Value of Obligation	69,903,172	61,069,402
Closing Fair Value of Plan Assets	52,711,691	50,322,441
Liability Recognised In The Balance Sheet	(17,191,481)	(10,746,961)

Notes forming part of financial statements

Expenses recognised in statement of profit and loss :

Particulars	Gratuity 2011-12	2010-11
Service Cost	8,036,415	5,046,315
Interest Cost	5,021,719	4,503,332
Expected Return on Plan Asset	(4,142,227)	(4,109,460)
Actuarial Gains/(Losses)	(1,671,387)	1,501,881
Net Cost	7,244,520	6,942,068

Experience adjustment

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
Defined Benefit Obligations	69,903,172	61,069,403	60,175,568	52,140,084	43,503,006
Plan Assets	52,711,691	50,322,441	52,370,674	42,295,034	33,510,518
Surplus/ Deficit	(17,191,481)	(10,746,962)	(7,804,894)	(9,845,050)	(9,992,488)
Experience Adjustment on Plan Liabilities	(243,655)	(2,650,958)	(847,398)	(225,851)	(173,628)
Experience Adjustment on Plan Assets	1,427,732	(4,152,839)	1,596,721	3,548,836	(2,971,400)

Expected payment / contribution within next one year ₹ 5,603,253/-

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

III Other long term benefits - funded :

Particulars	2011-12	2010-11
Leave salary		
Short term provisions	8,989,348	13,098,265
Other current liabilities	10,969,897	10,423,919
Total	19,959,245	23,522,184

33. Segment Reporting

Hitherto, the Company's primary reporting segment was based on geographies. The Company has changed its segment reporting from the current year to report by business segments to correspond with the way in which the Company now manages its business. The activities of the Company are classified into a single segment of 'Automotive Components'.

Notes forming part of financial statements

34. Related Party Transactions :

a. List of Related Parties and Relationships

Relationship	Related Parties	
(i) Entity having substantial Influence	Meritor Heavy Vehicle System LLC., USA Meritor Inc.,	
(ii) Other Related Parties with whom the Company had transactions : -		
Enterprises under Common Control / Enterprises over which Key Management Personnel have significant influence	Bharat Forge Limited Meritor HVS Cameri, SPA, Italy. Meritor HVS (India) Ltd Meritor HVS, Florence Meritor Automotive Inc, Fletcher USA Meritor Automotive Inc, Ohio USA Meritor HVS, Sweden Meritor Automotive Export Ltd., UK Meritor Vehicle Systems (Wuxi) Co Ltd., China Meritor Heavy Vehicle, Australia Meritor, Brazil Meritor Inc., Maxton, USA Meritor Automotive Export, South Wales NP Ege Fren AS Turkey	
Key Management Personnel	Dr. B.N. Kalyani	Chairman (Non-retiring)
	Mr. Ashok Rao	President and Whole-time Director

Notes forming part of financial statements

b. Transactions with Related Parties

Sl. No.	Transactions	Entity having substantial Influence	Enterprises Under Common Control	Key Management Personnel	Total
Transactions during the year					
1)	**Purchase of Goods**				
	Bharat Forge Ltd.,		- (11,821,886)		- (11,821,886)
	Meritor HVS LLC USA	11,688,066 (15,193,831)			11,688,066 (15,193,831)
	Meritor Inc., Troy	63,784 (-)			63,784 (-)
	Meritor, Brazil		244,253 (1,699,220)		244,253 (1,699,220)
	Meritor Vehicle Systems (Wuxi) Co Ltd., China		33,450 (514,127)		33,450 (514,127)
	Meritor HVS, Sweden		841,720 (2,694,553)		841,720 (2,694,553)
	Ege Gren AS Turkey		43,633 (52,196)		43,633 (52,196)
	Meritor HVS Cameri, SPA, Italy		5,751,374 (6,310,363)		5,751,374 (6,310,363)
	Meritor Automotive Inc, Fletcher, USA		907,463 (1,426,896)		907,463 (1,426,896)
	Meritor HVS Florence		24,302 (204,574)		24,302 (204,574)
	Meritor Automotive Inc, Ohio USA		258,367 (9,114)		258,367 (9,114)
	Meritor Inc., Maxton, USA		1,492,086 (-)		1,492,086 (-)
	Meritor Automotive Export Ltd., UK		1,795,678 (-)		1,795,678 (-)
	Meritor Heavy Vehicle, Australia		- (1,491,122)		- (1,491,122)

Notes forming part of financial statements

Sl. No.	Transactions	Entity having substantial Influence	Enterprises Under Common Control	Key Management Personnel	Total
2)	**Sale of Goods**				
	Meritor HVS (India) Limited		8,565,117,869 (10,489,846,708)		8,565,117,869 (10,489,846,708)
	Bharat Forge Ltd.,		42,430,958 (106,574,160)		42,430,958 (106,574,160)
3)	**Purchase of Fixed Assets**				
	Bharat Forge Ltd.,		- (21,011,796)		- (21,011,796)
	Meritor Inc., Troy	208,441 (-)			208,441 (-)
4)	**Services Received**				
	Bharat Forge Ltd.,		148,012,111 (175,227,516)		148,012,111 (175,227,516)
	Meritor Inc USA	5,100,480 (4,732,800)			5,100,480 (4,732,800)
	Meritor HVS (India) Limited		43,760,161 (36,044,577)		43,760,161 (36,044,577)
5)	**Other Recoveries**				
	Meritor HVS (India) Limited		3,844,774 (2,589,877)		3,844,774 (2,589,877)
6)	**Trade Advances Paid**				
	Bharat Forge Ltd.,		46,800,000 (6,000,000)		46,800,000 (6,000,000)
7)	**Trade Advances Recovered**				
	Bharat Forge Ltd.,		30,629,424 (-)		30,629,424 (-)
8)	**Managerial Remuneration and Sitting Fee**				
	Dr. B. N. Kalyani			60,000 (60,000)	60,000 (60,000)
	Mr. Ashok Rao			9,747,560 (8,278,008)	9,747,560 (8,278,008)

Notes forming part of financial statements

Sl. No.	Transactions	Entity having substantial Influence	Enterprises Under Common Control	Key Management Personnel	Total
Amount Outstanding at the Balance Sheet Date					
9)	**Debit balance**				
	Meritor HVS (India) Limited		1,445,264,026 (1,781,971,398)		1,445,264,026 (1,781,971,398)
	Bharat Forge Ltd.,		47,693,403 (17,859,356)		47,693,403 (17,859,356)
10)	**Credit balance**				
	Bharat Forge Ltd.,		23,669,977 (44,739,337)		23,669,977 (44,739,337)
	Meritor HVS Cameri, SPA, Italy		1,155,675 (2,383,054)		1,155,675 (2,383,054)
	Meritor Inc	10,264,499 (4,732,900)			10,264,499 (4,732,900)
	Meritor HVS (India) Limited		3,049,863 (4,980,804)		3,049,863 (4,980,804)
	Meritor Automotive Export Ltd., UK		1,788,807 (-)		1,788,807 (-)
	Mr. Ashok Rao			1,332,500 (601,250)	1,332,500 (601,250)
	Meritor Inc., Maxton, USA		142,284 (162,757)		142,284 (162,757)

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. Figures in brackets relate to the previous year.

Notes forming part of financial statements

35. Finance Lease

The Company has taken certain vehicles and office equipments under finance lease on non-cancelable basis. The minimum lease payments under the various agreements are given below:

Particulars	2011-12 (₹)	2010-11 (₹)
Amount repayable not later than one year	2,036,428	669,628
Amount repayable later than one year and not later than five years	6,370,755	929,042
Amount repayable more than five years	--	--
Total	8,407,183	1,598,670
Less: Interest payable	1,745,632	293,341
Present value of minimum lease payments	6,661,551	1,305,329

36. Operating Lease

Operating lease expenses debited to the Statement of Profit and Loss during the year is ₹ 1,860,694/- (₹ 2,142,579/-). There is no contingent rent.

37. Earnings Per Share

Sl. No.	Particulars	2011-12	2010-11
		(In ₹ Except for No. of Shares)	
1	Profit After Tax Attributable to Ordinary Shareholders	450,183,998	575,566,984
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	29.79	38.09

38. Deferred Tax

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

Particulars	2011-12 (₹)	2010-11 (₹)
Depreciation & Amortisation	411,101,681	384,218,981
Provision for Employee Benefits & Others	(28,379,179)	(24,192,936)
	382,722,502	360,026,045
Net Deferred Tax Liability Relating to the Above	124,173,860	119,600,652

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

Notes forming part of financial statements

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

Particulars	2011-12 (₹)	2010-11 (₹)
Nature of expenses	Warranty	Warranty
Probable outflow estimated within	One Year	One Year
Liability as at beginning of the year	25,669,698	16,273,748
Amount provided during the year	37,368,300	27,755,484
Amount utilised during the year	14,355,996	17,057,517
Amount reversed during the year	13,538,045	1,302,017
Liability as on end of the year	35,143,957	25,669,698

40. Contingent Liability

Company has certain labour disputes which are pending adjudication. The liability that may arise on account of these disputes cannot be reasonably estimated but is not expected to be material.

41. The revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signatures to notes 1 to 41

On behalf of the Board of Directors

B. N. Kalyani	Ashok Rao	S. Ramkumar
Chairman	President and Whole time Director	Chief Financial Officer & Company Secretary

Place : Mysore

Date : 29th November, 2012

Notice

Notice is hereby given that the Thirty First 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 6th February, 2013 at 12.30 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit & Loss Account and Balance Sheet as at 30th September, 2012 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, 2012.
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 a Director in place of Mr. Satish Sekhri who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors, Deloitte Haskins & Sells, Chartered Accountants (ICAI Reg.No.008072S) and to authorise the Board of Directors, to fix their remuneration for the period.

By Order of the Board of Directors
For Automotive Axles Limited

Place: Mysore
Date: 29th November, 2012

S. Ramkumar
Chief Financial Officer & Company Secretary

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

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form should be submitted to the Company at least 48 hours before the commencement of the Annual General Meeting.
2. Dividend on Equity Shares 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.
3. The register of Members and Share Transfer Books will remain closed from 4th February, 2013 to 6th February, 2013 (both days inclusive).
4. 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

Notice

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

Year	Particulars	Date of Declaration	Due date of Transfer
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% Dividend	21.01.2009	20.02.2016
2008-09	27% Dividend	15.01.2010	14.02.2017
2009-10	85% Dividend	21.01.2011	20.02.2018
2010-11	100% Dividend	17.01.2012	16.02.2019

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

ANNEXURE TO NOTICE

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 holds a Bachelor's Degree in Arts & Law. He has rich experience in the filed of IR, Legal Issues and HR Practices and is a Legal Advisor of about 100 companies. He is also the President of Karnataka Employers Association and has represented Employers at various International Forums including ILO (International Labour Organisation), both in India and abroad. He is on the Board of Wipro Ltd., 3 M India Limited, & Page Industries Limited., as an Independent Director.

(b) Mr. Satish Sekhri is a Mechanical Engineer from Delhi College of Engineering (1971) and MBA (Gold Medalist) from Chandigarh (1973). He has rich experience of 40 years in the automotive industry. He has served as Managing Director in Bosch Chassis Systems India Ltd., Pune. He serves on the board of several auto component manufacturing companies and is also associated with professional bodies like CII, Automotive Component Manufacturers Association, Maharashtra Chamber of Commerce Industry and Agriculture etc., as Executive Committee member.

By Order of the Board of Directors
For Automotive Axles Limited

Place: Mysore
Date: 29th November, 2012

S. Ramkumar
Chief Financial Officer & Company Secretary

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 Thirty First Annual General Meeting of the Company to be held on 6th February, 2013 and at any adjournment thereof.

Affix a Revenue Stamp

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

Thirty First 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 Thirty First Annual General Meeting of the Company at Regd. Office, Hootagalli Industrial Area, Off Hunsur Road, Mysore – 570 018, at 12.30 p.m. on 6th February, 2013.

.....

Name of the member / proxy

.....

Signature of member / proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall.

Members are requested to bring their copies of the Annual report to the Meeting.

Disclaimer

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

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

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

Automotive Axles Limited
www.autoaxle.com

If undelivered please return to

Automotive Axles Limited
Hootagalli Industrial Area
Mysore – 570 018
Karnataka

concept, content and design at aicl (info@aicl.in)