

Automotive Axles Limited
43rd Annual General Meeting call
transcript 5th August 2024
(3.00 PM- 3.52 PM IST)

Debadas Panda (Company Secretary):

Ladies & Gentlemen, Good afternoon to all of you.

I, Debadas Panda, Company Secretary of the Company, welcome you all to the 43rd Annual General Meeting of the Company.

Now I will introduce our dignitaries who have joined this meeting today:

1. Dr. B N Kalyani, Chairman of the Meeting & Chairman of Stakeholders' Relationship Committee.
2. Mr. B. B. Hattarki, Director & Chairman of Audit Committee.
3. Mr. B. C. Prabhakar, Director & Chairman of Nomination & Remuneration Committee, Corporate Social Responsibility Committee and Risk Management Committee.
4. Ms. Bijal Ajinkya, Independent Director of the Company.
5. Mr. Nagaraja Gargeshwari, President & Whole Time Director of the Company.
6. Mr. Kishan Kumar Udupi, General Manager – Representative, Meritor HVS (India) Ltd.
7. Mr. Ranganathan S., Chief Financial Officer.
8. Mr. Debadas Panda, Company Secretary & Compliance Officer.
9. Mr. Pradip Agarwal, Representative-Statutory Auditors.
10. Ms. Pracheta M, Secretarial Auditor & Scrutinizer.
11. Mr. Harish K, Representative from Integrated Registry Management Services (RTA).

I request Dr. B. N. Kalyani, Chairman of the Company to occupy the Chair, who will chair this meeting.

As per the Companies Act, 2013 and SEBI Listing Regulations, the Company had provided remote e-voting facility to the Members, whose shareholding are recorded as on cut-off date of 29th July 2024, to enable them to cast their votes electronically on all the AGM agenda items between 2nd August, 2024 (9:00 am) to 4th August, 2024 (5:00 pm).

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

Ms. Pracheta M., Practicing Company Secretaries has been appointed as the Scrutinizer to scrutinize the votes cast at the meeting and through remote e-voting. The Scrutinizer will submit her report in the prescribed manner to the Chairman or his authorized representative within 2 working days of the conclusion of the meeting.

Since the AGM has been convened through Video Conferencing and Other Audio-Visual Means and facility of e-voting has been provided, there will be no vote by show of hands or no proposing and seconding of resolutions.

Now I request our CFO Mr. Ranganathan to make few necessary announcements.
Over to you Sir.

Mr. Ranganathan (Chief Financial Officer):

Thank you, Debadas.

Good afternoon everyone! I am Ranganathan S, Chief Financial Officer of the Company, attending this meeting from my office at Mysuru.

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

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

Members may please note that, on receipt of requests from certain shareholders, the Company has registered them as Speaker Shareholders at this AGM.

Once the Chairman opened the floor for questions and answers, the name of the registered members will be announced one by one. Upon announcement the respective speaker(s) audio shall be unmuted by the Company's Moderator. We request speakers to use earphones for undisturbed listening and further ensure that undisturbed and reliable internet bandwidth connection is in place to have good video and audio experience. If there is any connectivity or internet problem at speakers end and speakers could not effectively communicate their questions, Company may allow other registered speakers to ask their questions. Once all other registered speaker Shareholders complete their turn, the opportunity shall be given at the end to those speakers who could not be able to speak in their allotted turn.

Further we will share few important points for Speaker shareholders attention:

All the registered Speaker Members are requested to mention his/her name, Folio no. and place from where joining.

All the questions from the registered Speakers should be precise and short, relevant and should not be forward looking or personal.

Speaker members may please note that in order to avoid repetition, answers will be given by the Chairman at the end after receipt of the all questions from the members.

During the AGM, if a member faces any technical issue, he/she may contact the helpline number mentioned in the Notice of AGM.

I take this opportunity to thank all the shareholders, directors and invitees for joining this meeting, your unconditional support and confidence reposed on us.

Now I ask our Company Secretary to take this meeting forward and rest of the proceedings. Thank you.

Debadas Panda (Company Secretary):

Thank you Sir.

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

Dr. B N Kalyani (Chairman):

Thank you Mr. Panda.

Ladies & Gentlemen, Good afternoon to all of you.

I, Dr. B N Kalyani, Chairman of the meeting, participating in this Annual General Meeting from Pune, extend a warm welcome to all of you at this 43rd Annual General Meeting. I pray that you all, your family and all your loved ones are keeping safe and staying healthy.

As the requisite quorum is present and the meeting is validly convened, I will now call the meeting to order.

Before proceeding further, I would like to request Directors to introduce themselves one by one.

1. Mr. B B Hattarki.

Good afternoon, everyone! I am Independent Director of the Company – Attending and participating this meeting from my house in Pune. Thank you very much !

2. Mr. B. C. Prabhakar.

I'm attending this meeting from Bengaluru. Thank you!

3. Ms. Bijal Ajinkya.

Good afternoon everyone! I am Bijal Ajinkya, Independent Director – Participating from Bangalore. Thank you!

4. Mr. Nagaraja Gargeshwari

Good afternoon everyone! I am Nagaraja Gargeshwari, President & Whole Time Director of this Company - Thank you very much !

Mr. Kenneth James Hogan is unable to attend this meeting due to his business exigency.

We also have our Statutory Auditors, Secretarial Auditors, Chief Financial Officer of the company and Company Secretary participating in this AGM through VC from their respective locations.

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

We are conducting this meeting through Video Conferencing or Other Audio-Visual Means in compliance with the directions issued by Ministry of Corporate Affairs and SEBI. Live streaming of this AGM is also webcasted through NSDL website.

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

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

Dear shareholders, colleagues on the board, and distinguished ladies and gentlemen,

I warmly welcome you all to the 43rd Annual General Meeting of Automotive Axles Limited. I trust you and your families are safe and healthy. Thank you for joining us today.

It is truly commendable that your company emerged stronger and made significant progress in every sense over the past year, despite a challenging environment. I hope you have already reviewed the Annual Report for FY 2023-24, which also contains Directors' Report and Audited Financial Report.

Before I speak to you about your company's performance, strategic progress, and the way ahead, I would like to briefly highlight the macroeconomic scenario and trends shaping the auto component industry in which your company operates.

Macroeconomic Perspective

The global economy continues to exhibit remarkable resilience, maintaining consistent growth while inflation decelerates nearly as swiftly as it escalated. The journey has been marked by significant events, starting with supply chain disruptions in the aftermath of the COVID-19 pandemic, followed by an energy and food crisis triggered by the Russia-Ukraine conflict, and a substantial inflation spike, culminating in a globally coordinated tightening of monetary policy.

Amidst global economic fluctuations and persistent geopolitical tensions, India's economy stands out, exhibiting robust resilience while maintaining its status as the fastest-growing major economy in the world. This stability draws its strength from strategic policy implementations and regulatory measures, invigorated by a revitalised private sector, infusing strong momentum. The nation leverages substantial investments in emerging sectors, bolstered by governmental initiatives, enhanced efficiency through digitalisation, and improved physical connectivity to help maintain the momentum of anticipated sustained economic growth. Looking ahead, India is poised for continued expansion throughout the decade, propelled by prudent investments, innovative policies, and a commitment to harness technological advancements for sustainable development.

Industry Review

The Indian automobile industry achieved notable growth, registering a 12.5% increase in domestic production for FY 2023-24, propelled by robust economic expansion and favourable

government policies. Indian automakers continue to prioritise customer-centric strategies, including product diversification, customisation, and digital sales and services to thrive in this dynamic landscape. Moreover, strategic partnerships and investments in emerging technologies further drive competitiveness and market leadership. Positioned for significant transformation, the industry adeptly navigates technological innovation, changing consumer trends, and regulatory shifts with resilience and adaptability. Despite global uncertainties, the Indian automobile industry's commitment to innovation and sustainability ensures a positive outlook.

Notably, India's auto components industry is set to drive the future expansion of the automotive sector, with its sustained focus on competitive pricing, adherence to quality standards, and technological innovation, thereby creating a favourable outlook for robust growth expansions. Already a substantial contributor to India's exports, this projected surge highlights the industry's potential to emerge as a global leader in the automotive supply chain.

Performance for the Fiscal

We are delighted to announce another fiscal year of sustainable progress for our company. Our total revenue stood at Rs. 22,449 million in FY 2023-24, compared to Rs. 23,286 million in FY 2022-23. Additionally, our EBITDA was Rs. 2,620 million, compared to Rs. 2,624 million, while our PAT grew marginally by 2.6% to Rs. 1,662 million, in contrast with Rs. 1,620 million recorded in FY 2022-23. We invested in state-of-the-art equipment and upgrades across our production lines to bolster our capabilities, with a greater focus on technological advancements. This strategic move aims to accommodate new models and variants swiftly, thereby ramping up productivity, enhancing agility, and meeting fluctuating volume and variant demands effectively.

Operational Achievements

We are glad to communicate that our Axle Assembly Line and Housing Line 1 are now equipped with Industry 4.0 capabilities. This advancement enables us to eliminate losses, enhance Overall Equipment Effectiveness, and ensure product and part traceability.

Meanwhile, our CNC gear line operates with cutting-edge manufacturing equipment, adhering to stringent global standards. Utilizing a fully closed loop system with predictive capabilities, we effectively mitigate heat treatment distortion, ensuring the production of top-quality gears. By leveraging digitised masters and precise heat-treated gear part mapping, we consistently deliver precision parts to meet exact specifications. Moreover, our collaborations with blade suppliers lead to the development of ultra-fine carbide blade materials with special coatings, fortifying speeds, feeds, and overall productivity.

In our endeavour to deliver best-in-class products to our esteemed clients, we continue to invest in capacity building. This is exemplified by our recent investment in a new bore turning machine, catering to the growing export demand for gear bore and back face grooving. This further reinforces our position as a premier provider of high-quality gears for global markets. Over the past three years, our Total Productive Maintenance (TPM) initiatives have yielded remarkable improvements in safety, quality, and productivity across our operations. Our Mysuru Plant received the prestigious TPM Excellence Award, affirming our dedication to continuous improvement and operational excellence.

Responsible Roadmap

We remain committed to delivering value-driven outcomes for all stakeholders. Leveraging our core capabilities and strengths, we continuously strive to produce high-quality products tailored to meet the needs of our OEMs.

We are dedicated to creating value through our sustainability strategy, placing a strong emphasis on conserving and responsibly using natural resources as a fundamental business imperative. Aligned with environmental sustainability goals, we actively work to mitigate environmental risks and drive positive impact, including our drive towards Net Zero and diversity. We play a crucial role in empowering our workforce by fostering an environment of respect, trust, inclusivity, and diversity, which in turn cultivates a motivated and adaptable work environment. Recognising the invaluable contribution of our employees to our success, we prioritise their well-being and holistic development, aligning our values and culture accordingly. Moreover, we are nurturing a workplace culture that embraces and celebrates diversity, promotes equity, and facilitates inclusion through our Diversity, Equity, and Inclusion initiatives.

At the core of our business strategy lies our commitment to uplifting communities around our operating locations. Prioritising healthcare, including preventive care, we ensure access to essential medical services for individuals and communities. We understand the significance of nurturing a holistic society while simultaneously augmenting shareholder value creation.

In fortifying our governance approach, we go beyond conventional norms, placing utmost importance on enhancing long-term stakeholder value and fostering ethical business conduct. This year, we have adopted a Tax Transparency Report as a good corporate governance practice. Our corporate governance framework encompasses various aspects, including ethical corporate policies, code of conduct, human rights, and social impact. Furthermore, we ensure active engagement from all Board committees, guaranteeing oversight across business and Environmental, Social, and Governance (ESG) criteria. Through strategic oversight and controls, we conscientiously amplify Board participation and effectiveness in upholding our values and driving sustainable business practices.

Acknowledgement

As a representative of the entire Board, I extend our heartfelt gratitude to all our partners, with special acknowledgment to our customers, business associates, vendors, and bankers, for their unyielding trust and continuous collaboration. I convey our sincere appreciation to our dedicated employees for their persistent commitment and tireless efforts that drive our success forward every day. Additionally, I express deep gratitude to our shareholders for their firm confidence in us and extend our appreciation to the Board of Directors for their invaluable guidance and support. Together, we continue to navigate challenges and seize opportunities, driving us towards greater success.

Reading of the NOTICE convening the meeting, Agenda & Conduct of meeting:

Since Notice convening 43rd Annual General Meeting was already circulated, I request the Members present to take the Notice of the AGM together with the Financial Statements and Board's Report as read.

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

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

The Auditors' Report on the Financial Statements of the Company for the year ended 31st March 2024 and Secretarial Audit doesn't have any qualifications, observations or comments on financial statements (which have any adverse effect on the functioning of the Company). Accordingly, as per section 145 of the Companies Act, 2013, with the concurrence of the Members the Auditors' Report to be taken as read.

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

Item No. 1: Adoption of the Audited Financial Statements of the Company.

Item No. 2: Declaration of final dividend of Rs. 32/- per equity share of Rs. 10/- each for the financial year 2023-24.

Item No. 3: To appoint a director in place of Mr. Nagaraja Gargeshwari, who retires by rotation and being eligible, offers himself for re-appointment.

This now, finishes the Agenda Items.

Now I will open the floor to members to ask questions and will take up the questions one by one and once all the questions have been asked, I will reply.

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

One by one speakers will then be activated and unmuted by the Company. Company Secretary to announce the name of speakers one by one.

Over to you Mr. Panda.

Debadas Panda (Company Secretary):

Hello Mr. Aspi Bhesania

Mr. Aspi Bhesania (Speaker Shareholder):

Chairman sir, I'm asking you from Bombay. Thank you for the opportunity. Sir, I request you to continue the hybrid meeting when the physical meeting starts. Sir, I'm a shareholder since IPO and still hold 63 shares. Please request the RTA that as and when any physical shares are dematerialized any unclaimed dividend should be paid, without any actions from the part of

the shareholder. Some RTA's run around as per PAN, AADHAR etc. which is inconvenient to us.

Sir Congrats on excellent Business for the FY 23-24 considering so many geo-political tensions, inspite so many problems, our revenue for the year has slightly reduced, however profit is slightly higher. Sir the Q1 results are after 2 days, any reason for that, and you also have the Board meeting prior to AGM. Sir, the share's face value is Rs. 10. Please do not split the same. Because let our share be like MRF. Sir you are Cash rich, so why don't you go for Buy-Back. Buy-Back has become taxable from 1st October, so when you will be planning for Buy-Back before 30th September and all the shareholders should get benefitted including the two promotor shareholders. Thank you very much and all the very best for the future.

Dr. B N Kalyani (Chairman):

Thank you, Mr. Aspi, Anybody else?

Debadas Panda (Company Secretary):

Mr. Prabhjot Sahani. You're voice is not audible. Can you be a little bit louder?

Mr. Prabhjot Sahani (Speaker Shareholder):

Thank you for having me as a speaker shareholder at the meeting. Well, it is earlier shareholder who said there should be Hybrid meeting. If it is hybrid it is ok, but not always a physical meeting, because other shareholders are in different states who are able to hear to Video Conferencing.

Sir, I have very small few questions, like one small thing, may Mr. Panda and the management can do is people are holding Con-call frequently if it is possible kindly send a mail to your shareholders too, so that they may also attend the Con-call and have a brief about the meeting which is happening in between also.

And as well you had given a statement that you have launched 14-ton new axles in the Con-call. Can you give a brief outlook of what exactly the Market has reactions. Well, we are practically dependent on Ashok Layland, we are having around 60% sales. Are we looking for new clientele and also reducing the dependence on the Ashok Layland. Practically we are in CV segment only, HCV and LCV. Have you planned on EV also? Personal vehicles also? Because there is massive demand in growth in that axle group.

I believe that profits are in the stable side, because there is rise in Steel prices last year, what we are doing to hedge for raw materials and all that? Can you give insight on that.

Lastly I'm asking, what earlier speaker shareholder said that IEPF issues have been handled by the company and not from the RTA. It is a huge problem and mess in RTA, because all the 5000 companies and few of them are with RTA and can the company alone handle the IEPF cases. That's it sir. Thank you.

Dr. B N Kalyani (Chairman):

Anybody Else?

Debadas Panda (Company Secretary):

We have finished all the speaker shareholder queries. Now you can give the answer Chairman sir.

Dr. B N Kalyani (Chairman):

Mr. Aspi, are you still on the line? Now I'm answering your questions for what you have asked. You talked about some shares in physical form, and you want to make sure that the dividend on these shares are paid. So, Mr. Panda will make a note of that.

Debadas Panda (Company Secretary):

I will take note of this point and sort out the issue.

Dr. B N Kalyani (Chairman):

Second point was not to break the share face value of Rs.10 to below denomination. Right now, I don't think we have any plan for that.

Mr. Aspi Bhesania (Speaker Shareholder):

Sir, I'm saying not to do that.

Dr. B N Kalyani (Chairman):

Yes, we don't have any plans for that.

Mr. Aspi Bhesania (Speaker Shareholder):

Ok Sir, Thank you.

Dr. B N Kalyani (Chairman):

You have asked about IEPF and Mr. Panda has given the answer already. I hope this satisfies the questions that you have asked.

Mr. Prabhjot Sahani (Speaker Shareholder):

Sir, I have also asked about the personal vehicles segment.

Dr. B N Kalyani (Chairman):

That is completely different segment. Passenger cars don't have axles; they are all front wheel drive vehicles. That is completely different business, we are not that activity.

Mr. Prabhjot Sahani (Speaker Shareholder):

Ashok Layland launched EV vehicles also, so we are not catering them?

Dr. B N Kalyani (Chairman):

No, not yet.

Mr. Prabhjot Sahani (Speaker Shareholder):

And what about the 14-ton axles that we have launched and what is the Market outlook of that?

Dr. B N Kalyani (Chairman):

That's a good opportunity, because as the Indian Highway expansion takes place, we see a shift happening through this larger capacity trucks, which requires large axles and I think we are on well position and well placed.

Mr. Prabhjot Sahani (Speaker Shareholder):

Thank you sir.

Dr. B N Kalyani (Chairman):

Ok I think all the questions have been answered.

Debadas Panda (Company Secretary):

Yes sir.

Dr. B N Kalyani (Chairman):

Any other questions is being asked?

Debadas Panda (Company Secretary):

To the shareholders, we are following the rules of the Government of India and MCA, so as per their guidelines only we are doing all the things for your information. All the IEPF process, whatever is there is handled by the company only and not taking help of the RTA to do this activity physically in our office. And there is not any issue on their transfer of shares in IEPF, and taking the shares from IEPF Authority. This I can say.

Dr. B N Kalyani (Chairman):

Thank you Mr. Panda. Mr. Sahani I will answer your question. You have asked questions about our main client Ashok Layland and it is so right from the beginning of the company's existence and we continue to serve Ashok Layland very well in all its segments and continue developing technology for that. We have other clients also, apart from that, but we continue to seek newer and newer clients. We are already currently into CV segment, that is main segment and our plant is designed to operate the CV segment.

You also talked about the EV segment, right now from our side we don't see any signs of volumes in that business, as and when it comes, I'm sure your company will adapt this product also. Then you asked about Raw material price inflation last year, normally in our business, the Raw material price is passed onto the customers. When you see the pricing structure, we

are very transparent in it. So that is not an issue, in both ways, whether it goes up or down, and we need to pass it onto customers.

Thank you very much, I conclude the Q&A session here.

Dr. B N Kalyani (Chairman):

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

Debadas Panda (Company Secretary):

Thank you all for attending this meeting. Now the e-voting floor will be open for next 15 minutes. So we can leave the meeting now. Thank you very much.

Thank you to all board members and thank you all shareholders.
