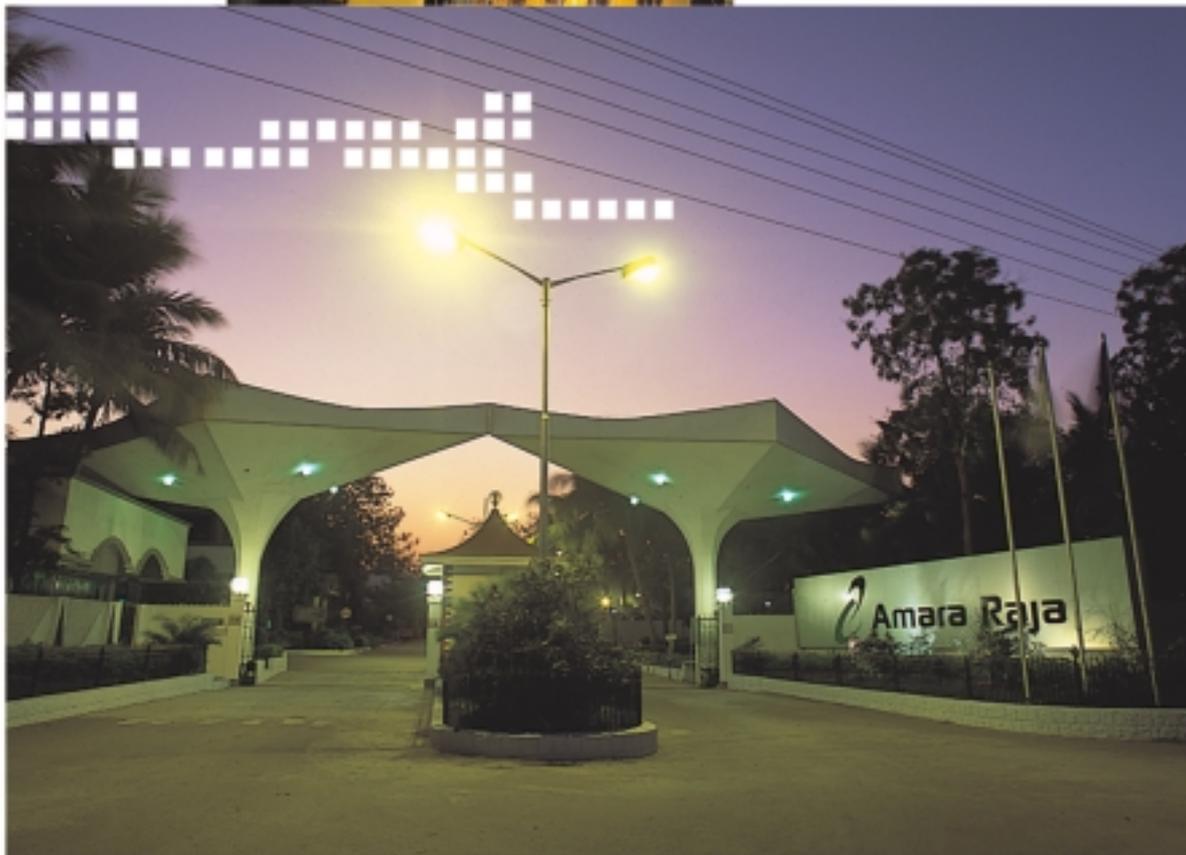




POWERING AHEAD

ANNUAL REPORT 05/06



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BOARD OF DIRECTORS

Ramachandra N. Galla
Non Executive Chairman

Amara Kumari Galla

Jayadev Galla
Managing Director

Raymond J. Brown

John D. Major

Steven Gibbs

P. Lakshmana Rao

Ravi Bhamidipati

Nagarjun Valluripalli

Manjula Chawla
Alternate Director to John D. Major

Kejian Lu
Alternate Director to Raymond J. Brown
(With effect from 7th April 2006)

Chief Financial Officer

Gopal Mahadevan

Company Secretary

N. RamNathan

Auditors

M/s. E. Phalguna Kumar & Co.
Chartered Accountants,
Tirupati

M/s. Chevuturi Associates
Chartered Accountants,
Vijayawada

Cost Auditor

M/s. Parankusam & Co.
Hyderabad

Bankers

State Bank of India, Settipalle, Tirupati
Andhra Bank, Main Branch, Tirupati
State Bank of Hyderabad,
Main Branch, Tirupati

Registered Office

Renigunta - Cuddapah Road,
Karakambadi - 517 520
Tirupati
Andhra Pradesh, India

Registrar and Share Transfer Agents

M/s. Cameo Corporate Services Limited
"Subramanian Building"
No. 1, Club House Road,
Chennai - 600 002

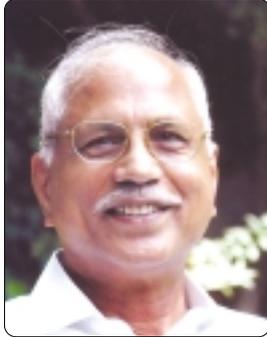
FIVE YEARS PERFORMANCE - AT A GLANCE

(Rupees in Million)

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
Production (Nos)	2129491	1230974	944632	735754	604949
Sales (Nos)	2117664	1222943	947658	709957	580369
Sales	4458.30	2685.44	1999.23	1987.35	1882.20
Profit before Depreciation, Interest and Tax	533.91	273.57	136.33	238.12	338.08
Profit before Depreciation	520.47	272.12	134.57	234.34	331.41
Profit after Depreciation	373.46	135.81	11.52	117.34	247.35
Profit Afer Tax	238.47	86.90	13.90	74.01	182.23
Equity Capital	113.88	113.88	113.88	113.88	113.88
Reserves and surplus	1898.98	1692.97	1632.04	1637.41	1582.68*
Net Worth	2012.85	1806.85	1745.92	1649.10	1587.53*
Gross Block	1907.12	1672.30	1593.02	1556.05	1453.41
Net Block	1091.70	961.52	1001.40	1087.12	1094.72
Book Value per Share (Rs.)	176.76	158.66	153.32	144.82	139.41
Earning per Share (Rs.)	20.94	7.63	1.22	6.50	16.00
Dividend (%)	25	20	15	15	35

* Rs.115.27 million has been adjusted against net deferred tax liability up to 31st March 2001.

CHAIRMAN'S MESSAGE



Dear Shareholders,

It gives me great pleasure to share with you that FY 06 has been another path-breaking year for Amara Raja.

We have clocked a record turnover of Rs. 4.45 bn - posting a 66% growth over the previous year. Profit Before Tax at Rs. 373 mm has recorded a 175 % jump over the previous year. Clearly the investments we have made in the past in people, processes, product engineering, brand and assets have resulted in the growth we are experiencing today. And we will continue to further expand capacities and invest in the business.

The year also witnessed the continued growth of the Indian Economy and India becoming one of the favourite investment destinations in the world, next only to China. The Indian Economy posted a robust growth of 8.4% in GDP as against 7.5 % in the previous year. The manufacturing sector grew at 9% in FY 06 as against 8.1% in FY 05. Riding on the back of economic growth and bolstered by domestic and FII investments, the Indian stock markets reached unprecedented heights. While recently the markets have witnessed a correction and have turned choppy, it is expected that in the medium term the stock markets should become more stable . The Indian rupee has also dovetailed the stock markets and has had significant rallies in a relatively short period of time.

One of the concerns for Indian Industry has been rising interest rates. The increase in both the repo and reverse repo rates in June 2006 by the Reserve Bank of India seem to signal a high interest rate regime. This can be a challenge to Indian corporates. Rising petrol prices and the resultant inflationary impact it could have, are also factors that could impede growth.

Metal markets continued to harden in FY 06. Lead prices continued to rule high and reached a peak of US \$1448/ MT in February 2006 compared to US \$ 1009/ MT in February 2005. While lead prices have softened recently we continue to watch the price movements carefully. Globalisation has resulted in metal prices being affected by a confluence of factors – not merely by demand and production. We now see that financial markets and commodity markets have become more linked. And the effects of events occurring in one part of the globe are felt almost immediately in other parts as well.

Our Company has posted an excellent performance and outperformed the market significantly both in terms of growth in top line and profits. Amara Raja continues to expand its capacities. Automotive battery plant capacity would more than triple to 3.6 mm units per annum from 1mm units at inception. We have been building our capacity in Industrial batteries as well and will again be increasing it by 50% in the coming months. I believe that the growth in the demand for our products has been the resultant of the passion to offer greater value to customers continuously. This combined with the persistent efforts of our team to achieve greater operational efficiencies has been the key driving factor for the robust performance and growth posted by the Company.

When I founded the Company in 1985, my belief was that with the right technology, people and value systems, we will become a globally recognized player. Today, when I see the performance of the Company, I am convinced that we are on course in the goal we set out to achieve.

I would like to take this opportunity to thank each and every member of the Amara Raja team, our joint venture partner M/s. Johnson Controls Inc., our bankers, the various Government agencies we interact with and our share holders for their continued support.

Ramachandra N. Galla

FROM THE DESK OF THE MANAGING DIRECTOR



Dear Shareholders,

Last year, on the 20th anniversary of the Company, I had been happy to share with you that our top line had crossed the Rs. 2 bn mark. Twelve months later, this year, it gives me great pleasure to state that we almost added another Rs. 2 bn to it. Gross sales at Rs. 4.45 bn in FY 06 has grown 66% over last year's turnover of Rs. 2.68 bn, propelled by the high growth recorded in both Industrial and Automotive batteries business.

Profit before tax at Rs. 373 mm has grown 175% over last year's number of Rs. 135 mm.

And what is significant is that this achievement has been made in a year when Lead prices touched all time highs and the Indian storage battery industry grew at around 20%.

FY 06 has been a very exciting year for us – we witnessed growth in top line, market share, profits and in our capacity as well. As at the end of the financial year our expansion in Automotive batteries to 2.4 mm units was on stream and we are on course in further expanding to 3.6 mm units per annum in FY 07. We would also be expanding Industrial battery capacity by nearly 50% in FY 07.

In FY 06, our Industrial batteries volumes rose 73% over the previous year driven by significant growth in Telecom and UPS batteries. We continue to maintain our position as a leading VRLA manufacturer in the Country and enhance our market share. Quanta UPS batteries, a technologically superior product in terms of deep cycles and high rate discharge, is recognised as a leading brand of UPS batteries in the country. While the off take in the Railways business has been slower than last year, we expect the business to be stable going forward. Industrial battery exports, which is at a nascent stage, holds great potential and we believe that we have only scratched the surface. With a distinctly superior product and world class engineering capabilities, we will focus on growing industrial battery exports in the medium term.

Our success in Automotive batteries continues. OE volumes have grown 61% yoy and market shares are close to 25% with almost all OE accounts under our belt. This year we added Hyundai Motors India Limited as our customer. We were retained by Maruti Udyog Ltd as exclusive supplier to "Swift", one of their most prestigious launches. We also became exclusive supplier to "Ace" – a successful small transport vehicle launched by Tata Motors. Our OE customers have appreciated the technological superiority of our batteries and the higher performance they deliver. Our share of business in existing accounts has grown. Automotive customers ultimately want a battery that is technologically superior and which demands very little attention.

Our after market replacement volumes grew 76% driven by our three factors. First has been the consolidation of our product suite expansion in the previous financial year. Second has been the increased penetration of our expanding channel network which today spans 24 states with over 125 franchisees and 12000 active retailers. Third has been the brand pull of "Amaron". Today our market share in the organized market has risen sharply to almost 20 %. And what gives me great satisfaction is that we have been able to achieve all this just within 6 years of inception.

Automotive battery exports have grown 83% as we continue to consolidate our position in the South-East Asian and Middle Eastern markets. Our products are sold in the premium segment in Japan, a market which is very demanding and technology conscious. We are today the number one after market brand in Singapore and have retained exclusive supplier status with Comfort Delgro Cabs of Singapore for three years in a row. We continue to enhance our presence in the SAARC markets as well.

Even while growing top line, we continue to enhance operational efficiency and work on product development and engineering. The team's focus in building efficiencies in Supply Chain, Operations and Product Engineering have resulted in delivering greater value to customers. Our relationship with OEs and our persistence to deliver greater quality have resulted in new quality initiatives and continuous improvement programmes. We have also embarked on strategic HR initiatives, which we believe would play a key role in supporting our aggressive growth plans.

Team Amara Raja is charged. And ready to take on the future.

I would like to thank our joint venture partner M/s. Johnson Controls Inc, our bankers, our employees and our shareholders for their continued support.

Jayadev Galla

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of Amara Raja Batteries Limited will be held on Monday, 14th August 2006, at 3.00 P.M. at the Registered Office of the Company at Renigunta–Cuddapah Road, Karakambadi–517520, Tirupati, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mrs. Amara Kumari Galla, who retires by rotation in terms of Article 105 (a) of the Articles of Association of the Company and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Mr. John D. Major, who retires by rotation in terms of Article 105 (a) of the Articles of Association of the Company and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Steven Gibbs, who retires by rotation in terms of Article 105 (a) of the Articles of Association of the Company and being eligible offers himself for re-appointment.
6. To appoint Auditors to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT M/s. E. Phalguna Kumar & Co., Chartered Accountants, Tirupati and M/s. Chevaturi Associates, Chartered Accountants, Vijayawada, be and they are hereby re-appointed Auditors of the Company to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration to be mutually agreed between the Board of Directors and the Auditors."

SPECIAL BUSINESS

7. To consider and if thought fit to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Nagarjun Valluripalli, who was appointed as a Director of the Company with effect from 20th December 2005 and whose term expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."
8. To consider and if thought fit to pass, with or without modification(s), the following Resolution as a Special Resolution:
"RESOLVED THAT in accordance with the provisions of Article 99 of the Articles of Association of the Company and pursuant to the provisions of Section 309 (4) of the Companies Act, 1956 and subject to the approval of the Ministry of Company Affairs, New Delhi and the shareholders, authority be and is hereby accorded to the payment of Commission not exceeding three percent (3%) of the net profits of the Company to Mr. Ramachandra N. Galla, the Non Executive Chairman of the Company and not exceeding one percent (1%) of the net profits of the Company, in the aggregate, to the other Non Executive Directors in such proportion and from such date as the Board may deem fit and proper for a period of five years commencing from 1st September 2005."
"RESOLVED FURTHER THAT authority be and is hereby accorded to the Board of Directors to do all such acts, deeds and things as may be necessary, expedient and proper, for the purpose of giving effect to this Resolution."
9. To consider and if thought fit to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and all other applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) to mortgage and/or charge, in addition to the mortgages/charges created/to be created by the Company, in such form and manner and with

such ranking and at such time and on such terms as the Board may determine, on all or any of the moveable and/or immoveable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) in favour of the Lender(s) for securing the borrowings availed/to be availed by the Company by way of loan (in Rupee currency and/or Foreign currency) subject to the limits specified under Section 293 (1) (d) of the Companies Act, 1956 together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of the Loan Agreement(s)/Heads of Agreement(s) or any other document, entered into/to be entered into between the Company and the Lender(s) in respect of the said loan(s)/borrowing(s)."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to finalise, settle and execute such documents/deeds/writings/agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

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

"RESOLVED THAT the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose), be and is hereby authorised, in accordance with Section 293 (1) (d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money from time to time at its discretion, for the purpose of the business of the Company, from any one or more banks, financial institutions and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, not to exceed Rs.400 crore and that the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion think fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this Resolution."

By Order of the Board

Chennai
22nd June 2006

N. RAMNATHAN
Company Secretary

Notes:

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company. The Proxy form in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
2. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 3rd August 2006 to 14th August 2006 (both days inclusive).
4. Dividend, if any, declared at the Meeting will be made payable on or after 14th August 2006 in respect of shares held in Physical Form to those Members who are entitled to the same and whose names appear in the Register of Members of the Company after giving effect to all valid share transfers lodged with The Registrar and Share Transfer Agents viz., Cameo Corporate Services Limited, at the end of business hours on 2nd August 2006 and in respect of shares held in electronic form to those "Deemed Members" whose names appear in the statement of beneficial ownership furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on 3rd August 2006.

5. Members holding shares in physical form are requested to notify changes, if any, in their address immediately to the Company or to its Registrars and Share Transfer Agents, M/s. Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, Chennai – 600 002 and those who hold shares in dematerialised form are requested to notify their Depository Participants (DP) their change in address, if any, and change in bank mandate on or before 2nd August 2006.

6. Bank Mandate for Dividend or Electronic Clearing Service

- a) In case of Members holding shares in electronic form i.e. through Demat Account, then address, dividend mandate and the particulars of the Bank, branch and bank account number, etc. available with the Depository Participant as on 3rd August 2006 would be taken into consideration for the purpose of distribution of dividend.
- b) The Members who are holding their shares in physical form may either give a dividend mandate or opt for Electronic Clearing Service (ECS).

7. Dividend Mandate

The Members should furnish their bank account No., the name of the bank and the branch where they would like to deposit dividend warrants for encashment. These particulars would be printed on the portion of the dividend warrants, besides the names of the Members so that these warrants cannot be encashed by anyone else. The first/sole Member should furnish these details directly to Cameo Corporate Services Limited, our Registrar and Share Transfer Agents, quoting the folio number.

8. As per Clause 49 of the listing agreement with Stock Exchanges, the brief resume, functional expertise of the Directors proposed for re-appointment/appointment are furnished below along with details of Companies in which they are Directors and the Board Committee of which they are Members.

(i) Mrs. Amara Kumari Galla

Mrs. Amara Kumari Galla is a graduate from Lakeview College, Chicago, USA. She had her professional career with Chrysler Corporation where she worked from 1974 to 1984 in the EDP Department – Midwest Sales Division.

Mrs. Galla is a renowned social worker and political activist. She is a sitting MLA representing Chandragiri Constituency in Chittoor District of Andhra Pradesh and she is a member in the All India Congress Committee. She had held various positions such as General Secretary – Pradesh Congress Committee, President - AP Mahila Congress, Board Member of APEDA, National Committee Member of the Committee on Small Scale Industries, National Committee Member of the Committee on Human Resources, Board Member in AP State Finance Corporation, Member in Public Accounts Committee, Petitions Committee and Women and Child Welfare Committee etc.

Mrs. Amara Kumari Galla holds 350700 Equity shares of Rs. 10/- each of the Company.

Details of other Directorships/Committee Memberships held by Mrs. Amara Kumari Galla are as follows:-

Directorship	Committee Membership	Chairman/ Member
Amara Raja Power Systems Private Limited	NIL	NIL
Amara Raja Electronics Private Limited *	NIL	NIL
Mangal Precision Products Private Limited *	NIL	NIL
Galla Foods Private Limited	NIL	NIL

* Mrs. Amara Kumari Galla is the Managing Director of M/s. Amara Raja Electronics Private Limited and M/s. Mangal Precision Products Private Limited

(ii) Mr. John D Major

Mr. John D Major is Assistant Secretary, Assistant General Counsel and Corporate Officer of Johnson Controls, Inc., since November 2004. He served Johnson Controls Inc. as General Counsel – Asia (1998-2000), Vice President and General Counsel – International (2000-2004), prior to being Assistant Secretary.

He did his B.A., Economics from DePauw University in 1986; J.D., from Indiana University in 1989 and M.B.A. from J.L. Kellogg Graduate School of Management, Northwestern University in 1998.

Details of other Directorships/Committee Memberships held by Mr. John D. Major in other Indian Companies are as follows:-

Directorship	Committee Membership	Chairman/Member
Johnson Controls India Private Limited	NIL	NIL

Mr. John D. Major is a representative Director of M/s. Johnson Controls, Inc., who are persons acting in concert (part of the Promoter group).

Individually Mr. John D. Major does not hold any equity share in the Company.

(iii) **Mr. Steven Gibbs**

Mr. Steven Gibbs is Vice President and General Manager of Asia Pacific Battery, Johnson Controls Inc., Shanghai, China. Earlier Mr. Steven Gibbs was Vice Chairman and General Manager, Shanghai Delphi International Battery Company in the year 1998 and took over as Managing Director of Delphi Automotive Systems, Australia. Between 1994-98 he was Executive Director, Middle East Battery Company, Dammam, Saudi Arabia. Mr. Steven Gibbs has served in position of increasing responsibilities in various organisations over the past 32 years.

Details of other Directorships/Committee Memberships held by Mr. Steven Gibbs in other Indian Companies are as follows:-

Directorship	Committee Membership	Chairman/Member
NIL	NIL	NIL

Mr. Steven Gibbs is a representative Director of M/s. Johnson Controls, Inc, who are persons acting in concert (part of the Promoter group).

Individually Mr. Steven Gibbs does not hold any equity share in the Company.

(iv) **Mr. Nagarjun Valluripalli**

Mr. Nagarjun Valluripalli is the CEO of Lanco Global Systems Ltd (LGS) - a strategic initiative of the Lanco Group - which provides Information Technology solutions to global corporations.

A MS (Tech) from Birla Institute of Technical Sciences (BITS), Pilani, India, Mr. Nagarjun Valluripalli has more than 15 years of experience in the IT and Software Services industry.

Prior to LGS, Mr. Nagarjun Valluripalli served as the Chairman, President and Chief Executive Officer of Intelligroup, Inc. Intelligroup Inc., provides systems integration and IT outsourcing services with revenues over USD 128 million per annum and employs over 2000 professionals worldwide. Mr. Nagarjun Valluripalli was one of the founders of Intelligroup Inc.

Details of other Directorships/Committee Memberships held by Mr. Nagarjun Valluripalli are as follows:-

Directorship	Committee Membership	Chairman/Member
Arjun Software and Securities Private Limited	NIL	NIL
Maybull Infotech Private Limited	NIL	NIL
HUL Power Private Limited	NIL	NIL
Lanco Global Systems Limited	NIL	NIL

Mr. Nagarjun Valluripalli holds 200 equity shares of Rs.10/- each of the Company in his individual capacity.

9. Pursuant to Section 205-A of the Companies Act, 1956, dividends that remain unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account are required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

Section 205C of the Companies Act, 1956 declares that no claims shall lie against the fund or the Company in respect of individual amounts which were unclaimed or unpaid for seven years as aforesaid and transferred to the Fund.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956.

Item No. 7

Mr. Nagarjun Valluripalli was appointed as a Director with effect from 20th December 2005. He holds Office upto the date of this Annual General Meeting. A Notice has been received from a Member along with the prescribed deposit, pursuant to Section 257 of the Companies Act, 1956, proposing the appointment of Mr. Nagarjun Valluripalli as a Director of the Company.

Mr. Nagarjun Valluripalli is the CEO of Lanco Global Systems Ltd (LGS) - a strategic initiative of the Lanco Group - which provides Information Technology solutions to global corporations.

A MS (Tech) from Birla Institute of Technical Sciences (BITS), Pilani, India, Mr. Nagarjun Valluripalli has more than 15 years of experience in the IT and Software Services industry.

Prior to LGS, Mr. Nagarjun Valluripalli served as the Chairman, President and Chief Executive Officer of Intelligroup, Inc. Intelligroup Inc., provides systems integration and IT outsourcing services with revenues over USD 128 million per annum and employs over 2000 professionals worldwide. Mr. Nagarjun Valluripalli was one of the founders of Intelligroup Inc.

None of the Directors except Mr. Nagarjun Valluripalli is concerned or interested in this Resolution.

The Directors commend the Resolution for approval.

Item No. 8

Mr. Ramachandra N. Galla has been associated with the Company since its incorporation and has to his credit 38 years of experience. He is professionally qualified with Masters Degree in Engineering and also MS. He had been the Executive Chairman and Managing Director of the Company for the period from July 1998 to August 2003 and subsequently occupied the position as Executive Chairman before he laid down his office as Executive Chairman on 31st August 2005. He acts as Non-Executive Chairman of the Company with effect from 1st September 2005. His contribution to the growth and success of the Company are of greater dimension and he continues to provide valuable advice and directions as Non Executive Chairman. The Board of Directors is of the opinion that Mr. Ramachandra N. Galla should be adequately rewarded and, therefore, has unanimously Resolved to pay him commission of such sum not exceeding 3% of the net profits of the Company with effect from 1st September 2005.

The shareholders to note that the Board of Directors at its meeting held on 25th January 2006 had unanimously approved payment of commission to Non Executive Directors not exceeding 4% of the net profits of the Company (including 3% commission to Mr. Ramachandra N Galla, the Non-Executive Chairman of the Company with effect from 1st September 2005). The shareholders to also note that the Company has already made an application to Ministry of Company Affairs, New Delhi, under section 309(4) of the Companies Act, 1956 for payment of commission @ 4% to all its Non-Executive Directors, subject to the approval of shareholders at the Annual General Meeting. Payment of commission to Non-Executive Directors other than Mr. Ramachandra N Galla totaling to 1% of the net profits of the Company will be from such date (which would be on or after 1st September 2005) and in such proportion as the Board may decide from time to time.

Since the proposed payment of commission to the Non Executive Directors in the aggregate are in excess of 1% of the net profits of the Company being the permissible limit under Section 309 of the Companies Act, 1956, the Company is required to obtain the approval of Central Government and the shareholders at a General Meeting before making the payment.

In view of the above, the resolutions are being placed before the shareholders for their approval.

All the Non Executive Directors are interested in the Resolutions only to the extent that they would be entitled to receive commission. Mr. Jayadev Galla, Managing Director of the Company is interested in the Resolution to the extent that Mr. Ramachandra N. Galla and Mrs. Amara Kumari Galla are related to him.

The Directors commend the Resolutions for approval.

Item Nos. 9 and 10

The Company proposes to expand its business activities for which it requires additional resources. The Company may be required to borrow monies for meeting its above objective. The Lender would insist for a security to be provided by the Company. In such circumstances the Company would be required to create mortgage/charge on the moveable/immoveable properties of the Company both present and future.

Section 293 (1) (a) of the Companies Act, 1956 provides that the approval of the Members of the Company by way of an Ordinary Resolution is required for creating such mortgage/charge. Further Section 293 (1) (d) of the Companies Act, 1956 provides that the Company cannot borrow monies exceeding the aggregate of the paid up capital and free reserves unless the Company passes an Ordinary Resolution in a General Meeting.

Since the Company may require more funds for its business plans that are being envisaged in the future it is advisable that the Board of Directors have the authority under Section 293 (1) (a) of the Companies Act, 1956 to mortgage its various assets of the Company for availing loans from banks/institutions/investors and Section 293 (1) (d) of the Companies Act, 1956 for borrowing monies exceeding the aggregate of the paid up capital and free reserves of the Company but not exceeding Rs.400 Crore at any one time.

Therefore, the Resolutions are placed for the approval of the Members.

None of the Directors is concerned or interested in the Resolutions.

The Directors commend the Resolutions for approval.

Inspection of Documents

The Memorandum and Articles of Association and all Documents and Resolutions referred to in this Notice are available for inspection by the Members at the Corporate Operations Office at Chennai at any time between 11.00 A.M. and 2.30 P.M. on all working days of the Company except on Saturdays from the date of this Notice until the day before the date of the Annual General Meeting.

Chennai
22nd June 2006

By Order of the Board

N. RAMNATHAN
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report together with the Audited Accounts for the financial year ended 31st March 2006.

FINANCIAL RESULTS

Particulars	Rupees in million	
	For the year ended 31 st March 2006	For the year ended 31 st March 2005
Profit After Tax	238.47	86.90
Add: Profit brought forward from last year	566.87	512.46
Profit available for appropriation	805.34	599.36
Appropriation		
General Reserve	23.85	6.52
Dividend (Including Dividend Tax)	32.46	25.97
Surplus carried to Balance Sheet	749.03	566.87

APPROPRIATION FROM PROFITS

A sum of Rs. 23.85 Million is proposed to be transferred to General Reserve.

DIVIDEND

Your Directors have pleasure in recommending a dividend of Rs. 2.50 per equity share for the financial year ended 31st March 2006. The dividend will absorb a sum of Rs. 32.46 million inclusive of tax on dividend.

RESULTS OF OPERATIONS

The year witnessed a 66% growth in gross sales over the previous year. Gross Sales for the year was Rs. 4458 mm as against Rs. 2685 mm in the previous year. Profit before tax for the year was Rs. 373.46 mm as against Rs. 135.81 mm in the previous year.

Industrial battery volumes grew 73% and Automotive battery volumes grew 72% over the previous year.

INDUSTRIAL BATTERIES - DOMESTIC

The Indian Telecom Industry continued its robust growth with teledensity increasing to 12.87% and gross subscribers aggregating to about 140 mm by end March 2006 as against 9% and 100 mm subscribers in the previous year. The growth has primarily been in the mobile subscriber base while fixed line grew marginally.

Demand for VRLA batteries kept pace with the growth witnessed in the sector, from Private and Public sector telecom companies as well as switch manufacturers and network aggregators. Battery prices for Telecom supplies were stable while continuing to be at low levels.

The Railways business witnessed a marginal decrease in volume due to lower off take from the Railways. With the recent initiatives of the Government for expansion of network and addition of new trains and sectors, we expect volumes to be stable in the medium term.

Quanta UPS batteries volume witnessed a 24% growth over the previous year. This was the result of expansion of the UPS channel and new marketing initiatives for promoting the Quanta brand. The Company increased its share of business with existing customers and continued to add new customers to its list.

AUTOMOTIVE BATTERIES - DOMESTIC

The domestic Automotive battery volumes grew 70% over the previous year. OE volumes grew 61% and After market volumes grew 76%.

The Company commenced supplies to Hyundai Motor India Limited in the current year. As the country's second largest passenger car manufacturer, this has been a very significant addition to the expanding list of OE customers. In less than one year of commencing its relationship with Maruti, the Company was retained as exclusive supplier to Maruti's prestigious "Swift". The Company also entered into an exclusive supplier relationship for Tata Motors' "Ace". The Company increased its share of business with existing OE accounts.

The Aftermarket product suite was expanded in the previous financial year. This coupled with the continued investment in the Amaron brand and network expansion resulted in volumes growing 76% over the previous year. As at the end of year, the Company had more than 125 franchisees and over 12000 active retailers. Brand recall witnessed an increase owing to visibility campaigns, on-the-ground schemes and penetrative advertising in the media.

Encouraged by the success in the previous year, the Company has enhanced its Amaragaon programme where it works with a recognised NGO for promoting internet information kiosks in remote and far flung villages. These kiosks serve to bridge the digital divide by providing information to the community surrounding them including the farmer, student and business community.

The Company's team stepped up efforts under its Hi-Way relationship programme where it works with fleet operators for maintenance of vehicle electricals including batteries. This has helped build and strengthen relationships with a number of trucking fleets.

EXPORTS

Automotive Export volumes grew 83% over the previous year. During 2005-06, the Company exported its Automotive batteries to Japan, Singapore, Australia, Taiwan, Philippines, UAE, Kuwait and Greece. In all the markets it has entered, the Company's batteries are rated high for their performance. The Company will continue to invest in expanding its export business.

EXPANSION IN CAPACITY

In January 2005, the Board of Directors had approved the expansion of the Company's Automotive (Monobloc) battery capacity from 1.5 million units per annum to 2.4 million units per annum. This expansion was on stream by end December 2005 as planned. The Company has announced further expansion plans which should take up the capacity to 3.6 mm units per annum.

The Company has also announced expansion of its Industrial 2 V VRLA facility from 20 mm AH per month to 29 mm AH per month as it has witnessed significant growth in demand for Industrial batteries.

LEAD PRICES

In FY 06, metal prices hardened further. Lead was no exception. Lead prices rose to an all time high of US \$1448/ MT in February 2006 as against US \$ 1009/MT in February 2005. While there has been a softening of prices subsequently, they continue to be at a relatively high level. To counter the effects of higher input costs, the Company is continuously working on improving operational efficiency and has put into place cost control programmes.

PROFITABILITY

Gross Sales for 2005-06 was Rs. 4458 mm as against Rs. 2685 mm in the previous year, representing a growth of 66%. Profit before tax was Rs. 373.46 mm as against Rs. 135.81 mm in the previous year. Profit After Tax for the year was Rs 238.47 mm as against Rs 86.90 mm in the previous year. The higher top line aggregation and the consequent absorption of overheads have resulted in the significant increase in profits and profitability. As mentioned earlier, the Company continues to improve operational efficiency and has set focussed efforts in controlling costs.

FUTURE OUTLOOK

The Company is witnessing strong demand for its products – both in Industrial and Automotive segments. To keep up with the demand it has been increasing capacity as well. In the medium term the Company is targeting aggressive growth rates and is putting in place strategies and plans to support such growth.

Key drivers for growth in the Industrial battery business would be the continued demand from the telecom sector and the growing UPS segment. The power control business which holds good growth potential is a focus area. The Company is designing and developing products, which would help address, the requirements of these sectors and maintain its leading position in the Industry.

In Automotive battery business, increased share of business in existing OE accounts and acquisition of new platforms and OE accounts should help maintain the momentum of growth in the OE Segment. The growth in After Market business is expected to continue riding on the back of increased brand recall and continued penetration and expansion of the sales and service network. Amaron today is the second largest After Market brand in India and is growing strongly.

The Company would continue its thrust in Automotive and Industrial battery exports. Export volumes would play a strategic role in the volume and top line aggregation of the Company.

DIRECTORS

Mrs. Amara Kumari Galla, Mr. John D. Major and Mr. Steven Gibbs, Directors retire by rotation in terms of Article 105 (a) of the Articles of Association of the Company and are eligible for re-appointment and offer themselves for re-appointment.

Mr. Mark L. Koczela and Dr. Upendranath Nimmagadda, Directors, resigned from the Board with effect from 18th August 2005 and 27th October 2005 respectively. Mr. V.R.Rao who was Alternative Director to Dr. Upendranath Nimmagadda also vacated office with effect from 27th October 2005.

The Directors wish to place on record their appreciation for the valuable services rendered by Mr. Mark L. Koczela, Dr. Upendranath Nimmagadda and Mr. V.R.Rao.

Mr. Nagarjun Valluripalli who joined the Board in the casual vacancy caused by the resignation of Dr. Upendranath Nimmagadda will hold office till the ensuing Annual General Meeting. The Company has received notice from a member proposing the appointment of Mr. Nagarjun Valluripalli as Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief:

- in the preparation of the Profit & Loss Account for the financial year ended 31st March 2006 and the Balance Sheet as at that date ("financial statements"), applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and such judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as 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. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal audit function;
- the financial statements have been prepared on a going concern basis.

AUDITORS

M/s. E.Phalguna Kumar & Co, Chartered Accountants, Tirupati and M/s. Chevuturi Associates, Chartered Accountants, Vijayawada, the joint Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

The Audit Committee of the Board has recommended the re-appointment of M/s. E.Phalguna Kumar & Co, Chartered Accountants, Tirupati and M/s. Chevuturi Associates, Chartered Accountants, Vijayawada, and the necessary resolution is being placed before the shareholders for their re-appointment at the forthcoming Annual General Meeting.

COST AUDITOR

The Company received the approval of the Central Government for appointment of M/s.Parankusam & Co., Hyderabad, as Cost Auditors to conduct the cost audit for the financial year 2005-06.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

CEO AND CFO CERTIFICATION

Mr. Jayadev Galla, Managing Director and Mr. Gopal Mahadevan, Chief Financial Officer, have given a certificate to the Board as contemplated in sub-clause V of clause 49 of the Listing Agreement.

TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 205C of the Companies Act, 1956, an amount of Rs. 0.70 million being unclaimed dividend relating to the year 1997-98 was transferred during the year to the Investor Education and Protection Fund established by the Central Government.

DEPOSITS

Your Company has not accepted any deposits from the public during the year under review and hence there are no outstanding deposits as on 31st March 2006.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Your Company has substantially complied with all the applicable Environmental Laws and Labour Laws. The Company continues to be certified under ISO – 14001 for its Environment Management System. The Company has been complying with the relevant Laws and has been taking all necessary measures to protect the environment and maximise worker protection and safety.

PARTICULARS OF EMPLOYEES

Industrial relations in the Company were very cordial and stable.

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1972, as amended regarding employees, is given in the Annexure to the Directors' Report. However, as per the provisions of Section 219 of the Companies Act, 1956, the Report and Accounts are being sent to all the members of the Company, excluding the aforesaid information. The said information would be filed with the Registrar of Companies and also would be available for inspection by the members at the Registered Office of the Company. Any member interested in obtaining such particulars may also write to the Company Secretary at the Corporate Operations Office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The Particulars of Conservation of Energy, Technology Absorption, Foreign Exchange Outgo and Earnings, required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are annexed hereto and forms part of this report.

ACKNOWLEDGEMENT

The Directors thank the customers, suppliers, financial institutions, banks and shareholders for their continued support and also recognise the contribution made by the employees to the Company's progress during the year under review.

On behalf of the Board

Chennai
22nd June 2006

Ramachandra N. Galla
Chairman

ANNEXURE TO DIRECTORS' REPORT

Particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and forming part of the Directors' Report for the year ended 31st March 2006.

A. CONSERVATION OF ENERGY

The Company continues its ongoing efforts on energy conservation through upgradation of process technology, proper production scheduling and installation of efficient equipment, resulting in energy savings.

Form A

Form for disclosure of particulars with respect to conservation of energy

A.	Power and Fuel consumption	2005-06	2004-05
1.	Electricity		
	(a) Purchased		
	Unit (Kwh)	34,754,879	23,182,513
	Total Amount (Rs.)	87,990,394	56,016,262
	Rate / Unit (Rs.)	2.53	2.42
	(b) Own Generation		
	(i) Through Diesel Generator		
	Unit (Kwh)	59,703	47,600
	Unit per litre of diesel	2.51	2.07
	Cost / Unit (Rs.)	13	12.07
	(ii) Through steam turbine / generator	–	–
2.	Coal	–	–
3.	Furnace Oil	–	–
4.	Others		
	(a) LPG		
	Units (Kgs)	148,665	107,253
	Amount (Rs.)	5,297,656	3,307,185
	(b) Acetylene – Commercial		
	Units (Cubic Mtrs)	13,292	6,725
	Amount (Rs.)	1,754,524	887,775
	(c) Oxygen		
	Units (Cubic Mtrs)	26,334	12,974
	Amount (Rs.)	526,680	252,308
B	Electricity consumed in Kwh per lakh of Ampere hour produced	4,323	4,774

B. TECHNOLOGY ABSORPTION

Research and Development

01. Specific Areas in which R&D is carried out by the Company

- Bench Marking of batteries.
- Conservation of raw materials/energy.
- Development of new products to suit diverse and demanding applications.
- Exploration of environmental friendly operations/ materials.
- Material development activity for enhanced battery performance.
- Quality improvements to reduce field failures.
- Technology upgradation to make the batteries robust and high end performer.

02. Benefits derived as a result of the above R&D

- Commercialised new designs in lower capacity cells to facilitate higher productivity and cost optimisation.
- Developed paste additives to reduce energy consumption during automotive battery formation operation and to improve the productivity.
- Developed alternative grades of polypropylene to conserve energy and to improve productivity
- Developed JIS range of batteries to facilitate Pvt. Label Market.
- Identified environmental friendly chemicals for 7 tank operation.
- Material substitution was carried out for battery trays towards cost optimisation.

The Company has realised about 20% of the sales turnover in 2005-06 from the new products introduced during the last three year period. In addition to the cumulative cost saving benefit, the Company's R&D efforts have added about 2% of the sales turnover in 2005-06.

03. Future Plan of Action

- Commercialisation of motorcycle batteries.
- Development of modular VRLA batteries with FAT for telecom application.
- Establishment of newer products/designs for new application segments.
- Redesigning of power stack system accessories to increase robustness and for cost optimisation.
- Development of new automotive battery designs with reduced active material content for cost optimisation and to achieve the goal of material conservation.

04. Expenditure on R & D

(Rs. in million)

Particulars	2005-06	2004-05
Capital	0.340	1.77
Recurring	5.136	6.30
Total	5.476	8.07
Total R&D expenditure as percentage of total turnover	0.12%	0.30%

Technology absorption, adaptation and innovation

01. Efforts in brief, made towards technology absorption, adoption and innovation

- JIS Range of Automotive batteries for various OEM were commercialised.
- Environmental friendly and accurate methods were developed for laboratory analysis.
- State of art technology on "in house glass lamination for automotive battery application" was developed.
- Faster formation of automotive batteries could be achieved.

02. Benefits derived as a result of the above efforts

- Cost reduction
- Energy conservation
- Environmental protection
- Material conservation
- Improved battery performance
- New applications

Information regarding Imported Technology

- | | |
|--|---|
| a) Technology Imported | The Company has imported technology for the manufacture of Automotive (SLI) batteries from Johnson Controls Inc. USA |
| b) Year of Import | 1998 |
| c) Has the technology been fully absorbed? | Yes. Further, latest developments in the technology are absorbed and implemented from time to time and with the help of Johnson Controls Inc., USA when and where required. |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action | Not applicable |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports; development of new markets for products and services and export plans

Exports for the year earned in foreign exchange equivalent to Rs. 110.80 mm. This has increased 147% over last year's foreign exchange earnings equivalent of Rs. 44.8 mm.

Automotive batteries were exported to a number of countries including Singapore, Taiwan, Philippines, Japan, UAE and Greece. The Amaron™ program in Srilanka, Nepal, UAE and Singapore were strengthened further.

Industrial Battery Exports included shipments to Taiwan, Malaysia, Oman, Ghana and other West African Countries. Enquiries received for Quanta UPS batteries are also very encouraging.

Total Foreign exchange used and earned

Rs. In Million

Sl. No.	Particulars	2005-06	2004-05
1.	Foreign Exchange Used	1448.25	876.98
2.	Foreign Exchange Earned	310.52	145.75

On behalf of the Board

Chennai
22nd June 2006

Ramachandra N. Galla
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This discussion aims to share the Management's perspective and views on the various developments that could impact the Company, which includes changes in the business environment, government policies, opportunities and challenges facing the Company. This discussion should be read in conjunction with the Letter to shareholders, Directors' report, Financial Statements and Notes to Financial Statements included elsewhere in this Annual Report.

THE ECONOMY & ENVIRONMENT

The Indian economy recorded a high growth rate of 8.4% for FY 06. Bolstered by growth in the Manufacturing and Services sector, India had become the second most attractive investment destinations in the world next to China.

While there were concerns of insufficient monsoons at the beginning of the year, most parts of the country received sufficient rainfall. The agriculture sector which was lagging behind showed a smart recovery in the fourth quarter of the year to record a growth of 3.9% for the year as against 0.7% in the previous year. The mining sector growth declined sharply to 0.9% from 5.8% in the previous year,

While there were inflationary trends primarily on account of the high oil prices, these are expected to be under control in the medium term. The forex reserves at around US \$151 bn had further strengthened the India balance sheet.

The Indian stock markets had witnessed a boom - unprecedented for the speed of growth in the Sensex and for the levels which it touched. While recently there has been a correction and consequently a fall in the markets, it is expected that in the medium term the stock markets should be more stable.

The continued increase in the US Fed rates resulted in interest rate differentials which saw the US \$ gaining against major currencies. This resulted in the Indian rupee depreciating against the US \$ and also the rise in interest rates in India.

There was hardening in global metal prices and lead was no exception. Lead prices touched all time highs at US \$ 1448/ MT in February 2006 compared to US \$ 1009/MT in February 2005. While prices have since softened, they continue to be high at above US \$ 1000/ MT. The battery industry which is highly lead dependent was impacted by the high lead prices.

CHALLENGES AND OPPORTUNITIES

LEAD PRICES CONTINUE TO BE A CHALLENGE

For the storage battery industry, lead is the principal raw material. With lead prices continuing to rise three years in a row, there could be an impact on operating margins if the lead price fluctuations do not have pass throughs to customers. What is also impacting the users of lead is the volatility and severe fluctuations in the prices. We believe this is happening because prices are no longer a mere reflection of demand-supply position in physicals. Hedge funds and other financial intermediaries are also reported to speculate in the metals markets which has accentuated the volatility.

INDUSTRIAL BATTERIES

The Indian Telecom Industry continued to be one of the highest growth markets in the world and this could be seen by the fact that the teledensity as at the end of March 2006 was at 12.87% with 140 mm subscribers – up from 9% at the end of the previous financial year.

The growth has been predominantly in mobile services while fixed line recorded marginal growth.

Realisations for battery supplies to the Telecom Sector continued to be under pressure but there was a greater stability in prices. The Company posted a significant growth in the Telecom business as it was able to acquire a greater share of business from customers. To meet the increased demand, the Company is expanding its capacity by nearly 50% in the current financial year.

While there was a slight reduction in volumes in supplies to Railways, this was primarily on account of lower off take of VRLA batteries by the Railways. Going forward in the medium term we expect the business to be stable.

The Indian UPS industry is growing at over 25% yoy and we expect this trend to continue propelled by the growth in the IT and ITES industry as well as the continued power shortage situation in the country.

UPS battery volumes grew in tandem with the market driven by growth in supplies to OEs and as well as through the Company's channels.

The Company continues to focus on the use of VRLA batteries in industries such as Oil, Power, Cement and Chemicals industries. Motive power is another thrust area where VRLA AGM batteries find increased applications.

AUTOMOTIVE BATTERIES

The Company's domestic Automotive battery volumes grew 70% over the previous year. This was fuelled by high growth in OE, Private Label and After Market businesses.

In June 2005, the Company commenced supplies to Hyundai Motor India Limited, the country's second largest manufacturer of passenger cars. The year also saw the consolidation of its relationship with Maruti Udyog Limited, where the Company was retained as exclusive supplier to the Maruti "Swift". That this was done in less than one year of establishing a relationship with the country's largest passenger car manufacturer speaks volumes of Amara Raja's product and process capabilities. The Company was also exclusive supplier to Tata Motors "Ace". The Company increased its share of business with existing customers. It continued to be exclusive supplier to Ford. The Company had a market share of close to 25% in the served OE markets as at the end of the financial year, up from 21% at the end of the previous financial year.

In FY 2005, Amara Raja had expanded its product suite by launching Amaron Pro – a premium battery with a 48-month warranty. It had also launched the Go and Fresh of Automotive batteries to address the requirements of three wheelers, taxis and first time car owners. This expansion of product range helped the Company to consolidate its position in the markets significantly with a year end market share of close to 20% of the organized market.

The Amaron brand continues to consolidate its position further with 'Total Awareness' level increasing to over 90%. Since inception Amaron has been associated with motor sport. As Co-sponsor of Narain Karthikeyan, the Amaron brand hit the F1 Racing circuit. We believe that the association with Narain Karthikeyan, India's only Formula 1 driver, is accretive to brand recall, brand enhancement and brand value.

The Company continued to expand its distribution network. As at the end of the FY 06, there were more than 125 franchisees and 12000 active retailers and 750 service-hubs. Amaron is available across the country today with an extensive pan-India sales and service network.

The Company also continued to have special on the ground programmes for retailers, garage owners and Truck Fleet operators. During FY 2006, it had stepped up focus on the Amaron "Amaragaon" programme whereby Internet information kiosks are set up in remote villages to disseminate information on variety of subjects including cropping, markets, weather and education. The Company has tied up with a recognised NGO to work with local communities on a number of issues. The programme has been highly successful and is an example of how business and community can co-exist.

EXPORTS

Automotive Exports volumes in FY 06 grew 83% yoy.

Aggressive marketing programmes ensured greater market penetration. The Company exports automotive batteries to a number of countries including Japan, Singapore, Australia, Taiwan, UAE, Greece and China. The Company is exclusive supplier to the Comfort DelGro Cabs in Singapore and Amaron is the number one after market brand in Singapore today. Also pertinent to note is that some of the batteries exported to Japan - a very demanding and technology aware country - are sold at the premium end of the market.

Industrial battery exports included shipments to Taiwan, Oman and Ghana. The Company continues its focus on developing export markets for its Industrial batteries as it holds very good potential.

RISKS AND CONCERNS

While being a high growth sector, the Telecom industry also undergoes a process of evolution and change continuously. Every aspect of the Telecom business, as we see it, be it procurement, technology, network management or last mile connectivity is continuously changing and evolving. With the outsourcing of network management and in some cases even procurement, there is a need for a vendor such as Amara Raja to be continuously adapting to the change.

The recent growth in the Indian telecom industry has predominantly been in the mobile services segment. Fixed line growth has been limited. Changes in the current pattern of growth could impact the demand for batteries. Amara Raja has been developing new products and re-engineering products to ensure that its product meet the requirements of its customers.

Convergence and triple play is also expected to result in further consolidation in the Telecom and Internet Industry. This could change demand patterns in the future. While there is always the threat of change, Amara Raja also sees opportunities where it could be in a position to provide specific solutions to customer requirements which could turn to be competitive advantage. The Company has always been working closely with customers to provide innovative and cost efficient solutions.

The Company is a leading supplier of VRLA batteries to the Indian Railways. Depending on the application, the Railways source batteries of different technologies. Any change in the procurement policy or pattern of the Railways could impact the Company. The Company is working continuously to provide value added technological solutions to one of the world's largest Railway Corporations and is sure that with these initiatives and efforts it would be able to stay ahead of other players in the same space.

In UPS batteries while there are challenges being faced from imported batteries, the Company's volume continue to grow on the back of increased demand from OEs as well as the distribution channel. The Company has been focusing on increasing the reach and depth of the distribution network. The positive response from UPS manufacturers and the channel partners for Quanta batteries indicate the potential this business holds for the Company.

In Automotive batteries, the growth of OE business would depend directly on the growth rate of the Automotive Industry. While the outlook for the Indian Automotive Industry continues to be positive, the Company should ensure that it is reasonably insured against business cycles of the automotive sector. Towards this the Company has been establishing new OE relationships. It also has been consistently adding new platforms from existing OE customers and also gaining greater share of business from them. These measures help ensure that the Company continues to grow its OE business.

While the Aftermarket business can be viewed as being relatively insulated to business cycles, there is always the threat of new entrants – both domestic and imports – affecting the Company's performance. Towards this the Company has been stepping up efforts to gain market share rapidly. As at the end of the financial year, the Company had increased the number of Franchisees from 100 to 125 and the number of active retailers from 9000 in the previous year to over 12000 as at end of March 2006. The Company has also increased the number of PitStops to 99. Investments in the Amaron brand continue to increase brand recall. Innovative on-the-ground schemes keep both retail and customer interest at a high level. Service campaigns and other events help provide continuous touch points and feedback from customers.

While the Company has posted a high growth in Automotive export volumes, it is found that the global battery markets are very competitive in terms of price and product performance. Thus to succeed in the export markets the Company needs to be successful on all fronts. Amara Raja's products are rated on par with the best in the world in terms of technology and robustness. The team at Amara Raja is continuously striving for greater operational efficiencies which should help in ensuring that it is competitive in the global arena. With increased efforts in focus markets such as Singapore, Dubai, Japan, China, Australia and Greece, it is expected that the Company would be increasing its business from exports.

The Government of India is opening up the Indian economy to imports from other countries. It is also entering into trade agreements with many countries such as Thailand and Singapore (CECA). These could result in cheaper battery imports finding their way into the country even though there are rules of origin and value addition norms. The Company should be in a position to compete with these imports. The superior product, strong brand, large sales and service network and wide product range of the Company are competitive advantages it leverages on for competing in the market. Trade agreements can also be opportunities for Indian manufacturers to access markets in these countries.

FINANCIAL REVIEW

Growth in top line, increased operational efficiency and cost control measures have resulted in the improved profitability.

Both Industrial and Automotive batteries have registered significant growth during the year. The Company has set aggressive growth targets for both Industrial and Automotive batteries and is putting in plans and resources to achieve the same.

Gross sales for year at Rs. 4458.3 mm grew 66% over the previous year. PBT at Rs 373.5 mm was 175% higher over the previous year. Similarly PAT at Rs. 238.5 grew 175% yoy. PBT as a percentage of sales has increased to 8.4% of sales from 5.1% in the previous year. This has been owing to the steep growth in top line which has been resulted in better operating profit margins.

RESOURCES AND LIQUIDITY

The Company's liquidity and resources position continued to be comfortable. The Company continued to fund investment through internal accruals with no term loans from banks or financial institutions. But going forward for future investment proposals the Company may be required to go in for term borrowings.

LEAD PRICE AND EXCHANGE RISK

The Company is an importer of lead and its operations and profitability depend on lead prices which subject to volatility. The Company is taking steps to contain the risk by going in for a hedging mechanism and also through a number of leading initiatives on the procurement and supply chain front.

Since major raw materials are imported, the Company is significantly exposed to the risk of fluctuations in foreign currency and exchange rates. The Company reviews the exposure periodically and hedges its foreign currency position based on the existing outlook and market situation.

INTERNAL CONTROLS

The Company has an ERP system which processes the transactions of the Company. Checks and controls exist both within the ERP system as well in the internal control procedures adopted by the Company.

The internal control systems are commensurate to the size and complexity of the Company's operations.

HUMAN RESOURCES

With over 1300 employees in its rolls, Amara Raja is one of the reputed employers in the country today. The Company strongly believes in empowering its people so that it could help them release their potential and achieve capabilities for further growth.

The Company has an open and transparent work culture which adds to the informal but efficient work atmosphere. As an ISO 9002, ISO 14001 and TS 16949 certified Company Amara Raja's employees are continuously exposed to an environment which focuses on quality and customer satisfaction. The Company also has a number of initiatives which involve employees in the process of decision making such as "Suggestion Scheme" and Quality councils.

The Company constantly endeavours to keep its employees engaged and motivated and considering the challenges at the market place and keeping the business objectives in mind, the management team of Amara Raja has reviewed the Human Resources Strategy that needs to be deployed for the business. The Company will continue to focus its efforts on Performance, Development and Engagement of all its employees, which will facilitate achievement of business objectives in a consistent manner.

CAUTIONARY FORWARD-LOOKING STATEMENTS

The Company has made forward-looking statements in this document that are subject to risks and uncertainties. Forward-looking statements may be identified by their use of words like "expects", "anticipates", "believes", "estimates" or similar expressions. All statements that address expectations or projections about the future, including, but not limited to, statements about the Company's strategy for growth, product development, market position, market expenditures, and financial results are forward-looking statements.

For those statements the Company cautions that numerous important factors could affect the Company's actual results and could cause its results to differ materially from those expressed in any such forward-looking statements.

On behalf of the Board

Chennai
22nd June 2006

Ramachandra N. Galla
Chairman

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance

The Company believes that good Corporate Governance practices will lead to

- ☛ **EFFICIENT** Conduct of Business
- ☛ **ENHANCE** the value of all the Stakeholders and
- ☛ **ENRICH** the nation by contributing to its growth

The Company believes that transparency, integrity, accountability and honesty should be maintained not only in letter but also in spirit and strives to achieve the same.

The Company has complied with the revised Clause 49 of the Listing Agreement entered into with the Stock Exchanges which is enumerated hereinbelow:

BOARD OF DIRECTORS

COMPOSITION

The Company has nine Directors in the Board with a non-executive non-independent Chairman. 90% of the Board comprises of non-executive Directors and one-third of the Board comprise of independent Directors.

(a) The composition and category of the Board of Directors as at 31st March, 2006 and the number of other Directorships/ Committee memberships held by them are as under:

Sl.No.	Name of Director	Promoter/Executive/ Non Executive/ Independent	Number of other Directorships *	Number of membership on other Board Committees***
1.	Mr. Ramachandra N. Galla	Promoter/ Non Executive Chairman	1	NIL
2.	Mrs. Amara Kumari Galla	Promoter / Non Executive Director	NIL	NIL
3.	Mr. Jayadev Galla	Promoter/ Managing Director	NIL	NIL
4.	Mr. Raymond J Brown	Non Executive Non Independent Director**	NIL	NIL
5.	Mr. John D. Major @	Non Executive Non Independent Director**	NIL	NIL
6.	Mr. Steven Gibbs #	Non Executive Non Independent Director**	NIL	NIL
7.	Mr. P.Lakshmana Rao	Non Executive Independent Director	NIL	NIL
8.	Mr. Ravi Bhamidipati	Non Executive Independent Director	NIL	NIL
9.	Mr. Nagarjun Valluripalli E	Non Executive Independent Director	1	NIL
10.	Ms. Manjula Chawla \$	Alternate Director to Mr. John D Major	NIL	NIL

* Excludes Private Companies, Foreign Companies and Section 25 Companies.

** Mr. Raymond J Brown, Mr. John D. Major and Mr. Steven Gibbs represent Johnson Controls Inc., (JCI), who are persons acting in concert and part of Promoters.

- *** Indicates memberships in Audit Committee and shareholders'/Investors' Grievance Committee.
- @ Mr. John D Major joined the Board as a Director with effect from 16th April 2005 in the casual vacancy caused by the resignation of Mr. John P. Kennedy.
- # Mr. Steven Gibbs joined the Board as a Director with effect from 18th August 2005 in the casual vacancy caused by the resignation of Mr. Mark L. Koczela.
- £ Mr. Nagarjun Valluripalli joined the Board as a Director with effect from 20th December 2005 in the casual vacancy caused by the resignation of Dr. Upendranath Nimmagadda.
- \$ Ms. Manjula Chawla is an Alternate Director to Mr. John D. Major

CHANGES IN THE COMPOSITION OF THE BOARD DURING THE YEAR 2005-2006

Sl.No.	Name	Date of Appointment	Date of Cessation
1.	Mr. John D. Major	16 th April 2005	-
2.	Mr. Mark L. Koczela	-	18 th August 2005
3.	Mr. Steven Gibbs	18 th August 2005	-
4.	Ms. Manjula Chawla	\$	\$
5.	Dr. Upendranath Nimmagadda	-	27 th October 2005
6.	Mr. V.R.Rao @	-	27 th October 2005
7.	Mr.Nagarjun Valluripalli	20 th December 2005	-

- @ Mr. V.R.Rao was an Alternate Director to Dr. Upendranath Nimmagadda
- \$ Ms. Manjula Chawla was an Alternate Director to Mr. Mark L. Koczela and ceased to be an alternate Director to Mr. Mark L. Koczela consequent upon his resignation. Later she was appointed as an Alternate Director to Mr. John D Major effective 18th August 2005.

(B) DETAILS OF DIRECTORS' REAPPOINTMENT

Mrs.Amara Kumari Galla, Mr. John D Major and Mr. Steven Gibbs, Directors, retire by rotation at the Annual General Meeting and are seeking re-election. Mr. Nagarjun Valluripalli seeks appointment at the Annual General Meeting. Relevant details relating to them are furnished in the Notice convening the Annual General Meeting to be held on 14th August 2006, sent along with the Annual Report.

(C) BOARD MEETINGS & ATTENDANCE AT BOARD MEETINGS & ANNUAL GENERAL MEETING

The Board of Directors met 8 times during the financial year 2005 – 2006. i.e. 16th April 2005, 30th June 2005, 26th July 2005, 13th August 2005, 18th August 2005, 27th October 2005, 20th December 2005 and 25th January 2006.

The attendance of each Director at these meetings and at the last Annual General Meeting was as follows:

Sl.No.	Name	No. of Board Meetings attended	Attendance at last AGM
1.	Mr. Ramachandra N.Galla	8	Yes
2.	Mrs. Amara Kumari Galla	5	Yes
3.	Mr. Jayadev Galla	8	Yes
4.	Mr. Raymond J Brown	5 @	Yes
5.	Mr. John D. Major	4	No
6.	Mr. Mark L. Koczela	-	No
7.	Mr. P. Lakshmana Rao	4	Yes
8.	Mr. V.R.Rao	2	-
9.	Mr. Ravi Bhamidipati	6	Yes
10.	Dr. Upendranath Nimmagadda	2	Yes
11.	Mr. Steven Gibbs	2	NA
12.	Mr. Nagarjun Valluripalli	2	NA
13.	Ms. Manjula Chawla	1	NA

@ Excludes 2 Meetings of the Board in which Mr. Raymond J Brown participated through Teleconference.

- Mr. Steven Gibbs and Mr. Nagarjun Valluripalli joined the Board on 18th August 2005 and 20th December 2005 respectively and hence their attendance in the AGM was not applicable.
- Ms. Manjula Chawla is the Alternate Director for Mr. John D Major.

BOARD COMMITTEES

AUDIT COMMITTEE

OVERALL PURPOSE/OBJECTIVE

The purpose of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") in reviewing the financial information which will be provided to the shareholders and others, reviewing the systems of internal controls which Management and the Board have established, appointing, retaining and reviewing the performance of statutory auditors and overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements.

TERMS OF REFERENCE

The Company has reconstituted the Audit Committee on 20th December 2005. The terms of reference of the Audit Committee broadly are as under:

- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the financial reports of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;
- Discussion with internal auditors on significant audit findings and follow up thereon;
- To review compliance with internal control systems;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report;
- Recommending the appointment/reappointment of statutory auditors and fixation of their remuneration;
- To review the Annual plan and budget before submission to the Board.

The scope of the Audit Committee includes amongst other matters which are set out in Clause 49 of the Listing Agreement with the Stock Exchanges as amended from time to time read with Section 292A of the Companies Act, 1956.

COMPOSITION & MEETINGS

The committee at present comprises of the following members:

Sl. No.	Name of the Member	Membership Status
1	Mr. P. Lakshmana Rao	Chairman – Non-Executive & Independent
2	Mr. Nagarjun Valluripalli	Member – Non-Executive & Independent
3	Mr. Ravi Bhamidipati	Member – Non-Executive & Independent
4	Ms. Manjula Chawla	Member – Non-Executive – Alternate Director to Mr. John D Major.

All the members have good financial knowledge and one member is a qualified finance professional.

Audit Committee meetings are attended by the Chief Financial Officer and Company Secretary. The statutory Auditors and Cost Auditor are also invited to attend the meetings. The Company Secretary acts as the Secretary of the Committee.

The Committee met 5 times during the year ended 31st March 2006. The composition of the Audit Committee and the attendance of each Director at these meetings are given below:

Sl.No.	Name	Chairman/ Member	Number of meetings attended
1.	Mr. P. Lakshmana Rao	Chairman	4 @
2.	Mr. V.R. Rao #	Member	3
3.	Ms. Manjula Chawla \$	Member	2
4.	Mr. Ravi Bhamidipati \$	Member	1
5.	Mr. Nagarjun Valluripalli \$	Member	1

@ Excludes a Meeting in which Mr. P. Lakshmana Rao participated through Teleconference.

Mr. V.R.Rao ceased to be a Director of the Company with effect from 27th October 05.

\$ Mr. Ravi Bhamidipati, Mr. Nagarjun Valluripalli and Ms. Manjula Chawla were appointed as members of the Committee with effect from 20th December 2005.

REMUNERATION COMMITTEE

OBJECTIVE

The Committee reviews and determines the Company's policy on managerial remuneration and recommends to the Board on the specific remuneration of Executive Directors, so as to ensure that they are fairly rewarded for their individual contributions to the Company's overall performance and their remuneration is in line with industry standards.

TERMS OF REFERENCE

The broad terms of reference of the Remuneration Committee are to recommend to the Board salary, perquisites and commission / incentives to be paid to the Company's Managing Director (MD) / Executive Director (ED), to finalise the perquisites package within the overall ceiling fixed by the Board, to recommend to the Board retirement and other benefits to MD.

COMPOSITION & MEETINGS

The committee at present comprises of the following members:

Sl.No.	Name	Chairman/ Member	Number of meetings attended
1.	Mr. P.Lakshmana Rao	Chairman	1
2.	Mr. Ravi Bhamidipati \$	Member	NIL
3.	Mr. Nagarjun Valluripalli \$	Member	NIL

\$ The Remuneration Committee was re-constituted with effect from 20th December 2005 and Mr. Ravi Bhamidipati and Mr. Nagarjun Valluripalli were appointed as members of the Committee with effect from that date.

COMMISSION TO NON-WHOLE TIME DIRECTORS

The Company has made an application to the Ministry of Company Affairs (MCA), New Delhi under section 309 (4) of the Companies Act, 1956 for payment of commission to Non Executive Directors @ 4% of the net profits of the Company, which includes 3% commission on net profit payable to Mr. Ramachandra N Galla. The payment to all other Non Executive Directors @ 1% of the net profits of the Company will be approved by the Board on a yearly basis and the distribution to the respective Directors will also be decided by the Board.

The commission to Non-Executive Directors will be paid upon approval by the Ministry of Company Affairs, New Delhi (MCA) and shareholders at the Annual General Meeting.

STOCK OPTIONS

The Company currently does not have stock options scheme.

REMUNERATION FOR THE YEAR

Details of the remuneration of Non-executive Directors and Executive Directors for the year ended 31st March 2006 are as follows:

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are paid remuneration by way of sitting fees for attending the Board and committee meetings. The foreign Directors (representing M/s. Johnson Controls Inc., USA) are not paid any sitting fees for attending the Board meetings. The Company pays sitting fees only for the Board Meetings and Audit Committee Meetings.

As explained hereinabove the non-executive Directors will be paid commission not exceeding 4% of the net profits of the Company (including 3% to Mr. Ramachandra N Galla, Non-Executive Chairman), subject to approval of the Central Government and shareholders at the Annual General Meeting, with effect from 1st September 2005.

NON-EXECUTIVE DIRECTORS

Name	Sitting Fees paid (Rupees)
Mrs. Amara Kumari Galla	10,000
Mr. P.Lakshmana Rao	16,000
Mr. V.R.Rao	10,000
Mr. Ravi Bhamidipati	14,000
Dr. Upendranath Nimmagadda	4,000
Mr. Nagarjun Valluripalli	6,000
Ms. Manjula Chawla	6,000

EXECUTIVE DIRECTORS

Name	Salary/ Allowances (Rupees)	Contribution to funds * (Rupees)	Value of perquisites (Rupees)	Commission (Rupees)
Mr. Ramachandra N Galla #	1,000,000	-	-	14,667,877
Mr. Jayadev Galla	2,150,000	9,360	1,221,803	17,055,199

* Represents contributions to Provident Fund, Superannuation Fund and Gratuity Fund

Mr. Ramachandra N Galla stepped down from the position of Executive Chairman as at 31st August 2005. He continues as Non – Executive Chairman with effect from 1st September 2005 and will be paid remuneration by way of Commission @ 3% of the net profits of the Company with effect from 1st September 2005 subject to approval of the Ministry of Company Affairs, New Delhi and shareholders at the Annual General Meeting on 14th August 2006.

The Company has service contract with Mr. Jayadev Galla for a period of 5 years with effect from 1st September 2005.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

TERMS OF REFERENCE

The Shareholders'/Investors' Grievance Committee oversees the Company's relationship with the shareholders and ensures that the shareholders grievances are redressed in time.

COMPOSITION AND MEETINGS

The committee at present comprises of the following members:

1. Mr. P. Lakshmana Rao Chairman
2. Mrs. Amara Kumari Galla Member
3. Mr. Jayadev Galla Member

The Chairman of the Committee is a Non Executive Independent Director.

During the year ended 31st March 2006, the committee met 3 times to review the shareholders grievances including the complaints received from the shareholders and their redressal.

The details of the members of the committee and their attendance at the meetings are given below:

Sl.No.	Name	Chairman / Member	Number of meetings held and attended
1.	Mr. P. Lakshmana Rao	Chairman	3
2.	Mrs. Amara Kumari Galla	Member	Nil
3.	Mr. Jayadev Galla @	Member	Nil
4.	Mr. V.R. Rao*	Member	3

@ Mr. Jayadev Galla was inducted in the Committee with effect from 20th December 2005.

* Mr. V.R. Rao ceased to be a Member with effect from 27th October 2005.

The Shareholders'/Investors' Grievance Committee has prescribed norms for attending to the shareholders requests and these norms have been complied with.

The Company Secretary who is also the Compliance Officer of the Company acts as Secretary of the Committee.

GENERAL BODY MEETINGS

The location and time where the last three Annual General Meetings were held are given below:

For the year ended 31 st March	Venue	Day and date	Time
2003	Registered Office of the Company	Thursday, 31 st July, 2003	3.00 P.M.
2004	Registered Office of the Company	Wednesday, 11 th August 2004	11.00 A.M.
2005	Registered Office of the Company	Saturday, 13 th August 2005	3.00 P.M.

DETAILS OF SPECIAL RESOLUTIONS PASSED DURING THE LAST THREE ANNUAL GENERAL MEETINGS

Date of AGM	Whether any Special Resolution was passed	Particulars
31.07.2003	YES	Alteration of Articles of Association
11.08.2004	NO	—
13.08.2005	YES	De-Listing of Shares from The Hyderabad Stock Exchange Ltd.

POSTAL BALLOT

The Company did not had any occasion to avail of the benefits of Postal Ballot.

CODE OF CONDUCT

The Board has laid-down a "Code of Conduct" for all the Board members and the Senior Management of the Company, and the Code of Conduct has been posted on the website of the Company. Annual declaration regarding compliance with the Code is obtained from every person covered by the Code of Conduct. A declaration to this effect signed by the CEO is forming part of this report.

RISK MANAGEMENT

The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures. The Board periodically discusses the significant business risks identified by the management and the mitigation process being taken up.

PREVENTION OF INSIDER TRADING

The Company has framed a Code for Prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors/ officers/designated employees. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

DISCLOSURES

There were no materially significant related party transactions, with Directors/Promoters/Management which had potential conflict with the interests of the Company at large.

The Company has obtained approval of the Department of Company Affairs (DCA) for the inter-company transactions entered into between the Company and the Companies in which Mr.Ramachandra N Galla, Mr.Jayadev Galla & Mrs. Amara Kumari Galla are Directors. The Company also places before the Board at every meeting and obtains its approval for the transactions arising out of the same.

Transactions with the related parties are disclosed in Note No. 21 of Schedule 14 to the Accounts in the Annual Report.

DISCLOSURE IN RESPECT OF DIFFERENT ACCOUNTING TREATMENT

DEPRECIATION

Depreciation is provided on straight line basis in accordance with the rates and rules prescribed under Schedule - XIV to the Companies Act, 1956, except in respect of the following where the depreciation is provided based on their estimated useful life

Computers - 4 Years ; Office Equipments – 8 Years Moulds – 3 Years

To this effect there was a change in the accounting policy with regard to the computers and office equipments. Hitherto, depreciation has been charged under Straight Line Method applying the rates given in Schedule – XIV. Now it has been changed to provide based on their estimated useful life. The effect of change in the accounting policy is given in Note No. 23 in the notes forming part of the accounts.

During the last three years, there were no strictures or penalties imposed on the Company either by Stock Exchanges or by SEBI or any statutory authority for non-compliance on any matter related to capital markets.

COMPLIANCE

The Board periodically reviews the compliance of all applicable laws and gives appropriate directions wherever necessary.

COMPLIANCE WITH CORPORATE GOVERNANCE NORMS

The Company has complied with all the mandatory requirements of Corporate Governance norms as enumerated in Clause 49 of the Listing Agreement with the Stock Exchanges.

AS REGARDS THE NON-MANDATORY REQUIREMENTS, THE FOLLOWING WERE ADOPTED:

As detailed in the earlier paragraphs the Company has constituted a Remuneration committee.

MEANS OF COMMUNICATION

The quarterly/half yearly Unaudited financial results and the Annual Audited Financial results are normally published in Business Standard/Business Line in English and Andhra Jyothi in Telugu. Book closure and dividend declaration notices are normally published in The Hindu (English) and Andhra Jyothi (Telugu). The financial results and press releases are placed on Company's website www.amararaja.co.in. Details of shareholding pattern and financial results for the past years are also displayed on the website.

As per Clause 51 of the Listing Agreement financial results and quarterly compliance reports on corporate governance are filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report forms part of the Annual Report.

GENERAL SHAREHOLDER INFORMATION

A separate section has been included in the Annual Report furnishing various details viz. AGM Date, time and venue, share price movement, distribution of shareholding etc.

On behalf of the Board

Chennai
22nd June 2006

Ramachandra N. Galla
Chairman

Compliance Certificate on Corporate Governance

To
The Member of
Amara Raja Batteries Limited

We have examined the compliance of conditions of Corporate Governance by Amara Raja Batteries Limited, for the year ended 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investor Grievance Committee.

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

For E. Phalguna Kumar & Co.,
Chartered Accountants

E. Phalguna Kumar
Partner
(ICAI Memb.No: 20278)

Chennai
22nd June 2006

For Chevuturi Associates
Chartered Accountants

S. Gopala Krishna Murthy
Proprietor
(ICAI Memb.No: 29248)

Confirmation on Code of Conduct by Managing Director

The Board of Directors
Amara Raja Batteries Limited
Karakambadi 517 520
Tirupati,
Andhra Pradesh

Dear Sirs,

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has also been posted on the website of the Company.

It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March 2006, as envisaged in clause 49 of the Listing Agreement with Stock Exchanges.

Chennai
22nd June 2006

Jayadev Galla
Managing Director

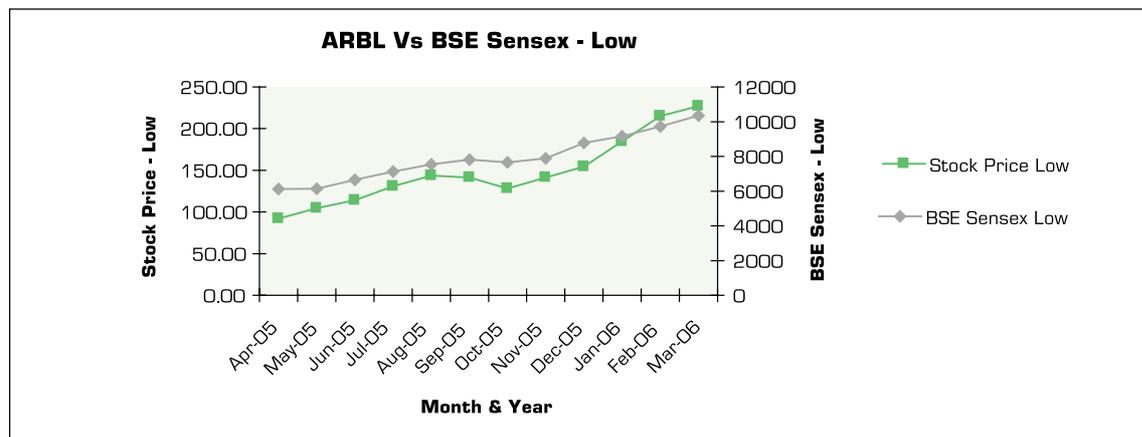
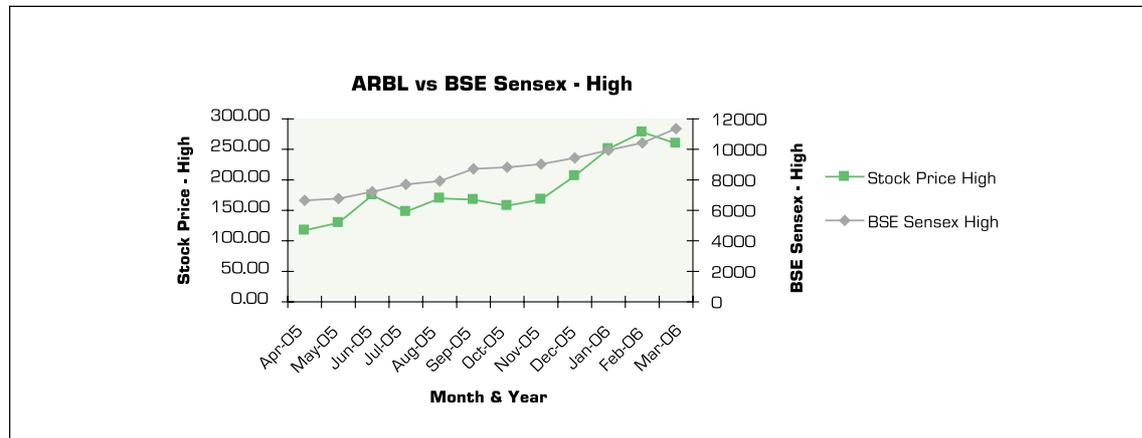
GENERAL SHAREHOLDER INFORMATION

<p>1. ANNUAL GENERAL MEETING</p> <p>Date and Time Venue</p>	<p>14th August 2006 at 3.00 P.M.</p> <p>At the Registered Office of the Company: Renigunta – Cuddapah Road, Karakambadi – 517 520, Tirupati, Andhra Pradesh.</p>
<p>2. FINANCIAL CALENDAR</p> <p>Financial reporting for the quarter ending 30th June 2006 Financial reporting for the quarter ending 30th September 2006 Financial reporting for the quarter ending 31st December 2006 Financial Results for the year ending 31st March 2007</p>	<p>Last week of July 2006 Last week of October 2006 Last week of January 2007 May / June 2007</p>
<p>3. DATES OF BOOK CLOSURE</p>	<p>3rd August 2006 to 14th August 2006 (both days inclusive)</p>
<p>4. DIVIDEND PAYMENT DATE</p>	<p>Within 30 days of AGM</p>
<p>5. REGISTERED OFFICE</p>	<p>Renigunta – Cuddapah Road, Karakambadi – 517 520, Tirupati Tel: +91-877-2285561 Fax: +91-877-2285600 E-mail: amararaja@amararaja.co.in Web site: www.amararaja.co.in</p>
<p>6. LISTING ON STOCK EXCHANGES</p>	<p>Equity shares: National Stock Exchange of India Ltd, Exchange Plaza, 5th Floor, Plot No.C/1, G. Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051.</p> <p>Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001.</p>
<p>7. LISTING FEES</p>	<p>Paid to the above Stock Exchanges for 2005-2006.</p>
<p>8. REGISTRAR AND SHARE TRANSFER AGENTS</p>	<p>Cameo Corporate Services Limited “Subramanian Building”, No.1, Club House Road, Chennai – 600 002 Tel: +91-044-28460390 Fax: +91-044-28460129 E-Mail: cameo@cameoindia.com</p>
<p>9. STOCK CODE</p> <p>Name of the Stock Exchange/Depository National Stock Exchange of India Ltd. (NSE) Bombay Stock Exchange Ltd (BSE) NSDL & CDSL</p>	<p>Code/ISIN AMARAJABAT 500008 INE 885A01016</p>

10. STOCK PRICE DATA

Period	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High Rs. P	Low Rs. P	Volume (in nos)	High Rs. P	Low Rs. P	Volume (in nos)
April 2005	117.40	92.00	809911	117.20	96.15	1102014
May 2005	129.50	104.60	1295709	129.40	105.00	2255550
June 2005	174.90	114.05	8021080	174.40	114.00	19852221
July 2005	147.80	130.80	451966	146.50	130.10	556803
August 2005	169.60	143.70	290771	170.00	144.00	477751
September 2005	167.50	141.15	331668	167.00	142.30	531870
October 2005	157.50	128.15	99537	158.60	125.75	131356
November 2005	168.00	141.30	99520	168.80	142.35	64301
December 2005	206.40	154.30	1391428	206.00	153.00	2315885
January 2006	250.70	184.55	1130311	251.70	185.05	2028929
February 2006	278.30	215.05	874244	279.00	212.00	1438847
March 2006	259.65	227.00	382495	260.10	225.00	642014

11. STOCK MOVEMENT



12. MONTHLY CLOSING SHARE PRICE AND CLOSING SENSEX

Period	Closing share price	Closing Sensex
Apr'05	106.95	6154.44
May'05	114.55	6715.11
June'05	145.10	7193.85
July'05	145.05	7635.42
Aug'05	155.50	7805.43
Sep'05	154.95	8634.48
Oct'05	142.90	7892.32
Nov'05	155.85	8788.81
Dec'05	193.00	9397.93
Jan'06	234.80	9919.89
Feb'06	240.20	10370.24
Mar'06	234.30	11279.96

Face Value per Equity Share – Rs. 10

13. SHARE TRANSFER SYSTEM

- A committee of Directors called as Share Transfer Committee approves share transfers. The Committee comprises the Chairman and Managing Director as Members.

Details of Shares Transferred in physical form

Time Taken	2005-06		2004-05	
	No. of requests received & processed	No. of shares	No. of requests received & processed	No. of shares
1-10 days	2	200	1	100
11-20 days	92	14200	66	8400
21-30 days	4	400	3	300
TOTAL	98	14800	70	8800

14. COMPLAINTS RECEIVED AND REDRESSED

Nature of Complaints	2005-06		2004-05	
	Received	Disposed	Received	Disposed
Non-receipt of shares sent for transfer, sub-division and dematerialization.	7	7	5	5
Non-receipt of dividend warrants and annual report	13	13	9	9

There was no investor complaint pending as on 31st March 2006

15. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2006

a) By Ownership

Category	No. of Folios	No. of shares	% of Shareholding
Promoters	9	2960747	26.00
Foreign Collaborators	1	2960750	26.00
Mutual Funds & UTI	12	843226	7.40
Banks/Financial Institutions	8	247907	2.18
Foreign Institutional Investors/NRI's	113	1184977	10.41
Private Corporate Bodies	395	620239	5.45
Indian Public	10205	2532347	22.24
Clearing Members:			
NSDL	77	26240	0.22
CDSL	18	11067	0.10
Total	10838	11387500	100.00

b) By Number of shares held

No. of Equity shares held	No. of shareholders	%	No. of shares	%
Upto 500	10024	92.49	1290882	11.34
501-1000	419	3.87	339500	2.98
1001-2000	178	1.64	274039	2.41
2001-3000	63	0.58	164543	1.44
3001-4000	21	0.19	75044	0.66
4001-5000	25	0.23	118797	1.04
5001-10000	48	0.44	376193	3.30
Above 10000	60	0.56	8748502	76.83
Total	10838	100.00	11387500	100.00
No. of Shareholders in:				
Physical Mode	2234	20.61	6738383	59.17
Electronic Mode				
NSDL	7285	67.22	4343866	38.15
CDSL	1319	12.17	305251	2.68

c) Details of Shares held by Non-executive Directors as on 31.03.2006

SI No.	Name of the Director	No. of shares Held
1.	Mr. Ramachandra N.Galla	853005
2.	Mrs. Amara Kumari Galla	350700
3.	Mr. Nagarjun Valluripalli	200

16. DEMATERIALISATION OF SHARES AND LIQUIDITY

40.83% of outstanding equity shares have been dematerialised as on 31st March 2006.

Trading in the equity shares of the Company is in compulsory dematerialised form.

17. OUTSTANDING GDR/WARRANTS AND CONVERTIBLE BONDS

The Companies securities are still not listed in any overseas exchange and hence not Applicable

18. PLANT LOCATION

Renigunta – Cuddapah Road,
Karakambadi – 517 520
Tirupati,
Andhra Pradesh
India

19. OTHER INFORMATION FOR SHAREHOLDERS

DIVIDENDS

Shareholders who have not encashed their dividend warrants (for earlier periods) may approach our Registrars and Share Transfer Agents M/s. Cameo Corporate Services Limited for issue of duplicate dividend warrant quoting the Folio Number/Client ID. Please note that as per Section 205 A of the Companies Act 1956, dividend which remains unpaid/unclaimed over a period of 7 years has to be transferred by the Company to the Investor Education & Protection Fund (IEPF) and no claim shall lie for such unclaimed dividends from IEPF by the members.

Year	Dividend Type	Dividend percentage	Due for transfer to the Investor Education and Protection Fund
1998-99	Interim dividend	60	20.07.2006
1999-00		30	01.05.2007
2000-01		35	24.07.2008
2001-02		35	13.08.2009
2002-03		15	30.07.2010
2003-04		15	10.08.2011
2004-05		20	12.08.2012

ELECTRONIC CLEARING SERVICE

The shareholders are advised to avail "Electronic Clearing Service" (ECS) available in all RBI centers for receiving the dividend by direct electronic credit to the bank account. ECS provides protection against fraudulent interception and encashment of dividend warrants or damage to dividend warrants in transit or problem of revalidation/issuance of duplicate dividend warrants and there is no extra cost. Option of availing this facility may be informed to Cameo Corporate Services Limited in respect of the shares held in physical form and to the respective Depository Participant (DP) in respect of shares held in electronic form.

NOMINATION FACILITY

Section 109A of the Companies Act, 1956 provides inter alia, the facility of nomination to share holders. This facility is mainly useful for all holders holding the shares in single name. In case where the securities are held in joint names, the nomination will be effective only in the event of the death of all the holders. Investors are advised to avail of this facility, especially investors holding securities in single name, to avoid the process of transmission by law.

BENEFITS OF DEMATERIALISATION

59.17% of the shares are still in physical form. Those shareholders who are still holding shares in physical form are advised to convert their holdings into demat form since the Company's equity shares are under compulsory demat trading.

SEBI has, effective 1st February 2005, removed the following charges relating to Dematerialisation

- Opening of a Beneficiary Owner Account (BO Account) except for statutory charges as may be applicable;
- Credit of securities into the BO Account; and
- Custody of securities in case of opening of a BO Account on or after 1st February 2005.

Further, the custody charges of securities have been removed from 1st April 2005 for all the investors.

Investors are advised to avail of the above facilities and get benefited.

On behalf of the Board

Chennai
22nd June 2006

Ramachandra N. Galla
Chairman

List of Promoters of the Company belonging to the Promoters and Persons acting in concert pursuant to Regulation 3(e) (I) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.

SI No.	Name
1.	Mr. Ramachandra N. Galla
2.	Mrs. Amara Kumari Galla
3.	Mr. Jayadev Galla
4.	Mrs. G. Padmavathi
5.	Dr. G. Ramadevi
6.	M/s. Mangal Precision Products Private Limited
7.	Dr. Prasad V. Gourineni
8.	Master Harshavardhan
9.	Master Vikramaditya
10.	M/s. Johnson Controls Mauritius Private Limited (Person acting in concert)

for Amara Raja Batteries Limited

Chennai
22nd June 2006

N. RamNathan
Company Secretary

AUDITORS' REPORT

To

The Members of
Amara Raja Batteries Limited

We have audited the attached balance sheet of Amara Raja Batteries Limited as at 31st March, 2006, its Profit and Loss account for the year ended on that date and its Cash flow statement for the year ended on that date 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.

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 mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash-flow statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash- flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Note No. 22 regarding effect of change in the accounting policy for depreciation and the other notes forming part of the 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 31st March, 2006;
 - (b) in the case of the Profit and Loss account, 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.

For E.Phalguna Kumar & Co.,
Chartered Accountants

(E.Phalguna Kumar)
Partner
(ICAI Memb.No: 20278)

Chennai
22nd June 2006

For Chevuturi Associates
Chartered Accountants

(S.Gopala Krishna Murthy)
Proprietor
(ICAI Memb.No: 29248)

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in the auditors' report to the members of Amara Raja Batteries Limited for the year ended 31st March 2006. We report that:

- 1.1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2. According to the information and explanations furnished to us, the Company has not physically verified all its fixed assets during the year. However, the Company has adopted a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed during the year on such verification.
- 1.3. According to the information and explanations furnished to us, the Company has not disposed of a substantial part of its fixed assets during the year.
 - 2.1. According to the information and explanations furnished to us, the Company has physically verified its inventories during the year. In our opinion, the frequency of verification is reasonable.
 - 2.2. In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - 2.3. According to the information furnished to us, the Company is maintaining proper records of inventory and the discrepancies, if any, noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
 - 3.1.1 According to the information and explanations furnished to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties whose particulars are recorded in the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of clauses 4(iii) (b), 4(iii) (c) and 4(iii) (d) of the order, is not applicable.
 - 3.1.2 According to the information and explanations furnished to us, the Company has not taken any loans secured or unsecured from companies, firms or other parties whose particulars are recorded in the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of clauses 4(iii)(f) and 4(iii)(g) of the order, is not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. Further during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public and consequently, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the rules framed thereunder are not applicable. According to the information furnished to us, no order has been passed on the Company by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal for non compliance with the provisions of Sections 58A and 58 AA of the Companies Act, 1956.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not carried out a detailed audit of the same.

- 9.1 According to the information furnished to us, the Company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, and Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- 9.2 There were no undisputed statutory dues mentioned in the preceding paragraph in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.
- 9.3 According to the information furnished to us, the following amounts of Income Tax, Sales Tax, Service Tax, and Excise Duty have been disputed by the Company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report.

Name of the statute	Nature of the dues	Rupees in Millions	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty	0.32	1994-2000	C.C.E.S.T.A.T., Bangalore.
Finance Act, 1994	Service Tax	2.56	2002-2004	Commissioner of Central Excise (Appeals), Guntur.
A.P.Sales Tax Act, 1957	Sales Tax	7.74	1998-99	APSTAT, Hyderabad
Income Tax Act, 1961	Income Tax	2.72	1997-98	High Court of Andhra Pradesh Hyderabad

10. According to the information and explanations furnished to us, the Company has been incorporated for a period exceeding five years. It had no accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the Company, there were no defaults in repayment of its dues to financial institutions and banks at the date of the Balance Sheet. The Company has not issued any debentures.
12. According to the information and explanation given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations furnished to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society and hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under report.
14. According to the information furnished to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans obtained by the Company during the year were applied for the purpose for which they were obtained.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investment during the year under report.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act, or to any others.
19. According to the information and explanations given to us, the Company has not issued any debentures during the year under report.

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20. The Company has not raised any money through public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under report.
21. According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the Company has been noticed or reported that is either significant or could have caused a material mis-statement in the financial statements.

For E.Phalguna Kumar & Co.,
Chartered Accountants

(E.Phalguna Kumar)
Partner
(ICAI Memb.No: 20278)

Chennai
22nd June 2006

For Chevuturi Associates
Chartered Accountants

(S.Gopala Krishna Murthy)
Proprietor
(ICAI Memb.No: 29248)

BALANCE SHEET AS AT 31st MARCH 2006

Particulars	Schedule No	As at 31.03.2006		As at 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	113,875,000		113,875,000	
Reserves & Surplus	2	1,898,977,920		1,692,973,671	
			2,012,852,920		1,806,848,671
Loan Funds					
Secured Loans	3	162,264,847		73,665,914	
Unsecured Loans	4	216,407,580		159,392,966	
			378,672,427		233,058,880
DEFERRED TAX LIABILITY	5		120,012,315		130,927,315
TOTAL			2,511,537,662		2,170,834,866
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	1,907,116,068		1,672,298,054	
Less: Depreciation		863,568,509		723,666,680	
		1,043,547,559		948,631,374	
Net Block		48,149,117		12,892,109	
Capital Work-in-Progress			1,091,696,676		961,523,483
Investments	7		320,140,656		235,627,152
Current Assets, Loans & Advances					
Inventories	8	571,962,221		440,958,913	
Sundry Debtors	9	856,520,556		649,706,121	
Cash & Bank Balances	10	205,212,363		169,121,827	
Loans, Advances & Deposits	11	634,973,597		342,929,588	
Other Current Assets	12	12,035,439		9,926,048	
		2,280,704,176		1,612,642,497	
Less: Current Liabilities & Provisions	13				
Liabilities		700,855,298		345,042,817	
Provisions		480,148,548		293,915,449	
		1,181,003,846		638,958,266	
Net Current Assets			1,099,700,330		973,684,231
TOTAL			2,511,537,662		2,170,834,866

Note: The Schedules, Accounting Policies and Notes on Accounts form an integral part of the Balance Sheet
- Refer Schedule 14.

as per our report of even date attached
for E.PHALGUNA KUMAR & CO
Chartered Accountants

E.Phalguna Kumar
Partner

for CHEVUTURI ASSOCIATES
Chartered Accountants

S.Gopala Krishna Murthy
Proprietor

Chennai
22nd June 2006

for and on behalf of the Board

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

Gopal Mahadevan
Chief Financial Officer

N.RamNathan
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006.

Particulars	Schedule No	Year ended 31.03.2006	Year ended 31.03.2005
		Rupees	Rupees
INCOME			
Sales - Gross		4,458,295,779	2,685,436,096
Less: Excise duty Collected		539,737,583	321,670,840
Net Sales		3,918,558,196	2,363,765,256
Other Income	15	73,518,437	64,198,907
Increase / (Decrease) in Stock	16	41,637,449	71,015,819
TOTAL		4,033,714,082	2,498,979,982
EXPENDITURE			
Purchase of Finished Goods		4,353,496	—
Raw Material Consumed	17	2,232,086,848	1,377,399,945
Payments & Benefits to Employees	18	207,269,383	170,091,901
Manufacturing, Selling, Admin & Other Expenses	19	761,850,408	502,944,117
Duties & Taxes	20	294,245,095	174,977,304
Interest	21	13,435,515	1,448,427
Depreciation		147,009,114	136,307,132
TOTAL		3,660,249,859	2,363,168,826
Profit Before Taxation		373,464,223	135,811,156
Add: Provision for Deferred Income			
Tax credited back (Net)		10,915,000	14,073,045
Less: Provision for Taxation - Current		135,000,000	59,500,000
- Earlier years		3,846,464	3,440,615
- Wealth Tax		147,729	43,023
- Fringe Benefit Tax		6,919,300	—
Profit After Taxation		238,465,730	86,900,563
Profit brought forward from previous year		566,874,029	512,460,202
Profit Available for Appropriation		805,339,759	599,360,765
Less: Appropriation			
Transfer to General Reserve		23,846,573	6,517,542
Proposed Dividend		28,468,750	22,775,000
Dividend Tax		3,992,742	3,194,194
Balance Carried to Balance Sheet		749,031,694	566,874,029
Basic Earnings Per Equity Share of Rs 10 Each (EPS)		20.94	7.63
Net Profit After Tax Rs 238,465,730/- (Previous year 86,900,563/-) No of Equity Shares 11,387,500 (Previous Year 11,387,500).			

Note: The Schedules, Accounting Policies and Notes on Accounts form an integral part of the Profit & Loss Account.
- Refer Schedule 14.

as per our report of even date attached
for E.PHALGUNA KUMAR & CO
Chartered Accountants

E.Phalguna Kumar
Partner

for CHEVUTURI ASSOCIATES
Chartered Accountants

S.Gopala Krishna Murthy
Proprietor
Chennai
22nd June 2006

for and on behalf of the Board

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

Gopal Mahadevan
Chief Financial Officer

N.RamNathan
Company Secretary

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006

Sch No.	Particulars	As at 31.03.2006		As at 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
1	SHARE CAPITAL				
	Authorised: 15,000,000 Equity Shares of Rs.10/-Each		150,000,000		150,000,000
	Issued: 11,809,100 Equity Shares of Rs.10/-Each		118,091,000		118,091,000
	Subscribed and Paidup: 11,387,500 Equity Share of Rs.10/- Each		113,875,000		113,875,000
	TOTAL		113,875,000		113,875,000
2	RESERVES & SURPLUS				
	a. Capital Reserve				
	As per last Balance Sheet		11,500		11,500
	b. Share Premium				
	As per last Balance Sheet		311,862,600		311,862,600
	c. General Reserve				
As per last Balance Sheet	814,225,554		807,708,000		
Additions during the year	23,846,573		6,517,542		
			838,072,127		814,225,542
	d. Surplus in Profit & Loss Account		749,031,693		566,874,029
	TOTAL		1,898,977,920		1,692,973,671
3	SECURED LOANS (Refer Note No:1)				
	A. Term Loans:				
	From Financial Institutions:				
	Rupee Term Loans		386,522		386,522
	B. Working Capital Facilities:				
	a. State Bank of India		50,282,397		29,664,289
	b. Andhra Bank		43,020,903		14,531,999
	c. State Bank of Hyderabad		58,106,343		29,083,104
	C. Term Loan from a Bank (Secured against Hypothecation of Specific Assets.)		10,468,682		-
	TOTAL		162,264,847		73,665,914
4	UNSECURED LOANS				
	Interest free Sales Tax Deferment (Refer Note No:3)		216,407,580		159,392,966
	TOTAL		216,407,580		159,392,966
5	DEFERRED TAX LIABILITY (Refer Note No:22)				
	As Per Last Balance Sheet	130,927,315		145,000,360	
	Add: Liability for the year	(10,915,000)		(14,073,045)	
			120,012,315		130,927,315

6. FIXED ASSETS & DEPRECIATION

(Amount in Rupees)

S.No	Particulars	Gross Block				Depreciation Block				Net Block	
		Cost as on 01.04.2005	Additions	Deletions	Total as on 31.03.2006	Upto 31.03.2005	Current Period	Deletions	Total as on 31.03.2006	As on 31.03.2006	As on 31.03.2005
1	LAND & LAND DEVELOPMENT	5,493,659			5,493,659	-	-		-	5,493,659	5,493,659
2	BUILDINGS	335,132,880			335,132,880	51,725,704	8,996,344		60,722,048	274,410,832	283,407,227
3	R&D BUILDINGS	9,896,346			9,896,346	2,009,345	330,538		2,339,883	7,556,463	7,887,001
4	PLANT & MACHINERY	966,614,519	206,502,780	7,503,541	1,165,613,758	520,074,816	97,347,938	6,493,805	610,928,949	554,684,809	446,478,149
5	R&D PLANT & MACHINERY	87,484,989	338,451		87,823,440	34,251,880	7,182,403		41,434,283	46,389,158	53,233,495
6	ELECTRICAL INSTALLATIONS	103,634,421	11,895,550		115,529,971	37,867,241	5,085,542		42,952,783	72,577,188	65,807,562
7	FURNITURE	46,007,805	215,435	29,135	46,194,105	15,574,873	2,854,853	16,686	18,413,040	27,781,065	30,447,883
8	OFFICE EQUIPMENT	95,266,395	10,926,896	1,040,805	105,152,486	51,066,687	23,008,699	507,305	73,568,081	31,584,405	44,203,764
9	VEHICLES	22,652,040	14,043,252	530,869	36,164,423	11,003,693	2,180,239	89,489	13,094,443	23,069,980	11,650,075
10	TRADE MARKS	115,000			115,000	92,441	22,558		114,999	1	22,559
	TOTAL	1,672,298,054	243,922,364	9,104,350	1,907,116,068	723,666,680	147,009,114	7,107,284	863,568,509	1,043,547,559	948,631,374
	Previous Year	1,583,508,897	94,559,186	5,770,029	1,672,298,054	591,622,548	136,307,132	4,263,000	723,666,680	948,631,374	991,886,349

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2006		As at 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
7	INVESTMENTS				
	A. In Government Securities				
	a. Indira Vikas Patra		7,000		7,000
	b. 6 Years National Savings Certificates (Lodged as security with Govt. departments. Rs 12000/- held in the name of Shri Ramachandra .N.Galla , Chairman)		65,000		55,000
	B. Quoted				
	a. Shares in Companies				
	i. 166 Fully paid up Equity Shares of Rs.10/- each in Nicco Corporation Ltd (Provision for diminution in the value Rs. NIL (PY:Rs.1,453/-)		1,735		1,735
	ii. 250 Fully paid up Equity Shares of Re 0.50 each in Standard Batteries Ltd. (Provision for diminution in the value Rs.7,750 / PY:Rs.7,750/-)		7,750		7,750
	iii. 1000 Fully paid up Equity Shares of Rs.10/-each in Exide Industries Ltd.		44,069		44,069
	iv. 500 Fully paid up Equity Shares of Rs.10/-each in HBL Nife Power Systems Ltd.,		4,850		4,850
	v. 7,200 Fully paid up Equity Shares of Rs.10/-each in IDBI Ltd.,		585,000		585,000
	vi. 16,549 Fully paid up Equity Shares of Rs.10/-each in I.D.B.I. Ltd., (Consequent to the Amalgamation of IDBI bank LTD with the IDBI Ltd, 16,549 shares have been allotted in Amalgamating Company for 23500 shares held in the Amalgamated Company in the ratio of 100 :142)		423,000		423,000
	vii. 80,000 Fully paid up Equity Shares of Rs.2/-each in I.V.R.C.L. Infrastructure and Projects Ltd. (The face value of Rs.10/- each has been spited into Rs.2/- each consequently 16000 shares became 80,000)		204,800		204,800
	viii. 227,900 Equity shares of Rs.10/- each fully paid up in Andhra Bank Limited		2,279,000		2,279,000
	b. Others				
	i. 23,65,391 Units of SBI Magnum Liquid Bonds Income Fund of Rs.10/- each. (switch over to SBI Magnum Institutional Income Saving Dividend) (Provision for diminution in the value PY: Rs.12,04,167-)		—		25,000,000
	ii. 24,31,272 Units of SBI Magnum Institutional Income Saving Dividend of Rs.10/- each (Switch over from SBI Magnum Income Fund.)		24,391,737		—
	iii. 688 (658) Units of SBI Magnum Institutional Income Saving Dividend of Rs.10/- each (30 units received on reinvestment of dividends)		6,905		6,601

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2006		As at 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
	iv. 31,40,181 Units of Prudential ICICI Gilt Fund treasury Plan of Rs.10/- each (Switch over to Prudential ICICI Liquid Plan daily Dividend)		–		31,800,000
	v. 28,25,371 units of Prudential ICICI Liquid Plan daily Dividend of Rs.10/- each (Switch over from Prudential ICICI Gilt Fund treasury Plan & 57,032 Units received on reinvestment of dividend)		33,484,602		
	vi. 18,24,818 Units of Prudential ICICI Income Plan of Rs.10/- (Switch over to Prudential ICICI Liquid Plan daily Dividend during the year Provision for diminution in the value Rs.NIL PY: Rs.10,21,893/-)		–		20,000,000
	vii. 16,18,787 units of Prudential ICICI Liquid Plan daily Dividend of Rs.10/- each (Switch over from Prudentail ICICI Income Plan Dividend - 32,676 units acquired on reinvestment of dividend)		19,184,891		–
	INVESTEMENTS IN MUTUAL FUNDS - SHORT TERM.				
	a. 82,04,780 Units of SBI Mutual Fund (IIF - Savings Option) daily dividend of Rs.10/- each. (Units Purchased including reinvestment of dividend during the year 8,17,15,869 and units sold 7,35,11,089)		82,314,457		–
	C. UNQUOTED				
	a. Shares in Companies				
	i. 1128 Fully paid up Equity Shares of Rs.10/-each in Indian Lead Ltd., (Provision for Diminution in the value Rs.30,000/- PY: Rs.30,000/-)		30,000		30,000
	ii. 12,06,000 Fully paid up Equity Shares of Rs.10/-each in Andhra Pradesh Gas Power Corporation Ltd.		157,143,610		157,143,610
	b. Others				
	i. 300 Unsecured,redeemable,subordinated floating interest rate bonds of Rs.1,000/- in State Bank Of India fully paid. (Redeemed during the year)		–		300,000
			320,178,406		237,892,415
	Less: Provision for loss on diminution		37,750		2,265,263
	TOTAL		320,140,656		235,627,152
	Aggregate of Quoted Investments				
	At Cost		162,932,796		80,356,805
	Market value		206,424,733		104,168,645
	Aggregate of Un-Quoted Investments at cost		157,245,610		157,535,610
	Note: All the above investments are long term unless otherwise stated.				

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2006		As at 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
8	INVENTORIES (As Certified by the Management)				
	a. Stores & Spares		51,442,185		33,372,850
	b. Material In Transit		85,649,234		26,436,033
	c. Stock In Trade				
	i. Raw Materials		151,830,013		139,746,690
	ii. Finished Goods		89,103,779		79,883,581
	iii. Work In Process		193,937,010		161,519,759
	TOTAL		571,962,221		440,958,913
9	SUNDRY DEBTORS Sundry Debtors, Unsecured				
	a. Debts Outstanding for a period exceeding 6 months : Considered Good	83,233,331		89,525,082	
	Considered Doubtful	30,903,091		14,885,549	
		114,136,422		104,410,631	
	Less : Provision for Doubtful Debts	30,903,091		14,885,549	
			83,233,331		89,525,082
	b. Other Debts		773,287,225		560,181,039
	TOTAL		856,520,556		649,706,121
10	CASH & BANK BALANCES				
	A. Cash on hand		707,478		11,257,159
	B. At Scheduled Banks in :				
	a. Current Accounts		15,033,087		33,042,953
	b. Fixed Deposits		185,370,510		120,360,510
	c. Towards Unclaimed dividends		4,101,288		4,461,205
	TOTAL		205,212,363		169,121,827
11	LOANS, ADVANCES & DEPOSITS (Unsecured and considered good)				
	a. Advances recoverable in cash or in kind, for value to be received		18,229,883		10,941,010
	b. Advance for purchases	117,473,187			48,339,014
	Less: Provision for Doubtful Advances	223,049	117,250,138		
		19,807,467		20,893,434	
	c. Deposits Recoverable	803,529	19,003,938	396,876	20,496,558
	Less: Provision for Doubtful Deposits				
	d. Excise Duty paid in advance		112,251,022		40,996,647
	e. Income Tax paid in Advance		338,432,907		202,354,113
	f. Income Tax Deducted at Source		20,407,733		19,196,758
	g. Fringe Benefit Tax paid in Advance		6,712,000		
	h. Excise duty & Sales tax Paid Under Protest		2,685,976		605,488
	TOTAL		634,973,597		342,929,588

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2006		As at 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
12	OTHER CURRENT ASSETS				
	a. Interest Accrued		9,971,659		9,415,718
	b. Pre-Paid Expenses		2,063,780		510,330
	TOTAL		12,035,439		9,926,048
13	CURRENT LIABILITIES & PROVISIONS				
	A. Current Liabilities				
	a. Sundry Creditors:				
	i) Dues to Small Scale Units (Refer Note No:19)	752,561		-	-
	ii) Others (Include Rs.31,723,076/- {PY:97,70,127/-} Commission due to Chairman & Managing Director.	600,332,830	601,085,391	282,724,559	282,724,559
	b. Advances from Customers		5,179,248		11,734,382
	c. Outstanding Liabilities		61,849,769		24,182,756
	d. Sales Tax Payable		28,639,602		21,939,915
	e. Unclaimed Dividend		4,101,288		4,461,205
	TOTAL		700,855,298		345,042,817
	B. Provisions				
	a. Income Tax		368,052,580		229,206,116
	b. Fringe Benefit Tax		6,919,300		
	c. Wealth Tax		147,729		43,023
	d. Leave Encashment		12,067,727		9,953,865
	e. Proposed Dividend		28,468,750		22,775,000
	f. Dividend Tax		3,992,742		3,194,194
	g. Warranty Expenses (Refer Note No:24)		60,499,720		28,743,251
	TOTAL		480,148,548		293,915,449

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

Sch No.	Particulars	Year ended 31.03.2006		Year ended 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
15	OTHER INCOME				
	a. Scrap Sales		52,724,646		22,187,045
	b. Interest Received (TDS Rs.6,24,574/-) (Previous year Rs.18,68,519/-)		6,247,859		8,528,844
	c. Dividend Received		6,077,806		3,296,060
	d. Claims Received		3,186,317		429,816
	e. Miscellaneous Income		110,524		4,471,729
	f. Profit on sale of Assets		1,355		16,673
	g. Profit on sale of Investments		1,008,691		35,361
	h. Gain on Foreign exchange (Net)		–		3,349,941
	i. Bad debts Recovered		121,952		3,600,000
	j. Credit balances Written back		803,090		15,327,948
	k. Excess provision credited back		1,008,683		499,279
	L. Provision for Doubtful Debts Credited Back		–		2,456,211
	m. Provision for diminution in the value of Investments Credited Back		2,227,514		–
	TOTAL		73,518,437		64,198,907
16	INCREASE/(DECREASE) IN STOCKS				
	Closing Stock				
	a.Work-in-Process	193,937,010		161,519,759	
	b.Finished Goods	89,103,779		79,883,581	
			283,040,789		241,403,340
	Less: Opening Stock				
	a.Work-in-Process	161,519,759		107,241,551	
	b.Finished Goods	79,883,581		63,145,970	
			241,403,340		170,387,521
	INCREASE / (DECREASE) IN STOCKS		41,637,449		71,015,819
17	RAW-MATERIALS CONSUMED				
	Opening Stock	139,746,690		100,350,715	
	Add:Purchases	2,244,170,172		1,416,795,920	
			2,383,916,862		1,517,146,635
	Less: Closing Stock		151,830,014		139,746,690
	CONSUMPTION		2,232,086,848		1,377,399,945
18	PAYMENTS & BENEFITS TO EMPLOYEES				
	a.Salaries,Wages & Bonus		156,930,118		122,685,455
	b.Contribution to PF,Gratuity and Other Funds		21,461,658		22,531,887
	c.Workmen & Staff Welfare Expenses		28,877,607		24,874,559
	TOTAL		207,269,383		170,091,901

SCHEDULES TO PROFIT & LOSS ACCOUNT

Sch No.	Particulars	Year ended 31.03.2006		Year ended 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
19	MANUFACTURING,SELLING, ADMINISTRATIVE AND OTHER EXPENSES				
	A. Manufacturing				
	a. Stores & Spares Consumed (Including Packing Material)		53,303,339		27,097,626
	b. Power & Fuel		88,948,214		56,940,275
	c. Insurance		5,382,009		4,514,111
	d. Repairs to:				
	i. Machinery		29,502,614		20,383,142
	ii. Buildings		2,512,830		799,802
	iii. Other-Assets		649,813		599,433
	TOTAL - A		180,298,819		110,334,389
	B. Selling				
	a. Advertisement		100,362,275		71,129,175
	b. Freight Outwards		139,604,450		83,528,237
	c. Commission on sales		9,673,790		7,752,307
	d. Sales Expenses		43,972,790		33,729,228
	e. Royalty		–		276,976
	f. Warranty & Guarantee Costs		86,939,685		58,108,098
	TOTAL - B		380,552,990		254,524,021
	C. Administrative				
	a. Rent		18,493,034		15,272,977
	b. Directors Sitting Fee		66,000		56,000
	c. Managerial Remuneration (Ref Note No: 15)		36,104,239		15,096,351
	d. Payments to Auditors (Ref. Note No: 16)		718,930		700,666
	e. R&D Expenses		1,655,935		3,691,660
	f. Donations		4,128,565		3,587,392
	g. Loss on Sale of Assets		454,576		127,982
	h. Loss on Sale of Investments		2,328,956		950
	i. Rates ,Taxes & Licences		1,783,054		1,498,027
	j. Travelling Expenses		41,895,127		30,714,712
	k. Communication Expenses		9,098,240		9,183,326
	l. Miscellaneous Expenses		53,347,110		41,553,860
	TOTAL - C		170,073,766		121,483,903

SCHEDULES TO PROFIT & LOSS ACCOUNT

Sch No.	Particulars	Year ended 31.03.2006		Year ended 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
	D. Other Expenses				
	a. Provision for Doubtful debts		16,017,542		–
	b. Provision for Doubtful Deposits		629,702		396,876
	c. Provision for Doubtful advances		223,049		–
	d. Provision for Diminution in the value of investments		–		33,073
	e. Bad debts & Irrecoverable Advances written off		6,602,925		12,252,376
	f. Obsolete Stores Written - off		3,830,216		3,170,525
	g. Assets Written - off		1,009,738		592,762
	h. Prior Period expenses		–		156,192
	i. Loss / Gain on Foreign Exchange (Net)		2,418,578		–
	j. Premium on Forward Contracts		193,083		–
	TOTAL - D		30,924,833		16,601,804
	TOTAL (A+B+C+D)		761,850,408		502,944,117
20	DUTIES & TAXES (Excluding Income Tax)				
	a. Rates & Taxes - (Sales Tax & Octroi)		292,576,486		168,896,152
	b. Excise Duty		1,668,609		6,081,152
	TOTAL		294,245,095		174,977,304
21	INTEREST PAID				
	On Working Capital Facilities & Others		13,304,520		1,448,427
	On Fixed Loan		130,995		–
	TOTAL		13,435,515		1,448,427

SCHEDULE 14

STATEMENT ON ACCOUNTING POLICIES

1. GENERAL

Financial statements are prepared under historical cost convention and in accordance with generally accepted accounting practices.

2. FIXED ASSETS

Fixed Assets are stated at cost net of CENVAT, less accumulated depreciation. Cost of acquisition of Fixed Assets is inclusive of freight, duties and taxes, interest, if any, on specific borrowings utilized for financing the assets upto the date of commissioning, the cost of installation/erection, and other incidental expenses. Additional liability on account of foreign exchange fluctuations on loans obtained for purchase of imported equipment is capitalized as and when the liability crystallizes.

3. DEPRECIATION

Depreciation is provided on straight line basis in accordance with the rates and rules prescribed under Schedule - XIV to the Companies Act, 1956, except in respect of the following where the depreciation is provided based on their estimated useful life

Computers - 4 Years; Office Equipments – 8 Years; Moulds – 3 Years

To this effect there was a change in the accounting policy with regard to the computers and office equipments. Hitherto, depreciation has been charged under Straight Line Method applying the rates given in Schedule – XIV. Now it has been changed to provide based on their estimated useful life. The effect of change in the accounting policy is given in Note No: 23 in the notes forming part of the accounts.

4. INVESTMENTS

Long-term investments are stated at cost less provision required, if any, for the permanent diminution in value thereof. Dividends thereon are accounted as and when received.

5. INVENTORIES

- a. Finished goods are valued at lower of cost or market value.
- b. Work in process, Raw materials, Stores and Spares, Materials in transit etc., is valued at cost.
- c. Stock of scrap is valued at an estimated net realizable value.

6. SALES

Gross Sales are inclusive of Excise Duty, Sales tax/VAT, freight, insurance, service charges etc., recovered thereon.

7. RETIREMENT BENEFITS

- a) All employees of the Company are entitled to retirement benefits of Provident Fund, Gratuity. Employees who are members of the Super Annuation Scheme are entitled to the benefits under the Scheme.
- b) Contributions to Provident Fund are accounted for at the prescribed rates every month on accrual basis. Contributions towards Gratuity and Superannuation are made on the basis of the demands raised by the Life Insurance Corporation of India and are charged to revenue accordingly.
- c) Encashment of leave by employees is permitted only on retirement or cessation of service. The liability towards leave encashment as on the date of Balance Sheet is provided for on accrual basis.

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and Development costs of revenue nature are charged to revenue when incurred. Expenditure of capital nature is capitalized and depreciation thereon is provided as per the rates prescribed in schedule XIV to the Companies Act, 1956.

9. FOREIGN CURRENCY TRANSACTIONS

- a) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately to capital or revenue, with the difference in the rate of exchange arising on actual receipt/payment during the year.

- b) At each Balance Sheet date
 - Foreign currency monetary items are reported using the rate of exchange on that date.
 - Foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized.
- c) In respect of forward exchange contracts in the nature of hedges
 - Premium or discount on the contract is amortized over the term of the contract,
 - Exchange differences on the contract are recognized as profit or loss in the period in which they arise.

10. WARRANTY CLAIMS AND PROVISIONS

The Company makes a provision for the probable future liability on account of warranty as at the end of the financial year, in addition to meeting the actual warranty claimed.

11. LATE DELIVERY CHARGES

The liability on account of late delivery charges, due to delay in the delivery of finished products is accounted for on accrual basis as per terms of the contracts after adjusting the claims no longer required.

12. TAXATION

Provision is made for Income-tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income tax Act, 1961.

- Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax.
- Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognized only when there is virtual certainty supported by convincing evidence that such assets will be realized. Deferred tax assets arising on other temporary timing differences are recognized only if there is a reasonable certainty of realization.

13. DIVIDENDS

Provision is made in the accounts for the dividends payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income Tax on dividends payable is provided for in the year to which such dividends relate.

14. IMPAIRMENT OF ASSETS

At the date of each Balance Sheet, the Company evaluates, indications of the impairment internally if any, to the carrying amount of its fixed and other assets. If any indication does exist, the recoverable amount is estimated at the higher of the realizable value and value in use, as considered appropriate. If the estimated realizable value is less than the carrying amount, an impairment loss is recognized.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

15. CONTINGENT LIABILITIES

Contingent liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

NOTES FORMING PART OF THE ACCOUNTS

1. a) The Company's land and building, plant and machinery, equipment, vehicles both present and future have been placed as security under a pari passu charge for the term loans obtained by the Company from IDBI, IFCI, ICICI, State Bank of India, Andhra Bank and IREDA. Some of the said loans have been repaid in full but the satisfaction of charges created in respect thereof remains to be obtained pending certain technical formalities. Further these loans are guaranteed by promoter Directors in their personal capacities.
- b) Working capital facilities from banks are secured by way of hypothecation of work-in-process, finished goods, raw materials, all stocks of stores, bills receivables, book debts and by second charge on fixed assets of the Company on a paripasu basis among the participating consortium banks.

2. During the year 1991-92 the interest due on term loans from financial institutions viz. IDBI, IFCI and ICICI were funded with an option to convert a part of such funded interest not exceeding Rs.2.63 Millions into fully paid up equity shares of the Company before 31-12-96. The Company cleared the funded interest loans by 31-03-95. However, IFCI filed a petition in a court of law demanding conversion of loan into equity shares, which has been disputed by the company and is pending disposal by the court.
3. The Company is availing the Sales Tax Deferment benefit since 1997-98 on its expanded capacity. Such Deferment claimed, as on 31.03.2006 is Rs.216,407,580. This amount is subject to revision by the Assessment Authorities, consequent to the decision of Honourable A.P. High Court in favour of the Company.

4. Contingent Liabilities

Rs. in Million

Particulars	31.03.2006	31.03.2005
a. Claims against the Company not admitted towards		
- Income Tax	Nil	40.4
- Customs Duty	4.31	Nil
- Excise Duty	1.00	2.11
- Service Tax	2.56	2.56
- Sales Tax	9.97	14.61
- Electricity	54.30	14.51
(Against the above, Rs 3.86 MM was paid under protest)		
b. Counter guarantees given to banks in respect of bank Guarantees issued in favour of various constituents.	148.55	77.20
c. Letters of credit opened with banks	58.85	161.14
d. Estimated amount of Contracts remaining to be executed on capital accounts, not provided for.	149.35	57.36
e. Bank Guarantees provided to APGPCL for differential wheeling charges pending disposal of the case by Supreme Court not provided for	4.32	4.32

5. Capacity and Production

Particulars	Qty.	31.03.2006	31.03.2005
Storage Batteries			
Installed Capacity	Nos	2,600,000	1,775,000
Actual Production	Nos	2,129,491	1,230,974

Note: The installed capacity is as estimated and certified by the management.

6. Purchase of Finished goods

Nos.

Particulars	31.03.2006	31.03.2005
Finished Goods	1220	Nil

7. Turnover (Including Excise Duty)

Rs. in million

Particulars	31.03.2006		31.03.2005	
Products	Qty. Nos.	Rs.	Qty. Nos.	Rs.
Storage Batteries	2,117,664	4458.29	1,222,943	2685.44

- Note: 1. The above includes Nos.51, 667(27,805) Batteries issued as replacements, samples, etc.
2. The above includes Excise duty collected Rs. 539.74 MM (Rs. 317.38 MM)

8. Opening and Closing Stock of Finished Goods

Rs. in million

Particulars	31.03.2006		31.03.2005	
	Qty. Nos.	Rs.	Qty. Nos.	Rs.
Opening Stock	64,240	79.88	56,209	63.15
Closing Stock	77,287	89.10	64,240	79.88

9. Consumption of Raw Material

Rs. In Million

Particulars	UNIT	31.03.2006		31.03.2005	
		Qty.	Amount	Qty Nos.	Amount
Lead	Kgs	14,857,155	779.94	9,464,804	495.60
Lead Alloys	Kgs	13,243,935	768.16	8,437,127	491.88
Separator	Kgs	341,917	62.80	189,292	54.41
Separator	Sq. Mtrs.	2,474,380	79.38	1,455,783	57.68
Others	-		541.81		277.83
Total			2,232.09		1,377.40

10. Comparison between consumption of Imported and Indigenous Raw Materials, Stores and Spares during the year.

i. Raw Materials

Rs. in Million

Particulars	31.03.2006		31.03.2005	
	Value	%	Value	%
Imported	1,416.56	63.46	958.47	69.59
Indigenous	815.53	36.54	418.93	30.41
Total	2,232.09	100.00	1377.40	100.00

ii. Stores and Spares Consumed (Charged to appropriate head)

Rs. in Million

Particulars	31.03.2006		31.03.2005	
	Value	%	Value	%
Imported	8.33	15.63	1.83	8.25
Indigenous	44.98	84.37	20.36	91.75
Total	53.31	100.00	22.19	100.00

11. Value of imports made during the year by the Company calculated on CIF basis.

Rs. in million

Particulars	31.03.2006	31.03.2005
Capital Goods	155.86	47.13
Finished Goods	4.35	NIL
Raw Material & Components	1,253.07	811.44
Stores & Spares	8.48	6.67
Total	1,421.76	865.24

12. Expenditure incurred in foreign currency during the year

Rs. in million

Particulars	31.03.2006	31.03.2005
Royalty	-	0.28
Foreign Travel Expenses (Exclusive of tickets purchased)	6.37	3.90
Sales Commission	1.57	1.11
Interest	10.75	0.93
Others	1.16	0.04
Total	19.85	6.26

13. Remittance in foreign currency on account of dividends

Rs. in Million

Year	No. of non-resident Share Holders	No. of Shares	Amount of Dividend
2005-06	15	3,370,111	6.64
2004-05	18	3,653,434	5.48

14. FOB Value of Exports made during the year

Rs. In Million

Particulars	31.03.2006	31.03.2005
Sales	310.52	145.75

15 Remuneration to Executive Chairman/Chairman and Managing Director:

i. Computation of net profits in accordance with Section 349 of the Companies Act 1956.

Amount in Rupees

		31.03.2006
Profit for the year as per the Profit and Loss Account		373,464,223
Add:		
Directors' sitting fee	66,000	
Loss on sale of investments	2,328,956	
Remuneration to Executive Chairman & Managing Director	36,104,239	38,499,195
Less :		
Profit on sale of Investments	1,008,691	
Diminution on value of investments written back	2,227,515	3,236,206
Net profit as per Sec.349		408,727,212
Remuneration to Executive Chairman @ 5% till August '05	8,515,151	
Remuneration to Chairman @ 3% from September 2005 *	7,152,726	15,667,877
Remuneration to Managing Director @ 5%		20,436,362

*The Managerial Remuneration provided to the Chairman of the Company @ 3% from 1st September 2005 to 31st March 2006 is subject to the approval of Central Government and Shareholders.

ii. Details of remuneration to Executive Chairman/Chairman and Managing Director

Particulars	31.03.2006		31.03.2005	
	EC/C	MD	EC	MD
Salary	1,000,000	2,150,000	2,400,000	1,800,000
Contribution to PF, Gratuity & other funds	—	9,360	—	9,360
Other perquisites	—	1,221,803	—	1,116,864
Commission	14,667,877	17,055,199	5,148,176	4,621,951
Total	15,667,877	20,436,362	7,548,176	7,548,175

16. Payments to Auditors

Particulars	Amount in Rupees	
	31.03.2006	31.03.2005
Statutory Audit	400,000	400,000
Taxation Matters (including Tax Audit)	40,000	40,000
Sales tax audit	30,000	30,000
For Certification	100,000	100,000
Reimbursement of out of pocket expenses	20,500	18,039
Cost Audit	75,000	75,000
Cost Audit – Out of pocket Expenses	6,830	16,027
Certificate Fee for Cost Auditor	46,600	21,600
Total	718,930	700,666

17. Fixed Deposits under Cash and Bank balances include:

Rs.130,000/- (Rs.120,000/-) Lodged as security with various authorities.

Rs.55,240,510/- (Rs.55,240,510/-) Towards margin money deposits.

18. Sundry debtors include debts due from companies in which the Directors are interested:

a. Amara Raja Power Systems Pvt. Ltd.,	Rs.18,955,982/-	(Rs. 7,039,500/-)
Maximum balance	Rs. 25,261,300/-	(Rs.15,855,536/-)
b. Amara Raja Electronics (P) Ltd.,	Rs. 8,614,355/-	(Rs.4,023,784/-)
Maximum balance	Rs. 11,862,578 /-	(Rs. 5,082,865/-)

19. There are no dues to Small Scale industrial undertakings outstanding for more than 30 days as at the date of Balance Sheet.

Particulars of the status of the creditors is based on the information as available with the Company. The same has been relied upon by the auditors.

20. The Company is engaged in the manufacture of lead acid storage batteries. In the perception of the management, identifying the Company's business into further segments as per Accounting Standard – 17, does not arise.

22. Major components of Deferred Tax Assets and Liabilities as at 31.03.2006 arising on account of timing differences are:

(Amount in Rs.)

Particulars	Assets	Liabilities
1. Depreciation	–	145,144,848
2. Amounts disallowed U/s.43B of the IT Act & Others	25,132,533	–
Total	25,132,533	145,144,848

Net Deferred Tax Liability as on 31st March, 2006 **Rs.120,012,315**

23. During the year, the Company has changed its accounting policy with regard to its computers and office equipment. Hitherto, depreciation has been charged under Straight Line Method applying the rates given in Schedule – XIV to the Companies Act, 1956. Now, it has been changed to charging depreciation based on the useful life of the said assets. Accordingly, the depreciation has been recalculated from the year of its acquisition and the resultant extra depreciation amounting to Rs.13.37 mm has been charged to Profit and Loss Account. Consequent to the change in the accounting policy, the profits for the year, the net depreciated value of the fixed assets and the reserves and surplus have been understated by the said amount, compared to the earlier policy followed by the Company.

24. Details of Provision for Warranty Expenses.

	Rs. in MM
Provision as on 31.03.2005	28.74
Provision made during 2005-06	53.99
Withdrawn Reversed during the year	22.23
Balance as on 31.03.2006	60.50

25. The balances in various personal accounts are subject to confirmation by and reconciliation with the concerned parties.
26. In the opinion of Board of Directors the current assets, loans and advances are expected to realise the value stated in the accounts, in the ordinary course of business.
27. Previous year figures have been regrouped wherever necessary to confirm to the current year's classification.
28. Figures have been rounded off to the nearest thousands and rupees where it is mentioned in Million and amount in Rupees respectively.

as per our report of even date attached

for E. PHALGUNA KUMAR & CO
Chartered Accountants

E. Phalguna Kumar
Partner

for CHEVUTURI ASSOCIATES
Chartered Accountants

S. Gopala Krishna Murthy
Proprietor

Chennai
22nd June 2006

for and on behalf of the Board

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

Gopal Mahadevan
Chief Financial Officer

N. RamNathan
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

Particulars	As at 31.03.2006		As at 31.03.2005	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax and Extra-ordinary items		373,464,223		135,811,156
Add/Less: Adjustments for:				
a. Depreciation	147,009,114		136,307,132	
b. Provision for Diminution in the value of Investments	-		33,073	
c. Provision for Diminution in the value of Investments Cr.back	(2,227,514)		-	
d. Profit on Sale of Assets	(1,355)		(16,673)	
e. Profit on Sale of Investments	(1,008,691)		(35,361)	
f. Loss on Sale of Assets	454,576		127,982	
g. Loss on Sale of Investments	2,328,956		950	
h. Assets written off	1,009,738		592,762	
i. Interest Paid	13,435,515		1,448,427	
j. Dividends Received	(6,077,806)		(3,296,060)	
k. Interest Received	(6,247,859)		(8,528,844)	
l. Provision for leave Encashment	2,113,862		1,709,749	
m. Provision for Warranty expenses	31,756,470		27,596,367	
		182,545,006		155,939,504
Operating Profit Before Working Capital Changes		556,009,229		291,750,660
Add/Less: Adjustments for working capital:				
a. Decrease/(Increase) in Inventories	(131,003,308)		(133,713,379)	
b. Decrease/(Increase) in Sundry Debtors	(206,814,435)		(178,032,479)	
c. Decrease/(Increase) in Loans and Advances	(148,265,288)		(41,390,855)	
d. Decrease/ (Incerase) in Other Current Assets	(2,109,390)		859,067	
e. Increase/(Decrease) in Trade Payables & Liabilities	356,035,530		178,920,396	
		(132,156,891)		(173,357,250)
Cash generated from operations		423,852,338		118,393,410
Less: i. Interest paid	13,435,515		1,448,427	
ii. Income Tax paid	137,289,770		50,136,051	
iii. Fringe Benefit Tax paid	6,712,000			
iv. Wealth Tax paid	43,023			
		157,480,308		51,584,478
Cash Flow before Extraordinary Items		266,372,030		66,808,932
NET CASH FROM OPERATING ACTIVITIES - A		266,372,030		66,808,932
B. CASH FLOW FROM INVESTING ACTIVITIES				
a. Purchase of Fixed Assets	(243,922,364)		(94,559,186)	
b. Increase in capital work in progress	(35,257,009)		(3,377,465)	
c. Purchase of investments	(159,385,982)		(62,913,476)	
d. Sale of Fixed Assets	534,107		802,958	
e. Sale of Investments	75,779,735		36,065,743	
f. Interest Received	6,247,859		5,366,412	
g. Dividend Received	6,077,806		3,296,060	
NET CASH FROM INVESTING ACTIVITIES-B		(349,925,848)		(115,318,954)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

Particulars	As at 31.03.2006		As at 31.03.2005	
	Rupees	Rupees	Rupees	Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES				
a. Increase in Borrowings	145,613,548		84,260,490	
b. Dividend paid	(22,775,000)		(16,732,662)	
c. Dividend Tax paid	(3,194,194)		(2,188,535)	
NET CASH FROM FINANCING ACTIVITIES-C		119,644,354		65,339,293
NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)		36,090,536		16,829,271
Opening Cash and Bank Balances		169,121,827		152,292,556
ADD: Net increase in Cash and Cash Equivalent		36,090,536		16,829,271
CLOSING CASH AND BANK BALANCES		205,212,363		169,121,827

for and on behalf of the Board

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

Chennai
22nd June 2006

Gopal Mahadevan
Chief Financial Officer

N.RamNathan
Company Secretary

AUDITORS' CERTIFICATE

To
The Board of Directors
Amara Raja Batteries Limited

We have examined the attached Cash Flow Statement of Amara Raja Batteries Limited, Tirupati, for the year ended 31st March, 2006. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 22 June 2006 to the members of the Company.

for **E. PHALGUNA KUMAR & CO.**
Chartered Accountants

for **CHEVUTURI ASSOCIATES**
Chartered Accountants

E. PHALGUNA KUMAR
Partner
(ICAI Memb.No: 20278)

S. GOPALA KRISHNA MURTHY
Proprietor
(ICAI Memb.No: 29248)

Chennai
22nd June 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

(i) Registration No.	:	0	5	3	0	5			
(ii) State Code	:	0	1						
(iii) Balance Sheet Date	:	3	1	0	3	2	0	0	6

II. Capital raised during the year (Amount Rs. In Thousands)

(i) Public Issue	:	N	I	L
(ii) Bonus Issue	:	N	I	L
(iii) Rights Issue	:	N	I	L
(iv) Private Placement	:	N	I	L

III. Position of mobilisation and deployment of funds (Amount Rs. In Thousands)

(i) Total Liabilities	:	3	6	9	2	5	4	2
(ii) Total Assets	:	3	6	9	2	5	4	2

Sources of Funds

(i) Paid-up Capital	:	1	1	3	8	7	5	
(ii) Reserves and Surplus	:	1	8	9	8	9	7	8
(iii) Secured Loans	:	1	6	2	2	6	5	
(iv) Unsecured Loans	:	2	1	6	4	0	8	
(v) Deferred Tax Liability	:	1	2	0	0	1	2	

TOTAL

2	5	1	1	5	3	8
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Application of Funds

(i) Net Fixed Assets	:	1	0	9	1	6	9	7
(ii) Investments	:	3	2	0	1	4	1	
(iii) Net Current Assets	:	1	0	9	9	7	0	0

TOTAL

2	5	1	1	5	3	8
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IV. Performance of the Company

(i) Turnover including other income	:	4	5	3	1	8	1	4
(ii) Total Expenditure	:	4	1	5	8	3	5	0
(iii) Profit before Tax	:	3	7	3	4	6	4	
(iv) Profit after Tax	:	2	3	8	4	6	6	
(v) Earning per share in Rs.	:	2	0	.	9	4		
(vi) Dividend Rate in %	:	2	5					

V. Generic names of two principal products / services of the Company (as per monetary terms)

(i) Item Code (ITC Code)	:	8	5	0	7	2	0	.	0	0
Product Description	:	Storage Batteries - Maintenance Free Valve Regulated Lead Acid (MF-VRLA) Batteries								
(ii) Item Code (ITC Code)	:	8	5	0	7	1	0	.	0	0
Product Description	:	Lead Acid Batteries used for Starting Piston Engines.								

for and on behalf of the Board

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

Gopal Mahadevan
Chief Financial Officer

N. RamNathan
Company Secretary

Chennai
22nd June 2006