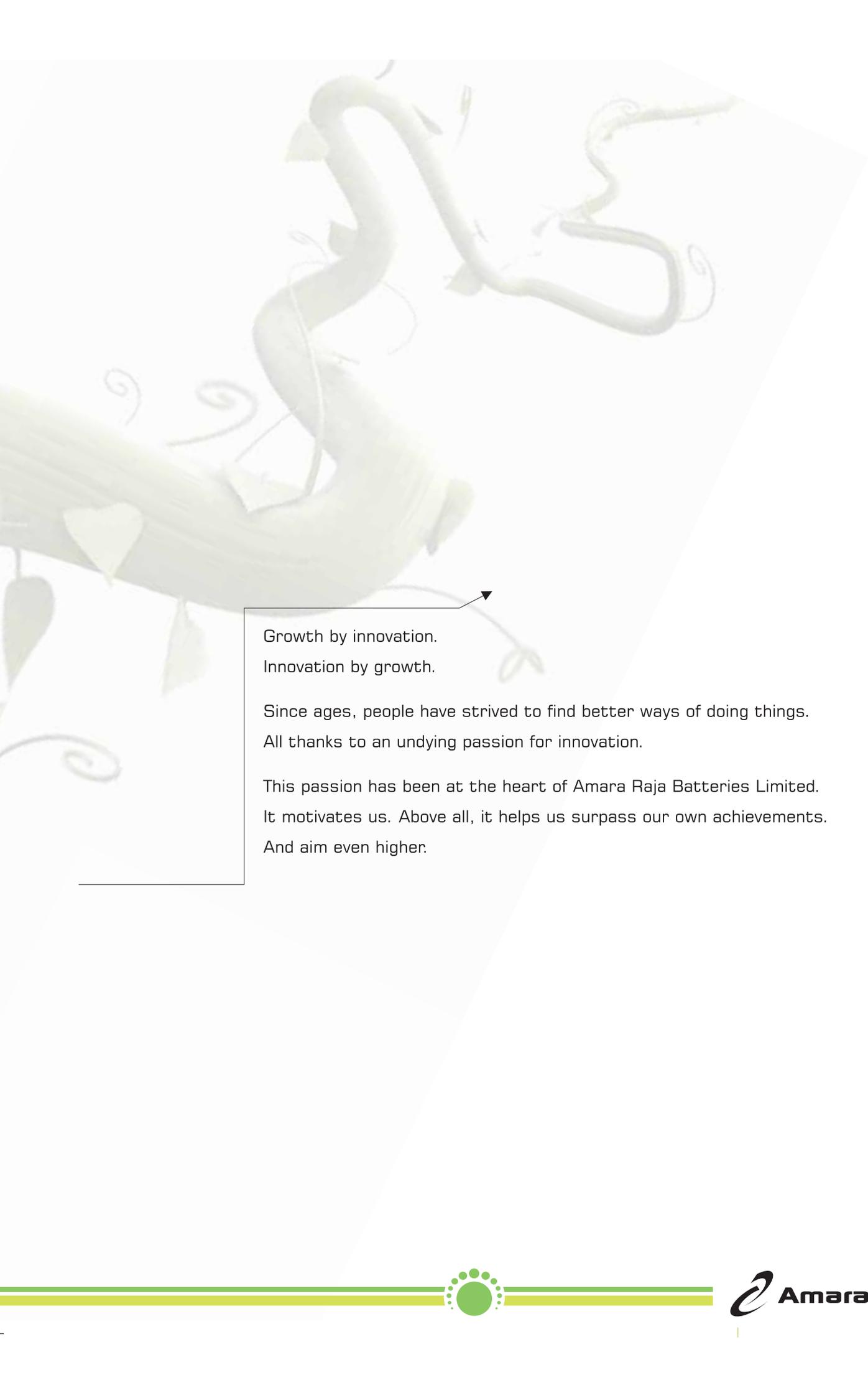


INNOVATION BY GROWTH.
GROWTH BY INNOVATION.





Growth by innovation.
Innovation by growth.

Since ages, people have strived to find better ways of doing things.
All thanks to an undying passion for innovation.

This passion has been at the heart of Amara Raja Batteries Limited.
It motivates us. Above all, it helps us surpass our own achievements.
And aim even higher.





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BOARD OF DIRECTORS

Ramachandra N. Galla
Non Executive Chairman

Jayadev Galla
Managing Director

Dr. G. Ramadevi
(w.e.f. 22nd June 2007)

Kejian Lu

Steven Gibbs

Jacqueline J Ertl
(w.e.f. 10th April 2007)

P. Lakshmana Rao

Ravi Bhamidipati

Nagarjun Valluripalli

Manjula Chawla
Alternate Director to Ms. Jacqueline J Ertl

Financial Controller
K. Suresh

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
BNP Paribas, Chennai
Citibank N.A., Chennai

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

Registrar and Share Transfer Agent
M/s. Cameo Corporate Services Limited
"Subramanian Building",
No. 1, Club House Road,
Chennai – 600 002

FIVE YEARS PERFORMANCE - AT A GLANCE

Rs. Millions

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Production (Nos)	3116954	2129491	1230974	944632	735754
Sales (Nos)	3083573	2117664	1222943	947658	709957
Gross Sales	7451.03	4458.30	2685.44	1999.23	1987.35
Profit before Depreciation, Interest and Tax	912.94	533.91	273.57	136.33	238.12
Profit before Depreciation	882.01	520.47	272.12	134.57	234.34
Profit Before Tax	711.98	373.46	135.81	11.52	117.34
Profit After Tax	470.43	238.47	86.90	13.90	74.01
Equity Capital	113.88	113.88	113.88	113.88	113.88
Reserves and Surplus	2322.78	1898.98	1692.97	1632.04	1637.41
Net Worth	2436.66	2012.85	1806.85	1745.92	1649.10
Gross Block	2577.79	1907.12	1672.30	1593.02	1556.05
Net Block	1629.97	1091.70	961.52	1001.40	1087.12
Book Value per Share (Rs.)	213.98	176.76	158.66	153.32	144.82
Earnings per Share (Rs.)	41.31	20.94	7.63	1.22	6.50
Dividend (%)	35	25	20	15	15

CHAIRMAN'S MESSAGE



Dear Shareholders,

The last financial year has been a year of great strides both in terms of financial performance and expansion.

We have clocked a record net revenue of Rs.5958 million posting a 64% growth over the previous year. Profit Before Tax at

Rs. 712 million has recorded a 91% rise over the previous year.

Riding the growth momentum of the Economy and the Industry, the Company built quarter-by-quarter, a cadence of tangible achievements and record-breaking results. Today, we continue to further expand capacities and invest in the business. Built on the solid foundation of innovation, agility, long term planning and prudence, our Company is today an exemplar for the new generation manufacturing companies leading the Indian economy into the next wave of growth.

Our expansion plans to grow capacity to 5.4 million p.a. has moved ahead at a good pace and today we have reached a capacity of 4 million p.a. Last quarter we also moved ahead with our plans to enter the two wheeler battery segment. This much awaited venture is set to be another milestone for technology and innovation. I am delighted to record that our technology partner, Johnson Controls Inc. (JCI), have gone beyond the scope of our agreement to help us with technology towards this.

In May 07 we have unveiled another novel initiative - PowerZone, a completely new retail experience in the power solutions sector for the semi urban and rural consumer. Bearing the hall mark of Amara Raja quality, the vibrant PowerZone concept store will bring to the consumer in the rural pockets a hitherto unavailable combination of world class quality and local prices.

Looking at the bigger picture, the Indian economy is expected to be a little less buoyant, a little more choppy and definitely a little less predictable. Stiffer interest rates, climbing inflation and ominous predictions from the policy makers have had a dampening effect on many a peppy forecast.

The battery industry too is grappling with its own concerns like the unrelenting upward climb of lead prices.

Policy changes in China, the largest producer of the lead in the world, investments of hedge funds, investments in mining and smelting and environmental issues are among the many factors behind the price rise. The hardening price has a direct fall out on the battery industry. Price variance clause with OEM customers, timely revision of the prices, better utilization and rationalization of lead usage through better process technology and continuous improvements have helped protect us from price shocks in top line or bottom line. We will also use hedging prudently to further reduce risks on this front.

The telecom opportunity

The tough challenges have been balanced with some exciting growth opportunities in the battery industry. For instance the astronomical growth in the telecom sector is set to bring in tremendous growth opportunities for us too. We are fully geared to tap this growth curve.

We have sharpened our focus on internal productivity and efficiencies. Amara Raja increased productivity and improved margins at virtually every level of the organization. Guided by our expanded mission, we aggressively pursued the expansion opportunity as we continue to build on key areas of strength, seize market opportunities and achieve operational objectives.

Continuous Improvement Initiatives

Six Sigma initiatives are helping the company to reduce the variation in processes and save million of rupees every year while enhancing the customer satisfaction through better product and delivery performance. We have implemented more than 100 projects during last 3 years in supply chain, operations and research & engineering functions. It will be deployed in other functions also during the FY 2007-08. Knowledge and skills of problem solving are helping the employees to do better every day and improve the performance

Stake In The Ground (SITG), a tool developed by JCI with a primary focus on cost reduction achieved good results during last two years and contributed significantly to the bottom-line.

Our journey over the last 22 years has been exciting and definitely rewarding.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has been a core value for us right from the beginning and goes far beyond

mere doles to the economically disadvantaged. It involves making people more self reliant, providing equal opportunity, employment and protecting the environment.

The organisation's CSR programme christened Pragati Patham is supported monetarily by Amara Raja. More importantly, it is provided with direction, commitment and managerial contribution to develop and implement sustainable CSR programmes. The programmes focus on women empowerment, irrigation facilities, eco-consciousness and community development.

It is a matter of great pride and satisfaction that Amara Raja has been a catalyst of change in the world around us that is the community around our factory.

Our journey to the next milestone

Our goal as we move towards our next milestone of 25 years is to continue as an innovation leader, constantly challenging the status quo, ushering in cutting edge technology and rewriting the rule book, all without losing sight of economic prudence and productivity. Your support has been an inspiration and encouragement and we thank you, our shareholders, for your continued faith and support. We are committed to delivering value to our investors.

We look forward to having you with us on our exciting growth path ahead.

Ramachandra N. Galla

FROM THE DESK OF THE MANAGING DIRECTOR



Dear Shareholders,

Spurred by our excellent performance of FY 06, our team set out ambitious growth targets for FY 07 as well. To grow top line by 50% and bottom line by 75%, they painstakingly worked out the strategic, tactical and operational moves to get there, with an

underlying focus on innovation. It is heartening to note that our team has excelled the stiff targets. Gross revenues grew 67% to touch Rs.7451 million and profit after tax grew 97% to reach Rs.470 million in FY 07.

What is remarkable is that it has been achieved despite the pressures owing to the unrelenting escalation of lead prices during the year. We have been able to achieve our growth by tapping into surging demand in both industrial and automotive battery segments, aided by our timely capacity expansion.

What is even more inspiring is our unwavering focus on innovation that today permeates the whole organization. This spirit of innovation goes far beyond product innovation. We innovate in planning, implementation, communication, distribution, marketing and HR policies. We innovate in everything!

Innovation as a culture

Innovation is today the organizational culture that leverages our business values of transparency, eco-friendliness, social awareness and core strengths in strategy, processes and implementation, to achieve better returns for business and stakeholders. It is evident in the new growth trajectory we are charting with consistent growth over the last 8 quarters.

From this culture was born the hitherto unknown concept of PowerZone - a network of stores catering to the consumers in the rural markets who till now had no better alternative for the substandard, local offerings because of the higher price points. PowerZone brings technology at the right price for the rural consumers.

Our target is to have at least one PowerZone outlet in every taluk head quarters in India in the next two years. The business model for PowerZone has in-built social responsibility components which result in two direct

benefits in the local community. One, PowerZone brings a new self employment opportunity to the rural educated youth, who are constantly seeking better opportunities outside. Our franchisee model nurtures and supports entrepreneurial spirit to develop a vibrant business and non-migratory job opportunities. Two, PowerZone will also help reduce lead related pollution in the rural landscape which results from unregulated battery disposal.

Needless to add, our entry into the two wheeler battery market will also be driven by innovation! The Company's plan to manufacture two wheeler batteries announced in January 2007 is on course. On completion of Phase 1, the capacity for two wheeler batteries will stand at 5.74 million per annum. Come January, you can look forward to another growth category in our company – the two wheeler battery segment driven by innovation and technology.

Another turf for us to excel with innovation is the Home UPS business, growing at a sizzling pace. We will tap into this market with the launch of the small VRLA batteries, scheduled roll off our lines in January 2008. Internal accruals and term loans secured at competitive rates will comfortably support our expansion plans.

Our mark of innovation in building brand **AMARON**[®] has been the sustained association with motor sports which has been paying rich dividends in brand visibility and recall. Narain Kathikeyan, the sensational F1 driver has been our brand ambassador from his karting days. The best of the racing talent in India, Karun Chandok and Armaan Ebrahim too endorse our brand. The initiatives under Amaron Pro Racing make business sense and more importantly provide social dividend in developing talent. This May, we have initiated the Amaron Scholarship Program which will groom young talent by supporting their participation in key racing championships in India.

Another novel programme is the recently launched first ever multi city karting challenge – the Amaron Karting Challenge. This talent search program will spot, encourage and nurture talented youngsters very early – between 13 and 17 years.

An update on the year gone by

During the year, Industrial VRLA batteries manufacturing capacity grew nearly 50% with industry leading capacity utilization, keeping pace with the escalating demand from the telecom and UPS

segments. Recording a 60% sales growth in Industrial VRLA batteries, the company retained its most preferred supplier status in the segment with a 27% market share in the served market.

The company enjoys a market share of 26% in automotive OEM segment and 20% in the organized segment of aftermarket. Exclusive supplies of auto batteries for Ford and Tata "ACE" coupled with major presence on new launches like Maruti Zen Estilo, Ford Fiesta and Ford Fusion bear ample testimony to the Technology Leadership of Amara Raja in the OEM segment.

In the automotive aftermarket segment, **AMARON**[®] continues to maintain the scorching pace it is known for and remains the fastest growing auto battery brand in India, with volumes increasing 50% y-o-y. The current manufacturing capacity for automotive batteries is at 4 million units per annum and expansion plans to reach 5.4 million units are underway. Our retail network now includes 152 franchisees and 14,000 retailers. Our Pitstop network spans the entire Country numbering 115 and is a notable asset in distribution reach and brand experience.

Amara Raja's initiative to grow exports in the Indian Ocean Rim countries is gaining ground. The Company retained its *numero uno* position in the automotive after market in Singapore, while gaining increasing acceptance in Japan – the most discerning market.

A key area where we have been seeing gratifying results is in our CIP programme, where our focus has now gone beyond engineering and operations to reap cost efficiencies across the enterprise.

Our Corporate Social Responsibility (CSR) initiative AmaraGoon continues to reach out to the rural

consumer by bringing them critical access to information through technology.

The continuing upsurge in lead price remains a concern area. Thanks to our valued customers and to our long standing track record, we have managed to share the increased costs. In the recent months, rupee appreciation against the dollar has been favorable to us in offsetting part of the cost increase in lead. We will continue to watch the prices closely and take appropriate steps to maintain our profits and margins.

The proposal for sub-dividing the equity shares from Rs.10/- each fully paid up to Rs. 2/- each fully paid up, will increase liquidity, leading to rise in market capitalization and thus shareholder value.

Looking ahead with confidence

Escalating demand in the telecom and UPS segments and steady rise in consumer preference to our brands in automotive segment will continue to propel our growth.

We are looking at leading the two wheeler battery segment and Small VRLA with advanced technology and innovation.

While reporting to you on a period of excellent performance, I would like to thank our Joint Venture partner M/s. Johnson Controls Inc, our bankers, our employees and our shareholders who made this possible.

I look forward to having your continued support as we carry forward on a more ambitious and exciting growth path ahead.

Jayadev Galla,

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Second Annual General Meeting of the members of Amara Raja Batteries Limited will be held on, **Tuesday, 14th August 2007** at 2.30 P.M. at the registered office of the Company at Renigunta–Cuddapah Road, Karakambadi – 517 520, Tirupati, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at 31st March 2007, 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 Mr. Ramachandra N Galla, 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.
4. To appoint a director in place of Mr. Kejian Lu, 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. Ravi Bhamidipati, 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. Chevuturi Associates, Chartered Accountants, Vijayawada, be and they are hereby re-appointed as joint 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 Ms. Jacqueline J Ertl, who was appointed as an additional director of the Company

with effect from 10th April 2007 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 an ORDINARY RESOLUTION:

"RESOLVED:

- (a) that in accordance with the provisions of Sections 13, 16 and 94 and other applicable provisions, if any, of the Companies Act, 1956, or any amendment, modification or re-enactment thereof and the enabling provisions of the Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions, if any, required from any authority, the existing equity shares of the face value of Rs. 10/- (Rupees Ten) each in the share capital of the Company be sub-divided such that each equity share of the face value of Rs. 10/- (Rupees Ten) is sub-divided into 5 (Five) equity shares of the face value of Rs. 2/- (Rupees Two) each and consequently, the share capital of the Company of Rs. 15,00,00,000 (Rupees Fifteen Crores only) be divided into 7,50,00,000 (Seven Crores and Fifty Lakhs only) equity shares of the face value of Rs. 2/- (Rupees Two) each, with effect from the "record date" to be determined by the board of directors of the Company ("the board", which term shall be deemed to include any committee thereof) for the purpose;
- (b) that pursuant to the sub-division of the equity shares of the Company, the issued, subscribed and paid-up equity shares of the face value of Rs. 10/- (Rupees Ten) each, as existing on the record date, shall stand sub-divided into equity shares of the face value of Rs. 2/- (Rupees Two) each fully paid – up, with effect from the record date;
- (c) that the issued equity shares of the Company as are held by members in certificate form be cancelled and in lieu thereof fresh certificate(s) be issued for the sub-divided equity shares in accordance with the provisions of the Companies

(Issue of Share Certificates) Rules, 1960, and where members hold equity shares (or opt to receive sub-divided equity shares) in dematerialised form, the sub-divided equity shares in lieu thereof be credited to the respective beneficiary accounts of the members with their respective depository participants;

(d) 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 and give such directions as may be necessary or expedient, and to settle any question, difficulty or doubt that may arise in this regard as the board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding.”

9. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

“RESOLVED that the first sentence in the existing clause V of the Memorandum of Association of the Company relating to the share capital be substituted with the following sentence:

V. The Authorised Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen Crores only) divided into 7,50,00,000 (Seven Crores and Fifty Lakhs only) Equity Shares of Rs. 2/- (Rupees Two only) each.

10. To consider and if thought fit to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

“RESOLVED that the existing clause 5 of the Articles of Association of the Company relating to the share capital be substituted with the following clause:

5. The Authorised Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen Crores only) divided into 7,50,00,000 (Seven Crores and Fifty Lakhs only) Equity Shares of Rs. 2/- (Rupees Two only) each.

By Order of the Board

Chennai
22nd June 2007

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 2nd August 2007 to 14th August 2007 (both days inclusive).
4. Dividend, if any, declared at the meeting will be made payable on or after 14th August 2007, 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 Company or its Registrar and Share Transfer Agent viz., Cameo Corporate Services Limited, at the end of business hours on 1st August 2007 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 2nd August 2007.
5. Members holding shares in physical form are requested to notify changes, if any, in their address(s) and bank mandate immediately to the Company or its Registrar and Share Transfer Agent, M/s. Cameo Corporate Services Limited, “Subramanian Building”, No.1, Club House Road, Chennai – 600002 and those who hold shares in dematerialised form are requested to notify their depository participants (DP) of the said changes.
6. Bank mandate for dividend or electronic clearing service (ECS).
 - 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 DP as on 2nd August 2007 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 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 in which they are members.

Profile of Directors who are seeking reappointment/ appointment

(i) Mr. Ramachandra N. Galla

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. Effective 1st September 2005, he is the Non-Executive Chairman of the Company. 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.

He has extensive knowledge in the fields of engineering, management and finance.

Mr. Ramachandra N. Galla holds 853005 Equity Shares of Rs. 10 each of the Company.

Details of other directorship committee memberships held by Mr. Ramachandra N Galla are as follows:-

Name of the Company	Status	Committee positions
Andhra Pradesh Gas Power Corporation Limited	Director	NIL
Amara Raja Power Systems Private Limited	Managing Director	NIL
Amara Raja Electronics Private Limited	Chairman	NIL
Mangal Precision Products Private Limited	Chairman	NIL
Galla Foods Private Limited	Chairman	NIL

(ii) Mr. Kejian Lu

Mr. Kejian Lu is the Vice President, Sales and Marketing of Johnson Controls, Power Solutions, Asia. He is responsible for Johnson Control's Asia – Pacific sales and marketing of battery business. Mr. Kejian Lu has been with Johnson Controls for more than 6 years with different positions for Johnson Controls interior experience; he was a commercial director for China and Southeast Asia and was acting general manager for Johnson Controls Chongqing joint venture. Before joining Johnson Controls Inc., Mr. Kejian Lu had spent 6 years with GE Silicons, responsible for Greater China sales and marketing.

Mr. Kejian Lu has extensive knowledge in Sales and Marketing.

Mr. Kejian Lu does not hold any equity share of the Company in his individual capacity.

Details of other directorships/committee memberships held by Mr. Kejian Lu in other Indian Companies are as follows:-

Name of the Company	Status	Committee positions
NIL	NIL	NIL

Mr. Kejian Lu is a representative director of M/s. Johnson Controls, Inc, who are persons acting in concert (part of the Promoters group).

(iii) Mr. Ravi Bhamidipati

Mr. Ravi Bhamidipati is a Chemical Engineer (B Tech) from University College of Engineering, Andhra University and a Post Graduate in Industrial Engineering (PGDIE) from the National Institute of Industrial Engineering (NITIE), Mumbai. Presently he is the chief executive of ECS Limited, a business management consulting firm - a joint venture between the Eicher Group and the Strategic Decisions Group (SDG), USA. Prior to joining ECS, Mr. Ravi Bhamidipati was executive director with a Big 4 Consulting firm where he led the supply chain practice nationally. He had also held positions of increasing responsibility at Arvind Clothing, Asian Paints and RHL (P&G) earlier in his career. Mr. Ravi Bhamidipati is recognized as a leader in Supply Chain Management (SCM) and his work has been published as well as presented to a number of industry bodies. He has been a member of several steering committees on SCM and ERP, where he focuses on ways to leverage technology to enhance SCM effectiveness.

Mr. Ravi Bhamidipati does not hold any equity share in the Company.

Details of other directorships/committee memberships held by Mr. Ravi Bhamidipati are as follows:-

Name of the Company	Status	Committee positions
NIL	NIL	NIL

(iv) **Ms. Jacqueline J Ertl**

Ms. Jacqueline J Ertl is group Vice President and General Counsel for the Power Solutions group of Johnson Controls Inc, in Milwaukee, Wisconsin, USA. She graduated from Marquette University Law School (with honors) in 1993 where she was Administrative Editor of the Marquette Law Review. She is also a 1988 graduate at St. Norbert College with a BBA in international business and alumni of Kellogg School of management's executive development program.

Ms. Jacqueline J Ertl does not hold any equity share of the Company in her individual capacity.

Details of other directorships/committee memberships held by Ms. Jacqueline J Ertl are as follows:-

Name of the Company	Status	Committee positions
NIL	NIL	NIL

Ms. Jacqueline J Ertl is a representative director of M/s. Johnson Controls, Inc, who are persons acting in concert (part of the promoters group).

9. Pursuant to Section 205A of the Companies Act, 1956, dividends that remain unpaid or unclaimed for a period of seven years 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.

Therefore, members who have not encashed their dividend warrants for the earlier years are requested to get their dividend warrant revalidated and encash the same.

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

Item No. 7

Jacqueline J Ertl is a nominee director of Johnson Controls Inc., and she was appointed as an additional director of the Company with effect from 10th April 2007 consequent upon the resignation of Mr. Jerome D Okarma. She holds office upto the date of the annual general meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a member along with the prescribed deposit proposing the appointment of Ms. Jacqueline J Ertl as a director of the Company.

Jacqueline J Ertl is group Vice President and General Counsel for the Power Solutions group of Johnson Controls Inc, in Milwaukee, Wisconsin, USA (JCI). She graduated from Marquette University Law School (with honors) in 1993 where she was Administrative Editor of the Marquette Law Review. She is also a 1988 graduate at St. Norbert College with a BBA in international business and alumni of Kellogg School of management's executive development program.

None of the directors is concerned or interested in the resolution other than Mr. Steven Gibbs and Mr. Kejian Lu.

Ms. Jacqueline J Ertl, Mr. Steven Gibbs and Mr. Kejian Lu are all representative directors of JCI (Person acting in concert).

The directors recommend the resolution for approval.

Item Nos. 8 – 10

It is proposed to re-organize the share capital as well as the issued, subscribed and paid-up share capital of the Company by sub-dividing the equity shares of the face value of Rs. 10/- each into equity shares of the face value of Rs. 2/- each.

Accordingly, the share capital of the Company will be sub-divided into 7,50,00,000 equity shares of Rs. 2/- each. The issued, subscribed and paid-up share capital, as existing on the record date for the purpose of sub-division of the equity shares, will be sub-divided into equity shares of the face value of Rs. 2/- each fully paid-up,

with effect from that date.

The proposed sub-division of the equity shares into shares of smaller denomination, as aforesaid, would facilitate easy accessibility to the Company's equity shares by investors and enhance the liquidity of the Company's shares on the stock exchanges.

Consequent to the sub-division of the equity shares of the Company it is necessary to amend the clauses relating to the share capital in the Memorandum and Articles of Association of the Company to reflect the proposed change in the face value of the equity shares. Accordingly, the resolutions at item nos. 9 and 10 are also placed for approval of the members.

The consent of the members is being sought in accordance with the provisions of Sections 13, 16 and 94 and other applicable provisions of the Companies Act, 1956 and Article 57 of the Articles of Association of the Company.

Memorandum of Interest:

The directors of your Company are interested in the said resolutions directly / indirectly to the extent of their respective shareholdings in the Company.

The directors recommend the resolutions at item nos. 8 to 10 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.

By Order of the Board

Chennai
22nd June 2007

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 2007.

FINANCIAL RESULTS

Particulars	Rs. Millions	
	For the year ended	
	31st March 2007	31st March 2006
Profit After Tax	470.44	238.47
Add: Profit brought forward from last year	749.03	566.87
Profit available for appropriation	1219.47	805.34
Appropriation		
General Reserve	47.04	23.85
Dividend (Including Dividend Tax)	46.63	32.46
Surplus carried to Balance Sheet	1125.79	749.03

PERFORMANCE:

The year under review has witnessed yet another remarkable performance with 67% growth in gross sales at Rs.7,451 million as against Rs.4,458 million in the previous year. The Profit Before Tax (PBT) for the year under review was Rs.711.98 million as against Rs. 373.46 million in the previous year. The Profit After Tax (PAT) for the year stood at Rs.470.44 million as against Rs.238.47 million in the previous year. The aggregation of higher sales revenue, effective assimilation of overheads and CIP measures has resulted in significant increase in profitability. The industrial battery volumes grew 55% and automotive battery volumes grew 50% over the previous year.

CAPACITY EXPANSION

As indicated in the last report, the Company has successfully completed the expansion of its 2V VRLA annual capacity from 240 million AH to 350 million AH. This capacity was further augmented to the level of 400 million AH through productivity improvements. The Company also has enhanced its automotive (monobloc) battery capacity from 2.4 million units per annum to 3.60 million units per annum. During the year, the Company has announced aggressive capex plan contemplating an investment of Rs. 2,016 million. The committed plan include capacity enhancement of automotive battery to 5.40 million units per annum and establishment of two wheeler and SVRLA battery facility at Tirupati with an initial capacity of 5.74 million units per annum. All expansion plans, undertaken by the Company during the year under review, are progressing as per schedule.

BORROWING

The Company's debt-free status was leveraged by securing term borrowing equivalent to Rs. 840 million to part fund its expansion programme. After a careful review of various options for borrowings, the Company has availed term loans from M/s. Citibank, NA and M/s. BNP Paribas with a combination of both rupee and foreign currency loan at competitive rates.

APPROPRIATIONS

DIVIDEND

Your directors have pleasure in recommending a dividend of Rs.3.50 per equity share for the financial year ended 31st March 2007. The dividend will absorb a sum of Rs. 46.63 million inclusive of tax on dividend.

The register of members and share transfer books will remain closed from 2nd August 2007 to 14th August 2007 (both days inclusive). The annual general meeting of the Company has been scheduled for 14th August 2007.

TRANSFER TO RESERVES

We propose to transfer Rs.47.04 million to the general reserve. An amount of Rs.376.77 million is proposed to be retained in the profit and loss account.

SUB-DIVISION OF SHARES

The board has proposed to re-organize the share capital as well as the issued, subscribed and paid-up share capital of the Company by sub-dividing the equity shares of the face value of Rs. 10/- each into equity shares of the face value of Rs. 2/- each.

The sub-division of shares would facilitate easy accessibility to the Company's equity shares by investors and enhance the liquidity of the Company's shares on the stock exchanges.

DIRECTORS

Mr. Ramachandra N. Galla, Mr. Kejian Lu and Mr. Ravi Bhamidipati, Directors, retire by rotation in terms of Article 105 (a) of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

Mr. Kejian Lu was appointed as an alternate director to Mr. Raymond J Brown effective 7th April 2006 and consequent upon the resignation of Mr. Raymond J Brown he was appointed as a regular director with effect from 27th July 2006.

Mr. John D Major resigned from the board with effect from 30th January 2007 and Mr. Jerome D

Okarma was appointed as a director in his place. Ms. Manjula Chawla who was acting as an alternate director to Mr. John D Major vacated office and subsequently appointed as an alternate director to Mr. Jerome D Okarma.

Mr. Jerome D. Okarma resigned from the board with effect from 10th April 2007 and Ms. Manjula Chawla resigned as alternate director consequent to the resignation of Mr. Jerome D. Okarma.

Ms. Jacqueline J Ertl was appointed as additional director with effect from 10th April 2007. Ms. Manjula Chawla was appointed as alternate director for Ms. Jacqueline J Ertl with effect from 10th April 2007.

Ms. Jacqueline J Ertl who was appointed as an additional director will hold office upto the date of this annual general meeting. The Company has received notice under Section 257 of the Companies Act, 1956 proposing her candidature for the position of a director and accordingly the resolution for the same is being placed before the shareholders for their approval at the ensuing annual general meeting.

Mrs. Amara Kumari Galla, resigned from the board with effect from 22nd June 2007. Dr. G. Ramadevi was appointed as a director of the Company with effect from 22nd June 2007 in the casual vacancy arisen out of the resignation of Mrs. Amara Kumari Galla.

The directors wish to place on record their appreciation for the valuable services rendered by Mr. Raymond J Brown, Mr. John D. Major, Mr. Jerome D. Okarma and Mrs. Amara Kumari Galla.

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 and loss account for the financial year ended 31st March 2007 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 and submit the cost audit report for the financial year 2006-07.

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. K. Suresh, Financial Controller, have given a certificate to the board as contemplated in sub-clause V of clause 49 of the listing agreement.

TRANSFER OF UNCLAIMED DIVIDEND TO THE INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 205A of the Companies Act, 1956,

an amount of Rs. 1.84 million being unclaimed dividend relating to the financial years 1998-99 and 1999-00 were transferred during the year to the Investor Education and Protection Fund (IEPF) 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 2007.

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 corporate operations office of the Company. Any member interested in obtaining such particulars may write to the Company Secretary at the corporate operations office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars of conservation of energy, technology absorption, foreign exchange earnings and outgo 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 gratefully acknowledge and 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 2007

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 2007.

A. CONSERVATION OF ENERGY

The Company continues its ongoing efforts on energy conservation through upgradation of process technology, effective 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	2006 – 07	2005-06
1. Electricity		
(a) Purchased		
Unit (Kwh)	49,997,502	34,754,879
Total amount (Rs.)	146,013,849	87,990,394
Rate / Unit (Rs.)	2.92	2.53
(b) Own generation		
(i) Through diesel generator		
Unit (Kwh)	82,995	59703
Unit per litre of diesel	2.28	2.51
Cost / Unit (Rs.)	14.37	13
(ii) Through steam turbine / generator	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Others		
(a) LPG		
Units (Kgs)	198,118	148,665
Amount (Rs.)	7,242,519	5,297,656
(b) Acetylene – Commercial Units (Cubic Mtrs)	20,283	13,292
Amount (Rs.)	2,677,393	1,754,524
(c) Oxygen Units (Cubic Mtrs)	35,626	26,334
Amount (Rs.)	644,960	526,680
B Electricity consumed in Kwh per lakh of Ampere hour produced	3,757	4,323

B. TECHNOLOGY ABSORPTION

Research and Development

1. Specific areas in which R&D is carried out by the Company:

- Bench marking of competitor 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 up-gradation to make the batteries robust and high end performer.
- Sharing of information through journals.
- Development of import substitutions.

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

- Developed & commercialized new 2V high performance batteries for industrial application.
- Development of "PowerZone" branded automobile battery for the Indian rural market.
- Increased productivity through expanded metal plate technology for automotive applications.
- Improved the usage of recycled plastics.
- Developed environment friendly materials as an alternate to hazardous materials.
- Studied "lead acid paste material characterization-cured paste" facilitating new product development.
- "An optimized pre-treatment method in the analysis of negative plate of lead acid battery" published in Journal of Power Sources, Ireland.
- Developed state of art manufacturing facilities for acid filling, stacking, group burning, leak testing and plate cleaning.

3. Future Plan of Action:

- Develop small VRLA batteries to meet small UPS, EPABX, emergency light, telecom needs.
- Develop suitable battery technology for other industrial applications.
- Develop batteries for home power needs.
- Commercialization of two wheeler batteries to penetrate into new market segment.
- Product design to incorporate quick charge acceptance.
- Develop technologies that helps reduce manufacturing cycle times.
- Develop technology to improve lead material efficiency.

- Customize the product design by optimizing cured and formed plate morphology.
- Create business/technology development cell to explore emerging storage technologies.
- Develop low cost battery assembly line equipments.

4. Expenditure on R&D (Revenue & Capital) during 2006-07

Rs. Millions			
Sl.No	Particulars	2006-07	2005-06
1	Capital	0.194	0.340
2	Recurring	8.146	5.136
	Total	8.340	5.476
	Total R&D expenditure as percentage of total turnover	0.11%	0.12%

Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation

- Innovative battery designs suiting different market and customer segments.
- State of the art equipments for acid filling, stacking, group burning, leak testing and plate cleaning.
- Introduction of expanded grid technology in automotive batteries.

2. Benefits derived as a result of the above efforts:

- Cost reduction.
- Environmental protection.
- Material usage reduction and energy conservation.
- Enhanced performance and reliability of the product.
- Enhanced market share.
- Penetration into newer markets.
- Foreign exchange earnings.

Information regarding Imported Technology

a) Technology Imported

The Company has imported technology for the manufacture of automotive (SLI) batteries from Johnson Controls Inc.

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., as and when 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.

Export earnings for the year, earned in foreign exchange equivalent, are Rs. 287.36 million.

Batteries were exported to countries such as Afghanistan, Australia, Greece, HongKong, Japan, Kuwait, Oman, Philippines, Singapore, Tanzania, Taiwan, Thailand, UAE and West African Countries.

The emphasis on international business continues, the objective is to continuously expand the international business to make it a sizable proportion of the Company's turnover.

Total Foreign exchange used and earned

Rs. Millions			
Sl. No.	Particulars	2006-07	2005-06
1.	Foreign Exchange Used	2343.70	1448.25
2.	Foreign Exchange Earned	287.36	310.52

On behalf of the Board

Chennai
22nd June 2007

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.

Economy and Environment

Consistent double-digit growth in manufacturing and services sector saw the Indian economy recording a 19 year high in Gross Domestic Product (GDP) growth of 9.4% for 2006-07 as against a growth rate of 9.0% in 2005-06, pushing the absolute size of the economy to Rs.40 lakh crores or US\$ 1 trillion at current market prices. The savings and investment touched record levels at 32.4% and 33.8 % of GDP respectively. Moreover, per capita income has registered a growth of 8.4% during 2006-07, which is an outstanding accomplishment by Indian as well as global standards. Manufacturing and services sector drove the surge, while growth in agriculture actually slackened as compared with 2005-06.

In the industrial sector, productivity and efficiency gains are order of the day. In the face of liberal imports, moderation in tariffs and tax rates and burgeoning Foreign Direct Investment (FDI), Indian industry is more globally competitive than ever. India Inc. is aggressively securing access to international markets fuelled by the new ambition backed up by progressive management. The policy environment has also played a key role in this resurgence of Indian industry. In 2006-07, both industrial and services have acted as the twin engines propelling the growth of economy, contributing about 26% and 55% of the GDP respectively. Manufacturing and services sector grew by 12.3% and 11% respectively in 2006-07. Significant progress was witnessed in attracting the private investment from domestic as well as overseas in several sectors including infrastructure like roads, airports, power and telecom.

In recent years, the capital flows have become larger, accounting for 15 per cent of global net private capital flows to emerging market economies. There has been a surge in the FDI into India as well as borrowings in international financial markets by Indian corporate. portfolio flows into Indian stock exchanges have shown resilience and the BSE Sensex has crossed the 14000 mark in its history.

An important emerging element in the capital account deficit being modest, the rising profile of net capital flows has resulted in steady accretions to the foreign exchange reserves, which has more than doubled from US \$ 76 billion at the end of March 2003 to around US \$ 200 billion at the end of March 2007.

Outlook

The growth prospects of Indian economy have strengthened considerably and appear well poised to build on the current momentum. The challenge at this juncture is to manage the transition to a higher growth path while containing inflationary pressures and increase in interest rates.

The RBI's monetary policy has already resulted in reduced inflation, which is expected to be at the level of 4 to 4.5 percent over the medium-term in FY 08.

Operating profit margins of Indian companies are still at attractive levels and likely to remain robust. As fears of a further increase in interest rates recede and the growth momentum provides room for an expansion in revenues, sufficient internal accruals would be created. That will provide funds for new projects without having too adverse an impact on leverage. In fact, investments in capacities with a minimum impact on debt-equity ratio is a unique feature of the current growth phase.

Industrial Batteries

During the year under review, the Company has expanded its manufacturing capacity by almost 50% backed up by strong demand from user segments (both telecom and UPS) and owing to the continued preference to our products, we have leveraged the manufacturing capacity to attain the objective of growth and market share.

The Indian **Telecom** space continues to be one of the high growth markets in the world. The teledensity as at the end of March 2007 was at 18% (approx.). If one takes into account the 1.1 billion population and 165-166 million mobile subscribers that we have in the country as on March 2007, it is obvious that there is plenty of scope to grow this figure up to 30-35%.

With the Country's telecom subscriber base target being revised to 500 million subscribers with a teledensity of 40% by 2010, the telecom space will be the sector where the action is all about. In line with these inspiring plans of the telecom sector, BSNL had floated the biggest of tenders for the roll out of 45 million GSM lines. The private service providers are also expected to jump into

action and commit matching resources for expanding their network and services to retain their share of subscribers.

Based on the present indications, the battery industry might experience bottlenecks in the manufacturing capacity to cater to bunched up requirements from all key customers at the same time. The Company is constantly reviewing its manufacturing capacity to cater to the growing demand to leverage the overall buoyancy in the telecom segment.

The Indian **UPS** industry is experiencing its steepest growth in recent memory and we expect this trend to continue in the near future. Propelled by the growth in the IT and ITES industry, as well as the continued power shortage situation in the country, the UPS sector has a lot of growth to look forward. The UPS battery market derives growth through its supplies to OEs as well as through the Company's channels. To tune into the growth, the Company has been expanding its network of Channel partners and relationships.

In the industrial segment the Company continues to focus on the use of VRLA batteries in segments such as Oil, Power, Cement, Chemical etc.

During 2006-07 the Company's sales volume of VRLA batteries grew 55% over the previous year. This was fuelled by high growth in the user segments of Telecom and UPS systems. Realizations for battery supplies to the telecom sector have been revised upwards due to the steep increase in the price of lead, the critical raw material.

Automotive Batteries

The year under review has been a year of consolidation for the Company in the passenger car segment by increasing share of business and entry into new platforms like Maruti-Estilo, Ford-Fiesta/Fusion and joint development with renowned car majors for new platforms to be unveiled. It continued to be an exclusive supplier to Ford and on the successful LCV –Tata-"ACE." The Company increased its share of business with existing customers. The Company had a market share of close to 26% in the served OE markets as at the end of the financial year.

New brand communication has positioned **AMARON**[®] as "India's Most Powerful Battery". The Company has adopted the 720^o brand communication approach with the launch of Amaron PRO Racing, to improve the impact of investment into the brand. The product look and feel

was tailored to reinforce the brand character. Customers' increased expectations were met with enhanced life for the Harvest, Hi-Way and Shield range of batteries backed up by a higher warranty.

The Company continued to expand its network. At the end of the year, there were 152 franchisees and 14000 active retailers. Service reach drastically improved with doubling the number of service-hubs to 1500. With an extensive pan-India sales and service network **AMARON**[®] continues to provide utmost convenience and care to the customers.

With a volume growth of over 50%, **AMARON**[®] remains the fastest growing after market battery brand in India. The Company has recorded a growth of 125% in the SAARC markets (Srilanka, Nepal and Bhutan).

During May 07, the Company has launched a new retail store format - **PowerZone** -to cater to the growing need for better technology and better service at affordable price in the rural markets. **PowerZone** will offer top quality automotive and power related products for the rural households and shops. It will be a one stop shop offering a platter of products of global quality at local prices, right from automotive batteries, tractor batteries amongst others from the house of Amara Raja.

Exports

During 2006-07, the Company exported batteries to Afghanistan, Australia, Greece, Hong Kong, Japan, Kuwait, Oman, Philippines, Singapore, Taiwan, Tanzania, Thailand, UAE and West African Countries. Owing to the steep increase in lead price levels, the Company was forced to increase its prices in the export markets resulting in slow down on the volumes. The Company's batteries continue to be rated high for their performance in the export markets. The Company will continue its focus on developing new export markets in Indian ocean rim region.

Information Technology

The Company on a continuous basis keeps investing in its information technology backbone to enable improvements in information dissemination. During the year, the Company focused on further consolidation of systems in its Enterprise Resource Planning (ERP) by integration with customers' and vendors' systems. A new franchisee management system was deployed, which provides various data in the centralized platform, for effective data management, data analysis, and implementation of best business practices amongst franchisees and to optimize the communication cost.

Financial Review

The Company has reported a robust performance for the year 2006-07, reaffirming the confidence reposed by the stakeholders in the Company. The Company has achieved an all round growth in sales and profitability, led both by the automotive & industrial battery segment. The Company has achieved 67% growth in gross revenue at Rs. 7,451 million as against Rs. 4,458 million in the previous year.

The rising input cost, due to lead price increase, was offset by the improved efficiencies in operations. The Company is pursuing various cost optimization initiatives with meticulous planning and productivity and process improvement through Total Productivity Management and Lean Manufacturing Practices. The Company is continuously investing in de-bottlenecking and technically efficient solutions.

The Profit Before Interest, Depreciation, Tax and Amortization (PBIDTA) increased to Rs. 913 million as against Rs. 534 million in previous year and showed a growth of 71% over the previous year. The Company's Profit Before Interest and Tax (PBIT) has grown by 92% to Rs. 743 million as against Rs. 387 million in the previous year. The Company has achieved Profit After Tax (PAT) of Rs. 470 million as against Rs. 238 million in the previous year with an impressive growth of 97%.

The liquidity of the Company has been very healthy. The Company has raised funds through term funding, nearly after a gap of 17 years, to part fund the on going automotive capacity expansion (capex). The cash generations, during the year, from operation has been deployed to fund the increasing working capital needs, capacity expansions undertaken during the year and regular capex commitment.

Internal Controls

The Company has proper and adequate systems of internal controls to ensure that its assets are safeguarded against losses. The Company has in place effective systems for achieving efficiency in operations, optimum and effective utilization of its valuable resources, monitoring thereof and compliance with applicable laws.

During the year 2006-07 the Company had outsourced a management consultant firm to conduct an extensive audit on compliance under various applicable laws and procedures and chartered accountant firms to conduct stock audit at its various warehouses and branches. The said audit reports were placed before the audit committee and the board for their review and record.

A detailed template depicting compliance needs under various applicable laws was also provided to the respective departments to ensure effective compliance.

The existing ERP system is being reviewed at frequent intervals to ensure that it is upgraded to meet the business requirements. With new initiatives like **PowerZone** and franchisee management solutions being rolled out, the Company is reviewing its robustness in providing the reports for management reporting and adherence to the internal controls and checks that will be generated out of the new initiatives.

Adherence to the internal controls and their adequacy is ensured through frequent management/internal audits. A qualified and independent audit committee of the board of directors also reviews the internal audit reports and the adequacy of internal controls at regular intervals.

Human Resources

Amara Raja continues to view human capital as one of its strategic assets, a key differentiator in this dynamic market scenario. The organization has a strong thrust to its human resources development through a well thought out strategy that focuses on continuous enhancement of employee engagement, employee development and employee performance. Alignment of all employees to its value system and objectives is emphasized across all levels of the organization.

Collaborative leadership and empowerment which forms part of the core values of the Company is embedded in all aspects of work life in the organization. The organization has been continuously enhancing its people programmes to enable employees to accomplish alignment and achievement of the individual and organization goals.

The organization has a nimble design with an open, transparent and invigorating work culture that enables them to respond to the ever changing market conditions. As an ISO 9001, ISO 14001 and TS 16949 certified Company, Amara Raja's employees are continuously exposed to an environment which focuses on people, processes, systems, technology, innovation and learning.

With over 1584 employees in its rolls, Amara Raja is emerging as one of the preferred employers in the country today.

Risk Management

Risk is an expression of uncertainty about events and their possible outcomes that could have material impact on the profitability of the Company. Risk management

is not about minimizing an organization's risk exposure but is about exploiting risk for maximum competitive advantage. Most organizations cannot quantify their risk exposure and have no common basis to evaluate their risk appetite relative to their risk exposure. Risk appetite is the amount of risk an organization is willing to absorb to generate the return, it expects to gain. The objective is not to eliminate all risks but rather to match risk exposure to risk appetite.

Amara Raja has a comprehensive and integrated risk management framework, representing the core of the Company's de-risking initiatives. These include prudential norms as well as structured reporting and control mechanism, leading to timely information and proactive risk management. This approach at Amara Raja ensures that the risk management discipline percolates to operating managers, helping the Company to mitigate risks at transactional level.

The Company ensures sensitivity to detect risk, flexibility to respond to risk and ensuring capability of resources to mitigate risk. The risk is assessed in Strategic Planning and Business Review & Planning.

Economy Risk

The Indian economy is expected to slowdown to 8.5% to 9% GDP growth rates, as compared to the 9.4% growth achieved during 2006-07. Further with the RBI's measured interventions to contain inflation, increased interest rates coupled with constraints in money supply has moderated the high growth trajectory. These measures resulted already in slow down in the automobile sector, in which the Company is having significant business interests.

Risk Mitigation

It is a possibility that the slow down in sales of automobiles could result in drop in the Company's sales volume to OEMs. However, it must be noted that the Company serves both OEM as well as after market. The after market potential is based on the replacement of batteries by the vehicles that are already on the road and hence it is unlikely to be impacted in the near future, given the huge population of vehicles. Amara Raja is reasonably placed to address the after market through a well established distribution network aided by visible brands. Also, the Company's effort through category education is catalyzing replacement market in moving towards organized sector, presenting increasing potential as we go along.

Business risk

The Company is into the business of manufacture and sale of batteries both for industrial and automotive segments. The Company is dependent more on the growth of automobile and telecom sectors, which are influenced by macro economy, regulatory environment and policy changes of the Government.

Risk Mitigation

The Company continuously monitors the developments both in automobile and telecom sector. The indications are that these sectors will continue to do well over the next 3 to 5 years. With the investment of almost Rs. 200 to Rs. 300 billion in the pipeline by domestic and international majors in Indian auto industry, the Company is expected to stay on course in the years to come. Further, with the projected growth in number of telecom subscribers, the Company estimates that the business will grow in tandem with the said growth.

Environmental Risk

Lead, the main raw material for battery manufacturing, has been graded as one of the highly polluting item and hence the Company's operations are subjected to extensive environment laws and regulations.

Risk Mitigation

The Company continues to comply with the strictest of the environmental norms and regulations. The Company monitors the lead in blood level of the workers regularly and ensures that the levels are within the acceptable norm. The Company operates under a comprehensive environmental, health & safety compliance program. The Company has installed all necessary pollution abatement equipment to control emissions and discharges.

Currency Risk

About 40% of the Company's expenditure is in foreign exchange predominantly due to import of the key raw material lead. There has been a wide swing in rupee against the US dollar and the main concern is the way in which the rupee has appreciated/depreciated during the past years.

Risk Mitigation

The Company enters into forward contracts to hedge its foreign exchange exposure. It has laid down policy and procedure to de-risk itself against currency volatility and out sources expert advice whenever required. The Company also has a currency risk management committee which appraises the board about the risk assessment and minimization procedure at periodic intervals.

Raw Material Risk

Lead, the prime raw material for battery manufacturing across the globe, has been witnessing steep increase in price, touching a price of US\$ 1980 during March 2007. With the uptrend continuing it has crossed US\$ 2600 and had been hovering above the said level. The reasons that can be attributed to the high prices are the decline in LME stocks from a peak of around 110,000 tonnes at the end of the second quarter of 2006 to current levels around 40,000 tonnes, supply problems arising out of production stoppages at key mines in Europe, environmental issues in Australia, export tax on lead in China and increasing demand in China and India.

Risk Mitigation

The Company is addressing the risk by having lead escalator clause in the contract with certain customers, through strategic price hikes from time to time based on market conditions, optimization of lead consumption through better product engineering, process technology & continuous improvements and to a certain extent through junk collection for recycling. The Company is using the hedging mechanism for minimizing the risk in a smaller way. Commodity risk management committee has been formed to monitor and advise the management on the plan of action to mitigate the risk of high price of lead.

Competition Risk

Buoyancy in overall growth in Indian economy, more so in the telecom and automotive industry, has resulted in new entrants in the battery industry in addition to the

capacity expansion plans of existing players. This could lead to intense competition and price pressure in the industry. Further, imports under liberalized import regulations could pose threats.

Risk Mitigation

Amara Raja has created a unique place for itself in the battery industry, both in the industrial and automotive segments. The Company has been regular in expanding its capacities to achieve economies of scale and also enhanced the coverage of its channel network. With the impending introduction of two wheeler and small VRLA batteries and the **PowerZone** retail concept, the Company believes that it can improve its market share progressively backed by the superior quality of the products and services.

Cautionary forward-looking statement

The Company has made forward-looking statement 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 expenditure 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.

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance is most often viewed as both the structure and the relationships which determine corporate direction and performance. The board of directors is typically central to corporate governance. Its relationship to the other primary participants, typically shareholders and management, is critical. Additional participants include employees, customers, suppliers and creditors. The corporate governance framework also depends on the legal, regulatory, institutional and ethical environment of the community.

The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.

Amara Raja is managed under the direction of the board of directors, whose purpose is to maximize long-term economic value for the stakeholders. In fulfilling its duties,

the board and its committees oversee the corporate governance of Amara Raja, oversee and advise management in developing the financial and business goals, oversee the public disclosures and the processes behind them and evaluate management's performance in pursuing and achieving those goals.

BOARD OF DIRECTORS

Composition

The Company has nine directors in the board with an optimum combination of executive and non-executive directors. The chairman of the board is non-executive. Eight out of Nine directors comprises of non-executive directors and one-third i.e. Three out of Nine are independent directors.

(a) The composition and category of the board of directors as at 31st March 2007 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. Steven Gibbs \$	Non Executive Director	NIL	NIL
5.	Mr. Kejian Lu \$	Non Executive Director	NIL	NIL
6.	Mr. Jerome D Okarma***\$	Non Executive Director	1	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	Non Executive Independent Director	1	NIL
10.	Ms. Manjula Chawla #	Alternate Director to Mr. Jerome D Okarma	NIL	NIL

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

** Indicates membership in Audit Committee and Shareholder and Investor Grievance Committee only.

*** Mr. Jerome D Okarma was appointed as Director to fill casual vacancy caused by the resignation of Mr. John D Major with effect from 30th January 2007.

Ms. Manjula Chawla ceased to be an alternate director to Mr. John D Major consequent upon his resignation and was appointed as an alternate director to Mr. Jerome D Okarma with effect from 30th January 2007.

\$ Mr. Steven Gibbs, Mr. Kejian Lu and Mr. Jerome D Okarma represent Johnson Controls Inc., (JCI) who are persons acting in concert and part of promoters.

None of the directors on the board is a member of more than 10 committees and chairman of more than 5 committees (as specified in clause 49 of the listing agreement), across all companies in which he/she is a director.

The independent directors have given a declaration to the Company that they satisfy the requirements of an independent director as mentioned in clause 49 of the listing agreement.

Changes in the composition of the board during the year 2006-2007

S.No.	Name	Date of Appointment	Date of Cessation
1.	Mr. Kejian Lu	27th July 2006*	-
2.	Mr. Raymond J Brown	-	27th July 2006
3.	Mr. John D Major	-	30th January 2007
4.	Mr. Jerome D Okarma**	30th January 2007	-

* Mr. Kejian Lu was appointed as an alternate director to Mr. Raymond J Brown with effect from 7th April 2006. Subsequently he was appointed as a regular director with effect from 27th July 2006 to fill in the casual vacancy caused by the resignation of Mr. Raymond J Brown.

** Mr. Jerome D Okarma was appointed as a director to fill the casual vacancy caused by the resignation of Mr. John D Major with effect from 30th January 2007.

(b) Details of Directors seeking re-appointment

Mr. Ramachandra N Galla, Mr. Kejian Lu and Mr. Ravi Bhamidipati, Directors, retire by rotation at the ensuing annual general meeting and are seeking re-election. Ms. Jacqueline J Ertl* who was appointed as an additional director with effect from 10th April 2007 holds office upto the date of the annual general meeting and seeks appointment. Relevant details relating to them (brief profile) are furnished in the notice convening the annual general meeting to be held on 14th August 2007.

* Ms. Jacqueline J Ertl was appointed as an additional director consequent to the resignation of Mr. Jerome D Okarma with effect from 10th April 2007.

(c) Board meetings and attendance at board meetings and annual general meeting

The dates of the board meeting to be held in a year are normally finalized in advance. The company secretary in consultation with the chairman and the

managing director of the Company draft the agenda and agenda notes for each meeting and forward such agenda to all members of the board well in advance. Each director is free to give their opinion to include/exclude any item in the agenda and may seek information/clarification from the company secretary in this regard.

The board of directors met 6 times during the financial year 2006–2007. i.e. 7th April 2006, 22nd June 2006, 27th July 2006, 14th August 2006, 26th October 2006 and 30th January 2007. The maximum gap between any two meetings was less than 4 months as stipulated under clause 49 of the listing agreement.

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	6	Yes
2.	Mrs. Amara Kumari Galla	5	Yes
3.	Mr. Jayadev Galla	6	Yes
4.	Mr. Raymond J Brown	2	No
5.	Mr. John D. Major	2	No
6.	Mr. Steven Gibbs	5	Yes
7.	Mr. Kejian Lu	4	No
8.	Jerome D Okarma *	-	NA
9.	Mr. P. Lakshmana Rao	4	Yes
10.	Mr. Ravi Bhamidipati	5	No
11.	Mr. Nagarjun Valluripalli	4	No
12.	Ms. Manjula Chawla	2	NA

* Jerome D Okarma was appointed as a director with effect from 30th January 2007 and he resigned from the board with effect from 10th April 2007.

(d) Information placed before the board

The board of directors is presented with all the relevant information relating to the day to day business affairs/operations of the Company and particularly those matters which require special attention. In addition to the matters required to be placed before the board as mentioned in clause 49 of the listing agreement and which require

approval/noting under various acts, rules and regulations etc., the board is also provided with all the information which need to be reviewed periodically.

Board Committees:

Presently the board has four committees viz. audit committee, shareholder/investor grievance committee, remuneration committee and share transfer committee.

It is the responsibility of the board to constitute, nominate members, assign the duties and responsibilities for each committee etc. The committees normally meet at least four times in a year except remuneration committee and share transfer committee which meets as and when the need arises.

The quorum fixed for the meeting of each committee is either two or one-third of the total number of the members, whichever is higher.

The company secretary acts as secretary to all the 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 an audit committee as envisaged in the listing agreement. the terms of reference of the audit committee broadly are as under:

- a) 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 statutory/internal auditors;
- b) To meet at least four times in a year or more frequently, if required.
- c) Discussion with internal auditors on significant audit findings and follow up thereon;
- d) To review compliance with internal control systems;

- e) To review the quarterly, half-yearly and annual financial results of the Company before submission to the board;
- f) To make recommendations to the board on any matter relating to the financial management of the Company, including the audit report;
- g) Recommending the appointment/reappointment of statutory auditors and fixation of their remuneration;

The scope of the audit committee includes amongst other matters which are set out in clause 49 of the listing agreements 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 Director
2	Mr. Nagarjun Valluripalli	Member – Non-Executive & Independent Director
3	Mr. Ravi Bhamidipati	Member – Non-Executive & Independent Director
4	Ms.Manjula Chawla*	Member – Non-Executive – Alternate Director

All the members have good financial knowledge and the chairman of the audit committee is a qualified finance professional.

Audit committee meetings are attended by the head of finance and accounts and company secretary. The statutory auditors, cost auditor and internal auditor are also invited to attend the meetings. The company secretary acts as the secretary to the committee.

The committee met 5 times i.e. on 5th April 2006, 22nd June 2006, 21st July 2006, 24th October 2006 and 29th January 2007 during the year ended 31st March 2007 and the gap between two meetings has not exceeded four months.

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	5
2.	Mr. Ravi Bhamidipati	Member	5
3.	Mr. Nagarjun Valluripalli	Member	5*
4.	Ms. Manjula Chawla	Member	2

* Includes a meeting in which Mr. Nagarjun Valluripalli participated through teleconference.

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 to the remuneration committee are to recommend to the board the base 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/ED.

Composition

The committee at present comprises of the following members:

Sl.No.	Name	Chairman/ Member
1.	Mr. P.Lakshmana Rao	Chairman
2.	Mr. Ravi Bhamidipati	Member
3.	Mr. Nagarjun Valluripalli	Member

As there was no requirement to have a remuneration committee meeting, the committee did not meet during the year 2006-07.

Commission to non-whole time directors

The Company received the approval from the Ministry of Company Affairs (MCA), Government of India vide Letter No. 1/100/2006-CL.VII dated 8th August 2006, under section 309 (4) of the Companies Act, 1956 for payment of commission to non-executive directors not exceeding 4% of the net profits of the Company in any financial year for a period of five years with effect from 1st September 2005 which includes not exceeding 3% commission on net profits payable to non-executive chairman, Mr. Ramachandra N Galla. The payment to all other non executive directors not exceeding 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.

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 2007 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.) 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).

Sitting fees paid to Non-Executive Directors:

Name	Sitting Fees paid (Rupees)
Mr. Ramachandra N Galla	12,000
Mrs. Amara Kumari Galla	10,000
Mr. P.Lakshmana Rao	18,000
Mr. Ravi Bhamidipati	20,000
Mr. Nagarjun Valluripalli	16,000
Ms. Manjula Chawla	8,000

Remuneration paid to executive director:

Rs. Millions

Name	Salary/ Allowances	Contribution to provident fund	Value of perquisites	Commission
Mr. Jayadev Galla	2.40	0.01	1.20	35.09

The Company has service contract with Mr. Jayadev Galla for a period of 5 years with effect from 1st September 2005. **The notice period is three months and no severance compensation is payable.**

Remuneration paid to non-executive director by way of commission:

Name	Commission Rs. Millions
Mr. Ramachandra N Galla, Non-Executive Chairman	23.22

Mr. Ramachandra N Galla, non-executive chairman was paid remuneration by way of commission @ 3% of the net profits of the Company for the financial year 2006-07.

The other non-executive directors were not paid any commission during 2006-07.

Shareholders/Investors Grievance Committee**Terms of reference**

The shareholders/investors grievance committee oversees the Company's relationship with the shareholders and ensures that the shareholder grievances are redressed in time.

Composition & Meetings

Mr. P. Lakshmana Rao, independent director, is the chairman of the shareholder/investor grievance committee.

Mr. N. RamNathan, company secretary, is the compliance officer of the Company.

The composition of the committee and attendance at the meetings are given below:

Sl.No.	Name	Chairman / Member	Number of meetings held & attended
1.	Mr. P. Lakshmana Rao	Chairman	3
2.	Mrs. Amara Kumari Galla	Member	1
3.	Mr. Jayadev Galla	Member	3

During the year ended 31st March 2007, the committee met 3 times i.e. on 22nd June 2006, 24th October 2006 and 29th January 2007 to review the complaints

received from the shareholders and the redressal made by the Company. All the details viz., issue of duplicate share certificates, share prices on the stock exchanges, volume of transactions and the details of all complaints received from the shareholders/investors, stock exchanges and SEBI were placed before the committee and the status of such complaint were informed to the committee.

The shareholders / investors grievance committee have prescribed norms for attending to the shareholders complaints and these norms have been complied with.

The Company received and redressed 29 complaints during the year 2006-07.

General Body Meetings

The venue and time of the last three annual general meetings held are given below:

For the year ended 31st March	Venue	Day and date	Time
2004	Registered Office of the Company	Wednesday, 11th August 2004	11.00 A.M.
2005	Registered Office of the Company	Saturday, 13th August 2005	3.00 P.M.
2006	Registered Office of the Company	Monday, 14th August 2006	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
11.08.2004	NO	-
13.08.2005	YES	De-listing of shares from The Hyderabad Stock Exchange Limited
14.08.2006	YES	Payment of commission to Non Executive Directors of the Company

Postal Ballot

The Company has not passed any resolution through postal ballot during the financial year 2006-07.

There is no resolution proposed to be passed by means of postal ballot.

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 been obtaining approval of the Ministry of Corporate Affairs (MCA) 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 places the details of inter company transactions at every board meeting and gets it approved/ratified.

Transactions with the related parties are disclosed in note no. 21 of schedule 14 to the accounts in the annual report.

During the last three years there were no penalties, strictures imposed on the Company by stock exchanges or SEBI or any statutory authority, on any matter related to capital markets.

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 (www.amararaja.co.in). 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 minimization procedures. The board periodically discusses the significant business risks identified by the management and the mitigation process being taken up.

A broad framework for minimizing the risks faced by the Company by adopting a risk management policy for commodity and currency has been prepared by the Company and the same has been approved by the board of directors. The board has also constituted a committee named 'Exchange Risk Management Committee' (ERMC) for managing the exchange rate risk.

Another committee named as Commodity Risk Management Committee (CRMC) has been set up for managing the risk faced by the Company for importing lead which is the principal raw material for the Company.

Both the committees report to the managing director on a periodical basis who in turn report to the board of directors for their noting the recommendations/suggestions.

Compliance

An audit of compliance of all the statutes that are applicable to the Company have been carried out by an independent consulting firm for the period from April to December 2006 and their report together with a detailed compliance manual was submitted to the board of directors. Also the quarterly compliance reports on all the statutes are being placed in each meeting of the board of directors. The board reviews the compliance of all applicable laws and gives appropriate directions wherever necessary.

CEO and CFO certification

As required by clause 49 of the listing agreement, the CEO / CFO certification is given elsewhere in the annual report.

Compliance with mandatory requirements and adoption of the non mandatory requirements.

The Company has complied with all the mandatory requirements of the code of corporate governance as stipulated in clause 49 of the listing agreement with the stock exchanges. The Company has submitted the compliance report in the prescribed format to the stock exchanges for the quarters ended 30th June 2006, 30th September 2006, 31st December 2006 and 31st March 2007. The Company has obtained a certificate from the statutory auditors for having complied with the conditions of corporate governance as stipulated in clause 49 of the listing agreement. The said certificate is annexed to the directors' report and will be forwarded to the stock exchanges and the relevant Registrar of Companies, along with the annual report.

As regards the non-mandatory requirements, the following were adopted:

1. As detailed in the earlier paragraphs the Company has constituted a remuneration committee.
2. Other non-mandatory requirements have not been adopted by the Company for the time being.

Means of Communication

The quarterly/half yearly unaudited financial results and the annual audited financial results are normally published in Business Standard in English and Andhra Jyothi, Eenadu and Varthaa 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 the Company's website www.amararaja.co.in. Details of press releases, 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 shareholding pattern and the report on corporate governance are filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website www.sebiedifar.nic.in, maintained by National Informatics Centre (NIC).

Management Discussion and Analysis Report

As required by clause 49 of the listing agreement, 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 2007

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 2007, 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 2007

For Chevuturi Associates
Chartered Accountants

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

CEO and CFO Certification

We, Jayadev Galla, Managing Director and K. Suresh, Financial Controller, of Amara Raja Batteries Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss account, and all its schedules and notes on accounts, as well as the cash flow statements and the directors' report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report present, in all material respects, a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations;
4. No transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
5. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and we have:
 - a. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - b. evaluated the effectiveness of the Company's disclosure, controls and procedures;
 - c. disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
6. We have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's board of directors (and persons performing the equivalent functions)
 - a. all deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - b. significant changes in internal controls during the year covered by this report;
 - c. all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements;
 - d. instances of significant fraud of which we are aware, that involve management or other employees who have a significant role in the Company's internal controls system.

Jayadev Galla
Managing Director

K. Suresh
Financial Controller

Declaration on Code of Conduct

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 2007, as envisaged in clause 49 of the listing agreement with stock exchanges.

Chennai
22nd June 2007

Jayadev Galla
Managing Director

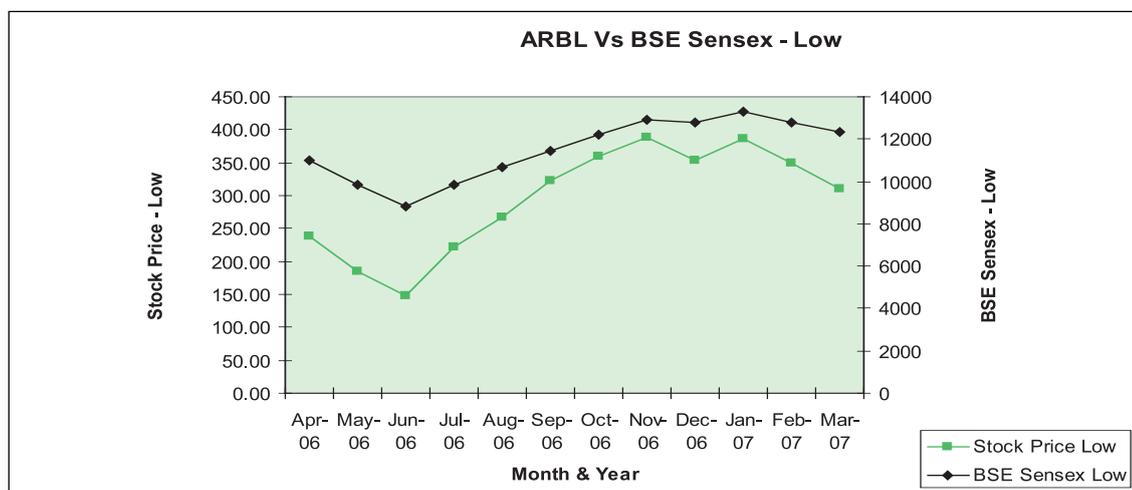
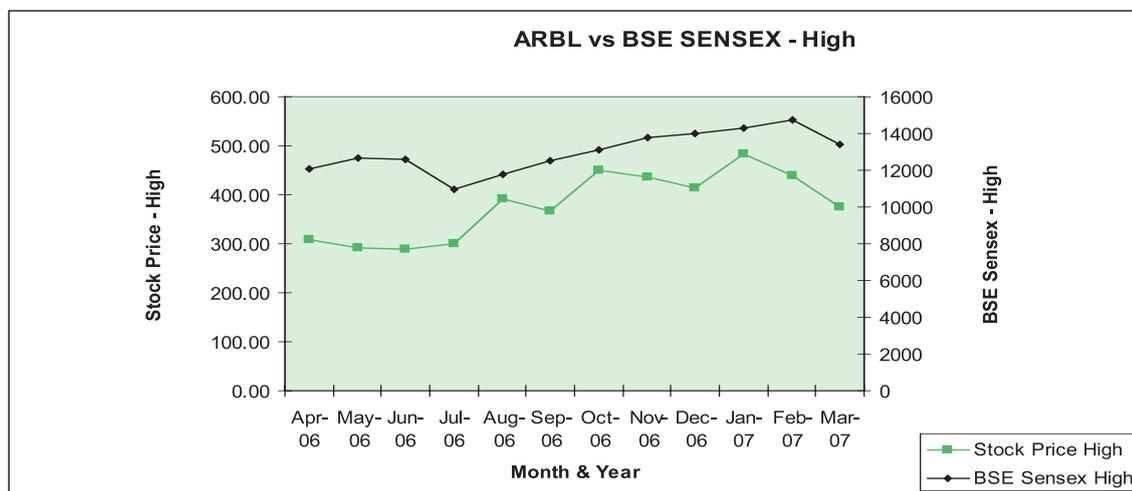
GENERAL SHAREHOLDER INFORMATION

1.	Annual General Meeting Date and Time Venue	14th August 2007 at 2.30 PM Registered Office of the Company: Renigunta – Cuddapah Road, Karakambadi – 517 520, Tirupati, Andhra Pradesh.
2.	Financial Year	1st April to 31st March
3.	Financial Calendar (Tentative) Financial reporting for the quarter ending 30th June 2007 Financial reporting for the quarter ending 30th September 2007 Financial reporting for the quarter ending 31st December 2007 Financial reporting for the year ending 31st March 2008 Annual General Meeting Dividend Payment (if declared)	Last week of July 2007 Last week of October 2007 Last week of January 2008 May/June 2008 August/September 2008 Within 30 days from the date of annual general meeting
4.	Dates of book closure	2nd August 2007 to 14th August 2007 (both days inclusive)
5.	Dividend payment date	Dividend warrants will be posted on or after 14th August 2007 and credit through ECS will be processed simultaneously.
6.	E-Mail ID for Investor Grievances	investorservices@amararaja.co.in
7.	Listing on stock exchanges	Equity shares: <ul style="list-style-type: none"> ● National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No.C/1, G. Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. ● Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001.
8.	Listing fees	Paid to the above stock exchanges for 2007-2008.
9.	Stock Code: Name of the stock exchange/depository National Stock Exchange of India Ltd. (NSE) Bombay Stock Exchange Ltd (BSE) NSDL & CDSL	Code/ISIN AMARAJABAT 500008 INE885A01016

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 2006	309.40	239.00	1565389	309.00	237.00	2210280
May 2006	291.00	185.00	320208	291.45	192.00	672226
June 2006	288.90	148.00	1162336	289.00	140.00	2251762
July 2006	299.90	221.15	1371965	295.95	220.20	2606243
August 2006	391.70	268.00	3253169	367.25	270.00	5249537
September 2006	368.00	323.00	525478	450.00	319.25	712215
October 2006	450.05	359.75	713115	434.80	345.00	1263118
November 2006	435.00	388.00	317076	415.80	386.40	447046
December 2006	415.00	352.55	152847	484.00	351.00	303372
January 2007	484.60	386.00	532454	437.00	380.00	790999
February 2007	440.00	350.00	151185	380.00	308.00	234376
March 2007	374.50	311.00	118727	380.00	308.00	223773

11. Stock Movement:



12. Monthly Closing Share Price and Closing Sensex

Period	Closing share price Rs. P.	Closing Sensex
Apr'06	277.80	12,042.56
May'06	216.90	10,398.61
June'06	260.80	10,609.25
July'06	284.70	10,743.88
Aug'06	348.65	11,699.05
Sep'06	359.95	12,454.42
Oct'06	420.00	12,961.90
Nov'06	408.75	13,696.31
Dec'06	389.75	13,786.91
Jan'07	441.60	14,090.92
Feb'07	365.35	12,938.09
Mar'07	339.85	13,072.10

Face Value per equity share – Rs. 10/-

13. Registrar and Share Transfer Agent

Cameo Corporate Services Limited,
 "Subramanian Building", No.1, Club House Road, Chennai – 600 002.
 Tel: +91-44-28460390, Fax: +91-44-28460129. E-Mail: cameo@cameoindia.com

14. Share Transfer System

A committee of directors called as share transfer committee approves share transfers. The committee comprises the Chairman and the Managing Director as members.

Details of shares transferred in physical form

Time Taken	2006-07		2005-06	
	No. of requests received & processed	No. of shares	No. of requests received & processed	No. of shares
1-10 days	4	400	2	200
11-20 days	91	11200	92	14200
21-30 days	5	500	4	400
TOTAL	100	12100	98	14800

15. Complaints received and redressed

Nos.

Nature of Complaints	2006-07		2005-06	
	Received	Disposed	Received	Disposed
Non-receipt of shares sent for transfer, sub-division and dematerialization.	7	7	7	7
Non-receipt of dividend warrants and annual report.	22	22	13	13

There was no investor complaint pending as on 31st March 2007

15. Distribution of Shareholding as on 31st March 2007

a) By Ownership

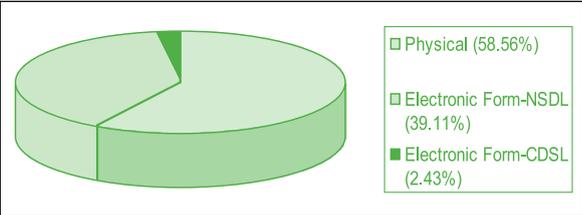
Category	No. of Folios	No. of shares	% of Shareholding
Promoters	9	2960747	26.00
Foreign Collaborators	1	2960750	26.00
Mutual Funds & UTI	16	1272505	11.17
Banks/Financial Institutions	5	1300	0.01
Foreign Institutional Investors/NRI's	6	174513	1.53
Private Corporate Bodies	402	956423	8.40
Indian Public	9689	2975923	26.13
Clearing Members:			
NSDL	29	7649	0.07
CDSL	9	5297	0.04
Trusts	3	72393	0.64
Total	10169	11387500	100.00

b) By number of shares held

No. of equity shares held	No. of shareholders	%	No. of shares	%
Upto 500	9528	93.69	1054370	9.26
501-1000	296	2.91	240382	2.11
1001-2000	137	1.35	212897	1.87
2001-3000	52	0.51	136359	1.20
3001-4000	20	0.20	71432	0.63
4001-5000	26	0.26	125390	1.10
5001-10000	37	0.36	293271	2.57
Above 10000	73	0.72	9253399	81.26
Total	10169	100.00	11387500	100.00
No. of shareholders in:				
Physical Mode	1993	19.60	6656806	58.46
Electronic Mode				
NSDL	7005	68.89	4453701	39.11
CDSL	1171	11.51	276993	2.43

c) Details of shares held by Non-Executive Directors as on 31st March 2007

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

17. Dematerialisation of Shares and Liquidity	<p>4730694 equity shares representing 41.54% of outstanding equity shares have been dematerialized as on 31st March 2007.</p> <p>Trading in the equity shares of the Company is in compulsory dematerialised form.</p> 
18. Outstanding GDR/ Warrants and Convertible Bonds	<p>The Company has not issued any GDR/warrants and convertible bonds.</p>
19. Plant Location and Registered Office:	<p>Renigunta – Cuddapah Road, Karakambadi – 517 520 Tirupati, Andhra Pradesh, India. Tel: +91-877-2285561 Fax: +91-877-2285600 E-mail: amararaja@amararaja.co.in Web site: www.amararaja.co.in</p>
20. Corporate Operations Office	<p>12, Kodambakkam High Road, Chennai–600 034, India Tel: +91-44-28213270 Fax: +91-44-28284821</p>
21. Investor Contacts	<p>Mr. N. RamNathan Company Secretary & Compliance Officer 12, Kodambakkam High Road, Chennai – 600 034 Tel: +91 44 28213270 Fax: +91 44 28284821 E-mail: ram@amararaja.co.in</p>

22. Other information for Shareholders

Dividends

Shareholders who have not encashed their dividend warrants (for earlier periods) may approach the Company or its Registrar and Share Transfer Agent M/s. Cameo Corporate Services Limited for issue of duplicate dividend warrant quoting the folio number/DP ID/Client ID. Please note that as per Section 205 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 and protection fund (IEPF) and no claim shall lie for such unclaimed dividends from IEPF by the members.

Year wise details of the amount to be transferred to IEPF are given below:

Year	Dividend Type	Dividend percentage	Due for transfer to the Investor Education and Protection Fund
2000-01	Final	35	30.08.2008
2001-02	Final	35	19.09.2009
2002-03	Final	15	05.09.2010
2003-04	Final	15	16.09.2011
2004-05	Final	20	18.09.2012
2005-06	Final	25	19.09.2013

The unpaid/unclaimed dividend that has been transferred to IEPF are as follows:

Year	Dividend Type	Amount (Rs.)	Date of Transfer
1998-99	Final	9,61,200/-	06.10.2006
1999-00	Interim	8,80,381/-	13.06.2007

The unpaid/unclaimed dividend(s) for the financial year 2000-01 are due for transfer on 30th August 2008. Members who have not encashed their dividend warrants for 2000 –01 are requested to claim their dividend before the due date for transfer.

ECS

The shareholders are advised to avail "Electronic Clearing Service" (ECS) available in all centers as notified by Reserve Bank of India from time to time for receiving the dividend by direct electronic credit to the bank account. ECS provides timely credit of dividend amount and 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 the Company or its Registrar and Share Transfer Agent viz., M/s. 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 shareholders 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 shareholders. 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

58.46% of the shares are still in physical form. (52% of the Shares held by the Promoters, namely, Galla family and Johnson Controls Mauritius Private Limited and the balance 6.46% of the shares are held by the public). 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 only available for trading in demat mode. For more information and clarification in this regard, the shareholders may contact the Company or its Registrar and Share Transfer Agent.

It may be noted by the shareholders who hold shares in physical form that the Company has sent a letter dated 9th May 2007 requesting them to convert their physical holdings into electronic form and avail the benefits of holding share in electronic form.

INFORMATION TO EXISTING SHAREHOLDERS WHO HOLD SHARES IN ELECTRONIC MODE.

The existing shareholders who hold shares in electronic mode to note that the Securities and Exchange Board of India (SEBI) has made it mandatory for all demat account holders to provide their Permanent Account Number (PAN) to their respective DP's. The PAN should have been provided to the DP's on or before 31st December 2006 failing which the DP would have frozen the demat account whereby the shareholders will not be able to trade in the securities which they hold in the demat account.

Therefore, the shareholders who have not given their PAN are advised to give their PAN to the concerned depository participants.

Shareholders who do not have PAN are requested to approach the nearest Income Tax Office or UTI Investor Services Limited or National Securities Depository Limited or visit their websites.

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.

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.

Sl 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.	Mr. Harshavardhana
9.	Master Vikramaditya
10.	M/s. Johnson Controls Mauritius Private Limited (Person acting in concert)

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 2007, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 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 the statement of Accounting Policies and 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, 2007;
 - (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 2007

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 2007. We report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations furnished to us, the Company has physically verified part of 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. The discrepancies noticed on such verification, which were not material, have been properly dealt with in the books of account.
- (c) 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.
- (ii) (a) 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.
- (b) 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.
- (c) According to the information furnished to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
- (iii) (a) 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 are not applicable.
- (b) 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 are not applicable.
- (iv) 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 for 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.
- (v) (a) 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.
- (b) 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.
- (vi) 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.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

- (viii) 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. However, we have not carried out a detailed audit of the same.
- (ix) (a) 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, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. There were no undisputed statutory dues 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.
- (b) 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.
- (xii) 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.
- (xiii) 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.
- (xiv) 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.
- (xv) 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.
- (xvi) 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.

Name of the statute	Nature of the dues	Rs Millions	Period to which the amount relates	Forum where the dispute is pending
A.P.Sales Tax Act, 1957	AP Sales Tax	10.62	1998-99	APSTAT, Hyderabad.
Central Sales Tax Act, 1956	Central Sales Tax	9.88	1996-97, 1997-98, 2002-03 and 2003-04	APSTAT, Hyderabad. ADC, Kurnool.

- (x) According to the information and explanations furnished to us, the Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses either during the financial year covered by our audit or in the immediately preceding financial year.
- (xi) 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.
- (xvii) 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.
- (xviii) 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.

(xix) According to the information and explanations given to us, the Company has not issued any debentures during the year under report.

(xx) 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.

(xxi) 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 misstatement in the financial statements.

For E.Phalguna Kumar & Co.,
Chartered Accountants

(E.Phalguna Kumar)
Partner
(ICAI Memb.No: 20278)
Chennai
22nd June 2007

For Chevuturi Associates
Chartered Accountants

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

BALANCE SHEET AS AT 31st MARCH 2007

Particulars	Schedule	As at 31.03.2007		As at 31.03.2006	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	113,875,000		113,875,000	
Reserves & Surplus	2	2,322,782,677		1,898,977,921	
			2,436,657,677		2,012,852,921
Loan Funds					
Secured Loans	3	1,074,874,049		189,001,189	
Unsecured Loans	4	332,209,831		216,407,580	
			1,407,083,880		405,408,769
Deferred Tax Liability	5		136,092,961		120,012,315
TOTAL			3,979,834,518		2,538,274,005
APPLICATION OF FUNDS					
Fixed Assets	6				
Gross Block		2,577,786,073		1,907,116,068	
Less: Depreciation		1,009,481,492		863,568,510	
Net Block		1,568,304,581		1,043,547,558	
Add: Capital Work-in-progress		61,667,597		48,149,118	
			1,629,972,178		1,091,696,676
Investments	7		161,941,656		320,140,656
Current Assets, Loans & Advances					
Inventories	8	921,713,415		571,962,221	
Sundry Debtors	9	1,459,544,977		856,520,556	
Cash & Bank Balances	10	256,000,280		205,212,363	
Loans, Advances & Deposits	11	859,824,054		634,750,549	
Other Current Assets	12	3,110,568		12,035,439	
		3,500,193,294		2,280,481,128	
Less: Current Liabilities & Provisions	13				
Liabilities		735,304,583		673,895,907	
Provisions		576,968,027		480,148,548	
		1,312,272,610		1,154,044,455	
Net Current Assets			2,187,920,684		1,126,436,673
TOTAL			3,979,834,518		2,538,274,005

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

On behalf of the Board

E.Phalguna Kumar
Partner

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

for CHEVUTURI ASSOCIATES
Chartered Accountants

S.Gopala Krishna Murthy
Proprietor

K. Suresh
Financial Controller

N.RamNathan
Company Secretary

Chennai
22nd June 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

Particulars	Schedule	Year ended 31.03.2007	Year ended 31.03.2006
		Rupees	Rupees
INCOME			
Gross Sales		7,451,032,998	4,458,295,779
Less: Excise duty & Sales Tax		1,493,016,594	821,586,486
Net Sales		5,958,016,404	3,636,709,293
Other Income	15	97,738,804	72,509,746
Increase / (Decrease) in Stock	16	181,845,189	41,637,449
TOTAL		6,237,600,397	3,750,856,488
EXPENDITURE			
Purchase of Finished Goods		1,190,212	4,353,496
Raw Material Consumed	17	3,937,812,454	2,229,601,146
Payments & Benefits to Employees	18	265,997,094	207,269,383
Manufacturing, Selling, Admin & Other expenses	19	1,093,657,443	760,841,717
Duties & Taxes	20	26,007,989	14,881,894
Interest	21	30,924,293	13,435,515
Depreciation		170,026,464	147,009,114
TOTAL		5,525,615,949	3,377,392,265
Profit Before Taxation		711,984,448	373,464,223
Add: Provision for Deferred Income Tax credited back (Net)		-	10,915,000
Less: Provision for Taxation - Current Tax		217,500,000	135,000,000
- Deferred Tax		16,080,646	-
- Earlier years		4,475,039	3,846,464
- Wealth Tax		94,188	147,729
- Fringe Benefit Tax		3,400,000	6,919,300
Profit After Taxation		470,434,575	238,465,730
Profit Brought forward from previous year		749,031,694	566,874,029
Profit Available for Appropriation		1,219,466,269	805,339,759
Less: Appropriations			
- Transfer to General Reserve		47,043,458	23,846,573
- Proposed Dividend		39,856,250	28,468,750
- Dividend Tax		6,773,570	3,992,742
Balance Carried to Balance Sheet		1,125,792,991	749,031,694
Earnings Per Equity Share of Rs 10 each (Basic and Diluted)		41.31	20.94

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

On behalf of the Board

E.Phalguna Kumar
Partner
for CHEVUTURI ASSOCIATES
Chartered Accountants

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

S.Gopala Krishna Murthy
Proprietor

K. Suresh
Financial Controller

N.RamNathan
Company Secretary

Chennai
22nd June 2007

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2007

Sch No.	Particulars	As at 31.03.2007		As at 31.03.2006	
		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 Paid up:				
	11,387,500 Equity Shares of Rs.10 each		113,875,000		113,875,000
	TOTAL		113,875,000		113,875,000
2	RESERVES & SURPLUS				
	a. Capital Reserve		11,500		11,500
	b. Share Premium		311,862,600		311,862,600
	c. General Reserve				
	As per last Balance Sheet	838,072,128		814,225,555	
	Additions during the year	47,043,458		23,846,573	
	d. Surplus in Profit & Loss Account		885,115,586		838,072,128
		1,125,792,991		749,031,693	
	TOTAL		2,322,782,677		1,898,977,921
3	SECURED LOANS (Refer Note No:1)				
	A. Term Loans:				
	From Financial Institutions:				
	Rupee Term Loans - IFCI		386,522		386,522
	From Banks:				
	Rupee Term Loan - Citi Bank NA		200,000,000		-
	B. Working Capital facilities:				
	a. State Bank of India		155,230,879		50,282,397
	b. Andhra Bank		79,337,781		43,020,903
	c. State Bank of Hyderabad		99,558,914		58,106,343
d. Buyers Credit Loan in Foreign Currency		530,688,171		26,736,342	
C. Hypothecation Loan from HDFC Bank					
(Secured against hypothecation of specific assets.)		9,671,782		10,468,682	
	TOTAL		1,074,874,049		189,001,189
4	UNSECURED LOANS				
	Interest free Sales Tax Deferment (Refer Note No:3)		332,209,831		216,407,580
	TOTAL		332,209,831		216,407,580
5	DEFERRED TAX LIABILITY				
	As Per Last Balance Sheet	120,012,315		130,927,315	
	Add: Liability for the year	16,080,646		(10,915,000)	
			136,092,961		120,012,315

Schedule 6
FIXED ASSETS & DEPRECIATION

(Amount in Rupees)

S.No	Particulars	Gross Block			Depreciation Block			Net Block			
		Cost as on 01.04.2006	Additions	Deletions	Cost as on 31.03.2007	Upto 31.03.2006	For the year	Deletions	Cost as on 31.03.2007	As on 31.03.2006	As on 31.03.2007
1	Land & Land development	5,493,659	2,406,000	-	7,899,659	-	-	-	-	7,899,659	5,493,659
2	Buildings	335,132,880	68,343,082	-	403,475,962	60,722,048	9,457,296	-	70,179,344	333,296,618	274,410,832
3	R&D Buildings	9,896,346	-	-	9,896,346	2,339,883	330,538	-	2,670,421	7,225,925	7,556,463
4	Plant & Machinery	1,165,613,758	580,423,586	9,581,145	1,736,456,199	610,928,949	130,201,894	7,152,424	733,978,419	1,002,477,780	554,684,809
5	R&D Plant & Machinery	87,823,440	193,821	966,849	87,050,412	41,434,283	7,160,272	579,364	48,015,191	39,035,221	46,389,157
6	Electrical Installations	115,529,971	21,862,341	2,400	137,389,912	42,952,783	5,858,542	2,400	48,808,925	88,580,987	72,577,188
7	Furniture and Fixtures	46,194,105	332,342	104,147	46,422,300	18,413,040	2,954,912	65,990	21,301,962	25,120,338	27,781,065
8	Office Equipment	105,152,486	14,325,333	16,328,512	103,149,307	73,568,081	10,239,534	15,250,478	68,557,137	34,592,170	31,584,405
9	Vehicles	36,164,423	11,843,163	2,076,610	45,930,976	13,094,443	3,823,476	1,062,826	15,855,093	30,075,883	23,069,980
10	Trade Marks	115,000	-	-	115,000	115,000	-	-	115,000	-	-
	TOTAL	1,907,116,068	699,729,668	29,059,663	2,577,786,073	863,568,510	170,026,464	24,113,482	1,009,481,492	1,568,304,581	1,043,547,558
	Previous Year	1,672,298,054	243,922,364	9,104,350	1,907,116,068	723,666,680	147,009,114	7,107,284	863,568,510	1,043,547,558	948,631,374

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2007		As at 31.03.2006	
		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		65,000
	B. Quoted				
	a. Shares in Companies				
	i. 166 Fully paid up equity shares of Rs.10 each in Nicco Corporation Ltd		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.Nil PY : Rs.7,750)		7,750		7,750
	iii. 10,000 Fully paid up equity shares of Re.1 each in Exide Industries Ltd. (The face value of Rs.10 each was split into Re.1 each consequently 1000 shares became 10,000 shares)		44,069		44,069
	iv. 550 Fully paid up equity shares of Rs.10 each in HBL Nife Power Systems Ltd., (50 shares allotted during the year)		9,850		4,850
	v. 23,749 Fully paid up Equity shares of Rs.10 each in IDBI Ltd.		1,008,000		1,008,000
	vi. 80,000 Fully paid up equity shares of Rs.2 each in IVRCL Infrastructure and Projects Ltd.		204,800		204,800
	vii. 227,900 equity shares of Rs.10 each fully paid up in Andhra Bank Ltd.		2,279,000		2,279,000
	b. Others				
	i. 24,31,272 Units of SBI Magnum Institutional Income saving dividend of Rs.10 each. (Sold during the year)		-		24,391,737
	ii. 688 Units of SBI Magnum Institutional Income saving dividend of Rs.10 each. (Sold during the year)		-		6,905
	iii. 28,25,371 units of Prudential ICICI Liquid Plan daily dividend of Rs.10 each (Sold during the year)		-		33,484,602
	iv. 16,18,787 units of Prudential ICICI Liquid Plan daily dividend of Rs.10 each. (Sold during the year)		-		19,184,891

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2007		As at 31.03.2006	
		Rupees	Rupees	Rupees	Rupees
	INVESTMENTS IN MUTUAL FUNDS - SHORT TERM				
	a. 1,16,118 Units of SBI Mutual Fund (IIIF - Savings Option) daily dividend of Rs.10 each. (Units purchased including reinvestment of dividend). (82,04,780 Units sold during the year)		1,164,958		82,314,457
	b. 1,238 Units of SBI Mutual Fund (IIIF - Savings Option - Growth) daily dividend of Rs.10 each. (Units purchased including reinvestment of dividend during the year)		13,634		-
	C. UN QUOTED:				
	a. Shares in Companies				
	i. 1128 Fully paid up equity shares of Rs.10 each in Indian Lead Ltd (Provision for diminution in value Rs.Nil 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
			161,979,406		320,178,406
	Less: Provision for loss on diminution		37,750		37,750
	TOTAL		161,941,656		320,140,656
	Aggregate of Quoted Investments:				
	At Cost		4,733,796		162,932,796
	Market value		43,431,470		206,424,733
	Aggregate of Un-Quoted Investments at cost		157,245,610		157,245,610
	Note: All the above investments are long term unless otherwise stated.				
8	INVENTORIES (As Certified by the Management)				
	a. Stores & Spares		93,202,187		51,442,185
	b. Material In Transit		62,788,970		85,649,234
	c. Stock In Trade				
	i. Raw Materials		300,836,280		151,830,013
	ii. Finished Goods		152,615,017		89,103,779
	iii. Work In Process		312,270,961		193,937,010
	TOTAL		921,713,415		571,962,221

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2007		As at 31.03.2006	
		Rupees	Rupees	Rupees	Rupees
9	SUNDRY DEBTORS				
	Unsecured				
	a. Debts Outstanding for a period exceeding 6 months :				
	Considered good	26,957,592		83,233,331	
	Considered doubtful	36,456,467		30,903,091	
		63,414,059		114,136,422	
	Less : Provision for Doubtful Debts	36,456,467		30,903,091	
			26,957,592		83,233,331
	b. Other debts		1,432,587,385		773,287,225
	TOTAL		1,459,544,977		856,520,556
10	CASH & BANK BALANCES				
	A. Cash on Hand		578,297		707,478
	B. At Scheduled Banks in :				
	a. Current Accounts		45,872,680		15,033,087
	b. Fixed Deposits		206,056,801		185,370,510
	c. Towards Unclaimed Dividends		3,492,502		4,101,288
	TOTAL		256,000,280		205,212,363
11	LOANS, ADVANCES & DEPOSITS				
	(Unsecured and considered good)				
	a. Advances recoverable in cash or in kind for value to be received		33,224,857		18,229,883
	b. Advance for purchases	330,479,588		117,473,187	
	Less: Provision for Doubtful Advances	-	330,479,588	223,049	117,250,138
	c. Deposits recoverable	25,228,984		19,807,468	
	Less: Provision for Doubtful Deposits	1,136,808	24,092,176	1,026,578	18,780,890
	d. Excise Duty paid in Advance		84,834,656		112,251,022
	e. Income Tax paid in Advance		372,839,833		338,432,907
	f. Income Tax Deducted at Source		5,250,614		20,407,733
	g. Fringe Benefit Tax paid in Advance		2,851,000		6,712,000
	h. Excise duty & Sales tax Paid Under Protest		6,251,330		2,685,976
	TOTAL		859,824,054		634,750,549
12	OTHER CURRENT ASSETS				
	a. Interest Accrued		2,161,110		9,971,659
	b. Prepaid Expenses		949,458		2,063,780
	TOTAL		3,110,568		12,035,439

SCHEDULES TO BALANCE SHEET

Sch No.	Particulars	As at 31.03.2007		As at 31.03.2006	
		Rupees	Rupees	Rupees	Rupees
13	CURRENT LIABILITIES & PROVISIONS				
	A. Current Liabilities				
	a. Sundry Creditors:				
	i) Dues to Small Scale Units (Refer Note No:19)	1,293,140		752,561	
	ii) Others (Include Rs.58,309,636 {PY:31,723,076})	606,698,963	607,992,103	573,373,439	574,126,000
	Commission due to Chairman and Managing Director)				
	b. Advances from Customers		5,290,452		5,179,248
	c. Outstanding Liabilities		69,070,161		61,849,769
	d. Sales Tax Payable		49,459,365		28,639,602
	e. Unclaimed Dividend		3,492,502		4,101,288
	TOTAL		735,304,583		673,895,907
	B. Provisions				
	a. Income Tax		413,750,012		368,052,580
	b. Fringe Benefit Tax		3,400,000		6,919,300
	c. Wealth Tax		94,188		147,729
	d. Leave Encashment		13,917,742		12,067,727
	e. Proposed Dividend		39,856,250		28,468,750
f. Dividend Tax		6,773,570		3,992,742	
g. Warranty Expenses		99,176,265		60,499,720	
TOTAL		576,968,027		480,148,548	

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

Sch No.	Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
		Rupees	Rupees	Rupees	Rupees
15	OTHER INCOME				
	a. Scrap Sales		81,035,016		52,724,646
	b. Interest Received(TDS Rs.10,72,370) (PY:6,24,574)		7,286,826		6,247,859
	c. Dividend Received		3,282,886		6,077,806
	d. Insurance claims Received		1,931,073		3,186,317
	e. Miscellaneous Income		60,122		110,524
	f. Profit on sale of Assets		12,705		1,355
	g. Bad debts Recovered		-		121,952
	h. Credit balances written back		2,293,347		803,090
	i. Excess provision credited back		1,613,780		1,008,683
	j. Provision for Doubtful Deposits & Advances Credited Back		223,049		-
	k. Provision for Diminution in the value of Investments Credited Back		-		2,227,514
	TOTAL		97,738,804		72,509,746
16	INCREASE/(DECREASE) IN STOCKS				
	Closing Stock				
	a. Work-in-Process	312,270,961		193,937,010	
	b. Finished Goods	152,615,017		89,103,779	
			464,885,978		283,040,789
	Less: Opening 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
	INCREASE/(DECREASE) IN STOCKS		181,845,189		41,637,449
17	RAW MATERIALS CONSUMED				
	Opening Stock	151,830,013		139,746,690	
	Add: Purchases	4,086,818,721		2,241,684,469	
			4,238,648,734		2,381,431,159
	Less: Closing Stock		300,836,280		151,830,013
	CONSUMPTION		3,937,812,454		2,229,601,146
18	PAYMENTS & BENEFITS TO EMPLOYEES				
	a. Salaries, Wages & Bonus		203,108,147		156,930,118
	b. Contribution to PF, Gratuity and other funds		25,143,821		21,461,658
	c. Workmen & Staff welfare expenses		37,745,126		28,877,607
	TOTAL		265,997,094		207,269,383

SCHEDULES TO PROFIT & LOSS ACCOUNT

Sch No.	Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
		Rupees	Rupees	Rupees	Rupees
19	MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES				
	A. Manufacturing Expenses				
	a. Stores & Spares Consumed (Including Packing Material)		72,557,278		53,303,339
	b. Power & Fuel		148,959,819		88,948,214
	c. Insurance		4,372,725		5,382,009
	d. Repairs to:				
	i. Machinery		46,803,418		29,502,614
	ii. Buildings		1,072,792		2,512,830
	iii. Others		652,109		649,813
	TOTAL- A		274,418,141		180,298,819
	B. Selling Expenses				
	a. Advertisement		100,385,062		100,362,275
	b. Freight Outward		199,818,784		139,604,450
	c. Commission on sales		14,206,453		9,673,790
	d. Sales Expenses		82,450,611		43,972,790
	e. Warranty & Guarantee Costs		133,240,555		86,939,685
	TOTAL - B		530,101,465		380,552,990
	C. Administrative Expenses				
	a. Rent		24,189,731		18,493,034
	b. Directors Sitting Fee		84,000		66,000
	c. Managerial Remuneration (Ref Note No: 15)		61,918,995		36,104,239
	d. Payments to Auditors (Ref. Note No: 16)		817,176		718,930
	e. R&D Expenses		4,142,254		1,655,935
	f. Donations		6,523,116		4,128,565
	g. Loss on Sale of Assets		496,481		454,576
	h. Loss on Sale of Investments (Net)		-		1,320,265
	i. Rates, Taxes & Licences		3,234,494		1,783,054
	j. Travelling Expenses		56,621,544		41,895,127
	k. Communication Expenses		9,448,396		9,098,240
	l. Bank Charges		16,412,556		14,877,851
	m. Miscellaneous Expenses		53,799,989		38,469,259
	TOTAL - C		237,688,732		169,065,075

SCHEDULES TO PROFIT & LOSS ACCOUNT

Sch No.	Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
		Rupees	Rupees	Rupees	Rupees
	D. Other Expenses				
	a. Provision for Doubtful Debts		31,649,080		16,017,542
	b. Provision for Doubtful Deposits		110,230		629,702
	c. Provision for Doubtful Advances		-		223,049
	d. Bad debts & Irrecoverable Advances Written off	31,303,766			
	Less: Adjusted against				
	Opening Provision for Doubtful Debts	26,095,700	5,208,066		6,602,924
	e. Obsolete Stores Written off		3,880,053		3,830,216
	f. Assets Written off		2,753,457		1,009,738
	g. Loss / Gain on Foreign Exchange (Net)		4,469,124		2,418,579
	h. Premium on Forward Contracts		3,379,095		193,083
	TOTAL - D		51,449,105		30,924,833
	TOTAL (A+B+C+D)		1,093,657,443		760,841,717
20	DUTIES & TAXES (Excluding Income Tax)				
	a. Rates & Taxes - (Sales Tax & Octroi)		11,797,143		10,727,583
	b. Excise Duty		14,210,846		4,154,311
	TOTAL		26,007,989		14,881,894
21	INTEREST PAID				
	On Working Capital Facilities & Others		30,195,196		13,304,520
	On Fixed Loan		729,097		130,995
	TOTAL		30,924,293		13,435,515

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 and VAT Credit 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

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., are 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, Service Tax, 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 Superannuation 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 are made on the basis of the demands raised by the Life Insurance Corporation of India and are charged to revenue accordingly. Contribution towards Superannuation is made monthly to Superannuation Trust at the predetermined rates.
- 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 claims.

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.

16. BORROWING COSTS

Borrowing Costs directly attributable for acquisition of qualifying assets are capitalized as part of the asset. The other Borrowing Costs are charged to revenue as and when they are incurred.

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) The rupee term loan from Citi Bank N.A. is secured by second pari passu charge on all fixed assets both present and future, subject to a condition to upgrade to the first pari passu charge after satisfaction of earlier charges as mentioned in clause (a).
 - c) The Company has also obtained sanction from BNP Paribas for ECB of USD 10 Million, which is secured by second pari passu charge on all fixed assets both present and future, subject to a condition to upgrade to the first pari passu charge after satisfaction of earlier charges as mentioned in clause (a). This ECB is pending to be utilized.
 - d) 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, and book debts and by sub-serviant second pari-passu charge on fixed assets of the Company.
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 31.03.2007 is Rs.332.21 million (PY Rs.216.41 million). This amount is subject to revision by the Assessment Authorities, consequent to the decision of Honorable A.P. High Court in favour of the Company.

4. Contingent Liabilities

Rs. Millions

Particulars	31.03.2007	31.03.2006
a. Claims against the Company not admitted towards		
- Customs Duty	Nil	4.31
- Excise Duty	0.66	1.00
- Service Tax	Nil	2.56
- Sales Tax	25.31	9.97
- Electricity	61.61	54.30
[Against all the above, Rs 4.40 million (PY 3.86 million) was paid under protest]		
b. Counter guarantees given to banks in respect of bank Guarantees issued in favour of various constituents.	200.58	148.55
c. Letters of Credit opened with banks	-	32.11
d. Bills Discounted with Scheduled banks	47.08	Nil
e. Estimated amount of Contracts remaining to be executed on capital accounts, not provided for	114.86	149.35
f. 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.	31.03.2007	31.03.2006
Storage Batteries			
Installed Capacity	Nos.	4,300,000	2,900,000
Average Installed Capacity	Nos.	3,400,000	2,600,000
Actual Production	Nos.	3,116,954	2,129,491

Note: The installed capacity represents the capacity as at 31st March 2007 and Average Installed Capacity represents year weighted average capacity based on expansions carried out during the year. The capacities are as estimated and certified by the management.

6. Purchase of Finished goods

Nos.

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Finished Goods	60	1,220

7. Turnover

Rs. Millions

Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
	Qty. Nos.	Rs.	Qty. Nos.	Rs.
Storage Batteries	3,083,573	7,451.03	2,117,664	4,458.29

Note: The above includes No's 84,363 (51,667) Batteries issued as replacements, samples, etc.,

8. Opening and Closing Stock of Finished Goods

Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
	Qty. Nos.	Rs. Millions	Qty. Nos.	Rs. Millions
Opening Stock	77,287	89.10	64,240	79.88
Closing Stock	110,728	152.62	77,287	89.10

9. Consumption of Raw Material

Rs. Millions

Particulars	UOM	Year ended 31.03.2007		Year ended 31.03.2006	
		Qty.	Amount	Qty.	Amount
Lead	Kgs.	20,735,714	1,430.53	14,857,155	779.94
Lead Alloys	Kgs.	19,212,859	1,391.22	13,243,935	768.16
Separator	Kgs.	508,093	90.54	341,917	62.80
Separator	Sq. Mtrs.	3,721,882	129.12	2,474,380	79.38
Others			896.40		539.32
TOTAL			3,937.81		2,229.60

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

i. Raw Materials

Rs. Millions

Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
	Value	%	Value	%
Imported	2,013.41	51.13	1,416.56	63.53
Indigenous	1,924.40	48.87	813.04	36.47
TOTAL	3,937.81	100.00	2,229.60	100.00

ii. Stores and Spares Consumed

Rs. Millions

Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
	Value	%	Value	%
Imported	13.48	18.58	8.33	15.63
Indigenous	59.08	81.42	44.98	84.37
TOTAL	72.56	100.00	53.31	100.00

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

Rs. Millions

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Capital Goods	372.49	155.86
Finished Goods	0.33	4.35
Raw Material & Components	1,910.05	1,253.07
Stores & Spares	24.14	8.48
TOTAL	2,307.01	1,421.76

12. Expenditure incurred in foreign currency during the year

Rs. Millions

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Foreign travel expenses (exclusive of tickets purchased in rupees)	10.08	6.37
Sales commission	0.16	1.57
Interest	16.07	10.75
Others	2.10	1.16
TOTAL	28.41	19.85

13. Remittance in foreign currency on account of dividends

Rs. Millions

Year	No. of non-resident Share Holders	No. of Shares	Amount of Dividend
2006-07	14	3,311,739	8.28
2005-06	15	3,370,111	6.64

14 FOB Value of Exports made during the year

Rs. Millions

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Sales	287.36	310.52

15 Remuneration to Non-Executive Chairman and Managing Director

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

Rs. Millions

Particulars		31.03.2007
Profit for the year as per the Profit and Loss Account		711.98
Add:		
Directors' sitting fee	0.08	
Remuneration to Chairman & Managing Director	61.92	62.00
Net Profit as per Sec 349		773.98
Remuneration by way of Commission to Non-Executive Chairman @ 3%		23.22
Remuneration to Managing Director @ 5%		38.70

ii. Details of remuneration to Non-Executive Chairman and Managing Director

Rs. Millions

Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
	Non-Executive Chairman	Managing Director	Executive Chairman/Chairman	Managing Director
Salary	-	2.40	1.00	2.15
Contribution to PF	-	0.01	-	0.01
Other perquisites	-	1.20	-	1.22
Commission	23.22	35.09	14.67	17.06
TOTAL	23.22	38.70	15.67	20.44

16. Payments to Auditors

Rs. Millions

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Statutory Audit	0.50	0.40
Taxation Matters (including Tax Audit)	0.05	0.04
Sales tax audit	-	0.03
Certification	0.10	0.10
Reimbursement of out of pocket expenses	0.03	0.02
Cost Audit	0.08	0.08
Cost Audit – Out of pocket Expenses	0.01	0.01
Certification Fee for Cost Auditor	0.05	0.04
TOTAL	0.82	0.72

17. Fixed Deposits under Cash and Bank balances include

		Rs. Millions
Lodged as security with various authorities	0.14	(0.13)
Towards margin money deposits	105.92	(55.24)

18. A. Sundry Debtors include amounts due from Companies in which the Directors are interested

		Rs. Millions
a. Amara Raja Power Systems Pvt. Ltd.	18.31	(18.96)
Maximum balance	29.24	(25.26)
b. Mangal Precision Products Pvt. Ltd.	22.29	(Nil)
Maximum balance	22.29	(Nil)
c. Amara Raja Electronics Pvt. Ltd.	14.63	(8.61)
Maximum balance	20.02	(11.86)

B. Sundry Creditors include amounts due to Companies in which the Directors are interested

		Rs. Millions
a. Amara Raja Power Systems Pvt. Ltd.	1.22	
b. Mangal Precision Products Pvt. Ltd.	12.06	
c. Amara Raja Electronics Pvt. Ltd.	1.01	

19. Based on the information available with the Company on the status of the creditors, there are no dues to Small Scale Industrial undertakings outstanding for more than 30 days as at the date of Balance Sheet.

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.

21. Related Party Transactions

Related parties particulars pursuant to "Accounting Standard –18 "

(A) LIST OF RELATED PARTIES**1. Key Management Personnel**

Sri. Jayadev Galla

2. Relatives of Key Management Personnel

Sri. Ramachandra N. Galla

Father of Sri. Jayadev Galla

Smt. G. Amara Kumari

Mother of Sri. Jayadev Galla

Smt. G. Padmavathi

Wife of Sri. Jayadev Galla

Smt. Dr. G. Ramadevi

Sister of Sri. Jayadev Galla

3. Enterprises in which Key Management Personnel and / or their relatives have Significant influence

Amara Raja Power Systems Pvt. Ltd.

Amara Raja Electronics Pvt. Ltd.

Mangal Precision Products Pvt. Ltd.

Galla Foods Pvt. Ltd.

4. Enterprise with substantial interest

Johnson Controls Mauritius Pvt. Ltd., Mauritius.

(B) TRANSACTIONS WITH THE RELATED PARTIES

Rs. Millions

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management Personnel and / or their relatives have significant influence	Enterprise with substantial interest
I. Transactions during the year:				
a. Remuneration paid	38.70	23.22	-	-
b. Sitting fee paid	-	0.02	-	-
c. Dividends paid	2.14	4.52	0.52	7.40
d. Rents paid	3.96	8.83	-	-
e. Sale of goods	-	-	97.64	47.41
f. Reimbursement/Sharing of Expenses	-	-	9.09	-
g. Purchase of goods	-	-	14.41	0.39
h. Purchase of capital items	-	-	89.54	-
i. Job work charges paid	-	-	154.85	-
II. Balances as at 31-03-2007				
a. Share capital held by	8.55	18.07	2.08	29.61
b. Remuneration payable	35.09	23.22	-	-
c. Payables – Trade dues	-	-	14.29	0.39
d. Receivables – Trade dues	-	-	55.23	23.06
e. Deposits receivable	1.76	3.52	-	-

22. Major components of Deferred Tax Assets and Liabilities arising on account of Timing Differences

Rs. Millions

Particulars	Assets	Liabilities
1. Depreciation	-	168.40
2. Amounts disallowed U/sec. 43B of the IT Act & Others	32.31	-
TOTAL	32.31	168.40

Note: Net Deferred Tax Liability as on 31st March 2007 Rs.136.09 million.

23. A. Details of Provision for Warranty Expenses

Rs. Millions

Provision as on 31st March 2006	60.50
Provision made during the year 2006-07	105.02
Withdrawn / Reversed during the year	(66.34)
Balance as on 31st March 2007	99.18

B. Movement of Provision for Doubtful Debts

Rs. Millions

Provision as on 31st March 2006	30.90
Provision made during the year 2006-07	31.65
Written off as Bad Debts	(26.09)
Provision as on 31st March 2007	36.46

24. Particulars of Revenue expenditure capitalized during the year

Rs. Millions

Particulars	Year ended 31.03.2007
Salaries	4.88
Power & Fuel	0.23
Interest on Fixed Loans	0.26
Misc. expenses	0.96
TOTAL	6.33

- 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 realize 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 Ten Thousands and Rupees where it is mentioned in Million and in Rupees respectively.

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

for and on behalf of the Board

E.Phalguna Kumar
Partner

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

for CHEVUTURI ASSOCIATES
Chartered Accountants

S.Gopala Krishna Murthy
Proprietor

K. Suresh
Financial Controller

N.RamNathan
Company Secretary

Chennai
22nd June 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007

Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax and Extra-ordinary items		711,984,448		373,464,223
Add/Less:Adjustments for :				
a. Depreciation	170,026,464		147,009,114	
b. Provision for Diminution in the value of Investments Cr.back	-		(2,227,514)	
c. Profit on Sale of Assets	(12,705)		(1,355)	
d. Profit on Sale of Investments	-		(1,008,691)	
e. Loss on Sale of Assets	496,481		454,576	
f. Loss on Sale of Investments	-		2,328,956	
g. Excess Provision/Credit balance written back	(4,130,176)		(1,811,773)	
h. Provision for doubtful debts, Deposits & advances	31,759,310		16,870,293	
i. Bad Debts & Irrecoverable Advances Written off	-		-	
j. Obsolete Stores Written off	3,880,053		3,830,216	
k. Assets written off	2,753,457		1,009,738	
l. Interest	30,924,293		13,435,515	
m. Dividends	(3,282,886)		(6,077,806)	
n. Interest on Fixed Deposits and Cash Margin Money	(7,286,826)		(6,247,859)	
o. Provision for leave Encashment	1,850,015		2,113,862	
p. Provision for Warranty expenses	38,676,545		31,756,470	
		265,654,025		201,433,742
Operating Profit Before Working Capital Changes		977,638,473		574,897,965
Add/Less:Adjustments for Working Capital:				
a. Decrease/(Increase) in Inventories	(353,631,247)		(134,833,524)	
b. Decrease/(Increase) in Sundry Debtors	(608,577,797)		(206,814,435)	
c. Decrease/(Increase) in Loans and Advances	(235,890,633)		(165,135,581)	
d. Decrease/(Increase) in Other Current Assets	11,441,267		(1,100,707)	
e. Increase/(Decrease) in Trade Payables & Liabilities	63,022,456		356,838,620	
		(1,123,635,954)		(151,045,627)
Cash generated from operations		(145,997,481)		423,852,338
Less: i. Interest	30,924,293		13,435,515	
ii. Advance Tax paid	195,588,255		137,289,770	
iii. Fringe Benefit Tax paid	3,097,270		6,712,000	
iv. Wealth Tax paid	47,918		43,023	
		229,657,736		157,480,308
Cash Flow before Extraordinary Items		(375,655,217)		266,372,030
NET CASH FROM OPERATING ACTIVITIES - A		(375,655,217)		266,372,030
B. CASH FLOW FROM INVESTING ACTIVITIES				
a. Purchase of Fixed Assets	(699,729,668)		(243,922,364)	
b. Increase in capital work in progress	(13,518,480)		(35,257,009)	
c. Purchase of investments	(18,634)		(159,385,982)	
d. Sale of Fixed Assets	1,708,951		534,107	
e. Sale of Investments	158,217,634		75,779,735	
f. Interest on Fixed Deposits and Cash Margin Money	7,286,826		6,247,859	
g. Dividend	3,282,886		6,077,806	
NET CASH FROM INVESTING ACTIVITIES-B		(542,770,485)		(349,925,848)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007 (Contd.)

Particulars	Year ended 31.03.2007		Year ended 31.03.2006	
	Rupees	Rupees	Rupees	Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES				
a. Increase in Borrowings	1,001,675,111		145,613,548	
b. Dividend paid	(28,468,750)		(22,775,000)	
c. Dividend Tax paid	(3,992,742)		(3,194,194)	
NET CASH FROM FINANCING ACTIVITIES-C		969,213,619		119,644,354
NET INCREASE IN CASH AND CASH EQUIVALENT (A + B + C)		50,787,917		36,090,536
Opening Cash and Bank Balances		205,212,363		169,121,827
Add: Net increase in Cash and Cash Equivalent		50,787,917		36,090,536
CLOSING CASH AND BANK BALANCES		256,000,280		205,212,363

On behalf of the Board

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

Chennai
22nd June 2007

K. Suresh
Financial Controller

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, 2007. 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 22nd June 2007 to the members of the Company.

for E. PHALGUNA KUMAR & CO.
Chartered Accountants

E. Phalkuna Kumar
Partner

Chennai
22nd June 2007

for CHEVUTURI ASSOCIATES
Chartered Accountants

S. Gopala Krishna Murthy
Proprietor

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	7

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	:	5	2	9	2	1	0	7
(ii) Total Assets	:	5	2	9	2	1	0	7

Sources of Funds

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

TOTAL		3	9	7	9	8	3	5
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Application of Funds

(i) Net Fixed Assets	:	1	6	2	9	9	7	2
(ii) Investments	:	1	6	1	9	4	2	
(iii) Net Current Assets	:	2	1	8	7	9	2	1

TOTAL		3	9	7	9	8	3	5
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IV. Performance of the Company

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

On behalf of the Board

Ramachandra N. Galla
Chairman

Jayadev Galla
Managing Director

K. Suresh
Financial Controller

N. RamNathan
Company Secretary

Chennai
22nd June 2007



Amara Raja Batteries Limited

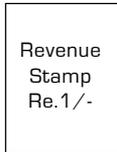
Registered Office: Renigunta - Cuddapah Road,
Karakambadi, Tirupati - 517 520

Member's Folio No.
DP ID.....
Client ID

PROXY FORM

I / We of
 being a member / members of the above named Company, hereby appoint.....of
 or failing him /her..... of
as my / our proxy to vote for me / us on my / our behalf at the
Twenty Second Annual General Meeting of the Company to be held at **2.30 p.m. on Tuesday, 14th August 2007** and at
 any adjournment thereof.

Signed.....
 Date



Note: Proxies must reach the Company's Registered Office not less than 48 hours before the meeting.



Amara Raja Batteries Limited

Registered Office: Renigunta - Cuddapah Road,
Karakambadi, Tirupati - 517 520

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

Name of the attending Member (in Block Letters):

 Member's Folio Number / DP ID / Client ID.....
 Name of the Proxy (in Block letters) :
 Number of Shares held :

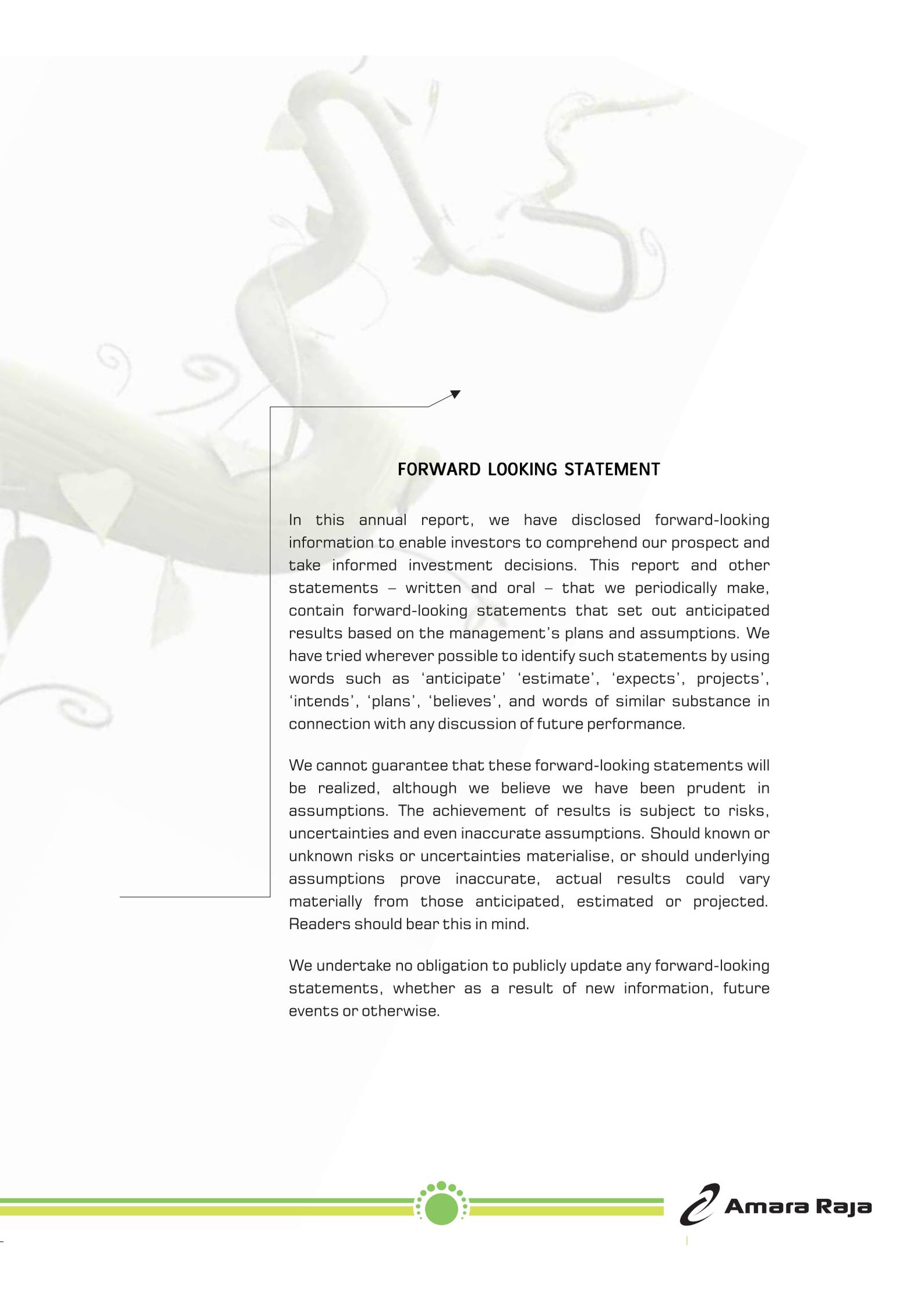
I hereby record my presence at the **Twenty Second Annual General Meeting** at the Registered Office of the Company at Renigunta - Cudappah Road, Karakambadi, Tirupati - 517 520 at **2.30 p.m. on Tuesday, 14th August 2007**.

.....
Member's / Proxy's Signature

Note: The copy of the Annual Report may please be brought to the meeting hall.







FORWARD LOOKING STATEMENT

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

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

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



Amara Raja Batteries Ltd.

Regd. Office: Renigunta - Cuddapah Road, Karakambadi - 517 520,
Tirupati, Andhra Pradesh, India
Website: amararaja.co.in