



# FOCUSED

AMARA RAJA BATTERIES LIMITED | ANNUAL REPORT 2009-10

## Forward-looking statement

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

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

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Amara Raja Batteries Limited is enriching prospects through a single-minded focus.

# FOCUS

On capacity growth. On lateral extension.  
On geographic spread. On revenue increase. On robust financials.  
On enhanced shareholder value.  
On brand recall.

# OUR PERFORMANCE IN 2009-10

Financial performance

44%

EBITDA growth in 2009-10  
over 2008-09

12%

Revenue growth in 2009-10  
over 2008-09

107%

PAT growth in 2009-10 over  
2008-09

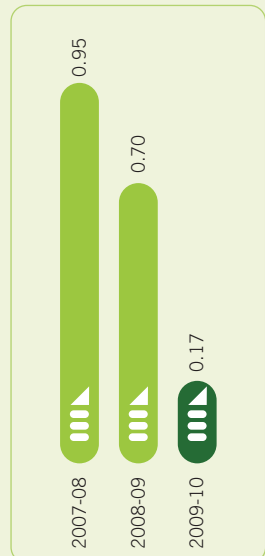
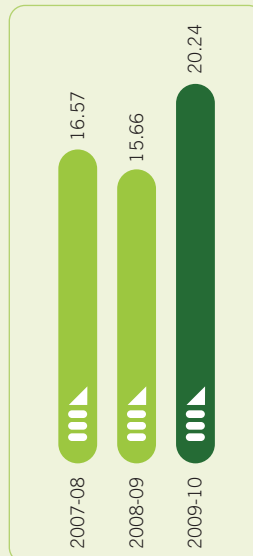
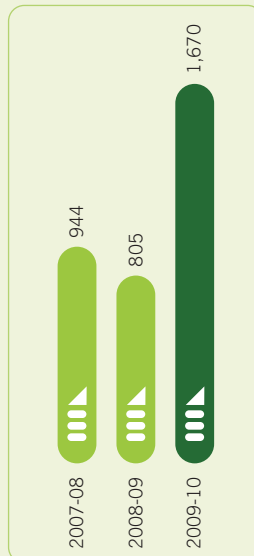
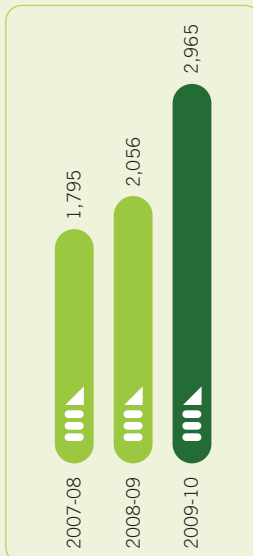
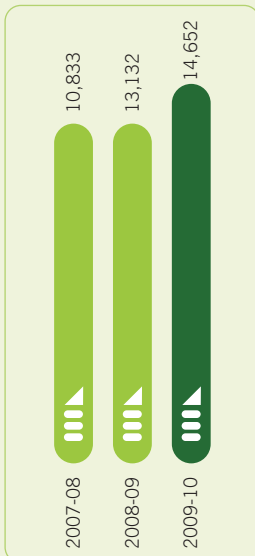
Revenues (net) (Rs. million)

EBITDA (Rs. million)

Post-tax profit (Rs. million)

EBITDA margin (percent)

Debt-equity ratio (times)



Dividend payout

145%

Highest in the Company's history

45%

ROCE in 2009-10 against 31% in 2008-09

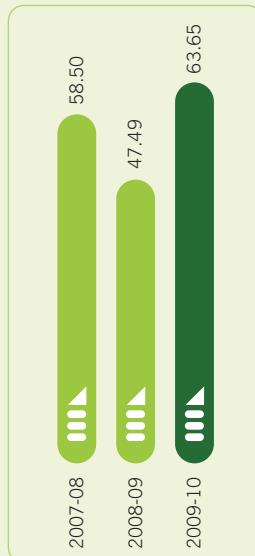
## Operational performance

- Recorded double-digit growth in sales and production volumes
- Commissioned the brownfield expansion of MVRLA capacity – capacity enhanced to 1.80 million units
- Supplied batteries to five new platforms of existing OEM customers (four-wheelers)
- Launched the second variant of the motorcycle battery (Amaron Pro Bike Rider™ BETA series) based on VRLA technology with a 48-month warranty directed at the aftermarket.
- Concluded a two-wheeler VRLA battery development agreement with Honda, Japan
- Launched a 6V/120 Ah battery for train lighting applications for Indian Railways
- Commercialised the premium range of PowerStack™ (LVRLA) batteries
- Expanded the Quanta™ MVRLA range – 26Ah to 200Ah
- Widened the Amaron® distribution network to over 200 franchisees and 18,000 retailers; strengthened the PowerZone™ presence to over 700 outlets in semi-urban and rural locations and 75 AQUA partners for distribution of Quanta™ batteries
- Underwent HR Excellence and Total Cost Management maturity assessment by Confederation of Indian Industry (CII)

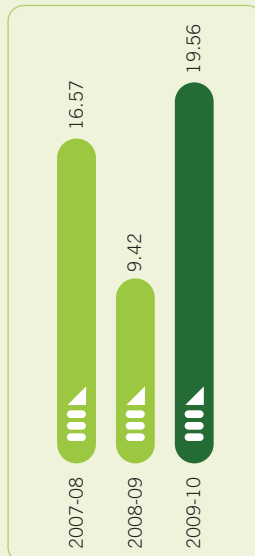
## Awards

- Given 'Quality Excellence' award by Indus Towers Limited
- Received 'Best Telecom Equipment Manufacturer' award by BSNL
- Given 'Best Employer Award in the Electronics Industry Category' by the Employer Branding Institute of India

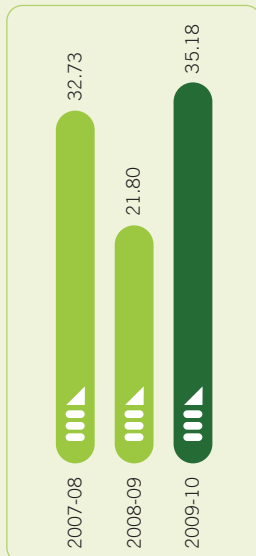
Book value per share (Rs.)



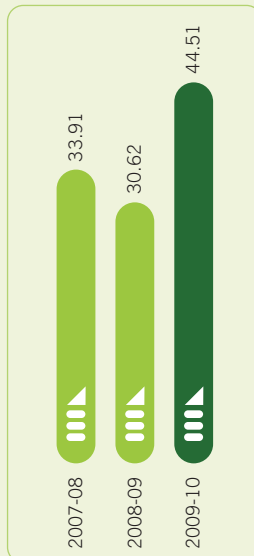
EPS (basic) (Rs.)



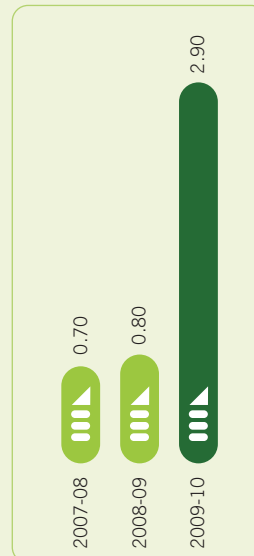
RONW (percent)



ROCE (percent)



Dividend per share (Rs.)



## CHAIRMAN'S STATEMENT

**“BACKED BY OUR EXCELLENT  
MANPOWER, SYSTEMS,  
PROCEDURES AND INNOVATION,  
WE ARE CONFIDENT OF MEETING  
ALL CHALLENGES.”**



**Dr. Ramchandra N Galla**  
Chairman

### Overview

After a difficult 2008-09, fiscal 2009-10 was more comforting. Concerns of a prolonged depression disappeared with the global economy showing signs of recovery after a 0.8% decline in the global GDP. IMF economists predict a 3.9% growth in global GDP in 2010. However, the European economies continue to be a cause for worry. A contagion effect is unlikely as the two growth drivers of the world economy, India and China, performed robustly. India's GDP grew second fastest in the world at 7.4% in 2009-10.

According to World Bank estimates, the Indian GDP will grow at 9% within the next two years. In fact, between January and March 2010, the economy grew 8.6% on the back of a strong performance by the manufacturing sector. The only factor which might act as a dampener is fragile recovery in the US and the European Union. This may adversely impact our manufacturing exports, restrict capital flow to our economy and act as a roadblock for domestic capacity expansion. But the brighter side of this could be a stabilisation in commodity prices, crude oil in particular.

### What we achieved


You will be pleased to note that our Company recorded a 107% increase in net profit during the year under review. Both the battery units, industrial and automotive, registered an encouraging performance.

Our Company emerged as the preferred supplier to almost all major cellular service providers, multinational telecom and power companies in the industrial business. In the automotive business, the Company commenced supply to five new platforms of OE customers and also tapped potential markets in Bahrain and Qatar.

### Recognitions

The Company received the permit to use the "Diamond Mark" from the Kenya Bureau of Standards and received "Gulf Standard Organisation Certification" from the Directorate General of Specifications and Measurements, Ministry of Commerce and Industry, Sultanate of Oman, for its automotive batteries.

In the industrial battery unit, Indus Towers recognised our products and services and conferred the Quality Excellence award for the year 2009; the Telecom Quality



Assurance Circle of BSNL conferred the Best Telecom Equipment Manufacturer award for the year 2008-09 for our VRLA batteries.

In the knowledge-driven society of today, it is excellent manpower that builds a Company and we are happy that the Employer Branding Institute of India recognised our Company for its HR Strategy and conferred three awards – Best Employer award in the category of electronics industry, Continuous Innovation in HR Strategy at work (National round) and Excellence in HR through Technology (Southern region).

These laurels motivate the Company to focus on providing best global products.

### Way forward

Going ahead, the Indian economy is expected to post a better performance on the back of the automotive and telecom sectors, which look bullish. The opportunities in the sectors are as follows:

**Automotive sector:** New product launches, India becoming a global automotive sector outsourcing hub and the growing popularity of electric vehicles.

**Industrial sector:** Roll out of new telecom operators, 3G spectrum auction, likely entry of new service providers and deepening telephony penetration in the country.

In the battle for supremacy, only excellence will count. Backed by our excellent manpower, systems and procedures and focus on innovation, we are confident of meeting all challenges. When the nation is striving for a position among the world's elite economies, our Company must look at building itself into a global leader in its segment.

remained disciplined in execution and faced a volatile market with a positive 'can do' attitude.

I dedicate all our achievements and successes to our employees, their families, shareholders, JV partner, bankers, vendors and customers. I sincerely thank one and all for making ARBL a truly world-class organisation.

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**“We are happy that the Employer Branding Institute of India recognised our Company for its HR strategy and conferred three awards – Best Employer Award in the category of electronics industry, Continuous Innovation in HR Strategy at work (National round) and Excellence in HR through Technology (Southern region).”** Dr. Ramchandra N Galla, *Chairman*

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ARBL's growth occurred within a challenging economic climate and the Company is poised to secure all opportunities that may come its way. Our Company demonstrated leadership,

**“WE WILL FOCUS ON INNOVATION, IMPROVE OPERATIONAL EFFICIENCY AND INVEST IN TECHNOLOGY AND PEOPLE TO SUSTAIN THE GROWTH STORY FOR AN EVEN BETTER TOMORROW.”**

THE RECESSION IS OVER AND THE FUTURE ALWAYS HAS A WAY OF ARRIVING UNANNOUNCED.

HOWEVER, WINNERS ARE NEVER TAKEN BY SURPRISE. THE LAST TWO YEARS' EVENTS HAVE BROUGHT US FACE-TO-FACE WITH THE REALITY THAT ENTERPRISES NEED TO BE ALWAYS FUTURE-PROOF.

With the Indian economy progressing towards a speedy recovery, we now face widening opportunities in terms of better growth, reforms and new ventures.

Even if the worst of times are behind us, the best of times will be ours only if we seize the right opportunities.

The Company responded to the sectoral and economic challenges through proactive capacity and quality enhancement. I am proud and happy to share with you the results. Our Company's profit in 2009-10 was the highest in its history.

■ Net revenues were Rs. 14,652 million compared to Rs. 13,132 million in FY 2008-09. This topline growth of 12% was achieved due to channelised market penetration and enhanced sales. Volatility in lead prices did not deter us from reaching new heights as our gross sales touched Rs. 16,910 million compared with Rs. 15,794 million in 2008-09. Net profit rose 107% to Rs. 1,670 million compared with the previous year.

■ The board of directors approved and adopted a dividend policy for distributing up to 15% of the profit after tax (PAT) to shareholders. Accordingly, the board has proposed a dividend of Rs. 2.90 (145%) per equity share of Rs. 2 each for 2009-10, subject to the approval of the shareholders.

The Company continues to enjoy comfortable liquidity and is confident of meeting the funding requirements for its expansion plans contemplated for 2010-11. The upgradation of the credit





**Jayadev Galla**  
*Managing Director*

rating to AA/Stable and P1+ for long-term and short-term loan facilities by CRISIL and a healthy cash position with a low debt-equity ratio will enable us to leverage our borrowing with a minimum impact on financial charges.

The Company's industrial battery unit witnessed double-digit growth in sales during 2009-10. During the year, the installed capacity of medium VRLA batteries was enhanced from 1.20 million to 1.80 million units per annum. The Company continues to enjoy its preferred supplier status from leading telecom operators. The industrial battery unit's two leading brands - Powerstack™ and Quanta™ - continued to be preferred in the telecom, UPS and other user segments (ITES, railways, power control and solar). The Company's market share in the telecom sector continued to increase during the year under review and stood at 32% at the end of the financial year.

The Company's automotive battery unit

revenue grew 20% over 2008-09. The growth in sales volume outpaced industry growth for automotive and motor cycle batteries. The Company maintained its market share in OEM and the aftermarket aided by its focus on channel building, realignment of its product portfolio and brand awareness programmes.

During the year, the Company launched its second variant in the category of motor cycle batteries (with VRLA technology) under the name of Amaron Pro Bike Rider™ BETA Series with a 48-month warranty in the aftermarket. The BETA series will enhance the product portfolio in addition to the existing variant - ALPHA with a 60-month warranty.

In 2009-10, the Company expanded its Amaron® network to over 200 franchisees and 18,000 retailers; it strengthened its presence through 700 PowerZone™ outlets in semi-urban and rural locations. To enhance visibility and reach, the Company launched Pitstops in

urban areas and PowerZone™ outlets in semi-urban and rural areas. I am proud to share that the Amaron® Pitstop format is now ranked among the top franchising opportunities in India.

While 2009-10 was a learning experience, 2010-11 appears promising but with challenges. We will focus on innovation, improve operational efficiency and invest in technology and people to augment our market leadership.

Your support continues to inspire excellence in our endeavour. I would also like to express my appreciation for the support that we have always received from you and for the confidence reposed in us at all times.

I also wish to place on record our sincere gratitude to our joint venture partner Johnson Controls Inc. (JCI), our bankers, partners, associates and most importantly, Team Amara Raja.

We commit to sustain the growth story for an even better tomorrow.



FOCUS:

# UNLEASH!

**Amara Raja had, over the years, assiduously built a robust foundation, which is now ready to be unleashed to address opportunities.**

- Wide range of products to meet demanding applications and varying customer needs
- Vibrant AMARON® brand - the fastest growing battery brand, in India
- Pan-India network enables a wider and deeper reach, redefining consumer experience
- An unflinching commitment and passion of the people to raise and achieve superior performance benchmarks
- Asia's largest integrated battery plant in a single location
- Technological strengths of JV partner - Johnson Controls Inc. (JCI)
- Strategic Business Units (SBU) – automotive and industrial – for undiluted focus
- Financial stability to support organisational growth


- ARBL is India's second largest battery manufacturer with 46% CAGR in sales over the five years leading to 2009-10
- The Company created a sizeable net worth of Rs. 5,437 million with a debt-equity of 0.17 as on March 31, 2010

FOCUS:




FOCUS

**EXCEL!**



## Amara Raja's relentless pursuit of excellence... enabling to stay in the forefront

- Customer-centric products with best-in-class technologies for its industrial and automotive units
  1. First to introduce VRLA batteries for industrial standby applications
  2. First to introduce zero-maintenance batteries for automotive applications
  3. First to introduce VRLA batteries for motorcycle applications
- Best Business Practices deployed through Continuous Improvement – optimising inputs, conversion costs, throughput and quality
- Robust process framework encompassing quality systems, talent management and customer satisfaction
- Decision support systems backed by advanced information technology
- Creating a network of responsive supply partners for key inputs – to collaboratively reinforce a competitive edge

- 
- Recipient of 'Best Telecom Equipment Manufacturer' award for 2008-09 from BSNL
  - Awarded 'Quality Excellence' for 2009 from Indus Towers Limited
  - Shareholders' initial investment appreciated 85 times by value



FOCUS

**BROADEN!**



## Amara Raja will continue to broaden the horizon to fulfill growth aspirations.....

- Additional manufacturing locations - optimising reach
- Broad base technology foot print - tubular for motive power and home UPS applications
- Advance technologies - batteries for Hybrid vehicles
- New markets - foot print across Africa and ASEAN
  - ◆ Diamond Mark of Quality permit from Kenya Bureau of Standards
  - ◆ Quality Certification as per Gulf Standards
- Strong leadership pipeline - to support lateral growth
- Partnerships for new business opportunities

- Amara Raja entered into an agreement with Honda, Japan, for the development of VRLA motorcycle batteries
- Amara Raja is the first supplier of batteries for India's first micro hybrid vehicle of Mahindra & Mahindra

# Celebrating

# AMARON®



Until 2000, automotive batteries were a low involvement category, always served in a white box in a dark, shabby and greasy environment. It needed regular maintenance and aftersales service and the unorganised battery market contributed around 65% of the country's aftermarket size.

David was all set to challenge Goliath. On January 9, 2000, the automotive batteries industry was redefined with the launch of Brand **AMARON®** by Amara Raja Batteries. Age-old concepts were questioned and a new progressive technology led the way.

**Batteries must be white.** Not Amaron®. Amaron® entered the market with a striking black battery, which was subsequently added with green battery. Finally, a battery that looked as good as it performed.

**Batteries need to be maintained.** Amaron® made a battery that didn't need any maintenance or top-up.

**The dealers charge the battery.** Amaron® was the first battery to be fully charged from the time it was manufactured inside the factory. So the dealers could only sell a long-lasting battery. As for customers, it was now safe to assume that all Amaron® batteries are created equal.

**There's no such thing as life after warranty.** Amaron® was the first to offer a warranty of 36 months and followed that with a pro-rata warranty by 60 months for car batteries, which was almost twice the existing life. Just because bikes have two wheels, we didn't cut warranty by half; Amaron® became the first and only 60-month pro-rata warranty battery for two-wheelers.

**Acid inside?** Only an Amaron® comes with Silven X Alloy® that protects battery inside from corrosion.

Across the last decade, Amaron® set standards in the industry – from the state-of-the-art ISO 14001 certified



# 10 NON-STOP YEARS



plant to new technology products for two-wheelers to formatted battery stores to 24/7 customer service to involvement with motorsports, to having the widest dealer network (more than half of whom were initiated into battery retail by Amaron®), to innovative packaging, which won rich accolades. Also, the ground-breaking communication strategy won several awards and suddenly the category was no longer considered unattractive.

## Year 2010

Amaron® emerged as the preferred supplier to a number of major original equipment manufacturers (OEMs) and the second largest brand in the Indian

aftermarket space for automotive batteries.

As brand Amaron® continues to make deeper inroads into the Indian market, it has also made successful forays into the international market. Its success in highly competitive markets like Singapore bears testimony to this reality.

As the Company embarks on its next decade of existence, it is confident of racing ahead with the same vigour as its popular product.

INDIA'S MOST POWERFUL BATTERY  
CAN **LAST LONG.**  
**REALLY LONG.**

# MANAGEMENT DISCUSSION AND ANALYSIS

## Global economy

The year 2009 witnessed the harsh fallout of the unprecedented global economic turmoil. As per IMF estimates (January 2010), global economic growth contracted around 0.8%, led by the advanced economies which contracted 3.2% while emerging economies declined 400 bps to 1.7% in 2009 (2.1% in 2008). The intensity of the global meltdown in 2009 would have been harsher but for China and India. The cumulative efforts of most governments curtailed the depth, span and intensity of the economic catastrophe, although the possibility of some economies defaulting continues to haunt the world.

IMF estimates suggest a positive economic rebound in 2010 with the global economy projected to grow at 3.9%; advanced economies is expected to grow 530 bps to an estimated 2.1% while the emerging world is expected to grow 390 bps to about 6%. Further, WTO projects world trade to expand 9.5% with the advanced world increasing 7.5% and the emerging world 11%.

## Emerging world rules the future

Over the last decade, the global economy was primarily driven by the emerging world, China and India being the two most important contributors. This trend is expected to sustain. This is because of an important reality – emerging economies have multiple engines catalysing their economic growth: demographic advantage, growing industrialisation and increasing urbanisation. Through the global meltdown, the advanced economies suffered the most and are expected to take the longest to revive. The emerging economies on the other hand, displayed their resilience and retrieved the global economy from the brink, strengthening their prospects of becoming preferred investment destinations.

The possibility that Asia could become the world's largest economic region by 2030 is not idle speculation. It seems very plausible based on what Asia has already achieved in recent decades: emerging Asia's share of world trade has doubled

and of world GDP tripled in just the past two decades.

## Indian economic overview

Double-digit industrial growth saw the Indian economy expanding 7.4% in 2009-10, despite drought and a global slowdown. The gross domestic product (GDP) was Rs. 4,464,081 crore (at 2004-05 prices), surpassing the earlier estimate of 7.2% growth over the previous year's Rs. 4,154,973 crore.

The Indian economy's stellar performance was driven by the manufacturing sector's robust performance on the back of government and consumer spending. The sector emerged as the best performer, growing 10.8% in 2009-10 as against 8.9% in 2008-09, outpacing the services sector. While manufacturing activity pushed the growth, agriculture grew 0.2% during the year as opposed to a 0.2% estimated decline, despite the worst drought in three decades, floods in some areas and resulting impact on kharif crop production.

As on March 26, 2010, India's foreign

exchange reserves stood at USD 277.04 billion, an increase of USD 24.71 billion over the same period in the previous year (source: Reserve Bank of India's Weekly Statistical Supplement). India received FDI worth USD 20.92 billion during April-December 2009, taking the cumulative amount of FDI inflows to USD 127.46 billion in December 2009, according to the Department of Industrial Policy and Promotion.

Government estimates suggest that the Indian economy will grow 8.5% in 2010-11, driven by better farm output and global recovery. However, slower growth in the service sector, widening fiscal deficit, rising inflation, volatile exchange rate and a probable impact on balance of payments arising out of crude prices remain serious concerns of the Indian economy.

### Impact of economic resurgence

**Auto:** Automobile production touched record highs in 2009-10 on the back of positive consumer sentiment. Car

production rose 25%, the fastest in six years, to 19.50 lakh and motorcycle production climbed 26% to 84 lakh. In the passenger car segment, volumes of the two car majors, Maruti and Hyundai Motors, grew 33% and 18% year-on-year.

**Telecom:** According to the Department of Industrial Policy and Promotion (DIPP), the telecommunication sector, which includes radio paging, mobile services and basic telephone services, attracted foreign direct investment (FDI) worth Rs. 108,110 million in 2009-10, a growth of 17.12% over the previous year. In March 2010, Bharti Airtel bought the African operations of Kuwait-based Zain Telecom for USD 10.7 billion, driving the Indian player into the league of top ten telecom players globally. According to the Economic Survey 2009-10, the production of telecom equipment in value terms increased from USD 9 billion in 2007-08 to USD 10.53 billion in 2008-09 and is expected to be USD 12.4 billion in 2009-10.

Car production rose 25%, the fastest in six years, to 19.50 lakh and motorcycle production climbed 26% to 84 lakh.



The market for UPS batteries is expected to grow about 10% in 2010-11, aided by a reviving momentum in the services sector and e-initiatives of the Government(s) of India.



**IT & ITeS:** The aggregate revenue from the IT-BPO industry is expected to grow by over 5% and reach USD 73.10 billion in 2009-10 compared with USD 69.40 billion in 2008-09. The IT-ITeS industry's contribution to the GDP increased from 6% in 2008-09 to 6.10% in 2009-10 (Source: Department of Information Technology).

### Indian battery market

The domestic storage battery market (organised sector) is estimated at about Rs. 65 billion at current lead prices, comprising industrial batteries (Rs. 32 billion) and automotive batteries (Rs. 33 billion) businesses. Moreover, the unorganised sector is estimated at Rs. 20-25 billion. The automotive battery business accounts for about 55% of sales value, while the industrial battery business accounts for the remaining 45%.

The automotive battery business can be further divided into the OEM and aftermarket sectors. Demand for

automotive batteries largely depends on the growth of automobile OEMs and the aftermarket. During the year under review, the automotive batteries market grew about 30% in OEM and about 10% in the replacement market. The OEM and replacement markets are expected to experience about 18% growth in the segment OEM and 11% in the aftermarket segment in 2010-11.

The growth in the industrial batteries business is driven by infrastructure and technology-related industries such as telecommunications, UPS and power. VRLA technology caters to 75% of the industrial storage battery market. The ongoing slowdown in telecom impacted the offtake and price of VRLA batteries, after healthy growth in the recent three-four years. The market for UPS batteries is expected to grow about 10% in 2010-11, aided by a reviving momentum in the services sector and e-initiatives of the Government(s) of India.

# BUSINESS ANALYSIS

AMARA RAJA BATTERIES LIMITED (ARBL) MANUFACTURES BATTERIES FOR AUTOMOBILE AND INDUSTRIAL APPLICATIONS, PROTECTED BY ISO:9001, QS9000 AND TS-16949 CERTIFICATIONS BY RWTUV, GERMANY. THE COMPANY'S FACILITIES ARE INTEGRATED ACROSS CRITICAL COMPONENTS AND PLASTICS.

## Automotive Batteries Unit

### Snapshot

Capacity:	4.20 million batteries – Automotive 1.80 million batteries – Motorcycle/Small VRLA
Key customers:	Maruti, Hyundai, Ford, Tata Motors and Mahindra & Mahindra

### What we achieved in 2009-10

- Witnessed a 20% growth in revenues and volume over 2008-09
- Launched second variant of motorcycle battery (Amaron Pro Bike Rider™ Beta series) based on VRLA technology with a 48-month warranty in the aftermarket
- Expanded its network to 200 franchisees and over 18,000 retailers in Amaron® format
- Enhanced the presence of PowerZone™ to over 700 outlets across semi-urban and rural locations
- Ranked among the top 100 franchise opportunities by *'The Franchising World'* for Amaron® Business Model
- Received battery product approval for Ford's small car Figo and Escorts Ltd. for tractors
- Developed and commenced supplies to the first Indian micro hybrid vehicle (Scorpio) from Mahindra & Mahindra
- Completed the design and development of a micro hybrid programme for Tata Motors' Ace vehicle

- Entered into a development agreement with Honda, Japan, for motor cycle VRLA batteries

### Business overview

The Automotive Batteries Unit commenced operations with technology from Johnson Controls Inc., joint venture partner and the world's largest manufacturer of automotive batteries. It pioneered the Valve Regulated Lead Acid (VRLA) technology in India's automotive battery segment, the key differentiator in an otherwise cluttered Indian automotive battery market. Based on the technology, the unit created an unmistakable brand recall:

- Introduced the zero-maintenance automotive batteries for the first time in India
- Pioneered the 60-month warranty battery for the first time in India's automotive battery space

The unit's revenue accrue primarily from the aftermarket segment, accounting for about 65% of sales volume while the balance is contributed by sales to OEMs



The PowerZone™ brand provides customised batteries for rural applications. The brand also offers complete power solutions for automobiles and homes, making it a one-stop shop for all power needs – quality product at competitive prices.

and exports. ABD is a preferred supplier to automobile OEMs for diverse platforms with a 27% market share and enjoys a sizeable presence in the aftermarket segment (26% market share in the organised sector) through its own brands and private label programs like Bosch and Lucas. The Amaron® brand is well accepted in various countries across Indian Ocean Rim spanning Southeast Asia, the Middle-East, Asia and East Africa.

### Products and applications

ABD caters to all segments of the automotive industry, ranging from passenger cars, MUVs, tractors and commercial vehicles (automotive batteries) to motorcycles and scooters (motorcycle batteries) – both self-start and kick-start. ABD offers an array of automotive batteries to OEMs and the aftermarket with warranties ranging from 12 to 60 months to suit diverse customer requirements.

Some key features that make Amaron® a preferred brand are long life, BIC vents for enhanced safety, highest cranking power and a 60-month warranty.

The PowerZone™ brand provides customised batteries for rural applications. The brand also offers complete power solutions for automobiles and homes, making it a one-stop shop for all power needs – quality product at competitive prices.

### At the shop floor

Automotive Batteries Business Unit manufacturing facility in Tirupati houses six assembly lines, while its motorcycle battery manufacturing facility has two assembly lines. The batteries are manufactured in a QS 9000, ISO 14001 and TS 16949-certified plant, using world-class technology and stringent quality parameters. During 2009-10, the following initiatives helped optimise operational processes:



### Amaron's product range

Brand	User segment	Warranty period
PRO	Passenger cars	60 months
FLO	Passenger Cars	48 months
GO	Passenger cars	36 months
BLACK	Passenger cars	18 months
FRESH	Passenger / MUV	12 months
HI-WAY	Commercial vehicles	24 months
HARVEST	Tractors	24 months
SHIELD	Inverters	24 months

### Productivity improvements

- Institutionalised a scientific production planning mechanism, which facilitated maximum equipment throughput
- Introduced a new charging system, which reduced cycle time in the formation area and ensured equal charge in all cells for enhanced product quality
- Enhanced the capacity of acid dilution plant to support growing captive needs
- De-bottlenecked the formation area of the automotive battery plant
- Optimised pasting operations for improved productivity
- Reduced power consumption by eliminating wastage

### Quality improvements

- Extended the online (real time) SPC technique usage in the plate preparation area for better quality control
- Sustained the TPM programme to reduce breakdowns and increase machine uptime
- Underwent 'World Class Manufacturing systems' assessment by Frost & Sullivan
- The Company received the permit to use the "Diamond Mark" from the Kenya Bureau of Standards and received "Gulf Standard Organisation Certification" from the Directorate General of Specifications and Measurements, Ministry of Commerce and Industry, Sultanate of Oman, for its automotive batteries.

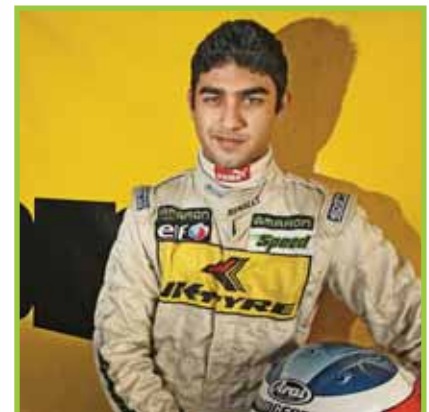
Consequently, average capacity utilisation improved in both the automotive and motorcycle battery plants during the year.

### Distribution network

In 2009-10, the Amaron® network expanded to more than 200 franchisees and 18,000 retailers, and PowerZone™ network to over 700 outlets. The Company launched Amaron® Pitstops in urban areas and PowerZone™ outlets in semi-urban and rural areas. The Amaron® Pitstop format was ranked among the top franchising opportunities in India. The Company's unconventional marketing channel comprises auto mechanics, lube retailers and small shop-owners.

### Brand initiatives

- Launched a pan-India TV commercial for eight weeks across 35 television channels in seven languages (for the first time the advertisement was featured in six regional languages apart from English)
- Conducted the 'Mystery Shopper' and 'Display Contest' for the motorcycle battery brand across the retail network
- Conducted the 'Whistle Campaign' for the motorcycle battery brand, enhancing brand awareness
- Initiated free auto electrical diagnostic camps and deployed branded vans to enhance brand visibility across major Tier I and II cities
- Retained Narain Karthikeyan, Armaan Ebrahim, Karun Chandok and Aditya Patel as brand ambassadors
- Organised scholarship programs for the three winners of Amaron Karting Challenge Season 2, helping graduate



Factors like low vehicle penetration, increasing GDP growth and growing competition will enhance the price-value proposition for customers, widening the market.



them to higher karting and racing levels

- Conducted a 'Funk My Ride' online design contest for designing Amaron Karts and Racer's branded costume

**Optimism**

The revival in India's automobile industry and the government's thrust on road building will catalyse industry growth. Factors like low vehicle penetration, increasing GDP growth and growing competition will enhance the price-value proposition for customers, widening the market.

**Low vehicle penetration:** India's low passenger vehicle and two-wheeler penetration per 1,000 people at 11 and 66 represent an opportunity.

**Investments accelerating volumes:** The Indian automobile industry expects to invest up to Rs. 80,000

crore in fresh capacity in four years and car manufacturing capacity is set to rise to 57 lakh units by 2015, according to Ernst & Young, as the industry sustains a 10-15% CAGR.

**Replacement market:** Generally, an automobile battery lasts for about three years, creating the need for replacement. Robust sectoral growth projection provides an attractive opportunity in India's replacement market.

**Road ahead, 2010-11**

- Enhance manufacturing capacities, both in automotive and motorcycle battery plants, by 20% and 100%
- Invest in low-cost automation, enhancing productivity and quality
- Extend reach and improve brand visibility

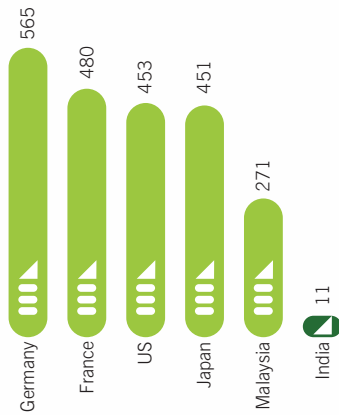
Automobile production over the years

Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Passenger vehicles	989,560	1,209,654	1,308,913	1,544,850	1,767,867	1,838,249	2,334,363
Commercial vehicles	275,040	350,033	391,078	519,982	549,006	416,870	566,430
Three wheelers	356,223	374,414	434,424	556,126	500,660	497,020	619,093
Two wheelers	5,629,663	6,575,584	7,569,573	8,469,345	8,052,056	8,395,768	10,510,331
Grand Total	7,250,486	8,509,685	9,703,988	11,090,303	10,869,589	11,147,907	14,030,217

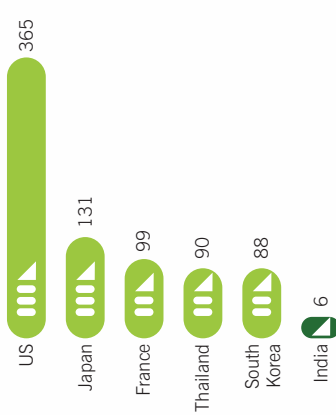
[Source: SIAM]



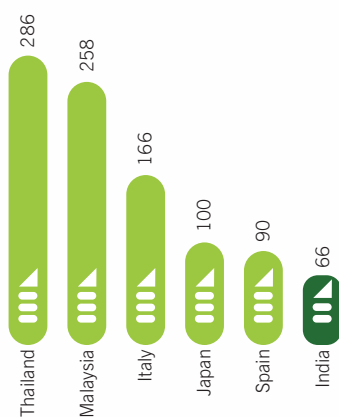
**Passenger vehicle penetration**  
(per 1,000 people)



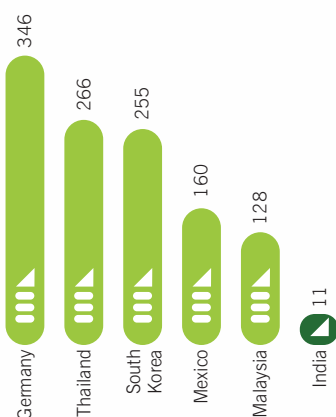
**Commercial vehicle penetration**  
(per 1,000 people)



**Two-wheeler penetration**  
(per 1,000 people)



**Vehicles per mile**



**Double in 10!**

The government's Automotive Mission Plan provides a 10-year roadmap to make India an automobile hub, doubling the industry's contribution to 10% of gross domestic product.



## Industrial Batteries Unit

Capacity:	900 million AH (Large VRLA) 1.80 million units (Medium VRLA)
Key customers:	Telecom infra providers, operators, OEMs, Indian Railways, Government of India and BFIS

### What we achieved in 2009-10

- Registered a 15% growth in revenues
- Increased MVRLA battery capacity from 1.2 to 1.8 million units per annum
- Consolidated manufacturing assets for LVRLA and MVRLA product lines
- Developed small VRLA batteries for commercial and household applications
- Expanded MVRLA product range
- Launched 6V/120 Ah monoblock battery for train lighting applications in Indian Railways
- Garnered a higher market share in the telecom segment, under challenging market conditions

### Business overview

The Industrial Batteries Business Unit manufactures Valve Regulated Lead Acid (VRLA) batteries, catering to the growing needs of the telecom, UPS back-up, railways and power utility sectors. Its strong ties with leading customers resulted in 34% CAGR over the past four years leading to 2009-10. Today, the unit is a preferred battery supplier to all major telecom infrastructure and service providers, one of the largest battery suppliers to Indian utilities and preferred partner of multinational telecom equipment manufacturers and power companies. Over the recent years, the unit established a competent marketing and

service network – 75 strong Authorised Quanta™ Alliance (AQuA) partners with pan-India reach – to cater to the growing UPS segment. Across the last two years, the unit doubled the capacities of both LVRLA and MVRLA product lines, enabling scale efficiencies in manufacturing operations.

### Products and applications

IBD's products straddle large (PowerStack™), medium and small VRLA batteries (Quanta™). The unit's product portfolio comprises products with capacities ranging from 4.5 Ah to 5,000 Ah. While both PowerStack™ and Quanta™ medium VRLA product range were established as the preferred choice of many customers, small VRLA batteries were introduced only during the last quarter of 2009-10.

In the telecom sector, the batteries support switching and transmission (wireline and wireless) networks; the Indian Railways uses these batteries for train lighting, coach air conditioning and signalling. In the power sector, the batteries support generation, transmission and distribution networks. The UPS batteries support IT and ITeS operations; they form a part of UPS systems, which provide backup power and regulate power supply to critical equipment during voltage fluctuations. Small VRLA batteries find application in small UPS and emergency lamps.



## Brands

Brand	Rating	Applications
PowerStack™	2V / 100 – 5600 Ah	Telecom exchanges, power stations, oil and gas, Indian Railways and other industrial applications
Quanta™	12V / 4.5 – 200 Ah	UPS segment, IT and ITeS industry, corporate and hotels, among others
PowerSleek™ (Front Terminal Access)	12V / 100 -150 Ah	Wireless telecom networks, UPS application and niche applications

IBD's manufacturing facility is ISO 9001 and ISO 14001-accredited and periodically audited by client representatives.

## Shop floor

The industrial batteries unit's manufacturing facility is ISO 9001 and ISO 14001-accredited and periodically audited by client representatives. The manufacturing infrastructure is built with state-of-the-art equipment and robust process control measures.

During 2009-10, the unit optimised operational efficiency through the following initiatives:

- Shifted its medium VRLA battery lines from the automotive plant to the industrial batteries plant, consolidating industrial battery manufacturing under one roof
- Reduced battery charging cycle time by 20% through a novel pasting chemistry
- Integrated planning process with SAP,

leading to accurate planning and timely course correction

- Developed a special purpose machine in-house, saving significant capital expenditure
- Installed power factor control equipment, leading to significant energy savings
- Reduced lead scrap generation and increased re-utilisation
- Established 28 Quality Circles for process improvement
- Initiated TPM and various Continuous Improvement (CI) programs

## Current outlook

The industrial battery market is largely influenced by demand in telecom and



UPS segments while renewable energy and motive power sectors are likely to emerge as new growth drivers.

**Telecom:** The Indian telecom market came of age last year, emerging as one of the world's fastest growing and most competitive markets. But intense competition in the wireless-dominated telecom services in the country also forced operators to reduce tariffs to the brink of sustainability. As a fallout, operators will pursue new revenue-generating opportunities as the subscriber growth rates will moderate. Tariff stability, potential M&As, launch of 3G/BWA services and introduction of mobile number portability are some of the key developments that will characterise the telecom industry dynamics during FY11. While the network expansion will focus on reaching rural subscribers, the corresponding challenges in power supply management in power deficit geographies will trigger more innovative products, services and business models in the telecom network power solutions. With India's tower population crossing over 350,000 across the country, network expansion activity slowed; the focus of tower operating companies is on

enhancing efficiency and maximising utility by increasing the tenancy ratio. The demand for batteries is expected to be moderate with marginal or flat growth, with battery replacement cycle driving demand. As the battery industry witnessed significant additions in capacity by existing suppliers as well as new entrants, supply outstripped demand requirements, creating unfavourable pricing trends in the industry. While this put a pressure on margins, the Company is leveraging its strong customer relationships to enhance market share and sustain volume growth.

**UPS –** Large scale computerisation of banking networks and government departments, aggressive growth in the IT sector and increasing demand for data services catalysed UPS sales. Hence, battery demand in this segment witnessed over 15% CAGR across the last five years. PC sales, server sales and laptop sales continued to see a healthy growth in demand at 15% CAGR. Addition of high powered data centres in telecom, IT, BFSI and government sectors, continued growth in ATM population at 18% CAGR and massive government-funded projects such as Accelerated Power Development and Reform Program (APDRP), National e-



Governance Plan (NeGP), will continue to drive the demand for UPS batteries.

The Company is rightly poised to capitalise on this opportunity with the recently expanded capacity for UPS batteries, countrywide AQUA™ channel network and strong OE supply relationships. We outpaced market growth significantly with 28% market share in FY10 and will continue to drive volumes aggressively. While imports sources and upcoming players will continue to exert a pressure on realisations, we will leverage our product and channel strengths to emerge as a market leader over the next couple of years.

### Optimism

The industrial battery unit is expected to grow owing to a sizeable growth in the following core customer segments.

**Telecom:** The Indian telecommunications industry is one of the fastest growing in the world. According to the Telecom Regulatory Authority of India (TRAI), the number of telecom subscribers in the country reached 621.28 million as on March 31, 2010, an increase of 3.38% from 600.98 million in February 2010. With this, the overall teledensity

(telephones per 100 people) touched 52.74.

The wireless subscriber base increased to 584.32 million at the end of March 2010 from 564.02 million in February 2010, registering a growth of 3.6%. According to a report published by Gartner Inc. in June 2009, the total mobile services revenue in India is projected to grow at a compounded annual growth rate (CAGR) of 12.5% from 2009-2013 to exceed USD 30 billion. Indian's mobile subscriber base is set to exceed 771 million connections by 2013, growing at a CAGR of 14.3% in the same period from 452 million in 2009.

This optimism is derived from the following estimates:

- According to a study conducted by Nokia, the communications sector is expected to emerge as the single largest component (15.4% by 2014) of the country's GDP.
- Following 3G spectrum availability, about 275 million Indian subscribers will use 3G-enabled services; the number of 3G-enabled handsets will reach 395 million by end of 2013 (*source: Evalueserve*), necessitating investments in



adequate telecom infrastructure.

- According to Frost & Sullivan, fixed line revenues are expected to touch USD 12.2 billion while mobile revenues will reach USD 39.8 billion in India, necessitating additional network rollout.
- Government of India set a target of 40% teledensity for rural India by 2014.
- India currently has around 350,000 telecom towers which will provide enough replacement for batteries.

**Information technology:** The Indian information technology sector shows attractive promise.

- As per NASSCOM:
  - India's IT-BPO industry is estimated to aggregate revenues of USD 73.1 billion in FY 2010 (IT software and services industry accounting for USD 63.7 billion).
  - Government's IT spend stood at USD 3.2 billion in 2009 and is expected to reach USD 5.4 billion in 2011.
  - e-Governance is a USD 9 billion business opportunity.
- According to McKinsey, the exports component of the industry is expected to

reach USD 175 billion in revenue by 2020 and the domestic component could touch USD 50 billion by 2020.

- According to Gartner, India's IT end-user spending is expected to grow at a CAGR of 14.8% (2007-12), generating USD 110 billion in business potential in 2012.

**Railways:** The government's priority is to expand pan-India railway connectivity and modernise its facilities with an estimated Rs. 2,000 billion investment in the Eleventh Plan. The railway budget 2010-11 set in motion multiple initiatives like the following:

- Acquisition of 18,000 new wagons
- Introduction of 101 suburban services in Mumbai area; introduction of 54 new train services, 28 passenger train services, 9 MEMU and 8 DEMU services, six long route Duronto trains and four short distance Duronto day trains
- Modernisation and augmentation of CLW capacity to 275 locomotives and commissioning a diesel multiple unit factory in Sankrail

Indian Railways intends to set up a new coach factory at Rae Bareilly with an annual capacity of 1,000 coaches graduating



India to a railway equipment manufacturing hub for southern Asia and Africa and add 17,500 coaches to cater to growing demand.

**Power sector:** India's per capita power consumption was low at 704 kwh in 2008-09 against a global average of 2,800 kwh. Estimates suggest that India Inc. lost Rs. 43,205 crore in revenues in 2008-09 owing to power shortages (source: MAIT and Emerson Network Power). The government initiated the following steps to correct the situation:

- Revised the incremental power capacity target from 78,577 MW to 92,700 MW during the Eleventh Plan (2007-12) with the objective of raising per capita consumption to 1,000 kwh by 2012
- Increased budgetary allocations for the Revised Accelerated Power Development and Reforms Programme (RAPDRP) from Rs. 2,230 crore in 2009-10 to Rs. 5,130 crore for 2010-11
- Announced new tariff norms for power utilities – initiated by the Central Electricity Regulatory Commission (CERC) – for 2009-14, which are expected to stimulate capacity creation
- Planned 100,000 MW of fresh

capacity for the twelfth plan

### Solar sector

- National Solar Mission, launched with a vision to make a 'Solar India', is creating avenues for the growth of the solar sector, thereby creating additional demand for standby power.
- The solar photovoltaic sector, as an alternate source of power, grew 68% since 2003-04.
- The Indian government set a target of 20,000 MW of solar energy generation by 2022.

### ATM service

ATMs have an abysmally low penetration in India due to the high cost of the machine and unfavourable weather and power supply to run the ATM. Even after having commissioned 45,000 ATMs, India has one of the lowest ATM densities in the world of just 35 (1 ATM for 28,570 people). ATM transactions jumped 40% after RBI allowed account holders to access any ATM across the country without any charge for five withdrawals up to Rs. 10,000 a month. Automation and technology service providers increased their focus on this emerging market by providing low-cost ATMs. The next three



to five years will see a higher ATM penetration in India.

**Road ahead, 2010-11**

- Sustain market share in telecom
- Launch FAT batteries for the telecom segment
- Introduce batteries (12V) with higher capacity for UPS segment in IT and ITeS sectors
- Consolidate market share in train lighting applications for Indian Railways
- Explore opportunities to establish a presence in other industrial battery user segments
- Create road map for reaching out to

focused markets in Indian Ocean Rim geography

- Enhance operational efficiencies and implement aggressive cost management strategies

**Supply chain management**

The Company strives to build and maintain sustainable relationship with its supply chain to support existing and future business needs. Supply chain management is critical for a number of reasons:

- Vendor management is essential as nearly 60 to 65% of sales value accounted by material cost. It encompasses the procurement of key





materials like lead, separator and polypropylene from global and domestic vendors.

- Products must be delivered to OEMs just-in-time, ensuring on-time deliveries to several customers and retail outlets at different parts of the country, optimising distribution costs.

**Raw material sourcing:** The key input and major cost element in battery comprises lead and lead alloys. Around 60% of the Company's lead requirement is imported with prices linked to LME average monthly price. During 2009-10, lead prices started at USD 1,383 per tonne in April 2009 and peaked at USD 2,368 per tonne in January 2010. The table on the previous page shows the price movements of lead over a two-year period from 2008 to 2010.

To secure uniform supplies of key materials at optimal cost, the Company implemented the following initiatives:

- Entered into a supply agreement for almost 100% of the estimated quantity as per the business plan.
- Sourced materials through a defined procurement process, ensuring sourcing

at an optimal cost; explored procurement synergies with its JV partner

- Ensured that the junk batteries collected were processed through Ministry of Environment and Forests (MoEF-) certified smelters and converted into usable resources
- Negotiated improved credit terms with suppliers with a price variation clause

**Logistics:** The Company optimised logistic costs through the following initiatives:

- Improved truck loading factor by redesigning pallet sizes and intelligent space management
- Entered into annual contracts with all service providers with a risk purchase clause, leading to service dependability
- Established performance benchmarks among service providers
- Tracked consignment arrival and departure to reduce CFS charges

**Distribution and warehouse:** Of the Company's 29 warehouses, four are managed by the Company and the rest by Clearing and Forwarding Agents (CFAs). A systematic approach towards CFA performance monitoring, compliance with first-in first-out (FIFO) process and 5S



practices enabled cost optimisation in warehouse management and secondary freight.

### Research and development

The Company's research and development focuses on futuristic energy solutions that enhance the price-value proposition. The R&D team consistently focused on technology excellence, creating products complying with exacting standards and customer needs.

- Developed and commercialised a super premium PowerStack™ battery for telecom and power control applications
- Developed long-life VRLA batteries for hybrid/off-grid applications
- Enhanced productivity in automotive grid casting through process improvements
- Designed and deployed battery for the newly introduced Ford FIGO
- Introduced redundancy solution for back-up power in railway AC coach applications.

### Human resources

The Company's strong focus on people continues to be reinforced through a well thought-out strategy:

'Facilitating achievement of business

objectives in an invigorating work environment through continual enhancement of employee engagement, development and performance.

All people initiatives and programmes are aligned with the business needs of the automotive and industrial battery units.

During 2009-10, the Company was recognised for its HR strategy by the Employer Branding Institute of India through the following awards:

- **Best Employer Award in the Electronics Industry category** – All India
- Award for **Continuous Innovation in HR Strategy at Work** – National Round
- Award for **Excellence in HR through Technology** – Southern Region

The organisation remains young with the average age of employees at 31 years as on March 31, 2010. The total number of employees on the Company's payroll as on March 31, 2010 was 2,493.

### Strategic business unit formation and people alignment

During the course of the year, the organisation restructuring was carried out wherein two strategic business units were formed—automotive and industrial



batteries business—with the objective to enhance focus and value. The Strategic Business Unit (SBU) structuring was implemented to better serve the demands of each business, which has unique customers and competitors needing specific leadership focus and attention to grow beyond, thereby higher ability to take advantage of business opportunities in related segments and markets, rapid customer service and product cycles, among others. Clear reorganisation and alignment initiatives were taken up to form leadership teams for both SBUs. The organisation is proud of having appointed SBU heads from internal talent and most leaders from within each SBU.

#### **Talent acquisition**

The exclusive talent acquisition cell continued its focus on acquiring and inducting talent across the organisation. The SBU leadership teams hold the primary responsibility of building their respective business teams.

'Nava Pratibha' programme, a unique program wherein fresh talent is inducted in a systematic and structured way, was well-executed during the last year. Nava Pratibha covers workmen, staff and management levels through customised programs like Amara Raja Training

Scheme (ARTS), Amara Raja Graduate and Technician Training Programme (ARGTP) and Amara Raja Graduate Engineer Trainee (GET), Management Trainee (MT) Programme (ARGMP).

#### **AReInduction**

The Company's intranet-based e-induction enables the on-boarding process that a new employee is required to complete within three days of joining. It is designed with quizzes and interactive content to ensure faster alignment to the organisation.

The program has separate modules on the Amara Raja Group, for all the companies in the group, CSR and a separate module dedicated for people development. The modules are structured in a manner to provide all necessary information to familiarise the new recruit on the different companies' products, processes and the various milestones.

#### **Learning and development**

Amara Raja Learning & Development Calendar (ARLDC) captures the development needs of the people at all levels and anchors the programs. ARLDC integrates the needs arising out of performance appraisals, TQM and TPM initiatives. During the year, specific in-house programmes were anchored to build both technical and soft skills.



Employees were also nominated for specialised learning and development workshops/seminars organised by external learning institutions/agencies

Respective SBU teams anchored their specific team building workshops to help them align with their customer needs and the overall business needs. The team workshops were also anchored to generate togetherness and harmony in achieving the business objectives that they set for themselves as an SBU as well as the Company at large.

### **Employee engagement**

The Company's endeavour to get closer to the employees' minds and hearts, and understand what they feel and perceive started with the launch of AR-Speak survey comprising 19 dimensions in 2008. During the year, a similar employee engagement survey was anchored in August 2009 and 99.83% of people participated in the survey. Based on survey inputs, change action plans were drawn up at various levels across the organisation and actions are in progress as per plan.

The change action was driven at three

levels to ensure a broad-based representation and the philosophy of positive change was made a habit among all. The leadership team members comprised 'Change Leaders' for their respective functions. These leaders have 'Change Champions' who will in turn be leading a team of 'Change Owners'.

The change owners are leaders of small teams that develop and implement the change action plans at the grass-root level of front line staff or workmen at shop floor. The Company has an AR-Speak ambassador to monitor the change action plans and support the teams. One AR-Speak convener worked along with the ambassadors to ensure the rollout of the entire plan.

Specific change action plans based on the low scores and the criticality of the dimension, that is specific to a function/department, were developed and implemented across the Company.

### **HR portal**

ARG-HR portal, the employee's intranet portal serves as the window of HR to the organisation with up-to-date information on important events and milestones and



details of the policies. The portal has an active learning forum, an interactive facility to give feedback or ask any query monitored closely and responded to immediately.

#### **CII-HR excellence on site assessment in the organisation**

The organisation adopted the Confederation of Indian Industry-Human Resources (CII-HR) Excellence Model. For the first time, during March 2010, the organisation participated in an external on site assessment. The assessment by external assessors (appointed by CII) was on the HR strategy, processes and practices based on the HR excellence model. This assessment will enable the Company to excel further in human resources and performance processes, practices and capabilities.

#### **Information technology**

Information technology is an integral part of the business. Most of the processes and operations in the organisation are fully integrated. The Company continued to invest significantly in IT assets during the year. The Company implemented SAP

(ECC6.0), covering sales and distribution, production and planning, purchase, inventory, finance, costing, quality, plant maintenance, project systems and customer service. More than 50 locations (branch offices and warehouses) including head office and corporate operations office, went live simultaneously in February 2010.

High-end, high-availability Unix servers were used, supported by redundant connectivity to optimise ERP performance. The Company expects to accrue benefits arising out of change in ERP from the current financial year. The Company focuses on improving security and enhancing productivity. During the year, ageing voice and switching equipment were replaced with advanced equipment to enhance efficiency at the plant locations.

During the current financial year, the Company will embark on the implementation of application software like Business Objects (BO), Customer Relationship Management (CRM) and Franchisee Management System.





# **ANALYSIS OF OUR FINANCIAL STATEMENTS**

**PAT 107% growth** | **EBITDA 44% growth** | **Net sales 12% growth**

The Company performed creditably in 2009-10. While net sales increased 12%, net profit more than doubled.

The financial statements were prepared to comply, in all material respects, with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and Generally Accepted Accounting Principles (GAAP) in India. The financial statements were prepared under the historical cost convention on an accrual basis. The accounting policies were consistently applied by the Company and were in line with those used in the previous years. The estimates and judgments used in the preparation of financial statements have been made on prudent and reasonable basis to reflect in a true and fair manner the substance of transactions, and reasonably present the state of affairs, profits and cash flow for the year.

### Highlights, 2009-10

#### Absolutes

■ Net sales increased 12% from Rs. 13,132 million in 2008-09 to Rs. 14,652 million in 2009-10

■ EBITDA grew 44% from Rs. 2,056 million in 2008-09 to Rs. 2,965 million in 2009-10.

■ PBT increased from Rs. 1,227 million in 2008-09 to Rs. 2,546 million in 2009-10.

■ PAT more than doubled (107%) from Rs. 805 million in 2008-09 to Rs. 1,670 million in 2009-10.

#### Derivatives

■ EBITDA margin grew 458 bps from 15.66% in 2008-09 to 20.24% in 2009-10.

■ PBT margin grew 804 bps from 9.34% in 2008-09 to 17.38% in 2009-10.

■ PAT margin improved 527 bps from 6.13% in 2008-09 to 11.40% in 2009-10.

■ ROCE grew 1389 bps from 30.62% in 2008-09 to 44.51% in 2009-10.

#### Implications

■ Net sales grew 12% even as capital employed remain constant - every rupee

**PAT more than doubled from Rs. 805 million in 2008-09 to Rs. 1,670 million in 2009-10.**

**Highest ever dividend payout (145%) – better return on shareholder investment**

invested generated higher returns

- Average interest cost (8.5%) was way below Return on Capital Employed (ROCE) – every rupee borrowed realised higher return.
- Highest ever dividend payout (145%) – better return on shareholder investment
- Commendable debt-equity ratio at 0.17 times – ability to mobilise funds

### Revenue analysis

Net sales grew 12% from Rs. 13,132 million in 2008-09 to Rs. 14,652 million in 2009-10. The lead-adjusted revenue growth for the year was 20%. The increase in revenue was due to:

- Double-digit volume growth in the Industrial and Automotive battery units
- Capacity expansion in the Medium VRLA, + additional sales volume

Revenue mix between Industrial and Automotive battery units continue to be around 50% each. Exports contributed Rs. 522 million (3.56%) to revenues in 2009-10 against Rs. 441 million (3.36%) in 2008-09.

### Other income

Other income increased 111% from Rs. 81 million in 2008-09 to Rs. 170

million in 2009-10, largely due to an exchange gain of Rs. 121 million (70% of other income). Dividend income increased from Rs. 2 million in 2008-09 to Rs. 21 million in 2009-10, consequent to investment of surplus cash in liquid funds. Other income comprised 7% of profit before tax in 2009-10.

### Cost analysis

**Material costs:** Material consumption, as a percentage of net sales, improved from 66.19% in 2008-09 to 60.21% in 2009-10 aided by operational efficiency and lower lead base for the year 2009-10 compared to 2008-09. Purchase of trading goods represent the cost of Home UPS private labels under the PowerZone™ brand for sales through PowerZone™ outlets along with inverter batteries. During 2008-09, purchase of trading goods comprised imported motorcycle batteries for sale through PowerZone™ outlets. There were no such purchases during 2009-10.

**Employee cost:** Employee cost increased from Rs. 516 million (3.93% of net sales) in 2008-09 to Rs. 624 million (4.26% of net sales) in 2009-10, representing an increase of 21%. The increase is driven



by a higher employee base necessitated by an enhanced volume of operations and annual pay revisions.

**Manufacturing expenses:** Expenses under this head increased 20% from Rs. 488 million in 2008-09 to Rs. 588 million in 2009-10 primarily due to an increase in power and fuel costs, increased volumes, and higher repair and maintenance costs (including stores and spares consumed) warranted by TPM initiatives. Power costs increased from Rs. 249 million in 2008-09 to Rs. 299 million in 2009-10 due to power outages during summer, which necessitated the use of DG sets and increased volumes.

**Selling expenses:** Selling expenses increased 17% from Rs. 960 million in 2008-09 to Rs. 1,120 million in 2009-10 primarily on account of revision in warranty estimates on sales which are under warranty, to augment sufficient provisions towards future liabilities. There is an increase in freight outward costs (24%) and sales commission (54%) due to higher volume of sales and inflationary impact in freight rates.

**Administrative expenses:** Administrative expenses increased 37% from Rs. 414

million in 2008-09 to Rs. 566 million in 2009-10 arising out of higher managerial remuneration (commission on profits) to Managing Director and Non-Executive Chairman driven by higher profitability. Further, the Company took a policy decision to raise contribution to 0.2% of net sales or 2% of PBT towards CSR initiatives through recognised trusts. Thus, contribution to CSR initiatives was around Rs. 40 million during the year

**Interest:** Interest cost for 2009-10 was down by around 2/3rd from Rs. 182 million in 2008-09 to Rs. 68 million in 2009-10, supported by improved cash flow accruing from higher profitability and a better control on working capital. The Company repaid high-cost debts and hardly availed fund-based working capital facilities from banks during the year.

### Margins

The Company's earnings before interest, depreciation and taxes (EBITDA) margins increased from 15.66% in 2008-09 to 20.24% in 2009-10 and the profit before tax (PBT) increased by 107% from Rs. 1,227 million in 2008-09 to Rs. 2,546 million in 2009-10. The margin improvements came from better

sales realisation, softening lead prices, cost rationalisation and optimisation measures. Such measures included a control over material, marketing and distribution costs, besides a concerted effort on operational efficiencies.

### Cost management

The Company is striving to implement Total Cost Management (TCM) approach to drive efficiency. TCM is a systematic and structured approach to control, reduce and eliminate costs. It involves:

- Identifying and measuring the cost of resources consumed in performing significant activities
- Determining the efficiency and effectiveness of the activities performed; identifying, evaluating and implementing the most appropriate methodologies to enhance competitiveness.
- Selecting and implementing various tools of cost management as appropriate to the strategies and operations of the business

During the year under review, the Company approached Confederation of Indian Industry (CII) to assess the current state of the Company's cost management

The board has also adopted a dividend payout policy of distributing upto 15% of eligible profits every year.

systems and effectiveness. TCM wing of CII conducted on-site assessment and accorded level 3 (out of 5 levels) certification which is 'Operational-Operational focused'. The Company will continue to strengthen its systems and process and implement new cost management tools and techniques to reach next level of maturity which is 'TCM Enabled-Continuous improvements' while working towards the achievement of 'Exemplary' - the highest hierarchy in CII-TCM model.

#### Dividend policy

The Company has, over the years, consistently distributed dividend, taking into account the cash generating capacities, expected capital needs of the business and strategic considerations. For 2009-10, the Board recommended a dividend of 145% (Rs. 2.90 for every share of Rs. 2 each) as against 40% (80 paise for every share of Rs. 2 each) declared in the previous year. The payout ratio stands at 14.85% compared with 8.45% of the previous year. The Board also adopted a dividend payout policy of distributing upto 15% of eligible profits every year.

#### Sources of funds

##### Capital employed

Capital employed (net of capital work in progress, non-trade investments and cash and bank balances) in the business, increased marginally by 0.4% from Rs. 5,685 million as on March 31, 2009 to Rs. 5,709 million as on March 31, 2010 despite increase in volume of business and relatively higher lead base in Q4 FY 2010 compared with Q4 FY2009. As a result, return on average capital employed increased from 31% in 2008-09 to 45% in 2009-10.

##### Net worth

Shareholders' funds (net worth) increased 34% from Rs. 4,056 million as on March 31, 2009 to Rs. 5,437 million as on March 31, 2010, arising out of higher profitability and surplus plough-back. Return on average net worth improved from 22% in 2008-09 to 35% in 2009-10.

**Equity capital:** The Company's equity capital comprised 85,406,250 equity shares of Rs. 2 each. The promoters' and joint venture partner's holding accounts for 26% each as on March 31, 2010. Equity

capital includes 28,468,750 shares issued as 'bonus shares' by capitalising reserves. The share price of the Company shot up from Rs. 36.65 as on March 31, 2009 to Rs. 164.20 as on March 31, 2010 with a market capitalisation of Rs. 14,024 million.

**Reserve and surplus:** Reserves and surplus increased 35% from Rs. 3,885 million as on March 31, 2009 to Rs. 5,266 million as on March 31, 2010 through a Rs. 1,380 million plough back of operational surplus in 2009-10 as against Rs. 725 million in 2008-09. The book value per share stood at Rs. 63.65 as on March 31, 2010 against Rs. 47.49 as on March 31, 2009.

#### Loan funds

Dependence on borrowed funds declined from Rs. 2,859 million as on March 31, 2009 to Rs. 912 million as on March 31, 2010 due to judicious deployment of operational earnings towards debt repayment and prepayment of high-cost debts. As a result, the debt-equity ratio (without adjusting for free cash) declined from 0.70 as on March 31, 2009 to 0.17 as on March 31, 2010. Of the Rs. 912 million loans outstanding

as on March 31, 2010 only Rs. 273 million was interest bearing at an average rate of 6%.

Correspondingly, interest cost declined 62.87% from Rs. 182 million in 2008-09 to Rs. 68 million in 2009-10. The improved credit rating (AA-/Stable to AA/Stable) assigned by CRISIL will enable the Company to leverage, as and when required, in a cost effective manner.

	2007-08	2008-09	2009-10
Debt equity	0.95	0.70	0.17

#### Application of funds

##### Fixed assets

Gross block increased from Rs. 4,271 million as on March 31, 2009 to Rs. 4,911 million as on March 31, 2010 primarily due to the capacity expansion of MVRLA batteries from 1.20 million units to 1.80 million units per annum. Correspondingly, depreciation increased 24% from Rs. 346 million in 2008-09 to Rs. 429 million in 2009-10. The Company provided depreciation on the Straight Line Method in accordance with Schedule XIV of the Companies Act,

The book value per share stood at Rs. 63.65 as on March 31, 2010 against Rs. 47.49 as on March 31, 2009.

Days Sales Outstanding improved from 48 days as on March 31, 2009 to 41 days as on March 31, 2010

1956. Accumulated depreciation, as a percentage of gross block, was 38% as on March 31, 2010, reflecting asset newness. Fixed assets turnover of the Company increased from 4.67 times in 2008-09 to 4.79 times in 2009-10.

Capital work-in-progress declined from Rs. 396 million as on March 31, 2009 to Rs. 227 million as on March 31, 2010. Capital work in progress comprised payment for the purchase of land in Uttarakhand.

#### Investments

The Company's investments declined from Rs. 471 million as on March 31, 2009 to Rs. 161 million as on March 31, 2010 due to the sale of short-term investments in SBI mutual fund units. All other investments were long-term in nature.

#### Working capital

Working capital declined 9% from Rs. 3,417 million as on March 31, 2009 to Rs. 3,120 million as on March 31, 2010 despite an increase in sales volume and comparatively higher lead base in Q4 FY 2010. Improvement in working capital was on account of improved realisations of receivables, better credit terms from vendors and the rationalisation of inventory holdings across all storage

locations. The Company's working capital fund-based limit of Rs. 1,000 million sanctioned by banks remained unutilised for most part of the year following improved cash flows.

**Inventories:** Inventories increased 35% from Rs. 1,608 million as on March 31, 2009 to Rs. 2,176 million as on March 31, 2010 primarily on account of higher lead cost in Q4 FY2010 compared with FY2009. LME lead price average for Q4-FY2010 was USD 2,221/MT as against USD 1,158/MT for Q4-FY2009. Inventories included material in transit and stores and spares.

**Debtors:** Debtors increased 17% from Rs. 2,078 million as on March 31, 2009 to Rs. 2,423 million as on March 31, 2010. Days Sales Outstanding (DSO) improved from 48 days as on March 31, 2009 to 41 days as on March 31, 2010 owing to a shift in aftermarket sales from credit to cash-and-carry, and overall improvement in collection process aided by credit control initiatives.

**Cash and bank balances:** Cash and bank balance as on March 31, 2010 included Rs. 160 million in fixed deposits and Rs. 7.1 million in margin money against performance bank guarantee(s). All bank

balances were duly confirmed by the respective banker and reconciled with the balance in the books of accounts.

**Loans and advances:** Loans and advances increased 25% from Rs. 870 million in 2008-09 to Rs. 1,087 million in 2009-10 on account of an increase in advance tax payments, resulting in of higher profitability.

**Creditors:** Creditors increased from Rs. 937 million as on March 31, 2009 to Rs. 1,375.66 million as on March 31, 2010 due to better terms from vendors and also on account of higher lead prices in Q4 FY 2010. There were no outstanding, as on March 31, 2010, to vendors who fell under the category of micro and small enterprises.

**Provision for taxation:** Provision for income tax, including deferred tax, increased from Rs. 415 million in 2008-09 to Rs. 874 million due to more than a 100% increase in profits. The Company has also set aside marginal amount of Rs. 2 million towards the earlier year's income tax liability. Since Fringe Benefit Tax (FBT) was abolished, there was no provision for FBT in 2009-10 whereas Rs. 6.70 million provision was made in 2008-09.

### Internal controls

The Company has adequate internal control systems and processes to ensure smooth functioning of operations ably supported by Enterprise Resource Planning platform for all business processes. Control mechanism facilitates:

- Review of long-term business plans, annual plan and capital investments
- Adherence to all applicable accounting standards and policies
- Periodic review and rolling forecasts
- Proper accounting and review mechanism
- Compliance with all applicable statutes, listing requirement and internal policies and procedures
- Audit at frequent intervals is being carried out by an external audit firm covering all statutes and compliance requirement
- IT systems with adequate in-built controls and security

The Company is availing the services of an external audit firm to conduct periodic internal control review and audit. The audit findings and management responses are placed before the Audit Committee for review and guidance.

**Provision for income tax including deferred tax increased from Rs. 415 million in 2008-09 to Rs. 874 million**

# “AT ARBL, DERISKING IS EMBEDDED IN THE BUSINESS MODEL”



Risk is an expression of the uncertainty about events and the possible outcomes that could have a material impact on performance and prospects of any enterprise. As a responsible corporate, it is the endeavour of the management to minimise risks and maximise returns.

At the heart of ARBL's risk mitigation is a comprehensive and integrated risk management framework that comprises a clear understanding of strategy, policy and initiatives, prudential norms, structured

reporting and control. This approach ensures that the risk management discipline is centrally initiated by the senior management but is prudently decentralised across the organisation, percolating to managers at various organisational levels, helping them mitigate risks at the transactional level.

The consistent implementation of this framework is stringently monitored by the compliance team, supplemented by audits and ongoing review leading to an accurate

understanding of the organisation's position.

As a result, from the various available options, only those business decisions are taken that balance risk and reward, ensuring that revenue generating initiatives are consistent with the risks taken. This approach to risk management conforms to the Company's strategic direction and is consistent with shareholders' desired total returns, credit rating and desired risk appetite.

## Risk related to the corporate

01

Inadequate funding arrangement could affect growth and working capital requirement

### Mitigation

- The Company's low 0.17 debt-equity ratio as on March 31, 2010 strengthens its borrowing capacity for funding growth initiatives including working capital.
- The Company has healthy relations with bankers, which provides adequate financial avenues.
- The Company's improved credit rating facilitates access to adequate low-cost borrowing options.

■ The Company has working capital facilities of Rs. 1,000 million (fund based) and Rs. 2,550 million (non fund based).

- The Company's working capital, as a percentage of net sales, declined from 26.02% in 2008-09 to 21.29% in the 2009-10, highlighting the efficiency in working capital cycle.
- The Company's standing in the capital market will enable timely fund raising from markets.

02

Inability to manage growth could hamper shareholder value

### Mitigation

- The Company restructured its business under two Strategic Business Units (SBU) – the automotive SBU and the industrial SBU – for enhanced focus.
- The Company's SBUs function as independent business units but share synergies, enhancing business efficiency.
- The Company focused on corporate brand building, succession planning, team building, attractive benefit packages and

need-based training and development programs to attract and retain talent.

- The Company can engage and utilise the talent and guidance of group corporate leadership team on critical missions and deployment of appropriate policies and procedures.

- The Company will continue to strengthen information technology to support growth.

- The Company demonstrated the ability to manage rapid growth in topline and net profits at 46% and 80% CAGR respectively over the five years leading to 2009-10.

**03** Inadequate lead supplies could affect operations

#### Mitigation

- The Company entered into long-term supply contracts for 100% of its lead requirement.

- The Company sources lead from Korea and Australia and also from large Indian corporates, an adequate geographic derisking.

- The Company can leverage the relationship with its global JV partner for sourcing lead.

- The Company added new lead supplying sources to strengthen its supply lines for this essential commodity.

**04** A non-compliance with environment related regulatory norms could affect operations and result in financial burden

#### Mitigation

- The Company has all necessary approvals and consent, and is in complete adherence with conditions/requirements.

- The Company continuously monitors change in environmental regulations and ensures compliance.

- The Company is supported by JV partner to improve environmental standards in and around the plant.

- The Company strengthened its health, safety and environment (HSE) department with appropriate talent induction.

## Risks related to the industrial and automotive batteries units

**01** Slowdown in a particular sector (telecom) can impact performance

#### Mitigation

- The Company minimises its dependence on telecom by enhancing revenues from the UPS segment; it increased medium VRLA battery capacity from 1.20 million units to 1.80 million units per annum.

- The Company's product performance and service make it a preferred vendor for all telecom majors, enabling it to continue securing sufficient volume, despite slowdown in the telecom sector.

- The Company intends to enter export markets with a premium range of PowerStack™ and front terminal access batteries.

- The Company expects to explore new business opportunities in new products and geographies.

**02** Operational inefficiencies could affect production and profitability

#### Mitigation

- The Company's batteries are manufactured in a QS 9000, ISO 14001 and TS 16949-certified plant using world-class technology and stringent quality control parameters.

- The Company undertook TPM projects, reducing breakdown and enhancing machine uptime.

- The Company created Quality Circles involving shop-floor members leading to higher productivity.

- The Company operated the plant at rated capacity to test plant peak capability.

- The Company implemented Continuous Improvement (CI) initiatives to gain efficiency.

**03** Significant new competition could dent business and profitability

#### Mitigation

- The Company pioneered the VRLA

technology in the Indian battery space; innovative and customer focused product offering and services positioned the Company as a preferred vendor.

- The Company created a large product portfolio to suit diverse customer needs.

- The Company maintained a prudent sales mix between industrial and automotive battery businesses.

- The Company strengthened the Amaron® distribution network to 200 franchisees, 18,000 retailers and over 700 PowerZone™ retail outlets in the automotive battery space; employed over 75 dealers for distribution of industrial Quanta™ batteries.

- The Company invested considerably in brand promotion through ATL and BTL programmes.

- The Company has 27% market share in automotive OEM and 26% share in organised replacement market, the second largest automotive battery manufacturer.

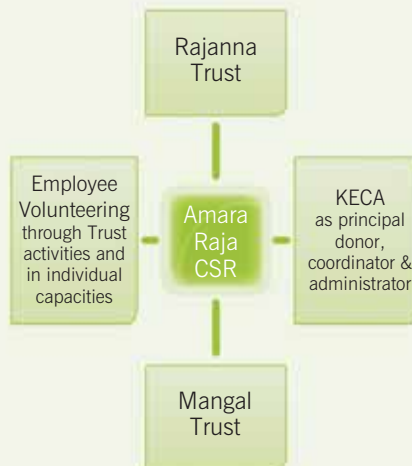
- The Company is a dominant player in the telecom and UPS sectors with 32% and 28% market share.

# AMARA RAJA – THE SOCIALLY RESPONSIBLE CORPORATE



Amara Raja Group, in line with its core purpose, believes in delivering high social impact on the communities around through all its businesses.

Amara Raja Group delivers its corporate social activities predominantly through the following four vehicles



- Children and education
- Arts and culture

**Mangamma and Gangulu Naidu Memorial Trust (Mangal Trust):** This Trust is promoted by the Galla family to honour the ideals and philosophies of the Late Sri G. Gangulu Naidu, father of Dr. Ramachandra N Galla, Chairman, Amara Raja Batteries Ltd. The major thrust areas include education, training, health and sanitation. The Mangal Trust is predominantly engaged in village transformation with a specific focus on Petamitta and surrounding villages. This Trust works in coordination with the government, Rajanna Trust and other agencies.

**Krishnadevaraya Educational and Cultural Association (KECA):** It is a voluntary organisation based at Tirupathi, supported by Amara Raja Group and its employees. Amara Raja Group and its employees are active contributors to all major initiatives of this voluntary organisation. The major thrust area for KECA is to promote education through scholarships, sponsorship of needy students, special talent identification and support of arts and culture.

Employee volunteering is a part of the Amara Raja culture and the Group encourages all its employees to actively contribute in their individual capacity, along with group CSR activities.



**Rajanna Trust:** This trust is promoted by the Galla family to honour the ideals of Late Sri P. Rajagopal Naidu, freedom fighter, Parliamentarian and an agricultural reformer. The major thrust areas for Rajanna Trust include:

- Farmers and agriculture
- Rural infrastructure
- Ecology and environment
- Women and family
- Health and sanitation
- Youth and employability



Commitment to corporate citizenship is expected behaviour for employees at Amara Raja Group.

ARBL supports CSR activities through the aforesaid Trusts by extending financial support in the form of donations. With a contribution of 0.1% of turnover in the past, and considering the developmental activities undertaken by the Company, the Board decided to contribute a higher of 0.2% of turnover or 2% of profit before tax from 2009-10.

Quite a few employees in their individual capacity also contribute kind and cash to support the Trusts.

### Education

The Mangal Trust acquired 80 acres during the year under review to establish an industrial training institute in Petamitta village, expected to be a full-fledged vocational training centre by 2012-13, when the first batch commences. This centre will impart skills to unskilled youth and create employability. Amara Raja Group manages two schools, one in Petamitta village and another in Karakambadi, proximate to the manufacturing facility of ARBL.

### Health

The Trust runs two hospitals, one veterinary and one Public Health Centre (PHC) with requisite infrastructure. It applied to the government to establish a primary health centre under the PPP

agreement. During the year, about 650 farmers were treated in a massive health programme organised by the Amara Raja Group in association with Galla Foods Limited, Apollo Hospitals, Dr. Reddy's Laboratories and five other pharmaceutical companies. The farmers were provided a 60% concession and given priority cards for identification.

### Rural infrastructure

The Trust constructed a number of community facilities – banks, telephone exchange buildings, bus shelters, toilet blocks, visitors' rooms and roads in the communities around the manufacturing facilities. The Trust also embarked on major initiatives – encapsulated under a programme named 'Grameena Vikasam' for the development of surrounding villages – such as the construction of roads, rainwater storage tanks and supply channels, among others.

### Agriculture and irrigation

Chittoor district, where the manufacturing facilities of Amara Raja group are located, receives erratic annual rainfall. The Trust constructed 22 check dams and supply channels; it deepened existing ones to help farmers increase the cultivable area in this region. This boosted ground water levels, enhancing water availability for irrigation. Around 50 villages in the Chittoor district benefited from this programme.

### Environment

The Trust is developing a 222-acre hillock area in Pemmagutta by planting medicinal trees for herbal-cure ailments, a social forestry initiative which also provides livelihood to 40 tribal families. The Trust plans to plant 50,000 saplings in five years; last year around 10,000 saplings were planted, taking the total plantation to 19,000 plants till date.

### Employment

The Company is committed to do its best to enhance living conditions of villagers in the neighbourhood of its manufacturing units by creating non-migratory employment opportunities. This includes providing industrial training to eligible villagers and the recruitment of qualified trainees.

### Amaron Amaragaon

ARBL sustained Amaragaon, a scheme adopted by the Company to bridge the digital divide in rural India. It opened internet centres in collaboration with an NGO Dristee, across four states. This initiative empowered the rural population with IT and provided multiple earning opportunities, including a superior marketing of products. ARBL, as part of its business expansion, opened over 700 PowerZone™ outlets across rural markets till 2009-10, creating additional employment in these areas.

Donations made by the Amara Raja Batteries Limited		
Sl. No	Financial year	Total (in rupees)
01	2005-06	36,25,476
02	2006-07	59,48,000
03	2007-08	1,08,73,000
04	2008-09	1,36,69,200
05	2009-10	5,13,52,935
<b>Total</b>		<b>8,54,68,611</b>

The Trust plans to plant 50,000 saplings in five years; last year around 10,000 saplings were planted

# 10 - Years Financials



(Rs. Million)

Parameters/Year	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
<b>OPERATING RESULTS</b>										
Gross sales	16,911	15,794	13,500	7,451	4,458	2,685	1,999	1,987	1,882	1,550
Net sales	14,652	13,132	10,833	5,958	3,637	2,199	1,636	1,607	1,518	1,259
Profit before depreciation, interest & tax (PBDIT) **	2,965	2,056	1,795	905	521	262	118	227	292	263
Profit before interest & tax (PBIT) **	2,536	1,711	1,551	735	374	125	(4)	110	208	195
Profit before tax (PBT)	2,546	1,227	1,459	712	373	136	12	117	247	235
Profit after tax (PAT)	1,670	805	944	470	238	87	14	74	182	205
Dividends	248	68	40	40	28	23	17	17	40	37
Dividend Tax	42	12	7	7	4	3	2	2	-	4
Retained profits	1,380	725	897	423	206	61	(5)	55	142	164
<b>SOURCES AND APPLICATION OF FUNDS</b>										
<b>SOURCES OF FUNDS</b>										
Share capital	171	171	114	114	114	114	114	114	114	114
Reserves and surplus	5,266	3,885	3,217	2,323	1,899	1,693	1,632	1,637	1,583	1,556
Net worth	5,437	4,056	3,331	2,437	2,013	1,807	1,746	1,751	1,697	1,670
Debt	912	2,859	3,163	1,407	405	233	149	97	134	199
Deferred tax liability	216	182	169	136	120	131	145	176	160	-
Funds employed	6,565	7,097	6,663	3,980	2,538	2,171	2,040	2,024	1,991	1,869
<b>APPLICATION OF FUNDS</b>										
Gross fixed assets	4,911	4,271	3,106	2,577	1,907	1,672	1,584	1,514	1,411	977
Accumulated depreciation	1,854	1,458	1,217	1,009	863	724	592	469	359	275
Net fixed assets	3,057	2,813	1,889	1,568	1,044	948	992	1,045	1,052	702
Capital work-in-progress	227	396	657	62	48	13	10	42	43	44
Investments	161	471	162	162	320	236	209	132	130	130
Gross current assets	6,311	5,260	5,749	3,500	2,280	1,613	1,190	1,227	1,204	1,371
Current liabilities and provisions	3,191	1,843	1,794	1,312	1,154	639	361	524	547	444
Net current assets	3,120	3,417	3,955	2,188	1,126	974	829	703	657	927
Deferred revenue expenditure	-	-	-	-	-	-	-	102	109	66
Net assets	6,565	7,097	6,663	3,980	2,538	2,171	2,040	2,024	1,991	1,869
<b>RATIOS</b>										
PBT to sales (%)	17.38	9.34	13.47	11.95	10.26	6.18	0.73	7.28	16.27	18.67
PAT to sales (%)	11.40	6.13	8.71	7.89	6.54	3.96	0.86	4.60	11.99	16.28
Return on capital employed (ROCE) -(%)++	44.51	30.62	33.91	25.44	18.55	6.81	(0.23)	6.25	12.97	15.45
Return on net worth (%) @@	35.18	21.80	32.73	21.12	12.46	4.90	0.82	4.57	11.40	13.73
Debt : Equity (times)	0.17	0.70	0.95	0.58	0.20	0.13	0.09	0.06	0.08	0.12
Fixed assets turnover (times) ##	4.79	4.67	5.73	3.80	3.48	2.32	1.65	1.54	1.44	1.79
Earnings per share (Rs.)	19.56	9.42	16.57	41.31	20.94	7.63	1.22	6.50	16.00	19.64
Dividend (%)	145	40	35	35	25	20	15	15	35	35
Dividend per share (Rs.)	2.90	0.80	0.70	3.50	2.50	2.00	1.50	1.50	3.50	3.50
Book value per share (Rs.)	63.65	47.49	58.50	213.98	176.76	158.66	153.32	144.82	139.41	140.77
Share Price (as of 31st March) - (Rs.)	164.20	36.65	195.65	340.40	234.25	91.65	57.15	47.90	81.00	77.75

\*\* PBDIT and PBIT are net of non operating income and expenditure including exchange gain or loss arising out of financing activities ++ ROCE is PBIT divided by average capital employed. Capital employed excludes CWIP, Cash and Non Trade Investments @@ Return on networth is computed based on average networth ## Year end net fixed assets are considered for computing fixed assets turnover

## BOARD OF DIRECTORS

**Dr. Ramachandra N Galla**

*Non Executive Chairman*

**Jayadev Galla**

*Managing Director*

**Shu Qing Yang**

**Jorge A Gonzalez**

*(w.e.f. November 01, 2009)*

**P. Lakshmana Rao**

**Nagarjun Valluripalli**

**N. Sri Vishnu Raju**

**T. R. Narayanaswamy**

*(w.e.f. June 01, 2009)*

**Tony W. Huang**

*Alternate Director to Jorge A Gonzalez*

*(w.e.f. May 19, 2010)*

**Rohit Kochhar**

*Alternate Director to Shu Qing Yang*

*(w.e.f. May 19, 2010)*

## Chief Financial Officer

**K. Suresh**

## Company Secretary

**N. Ramanathan**

## Auditors

**M/s. E. Phalguna Kumar & Co.**

*Chartered Accountants,*

Tirupati

**M/s. Chevuturi Associates**

*Chartered Accountants,*

Vijayawada

## Cost Auditor

**A.V.N.S Nageswara Rao**

Hyderabad

## Bankers

State Bank of India, Settipalle, Tirupati

Andhra Bank, Main Branch, Tirupati

State Bank of Hyderabad, Main Branch, Tirupati

BNP Paribas, Chennai

Bank of Nova Scotia, Coimbatore

## Registered Office & Works

Renigunta – Cuddapah Road,

Karakambadi – 517 520

Tirupati, Andhra Pradesh, India

## Corporate Operations Office

5<sup>th</sup> Floor, Astra Towers,

12P, Kondapur, Hitech City,

Hyderabad – 500 038

## Registrar and Share Transfer Agent

M/s. Cameo Corporate Services Limited

“Subramanian Building”,

No. 1, Club House Road, Chennai – 600 002

# Directors' Report

Your directors have pleasure in presenting their report together with the audited accounts for the financial year ended March 31, 2010.

## Financial highlights

(Rs. million)

Particulars	For the year ended	
	March 31, 2010	March 31, 2009
Profit after tax	1,670.33	804.79
Add: Profit brought forward from last year	2,572.80	1,928.43
Profit available for appropriation	4,243.13	2,733.22
<b>Appropriation</b>		
General reserve	167.03	80.48
Dividend (Including dividend tax)	289.77	79.94
Surplus carried to balance sheet	3786.33	2,572.80

## Performance

During the year under review, the Company achieved a gross turnover of Rs. 16,910.84 million as against Rs.15,794.10 million. Other income for the year was at Rs. 170.17 million as against Rs. 80.56 million of the previous year.

The net sales for the year ended March 31, 2010 was Rs.14,652.10 million, as against Rs.13,131.79 million for the corresponding period of the previous year thereby achieving a growth of 12%. The Profit Before Tax (PBT) stood at Rs. 2,546.35 million as against Rs.1,226.59 million and Profit After Tax (PAT) at Rs. 1,670.33 million as against Rs. 804.79 million.

The financial year 2009-10 was a significant year for the Company in terms of growth in profitability. The net profit during

the year has grown by 107% over the previous financial year.

## Industrial battery unit

The Company's industrial battery unit witnessed double digit growth in sales volume during the financial year 2010. During the year, the installed capacity of Medium VRLA was enhanced from 1.20 million to 1.80 million units per annum. The Company continues to enjoy its preferred supplier status from leading telecom operators. The industrial battery unit's two leading brands viz., Powerstack™ and Quanta™ have continued its brand preference in Telecom, UPS and other user segments viz., ITES, Railways, Power Control, Solar etc. The Company's market share in telecom continued to increase during the year under review and was at 32% at the end of the financial year.

## Automotive battery unit

During the year, the Company's automotive battery unit revenue and volume grew by 20% over the previous financial year 2008-09. The growth in sales volume outpaced the industry growth both for automotive and motor cycle batteries. The Company was able to maintain its market share both in OEM and aftermarket aided by its focus on channel building, realignment of its product portfolio and brand awareness programmes. The Company received the permit to use the "Diamond Mark" from the Kenya Bureau of Standards and received "Gulf Standard Organisation Certification" from the Directorate General of Specifications and Measurements, Ministry of Commerce and Industry, Sultanate of Oman, for its automotive batteries.

During the year the Company launched its second variant in the category of motor cycle batteries (with VRLA technology) under the name of "Amaron Pro Bike Rider™ BETA series" with 48 months warranty in the aftermarket. The BETA series would enhance the product portfolio in addition to the existing variant - ALPHA with 60 months warranty.

In 2009-10, the Company expanded its **Amaron®** network to over 200 franchisees and 18000 retailers and strengthened the presence through 700 **PowerZone™** outlets in semi-urban and rural locations.

A detailed report on both industrial and automotive battery businesses and their outlook is covered under Management Discussion and Analysis Report (MDAR) which is part of the directors' report.

## Finance

The Company's financial position continues to be comfortable with its debt equity ratio at 0.17:1. As at March 31, 2010 the Company's cash balance was healthy at Rs. 624.67 million. During the year under review, the Company has reduced its long term liabilities (secured loans) to Rs. 272.95 million as against Rs. 2,078.32 million of previous year. The Company pre closed the term loans availed from Citibank and Bank of Nova Scotia aided by improved cash flow.

## Credit rating

During the year under review, **CRISIL** based on its evaluation, upgraded the rating for term loan and cash credit to "AA/Stable" from AA-/Stable and reaffirmed the ratings for the letters of credit and bank guarantees as P1+.

The improved rating affirms the Company's financial strength and positive business scenario.

## Dividend

The board of directors at their meeting held on May 19, 2010 adopted a dividend policy to pay dividend (excluding dividend tax) upto 15% of the net profit after tax (PAT) of the Company.

The board of directors recommended a dividend @ 145% on the paid up equity share capital of the Company, i.e. Rs. 2.90 per

equity share of Rs. 2/- each for the financial year ended March 31, 2010.

The dividend, if approved, would involve an outflow of Rs. 248 million towards dividend and Rs. 42 million towards dividend tax, resulting in a total cash outflow of Rs. 289 million.

The register of members and share transfer books of the Company will remain closed from July 22, 2010 to July 29, 2010 (both days inclusive) for the purpose of determination of the members entitled for dividend. The annual general meeting of the Company is scheduled to be held on Thursday, July 29, 2010 at 3.00 PM at the registered office of the Company.

## Transfer to reserves

In accordance with the provisions of the Companies Act, 1956 read with Companies (Transfer to Reserves) Rules, 1975, your directors propose to transfer a sum of Rs. 167.03 million to the general reserve out of the profits earned by the Company. A sum of Rs. 3786 million is proposed to be retained in the profit and loss account.

## Awards and recognitions

Your directors have pleasure in reporting the following awards and recognitions the Company received during the year under review:

1. Best Employer Award in the Electronics Industry category by 'Employer Branding Institute of India'.
2. "Continuous Innovation in HR Strategy at Work" (National Round) and for "Excellence in HR through Technology" (Regional round) by 'Employer Branding Institute of India'
3. "Best Telecom Equipment Manufacturer" under the category of VRLA battery by BSNL (a government undertaking) Telecom Quality Assurance Circle, Bangalore.



4. "Quality Excellence" for the year 2009 by Indus Towers Limited.

### Directors

In accordance with the provisions of Section 256(1) of the Companies Act, 1956 and Article 105(a) of the Articles of Association of the Company, Mr. P. Lakshmana Rao and Mr. Nagarjun Valluripalli, are liable to retire by rotation at the ensuing annual general meeting and being eligible offer themselves for re-appointment.

The board has recommended the re-appointment of Mr. Jayadev Galla as the Managing Director of the Company for a further period of five years commencing from September 1, 2010, subject to the approval of shareholders at the ensuing annual general meeting. Necessary resolutions are being placed before the shareholders at the ensuing annual general meeting for their consideration and approval.

A brief resume, expertise and details of other directorship(s) etc., relating to appointment and reappointment of directors are provided in the notice of the ensuing annual general meeting.

Mr. Jorge A Gonzalez was appointed as director of the Company with effect from November 1, 2009 in the casual vacancy caused by the resignation of Mr. Raymond J Brown in terms of Section 262 of the Companies Act, 1956.

Mr. Raymond J. Brown had tendered his resignation and the same was accepted by the board with effect from November 1, 2009.

Mr. Frank E. Kraick, who was appointed as alternate director to Mr. Raymond J. Brown vacated his office in terms of Section 313 and related provisions of the Companies Act, 1956 with effect from November 1, 2009.

The board wishes to place on record its grateful appreciation and

acknowledgement for the valuable contributions rendered by the outgoing directors during their tenure.

Mr. Tony. W. Huang was appointed as an alternate director to Mr. Jorge A Gonzalez in terms of Section 313 of the Companies Act, 1956 with effect from May 19, 2010.

Mr. Rohit Kochhar was appointed as an alternate director to Mr. Shu Qing Yang in terms of Section 313 of the Companies Act, 1956 with effect from May 19, 2010.

### Auditors

The board, on the recommendation of the audit committee, has proposed that M/s. E.Phalguna Kumar & Co, Chartered Accountants, Tirupati and M/s. Chevuturi Associates, Chartered Accountants, Vijayawada, be re-appointed as the joint statutory auditors of the Company. Necessary resolution is being placed before the shareholders for their re-appointment at the ensuing annual general meeting. The Company has also received from the auditors confirmation to the effect that their re-appointment, if made, would be in accordance with the limits as prescribed in Section 224 (1B) of the Companies Act, 1956.

### Cost auditor

In terms of Section 233B of the Companies Act, 1956 and as per the Government's directives, Mr. A.V.N.S. Nageswara Rao, was appointed as the cost auditor of the Company to conduct the cost audit for the financial year 2009-10.

For the year 2010-11 the Company re-appointed Mr. A.V.N.S. Nageswara Rao as the Cost Auditor of the Company. The Company has since received the approval of the Central Government for the appointment of Mr. A.V.N.S. Nageswara Rao as the cost auditor of the Company for auditing the cost records of the Company for the financial year 2010 -11.

## Corporate Governance

The Company's corporate governance practices have been detailed in a separate section and are annexed to and forms part of this annual report. The certificate from the auditors' on the compliance of corporate governance code as required under clause 49 of the listing agreement is also attached as annexure and forms part of this report.

## Management Discussion and Analysis

Management Discussion and Analysis Report, highlighting the performance and prospects of the Company's business, forms part of this annual report.

## CEO and CFO Certification

As required under clause 49 (V) of the listing agreement, the CEO/CFO certification on the accounts of the Company as given by Mr. Jayadev Galla, Managing Director and Mr. K. Suresh, Chief Financial Officer forms part of this annual report.

## Transfer to the Investor Education and Protection Fund

In terms of Section 205A read with Section 205C of the Companies Act, 1956, an amount of Rs. 616,911/- being unpaid/unclaimed dividend pertaining to the financial year 2001-02 was transferred to the Investor Education and Protection Fund (IEPF) on October 13, 2009.

Further the unclaimed/unpaid dividend relating to the financial year 2002-03 is due for remittance on September 05, 2010 to the Investor Education and Protection Fund during the financial year 2010-11.

## Fixed deposits

The Company has not accepted any deposits from the public in terms of Section 58A of the Companies Act, 1956 during the year under review and hence there were no outstanding deposits as on March 31, 2010

## Health, safety and environmental protection

The Company has 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 employee health and safety.

## Industrial relations

During the year under review, the industrial relations remained cordial and stable. The directors wish to place on record their appreciation for the excellent cooperation received from all employees at all levels.

## Particulars of Employees

The statement giving particulars of employees who were in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in the annexure to the directors' report.

However, in terms of the provisions of section 219 (1) (b) (iv) of the Companies Act, 1956, the directors' report is 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 of the Company.

## Conservation of energy, technology and foreign exchange

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.

### Directors' Responsibility Statement

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

- in the preparation of the profit & loss account for the financial year ended March 31, 2010 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.

### Acknowledgement

The board wishes to place on record its sincere appreciation for the continued assistance and support extended to the Company by its customers, vendors, investor's, business associates, banks, Government authorities and employees.

The directors acknowledge with gratitude the encouragement and support extended by the shareholders.

On behalf of the Board

Place: Hyderabad  
Date: May 19, 2010

**Dr. 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 March 31, 2010

## A. Particulars of 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	2009-10	2008-09
1 Electricity		
(a) Purchased		
Unit (Kwh)	98,562,983	86,219,983
Total Amount (Rs.)	249,370,519	213,587,029
Rate / Unit (Rs.)	2.530	2.477
(b) Own generation		
(i) Through diesel generator		
Unit (Kwh)	2,539,973	72,080
Unit per litre of diesel	37.98	35.88
Cost/Unit (Rs.)	13.85	17.15
(ii) Through steam turbine/generator	-	-
2 Coal	-	-
3 Furnace oil	-	-
4 Others		
(a) LPG		
Units (Kgs)	224,367	191,420
Amount (Rs.)	9,978,644	9,279,930
(b) Acetylene - Commercial units		
(Cubic Mtrs)	21,053	22,553
Amount (Rs.)	3,664,095	3,779,660
(c) Oxygen Units (Cubic Mtrs)	39,746	45,850
Amount (Rs.)	853,637	937,863
<b>B Electricity consumed in Kwh per lakh of Ampere hour produced</b>	<b>4,631</b>	<b>4,540</b>

## B. Technology absorption

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

- Bench marking of competitor batteries
- Conservation of raw materials/energy
- Development of import substitutions and new products for different applications
- Exploration of environmental friendly operations/ materials
- Material development activity for enhanced battery performance
- Quality improvement to reduce field failures
- Studies on alternate technologies
- Technology up-gradation to make the batteries robust and high end performer

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

- Developed and commercialised super premium power stack™ battery for cellular and power control applications
- Developed long life VRLA Batteries for hybrid/off-grid applications
- Improved productivity in automotive grid casting by process improvements
- Designed and deployed automotive battery for newly introduced Ford Figo car
- Acquired new OEM accounts-Escorts Limited in tractor division and Lucas in two wheeler division
- Acquired International accreditation from Kenya bureau of standards and Gulf standard organisation for automotive batteries
- Introduced redundancy batteries for railway AC coach application
- Productionised several environment friendly materials/processes to make the product environment friendly

### 03. Future plan of action

- Develop LM tubular batteries for motive power application
- Develop high performance sub 300 Ah VRLA batteries for telecom, power and motive applications

## Annexure to Directors' Report

- Develop motor cycle batteries (AGM version) for OE application.
- Develop automotive batteries for stop-start vehicle application
- Develop AGM Battery technology for automotive application
- Improve the reuse and recycling methods in the manufacturing process

#### 04. Expenditure on R&D (Revenue and Capital) during 2009-10

(Rs. Million)

Sl.No.	Particulars	2009-10	2008-09
1	Capital	5.060	1.509
2	Recurring	12.228	8.823
	Total	17.288	10.332
	Total R&D expenditure as percentage of total turnover	0.10%	0.07%

### C. Technology absorption, adaptation and innovation

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

- Developed long life VRLA Batteries for hybrid/off-grid applications
- Designed and deployed automotive battery for newly introduced Ford Figo car
- Introduced redundancy batteries for railway AC coach application

#### 02. Benefits derived as a result of the above efforts

- Cost reduction
- Environmental protection
- Energy conservation
- Enhanced performance and reliability of the product

- Enhanced market share
- Foreign exchange earnings
- Penetration into newer markets
- Resource saving

#### Information regarding Imported technology

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

b) Year of Import      1998

c) Has the technology been fully absorbed?      Yes. Further, latest developments in the technology are absorbed and implemented from time to time with the help of Johnson Controls Inc., USA when and where required

d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action      Not Applicable

#### D. Total foreign exchange used and earned

(Rs. Million)

Sl. No.	Particulars	2009-10	2008-09
1	Foreign exchange used	5,316.51	4,056.75
2	Foreign exchange earned - sales	521.57	440.54

## Company's Philosophy on Corporate Governance

Amara Raja is committed to good corporate governance and emphasises on best business practices by setting and achieving the high standards of accountability, transparency, integrity and equity in all its spheres and in all its dealings with its stakeholders. The Company is committed to enhance the value of all its stakeholders by implementing good corporate governance measures. Corporate governance practices are driven by strong board oversight, timely disclosures, transparent accounting policies and high levels of integrity in decision making.

The Company is in compliance with the requirement of the guidelines on corporate governance as stipulated under clause 49 of the listing agreement with stock exchanges.

## Board of Directors

### 1. Composition of Board

- The Company has 8 directors with a non-executive chairman. Of the 8 directors, 4 are independent directors, 3 are non-executive non independent directors and 1 is an Executive Director.
- All the directors except one Executive Director are liable to retire by rotation and one third of the directors, who are liable to retire by rotation, are eligible for re-election. The composition of the board is in conformity with clause 49 (1) (A) of the listing agreement.
- None of the directors on the board is a member of more than 10 committees or chairman of more than 5 committees across all the listed and unlisted public companies in which he/she is a director. Necessary disclosures regarding committee positions and other directorship(s) held in public companies as on March 31, 2010 have been provided by the directors.
- The independent directors have confirmed that they satisfy the "criteria of independence" as stipulated in clause 49 of the listing agreement.

### 2. Board Procedure

The Company has a well defined process of placing material and sufficient information before the board pertaining to business to be

considered at each board meeting so as to enable the members of the board to participate in the discussions and discharge their responsibilities effectively.

The company secretary finalises the agenda of the board and committee meetings in consultation with the Chairman of the board, consisting of all the necessary and material information and ensuring effective deliberations and discussion at the meetings of the board, which is circulated to the board/committee members well in advance. The proceedings of every meeting are recorded and minutes are prepared accordingly. The draft minutes are circulated to the members of the board, for their review and confirmation/approval, after which the same is signed by the Chairman.

The board has complete access to all the information and data, relevant to the business of the Company. The following information, inter-alia, is provided to the board on a periodical basis:

- Annual operating plans and budgets
- Quarterly, half yearly and annual financial results (audited/unaudited)
- Foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movements
- Minutes of the annual general meetings / extraordinary general meetings / board meetings / meetings of audit and other committees of the board
- Notice of interest
- Material important litigations, show cause, demand, prosecution and penalty notices, if any
- Compliance audit reports
- Status of legal cases
- Related party transactions
- Expansion plans
- All other information(s) which is relevant for decision making by the board



3. The names and categories of the directors on the board, their attendance at board meetings held during the year and the number of directorship(s) and committee chairmanship(s)/membership(s) held by them in other companies as on March 31, 2010 are given herein below.

Sl. No.	Name of Director	Category	Number of board meetings during the year 2009-10		Whether attended last AGM held on July 30, 2009	Number of Directorships in other public companies#	Number of committee positions held in other public companies ##	
			Held	Attended			Chairman	Member
1	Dr. Ramachandra N Galla	Promoter/ Non-Executive Chairman	5	5	Yes	5	Nil	1
2	Mr. Jayadev Galla	Promoter/ Managing Director	5	5	Yes	4	Nil	2
3	Mr. Jorge A Gonzalez	Non-Executive Director*£	5	1	N.A. Appointed after the AGM	Nil	Nil	Nil
4	Mr. Shu Qing Yang	Non-Executive Director £	5	5	Yes	Nil	Nil	Nil
5	Mr. P. Lakshmana Rao	Independent, Non-Executive Director	5	3	Yes	Nil	Nil	Nil
6	Mr. Nagarjun Valluripalli	Independent, Non-Executive Director	5	4	Yes	1	Nil	Nil
7	Mr. N. Sri Vishnu Raju	Independent, Non-Executive Director	5	5	Yes	3	Nil	Nil
8.	Mr.T.R.Narayanaswamy	Independent, ** Non-Executive Director	5	3	Yes	Nil	Nil	Nil

# Directorships held by directors in other companies does not include, any alternate directorship, directorship in foreign companies, directorship in section 25 companies and private limited companies.

## As per clause 49 of the listing agreement, chairmanship/membership of board committee includes only audit committee and shareholders/investor grievance committees of public limited companies have been considered.

£ Sl. Nos. 3 and 4 are nominee directors of Johnson Controls Inc., (Persons acting in concert)

\* Mr. Jorge A. Gonzalez was appointed as a director w.e.f. November 01, 2009.

\*\* Mr. T.R. Narayanaswamy was appointed as a director w.e.f. June 01, 2009.

#### 4. Changes in the composition of the board during the year 2009-10

During the year the composition of the board underwent certain changes, particulars of which are set out hereunder

Sl. No.	Name	Date of Appointment	Date of Cessation
1.	Mr. T.R.Narayanaswamy	01.06.2009	-
2.	Mr. Raymond J Brown*	23.10.2007	01.11.2009
3.	Mr. Frank E. Kraick#	14.08.2008	01.11.2009
4.	Mr. Jorge A Gonzalez@	01.11.2009	-

\*Mr. Raymond J Brown ceased to be director with effect from November 1, 2009.

#Mr. Frank E. Kraick (who acted as alternate director to Mr. Raymond J Brown) ceased to be an alternate director w.e.f. November 1, 2009 in terms of Section 313 and its related provision of the Companies Act, 1956.

@Mr. Jorge A Gonzalez was appointed as a director of the Company in the casual vacancy caused by the resignation of Mr. Raymond J Brown.

#### 5. Details of shareholding of directors as on March 31, 2010

Sl. No.	Name	No. of shares held
1.	Dr. Ramachandra N Galla	6397537
2.	Mr. Jayadev Galla	6410992
3.	Mr. Nagarjun Valluripalli	1500

##### (d) Details of directors seeking appointment/re-appointment

Mr. P. Lakshmana Rao and Mr. Nagarjun Valluripalli, Directors, retire by rotation at this annual general meeting and are seeking re-appointment. The retiring directors have given their consent for re-appointment.

Mr. Jayadev Galla seeks re-appointment as the Managing Director of the Company for another term of five years and has given his consent for the said re-appointment.

The brief details of the directors seeking appointment/re-appointment are appended to the notice convening the twenty fifth annual general meeting.

#### 6. Details of board meetings held during the financial year 2009-10

During the financial year 2009-10, the board met 5 (five) times. The gap between any two board meetings has been less than four months. The dates on which the meetings of the board were held during the year are as follows.

Sl. No.	Date	Day	Venue
1	April 30, 2009	Thursday	Chennai
2	June 01, 2009	Monday	Hyderabad
3	July 30, 2009	Thursday	Tirupati
4	October 28, 2009	Wednesday	Thekkady, Kerala
5	January 21, 2010	Tuesday	Shanghai, China

All necessary information which is required to be placed before the board as stipulated in Annexure 1A to clause 49 of the listing agreement were placed before the board for its review and consideration.

#### Board Committees

The board of directors of the Company has set up four committees to carry out various functions, as entrusted and give suitable recommendations to the board on significant matters, from time to time. The details of the said committees are given hereunder:

##### Mandatory Committee

- Audit Committee
- Shareholders'/Investors' Grievance Committee.

##### Optional Committee

- Remuneration Committee

The board has also constituted a committee called the Loan and Investment Committee which looks into the borrowings and investment decisions of the Company from time to time.



The composition, scope, changes and details of all the aforesaid committees are given as under:

## 1. Audit Committee

The audit committee has been constituted in accordance with Section 292A of the Companies Act, 1956 and as per the provisions of clause 49 of the listing agreement.

### 1.1 Overall purpose/objective

The role 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 stakeholders, reviewing the system 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 audit of the Company's financial statements.

### 1.2 Terms of reference

The terms of reference of the audit committee are in conformity with the provisions of sub clause II of clause 49 of the listing agreement which, inter alia, includes the following:

- To hold periodic discussions with the statutory auditors and internal auditor of the Company concerning the financial reports of the Company, internal control systems, scope of audit and observations of the auditors/internal auditors
- Discussion with internal auditor on significant audit findings and follow up thereon
- To review compliance with internal control systems
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the board
- To make recommendations to the board on any matter relating to the financial management of the Company, including the audit report
- Recommending the appointment/reappointment of statutory auditors and fixation of their remuneration
- To review the annual plan and budget before submission to the board
- To approve the appointment of the chief financial officer

### 1.3 Composition of committee

The audit committee comprises of independent directors who are financially literate and have vast experience in the area of finance and accounts. The composition of the committee is given below

Sl. No.	Name	Designation	Category
1.	Mr. P. Lakshmana Rao	Chairman	Independent, Non-Executive
2.	Mr. Nagarjun Valluripalli	Vice Chairman	Independent, Non-Executive
3.	Mr. N. Sri Vishnu Raju	Member	Independent, Non-Executive
4.	Mr. T.R.Narayanaswamy*	Member	Independent, Non-Executive

\* Mr. T. R. Narayanaswamy was appointed as member of the audit committee w.e.f. July 30, 2009.

### 1.4 Meeting and Attendance during the year 2009-10

During the financial year 2009-10, five meetings of the audit committee were held on April 30, 2009, June 1, 2009, July 30, 2009, October 28, 2009 and January 21, 2010.

Sl. No.	Name	Number of meetings	
		Held	Attended
1	Mr. P.Lakshmana Rao	5	3
2	Mr. Nagarjun Valluripalli	5	4
3	Mr. N. Sri Vishnu Raju	5	5
4	Mr. T.R.Narayanaswamy*	5	2

\* Mr. T. R. Narayanaswamy was appointed as member of the audit committee w.e.f. July 30, 2009.

The chief financial officer, statutory auditors, internal auditor and cost auditor are invited to attend the audit committee meetings. The Company secretary is the secretary of the committee.

## 2. Shareholders' / Investors' Grievance Committee

### 2.1 Terms of reference

A shareholders'/investors' grievance committee of the board of directors has been constituted to specifically look after the redressal of complaints of shareholders' / investor's viz. transfer/transmission of shares, issue of duplicate share certificates, change of name, change of status, transposition of shares, sub division and consolidation of shares, request for dematerialisation/rematerialisation of shares, non receipt of dividend/annual report/notices, complaints relating to bonus shares etc.

The Company has appointed M/s. Cameo Corporate Services Limited as its Registrar and Share Transfer Agent (RTA). The RTA takes care of all the activities relating to share transfers and dematerialisation of shares and all other related works in consultation/directions of the Company with respect to the Company's shares. The committee also reviews the redressal of investors' grievance and performance of the RTA of the Company.

### 2.2 Composition of Committee

The composition of the shareholders/investors grievance committee is given below

Sl. No.	Name	Designation	Category
1.	Mr. P. Lakshmana Rao	Chairman	Independent, Non-Executive
2.	Dr. Ramachandra N Galla	Member	Non Independent, Non-Executive
3.	Mr. Jayadev Galla	Member	Non Independent, Executive

### 2.3 Meeting and attendance during the year 2009-10

During the financial year ended on March 31, 2010,

four meetings of the committee were held on June 1, 2009, July 30, 2009, October 28, 2009 and January 21, 2010.

Sl. No.	Name	Number of meetings	
		Held	Attended
1.	Mr. P. Lakshmana Rao	4	2
2.	Dr. Ramachandra N Galla	4	4
3.	Mr. Jayadev Galla	4	4

The shareholders / investors grievance committee has prescribed norms for attending to the shareholders requests and these norms have been complied with. The Company Secretary who is also the compliance officer of the Company acts as secretary to the committee.

## 3. Loan and investment committee

3.1 The Company has constituted a loan and investment committee of the board of directors to specifically look into the matters relating to loans and investment decisions of the Company.

3.2 One meeting of the loan and investment committee was held during the year on March 2, 2010.

3.3 The composition of the loan and investment committee and the details of meetings attended by its members are given below

Sl. No.	Name	Category	Number of meetings	
			Held	Attended
1.	Dr. Ramachandra N Galla	Non Independent, Non-Executive	1	1
2.	Mr. Jayadev Galla	Non Independent, Executive	1	1
3.	Mr. Nagarjun Valluripalli	Independent, Non-Executive	1	1
4.	Mr. N. Sri Vishnu Raju	Independent, Non-Executive	1	1

3.4 The company secretary acts as the secretary of the committee.



## 4. Remuneration Committee

### 4.1 Objective

The committee reviews and determines the Company's policy on managerial remuneration and recommends to the board on the specific remuneration of executive/ managing director(s), 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.

### 4.2 Terms of reference

- Determining the remuneration policy of the Company, from time to time.
- Recommending remuneration including periodic revision, performance bonus, incentives, commission, stock options, other services, perquisites and benefits payable to the Company's Managing Director (MD) / Executive Director (ED).

### 4.3 Composition and meetings

The committee comprises of the following members. Both the members of the committee are non-executive and independent directors.

Sl. No.	Name	Designation
1.	Mr. P. Lakshmana Rao	Chairman
2.	Mr. Nagarjun Valluripalli	Member

As there was no revision in the remuneration to the Managing Director, the committee did not meet during the year ended March 31, 2010.

### 4.4 Remuneration Policy

The board has constituted a remuneration committee comprising of independent directors to look into the remuneration payable to the Managing Director/ Executive Director.

The remuneration committee met on May 19, 2010 to consider the re-appointment and remuneration of the Managing Director. The committee recommended the re-appointment of Mr. Jayadev Galla as the Managing Director of the Company for a period of 5 years commencing from September 01, 2010 on a remuneration

as detailed in the explanatory statement to the notice attached to this annual report.

The remuneration committee was re-constituted on May 19, 2010 and Mr. T.R. Narayanaswamy was inducted as a member of the committee.

#### i. Remuneration by way of sitting fees to non-executive directors

The non-executive directors (other than Galla family members and nominees of Johnson Control Inc.) are paid remuneration by way of sitting fees of Rs. 10,000 for attending the board meeting and Rs. 5,000 for the other committees viz. audit committee, shareholders'/investors' grievances committee, remuneration committee and loan and investment committee.

Sitting fees paid to non-executive independent directors during 2009-10 are as follows:

Sl. No.	Name	Sitting Fees paid (Rs.)
1.	Mr. P. Lakshmana Rao	55,000
2.	Mr. Nagarjun Valluripalli	65,000
3.	Mr. N. Sri Vishnu Raju	80,000
4.	Mr. T.R.Narayanaswamy*	40,000

\* Appointed as director w.e.f. June 1, 2009.

#### ii. Remuneration by way of commission to non-executive directors

The board is authorised to approve the payment of such sum, not exceeding 4% per annum of the net profits of the Company for any financial year in terms of the approval given by the Ministry of Corporate Affairs, Government of India, Vide their letter No. 1/100/2006-CI.VII dated August 8, 2006 (valid till August 31, 2010) and the shareholders of the Company. The approval includes 3% per annum commission on net profits payable to Dr. Ramachandra N Galla, Non-Executive Chairman. The payment to all other non-executive directors @1% per annum 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.

In terms of the above approval, during the year 2009-10, commission @3% amounting to Rs. 83.04 million was paid to Dr. Ramachandra N Galla, Non-Executive Chairman.



### iii. Remuneration to Executive Director

(Rs. Million)

Name	Salary	Contribution to provident fund	Value of perquisites	Commission
Mr. Jayadev Galla Managing Director	2.40	0.01	–	135.99

The Company has service contract with Mr. Jayadev Galla for a period of 5 years with effect from September 1, 2005 to August 31, 2010. The notice period is three months and no severance compensation is payable.

## 5. Stock options

The Company currently does not have stock option scheme.

### General body meeting (s)

#### 1. The venue, day, date and time of the last three annual general meetings held are given below:

For the year ended 31st March	Venue	Day and date	Time	Special resolution was passed
2007	Registered office of the Company	Tuesday, 14th August 2007	2.30 P.M.	Alteration of the capital clause of the articles of association
2008	Registered office of the Company	Thursday, 14th August 2008	3.00 P.M.	Alteration of the capital clause of the articles of association
2009	Registered office of the Company	Thursday, 30th July 2009	2.30 P.M.	No special resolution was passed

#### 2. Postal Ballot

The Company has not passed any resolution through postal ballot during the financial year 2009-10.

There is no resolution proposed to be passed by means of postal ballot in this annual general meeting.

## Disclosures

### 1. Disclosure of related party transactions

There are no materially significant related party transactions, with directors/ promoters/ management which had potential conflict with the interests of the Company at large. The disclosures with regard to transactions with related parties are given in the notes to the accounts of the audited financial statements for the financial year ended March 31, 2010. All related party transactions are

carried out at arm's length basis and are only intended to further the interest of the Company. The board has received disclosures from senior management personnel relating to material, financial and commercial transactions where they and /or their relatives have personal interest.

During the year the Company has obtained approval of the Regional Director, Ministry of Corporate Affairs (MCA), Southern Region, Chennai for having transactions with M/s Amara Raja Industrial Services Private Limited, wherein Dr. Ramachandra N Galla and Mr. Jayadev Galla are directors and shareholders. The Company also places before the board at every meeting the details of all transactions with related parties / companies promoted by the Galla family for its approval/ratification.



## 2. Details of non compliance by the Company

During the preceding three financial years there were no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any other statutory authority, on any matter relating to the capital market. All returns and reports were filed with the registrar of companies and stock exchanges and other relevant authorities.

## 3. Disclosure of accounting treatment

In the preparation of financial statements, the Company has followed the accounting standards issued by the Institute of Chartered Accountants of India. The significant accounting policies, which are consistently applied, have been set out in the notes to the accounts of the audited financial statements for the financial year ended March 31, 2010.

## 4. Whistle blower policy

The Company has not adopted a whistle blower policy. However, the Company has an environment where any employee can raise any issue with the management if required.

## 5. Board disclosures

### 5.1 Risk management

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

A broad framework for minimising the risks faced by the Company by adopting a risk management policy for commodity and currency has been formed by the Company. 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 commodity risk faced by the Company.

Both the committees report to the Managing Director on a periodical basis who in turn reports to the board of directors for their recommendations/suggestions.

## 5.2 Internal control system

The Company has in place adequate system of internal control commensurate with its size and the nature of its operations. The Company's internal control system covers the following aspects:

- Financial propriety of business transactions.
- Safeguarding the assets of the Company.
- Compliance with prevalent statutes, listing agreement, management authorisation, policies and procedures.

The audit committee of the board periodically reviews audit plans, observations and recommendations of the internal and external auditors, with reference to the significant risk areas and adequacy of internal controls and keeps the board of directors informed of its major observations from time to time.

## 6. CEO/CFO certification

The CEO/CFO certification on the financial statements and internal control is separately annexed.

## 7. Details of compliance with mandatory and non mandatory requirements of clause 49 of the listing agreement.

The Company has complied with all the mandatory requirements of the clause 49 of the listing agreement. The Company has set up a remuneration committee. The details of such committee have been enumerated earlier in this report. The other non mandatory requirements have not been adopted by the Company till date.

## Code of conduct

The code of conduct as required by clause 49 of the listing agreement and adopted by the board is a comprehensive code to ensure good governance and to provide for ethical standards of conduct on matters including conflict of interest, acceptance of positions of responsibility, treatment of business opportunities and the like. The code is applicable to all the directors and the senior management personnel of the Company. The code of conduct has been posted on the website of the Company. An annual affirmation has been obtained from all the board members and the senior management personnel of the Company as on March 31, 2010.

In terms of clause 49 of the listing agreement, a declaration signed by the managing director is given hereunder:

### Declaration on Code of Conduct

I, Jayadev Galla, Managing Director, hereby confirm that the board members and senior management personnel have affirmed compliance with Amara Raja's "Code of Conduct" for the financial year 2009-10.

Place: Hyderabad

**Jayadev Galla**

Date: May 19, 2010

*Managing Director*

### Policy for prevention of insider trading

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the board has laid down "code of conduct for prevention of insider trading" with the objective of preventing purchase and/or sale of shares of the Company by an insider on the basis of unpublished price sensitive information. Under this code, Insiders (Director's, Officers and designated employees) are prevented from dealing in the Company's shares during the closure of trading window. The trading window is closed before 15 days from the close of the quarter/year and remains closed until the day after the date of the board meeting where the unaudited / audited results / dividend or any other price sensitive matters are approved by the board of directors. All directors and designated employees are required to obtain pre-clearance of trade from the managing director / compliance officer in case they wish to trade (purchase / sell) in the Company's shares during the period the trading window is open. All directors/officers/designated employees are required to

disclose related information periodically/annually as defined in the code. The Company Secretary has been designated as compliance officer for this code.

### Means of communication

The Company regularly intimates its unaudited financial results (provisional) as well as audited financial results to the stock exchanges, as soon as the same are taken on record/approved by the board. These financial results are published in leading newspapers in India which includes Business Standard and Business Line in English and Andhra Jyothi in Telugu. The notices to shareholders viz. book closure, issue of duplicate share certificate etc. are normally published in Business Line (English) and Andhra Jyothi (Telugu). The financial results and press releases are posted on Company's website [www.amararaja.co.in](http://www.amararaja.co.in).

### Management discussion and analysis report

The management discussion and analysis report forms part of the Company's 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

Place: Hyderabad

**Dr. Ramachandra N Galla**

Date: May 19, 2010

*Chairman*



# Auditors' Certificate

## On Corporate Governance

To  
The Member(s)  
Amara Raja Batteries Limited,

We have examined the compliance of conditions of corporate governance by Amara Raja Batteries Limited ("the Company"), for the year ended on March 31, 2010, as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

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 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)  
Firm Regd No. 002644S

Place : Hyderabad.

Date : May 19, 2010

**For Chevuturi Associates**  
*Chartered Accountants*

**(Raghunadha Rao Balineni)**  
*Partner*

(ICAI Memb. No: 28105)  
Firm Regd No. 000632S

# CEO and CFO Certification

May 19, 2010

The Board of Directors  
Amara Raja Batteries Limited  
Renigunta – Cuddapah Road,  
Karakambadi  
Tirupati – 517 520

Dear Sirs,

**Sub: CEO and CFO certification**

We, Jayadev Galla, Managing Director and K. Suresh, Chief Financial Officer, 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 for the year ended March 31, 2010, 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 financial 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, summarise 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 control system.

**Jayadev Galla**  
Managing Director

**K. Suresh**  
Chief Financial Officer

# General Shareholder Information



<b>1. Annual General Meeting</b> <ul style="list-style-type: none"> <li>■ Date</li> <li>■ Time</li> <li>■ Venue</li> </ul>	<p>July 29, 2010 3.00 P.M.</p> <p><b>At the registered office of the Company</b> Renigunta – Cuddapah Road, Karakambadi – 517 520, Tirupati, Andhra Pradesh.</p>
<b>2. Financial year</b>	<p>1st April to 31st March</p>
<b>3. Financial calendar</b> <ul style="list-style-type: none"> <li>■ Financial reporting for the quarter ending June 30, 2010</li> <li>■ Financial reporting for the quarter ending September 30, 2010</li> <li>■ Financial reporting for the quarter ending December 31, 2010</li> <li>■ Financial results for the year ending March 31, 2011</li> <li>■ Annual general meeting for the year ending March 2011</li> </ul>	<p>July 2010 October/November 2010 January/February 2011 May/June 2011 July 2011</p>
<b>4. Date of book closure</b>	<p>July 22, 2010 to July 29, 2010 (both days inclusive)</p>
<b>5. Proposed dividend</b>	<p>Rs. 2.90 (145%) per equity share of Rs. 2/- each</p>
<b>6. Dividend payment date</b>	<p>Dividend, if declared at the annual general meeting is proposed to be paid on or after July 29, 2010.</p>
<b>7. E-Mail ID for investor grievances</b>	<p>investorservices@amararaja.co.in</p>
<b>8. Listing on stock exchanges</b>	<p><b>Equity shares</b></p> <ul style="list-style-type: none"> <li>■ National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No.C/1, G. Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051.</li> <li>■ Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001.</li> </ul>
<b>9. Listing fee</b>	<p>Listing fees to both the stock exchanges have been paid for the financial year 2010-11.</p>
<b>10. Stock Code</b> <p>Name of the stock exchanges /depository</p> <ul style="list-style-type: none"> <li>■ National Stock Exchange of India Limited (NSE)</li> <li>■ Bombay Stock Exchange Limited (BSE)</li> <li>■ NSDL &amp; CDSL</li> </ul>	<p>Code/ISIN</p> <p>AMARAJABAT 500008 INE885A01024</p>

## 11. Market price data

High, Low prices and number of shares traded during each month in the last financial year on BSE and NSE are given herein below:

Period	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (in nos.)	High (Rs.)	Low (Rs.)	Volume (in nos.)
April 2009	63.10	36.30	916249	62.65	36.30	1918073
May 2009	89.00	51.00	942869	89.40	50.00	2109441
June 2009	99.00	77.00	1207186	99.00	78.55	2547619
July 2009	127.65	73.15	2471302	127.70	76.00	4314126
August 2009	135.90	107.05	2593551	135.70	105.00	4646067
September 2009	149.50	125.15	3241510	148.85	126.00	5100448
October 2009	163.90	130.50	2322423	163.40	130.50	4140989
November 2009	182.50	139.00	2020650	192.65	138.20	4488244
December 2009	175.50	153.00	1074751	176.55	153.10	3363161
January 2010	180.00	143.30	2625170	179.90	144.10	6222117
February 2010	162.85	147.00	785786	163.90	146.65	1774893
March 2010	174.90	150.00	936226	175.00	145.00	3050735

Source: BSE & NSE websites

## 12. Performance of share price of the Company in comparison with BSE Sensex

A comparative chart showing Amara Raja Batteries Limited High versus Bombay Stock Exchange High



## 13. Performance of the Company's share price as at the beginning and end of the financial year 2009-10

Performance of the Company's share price on BSE and NSE (In Rs.). Amount paid up per share – Rs. 2/-

Name of the Stock Exchange	BSE Close Price	NSE Close Price
Price as on April 1, 2009	38.30	38.25
Price as on March 31, 2010	163.65	164.2
Change in Value	+125.35	+125.95
% Change	+327.28	+329.28



## 14. Registrar and share transfer agent

M/s. Cameo Corporate Services Limited is the registrar and share transfer agent (RTA) of the Company. Any request pertaining to investor's queries may be addressed to the following address:

M/s. Cameo Corporate Services Limited  
 Unit - Amara Raja Batteries Limited  
 "Subramanian Building",  
 No.1, Club House Road, Chennai – 600002  
 Tel: +91 044 28460390  
 Fax: +91 044 28460129  
 Email: investor@cameoindia.com

## 15. Share transfer system

Entire share transfers under physical segment are processed by the registrar and share transfer agents and approved by a committee of directors called as "Share Transfer Committee".

The share transfer system consists of activities like receipt of share certificates along with transfer deed from transferee, its verification, preparation of memorandum of transfer etc. Presently the share transfers received in physical form are processed and the share certificates returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respect. For this purpose, the share transfer committee meets as and when required.

As required under clause 47 (c) of the listing agreement entered into by the Company with the stock exchanges, a certificate is obtained every six months from a practicing Company Secretary with regard to, inter alia, effecting transfer, transmission, sub-division, consolidation, renewal and exchange of equity shares within one month of their lodgment. The certificate is also forwarded to the stock exchanges.

Details of shares transferred in physical form				
Time taken	2009-10		2008-09	
	Number of requests received and processed	Number of shares	Number of requests received and processed	Number of shares
1-10 days	2	1500	2	1500
11-20 days	61	50750	45	32274
21-30 days	3	2250	2	4500
<b>TOTAL</b>	<b>66</b>	<b>54500</b>	<b>49</b>	<b>38274</b>

## 16. Investor complaints received and redressed

Nature of complaints	2009-10		2008-09	
	Received	Disposed	Received	Disposed
Non-receipt of shares sent for transfer, sub-division and dematerialisation.	07	07	03	03
Non-receipt of dividend warrants and annual report.	23	23	23	23

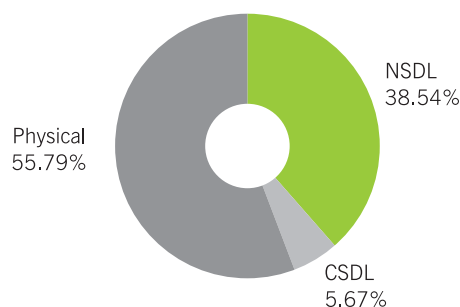
There was no investor complaint pending as on March 31, 2010.

## 17. Dematerialisation of shares and liquidity

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Under the dematerialised system, the shareholder can approach any depository participant (DP) for getting his/her shares converted from physical mode to electronic mode. Upon submission of the original share certificates along with a duly signed demat request form the DP will generate an electronic request and send it to the Company's RTA. The physical share certificate(s) will also be sent to the RTA. The RTA will verify the electronic and physical demat request and if found in order will convert the shares held in physical mode to electronic mode.

As on March 31, 2010, 44.21% of the shares were held in the dematerialised form and 55.79% shares were held in physical form.



# Out of 55.79% shares held in physical mode, the promoters (Galla family) and persons acting in concert (JCI) who jointly hold 52.06% are holding their shares in physical mode and the rest 3.73% are public shareholders.

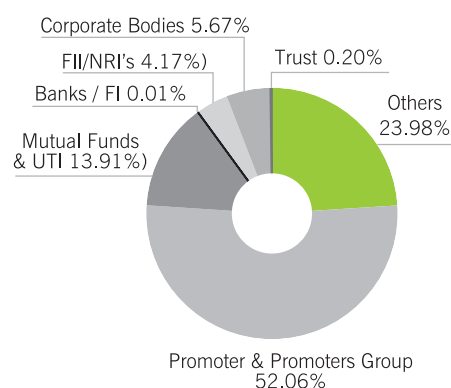


**Status of dematerialisation and physical shares as on March 31, 2010**

Particulars of Shares	Equity shares of Rs. 2/- each		Shareholders	
	Number	% of total	Number	% of total
<b>A. Demat form</b>				
NSDL	32914956	38.54	16397	69.65
CDSL	4846762	5.67	5570	23.66
Sub total	37761718	44.21	21967	93.31
<b>B. Physical form</b>	47644532	55.79	1574	6.69
<b>Total (A + B)</b>	<b>85406250</b>	<b>100.00</b>	<b>23541</b>	<b>100.00</b>

**18. Shareholding pattern and distribution schedule as on March 31, 2010**

Shareholding Pattern		
Category	No. of shares	% of shareholding
Promoters (including persons acting in concert)	44463726	52.06
Mutual Funds & UTI	11879519	13.91
Banks/Financial Institutions	5550	0.01
Foreign Institutional Investors/NRI's	3558960	4.17
Corporate Bodies	4842890	5.67
Trust	167004	0.20
Others	20488601	23.98
<b>TOTAL</b>	<b>85406250</b>	<b>100.00</b>

**Shareholding pattern as on March 31, 2010**


# Out of 52.06% of the promoter and promoter group, 26.06% is held by the Galla Family and 26% is held by Johnson Controls Mauritius Private Limited.

Distribution schedule				
No. of equity shares held	No. of shareholders	%	No. of shares	%
Upto 500	17129	72.76	2153181	2.52
501-1000	3768	16.00	2783379	3.26
1001-2000	1394	5.92	2054257	2.41
2001-3000	455	1.93	1146209	1.34
3001-4000	222	0.94	810046	0.95
4001-5000	94	0.40	430634	0.50
5001-10000	221	0.94	1584892	1.86
Above 10000	258	1.11	74443652	87.16
<b>TOTAL</b>	<b>23541</b>	<b>100.00</b>	<b>85406250</b>	<b>100.00</b>



### 19. Top ten shareholders other than promoters

The top ten shareholders other than promoters of the Company as on March 31, 2010 were as follows:

Sl.No.	Name of shareholders	No. of shares	Percentage of shareholding
1.	HDFC Trustee Company Limited - A/C HDFC Mid-Cap opportunities Fund	2039000	2.39
2.	Templeton Mutual Fund A/C Franklin India Flexi Cap Fund	1765000	2.07
3.	Dr. Upendranath N	1286127	1.51
4.	ICICI Prudential Discovery Fund	1041600	1.22
5.	Franklin Templeton Mutual Fund A/c Franklin India High Growth Companies Fund	942953	1.10
6.	India Discovery Fund Limited	877714	1.03
7.	HDFC Trustee Company Limited A/C HDFC Growth Fund	872454	1.02
8.	Sundaram BNP Paribas Mutual Fund A/c Sundaram BNP Paribas Select Small Cap	865456	1.01
9.	Vanaja Sundar Iyer	690491	0.81
10.	Power Master Engineers Private Limited	684230	0.80
<b>Total</b>		<b>11065025</b>	<b>12.96</b>

### 20. Outstanding GDR/ warrants and convertible bonds

The Company has not issued any GDR/ warrants and convertible bonds.

### 21. Plant location and registered office

Renigunta – Cuddapah Road,  
Karakambadi – 517 520  
Tirupati, Andhra Pradesh, India  
Tel: +91 877 2265000  
Fax: +91 877 2285600  
E-mail: amararaja@amararaja.co.in  
Website: www.amararaja.co.in

### 22. Corporate operations office

5th Floor, Astra Towers, Hitech City,  
12P, Kondapur, Hyderabad-500 038  
Tel: +91 40 23683000  
Fax: +91 40 23118219

### 23. Investor contacts

Mr. N. Ramanathan  
Company Secretary  
& Compliance Officer  
5th Floor, Astra Towers, Hitech City,  
12P Kondapur, Hyderabad-500 038  
Tel: +91 40 23683000  
Fax: +91 40 23118219  
e-mail: ram@amararaja.co.in;  
investorservices@amararaja.co.in

### 24. Investors Information

#### a) Dividend policy

The board of directors at its meeting held on May 19, 2010 had adopted a dividend policy for distributing upto 15% of the profits after tax (PAT) henceforth.

#### b) Transfer of unclaimed dividend

During the year under review, an amount of Rs. 616,911/- pertaining to unpaid/unclaimed dividend for the financial year 2001-02 has been transferred to Investor Education and Protection Fund (IEPF) on October 13, 2009.

As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the Company is required to transfer the unpaid dividend remaining unclaimed and unpaid for a period of 7 (seven) years from the due date (s) to the Investor Education and Protection Fund (IEPF) set up by the Central Government.

All Shareholders who have not encashed their dividend warrants for the last seven years are requested to lodge their claim to the RTA/Company by submitting an application supported by an indemnity bond and affidavit immediately. Shareholders may note that no claim shall lie against the Company or the IEPF once the dividend amount is transferred to the IEPF.

The date on which the unclaimed dividends fall due for transfer to IEPF by the Company is given below:

Financial Year	Dividend type	Dividend percentage (%)	Date of declaration	Due date of transfer to IEPF
2002-03	Final	15	31.07.2003	05.09.2010
2003-04	Final	15	11.08.2004	16.09.2011
2004-05	Final	20	13.08.2005	18.09.2012
2005-06	Final	25	14.08.2006	19.09.2013
2006-07	Final	35	14.08.2007	19.09.2014
2007-08	Final	35	14.08.2008	19.09.2015
2008-09	Final	40	30.07.2009	04.09.2016

### c) Electronic Clearing Services (ECS)

Under ECS facility, shareholders get an option to receive dividend directly into their bank account rather than receiving the same through dividend warrants. Shareholders holding shares in physical form, who wish to avail ECS facility, are requested to send their ECS mandate in the prescribed form to Cameo Corporate Services Limited, in the event they have not done so earlier or in case there is a change in their ECS mandate. Shareholders holding shares in electronic form are requested to give the ECS mandate to their respective DP's directly.

### d) Nomination facility

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

### e) Benefits of dematerialisation

55.79% of the shares are still in physical form (out of which 52.06% is held by the promoters and persons acting in concert). 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 available for trading only in demat

mode. For more information and clarification in this regard, the shareholders may contact the Company or its Registrar and Share Transfer Agent.

Holding shares in dematerialised form has certain distinct advantage as given hereunder:

- Immediate transfer of securities
- No stamp duty on transfer of securities
- Elimination of risks associated with physical certificates such as bad delivery, fake securities, loss or theft of share certificates etc.
- Reduction in paperwork involved in transfer of securities;
- Reduction in transaction cost
- Nomination facility
- Change in address recorded with DP gets registered electronically with all companies in which investor holds securities eliminating the need to correspond with each of them separately
- Transmission of securities is done by DP
- Holding investments in equity, debt and Government securities in a single account
- Automatic credit into demat account, of shares, arising out of split/consolidation/merger etc.
- Pledge/hypothecation of shares is simple



The Company has sent a circular letter dated March 10, 2010 to such of those shareholders holding their shares in physical form to opt for electronic form to avail of the abovesaid benefits.

### **f) Disclosure of Pledged Shares by Promoters**

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997 was amended vide SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2009 on January 28, 2009 that it shall be mandatory for promoter and promoter group to make disclosures regarding pledge of shares to the Company as and when they are pledged and by the Company to stock exchanges, where shares of the Company are listed. **As on March 31, 2010 promoters and person acting in concert have not pledged or otherwise encumbered their shares.**

### **g) PAN requirement for transfer, transmission and transposition of shares in physical form**

The Securities and Exchange Board of India (SEBI) in continuation to its circular vide ref. no. MRD/DoP/Cir-05/2007 dated April 27, 2007 and MRD/DoP/Cir-05/2009 dated May 20, 2009 with respect to transfer of shares and the latest circular dated January 07, 2010, had made it mandatory, the submission of Permanent Account Number (PAN) by every participant in securities market transaction and off-market / private transaction including the following cases:

- Transfer of shares held in physical form
- Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholders
- Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares
- Transposition of shares where there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders

The members are requested to note that to open a demat account or to hold a demat account submission of copy of the PAN card is mandatory.

### **h) Secretarial audit for reconciliation of capital**

In terms of the circular from the Securities and Exchange Board of India (SEBI) vide its circular reference no. D&C/FITTC/CIR – 16/2002 dated December 31, 2002, the Company is engaging the services of a qualified practicing Company Secretary for carrying out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up share capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

The said audit report is being submitted to the stock exchanges on a quarterly basis.

### **i) Shareholders rights**

A shareholder in a company enjoys certain rights, which are as follows:

- To receive share certificates, on allotment or transfer as the case may be, in due time
- To receive copies of annual report, balance sheet and profit and loss account and the auditor's report
- To participate and vote in general meetings either personally or through proxies
- To receive dividend in due time once approved in general meeting
- To apply to the Company law board to call or direct the annual general meeting
- To receive corporate benefits like rights, bonus etc. once approved
- To inspect the minute books of the general meetings and to receive copies thereof
- To proceed against the Company by way of civil or criminal proceedings
- To apply for the winding-up of the Company

- To receive the residual proceeds

The above mentioned rights may not necessarily be absolute.

**j) Share certificates with face value of Rs. 10/- each**

The members are aware consequent to sub-division of shares from Rs.10/- paid up to Rs. 2/- paid up, it was advised to surrender their Rs.10/- paid up shares to exchange Rs.2/- paid up share. Further upon allotment of bonus shares in October 2008, the Company was advised by the stock exchanges to dispatch all the share certificates it was holding back (for want of original Rs.10/- paid share) and hence the Company had dispatched the same to the shareholders to their last known address as per data available in the register of members. Shareholders who still hold Rs.10/- paid shares are requested to destroy the same or otherwise send the same to the RTA for their records. Shareholders who continue to hold Rs.10/- paid shares are cautioned not to trade on the same and in case they do so, they are responsible for all the costs and consequences that may arise from the said dealing.

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	Dr. Ramachandra N Galla
2	Mrs. Amara Kumari Galla
3	Mr. Jayadev Galla
4	Mrs. G. Padmavathi
5	Dr. G. Ramadevi
6	Mangal Precision Products Limited
7	Dr. Prasad V. Gourineni
8	Mr. Harshavardhana
9	Mr. Vikramaditya
10	Mr. Ashok Galla
11	Master Siddharth Galla
12	Johnson Controls Mauritius Private Limited (Person acting in concert)

### Compliance of Corporate Governance

The certificate dated May 19, 2010 obtained from our joint statutory auditors M/s E. Phalgun Kumar & Co. and M/s Chevuturi Associates is annexed with the corporate governance report.

## Auditors' Report

To  
The Members of  
**Amara Raja Batteries Limited**

We have audited the attached Balance Sheet of **Amara Raja Batteries Limited** as on March 31, 2010, 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 ("Order") 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:

1. 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;
2. 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;
3. 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;
4. 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;

5. On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
6. 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 March 31, 2010;
  - 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*

For **Chevuturi Associates**  
*Chartered Accountants*

**E. Phalguna Kumar**  
*Partner*

**Raghunadha Rao Balineni**  
*Partner*

(ICAI Memb. No: 20278)

(ICAI Memb. No: 28105)

Firm Registration No. 002644S

Firm Registration No. 000632S

Place : Hyderabad

Date : May 19, 2010

## 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 March 31, 2010. We report that:

1. 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.
2. 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.
3. 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 covered 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 covered 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.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and 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.
5. 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 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.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed there under 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 58AA of the Companies Act, 1956.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed audit of the same.
9. 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 and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and any other 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 Sales tax, Entry tax, Excise duty and Service tax have been disputed by the Company, and hence were not remitted to the authorities concerned at the date of the Balance Sheet under report.

Name of the Statute	Nature of the dues	Amount (Rs. in Millions)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1956	Sales tax	0.454	1996-97 1997-98	A.P. STAT, Hyderabad
Central Sales Tax Act, 1956	Sales tax	0.930	2004-05	Dy. Commissioner, CT, Kolkata
Central Sales Tax Act, 1956	Sales tax	0.363	2003-04	Dy. Commissioner, CT, Ernakulam
Kerala General Sales Tax Act, 1963	Sales tax	0.144	2003-04	Dy. Commissioner, CT, Ernakulam
Central Sales Tax Act, 1956	Sales tax	0.720	2004-05	Dy. Commissioner, ST, Delhi
Delhi Value Added Tax Act, 2004	Sales tax	0.290	2004-05	Dy. Commissioner, ST, Delhi
Central Sales Tax Act, 1956	Sales tax	5.485	2004-05	Joint Commissioner, Trade tax, Ghaziabad
Bihar Sales Tax Act	Sales tax	0.016	2002-03	Joint Commissioner, CT, Patna
Central Sales Tax Act, 1956	Sales tax	4.315	2005-06	Dy. Commissioner, ST, Delhi
Central Sales Tax Act, 1956	Sales tax	4.377	2005-06	Addl. Commissioner, Ghaziabad
Central Sales Tax Act, 1956	Sales tax	3.068	2005-06	Asst. Commissioner, Chittoor
APGST Act, 1957	Sales tax	2.882	1998-99	APSTAT, Hyderabad
Bihar Value Added Tax Act, 2005	Entry tax	0.654	2005-06	Joint Commissioner, CT, Patna
Bihar Value Added Tax Act, 2005	Entry tax	0.291	2006-07	Joint Commissioner, CT, Patna
Punjab Value Added Tax Act, 2005	Sales tax	0.098	2009-10	Dy. Commissioner, Patiala
Chapter V of Finance Act, 1994	Service tax	6.060	2005-06 2006-07	CESTAT, Bangalore
Central Excise Act, 1944	Excise duty	1.570	2002-03 to 2006-07	CESTAT, Bangalore
Central Excise Act, 1944	Excise duty	1.704	2007-08 2008-09	Commissioner (Appeals), Guntur



10. 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 cash losses either during the financial year covered by our audit or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the Company, there were no defaults in repayment of its dues to financial institutions and banks at the date of the Balance Sheet. The Company has not issued any debentures.
12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations furnished to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society and hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under report.
14. According to the information furnished to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, no term loans were obtained by the Company during the year. Hence the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investment or other investments during the year under report.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Act.
19. According to the information and explanations given to us, the Company has not issued any debentures during the year under report.
20. The Company has not raised any money through public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under report.
21. According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the Company, has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

For **E. Phalguna Kumar & Co.,**  
*Chartered Accountants*

For **Chevuturi Associates**  
*Chartered Accountants*

**E. Phalguna Kumar**  
*Partner*

**Raghunadha Rao Balineni**  
*Partner*

(ICAI Memb. No: 20278)

(ICAI Memb. No: 28105)

Firm Registration No. 002644S

Firm Registration No. 000632S

Place : Hyderabad

Date : May 19, 2010

## Balance Sheet As at March 31, 2010

(Amount in Rupees)

Particulars	Schedule	As at 31.03.2010		As at 31.03.2009	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	1	170,812,500		170,812,500	
Reserves and surplus	2	5,265,614,690		3,885,051,844	
			5,436,427,190		4,055,864,344
<b>Loan Funds</b>					
Secured	3	272,946,770		2,078,322,863	
Unsecured	4	638,947,690		780,387,071	
			911,894,460		2,858,709,934
Deferred tax liability	5		216,352,878		182,508,323
<b>Total</b>			<b>6,564,674,528</b>		<b>7,097,082,601</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross block	6	4,911,067,266		4,270,935,970	
Less: Depreciation		1,853,812,004		1,457,693,630	
Net block		3,057,255,262		2,813,242,340	
Capital work-in-progress		226,891,489		396,044,969	
			3,284,146,751		3,209,287,309
<b>Investments</b>	7		160,756,064		470,986,188
<b>Current Assets, Loans and Advances</b>					
Inventories	8	2,175,723,575		1,608,268,673	
Sundry debtors	9	2,422,954,714		2,078,493,040	
Cash and bank balances	10	624,672,429		702,851,806	
Loans, advances and deposits	11	1,087,277,467		870,287,297	
		6,310,628,185		5,259,900,816	
Less: Current liabilities and provisions	12				
Liabilities		1,656,390,120		1,137,968,083	
Provisions		1,534,466,352		705,123,629	
		3,190,856,472		1,843,091,712	
Net current assets			3,119,771,713		3,416,809,104
<b>Total</b>			<b>6,564,674,528</b>		<b>7,097,082,601</b>

**Note:** The Schedules, Accounting Policies and Notes on Accounts form an integral part of the Balance Sheet - Schedule 13

As per our report of even date attached

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

For **CHEVUTURI ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board

**E. Phalguna Kumar**  
Partner  
(ICAI Memb. No: 20278)  
Firm Registration No. 002644S

**Raghunadha Rao Balineni**  
Partner  
(ICAI Memb. No: 28105)  
Firm Registration No. 000632S

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Managing Director

Place : Hyderabad  
Date : May 19, 2010

**K. Suresh**  
Chief Financial Officer

**N. Ramanathan**  
Company Secretary

# Profit and Loss Account

For the year ended March 31, 2010

(Amount in Rupees)

Particulars	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
<b>INCOME</b>			
Gross sales		16,910,837,433	15,794,098,590
Less: Excise duty and sales tax		2,258,740,728	2,662,310,474
Net sales		14,652,096,705	13,131,788,116
Other income	14	170,174,501	80,564,340
Increase/(Decrease) in stocks	15	356,877,486	(153,400,292)
<b>Total</b>		<b>15,179,148,692</b>	<b>13,058,952,164</b>
<b>EXPENDITURE</b>			
Purchase of trading goods		35,328,540	85,086,105
Materials consumed	16	9,142,817,590	8,453,055,263
Payments and benefits to employees	17	623,704,132	516,134,337
Manufacturing, selling, administrative and other expenses	18	2,313,192,684	2,230,245,324
Duties and taxes	19	20,590,181	19,915,474
Interest	20	67,715,572	182,365,723
Depreciation		429,451,244	345,563,858
<b>Total</b>		<b>12,632,799,943</b>	<b>11,832,366,084</b>
<b>Profit before taxation</b>		<b>2,546,348,749</b>	<b>1,226,586,080</b>
Less: Provision for taxation	21	876,014,881	421,799,373
<b>Profit after taxation</b>		<b>1,670,333,868</b>	<b>804,786,707</b>
Profit brought forward from previous year		2,572,802,734	1,928,431,531
<b>Profit available for appropriation</b>		<b>4,243,136,602</b>	<b>2,733,218,238</b>
<b>Less: Appropriations</b>			
Transfer to general reserve		167,033,387	80,478,671
Proposed dividend		247,678,125	68,325,000
Dividend tax		42,092,897	11,611,833
<b>Balance carried to balance sheet</b>		<b>3,786,332,193</b>	<b>2,572,802,734</b>
Earning per equity share		19.56	9.42

**Note:** The Schedules, Accounting Policies and Notes on Accounts form an integral part of the Profit and Loss Account - Schedule 13

As per our report of even date attached

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

For **CHEVUTURI ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board

**E. Phalguna Kumar**  
Partner  
(ICAI Memb. No: 20278)  
Firm Registration No. 002644S

**Raghunadha Rao Balineni**  
Partner  
(ICAI Memb. No: 28105)  
Firm Registration No. 000632S

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Managing Director

Place : Hyderabad  
Date : May 19, 2010

**K. Suresh**  
Chief Financial Officer

**N. Ramanathan**  
Company Secretary

## Schedules to the Balance Sheet

(Amount in Rupees)

Particulars	As at 31.03.2010		As at 31.03.2009	
<b>1 SHARE CAPITAL</b>				
<b>Authorised</b>				
100,000,000 Equity shares of Rs.2/- each		200,000,000		200,000,000
<b>Issued</b>				
87,514,250 Equity shares of Rs.2/- each		175,028,500		175,028,500
<b>Subscribed and paid up</b>				
85,406,250 Equity shares of Rs.2/- each (Out of the above 28,468,750 shares were allotted as bonus shares fully paid up by capitalising part of General Reserve)		170,812,500		170,812,500

<b>2 RESERVES AND SURPLUS</b>				
<b>a. Capital Reserve</b>				
As per previous year balance sheet		11,500		11,500
<b>b. Securities Premium</b>				
As per previous year balance sheet		311,862,600		311,862,600
<b>c. General Reserve</b>				
As per previous year balance sheet	1,000,375,010		976,833,839	
Add: Additions during the year	167,033,387		80,478,671	
Less: Utilised for issue of bonus shares	–		56,937,500	
		1,167,408,397		1,000,375,010
<b>d. Surplus in Profit and Loss Account</b>		3,786,332,193		2,572,802,734
<b>Total</b>		<b>5,265,614,690</b>		<b>3,885,051,844</b>

<b>3 SECURED LOANS</b>				
<b>A. Term Loans</b>				
<b>Rupee Loan - Banks</b>				
a. Citi Bank NA	–		300,000,000	
b. Bank of Nova Scotia	–		400,000,000	
		–		700,000,000
<b>Foreign Currency Loan</b>				
a. BNP Paribas		270,660,000		507,200,000
<b>B. Working Capital Facilities</b>				
<b>Cash Credit</b>				
a. State Bank of India	–		2,364,879	
b. State Bank of Hyderabad	–		159,688,820	
c. Andhra Bank	–		98,384,237	
		–		260,437,936
<b>Buyers Credit in Foreign Currency</b>				
a. State Bank of India	–		377,722,411	
b. Bank of Nova Scotia	–		227,907,827	
		–		605,630,238
<b>C. Hypothecation Loan from HDFC Bank Limited</b> (Secured against hypothecation of specific assets)		2,286,770		5,054,689
<b>Total</b>		<b>272,946,770</b>		<b>2,078,322,863</b>

## Schedules to the Balance Sheet

(Amount in Rupees)

Particulars	As at 31.03.2010		As at 31.03.2009	
<b>4 UNSECURED LOANS</b>				
A. Interest free sales tax deferment		638,947,690		567,433,583
B. Buyers credit in foreign currency				
a. Citi Bank NA		–		212,953,488
<b>Total</b>		<b>638,947,690</b>		<b>780,387,071</b>

<b>5 DEFERRED TAX LIABILITY</b>				
As per previous year balance sheet		182,508,323		169,506,055
Add: Liability for the year		33,844,555		13,002,268
<b>Total</b>		<b>216,352,878</b>		<b>182,508,323</b>

<b>6 FIXED ASSETS AND DEPRECIATION</b>											
Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK		
		Cost as on 01.04.2009	Additions	Deletions	Total as on 31.03.2010	Upto 31.03.2009	Current Period	Deletions	Total as on 31.03.2010	As on 31.03.2010	As on 31.03.2009
1	Land and land development	12,405,579	–	–	12,405,579	–	–	–	–	12,405,579	12,405,579
2	Buildings	638,096,806	97,412,636	–	735,509,442	91,039,332	20,057,230	–	111,096,562	624,412,880	547,057,474
3	R&D buildings	9,896,346	–	–	9,896,346	3,331,497	327,867	–	3,659,364	6,236,982	6,564,849
4	Plant & machinery	2,972,827,937	439,520,983	32,643,642	3,379,705,278	1,123,356,310	362,734,024	23,007,308	1,463,083,026	1,916,622,252	1,849,471,627
5	R&D plant & machinery	92,750,640	5,060,078	–	97,810,718	60,639,299	5,795,508	–	66,434,807	31,375,911	32,111,341
6	Electrical installations	327,465,945	72,872,232	1,072,868	399,265,309	61,006,660	16,190,517	524,690	76,672,487	322,592,822	266,459,285
7	Furniture	54,566,513	3,612,026	–	58,178,539	28,664,975	4,476,706	–	33,141,681	25,036,858	25,901,538
8	Office equipment	114,400,576	41,605,618	9,540,898	146,465,296	68,110,064	15,144,513	9,011,990	74,242,587	72,222,709	46,290,512
9	Intangible assets	115,000	21,944,697	–	22,059,697	115,000	799,629	–	914,629	21,145,068	–
10	Vehicles	48,410,628	2,683,574	1,323,140	49,771,062	21,430,493	3,925,250	788,882	24,566,861	25,204,201	26,980,135
	<b>Total</b>	<b>4,270,935,970</b>	<b>684,711,844</b>	<b>44,580,548</b>	<b>4,911,067,266</b>	<b>1,457,693,630</b>	<b>429,451,244</b>	<b>33,332,870</b>	<b>1,853,812,004</b>	<b>3,057,255,262</b>	<b>2,813,242,340</b>
	Previous year	3,105,843,108	1,290,597,686	125,504,824	4,270,935,970	1,217,334,633	345,563,858	105,204,861	1,457,693,630	2,813,242,340	1,888,508,475

Particulars	As at 31.03.2010		As at 31.03.2009	
<b>7 INVESTMENTS</b>				
<b>A. In Government Securities - Non-trade</b>				
a. Indira Vikas Patra (Withdrawn during the year)		–		7,000
b. 6 years National Savings Certificates (Lodged as security with Government departments. Rs.12,000/- held in the name of Dr. Ramachandra N Galla, Chairman)		65,000		65,000
<b>B. Quoted - Non-trade</b>				
<b>a. Shares in companies</b>				
i) 25 Fully paid up equity shares of Rs.2/- 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 value Rs.7,750/- PY: Rs.7,750/-)		7,750		7,750
iii) 10,000 Fully paid up equity shares of Re.1/- each in Exide Industries Ltd		44,069		44,069
iv) 5,500 Fully paid up equity shares of Re.1/- each in HBL Power Systems Ltd		9,850		9,850
v) 1,60,000 (80,000) Fully paid up equity shares of Rs.2/- each in IVRCL Infrastructure & Projects Ltd (Received bonus shares during the year)		204,800		204,800
vi) 23,749 Fully paid up equity shares of Rs.10/- each in IDBI Ltd		1,008,000		1,008,000
vii) 2,27,900 Fully paid up equity shares of Rs.10/- each in Andhra Bank Ltd		2,279,000		2,279,000

## Schedules to the Balance Sheet

(Amount in Rupees)

Particulars	As at 31.03.2010		As at 31.03.2009	
<b>7 INVESTMENTS (Contd...)</b>				
<b>b. Investments in mutual funds</b>				
i) Units of SBI mutual fund		-		310,223,124
<b>C. Unquoted - Non-trade</b>				
<b>a. Shares in companies</b>				
i) 1,128 Fully paid up equity shares of Rs.10/- each in Indian Lead Ltd (Provision for diminution in value Rs.30,000/- PY: Rs.30,000/-)		30,000		30,000
<b>D. Unquoted - Trade</b>				
<b>a. Shares in companies</b>				
i) 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
Sub-Total		160,793,814		471,023,938
Less: Provision for diminution in value of investments		37,750		37,750
<b>Total</b>		<b>160,756,064</b>		<b>470,986,188</b>
<b>Aggregate of quoted investments</b>				
At cost		3,555,204		313,778,328
At market value		55,372,515		331,790,256
Aggregate of unquoted investments - at cost		157,238,610		157,245,610

Note: All investments, other than investment in mutual funds, are long term in nature unless otherwise stated .

### 8 INVENTORIES (As certified by the Management)

a. Stores and spares		189,428,308		148,296,913
b. Material in transit		278,670,432		246,255,314
c. Stocks in trade				
i) Raw materials	457,195,681		320,164,778	
ii) Work in process	734,115,283		518,444,978	
iii) Finished goods	516,313,871		375,106,690	
		1,707,624,835		1,213,716,446
<b>Total</b>		<b>2,175,723,575</b>		<b>1,608,268,673</b>

### 9 SUNDRY DEBTORS (Unsecured)

a. Debts outstanding for a period exceeding 6 months				
Considered good	44,543,129		33,208,607	
Considered doubtful	25,086,959		18,100,794	
	69,630,088		51,309,401	
Less: Provision for doubtful debts	25,086,959		18,100,794	
		44,543,129		33,208,607
b. Other debts		2,378,411,585		2,045,284,433
<b>Total</b>		<b>2,422,954,714</b>		<b>2,078,493,040</b>

## Schedules to the Balance Sheet

(Amount in Rupees)

Particulars	As at 31.03.2010		As at 31.03.2009	
<b>10 CASH AND BANK BALANCES</b>				
A. Cash on hand		653,719		508,213
B. At Scheduled banks:				
a. Current accounts	453,153,002		338,264,221	
b. Fixed deposits	167,617,432		361,056,837	
c. Current accounts - Towards unclaimed dividends	3,248,276		3,022,535	
		624,018,710		702,343,593
<b>Total</b>		<b>624,672,429</b>		<b>702,851,806</b>

<b>11 LOANS, ADVANCES AND DEPOSITS (Unsecured and considered good)</b>				
a. Advances recoverable in cash or kind for value to be received				
Considered good	73,118,339		47,716,720	
Considered doubtful	1,274,150		–	
	74,392,489		47,716,720	
Less: Provision for doubtful advances	1,274,150		–	
		73,118,339		47,716,720
b. Advance for purchases				
i) Capital	14,313,230		52,545,666	
ii) Materials and others	31,814,827		190,149,749	
		46,128,057		242,695,415
c. Deposits recoverable		65,931,580		85,637,639
d. Excise duty, Service tax and VAT paid in advance		110,945,167		83,748,132
e. Income tax paid in advance, TDS and FBT		774,564,004		395,513,819
f. Excise duty and Sales tax paid under protest		7,307,312		7,116,829
g. Interest accrued		2,854,198		3,678,689
h. Prepaid expenses		6,428,810		4,180,054
<b>Total</b>		<b>1,087,277,467</b>		<b>870,287,297</b>

<b>12 CURRENT LIABILITIES AND PROVISIONS</b>				
<b>A. Current Liabilities</b>				
a. Sundry creditors				
i) Dues to Micro and Small Enterprises	–		–	
ii) Others	1,375,662,026		937,268,194	
		1,375,662,026		937,268,194
b. Advances from customers		14,360,508		19,216,976
c. Outstanding liabilities		173,235,053		126,721,347
d. Sales tax payable		89,884,258		51,739,031
e. Unclaimed dividend		3,248,275		3,022,535
<b>Total</b>		<b>1,656,390,120</b>		<b>1,137,968,083</b>
<b>B. Provisions</b>				
a. Income tax, FBT and Wealth tax				
i) Current year	841,256,220		408,827,144	
		841,256,220		408,827,144
b. Employee benefits				
i) Leave encashment		29,515,140		18,383,581
ii) Gratuity	40,428,170		35,790,286	
Less: Fund with Life Insurance Corporation of India Ltd	26,273,982		20,459,041	
		14,154,188		15,331,245
c. Proposed dividend		247,678,125		68,325,000
d. Dividend tax		42,092,897		11,611,833
e. Warranty		359,769,782		182,644,826
<b>Total</b>		<b>1,534,466,352</b>		<b>705,123,629</b>

## Schedules to the Profit and Loss Account

(Amount in Rupees)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
<b>14 OTHER INCOME</b>				
a. Interest received (TDS Rs.1,163,794/-, PY-Rs.4,731,218/-)		6,936,422		14,127,521
b. Dividend received		21,036,037		2,373,562
c. Claims received		10,241,635		31,826,836
d. Scrap sales		6,613,591		10,328,309
e. Gain on foreign exchange (net)		120,634,504		-
f. Profit on sale of assets		15,976		18,794
g. Profit on sale of investment		47,538		3,636
h. Excess provision/credit balances written back		2,682,847		3,453,497
i. Bad debts recovered		1,628,037		4,574,722
j. Sundry income		337,914		13,857,463
<b>Total</b>		<b>170,174,501</b>		<b>80,564,340</b>

### 15 INCREASE/(DECREASE) IN STOCKS

<b>Closing stock</b>				
a. Work-in-process	734,115,283		518,444,978	
b. Finished goods	516,313,871		375,106,690	
		1,250,429,154		893,551,668
<b>Less: Opening stock</b>				
a. Work-in-process	518,444,978		643,971,524	
b. Finished goods	375,106,690		402,980,436	
		893,551,668		1,046,951,960
<b>Increase/(Decrease) in stocks</b>		<b>356,877,486</b>		<b>(153,400,292)</b>

### 16 MATERIALS CONSUMED

Opening stock	320,164,778		631,703,870	
Add: Purchases	9,350,778,154		8,329,161,027	
		9,670,942,932		8,960,864,897
Less: Closing stock		457,195,681		320,164,778
Gross consumption		9,213,747,251		8,640,700,119
Less: Scrap realisation		70,929,661		187,644,856
<b>Net material consumption</b>		<b>9,142,817,590</b>		<b>8,453,055,263</b>

### 17 EMPLOYEES' BENEFITS

a. Salaries, wages and bonus		502,928,273		419,927,231
b. Contribution to PF, Gratuity and Other funds		45,656,308		42,507,278
c. Workmen and staff welfare expenses		75,119,551		53,699,828
<b>Total</b>		<b>623,704,132</b>		<b>516,134,337</b>



## Schedules to the Profit and Loss Account

(Amount in Rupees)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
<b>18 MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES</b>				
<b>A. Manufacturing expenses</b>				
a. Stores and spares consumed (including packing material)		133,199,825		112,172,204
b. Power and fuel		298,837,916		249,277,785
c. Insurance		4,539,237		5,118,007
d. Repairs and maintenance to:				
i) Machinery	135,861,958		113,279,834	
ii) Buildings	6,940,082		2,989,422	
iii) Other assets	8,731,814		5,268,577	
		151,533,854		121,537,833
<b>Total (A)</b>		<b>588,110,832</b>		<b>488,105,829</b>
<b>B. Selling expenses</b>				
a. Advertisement and promotion		135,471,598		178,312,895
b. Freight outward		350,736,841		283,618,100
c. Commission on sales		36,605,062		23,574,263
d. Other sales expenses		175,641,547		198,406,295
e. Royalty on sales		7,500,000		1,530,000
f. Warranty		413,826,243		274,428,133
<b>Total (B)</b>		<b>1,119,781,291</b>		<b>959,869,686</b>
<b>C. Administrative expenses</b>				
a. Rent		47,688,725		43,992,213
b. Operating lease rentals		5,134,976		5,039,684
c. Managerial remuneration (Refer note No. 15)		221,442,499		106,681,051
d. Payments to auditors (Refer note No. 16)		1,363,233		1,260,900
e. Research and development expenses		2,452,781		3,146,063
f. Donations		54,183,602		14,069,200
g. Political advertisement		2,315,943		-
h. Loss on sale of assets		74,475		328,324
i. Travel and conveyance		81,944,854		86,802,904
j. Communication		12,620,808		11,887,881
k. Bank charges		11,453,384		18,596,867
l. Sundry expenses		125,377,651		121,800,979
<b>Total (C)</b>		<b>566,052,931</b>		<b>413,606,066</b>
<b>D. Other expenses</b>				
a. Provision for doubtful debts		15,215,787		13,489,801
b. Provision for doubtful deposits/advances		1,274,150		-
c. Bad debts and irrecoverable advances written off	15,673,809		28,007,096	
Less: Opening provision reversed	8,229,625		21,294,548	
		7,444,184		6,712,548
d. Assets written off		10,713,458		19,739,764
e. Loss on foreign exchange (Net)		-		322,212,570
f. Premium on forward contracts		4,600,051		6,509,060
<b>Total (D)</b>		<b>39,247,630</b>		<b>368,663,743</b>
<b>Grand Total (A+B+C+D)</b>		<b>2,313,192,684</b>		<b>2,230,245,324</b>
<b>19 DUTIES AND TAXES (Excluding Income Tax)</b>				
a. Rates, taxes and licenses		2,511,123		2,145,831
b. Duties and taxes (Excise, ST and Octroi)		18,079,058		17,769,643
<b>Total</b>		<b>20,590,181</b>		<b>19,915,474</b>

## Schedules to the Profit and Loss Account

(Amount in Rupees)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
<b>20 INTEREST</b>				
a. On term loans		60,901,540		84,920,671
b. On working capital facilities		6,814,032		97,445,052
<b>Total</b>		<b>67,715,572</b>		<b>182,365,723</b>

<b>21 PROVISION FOR TAXATION</b>				
a. Current income tax		840,000,000		402,000,000
b. Deferred income tax		33,844,555		13,002,268
c. Earlier year's income tax		2,039,673		(30,039)
d. Wealth tax		130,653		127,144
e. Fringe benefit tax		–		6,700,000
<b>Total</b>		<b>876,014,881</b>		<b>421,799,373</b>

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 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 utilised for financing the assets upto the date of commissioning, the cost of installation/erection, and other incidental expenses.

##### 3. Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortisation. Intangible assets, which are in the nature of computer software are amortised over a period of 4 years on straight line method.

##### 4. 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

##### 5. 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.

##### 6. Inventories

- Finished goods are valued at lower of cost or market value.
- Raw Materials, Work in Process, Stores and Spares, Materials in transit etc., are valued at cost.
- Stock of scrap is valued at an estimated net realisable value.

##### 7. Sales

Gross Sales are inclusive of Excise duty, Sales tax/VAT, Service tax, Insurance, Octroi, Service charges etc., recovered thereon.

##### 8. Employee Benefits

###### 1) Defined Contribution Plans

- Company's contribution to Employees Provident Fund and Employees State Insurance are made under a defined contribution plan, and are accounted for at actual cost in the year of accrual.
- Company's contribution to Superannuation Fund in respect of employees who are members are made under a defined contribution plan, being administrated by the Life Insurance Corporation of India Limited, and are charged to Profit and Loss Account at predetermined rates in the year in which the employees have rendered service.

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

#### II) Defined Benefit Plans

- a) Company's liability to Gratuity on retirement of its eligible employees is funded and is being administrated by the Life Insurance Corporation of India Limited. The incremental expense thereon for each year is arrived at as per actuarial valuation and is recognised and charged to Profit and Loss Account in the year in which the employee has rendered service.
- b) Expenses on account of unutilised leave which is unfunded is arrived at as per actuarial valuation and is recognised and charged to Profit and Loss Account in the year in which the employee has rendered service in lieu of such leave.
- c) Gains / losses arrived at in the above actuarial valuations are charged to Profit and Loss Account.

#### 9. Research and Development Expenses

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

#### 10. Foreign Currency Transactions

- a) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of transaction, and charged to 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 recognised.
- c) In respect of forward exchange contracts in the nature of hedges
  - Premium or discount on the contract is amortised over the term of the contract.
  - Exchange differences on the contract are recognised as profit or loss in the period in which they arise.

#### 11. Warranty Claims and Provisions

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

#### 12. Late Delivery Charges

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

#### 13. 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 recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.

#### 14. 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.

#### 15. 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 realisable value and value in use, as considered appropriate. If the estimated realisable value is less than the carrying amount, an impairment loss is recognised.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised 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 recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

#### 16. Contingent Liabilities

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

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

#### 17. Borrowing Costs

Borrowing costs directly attributable for acquisition of qualifying assets are capitalised as part of the asset. Other borrowing costs are charged to revenue as and when incurred.

#### 18. Commodity Hedging

The realised gain or loss in respect of commodity hedging contracts, the price period of which has expired during the year, is recognised in the Profit and Loss account. In respect of contracts, which are outstanding as on date of Balance Sheet are valued at prevailing market price and the resultant loss, if any, is provided.

#### NOTES FORMING PART OF THE ACCOUNTS

- a) The Company's fixed assets both movable and immovable (other than those which are specifically hypothecated to HDFC Bank) both present and future have been placed as security under first charge for the term loan obtained in foreign currency from BNP Paribas.
- b) The working capital facilities from State Bank of India, State Bank of Hyderabad, Andhra Bank and the Bank of Nova Scotia are secured by hypothecation of stock of raw materials, work-in-process, finished goods, stores and spares, bills receivable and book debts. The fixed assets of the Company are provided as collateral security by way of second charge for the working capital facilities availed from State Bank of India.
- c) Consequent to an order passed by Vidyut Ombudsman in March 2010, Andhra Pradesh Southern Power Distribution Company Ltd., (APSPDCL) has demanded Rs. 27.00 million as low voltage surcharge (including interest) for the period from June, 2005 to November, 2007. The Company has created a liability in the accounts for Rs. 25.80 million during the financial year ended March 31, 2009, as per APSPDCL's original demand. The Company has not provided the balance of Rs. 1.20 million in the books and has preferred an appeal against the order of Vidyut Ombudsman.
2. The Company is availing the sales tax deferment benefit since 1997-98 on its expanded capacity. Such deferment claimed, as on March 31, 2010 is Rs. 638.95 million (PY Rs. 567.43 million). This amount is subject to revision by the assessment authorities, on completion of assessments.

#### 3. Contingent Liabilities

(Rs. Million)

Particulars	31.03.2010	31.03.2009
a. Claims against the Company not admitted towards		
- Excise duty / Service tax	10.83	7.56
- Sales tax	28.43	19.57
- Electricity	145.93	106.61
[Against all the above, Rs. 7.30 million (PY 7.12 million) was paid under protest]		
b. Counter guarantees given to banks in respect of bank guarantees issued in favour of various constituents.	466.89	251.22
c. Letters of credit opened with banks	246.42	234.59
d. Bills discounted with scheduled Banks	43.81	62.92
e. Estimated amount of contracts remaining to be executed on capital accounts, not provided for	74.99	203.78
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

#### 4. Capacity and Production

Particulars	UOM	31.03.2010	31.03.2009
<b>Storage Batteries</b>			
Installed capacity	Nos.	9,300,000	8,800,000
Average installed capacity	Nos.	8,162,000	6,535,000
Actual production	Nos.	6,424,560	5,070,387

**Note:** The installed capacity represents the capacity as at March 31, 2010 and average installed capacity represents year weighted average capacity based on expansions carried out during the year. The capacities are as certified by the management.

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

#### 5. Purchase of Trading Goods (Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Qty (Nos.)	Amount	Qty (Nos.)	Amount
Storage batteries	290	1.90	91,796	41.21
Home UPS	10,189	33.43	11,385	43.88
<b>Total</b>	<b>10,479</b>	<b>35.33</b>	<b>103,181</b>	<b>85.09</b>

#### 6. Turnover (Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Qty (Nos.)	Amount	Qty (Nos.)	Amount
Storage batteries and others	6,475,396	16,910.84	5,029,394	15,794

Note: The above includes No's 298,406 (240,263) batteries issued as replacements, samples, etc.,

#### 7. Opening and Closing Stock of Finished Goods (Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Qty (Nos.)	Amount	Qty (Nos.)	Amount
<b>Opening stock</b>				
Storage batteries	367,929	371.62	224,557	401.78
Home UPS	1,060	3.49	258	1.21
<b>Closing stock</b>				
Storage batteries	327,943	513.81	367,929	371.62
Home UPS	689	2.50	1,060	3.49

#### 8. Consumption of Raw Material (Rs. Million)

Particulars	UOM	Year ended 31.03.2010		Year ended 31.03.2009	
		Qty.	Amount	Qty.	Amount
Lead	Kgs.	42,376,377	4,236.87	37,014,363	3,599.37
Lead alloys	Kgs.	32,588,309	3,492.14	28,487,059	3,081.24
Separator	Kgs.	1,020,793	180.55	906,000	159.04
Separator	Sq. Mtrs.	6,441,553	221.51	5,324,314	165.60
Others			1,082.68		1,635.45
<b>Total</b>			<b>9,213.75</b>		<b>8,640.70</b>

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

##### i. Raw Materials (Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Value	%	Value	%
Imported	5,364.10	58.22	3,916.71	45.33
Indigenous	3,849.65	41.78	4,723.99	54.67
<b>Total</b>	<b>9,213.75</b>	<b>100.00</b>	<b>8,640.70</b>	<b>100.00</b>

##### ii. Stores and Spares Consumed (Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Value	%	Value	%
Imported	46.59	34.98	47.19	42.07
Indigenous	86.61	65.02	64.98	57.93
<b>Total</b>	<b>133.20</b>	<b>100.00</b>	<b>112.17</b>	<b>100.00</b>

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

#### 10. Value of imports made during the year by the Company calculated on CIF basis (Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Capital goods	151.44	335.59
Finished goods	1.39	31.09
Raw material and components	5,057.59	3,529.47
Stores and spares	45.52	54.81
<b>Total</b>	<b>5,255.94</b>	<b>3,950.96</b>

#### 11. Expenditure incurred in foreign currency during the year (Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Foreign travel expenses (exclusive of tickets purchased in Rupees)	5.19	6.22
Sales commission	1.77	0.37
Interest	30.93	83.04
Others	4.20	4.80
<b>Total</b>	<b>42.09</b>	<b>94.43</b>

#### 12. Remittance in foreign currency on account of dividends (Rs. Million)

Year	No. of non-resident shareholders	No. of shares	Amount of dividend
2009-10	8	23,098,361	18.48
2008-09	11	16,228,795	11.36

#### 13. FOB Value of Exports made during the year (Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Sales	521.57	440.54

#### 14. Disclosure required by the AS – 15 (Revised) – Employee Benefits

##### Reconciliation of Present Value of Defined Benefits Obligations

(Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Gratuity	Leave Salary	Gratuity	Leave Salary
Present value of obligations at period beginning	35.79	18.38	28.25	11.90
Interest cost	2.86	1.25	2.62	0.90
Service cost	4.44	12.90	3.98	8.94
Benefits paid	(1.41)	(0.95)	(1.21)	(0.93)
Actuarial (gain)/loss	(1.25)	(2.06)	2.15	(2.43)
<b>Present value obligations at period end</b>	<b>40.43</b>	<b>29.52</b>	<b>35.79</b>	<b>18.38</b>

##### Expenses recognised in the statement of Profit and Loss Account

(Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Gratuity	Leave Salary	Gratuity	Leave Salary
Interest cost	2.86	1.25	2.62	0.90
Service cost	4.44	12.90	3.98	8.94
Actual return	(1.88)	–	(1.39)	–
Actuarial (gain)/loss	(1.26)	(2.06)	2.15	(2.43)
<b>Total cost</b>	<b>4.16</b>	<b>12.09</b>	<b>7.36</b>	<b>7.41</b>

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

Reconciliation for fair value of plan assets (Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Gratuity	Leave Salary	Gratuity	Leave Salary
Fair value of plan assets at period beginning	20.46	–	15.83	–
Actual return	1.88	–	1.39	–
Contribution by employer	5.34	–	4.45	–
Benefits paid	(1.41)	–	(1.21)	–
Fair value of plan assets at period end	26.27	–	20.46	–
Present value of unfunded obligations	14.15	29.52	15.33	18.38
<b>Net liability recognised in the Balance Sheet</b>	<b>14.15</b>	<b>29.52</b>	<b>15.33</b>	<b>18.38</b>

#### Actuarial Assumptions

a) Discount rate	8.00%
b) Attrition rate (for gratuity qualifiers)	4.00%
c) Salary escalation rate per unit	7.00%
d) Mortality rate	LIC 1994-96 mortality rates.
e) Expected return	9.35%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

#### 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. Million)

Particulars	31.03.2010	
Profit for the year as per the Profit and Loss Account		2546.35
Add:		
Directors' sitting fee	0.24	
Remuneration to Chairman and Managing Director	221.44	221.68
Net profit as per Section 349		2768.03
<b>Remuneration by way of commission to Chairman @ 3%</b>		<b>83.04</b>
<b>Remuneration to Managing Director @ 5%</b>		<b>138.40</b>

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

(Rs. Million)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Chairman	Managing Director	Chairman	Managing Director
Salary	–	2.40	–	2.40
Contribution to PF	–	0.01	–	0.01
Other perquisites	–	–	–	1.20
Commission	83.04	135.99	40.00	63.07
<b>Total</b>	<b>83.04</b>	<b>138.40</b>	<b>40.00</b>	<b>66.68</b>

#### 16. Payment to Auditors

(Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Statutory Audit	1.10	1.00
Taxation matters (including Tax Audit)	0.10	0.10
Reimbursement of out of pocket expenses	0.03	0.03
Cost Audit	0.09	0.09
Certification fee for Cost Auditor	0.04	0.04
<b>Total</b>	<b>1.36</b>	<b>1.26</b>

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

#### 17. Fixed Deposits under Cash and Bank balances include (Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Lodged as security with various authorities.	0.31	0.31
Towards margin money and fixed deposits	7.31	133.25

#### 18. A. Sundry debtors include debts due from companies in which the directors are interested (Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
a. Amara Raja Power Systems Limited	101.86	31.38
Maximum balance	101.86	79.73
b. Mangal Precision Products Limited	–	–
Maximum balance	5.11	2.64
c. Amara Raja Electronics Limited	97.25	93.29
Maximum balance	97.25	129.03
d. Galla Foods Limited	0.20	–
Maximum balance	0.20	–

#### B. Sundry creditors include payables to companies in which the directors are interested (Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
a. Amara Raja Power Systems Limited	0.23	1.96
b. Mangal Precision Products Limited	80.20	107.44
c. Amara Raja Electronics Limited	12.07	0.96
d. Amara Raja Infra Private Limited	1.11	–

#### C. Advance for purchases (Capital) include advance to companies in which the directors are interested (Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
a. Amara Raja Infra Private Limited	1.00	4.11

19. 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.

#### 20. 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

Dr. 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

Dr. G. Ramadevi

Sister of Sri. Jayadev Galla

Sri Ashok Galla

Son of Sri. Jayadev Galla

Master Siddharth Galla

Son of Sri. Jayadev Galla

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

Amara Raja Power Systems Limited

Amara Raja Electronics Limited

Mangal Precision Products Limited

Galla Foods Limited

Amara Raja Infra Private Limited



## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

4. a) **Enterprise with significant influence**  
 Johnson Controls Mauritius Private Limited, Mauritius
- b) **Associates of enterprise with significant influence**  
 Boading Fengfan Rising Battery Separator Co. Limited, China  
 Enertec Do Brasil Ltda., Brazil  
 Shanghai Johnson Controls International Battery Co. Limited, China  
 Johnson Controls, K. K., Japan  
 Johnson Controls (S) Private Limited, Singapore

#### B) Transactions with the Related Parties

(Rs. Million)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management Personnel and / or their relatives have significant influence	Enterprise with significant influence
<b>I. Transactions during the year:</b>				
a. Remuneration paid	138.40	83.04		
b. Dividends paid	5.13	10.88	1.25	17.76
c. Rents paid	0.47	6.61		
d. Sale of goods			403.32	84.01
e. Reimbursement/sharing of expenses			32.85	
f. Purchase of goods			1168.85	82.94
g. Purchase of capital items			73.58	
<b>II. Balances as at 31.03.2010</b>				
a. Share capital held by	12.82	27.21	3.12	44.41
b. Remuneration payable	135.99	83.04		
c. Payables – trade dues			93.61	4.29
d. Receivables – trade dues			199.31	18.35
e. Advance for purchases			1.00	
f. Deposits receivable		1.76		

#### 21. Note forming part of accounts in relation to Micro and Small Enterprises

Based on, and to the extent of information received from the suppliers with regard to their status under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), on which the auditors have relied, the disclosure requirements of schedule VI to the Companies Act, 1956 with regard to the payments made / due to Micro and Small Enterprises are given below:

(Rs. Million)

Sl. No.	Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
		Principal	Interest	Principal	Interest
I.	Amounts due as at the date of Balance Sheet.	Nil	Nil	Nil	Nil
II.	Amounts paid beyond the appointed date during the year.	Nil	Nil	Nil	Nil
III.	Amount of interest due and payable for the period of delay in making payments of principal during the year beyond the appointed date	Nil	Nil	Nil	Nil
IV.	The amount of interest accrued and remaining unpaid as at the date of Balance Sheet	Nil	Nil	Nil	Nil

## Schedules to the Accounts

### 13 STATEMENT ON ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

22. The Company has entered into three years lease agreements for office equipments, which are in the nature of operating leases. The lease rent is charged to the Profit and Loss Account on accrual basis.

Future minimum lease rentals payable as at balance sheet date

(Rs. Million)

Up to one year	2.22
One to five years	–
<b>Total</b>	<b>2.22</b>

23. Major components of Deferred Tax Assets and Liabilities as at 31.03.2010 arising on account of timing differences are:

(Rs. Million)

Particulars	Assets	Liabilities
1. Depreciation	–	285.80
2. Amounts disallowed under Section 43B of the IT Act and Others	69.45	–
<b>Total</b>	<b>69.45</b>	<b>285.80</b>

Net deferred tax liability as on March 31, 2010 Rs. 216.35 million.

24. A. Details of Provision for Warranty Expenses

(Rs. Million)

Provision as on 31.03.2009	182.64
Provision made during 2009-10	418.99
Withdrawn/reversed during the year	(241.87)
<b>Provision as on 31.03.2010</b>	<b>359.76</b>

B. Movement of Provision for Doubtful Debts

(Rs. Million)

Provision as on 31.03.2009	18.10
Provision made during 2009-10	15.22
Written off – bad debts	(8.23)
<b>Provision as on 31.03.2010</b>	<b>25.09</b>

25. Particulars of Revenue Expenditure capitalised during the year

(Rs. Million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Salaries	9.81	11.58
Power and fuel	0.14	0.12
Interest and charges on fixed loans	–	13.58
Foreign travel expenses	–	0.12
<b>Total</b>	<b>9.95</b>	<b>25.40</b>

26. The balances in various personal accounts are subject to confirmation by and reconciliation with the concerned parties.

27. In the opinion of the Board of Directors the current assets, loans and advances are expected to realise the value stated in the accounts, in the ordinary course of business.

28. Previous year figures have been regrouped wherever necessary to confirm to the current year's classification.

29. Figures have been rounded off to the nearest thousands and rupee wherever it is mentioned in million and rupees respectively.

As per our report of even date attached

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

For **CHEVUTURI ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board

**E. Phalguna Kumar**  
Partner  
(ICAI Memb. No: 20278)  
Firm Registration No. 002644S

**Raghunadha Rao Balineni**  
Partner  
(ICAI Memb. No: 28105)  
Firm Registration No. 000632S

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Managing Director

Place : Hyderabad  
Date : May 19, 2010

**K. Suresh**  
Chief Financial Officer

**N. Ramanathan**  
Company Secretary

# Cash Flow Statement

For the year ended March 31, 2010

(Amount in Rupees)

Particulars	2009-10	2008-09
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	2,546,348,749	1,226,586,080
<i>Add/Less : Adjustments for :</i>		
a. Depreciation	429,451,244	345,563,858
b. Profit on sale of assets	(15,976)	(18,794)
c. Profit on sale of investments	(47,538)	(3,636)
d. Loss on sale of assets	74,475	328,324
e. Assets written off	10,713,458	19,739,764
f. Interest paid	67,715,572	182,365,723
g. Bad debts written off	15,673,809	28,007,096
h. Provision for bad debts	6,986,162	(7,804,747)
i. Provision for doubtful advances	1,274,150	-
j. Exchange (gain)/loss on restatement (loans)	(50,575,704)	317,812,861
k. Provision for leave encashment	11,131,559	6,487,875
l. Provision for gratuity	(1,177,057)	2,913,126
m. Provision for warranty	177,124,956	(25,269,944)
n. Dividend received	(21,036,037)	(2,373,562)
o. Interest received	(6,936,422)	(14,127,521)
	640,356,651	853,620,423
<b>Operating profit before working capital changes</b>	<b>3,186,705,400</b>	<b>2,080,206,503</b>
<i>Add/Less : Adjustments for working capital changes</i>		
a. Decrease/(Increase) in inventories	(567,454,902)	335,067,031
b. Decrease/(Increase) in sundry debtors	(367,121,645)	165,986,630
c. Decrease/(Increase) in loans and advances	156,505,690	84,178,096
d. Increase/(Decrease) in trade payables and liabilities	518,422,037	110,594,264
	(259,648,820)	695,826,021
<b>Cash generated from operations</b>	<b>2,927,056,580</b>	<b>2,776,032,524</b>
<i>Less :</i> a. Income tax paid (including FBT)	784,383,186	412,365,499
b. Wealth tax paid	128,074	93,010
	784,511,260	412,458,509
<b>Net cash from operating activities - A</b>	<b>2,142,545,320</b>	<b>2,363,574,015</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
a. Purchase of fixed assets	(684,711,844)	(1,290,597,686)
b. (Increase)/Decrease in capital work in progress	169,153,480	261,364,943
c. Sale of fixed assets	475,721	250,669
d. Purchase of investments	-	(308,993,197)
e. Sale of investments	310,277,662	17,270
f. Interest received	6,936,422	14,127,521
g. Dividend received	21,036,037	2,373,562
<b>Net cash from investing activities - B</b>	<b>(176,832,522)</b>	<b>(1,321,456,918)</b>

## Cash Flow Statement (Contd...)

(Amount in Rupees)

Particulars	2009-10	2008-09
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
a. Increase/(decrease) in borrowings	(1,896,239,770)	(621,723,487)
b. Interest paid	(67,715,572)	(182,365,723)
c. Dividend paid	(68,325,000)	(39,856,250)
d. Dividend tax paid	(11,611,833)	(6,773,570)
<b>Net cash from financing activities - C</b>	<b>(2,043,892,175)</b>	<b>(850,719,030)</b>
<b>Net cash flow from all activities (A+B+C)</b>	<b>(78,179,377)</b>	<b>191,398,067</b>
Opening cash and bank balances	702,851,806	511,453,739
<b>Add : Net Increase/(decrease) in cash and cash equivalents</b>	<b>(78,179,377)</b>	<b>191,398,067</b>
Closing cash and bank balances	624,672,429	702,851,806

As per our report of even date attached

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

For **CHEVUTURI ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board

**E. Phalguna Kumar**  
Partner  
(ICAI Memb. No: 20278)  
Firm Registration No. 002644S

**Ragunadha Rao Balineni**  
Partner  
(ICAI Memb. No: 28105)  
Firm Registration No. 000632S

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Managing Director

Place : Hyderabad  
Date : May 19, 2010

**K. Suresh**  
Chief Financial Officer

**N. Ramanathan**  
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 March 31, 2010. 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 May 19, 2010 to the members of the Company.

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

For **CHEVUTURI ASSOCIATES**  
Chartered Accountants

**E. Phalguna Kumar**  
Partner  
(ICAI Memb. No: 20278)  
Firm Registration No. 002644S

**Ragunadha Rao Balineni**  
Partner  
(ICAI Memb. No: 28105)  
Firm Registration No. 000632S

Place: Hyderabad  
Date: May 19, 2010

# Balance Sheet Abstract

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.         State Code

Balance Sheet Date          
 Date Month Year

### II. Capital Raised during the year (Amount in Rupees Thousand)

Public Issue         Rights Issue

Bonus Issue         Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousand)

Total Liabilities         Total Assets

#### Sources of Funds

Paid-up Capital         Reserves and Surplus

Secured Loans         Unsecured Loans

Deferred Tax Liability         **Total**

#### Application of Funds

Net Fixed Assets         Investments

Net Current Assets         **Total**

### IV. Performance of Company (Amount in Rupees Thousand)

Turnover including other income         Total expenditure

Profit before tax         Profit after tax

Earning Per Share (Rs.)     .   Dividend Rate (%)

### V. Generic names of two principal Products / Services of the Company (as per monetary terms)

#### Item Code No. (ITC Code)

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#### Product Description

Storage Batteries - Maintenance Free Valve Regulated Lead Acid (MF-VRLA) Batteries

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Lead Acid Batteries used for Starting Pistion Engines

For and on behalf of the Board

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Managing Director

Place : Hyderabad  
Date : May 19, 2010

**K. Suresh**  
Chief Financial Officer

**N. Ramanathan**  
Company Secretary

## ■ Notice of Annual General Meeting

NOTICE is hereby given that the 25th Annual General Meeting of the members of Amara Raja Batteries Limited will be held on Thursday, July 29, 2010 at 3.00 P.M. at the Registered Office of the Company at Renigunta - Cuddapah Road, Karakambadi - 517520, Tirupati, to transact the following business:

### Ordinary business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2010 and the audited Profit and Loss Account for the year ended on that date, together with the reports of the board of directors and auditors thereon.
2. To declare a dividend on equity shares for the financial year ended March 31, 2010.
3. To appoint a director in place of Mr. P. Lakshmana Rao, 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. Nagarjun Valluripalli, 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 auditors and to fix their remuneration and in this regard to consider, and if thought 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 Firm Registration No. 002644S and M/s. Chevuturi Associates, Chartered Accountants, Vijayawada, Firm Registration No. 000632S 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 of the Company on such remuneration to be mutually agreed between the board of directors and the auditors.”

### Special business

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

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311, 316, 317 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof), the consent of the members of the Company be and is hereby accorded to the re-appointment of Mr. Jayadev Galla as the Managing Director of the Company for a period of five years with effect from September 1, 2010 (i.e. from September 1, 2010 to August 31, 2015) on the terms and conditions (including remuneration) as set out in the explanatory statement annexed to the notice convening this meeting, with liberty to the board of directors (hereinafter referred to as “the board” which term shall be deemed to include any committee of the board whether existing or to be constituted to exercise its powers, including the powers conferred by this resolution) to alter and

vary the terms and conditions of appointment and / or remuneration, subject to the same not exceeding the limits specified under schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment(s) thereof.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem desirable, necessary, expedient, usual or proper to implement this resolution.”

“RESOLVED FURTHER THAT in the event of any further relaxation by the Central Government in the guidelines or ceilings on managerial remuneration, the board of directors be and is hereby authorised to increase/decrease the remuneration and/or perquisites to Mr. Jayadev Galla, Managing Director, if they in their absolute discretion think fit, within such guidelines or ceilings and for which consent of the Company as required under various applicable provisions of the Companies Act, 1956, be and is hereby granted.”

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

“RESOLVED THAT in accordance with the provisions of Article 99 of the Articles of Association of the Company and pursuant to the provisions of Section 309 (4) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof) and subject to the necessary approvals of the Central Government, the consent of the members of the Company be and is hereby accorded for the payment of commission to the director(s) of the Company who is/are neither in wholetime employment nor managing director(s)/executive director(s), not exceeding four percent per annum (4%) of the net profits of the Company including three percent per annum (3%) to Dr. Ramachandra N Galla, the non-executive Chairman of the Company and one percent per annum (1%) of the net profits of the Company, in the aggregate, to the other non-executive independent directors in such sum and proportion as the board may deem fit and proper for a period of five years commencing from September 1, 2010 to August 31, 2015.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the board and/or remuneration committee of the board be and they are hereby authorised to take all actions and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem desirable, necessary, expedient, usual or proper to implement this resolution.”

By Order of the Board  
For Amara Raja Batteries Limited

Place: Hyderabad  
Date: May 19, 2010

**N.Ramanathan**  
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 register of members and share transfer books of the Company will remain closed from July 22, 2010 to July 29, 2010 (both days inclusive).
3. Dividend as recommended by the board of directors, if approved, by the members at the annual general meeting, shall be paid after July 29, 2010 to those member(s) whose name(s) appear in the register of member as on the date of the annual general meeting, within the stipulated time period. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as at the close of July 21, 2010 as per the details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
4. The Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA) have made it compulsory for all the listed companies to offer Electronic Clearing Services (ECS) facilities for payment of dividend. The ECS facility is available at certain specified locations. This facility offers various benefits like timely credit of dividend to the shareholders account, elimination of loss of instruments in transit or fraudulent encashment etc. In view of the above:
  - i) Members holding shares in dematerialised mode are requested to provide the bank details to their respective Depository Participant (DP) for availing ECS facility. The DP in turn would forward the required information to the Company/RTA.
  - ii) Members holding shares in physical form and desirous of availing ECS facility are requested to complete the ECS form attached to this annual report and forward the same to the Company/Company's Registrar and Share Transfer Agent.
5. Members are requested to furnish/update their bank account details to the Company/ Registrar and Share Transfer Agent, M/s. Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, Chennai – 600002 / Depository Participants to enable the Company to print the same on dividend warrants to avail ECS facility, as applicable.
6. Pursuant to Section 205A of the Companies Act, 1956, dividend that remains unpaid or unclaimed for a period of seven years are required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. Section 205C of the Companies Act, 1956 provides that no claims shall lie against the IEPF 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 warrant for the earlier years are requested to get their dividend warrant revalidated and encash the same.
7. Members are requested to handover the attendance slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialised form are requested to bring their client ID and DP-ID number and those who hold shares in physical form are requested to bring their folio number for the purpose of identification.
8. Corporate member(s) intending to send their authorised representative(s) to attend the meeting are requested to send a certified true copy of the board resolution pursuant to Section 187 of the Companies Act, 1956 authorising their representative(s) to attend and vote on their behalf at the meeting.
9. For your information, and reference / requirement the attendance slip, proxy form and ECS form are attached at the end of this annual report.
10. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special businesses set out above is annexed hereto.
11. Shareholders desiring any information relating to the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
12. Information required under Clause 49 (IV) (G) of the listing agreement (relating to corporate governance) with respect to the directors is as under;

## Brief particulars of the Directors proposed for appointment/re-appointment at the ensuing Annual General Meeting

(Pursuant to Clause 49 of the listing agreement)

<b>I. Name of director</b>	Mr. P. Lakshmana Rao
Date of birth	28-10-1939
Qualification	B.Com., F.C.A. (Fellow Member of Institute of Chartered Accountants of India).
Expertise	Mr. P. Lakshmana Rao is a fellow Member of the Institute of Chartered Accountants of India and is a Partner of M/s. Brahmayya & Co., Chartered Accountants, Vijayawada and Guntur, since 1974. He is associated with various educational institutions / trusts as Governing Body Member as President / Vice President.
Name(s) of other public companies in which directorships held	Nil
Name of other companies in which committee membership(s)/chairmanship(s) held	Nil
Total shares held	Nil
<b>II. Name of director</b>	Mr. Nagarjun Valluripalli
Date of birth	06-05-1968
Qualification	M.Sc. (TECH.) from the Birla Institute of Technology and Science (BITS), Pilani, Rajasthan.
Expertise	Mr. Nagarjun Valluripalli served as the Founder, Chairman, President and Chief Executive Officer of Intelligroup, Inc from 1993 till 2005. Intelligroup Inc. provides systems integration and IT outsourcing services and employs over 3000 Professionals worldwide.
	Through the years, Mr. Nagarjun Valluripalli has received various awards such as:
	<ul style="list-style-type: none"> <li>• NJ Fast 50 Awards in the years 1995, 1996 and 1997</li> <li>• NJ Fast 500 Award in 1999</li> <li>• NJ Entrepreneur of the Year Finalist in the years 1995, 1996 and 1997</li> <li>• NJ Ernst and Young Entrepreneur of the Year Winner in 2001</li> <li>• Var Business 500 Awards in 2000, 2001 and 2002</li> <li>• Young Presidents' Organisation, Inc. in 2003</li> <li>• Ronald Reagan Technology Award from the World Business Forum for 2004.</li> </ul>
	He is also a strategic investor in a number of Companies ranging from Software, Foods & Beverages, Consumer Electronics, Business Process Outsourcing, to Power and Infrastructure.
Name(s) of other public companies in which directorships held	Silicon Leasing and Investments Limited
Name of other companies in which committee membership(s)/chairmanship(s) held	Nil
Total shares held	1500 equity shares of Rs. 2 each



<b>III. Name of director</b>	Mr. Jayadev Galla
Date of birth	24-03-1966
Qualification	Bachelor's degree in Political Science and Economics from University of Illinois, USA.
Expertise	<p>Mr. Jayadev Galla has been the Managing Director of Amara Raja Batteries Limited since August 2003. Prior to this he was the Executive Director of the Company. Under his guidance and directions, the Company has achieved many milestones, viz., including crossing of Rs. 1000 cr turnover; strategic joint venture partnership with the World's No.1 automotive battery manufacturer viz., Johnson Controls Inc, USA; expanding footprint in overseas markets especially in the Indian Ocean Rim etc. Mr. Jayadev Galla is passionate about corporate responsibility to society as well as championing eco-friendly business practices. He is a Permanent Trustee of the Rajanna Trust. This Trust established in 1999 is dedicated to rural development and improving the economic conditions of the farmers in Chittoor District, Andhra Pradesh, India. Among other things, Rajanna Trust has executed micro irrigation projects valued at USD 1.00 million which has benefited over 2,000 agricultural families.</p> <p>He is an Advisory Member on the board of Wockhardt Foundation.</p> <p>He holds/held the following positions in various entities:</p> <p>In Confederation of Indian Industry</p> <ul style="list-style-type: none"> <li>• Present Vice Chairman in AP State Council 2010-11</li> <li>• Member, Southern Regional Council: 2010-11</li> <li>• Member, National Council : 2010-11</li> <li>• Immediate Past National Chairman YI &amp; Chair Branding of YI : 2009-10</li> </ul> <p>Other Bodies</p> <ul style="list-style-type: none"> <li>• Permanent trustee: Rajanna Trust established in 1999, is dedicated rural development and to improve the economic conditions of the farmers in Chittoor District, Andhra Pradesh</li> <li>• Member of Young Presidents organisation (YPO/WPO), Hyderabad</li> </ul>
Name(s) of other public companies in which directorships held	<ul style="list-style-type: none"> <li>• Amara Raja Power Systems Limited</li> <li>• Amara Raja Electronics Limited</li> <li>• Mangal Precision Products Limited</li> <li>• Galla Foods Limited - Managing Director</li> </ul>
Name of other companies in which committee membership(s)/chairmanship(s) held	<ul style="list-style-type: none"> <li>• Audit Committee of Galla Foods Limited - Member</li> <li>• Audit Committee of Mangal Precision Products Limited - Member</li> </ul>
Total shares held	6410992 equity shares of Rs. 2 each

### Explanatory Statement

#### (Pursuant to Section 173 (2) of the Companies Act, 1956)

##### Item no. 6

The members to note that Mr. Jayadev Galla joined Amara Raja Batteries Limited in the capacity of Executive Director in 1994. He became Managing Director (CEO) with effect from 2003. His present tenure of office of managing director ends on August 31, 2010. The board of directors at their meeting held on May 19, 2010 has unanimously approved the re-appointment of Mr. Jayadev Galla as the Managing Director of the Company for a further period of five years (with effect from September 1, 2010 to August 31, 2015), subject to the approval of the shareholders in the ensuing annual general meeting.

The Company achieved many a milestones under the dynamic and able leadership of Mr. Jayadev Galla. During his leadership the Company successfully inked the joint venture relationship with Johnson Controls Inc, USA (the world's No.1 automotive battery manufacturer); crossed Rs.1000 crore turnover; increased capacities in both the business units and also made a mark in its business in the overseas markets. The board considering the valuable contributions made by Mr. Jayadev Galla and the need for his strategic directions for the future growth of the Company, has recommended his re-appointment as the Managing Director of the Company for a further period of five years commencing from

September 01, 2010 to August 31, 2015, subject to the approval of the shareholders. The board also considering the responsibilities being shouldered by Mr. Jayadev Galla has increased the fixed component of his remuneration (as compared to the earlier periods), however subject to the overall limit of 5% of the net profits of the Company as computed in accordance with the provisions contained in the Companies Act, 1956.

The broad particulars of the terms of appointment and remuneration payable to Mr. Jayadev Galla are as detailed hereunder:

1. The Managing Director shall, subject to the supervision and control of the board of directors carry out such duties as may be entrusted to him by the directors and shall exercise such powers as are delegated to him by the board of directors.
2. **Period of agreement:** 5 years from September 1, 2010 to August 31, 2015
3. Remuneration comprising of salary and commission shall be as follows:
 

Salary	: Rs. 20,00,000/- per month
Commission	: Five per cent (5%) of the net profits of the Company, inclusive of salary and perks.
4. **Perquisites/benefits**
  - House rent allowance/accommodation**  
House rent allowance as may be applicable to the employees of the Company or provision of furnished accommodation.
  - Medical reimbursement**  
Reimbursement of medical expenses incurred for self and family and dependent parents, subject to a ceiling of one month's salary per year.
  - Leave travel concession**  
Leave Travel Concession for self and family to and from any place in India, once in a year in accordance with the rules of the Company.
  - Provident fund**  
Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
  - Leave encashment**  
Encashment of leave at the end of tenure as per the rules of the Company.
  - Gratuity**  
Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
  - Car**  
Company's car with driver for business purposes.
  - Telephone**  
Telephone / Communication facilities at residence for business purposes.

#### **Club fee**

Club fee subject to a maximum of two clubs. No admission and life membership fee will be paid.

#### **5. Overall remuneration**

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 including any statutory modification or re-enactment thereof, read with Schedule XIII to the said Act, as may, for the time being, be in force.

#### **6. Minimum remuneration**

Where in any financial year, during the tenure of Mr. Jayadev Galla, the Company has no profits or its profits are inadequate, the Company shall pay to Mr. Jayadev Galla, remuneration by way of salary, commission and perquisites not exceeding the limits as specified under Section II of Part II of Schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, as may, for the time being in force."

7. The Managing Director shall be entitled to reimbursement of all actual expenses or charges including travel, entertainment or other out-of-pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objectives.
8. The terms and conditions of the said re-appointment and/or agreement may be altered, enhanced or varied from time to time by the board as it may, in its discretion, deem fit.
9. The agreement may be terminated by either party after giving the other party three (3) months' notice.
10. The Managing Director shall not be entitled to receive any fees for attending meetings of the board/committee.

In order to give effect to the re-appointment of Mr. Jayadev Galla as the Managing Director of the Company, the approval of the members of the Company by way of an ordinary resolution is required and therefore the resolution is placed before the members for their consideration and approval.

#### **Disclosure of interest**

None of the directors, except Mr. Jayadev Galla and Dr. Ramachandra N Galla, are interested in the above resolutions as set out in item no. 6 of the notice.

Your directors recommend the above resolutions for approval.

#### **Item no. 7**

At the annual general meeting held on August 14, 2006, the members of the Company had approved the payment of commission @3% of the net profits to Dr. Ramachandra N Galla, Non Executive Chairman and @1% of net profits to the other Non Executive Directors of the Company for a period of five years commencing from September 01, 2005. The Company had also obtained the approval of the Central Government as required prior to payment of commission during the period 2005-2010.

Since the aforesaid approval expires with the payment of commission for the financial year ended March 31, 2010, the Company is making the proposal for payment of commission for the next five years and hence seeks the approval of the shareholders as required under Section 309 of the Companies Act, 1956 and thereafter the Company would seek the approval of the Central Government, Ministry of Corporate Affairs (MCA) as required.

The members may note that the board of directors at their meeting held on May 19, 2010 have unanimously approved the payment of commission to non-executive directors (including 3% commission to Dr. Ramachandra N Galla and 1% to others non-executive independent directors, subject to the approval of shareholders and Central Government, Ministry of Corporate Affairs (MCA) New Delhi.

Dr. Ramachandra N Galla is an Electrical Engineer from Sri Venkateswara University, Tirupati and has to his credit Masters degrees in Applied Electronics, Roorkee, India and Systems Sciences, Michigan State University, USA.

Dr. Ramachandra N Galla started his career as an Electrical Engineer in US Steel Corporation, USA moved on to Sargent & Lundy, USA as a consulting engineer for the designing of Nuclear and Coal Fired Power Plant. He initiated various projects during his tenure and mastered the ropes of this competitive business in a very short time.

However, Dr. Ramachandra N Galla was passionate to set up a battery manufacturing plant in India. With a zeal and highly focused approach, he established, "Amara Raja Batteries Limited", which has grown to the top league of battery companies in India.

Dr. Ramachandra N Galla had been the Executive Chairman and Managing Director of the Company for the period from July 1998 to August 2003 and continued as Executive Chairman till August 2005. Effective September 2005, Dr. Ramachandra N Galla has been continuing as the non-executive Chairman of the Company.

Dr. Ramachandra N Galla with his vast knowledge on the battery industry is a source of inspiration for the employees of ARBL. Dr. Ramachandra N Galla has always been a pillar of strength and his inputs/advise have been invaluable for the growth of the Company. The Company also seeks his expertise on various technical issues for which he provides immediate suggestions and actively involves himself in the affairs of the Company on a regular basis.

The Shareholders may also note that taking into account the responsibilities of the directors it is proposed to pay 1% commission on the net profits of the Company to the other non-executive independent directors. The 1% commission on net profits would be distributed amongst all or some of the other non-executive independent directors in accordance with the directions given by the board.

The shareholders may also note that the commission would be computed in accordance with the provisions of the Companies Act, 1956.

#### **Disclosure of Interest**

Dr. Ramachandra N Galla, non-executive Chairman and all the non-executive independent directors, are concerned or interested in this resolution to the extent that they would be entitled to receive commission that may be payable to them from time to time, if approved by the members and the Central Government.

Mr. Jayadev Galla, Managing Director of the Company is interested in the resolution to the extent that he is related to Dr. Ramachandra N Galla.

Your directors recommend this resolution for approval.

#### **Inspection of Documents**

The draft agreement between the Company and Mr. Jayadev Galla and 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 registered office at Renigunta – Cuddapah Road, Karakambadi, Tirupati – 517520, Andhra Pradesh, 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  
For Amara Raja Batteries Limited

Place: Hyderabad  
Date: May 19, 2010

**N.Ramanathan**  
Company Secretary

# Amara Raja Batteries Limited

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

Dear Shareholder(s),

## Sub: Electronic Clearing Service (ECS)

We refer to the letter bearing Ref. No. List/psr/cir-I/2002 dated January 16, 2002 issued by the Stock Exchange, Mumbai according to which they have informed us that Securities and Exchange Board of India (SEBI) vide its letter no. DCC/FITTCIR-3/2001 dated October 15, 2001 has advised that all companies should mandatorily use ECS facility for distributing dividends or other cash benefits to the investors wherever available. In the absence of availability of ECS facility, the companies may use warrant for distributing the dividends. Currently, ECS facility is available at locations specified by Reserve Bank of India. We request you to provide your bank account details so that all future dividend payments can be remitted through ECS. In case of shareholders staying at locations not currently covered by ECS, the bank account details will be used for suffixing along with the name of the shareholder on the dividend warrants issued in future to ensure that the warrants cannot be misused by anybody else.

### 1. ECS details for sharehodlers holdings shares in physical form

In case shares are held in physical form, you are requested to complete the Form-A printed overleaf and send the same back along with a xerox copy of the bank cheque by post or hand delivery to our Registrar at the following address :

M/s. Cameo Corporate Services Limited  
Unit: Amara Raja Batteries Limited  
"Subramanian Building",  
No.1, Club House Road, Chennai – 600002.

### 2. ECS details for sharehodlers holdings shares in demat form

In case you are holding shares in demat form, you are requested to provide the details to NSDL / CDSL as the case may be through your respective depository participant. You are also requested to note that changes directly intimated to the Company or its registrars will not be considered.

Yours faithfully  
For Amara Raja Batteries Limited

**N. Ramanathan**  
*Company Secretary*

## Form A

To  
M/s. Cameo Corporate Services Limited  
Unit: Amara Raja Batteries Limited  
Renigunta-Cuddapah Road,  
Karakambadi- 517520,  
Tirupati, Andhra Pradesh, India

Dear Sir,

### Payment of dividend through ECS (ECS mandate form)

I/We hereby give my/our mandate to credit my/our dividend on the shares held by me/us under the folio mentioned, directly to my/our bank account through the Electronic Clearing Service (ECS) to prepare my/our dividend warrant with details of my/our bank account No. and name of the bank and branch.

The details of the bank account are given below:

Name of first / sole shareholder .....  
(in block letters)

Folio No./ ID No. ....

Name of the bank in full .....

Branch name .....

Address & telephone no. of the bank .....

9 digit code number of the bank  
and branch as appearing on  
the MICR cheque issued by the bank .....

Type of account with code

Saving Bank	Current	Cash Credit
10	11	13

A/c no. (as appearing  
on the cheque book) .....

Bank ledger no./ bank ledger  
folio no. if any as appearing  
on the cheque book) .....

PAN/GIR No. ....

I/We enclose a bank cancelled cheque/xerox copy of cheque/front page of saving bank pass book to enable you to verify the details.  
(This is required only in case of ECS).

I/we, hereby, declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/we would not hold the Company/ the user institution responsible. I/We undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). I/We understand that, the above details shall be maintained by you till I/We hold the shares in physical mode under the captioned folio.

Place: .....

Date: .....

(Signature of shareholder)



# Amara Raja Batteries Limited

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

## ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the meeting place. Joint shareholders may obtain additional attendance slips on request.

Name and address of the member(s) \_\_\_\_\_

Ledger folio no.(s) \_\_\_\_\_ /DP ID no.\* \_\_\_\_\_ & Client ID no.\* \_\_\_\_\_

No. of shares held \_\_\_\_\_

\* Applicable for members holding shares in electronic form.

I hereby record my presence at the 25th annual general meeting held on Thursday, July 29, 2010 at 3.00 p.m. at the registered office: Renigunta - Cuddapah Road, Karakambadi - 517 520, Tirupati, Andhra Pradesh, India

\_\_\_\_\_  
Signature of the Member/Proxy

# Amara Raja Batteries Limited

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

## PROXY FORM

Ledger folio no.(s) \_\_\_\_\_ / DP ID no.\* \_\_\_\_\_ Client ID no.\* \_\_\_\_\_

No. of shares held \_\_\_\_\_

I/we \_\_\_\_\_ of \_\_\_\_\_

being a member / members of the Amara Raja Batteries Limited hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him/her \_\_\_\_\_

of \_\_\_\_\_ as my / our proxy to vote for me / us and on my / our behalf at the 25th annual general meeting of the Company to be held on Thursday, July 29, 2010 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010 by the said \_\_\_\_\_

\* Applicable for members holding shares in electronic form.

Affix  
Re. 1  
Revenue  
Stamp here

\_\_\_\_\_  
Signature(s) of Member(s)

**Notes:** The proxy form duly completed must be returned so as to reach the registered office of the Company, not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.







# NOTES

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