



**AMARA RAJA**  
Gotta be a better way

# Dream. Deliver.

AMARA RAJA BATTERIES LIMITED | ANNUAL REPORT 2012-13



## Document milestones

04 Highlights, 2012-13 | 06 Vision, Core purpose and Values | 08 Board of Directors |  
10 Statement from the Management | 16 Management discussion and analysis |  
54 Sustainable business practices | 59 10-year financials | 60 Corporate information | 61 Directors' report  
69 Report on Corporate Governance | 84 Financial section | 116 Notice to the shareholders

*"All men dream, but not equally. Those who dream by night in the dusty recesses of their minds, wake in the day to find that it was vanity: but the dreamers of the day are dangerous men, for they may act on their dreams with open eyes, to make them possible."*  
- T. E. Lawrence

When we entered the storage battery segment in India, our dream was to transform our business space through path-breaking solutions.

In our two-decade journey, we have done so in a number of ways and emerged as India's fastest growing and second largest battery company.

Our dreams have got bigger. We expect to emerge as the leading player in India's storage battery space following a ₹7 billion plus investment, the largest in our history.

The best is yet to come.

# ₹7.45 billion investment

For capacity augmentation through greenfield and brownfield projects

	Industrial batteries		Automotive batteries	
Project	Medium Valve Regulated Lead Acid (MVRLA) battery	Large Valve Regulated Lead Acid (LVRLA) battery	Four-wheeler battery	Two-wheeler battery
Product range	Expansion from 1.80 to 3.60 million units per annum	Expansion from 760 million Ah to 1.00 billion Ah per annum	<ul style="list-style-type: none"> <li>Brownfield expansion from 5.60 to 6.00 million units per annum</li> <li>Greenfield expansion from 6.00 to 8.25 million units per annum</li> </ul>	Expansion from 4.80 to 8.40 million units per annum
Brands	12V-26Ah to 200Ah	2V-100Ah to 5000Ah	12V -28Ah to 180 Ah	12V-2.5Ah to 18Ah
Applications	Quanta® and Power Sleek™	Power Stack® and Amaron Volt™	Amaron® and PowerZone™	Amaron® and PowerZone™
Capital outlay	UPS, wireless telecom network, solar and rolling stock (railways)	Telecom network, rolling stock, solar and power utilities	Starting, lighting and ignition for all vehicles	Starting, lighting and ignition for all vehicles
Time line	₹1,900 million	₹500 million	₹4,050 million	₹1,000 million
Fungibility	Commence supplies in Q3 FY14	Commence supplies in Q4 FY14	Commence supplies from Brownfield unit in Q2 FY14 and from Greenfield unit in Q1/Q2 FY15	Commence supplies in a phased manner from Q3 FY14
Estimated additional revenues at full capacity utilisation	Can be used to make automotive four-wheeler batteries	Can be used to produce 2V motive power batteries	Can be used to make MVRLA and flat plate inverter batteries	Can be seamlessly used to produce Quanta® range of SVRLA batteries for application in small UPS, emergency lamps among others
	₹5,000 million	₹2,500 million	₹7,500 million	₹1,750 million

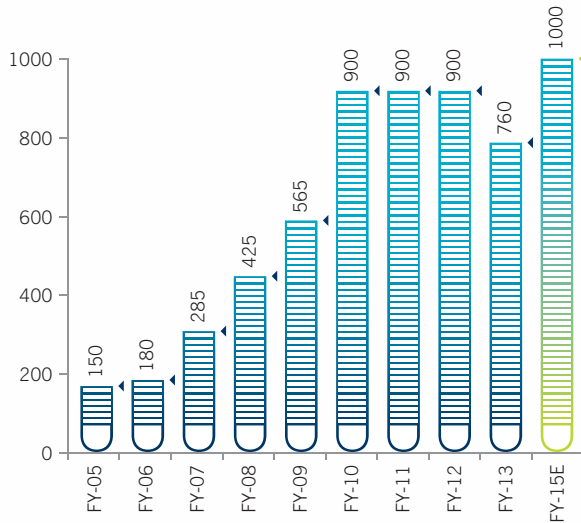
# ₹16.75 billion

Estimated additional revenues at full capacity utilisation

# Our capacity build-up

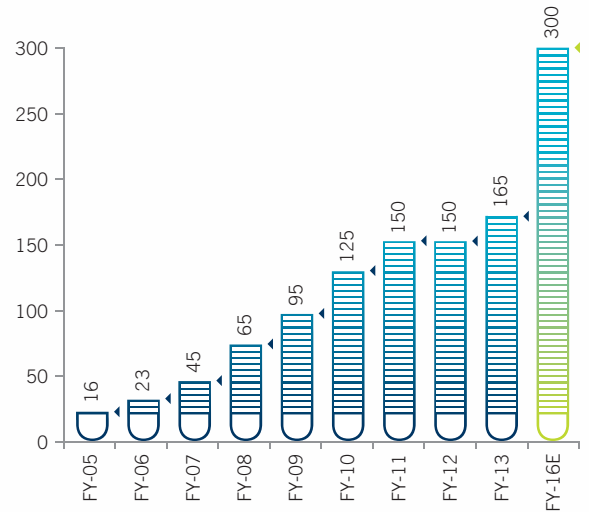
## LVRLA battery capacity

EQU capacity MNAh / Annum



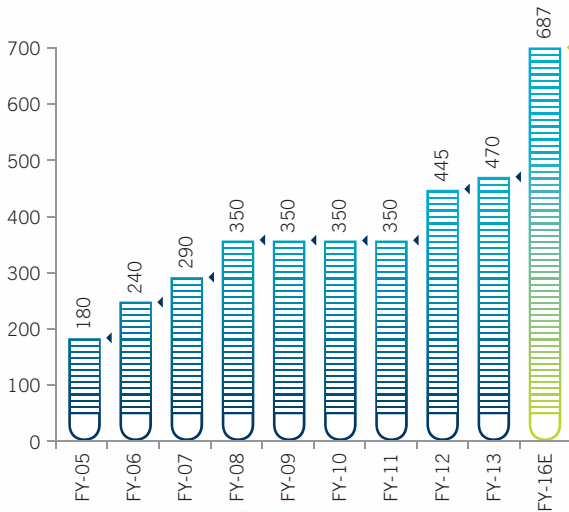
## MVRLA battery capacity

EQU capacity in K. Nos / Month



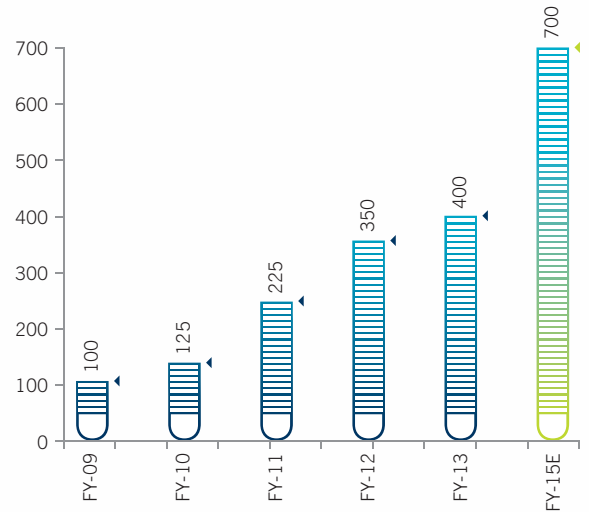
## Four-wheeler battery capacity

EQU capacity in K. Nos / Month



## Two-wheeler battery capacity

EQU capacity in K. Nos / Month



# Highlights, 2012-13

## Performance

- 25% revenue growth
- 30% EBIDTA growth
- 33% PAT and EPS growth

## Returns

- A 76 bps expansion in PBT margin
- A 117 bps increase in return on average network
- A 13.98% improvement in return on average net operating assets

## Operations

- 20% increase in automotive four-wheeler battery volume
- 37% increase in automotive two-wheeler battery volume
- 18% improvement in volume from telecom
- Capacity utilisation in excess of 90% in automotive four-wheeler and industrial battery businesses

## Market share

- 46% market share in telecom sector
- 32% market share in UPS sector
- 28% market share in automotive four-wheeler OEM market
- 22% market share in automotive four-wheeler aftermarket
- 15% market share in automotive two-wheeler aftermarket

## Distribution

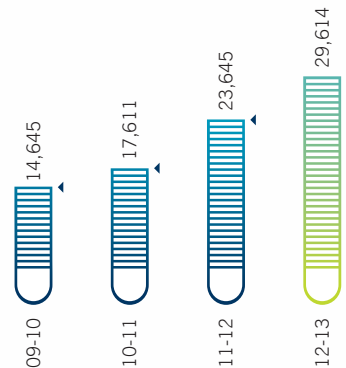
- Increased franchised distributors network to 287
- Enlarged Amaron® retail network to 21,000 plus
- Expanded PowerZone™ outlets to 1,100 plus in rural and semi-urban areas
- Received the Board's consent for an enhanced capital expenditure of ₹6.07 billion

## Shareholder value

- Market capitalisation touched ₹50 billion
- Proposed dividend payout increased to ₹430 million for 2012-13

## Business growth

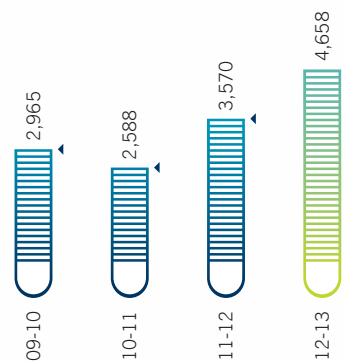
Net revenue (₹ million)



Revenue growth

25.24% | 22.28%  
Over 2011-12 | CAGR over 5 years

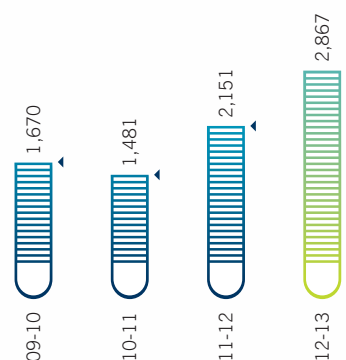
EBIDTA (₹ million)



EBIDTA growth

30.48% | 21.01%  
Over 2011-12 | CAGR over 5 years

Net profit (₹ million)

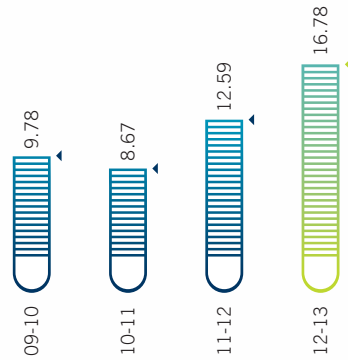


Net profit growth

33.29% | 24.88%  
Over 2011-12 | CAGR over 5 years

## Shareholder value accretion

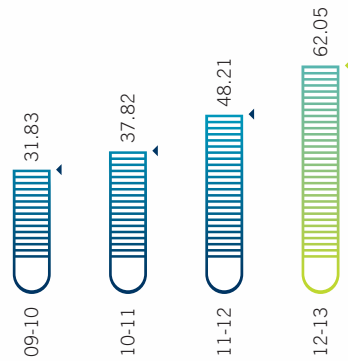
Earnings per share (₹)\*



Earnings per share growth

33.28% | 15.15%  
Over 2011-12 | CAGR over 5 years

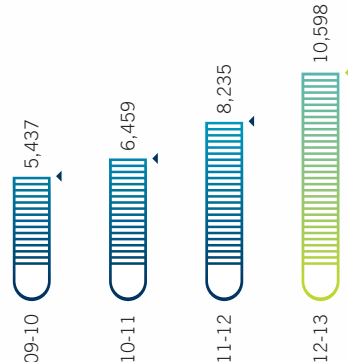
Book value per share (₹)\*



Book value per share growth

28.70% | 16.23%  
Over 2011-12 | CAGR over 5 years

Networth (₹ million)

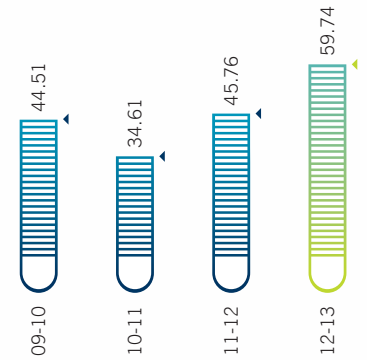


Networth growth

28.70% | 26.05%  
Over 2011-12 | CAGR over 5 years

## Business returns

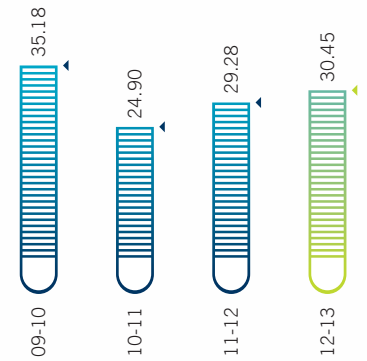
Return on assets (%)



ROA growth

1,398 bps | 2,912 bps  
Over 2011-12 | Over 2008-09

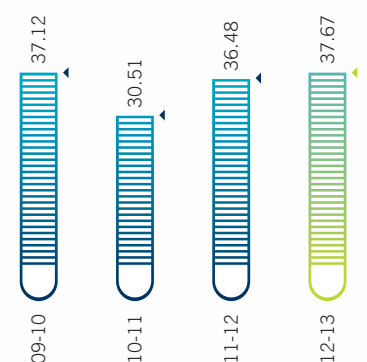
RONW (%)



RONW growth

117 bps | 865 bps  
Over 2011-12 | Over 2008-09

ROCE (%)



ROCE growth

119 bps | 1280 bps  
Over 2011-12 | Over 2008-09

\* For face value of ₹1 each

DELIVER  
DREAM

## Vision

Through the Amara Raja way and through enduring progressive partnerships we will be a Global Leader in Batteries and Battery Technologies and a dominant player in Indian Ocean Rim.



## Core Purpose

To transform our spheres of influence and to improve the quality of life by building institutions that provide better access to better opportunities, goods and services to more people... all the time.





VALUE-01



**Innovation** for us is proactively rebelling for better ways of doing things leading to newer possibilities.

VALUE-02



**Excellence** to us is continually enhancing our performance to consistently produce outstanding results with lasting impact.

VALUE-03



**Entrepreneurship** to us is leading with courage and conviction to convert gaps into opportunities, create wealth and contribute to growth.

VALUE-04



**Experiences** to us is what we create for our stakeholders which make them feel part of something special, leading to endearing relationships.

VALUE-05



**Responsibility** to us is the total ownership of our thoughts and actions in every situation to achieve maximum common good in the best interest of Environment, Society, Customer, Supplier, Employee and Shareholders.

# Board of Directors



Dr. Ramachandra N Galla  
*Non-Executive Chairman*



Jayadev Galla  
*Vice Chairman and Managing Director*



Ravi Bhamidipati  
*Executive Director*



Shu Qing Yang  
*Non-Executive Director*



Eric Stuart Mitchell  
*Non-Executive Director*



P Lakshmana Rao  
*Non-Executive Independent Director*



Nagarjun Valluripalli  
*Non-Executive Independent Director*



N Sri Vishnu Raju  
*Non-Executive Independent Director*



T R Narayanaswamy  
*Non-Executive Independent Director*



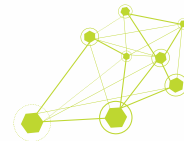
Raymond J Brown  
*Non-Executive Independent Director*



10 MINUTES WITH THE MANAGEMENT

**“We grew our business  
despite persisting  
economic challenges.**

**We are confident of  
doing even better when  
the economy rebounds.”**



**W**e have embarked on what is the largest capital investment in our history – a ₹7 billion plus project.

### *Dear friends,*

At Amara Raja, we have drawn out a blueprint to progressively evolve into a leading player in India's storage battery industry.

As a first step towards this goal, we successfully transformed the Indian battery space and customer experience with path-breaking products pivoted around superior technology, processes and marketing innovation. In doing so, we emerged as the preferred brand across downstream sectors.

Capitalising on this robust foundation, we are moving a step higher in our aspiration pyramid -- to carve out a dominant position in the Indian storage battery sector.

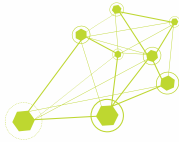
We are happy to state that over the years, this singular focus strengthened

our standing across all our stakeholders and provided us with the confidence to embark on what is the largest capital investment in our history – a ₹7 billion plus project comprising a brownfield expansion at our existing location and a greenfield facility near Chittoor (Andhra Pradesh) 90 kms from the existing site – notwithstanding the weak business environment.

This investment will provide the Company with an opportunity to effectively leverage our innovation and entrepreneurial capabilities to widen the Amara Raja experience across a larger national consumption landscape.

### **The expansion rationale**

Despite a persistent slowdown in our key user sectors, namely the automotive and telecom sectors, product demand grew substantially, leading to a 90%



“**E**nterprising is about nurturing a dream of walking the road less-travelled for doing something unusual with the idea of enhancing value in a unique way for all stakeholders.”



Dr. Ramachandra N Galla  
Chairman

plus capacity utilisation and increased throughput. With economic stability predicted in the foreseeable future and the national power situation likely to remain grim, demand for our products is only expected to grow significantly, making it necessary to invest in additional capacities and graduate our Company into a new orbit.

**Technology selection:** The capacity augmentation was based on a comprehensive study of battery technologies (existing and emerging) in the sectors of our presence. The lead-acid chemistry is expected to remain the preferred and most commercially viable technology with innovation (product and process) likely to be critical in enhancing customer value.

**Business optimism:** Our products are relevant across large and multiple user sectors, de-risking our Company from an excessive dependence on any single sector and providing it with a secure foundation for capacity augmentation. At Amara Raja, we are optimistic that we will need to increase capacity even if we retain our share of the growing market.

**Aftermarket:** In the automotive sector, we are a dominant aftermarket player

for four- and two-wheelers, where every vehicle addition grows the aftermarket demand, irrespective of OEM growth trends. As the battery has evolved into a critical vehicle assembly item, OEMs prefer technologically superior VRLA batteries. This choice is fast cascading to the aftermarket, growing the inclination for branded alternatives.

**Passenger cars (OEM sector):** The passenger car sector has not grown in the past 24 months, creating a large pent-up demand. With interest rates poised to mirror inflation decline on the one hand and rising incomes on the other, passenger car demand is expected to rebound in 24-30 months. Our Company's successful entry in the diesel car platform, serving the needs of leading OEMs, will facilitate our faster growth in the sector.

**Telecom space:** Tower companies are seeking opportunities to reduce operating costs as rentals decline and power outages and diesel price increase. This positions batteries as a cost-effective and environment-friendly power source, building on the Green Site concept. As data use increases on mobile telephones, the demand for large-capacity batteries is expected to increase.



“Gotta be a better way is the work ethic engrained into our empowered team for continuous innovation – it strengthens our ability to deliver superior stakeholder value.”



Jayadev Galla  
Vice Chairman and Managing Director

**UPS:** The UPS market is expected to remain upbeat on account of increasing power shortages, government initiatives (e-governance, e-health, e-education and direct cash transfer among others) and growth in service sectors (IT-ITeS, healthcare, retail, BFSI and ATMs). Besides, a growing focus on technology by small and medium businesses and penetration of large data centres is expected to catalyse UPS growth.

### New opportunities

At Amara Raja, we expect to enter new verticals and geographies translating into quicker growth.

**Two-wheelers (OEM):** India produces about 16 million two-wheelers annually; this is poised to grow rapidly due to increasing disposable incomes in rural and semi-urban markets. As the battery has become vehicle-critical, two-wheeler OEMs have shifted to VRLA batteries. Amara Raja is a pioneer of these batteries in India. Our Company partnered with Honda Motors for its large two-wheeler battery requirement (supplies commence in 2013-14) and is optimistic of entering into similar alliances with other leading OEMs.

**New verticals:** Our expansion project envisages batteries for new applications, which will create new businesses, taking our Company into a new orbit.

**Home UPS:** As the Home UPS emerges as a critical household appliance, our Company expects to enter this space with niche products and innovative solutions.

**Solar power:** Solar power is fast emerging as a dependable and viable energy source in India, catalysed by significant governmental impetus for expansion. In addition, as the telecom sector seeks renewable energy sources for cost-effective operations; solar power is expected to play a vital role in this business space. We plan to establish a strong presence in this solar battery space.

**Motive power:** Pan-India industrialisation, a preference towards a hub-and-spoke logistics model and increasing Government thrust on warehousing across India has opened a new growth vista of motive power for warehousing equipment. Besides, the growth of the organised retail sector accelerated by the Government's nod to FDI in this segment is expected to



## Amara Raja is seeking foothold opportunities in the Indian Ocean Rim following a change in the global scenario.

increase the size of this business vertical. We are well poised to enter this segment with appropriate solutions.

**New geographies:** Amara Raja is seeking foothold opportunities in the Indian Ocean Rim following a change in the global scenario. China's focus on environmental management has resulted in a rationalisation of production capacities; increasing wages, lead price parity of the Shanghai Metal Exchange with the global benchmark and currency appreciation have weakened China's competitive edge, strengthening prospects for other manufacturing countries.

Our Company is attractively placed to benefit from these factors as our products have demonstrated global quality and performance standards.

### Business practices

**Philosophy:** Since inception, we have adopted best-business practices, helping grow the market space as opposed to merely focusing on increasing our market share. Despite economic and sectoral slowdowns, our Company developed industry-defining solutions with extended product performance guarantees helping grow the business every single year over the decade.

**Capacity pipeline:** We have demonstrated a capacity-lead strategy based on the confidence of product performance, ability to transform markets and create demand.

Since we have grown revenues through economic slowdowns, we are confident of doing even better (through a volume-value play) when the economy rebounds.

### Building capabilities

For our sizeable investments to deliver desired results, we need to support them with adequate capabilities (people, systems, product development and reach).

As a first step, we fast-tracked the growth of star performers to undertake larger organisational responsibilities. We will continue to strengthen the technical and engineering capabilities for new product development in line with dynamic customer aspirations. We are increasing the number of channel partners and widening the distribution network to strengthen our pan-India presence.

We will continue to leverage the rich intellectual capital of Johnson Controls Inc. in the manufacture of automotive

batteries leading to sectoral leadership. We will explore strategic alliances in the industrial batteries business and cater to dynamic technology changes in the storage battery segment.

### Dream. Deliver.

Dreams have no boundaries and, in line with this, our aspirations are not restricted to India. We are confident of turning our dreams into reality by leveraging the value resident in our partners, team and products. Our capacity augmentation is the first step towards the larger goal of emerging as a dominant player in the Indian Ocean Rim.

### Acknowledgment

On behalf of the Company, we take this opportunity to convey our sincere appreciation to all shareholders and place on record our gratitude to customers, employees, Johnson Controls Inc., our joint-venture partner, channel partners, bankers and suppliers.

With warm regards,  
The management




## Management team



(Left to right): M Jagadish, *Chief Operations Officer-ABD*; K Suresh, *Chief Financial Officer*; Rajesh Jindal, *Chief Marketing Officer-ABD*; M M Venkata Krishna, *Chief Operations Officer-IBD*; Srinivasa Rao Ganga, *Chief Marketing Officer-IBD*



# Management discussion and analysis



## Economy at a glance

**Global economy:** Global gross domestic product (GDP) grew 3.2% in 2012 against 3.9% in 2011 after having encountered another bout of turbulence in what was always expected to be a slow and bumpy recovery. The key impediments were prolonged financial turmoil in the Eurozone, instability in the US economy due to a fiscal cliff, disruption of global oil supplies and slow investments in emerging markets.





Aerial view of facilities at Karakambadi, Tirupati

Following the 2012 deterioration in global economic conditions, one expects a marginal economic rebound in 2013. Global GDP growth forecast stands at 3.5% in 2013 as trends suggest that factors decelerating global commerce are expected to wane. This growth estimate is pivoted around the following preconditions:

- Necessary policy measures are implemented in time to avoid further deterioration in the financial issues in Europe
- A smooth fiscal adjustment in the US
- A rebound in the growth momentum of emerging economies

The World Bank however expects the world economy to grow by 2.4% in 2013.

## Indian economy

India's economic growth decelerated for the second year in succession in 2012-13. It declined from 6.2% in 2011-12 to 5% in 2012-13, the slowest economic growth in a decade. This decline was due to a sharper than expected deceleration in the services sector, dismal performance by the agricultural and industrial sectors and unemployment remaining appreciably above pre-crisis levels.

India's industrial output declined, led mainly by a contraction in the manufacturing, mining and capital goods sectors. The dampened industrial sentiment was largely due to various factors: sustained inflation, high interest rates, volatile currency fluctuation and policy logjam.



**RBI projects baseline  
GDP growth of 5.7%  
in 2013-14**



To strengthen industrial growth, the government announced important policy decisions:

- Reduced interest rates by 125 basis points from 8.50% in October 2011 to 7.25% in May 2013
- Revived the stressed infrastructure sector by fast-tracking large

infrastructural projects and announcing SOPs for some infrastructure sub-sectors

- Used buffer stocks to moderate food inflation
- Introduced FDI in multi-brand retail, aviation, insurance and broadcasting sectors

- Partially deregulated the oil and gas sector (diesel pricing) to reduce subsidy burden.

**Current account deficit:** India suffers from one of the highest current account deficits among large economies. The full-year current account deficit rose to 4.8% of GDP, or US\$88 billion, up from US\$78 billion during the previous financial year.

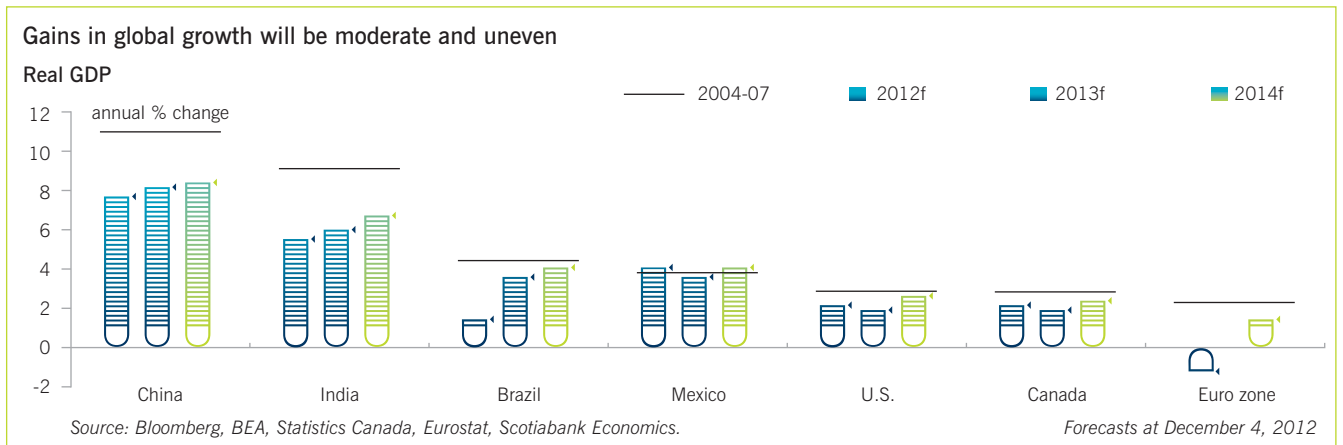
**Fiscal deficit:** India's fiscal deficit during fiscal 2012-13 was ₹4.9 trillion or equivalent to 4.9% of the country's GDP. The higher revenue mop-up moderated this to lower-than-the revised estimate of 5.2% provided by the government in the federal budget in February 2013.

### Economic growth estimates for 2013-14

**Economic Survey:** The Indian economy is slated to grow between 6.1-6.7% in 2013-14

**RBI projection:** RBI projects baseline GDP growth of 5.7% in 2013-14

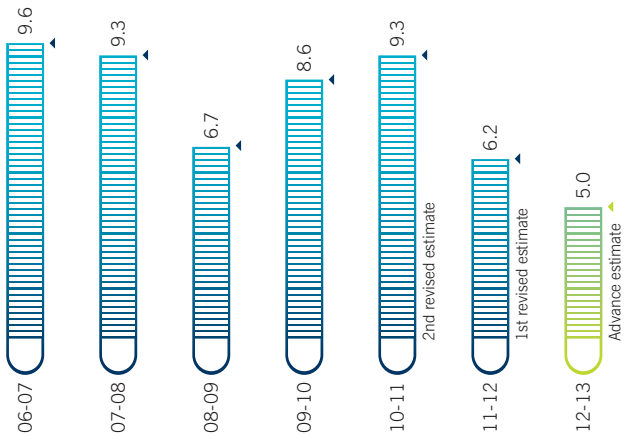
**CRISIL estimate:** The agency indicates that the Indian economy is expected to grow at 6.0% in 2013-14 due to a consumption revival catalysed by an acceleration in the growth of agricultural





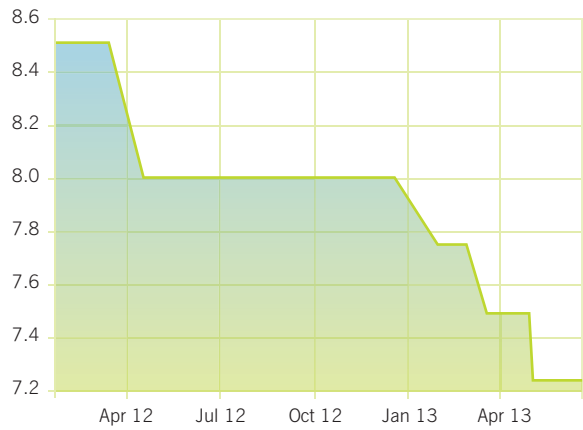
### GDP growth (%)

At factor cost, constant (2004-05) prices



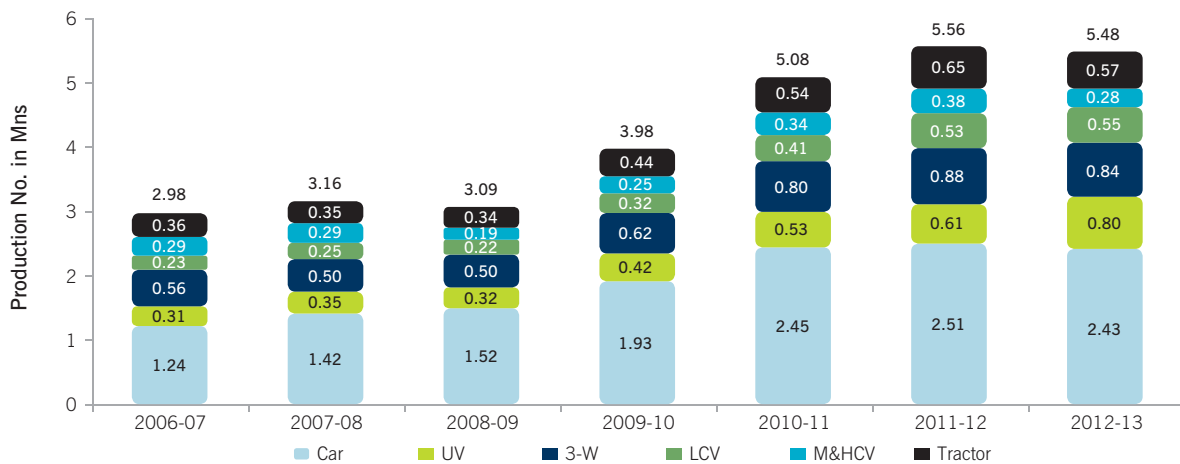
Source: Central Statistics Office, Ministry of Statistics & Programme Implementation

### Interest rate movement over the past 12 months



Source [www.tradingeconomics.com](http://www.tradingeconomics.com) | Reserve Bank of India

### India's automotive sector performance



#### CAGR for the last five years (2008-09 to 2012-13)

Total: 11.6%, Car: 11.3%, UV: 18.4%, 3W: 10.9%, LCV: 16.8%, M&HCV: -1.1%, Tractor: 10.7%

Source: SIAM



sector (predicated on a normal monsoon), lower interest rates and higher governmental spending.

### Economic impact on business

**Telecom:** The Indian telecom sector is passing through challenging times as telecom operators are experiencing profit pressure. The policy logjam on spectrum pricing and allocation, cancellation of 2G licenses by the apex court and slow progress in broadband rollout stalled network expansion and restricted an improvement in the tower occupancy ratio. As a result, the replacement demand prevailed with a preference

for reliable, quick recharge and deep discharge capable batteries.

**UPS:** India's economy was challenged by slow capital formation and investments, which impacted investments in technology and various e-governance projects and, in turn, affected demand growth for UPS batteries. The replacement potential in the country's UPS sector continued to be encouraging due to a persistent power shortage and imports becoming unviable owing to changing business dynamics in China and a depreciating Indian rupee.

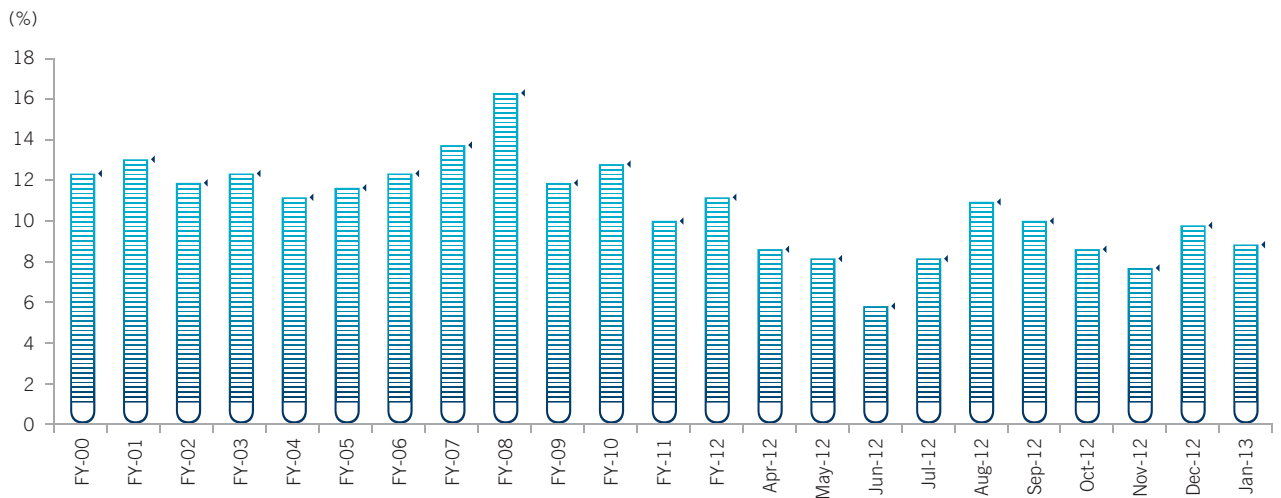
**Automotive:** The fiscal 2012-13 was

challenging for the Indian automobile industry. The sector witnessed a sustained slowdown on account of higher interest rates, rising fuel prices, weak infrastructure growth, low consumer confidence and declining consumption growth. The widening gap between the cost of petrol and diesel enhanced a preference for diesel platforms.

**Automotive replacement:** The automotive replacement market demand remained strong, influenced by the following factors:

- A considerable addition of vehicles to the existing population following a spurt in OE production over the recent past (post 2008-09 global economic meltdown)
- Realignment in the focus of small players towards inverter batteries
- Growing preference for branded products
- An attractive value proposition offered by organised industry players

India's peak power deficit



Source: Central Electricity Authority

# Industrial battery division

## 01 Overview

Commenced operations in 1991 to manufacture batteries for the telecom, UPS back-up systems, railways and power utility sectors

Manufacturing facility is ISO 9001 and ISO 14001 accredited

## 02 Products

Product portfolio offers capacities ranging from 4.5 Ah to 5,000 Ah under multiple brands

### **Amaron Volt™**

(Telecom networks, data centres, power stations, oil and gas)

### **Power Stack®**

(Telecom networks, data centres, power stations, oil and gas, Indian Railways)

### **Quanta®**

(UPS applications)

### **Power Sleek™**

(Wireless telecom network, UPS applications)

## 03 Distribution network

Largely a B2B model

100 AQUA channel partners facilitate the reach for UPS batteries across the country

## 04 Customers

Key customers include Indus Towers, Viom Networks, ATC, Bharti Infratel, Bharti Airtel, Vodafone, Aircel, BSNL, Idea Cellular, Indian Railways, APC, Emerson, Numeric, Delta, DB Power and Schneider

## 05 Niche features

- First to introduce VRLA batteries for telecom and rolling stock applications in India
- Strategic supply partnership with leading telecom tower companies and operators
- Well-balanced OE and replacement mix in UPS sector





# Automotive battery division

## 01 Overview

Commenced operations in 2000 with technology from Johnson Controls Inc. USA

Manufacturing facility is QS 9000, ISO 14001 and TS 16949 accredited

## 02 Products

**Passenger cars:** Amaron® Pro, Amaron® Flo, Amaron® Go, Amaron® Black and Amaron® Fresh

**Commercial vehicles:** Amaron® Hiway

**Tractors:** Amaron® Harvest

**Two-wheelers:** Amaron Pro Bike Rider™

**Inverter:** Amaron® Current

**PowerZone™** (For all the above applications)

## 03 Distribution network

**Amaron® network** comprises 287 franchised distributors, including 21,000 plus retailers and 2,400 plus service hubs-second largest in the battery sector in India

**PowerZone™** network comprises 1,100 plus retail outlets for semi-urban and rural presence

## 04 Customers

**Major OEM customers:** Ford, Maruti Suzuki, Hyundai, Honda, M&M, Tata, Volvo Eicher, Daimler Benz, Tafe Tractors, Isuzu Motors among others

**Major private label customers:** Bosch, Lucas, Cummins and AC Delco

Dominant player in the aftermarket sector for four-wheeler and two-wheeler batteries

## 05 Niche features

- First to introduce zero maintenance four-wheeler batteries
- First to introduce VRLA two-wheeler batteries
- First to provide extended warranties to consumers
- First supplier of batteries to M&M for micro hybrid vehicles

760\*

Capacity of Large VRLA batteries (million Ah per annum)

*\* Capacity reduction from 900 million Ah to 760 million Ah due to a change in the product mix*

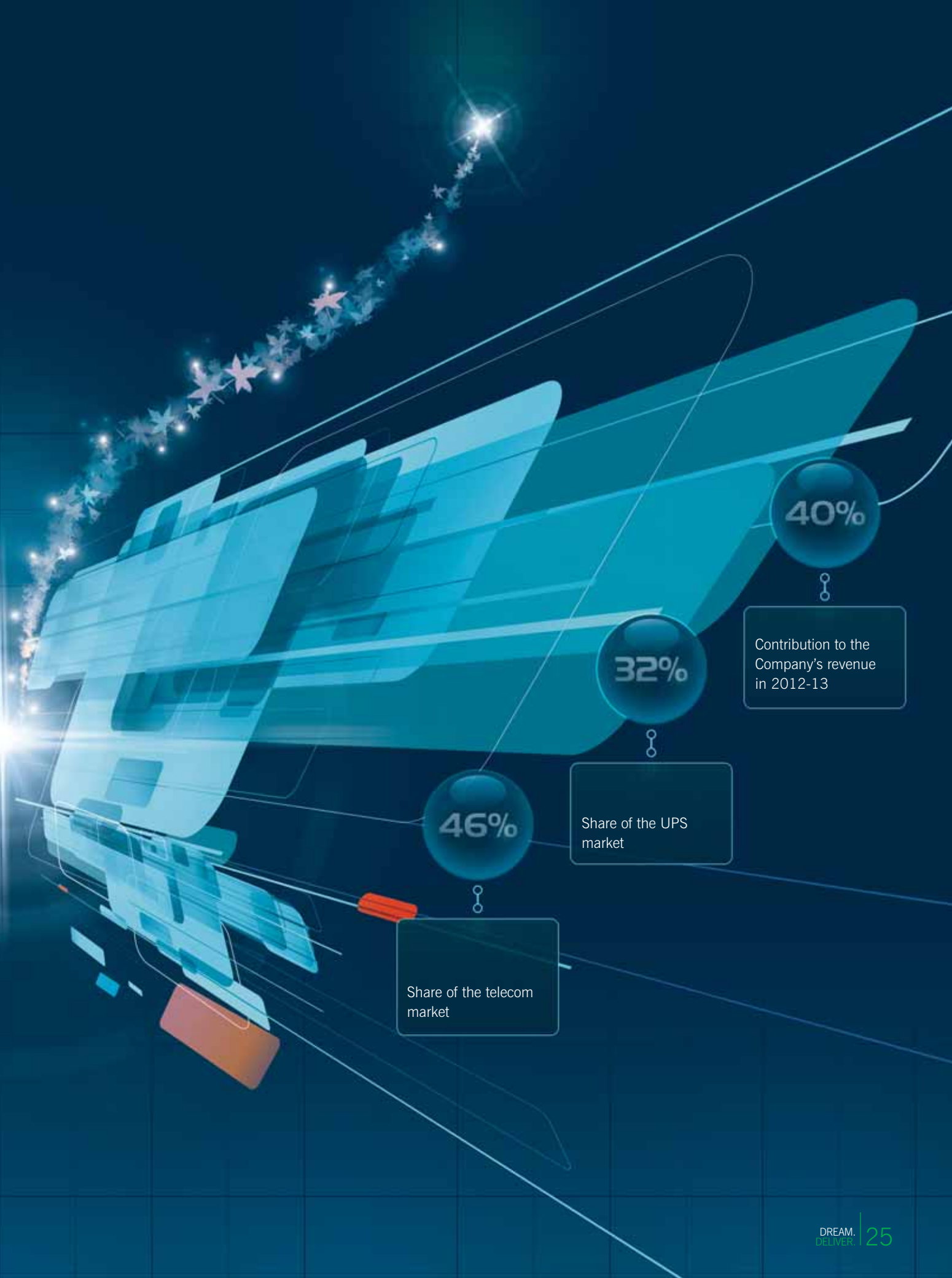
1.8

Capacity of Medium VRLA batteries (million units per annum)

#1

Largest supplier of batteries to the telecom and UPS sectors

# Industrial battery division



40%

Contribution to the Company's revenue in 2012-13

32%

Share of the UPS market

46%

Share of the telecom market

## Highlights, 2012-13

- Launched the Quick Recharge Series (QRS) batteries, primarily catering to the requirements of the telecom tower application; the product received a heartening response
- Received the gold award for 'Excellence in SME (Subject Matter Expertise) Services' from Indus Towers Limited
- Received an award as the 'Most Preferred Battery Brand' in the Telecom segment by Frost & Sullivan
- Received a 3-Star award in International Convention on Quality Circles

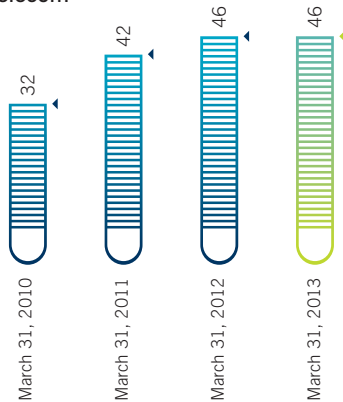
## Key initiatives, 2012-13

### *In-plant measures*

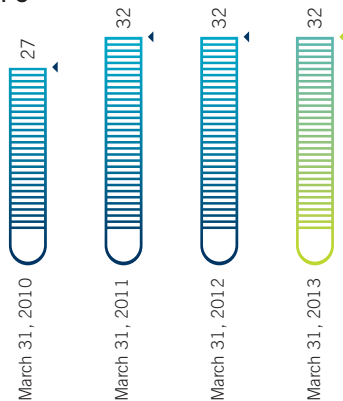
- Plant operated at 90% plus capacity utilisation
- De-bottlenecked the assembly and formation areas, which increased production
- Created separate grid casting lines for Medium and Large VRLA batteries, which enhanced productivity
- Completed more than 118 QCC projects at the shop-floor level, which improved operating efficiencies
- Reduced cycle time in the formation area, which optimised energy consumption

## Market share (%)

### Telecom



### UPS





- Tightened process parameters and quality vigilance to operate within stringent tolerances, which reduced in-process rejections
- Shifted the production of sub-300 Ah battery variants from the MVRLA to LVRLA assembly lines, which improved product quality

#### *On-field initiatives*

- Established strong business relations with key telecom tower companies and operators for end-to-end solutions for their stand-by power requirements (battery, logistics, installation, maintenance and disposal) which further strengthened business relations

- Undertook activities to improve the Company's presence in the IT and ITeS sectors
- Initiated training for marketing, engineering and service staff of the channel partners for providing superior service to the UPS OEMs and users in replacement sector
- Conducted an extensive survey of the Indian market for mapping emerging opportunity pockets for UPS batteries



**A**mara Raja received a 3-Star award in International Convention on Quality Circles

# Sectoral scenario and Amara Raja's competitive position

Telecom business	Amara Raja's position	UPS business	Amara Raja's position
<p>Purchases are largely for replacement as new service roll-outs are minimal, thus making demand more stable and predictable.</p>	<p>The Company has created a high quality product basket that meets the complete requirements of all telecom tower companies and emerged as the preferred vendor.</p>	<p>Unreliable power supplies across India are increasing a reliance on standby power sources, namely UPS solutions.</p>	<p>Maximising throughput, improving product quality, widening reach and enhancing the overall business quality. Quanta® batteries emerged as the preferred brand in the UPS sector. We are also doubling capacities.</p>
<p>Huge power shortage and frequent power outages prevent complete battery recharge.</p>	<p>Quick Recharge batteries are designed in keeping with this harsh operating environment.</p>	<p>Imports have reduced due to the changing business environment in China and the depreciating Indian rupee.</p>	<p>Fortifying the replacement market business by expanding our product range.</p>
<p>Soaring diesel prices and environmental concerns are driving the telecom tower companies to create 'Green Sites' with batteries being the primary energy source.</p>	<p>Spread awareness of the product capability in achieving the 'Green Sites' goal.</p>	<p>Economic slowdown has impacted the OEM demand, government's spend on e-governance programmes have reduced.</p>	<p>Strategic focus on the BFSI and IT&amp;ITeS sectors, thereby increasing the depth and spread of our reach.</p>
<p>Tower companies are moving from product vendors to solution providers for a superior value proposition.</p>	<p>Offers complete solutions – batteries, installation maintenance and disposal – which enable it to forge alliances with leading telecom tower companies and operators.</p>		



## Medium-term optimism

The telecom and UPS sectors are key users of the Company's LVRLA and MVRLA batteries respectively, with attractive medium-term prospects.

**Telecom:** There are about 350,000 telecom towers in India with a majority more than three to five years old, a sizeable business opportunity. Besides, as the battery operating environment becomes increasingly harsh, the life-cycle of the battery is declining, adding to replacement demand.

For telecom tower companies, energy cost reduction is a priority in view of frequent power outages and a spiraling diesel price.

- India has about 350,000 telecom towers; about 70,000 towers are not connected to the grid.
- The telecom tower sector uses about 25 billion kWh energy per annum; about two-thirds of Indian mobile towers face grid outages in excess of eight hours a day.
- The telecom tower sector consumes more than 2.5 billion litres of diesel annually; in 2011, the Indian telecom industry had consumed an estimated 3.2 billion litres of diesel and the amount could rise to six billion litres by 2020, according to a study by Greenpeace India.
- Telecom tower companies consume about 1.7% of the total diesel consumption in India; about 60% of the

towers in India depend solely on diesel for power generation.

The Department of Telecommunications has mandated all tower companies to reduce their dependence on diesel and cut carbon emissions by operating at least 50% rural towers and 20% urban towers on hybrid power (solar) by 2015.

Increased internet access through mobile phones has necessitated higher power consumption in towers, a need for large capacity batteries.

Spectrum re-farming (moving 2G services on the 1800 MHz from the existing 900 MHz) which is being debated among regulatory bodies, will call for redesigning of existing networks, mainly through the replacement of base stations, commonly known as telecom towers – set up new base stations and replace earlier sites on the 900MHz frequency band. When this materialises, it could add to the opportunity potential in a big way.

Estimates suggest that telecom towers in India are expected to increase to 460,000 by 2015.

**UPS sector:** The key sub-sectors in this UPS sector comprise BFSI (including ATMs), IT & ITeS, e-governance projects and e-commerce institutions.

**BFSI:** The recent RBI directive on inclusive banking which requires public sector banks to reach out to the unbanked population will see significant action building in rural India, expected to



**E**stimates suggest that telecom towers in India are expected to increase to 460,000 by 2015.

translate into a sizeable demand for UPS batteries.

The Government's intent to issue banking licenses to NBFCs is expected to widen the banking network to semi-urban and rural locations. Increasing penetration by banks (public and private), insurance companies and NBFCs from the urban cities to the vast number of Tier-II and III towns will only increase standby power demand as these areas face significant power shortage.

**ATMs:** Since the ATM concentration in India is primarily in metros and Tier-I cities, the population of 74 ATMs per million people is significantly lower than the global average. This under-penetration is expected to change following the recent Government directive (Union Budget, 2013-14) that every Indian public sector bank branch should have an ATM by March 2014; a large part of this addition is expected to come up in Tier-II and III locations with batteries as a critical power source. The recent RBI permission to non-banking financial institutions to set up their own White Label ATMs (WLAs) in semi-urban and rural areas is expected to create a sizeable battery opportunity as well. Independent research suggests that by 2017, the installed Indian base of ATM machines will grow to 400,000 from about 100,000 in the third quarter of 2012.

**IT and ITeS:** India is one of the fastest-growing IT services markets in the world; three-fourths of large Indian enterprises plan to increase IT spending in 2013.

India's information technology and business process outsourcing sector is expected to expand 12-14% in fiscal 2014 to report US\$84 - US\$87 billion from exports. The Cabinet recently approved the National Policy on Information Technology 2012, which aims to increase IT and ITeS revenues from US\$100 billion to US\$300 billion by 2020 and expand exports from US\$69 billion to US\$200 billion by 2020.

**Retail:** Organised Indian retail is growing at a rate of 15% annually. Most Indian metro cities are moving towards organised retail (food, medicines, apparel, among others), attracting international players. Private spending

in the Indian healthcare sector is about 74% and increasing, with most players focusing on expansion.

### Amara Raja's strategy

The Company is strengthening its industrial battery business through a broad-based approach.

**Telecom business:** The Company will continue to forge strategic alliances with telecom tower companies and operators to provide comprehensive back-up power solutions while increasing an awareness of 'Green Sites' in the domestic space.

**UPS business:** The Company has undertaken a survey, identifying opportunity pockets across India. To





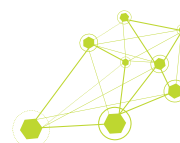


cater to this opportunity, the Company will broaden the product range, expand its channel partner base and provide extensive training to channel partners to increase business volumes.

**Solar power:** The Company is establishing a meaningful presence in the solar battery space. The Indian solar industry grew from 18 MW in early 2010 to about 1,045 MW in 2013 and a projected 2,500 MW in the next two years. The Phase II of Jawaharlal Nehru National Solar Mission (JNNSM) envisages the addition of 10,000 MW of utility scale and about 1,000 MW in off-grid power. JNNSM plans 20,000 MW of grid-tied and 2,000 MW in

off-grid power by 2020. Each MW of off-grid power is likely to generate 2 million ampere-hour battery potential with a periodic replacement opportunity. In addition, Phase II of the JNNSM will focus on developing special schemes for the promotion of solar-powered telecom towers targeting around 25,000 solar integrated telecom towers by 2017.

**New geographies:** The Company has drawn out a roadmap to explore opportunities in the Indian Ocean Rim following the changing global competitive scenario in the wake of China aligning its business environment with global best-practices – creating a level playing field for other global battery manufacturers.



Independent research suggests that by 2017, the installed Indian base of ATM machines will grow to 400,000 from about 100,000 in the third quarter of 2012.

5.6

Four-wheeler battery capacity (million units per annum)

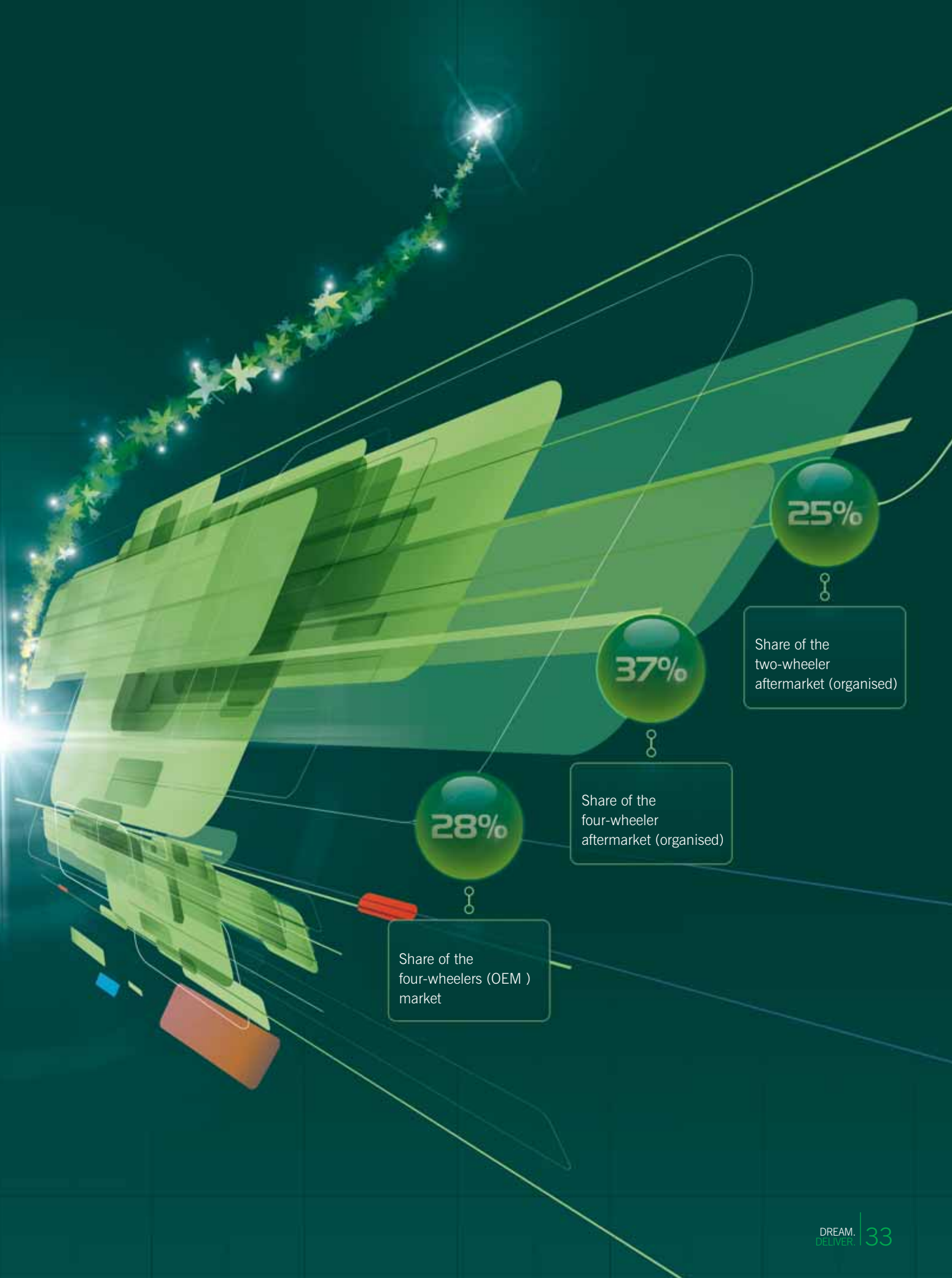
4.8

Two-wheeler battery capacity (million units per annum)

2nd

Ranking in India's automotive battery business

# Automotive battery division



25%

Share of the two-wheeler aftermarket (organised)

37%

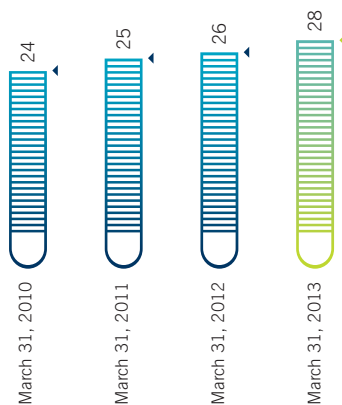
Share of the four-wheeler aftermarket (organised)

28%

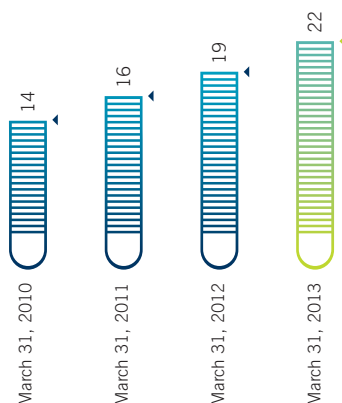
Share of the four-wheelers (OEM ) market

## Market share (%)

### Four-wheelers (OEM)



### Four-wheelers (aftermarket)



## Highlights, 2012-13

- Achieved 20% volume growth in four-wheeler batteries and 37% in two-wheeler batteries
- Automotive plant won the '5S Sustenance' award from CII Southern region
- Received 'Quality Award' from Bosch India Limited
- Received 'World Excellence Award' under the category of warranty improvement from Ford, USA
- Special prize for 'Good TPM Practices' by ABK AOTS DOSOKAI
- Received approvals from OEM suppliers - Honda Motorcycle and Scooter India Private Limited (Honda Motors), Hero MotoCorp Limited, Bajaj Auto Limited and Mahindra & Mahindra Limited for motorcycle batteries.

## Key initiatives, 2012-13

### In-plant measures

#### Four-wheeler plant

- Operated the plant at 90% plus capacity utilisation
- Intelligent production planning helped in address peak demand
- Undertook more than 50 shop-floor projects for improving plant productivity, product quality and cost optimisation
  - o Constraints in plate preparation were resolved through pasting equipment improvements

- o Added balancing equipment in the formation area to improve production volumes

- Undertook low-cost automation projects, which improved manpower productivity by 5%
- Undertook process optimisation projects, which reduced waste generation by about 10%
- Optimised power consumption in the lead melting and formations areas

- o Commissioned higher capacities and high raise lead melting pots in the grid casting areas

- Streamlined manufacturing practices, which helped reduce in-process rejects by about 50 bps
- Introduced four models for the aftermarket and private label sectors

#### Two-wheeler plant

- Operated the plant at 76% capacity utilisation (a fourth of the capacity reserved for the OE business)
- Improved plate making productivity while leveraging the partner's superior paste-mixing formula
- Undertook low-cost automation in the finishing area, which helped reallocate manpower
- Implemented low-cost automation projects across the assembly line; 32 projects were successfully executed
- Optimised conversion costs by



minimising wastage across the assembly line and reducing in-process rejections

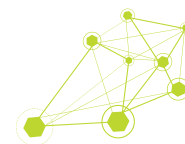
#### On-field initiatives

- Marketed batteries to Maruti's Dzire and Swift diesel platforms and Hyundai's EON platform.
- Undertook ground-level promotions (mechanic and trade-level) to enhance brand recall

- Plugged gaps in the product basket; the Company's product for every application enhanced channel loyalty
- Aggressively marketed PowerZone™ batteries into semi-urban markets by adding more than 200 channel partners, which resulted in strong sales volumes



Packing - Two wheeler batteries



The Company marketed batteries to Maruti's Dzire and Swift diesel platforms and Hyundai's EON platform.

# Sectoral scenario and Amara Raja's competitive position

## OEM business

## Amara Raja's position

## Aftermarket business

## Amara Raja's position

### Four-wheeler

Car production in India fell for the first time in a decade – 3.19% in 2012-13.

Sales volumes grew 15%, despite sectoral de-growth. Increased market share in the four-wheeler OEM business from 26% in 2011-12 to 28% in 2012-13.

Significant shift towards diesel passenger car variants to optimise operating costs.

Increased sales volume to the diesel platforms.

### Four-wheeler

Battery demand depends on annual vehicle addition to the Indian roads and replacement cycle. Demand is likely to sustain momentum in 2013-14. Reduction in battery life due to the frequent start-stop function is adding to replacement demand.

Increased capacities to 6.00 million units per annum. Replacement market volumes grew at 20% plus in 2012-13. Undertaking a major capacity expansion to 8.25 million units per annum -- looking to the future. Widening the distribution network pan-India. Focus on ground-level visibility initiatives.

### Two-wheeler

Size of Indian two-wheeler market at about 16 million units a year. Two-wheeler production in India grew 1.73% in 2012-13.

Developed products and secured approvals from Honda Motors. Advanced discussions with major OEMs for supplies. Augmenting capacities.

### Two-wheeler

Aftermarket demand is expected to grow significantly:

- Increasing preference for electric-start vehicles necessitating immediate replacement.
- Increasing preference for VRLA batteries based on growing OEM preference.

Pioneer of VRLA batteries in India. Replacement market volumes grew at 37% plus in 2012-13. Undertaking a major capacity expansion to 8.4 million units per annum -- looking to the future.

The business is primarily driven by the trade channel comprising battery shop owners, mechanics and auto electricians.

Amaron® has secured the preferred brand status with trade channels.



## Medium-term optimism

### OEM sector

**Passenger cars:** Growth in an aspiring young population, improving incomes, rapid urbanisation and accelerated sub-urban development will make comfortable mobility an important aspect. A revival of investment-friendly policies and the resumption of consumer confidence will accelerate economic activity and automobile production growth. As an extension, the industry's volume is expected to improve from 3 million plus units to 5 million units mid-decade and a projected 9 million units by 2020, making India the third largest car market behind China and the US.

**Commercial vehicles and tractors:** The Indian government targeted a US\$1 trillion investment in infrastructure for Twelfth Plan (2012-17). These investments will accelerate construction and improve road infrastructure leading to freight generation and commercial vehicle demand. In view of the government's renewed thrust on agricultural growth and organised retail, the demand for small commercial vehicles and mini-trucks is expected to increase multifold, catalysing the demand for batteries. Besides, increasing thrust on farm mechanisation and the growing use of tractors beyond agricultural purposes (in infrastructure and construction industry) are expected to catalyse tractor demand.

**Two-wheelers:** India is the second largest two-wheeler manufacturer in the world, yet the market penetration rate is only 92 vehicles per 1,000 people, which is expected to increase significantly over the coming years for the following factors:

- The incremental addition to the Indian youth is estimated to be ~ 41 million in the next five years which should accelerate demand
- The earning age of the average Indian has declined significantly
- The penetration of IT & ITeS services to Tier-II and III towns provided the youth with more money and aspirations

The replacement cycle is said to have reduced from ~ seven years (2001) to ~ five years (2011). As per industry estimates, around 50% of the sales is made to first-time buyers and only 30% to repeat customers – the replacement market provides a huge growth opportunity.

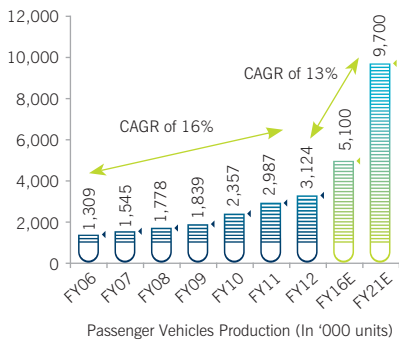
**Macro factors:** Rising incomes, growing middle-class and easy credit access are driving demand growth:

- Personal (nominal) disposable income is expected to rise annually by 8.2% over FY11-17
- Rising middle-class population is expected to touch 550 million by 2025 from 50 million in 2010
- Favourable demographics with a growing presence of youth

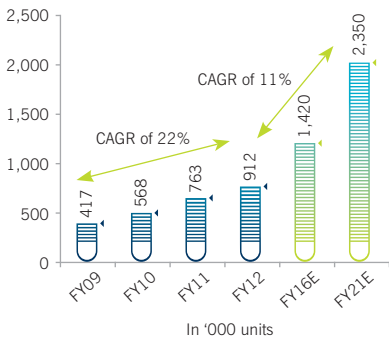


India is the second largest two-wheeler manufacturer in the world, yet the market penetration rate is only 92 vehicles per 1,000 people

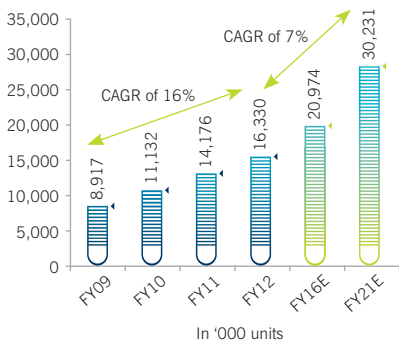
### Passenger vehicle outlook



### Commercial vehicle outlook



### Two and three wheeler outlook



Source: SIAM

• Easier credit access increases the offtake of passenger, two-wheelers and commercial vehicles; the auto finance industry grew at an average annual rate of 13% in FY08-12

### Amara Raja's strategy

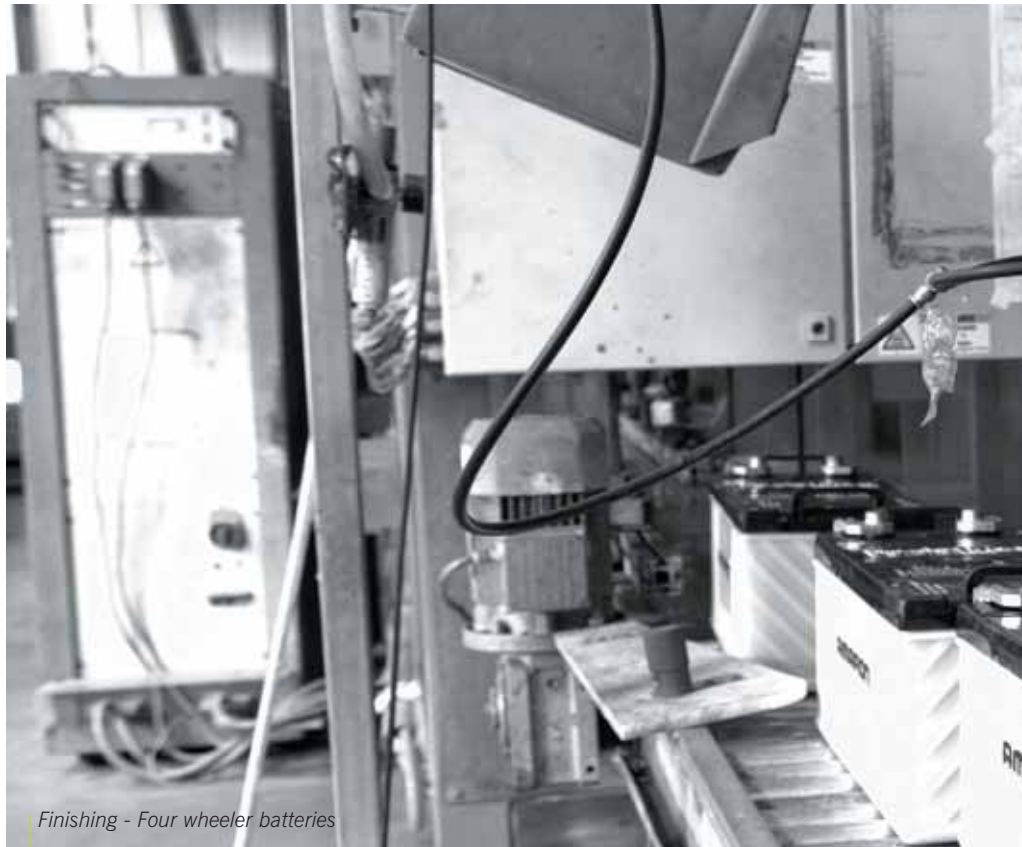
Amara Raja expects to outperform the industry average through the following measures:

- Increase sales to OEMs by securing approvals for new platforms of passenger cars
- Commence supplies to two-wheeler OEMs
- Increase ground-level activities across pan-India to widen brand penetration in the aftermarket

**New vertical:** The Company has drawn out a strategic blueprint to establish its presence in the Home UPS (HUPS) sector.

India's increasing power deficit (about 10-12% average) is the critical factor driving the growth of the HUPS industry. The conservative estimate of Indian HUPS market is at approximately ₹16 billion (by revenue). The size of the battery market, in revenue term, for HUPS is estimated at about ₹62 billion. The estimated average battery life is around 2½ to 3 years, providing enormous replacement potential.

This market is likely to report double-digit growth in the medium to long-term due to a steady demand from the domestic, small office home office



Finishing - Four wheeler batteries





(SOHO), small and medium enterprises (SMEs), commercial and other sectors.

While untapped rural and semi-urban markets hold a big potential, considering the frequent and long-duration power outages, the urban market continue to provide an equal opportunity due to a persisting power demand-supply gap.

Superior product quality, widening reach and a diminishing price gap between the organised and unorganised players are increasing a preference for branded products.

While Amara Raja's product development team is working to create a novel solution for this market, its marketing team seeded the market with outsourced products through its channel partners in select pockets. This strategy has helped

in a number of ways:

- It provided the channel partners with the entire range of power solutions, enhancing footfalls
- It provided valuable insights into this business space, which provided a strong reference for product development
- The Company's presence deterred regional players from making a strong presence in this market
- It created a ready market for the Company's own products

**New geographies:** The Company is looking to establish a footprint in other nations in the Indian Ocean Rim. It has identified certain high-potential markets, where it is looking to forge strategic alliances with channel partners for marketing its products.



India's increasing power deficit (about 10-12% average) is the critical factor driving the growth of the HUPS industry.



BUSINESS DRIVER

# Supply chain management



Finishing - Four wheeler batteries



The team ensures the products reach with speed in a cost-effective manner, handling 65 inbound and outbound vehicles a day, delivering products to more than 245 locations across India.

## Overview

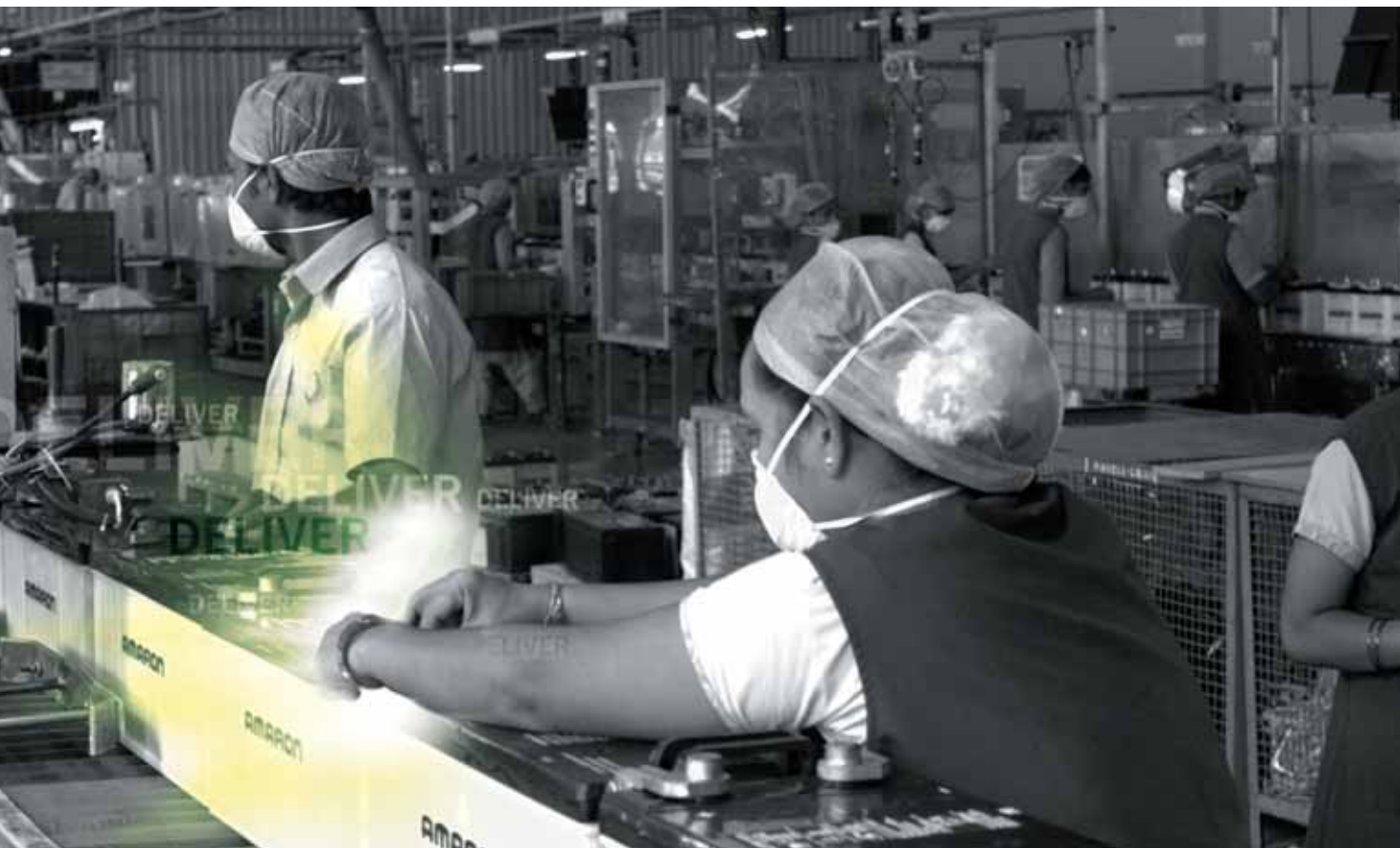
At Amara Raja, supply chain management is a critical business function that nurtures confidence across business stakeholders – shop-floor team (ensures machines will continue running), finance team (maintains optimum inventory), marketing team (material reaches the field on time), OEMs (batteries reach just-in-time consistently) and dealers (shelves remain stacked with products). To add to this complexity, competent supply chain management aggregates inputs from multiple sources within India and globally at the Tirupati plant and transports the end product to pan-Indian consumption centers.

**Raw material sourcing:** Lead and lead alloys represent the most critical

components in battery manufacture in value terms (followed by separators and plastic components, cumulatively constituting more than 65% of the manufacturing cost).

The Company maintains a prudent balance between imported lead (~45%) and lead sourced from domestic producers (~ 55%), about 37% is procured from secondary smelters. The Company maintains procurement synergies with its joint venture partner Johnson Controls Inc. USA, enhancing procurement efficiency.

During 2012-13, the Company strengthened its material sourcing capability at a minimal cost. It secured supply agreements for the entire volume of key inputs in line with its business



plan. In the current year, the team is developing vendors for seamless material procurement for its expanding capacities scheduled to commence production in 2013-14.

**Logistics:** The team ensures the products reach with speed in a cost-effective manner, handling 65 inbound and outbound vehicles a day, delivering products to more than 245 locations across India.

**Road transport:** The Company transported key input and finished products through commercial vehicles. In 2012-13, the Company faced a significant challenge in optimising logistic costs following rising diesel prices. In 2012-13, the team undertook a number of initiatives to strengthen

its logistics backbone. The team expanded its business relationships from transportation brokers to vehicle owners, which enhanced vehicle availability. It forged relationships with the best regional transporters to ensure that material always reached destinations on time. The team institutionalised an appraisal system that rewarded transporters for superior performance. The Company automated its document management system, which reduced vehicle waiting time to a quarter of the retrospective levels. The Company optimised its load factor per vehicle following which the logistics cost per unit of the finished product declined.

**Shipping:** The Company shifted its focus from dealing with customs house agents to establishing business relationships

directly with shipping lines. This entailed an analysis of key routes used for exports, the best liner for each such route and optimised shipping costs. Following the Star certification, the Company leveraged its export/import benefits from the Government for an unhindered material movement through ports and cost optimisation.

In 2013-14, the Company will strengthen the logistics network for its upcoming facilities.



BUSINESS DRIVER

# Quality management

## Overview

Amara Raja's quality passion is reflected in its ability to offer the longest warranty products, affirmed by its growing market share.

The Company institutionalised its Continuous Improvement (CI) and Lean Implementation programmes spearheaded by a dedicated apex-level team as well as multiple cross-functional shop-floor teams. It used various tools like TPM, QCC, Visual Management, 5S and Industrial Engineering (IE) studies to raise quality benchmarks. It benchmarked operational practices and process parameters with the plants of Johnson Controls Inc. to achieve global productivity and quality.



Gold award for 'Excellence in SME Services' from Indus Towers Limited

## 2012-13 in retrospect

The Company continued to improve resource utilisation and minimise in-process rejections. A number of shop-floors teams implemented low-cost automation projects and procedural improvements. Close to 200 such projects were successfully implemented at the automotive and industrial battery plants, which are expected to improve efficiencies and product quality significantly.

## Recognition for quality

- Received the gold award for 'Excellence in SME (Subject Matter Expertise) Services' from Indus Towers Limited

- BOSCH India recognised Amara Raja for excellent work in warranty improvement with a 'Quality award'.
- Received award for World Excellence under the Warranty Improvement category from Ford, USA.
- Participated in the international convention on Quality Circles and won the 3-star award; two of the Company's teams participated in the 26th National level QC Circle competitions and won awards in the 'Par Excellence' category.



BUSINESS DRIVER

## Human capital



Plate production - Two wheeler batteries

Amara Raja's edifice of dominance is built on the cornerstone of tireless efforts by its workforce - its 'human capital'. This comprised a rich mix of experience and energy, the average age of the 3,467 strong workforce is 31 years as

on March 31, 2013.

The Company's endeavour is not only to enhance its workforce in simple numbers, but also to ensure that the competencies are enhanced in line with the changing business needs. Different

teams collaborate with each other to create the optimal working culture, inculcate industry-best practices and foster an ethically motivated working culture.

### Team segregation

Description	Numbers	Percentage to total
Permanent employees with disabilities	2	0.06
Employees from weaker sections (BC,SC,ST&OST)	1,668	48.11
Permanent women employees	276	7.96
Other employees not included in any of the above	1,521	43.87
Total number of employees on the payroll of the Company	3,467	100.00
Employees hired on temporary/contractual/casual basis	1,831	



## Workforce strategy

A comprehensive regional study of the socio-economic environment, increasing competition and other integral aspects of the day to day working of the frontline workforce was conducted. Based on the study, the Company has initiated several specific and focused actions for its frontline workforce to ensure the achievement of the People Strategy. The Company also undertook comprehensive compensation benchmarking studies and other people related measures to ensure that they adopted appropriate people related decisions in the areas of engagement, performance and development.

## Talent acquisition

The in-house exclusive talent acquisition cell focused on inducting talented personnel to complement the Company's agenda of expanding its operations. The Company's 'Nava Prathibha' programme inducts and retains fresh talent through a structured induction programme comprising customised training sessions namely Amara Raja Trainee Scheme

(ARTS), Amara Raja Graduate Trainee and Technician Trainee Programme (ARGTP) and Amara Raja Graduate Engineer Trainee/Management Trainee Programme (ARGMP).

## AR e-induction

The Company's intranet-based e-induction enables on-boarding of new recruits within 72 hours of their joining. The programme comprises training modules regarding the functioning of the Company, the core purpose and values espoused at Amara Raja, its CSR and people development activities. The modules are structured to provide information on the culture, products, processes and important milestones of the Company. These modules are interspersed with quizzes and interactive content to ensure a faster alignment with the Company.

## Learning and development

At Amara Raja, members from diverse cultures, educational backgrounds and experience levels converge for the realisation of a singular goal – contribute in a meaningful way to accelerate the

Company's growth. In line with this, the Company institutionalised multi-hierarchical team training drills.

Amara Raja's Learning & Development Calendar (ARLDC) captures the developmental needs of the employees across all levels, identified through performance appraisals, TQM and TPM initiatives. In 2012-13, specific in-house programmes were anchored to build technical expertise and soft skills. Additionally, employees were nominated for participating in specialised learning and development workshops/seminars organised by external institutions.

In 2012-13, the Company introduced a unique capability building programme 'Guru Sikshana' to train potential trainers within the Company, in diverse fields. The Company provided 9,128 and 1,677 man-hours of training to existing employees and new recruits, respectively.

## T-Gauge

In 2012-13, the Company introduced the 'T-Gauge' tool to measure training effectiveness. This online software is



based on the world-renowned Donald Kirkpatrick's Four-Level Training Evaluation Model. The HR team continued its Company-wide awareness and training programme to acquaint people with the T-Gauge model, its utilisation and outcomes.

### **Employee engagement**

The Company conducted a Pulse Survey covering 20% of the total employee population, to gauge the impact of the changes mediated by the action plans. These action plans were based on the comprehensive annual survey (AR Speak) comprising 20 dimensions. Encouraging improvements were seen in the scores of dimensions-communication, rewards and recognition and role-clarity. This reflects the positive impact of the action plans implemented based on previous years' survey. The leadership team will continue to track the progress of this initiative.

### **HR portal**

The employee's intranet portal was revamped with new look and content. The new portal 'People Connect' enables

the employees across locations to get up-to-date information on important events, milestones and policies. The portal's active discussion board enables people to stay connected at all times and share information. 'Saahaayya Kendra', a feature which enables employees to post their queries to HR Shared Services.

### **HR-analytics**

To monitor lead and lag indicators, the Company has developed various metrics for each SBU/Business vertical. This enabled the leaders to measure the return on human capital investments in an effective manner and make appropriate decisions. Many of these metrics were integrated with the SAP HR module. Along with HR-excellence deployment, HR-analytics will help the Company emerge as a preferred employer.

### **Group communication meet**

During the year, the Company conducted a communication meet where the core purpose, vision and values of the Company were explained to employees. Dr. Ramachandra N Galla, Chairman,

Mr. Jayadev Galla, Vice Chairman and Managing Director and the senior management addressed employees. The event was webcast across all locations. A question-answer session provided an opportunity for everyone to interact directly with the apex leadership team.

### **The Amara Raja Way**

Amara Raja continued its journey of institutionalising its five values ('Innovation, Excellence, Entrepreneurship, Experiences and Responsibility'). An innovatively-designed five-colour uniform representing each value was distributed among employees. A booklet containing the value definition, pen stand and book markers were issued for easy recall of the value definition. The Amara Raja Way will be taken forward via similar activities in 2013-14.



BUSINESS DRIVER

# Information technology



## Overview

At Amara Raja, IT integrates operations and processes across plants, corporate offices and regional offices, providing real-time data for informed decision-making. The central infrastructure and in-house team at Tirupati addresses the growing information and communication technology requirements despite challenges posed by the remote nature of locations.

## 2012-13 in retrospect

- Complete in-house support and SAP enhancement met specific requirements
- Improved Business Intelligence software which provides business insight to the senior and middle management personnel
- Increased bandwidth at major locations

- Leveraged barcoding technology at the distribution centers for effective inventory management

## Roadmap for 2013-14

The Company will complete the Advanced Planning & Optimisation module of SAP to improve production planning, optimise plant utilisation and enhance operational efficiency. The Company is working on a software for Amaron Franchisees, enhancing an insight into secondary sales analytics. The Company's IT team is poised to address ICT requirements for greenfield projects. The Company is evaluating a software to provide customised information on its export-import functions.





BUSINESS DRIVER

## Internal control



Amara Raja believes that business efficiency, management effectiveness and asset safeguarding can be sustained through adequate internal control and process standardisation. At the Company, internal control is exercised through the following initiatives:

- Accurate recording of transactions with multi-layered checks
- Consistent accounting policies and practices; compliance with prescribed accounting standards
- Control reviews of long-term plans, annual budgets with mid-course correction
- Critical operational and security controls in the ERP platform
- Documented policies and guidelines
- Initiatives in line with statutory requirements
- Constant monitoring by internal control personnel
- Audits and reviews by independent professionals
- Interactions between independent auditors, management and audit committee on scope, observations and outcomes of audits and reviews

# A better understanding of the numbers

## A. Analysis of the Statement of Profit and Loss

₹ Million

Parameters	2012-13	2011-12	Change (%)
<b>INCOME</b>			
Sales (net of excise duty)	29,614	23,645	25.24
Other income	465	280	66.07
<b>Total</b>	<b>30,079</b>	<b>23,925</b>	<b>25.72</b>
<b>EXPENDITURE</b>			
Material cost	19,950	16,070	24.14
Employee expenses	1,266	1,003	26.22
Other expenses			
- Manufacturing expenses	1,443	916	57.53
- Selling expenses	1,655	1,591	4.02
- Administration expenses	699	559	25.04
- Sundry expenses	85	110	(22.73)
Depreciation and amortisation	661	465	42.15
Finance cost	10	25	(60.00)
<b>Total</b>	<b>25,769</b>	<b>20,739</b>	<b>24.25</b>
Profit before exceptional items	4,310	3,186	35.28
Exceptional expenses (net)	(92)	-	
<b>Profit before tax</b>	<b>4,218</b>	<b>3,186</b>	<b>32.39</b>
Income and Deferred tax	1,351	1,035	30.53
<b>Profit after tax</b>	<b>2,867</b>	<b>2,151</b>	<b>33.29</b>
Earning per share (EPS) – ₹	16.78	12.59	33.28

### Ratios as a percentage of sales:

Parameters	2012-13	2011-12	Change (%)
Material cost	67.37	67.96	(0.59)
Employee expenses	4.28	4.24	0.04
Other expenses	13.11	13.43	(0.32)
Depreciation and amortisation	2.23	1.97	0.26
Finance cost	0.03	0.11	(0.07)
Profit before tax	14.24	13.47	0.77
Profit after tax	9.68	9.10	0.58

## Income

A 25% revenue growth was driven by increased volumes across business verticals – 20% in automotive four-wheeler batteries, 37% in automotive two-wheeler batteries, 18% in telecom and 10% in the UPS sector. Automotive batteries accounted for about 60% of revenues. The revenue from automotive batteries included trading sales of Amaron® and PowerZone™ branded Home UPS and tubular inverter batteries worth ₹2,585 million in 2012-13, compared to ₹881 million in 2011-12.

Passenger car aftermarket battery prices were increased twice by 3.5% each in December 2012 and March 2013 to cover inflation and lead prices. Income from the sale of services grew significantly due to the Company's service matrix alternation from marketing to solutions.

The 66% increase in Other Income – from ₹280 million in 2011-12 to ₹465 million in 2012-13 – was the result of an increase in interest income, dividends and cash discounts. Other income comprised ₹197 million of operating income and ₹268 million of non-operating income.

## Costs

There was an increase in material costs owing to increased volumes, enhanced trading, rupee depreciation against the US\$ and increase in lead prices (Q4/2012-13). Material cost as a percentage of net sales was 67.4% in 2012-13 compared with 68.0% in 2011-12.

The people cost increased on account of an increase in annual compensation, marginal headcount addition and the annualised effect of the cost of the previous year. This included

remuneration equal to 5% of profit before tax (₹235 million for 2012-13 compared with ₹174 million for 2011-12) to Mr. Jayadev Galla, Vice Chairman and Managing Director, and ₹24 million (PY - nil) to Mr. Ravi Bhamidipati, Executive Director.

Other expenses comprised manufacturing, administrative and selling expenses. Manufacturing costs increased substantially due to enhanced production volumes and increase in power costs from ₹540 million in 2011-12 to ₹987 million in 2012-13. The unit power cost (cost per kwh) increased by about 45% from ₹4.69 to ₹6.82 on account of a shortage in power availability, higher grid power tariff and power sourcing through open access.

Administrative expenses grew due to an increase in rentals, commission to non-executive chairman (3% of profit before tax) and a higher CSR contribution (2% of profit before tax).

The Company's finance cost declined substantially from ₹24.47 million in 2011-12 to ₹9.98 million in 2012-13.

Cost of depreciation and amortisation included ₹75.52 million towards the impairment in the value of industrial

land in Uttarakhand and an additional depreciation of ₹50.49 million due to a revision in the estimated useful life of certain assets.

## Profits and profitability

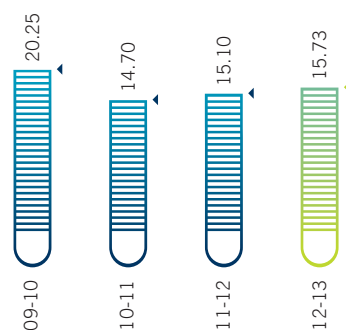
EBIDTA grew 30.48% from ₹3,570 million in 2011-12 to ₹4,658 million in 2012-13. The net profit for the year jumped 33.29% from ₹2,151 million in 2011-12 to ₹2,867 million in 2012-13. As a result, earning per share climbed from ₹12.59 to ₹16.78 over the same period.

EBIDTA margin grew by 63 bps from 15.10% in 2011-12 to 15.73% in 2012-13. This improvement was due to better sales realisation in the industrial battery business, lower lead consumption base, costs rationalisation and optimisation measures, which more than countered the considerable rupee depreciation against the US\$, higher power cost and escalating logistics costs consequent to rising fuel prices

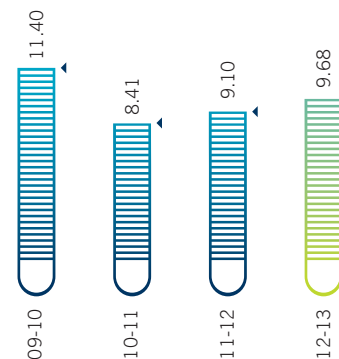
In 2012-13, OEM business margins reduced considerably, which impacted margins growth.

The return on assets increased by 1,398 bps from 45.76% in 2011-12 to 59.74% in 2012-13

EBIDTA margin (%)



Net margin (%)



## B. Analysis of the Balance Sheet

₹ Million

Parameters	2012-13	2011-12	Change (%)
<b>SOURCES OF FUNDS</b>			
Shareholders' funds	10,598	8,235	28.69
Non-current liabilities	1,345	1,150	16.96
Current liabilities	5,762	4,130	39.52
<b>Total</b>	<b>17,705</b>	<b>13,515</b>	<b>31.00</b>
<b>APPLICATION OF FUNDS</b>			
Non-current assets			
Fixed assets	4,618	3,861	19.61
Investments	161	161	
Others	357	98	264.29
Current assets	12,569	9,395	33.78
<b>Total</b>	<b>17,705</b>	<b>13,515</b>	<b>31.00</b>

### Shareholders' funds

There was no change in the equity share capital – paid up capital stood at ₹170.81 million in 2012-13 (170,812,500 shares of ₹1 each). The Company has sub-divided the equity shares of face value of ₹2 each to ₹1 each on September 26, 2012.

There was a 29% increase in reserves and surplus from ₹8,064 million in 2011-12 to ₹10,427 million in 2012-13 following a 33% higher retained earnings (from ₹1,776 million in 2011-12 to ₹2,363 million in 2012-13). As a result, the book value per share of ₹1 each increased from ₹48.21 in 2011-12 to ₹62.05 in 2012-13. Return on networth grew 117 bps -- from 29.28% in 2011-12 to 30.45% in 2012-13.

### External funds

The Company was free of interest-bearing debt and net cash surplus as at March 31, 2013. The non-interest bearing debt stood at ₹881 million.

The debt-equity ratio, without adjusting for free cash, improved from 0.10 as on March 31, 2012 to 0.08 as on March 31, 2013.

### Fixed assets

Gross block (excluding capital work-in-progress) increased from ₹6,213 million as on March 31, 2012 to ₹6,803 million as on March 31, 2013 with net addition of ₹590 million during the year under review. Capital work-in-progress increased considerably from ₹311 million in 2011-12 to ₹1,025 million in 2012-13, primarily on account of an ongoing greenfield Medium VRLA capacity expansion project.

### Working capital

Inventories increased 10% from ₹2,666 million as on March 31, 2012 to ₹2,929 million as on March 31, 2013. This jump was largely owing to a higher stock of traded goods (Home UPS and Tubular Inverter Batteries) of ₹369 million (PY ₹45 million) ahead of the peak summer season.

The 19% increase in trade receivables from ₹3,197 million as on March 31, 2012 to ₹3,807 million as on March 31, 2013 was in line with an increase in business volumes.

Cash and bank balances jumped 79% from ₹2,292 million as on March 31, 2012 to ₹4,108 million as on March 31, 2013 owing to higher profits, improved working capital management and retained earnings. A sum of ₹3,652 million was parked in fixed deposits with banks.

Trade payables increased from ₹876 million as on March 31, 2012 to ₹1,363 million as on March 31, 2013 in line with the increased operational scale and the ability to work on better credit terms.

The trade working capital as a percentage of net sales improved by 295 bps from 21.09% in 2011-12 to 18.14% in 2012-13.

## Dividend

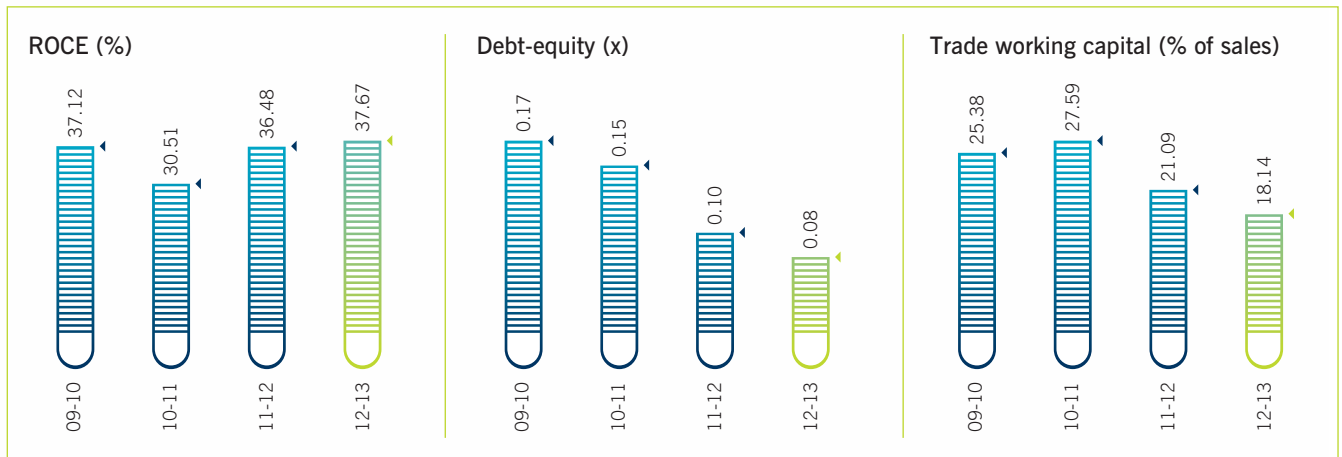
Cash outflow on account of dividend and corporate dividend tax will be ₹430.45 million and ₹73.15 million respectively in line with the Company's dividend

distribution policy of 15% dividend payout.

## Credit rating

CRISIL has recently upgraded the

Company's rating from 'AA/Stable' to 'AA+/Stable' for long-term borrowings and reaffirmed the rating of 'A1+' for short-term borrowings, reflecting the robust financial strength.



## C. Analysis of the Cash Flow Statement

₹ Million

Parameters	2012-13	2011-12
Profit from operations (after tax)	3,448	2,865
Change in working capital	(93)	120
Net cash flow from operating activities	3,355	2,985
Investment in fixed assets	(1,464)	(814)
Cash flow from investing activities	259	72
Cash flow from financing activities	(350)	(418)
Net cash inflow	1,800	1,825

Net cash inflow from operations, after adjusting for net change in working capital, improved from ₹2,985 million in 2011-12 to ₹3,355 million in 2012-13. This reflected improved liquidity despite a challenging external business environment.

In 2012-13, the Company invested ₹1,464 million in fixed assets addition,

which included an investment in the ongoing greenfield capacity expansion of the Medium VRLA product line.

Cash inflow from investing activity represented interest and dividend income on deployment of surplus cash. Surplus cash was invested profitably in liquid funds and fixed deposits with banks.

**The Company won the third position (back to back recognition) in the National Award for Excellence in Cost Management for 2012 under Private-Manufacturing-Organisation Large from the Institute of Cost Accountants of India.**

# Managing business uncertainties

Risk accompanies prospects. As a responsible corporate, it is the endeavour of the management to minimise the risks inherent in the business with the view to maximise returns from business situations.

At the heart of Amara Raja's risk mitigation strategy is a comprehensive and integrated risk management framework that comprises prudential norms, structured reporting and control. This approach ensures that the risk management discipline is centrally initiated by the senior management but prudently decentralised across the Company, percolating to managers at various levels helping them mitigate risks at the transactional level. At Amara Raja, the risk management team meets periodically to review the key risks which could impact the Company, the de-risking initiatives and their effectiveness in an ever-evolving external environment.



## Business growth risk

The Company's growth percentage could decline.

**Mitigation measure:** Amara Raja is yet to reach its rightful position in the market based on its product quality and preferred brand position. As a result, the Company's growth will continue to outpace the broad sectoral growth. In addition, the Company is expanding business verticals by establishing a presence in new applications – solar batteries and Home UPS batteries – which provide large and sustained growth over the long-term. The Company is also working upon a blueprint to increase exports in the Indian Ocean Rim. On the supply side, the Company is embarking on a ₹7 billion plus investment plan, which is expected to commence operations in 2013/2014 and translate into attractive growth.



## Sectoral downturn risk

A slowdown in any particular sector could derail the Company's growth projections.

**Mitigation measure:** The Company's business is broad-based across a number of user sectors and sub-sectors, de-risking the Company's performance from a slowdown in any particular sector. This is clearly visible: despite a lacklustre performance by the automobile sector in 2012-13, automotive volumes grew a healthy 20%. Further, the Company's growth dominance in the aftermarket in the automotive and industrial battery businesses – a recession-proof business sector – helped mitigate volatility. In addition, the addition of new business verticals and new geographies will further de-risk the Company from a sectoral downturn.

"Fear of failure must never be a reason not to try something."  
- Frederick Smith



### Market share risk

The Company may yield market share through its inability to address opportunities.

**Mitigation measure:** The on-going slowdown in the OEM business in automotive and UPS sectors is expected to work as a boon as it will help the Company in maintaining its market share in the aftermarket sectors. The Company will protect the aftermarket supplies through the following initiatives:

- Increased capacity (May 2013) of four-wheeler batteries from 5.6 to 6.0 million units per annum.
- Allocating flat plate inverter battery capacity for making four-wheeler batteries for the aftermarket sector.
- Following the commissioning of new MVRLA lines in Q3 2013-14, a part of the capacity will be utilised for making four-wheeler batteries for the aftermarket.



### Profitability risk

Inflation could affect the Company's profitability.

**Mitigation measure:** The Company's passion to strengthen return from every rupee invested was derived from its Continuous Improvement (CI) and Lean Management programmes. This enables the Company to eliminate wastage, strengthen man-machine productivity, reduce power consumption and improve product quality. The Company's ability (through its joint venture partner) to access path-breaking process technologies and leverage sourcing efficiencies will help optimise costs. Its sustained efforts to launch superior product variants will sustain margins. Going ahead, the commissioning of the new facilities will allow a better absorption of fixed overheads, improving business margins.



### Liquidity risk

Capacity expansions could stretch liquidity.

**Mitigation measure:** The Company was zero-debt until March 31, 2013, a result of robust cash flows and prudent fund management. As on March 31, 2013, the Company enjoyed a significantly low debt-equity ratio of 0.08 (without adjusting for free cash) which, can now be leveraged for adequate funds mobilisation. The Company enjoys significant working capital limits, which remain largely unutilised. CRISIL upgraded the Company's rating on its long-term bank facilities from CRISIL AA/stable to CRISIL AA+/stable, strengthening the ability to mobilise low-cost funds.



## Sustainable business practices

---

Amara Raja is inspired by the opportunity to make a meaningful contribution to the society through a commitment that extends beyond the market. The Company firmly believes that businesses must make a positive contribution to societal upliftment by fashioning corporate strategies that build economic, environmental and social capital for the nation. The Company's stakeholder-centric approach has helped profitable business growth in good times and bad.





## **Economic responsibility**

*"I wanted the Company I started to be technologically advanced. I wanted to enter a field where one could move from 'today's technology' to a 'futuristic technology.' Battery technology at that time in India was lagging behind and I saw an opportunity to bridge the technology gap."*

*- Dr. Ramachandra N Galla, Chairman*

Amara Raja was set up with a definite goal – of making a perceptible change in the areas of its presence by bringing global products that enhance the Indian customers' experience.

**Business space transformation:** Amara Raja invested in the VRLA battery technology at a time when it was unheard of in India. The Company was the first to introduce VRLA technology for industrial standby applications. Within few years of launch, majority of the telecom, UPS, air conditioned railway coaches and other industrial applications converted to this superior technology.

The Company pioneered technologically in the following aspects as well:

- Zero-maintenance batteries for automotive applications in India
- Fully-charged batteries from the time of manufacture

- VRLA batteries for two-wheeler applications

- 60-month warranty on batteries in India

**Marketing experience:** The Company transformed the customer purchasing experience with a differentiated distribution strategy:

- Pioneered the concept of channel sales (putting batteries on the shelves of auto component and service retail networks) beyond battery trade which can be seamlessly expanded
- 'Amaron PitStops', which provided an air-conditioned battery purchase experience
- 'PowerZone', the first formatted, air-conditioned, rural distribution initiative

**Facility:** The Company invested in a most sophisticated, fully-integrated battery manufacturing facility, which is

now Asia's largest single location battery manufacturing plant.

### **Contribution to the State Government:**

The CII Andhra Pradesh has established 'Taskforce on Non-Migratory Jobs' under the chairmanship of Dr. Ramachandra N Galla, Chairman, Amara Raja Group. The mandate of this taskforce is to analyse the needs of the industry to promote employment generation in rural areas, with recommendations to create a blueprint.

**Shareholder wealth creation:** Amara Raja grew shareholder value in a consistent way. Consider this: A ₹1,000 investment in Amara Raja on April 1, 2008 was valued at ₹4,000 on March 31, 2013 despite an ongoing economic slowdown.



○ **People responsibility**

*"I did not come to India (after 18 years of working in the US) for comforts of living or a city lifestyle. I came here to serve my people, my society... by starting an industry in rural areas, developing rural employment and channelising skills of the dedicated and hardworking people of India."*

*- Dr. Ramachandra N Galla, Chairman*

**A**mara Raja's business is to manufacture batteries, its passion is to inspire its team and its objective is to improve livelihoods.

**Employment:** The purpose behind the remote location of Amara Raja's facility was through business enterprise to help in the transformation of society. For around 80% of its employees the job at Amara Raja was their first. The Company reconciled global technology and unskilled / uneducated labour. The Company's rural distribution network generated employment opportunities.

**Training:** The Company's institutionalised training comprised both technical and soft skills encompassing IE Studies, Lean, Six Sigma and Quality Circle projects.

**Safety and health:** The Company's holistic health and safety-oriented approach is based on the conviction that a safe and healthy team helps grow the Company faster. The Company's well-equipped safety installations, structured training, awareness programmes, periodical drills and audits addressed emergencies effectively. Ergonomics facilitated automation / semi-automations through IE studies.

The Company has one of the best Occupational Health Centre with high quality equipment and advance life support ambulance with qualified medical staff and doctors. Employee health check-ups were conducted periodically in addition to periodic health-related awareness programs.

The Company declared 2012-13 as the HSE year. It launched Behaviour Based Safety (BBS) programme to improve the safety culture at all levels, emphasising that occupational health and safety is everyone's responsibility.

**Livelihood improvement:** The Rajanna Trust conducted regular training and awareness programmes to educate farmers with modern farming technologies, use of appropriate fertilisers and pesticides, superior harvesting techniques, transport and storage of agricultural produce leading to safe farming practices, better yield and realisation.

**Watermark:** In 2012-13, the Company was re-certified for Occupational Health and Safety (OH&S) Management System – OHSAS 18001-2007.

80%

For around 80% of its employees the job at Amara Raja was their first



○ **Environmentally responsible**

*“We transformed a barren land parcel into one of the greenest battery facilities; more than 70% of our factory area is covered with foliage.”*

*- Dr. Ramachandra N Galla, Chairman*

Amara Raja is working continuously to reduce its environmental footprint by offering environment-friendly products. The Company focused on waste reduction and natural resource conservation. Key related measures comprised the installation of efficient pollution control equipment, tree plantation and safe disposal of hazardous wastes.

**Power consumption:** The Company implemented several initiatives to reduce energy consumption:

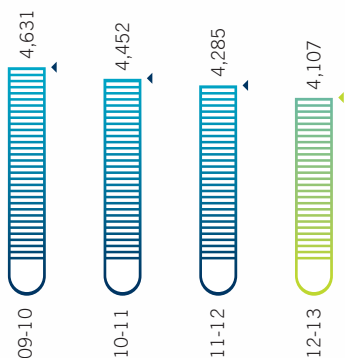
- Installed Variable Frequency Drivers (VFD) and Active Power Factor Correctors (APFC)
- Implemented day lighting systems
- Installed centralised lead melting pots in grid casting areas
- Optimised formation cycle times

- Installed LED streetlights and solar water heaters

**Green cover:** Amara Raja cultivated medicinal herbs in a 222-acre hillock in Pemmugutta (Chittoor district), which provides livelihood to 40 tribal families. To expand this project, the Rajanna Trust and Nandan Cleantech Limited, Hyderabad, conducted a baseline survey at the Pemmugutta Hill under the Green Cover project to identify suitable land for growing the Jatropha plantation (ideal for bio-diesel production). Under the Blue Sky CSR initiative, the Rajanna Trust extended the green cover at Petamitta village with the assistance of community, school children and employees.

**Watermark:** In 2012-13, the Company was re-certified for Environment Management System – ISO 14001:2004.

Electricity consumed in Kwh per lakh of Ampere hour produced



**11%**

Reduction in energy consumption in the four years leading to 2012-13

**32,000 plus**

Trees planted within the Tirupati campus



## ◦ Socially responsible

*"An entrepreneur is first a social worker and then a businessman!"*

*- Dr. Ramachandra N Galla, Chairman*

Amara Raja is committed to growing smiles for every battery produced. While it increases volumes, it is equally determined to ensure progressive development of the society.

The Company undertakes its corporate social activities predominantly through Rajanna Trust, Mangamma and Gangulu Naidu Memorial Trust (Mangal Trust) and Krishnadevaraya Educational and Cultural Association (KECA). It has adopted a policy of contributing 0.2% of its turnover or 2% of its profits before tax each year, whichever is higher, to public charitable causes.

The Company continues to support two schools at Karakambadi and Petamitta and a Junior college in Petamitta village. Today, there are a total of 2,250 students being educated at these educational institutions.

The Company donated ₹50 million to the

Mangal Trust for constructing a state-of-the-art Skill Development Centre (SDC) for providing training to the rural youth and making them employable. This Centre will also be utilised to provide training in structured skills for Amara Raja team members.

During the year, the Company partnered with the State Government and established a 30-bed Primary Health Center, comprising best-in-class equipment for preventive primary healthcare (including maternity).

The Company (through Trusts) provided safe drinking water to Diguvmagham and Petamitta villages through overhead tanks comprising reverse osmosis facility. The Company embarked on a safe drinking water provision to the Rajiv Nagar Panchayath (Tirupati) to be implemented in 2013-14. The Rajanna Trust maintained 23 check dams and six

lakes, ponds and other water sources to enhance ground water levels across 50 villages of Chittoor district.

As part of a rehabilitation programme for the 2009 flood victims, the Company completed the construction of four common weaving sheds with a toilet block in Nagaladinne village, Kurnool district, and completed the electrification in three common weavers sheds.

## Joy of Giving

Amara Raja organised the Joy of Giving programme for the fourth consecutive year across India. A week-long programme was conducted in Tirupati, where 76,000 pairs of clothes and other useful materials were collected from the general public and employees for onward donation towards the weaker sections of society.

₹285 million

Contributed towards social responsibility programmes in the last five years leading to 2012-13

1,548

Rural employment opportunities created in the last three years leading to 2012-13

# 10 - Year Financials

₹ Million

Parameters	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<b>OPERATING RESULTS</b>										
Net sales	29,614	23,645	17,611	14,645	13,132	10,833	5,958	3,637	2,199	1,636
Profit before depreciation, interest & tax (PBDITDA) *	4,658	3,570	2,588	2,965	2,056	1,795	905	521	262	118
Profit before interest & tax (PBIT) *	3,952	3,096	2,171	2,536	1,711	1,551	735	374	125	(4)
Profit before tax (PBT)	4,218	3,186	2,204	2,546	1,227	1,459	712	373	136	12
Profit after tax (PAT)	2,867	2,151	1,481	1,670	805	944	470	238	87	14
Dividend	430	323	393	248	68	40	40	28	23	17
Dividend tax	73	52	65	42	12	7	7	4	3	2
Retained profits	2,363	1,776	1,023	1,380	725	897	423	206	61	(5)
<b>SOURCES AND APPLICATION OF FUNDS</b>										
<b>SOURCES OF FUNDS</b>										
Share capital	171	171	171	171	171	114	114	114	114	114
Reserves and surplus	10,427	8,064	6,288	5,266	3,885	3,217	2,323	1,899	1,693	1,632
Networth	10,598	8,235	6,459	5,437	4,056	3,331	2,437	2,013	1,807	1,746
Debt	881	855	1,000	912	2,859	3,163	1,407	405	233	149
Deferred tax liability	195	220	205	216	182	169	136	120	131	145
Funds employed	11,674	9,310	7,664	6,565	7,097	6,663	3,980	2,538	2,171	2,040
<b>APPLICATION OF FUNDS</b>										
Gross fixed assets	6,727**	6,213	5,388	4,911	4,271	3,106	2,577	1,907	1,672	1,584
Accumulated depreciation	3,138	2,667	2,237	1,854	1,458	1,217	1,009	863	724	592
Net fixed assets	3,589	3,546	3,151	3,057	2,813	1,889	1,568	1,044	948	992
Capital work-in-progress (CWIP)	1,030	315	375	227	396	657	62	48	13	10
Investments	161	161	161	161	471	162	162	320	236	209
Gross current assets	12,924	9,494	7,472	6,311	5,260	5,749	3,500	2,280	1,613	1,190
Current liabilities and provisions	6,030	4,206	3,495	3,191	1,843	1,794	1,312	1,154	639	361
Net current assets	6,894	5,288	3,977	3,120	3,417	3,955	2,188	1,126	974	829
Net assets	11,674	9,310	7,664	6,565	7,097	6,663	3,980	2,538	2,171	2,040
<b>RATIOS</b>										
PBT to net sales (%)	14.24	13.48	12.51	17.38	9.34	13.47	11.95	10.26	6.18	0.73
PAT to net sales (%)	9.68	9.10	8.41	11.40	6.13	8.71	7.89	6.54	3.96	0.86
Return on assets (ROA) (%) ++	59.74	45.76	34.61	44.51	30.62	33.91	25.44	18.55	6.81	(0.23)
Return on networth (%) @@	30.45	29.28	24.90	35.18	21.80	32.73	21.12	12.46	4.90	0.82
Debt : Equity (times)	0.08	0.10	0.15	0.17	0.70	0.95	0.58	0.20	0.13	0.09
Fixed assets turnover (times) &&	7.53	6.42	5.57	4.79	4.67	5.73	3.80	3.48	2.32	1.65
Earnings per share (₹)	16.78#	12.59#	17.34	19.56	9.42	16.57	41.31	20.94	7.63	1.22
Dividend (%)	252	189	230	145	40	35	35	25	20	15
Dividend per share (₹)	2.52	1.89#	4.60	2.90	0.80	0.70	3.50	2.50	2.00	1.50
Book value per share (₹)	62.05#	48.21#	75.63	63.65	47.49	58.50	213.98	176.76	158.66	153.32
Share Price (as of March 31) - (₹)	273.65##	292.80	189.75	164.20	36.65	195.65	340.40	234.25	91.65	57.15

\* PBDIT and PBIT are net of non-operating income and expenditure

\*\* Gross fixed assets are net of impairment in value

++ ROA is PBIT divided by Average Net Operating Assets. Net operating assets exclude CWIP, Cash and Non-Trade Investments

@@ Return on networth is computed based on average networth

&& Year end net fixed assets and manufacturing revenue are considered for computing fixed assets turnover

# Earnings, dividend and book value per share of ₹1 each

## The Company has sub-divided the equity share of ₹2 each to ₹1 each on September 26, 2012

# Corporate Information

## Board of Directors

Dr. Ramachandra N Galla, *Chairman*  
Jayadev Galla, *Vice Chairman and Managing Director*  
Ravi Bhamidipati, *Executive Director*  
Shu Qing Yang  
Eric Stuart Mitchell (w.e.f April 18, 2013)  
Craig W Rigby (upto April 18, 2013)  
Raymond J Brown  
P Lakshmana Rao  
Nagarjun Valluripalli  
N Sri Vishnu Raju  
T R Narayanaswamy

## Company Secretary

N Ramanathan (upto April 23, 2013)  
M R Rajaram (w.e.f June 11, 2013)

## Management Team

K Suresh, *Chief Financial Officer*

### Industrial Battery Division

Srinivasa Rao Ganga, *Chief Marketing Officer*  
M M Venkata Krishna, *Chief Operations Officer*

### Automotive Battery Division

Rajesh Jindal, *Chief Marketing Officer*  
M Jagadish, *Chief Operations Officer*

## Auditors

M/s. E Phalguna Kumar & Co.  
Chartered Accountants  
Tirupati  
M/s. Chevuturi Associates  
Chartered Accountants  
Vijayawada

## Cost Auditors

M/s. Nageswara Rao & Co.  
Cost Accountants, Hyderabad

## Bankers

State Bank of India, Settipalli, Tirupati  
Andhra Bank, Main Branch, Tirupati  
State Bank of Hyderabad, Main Branch, Tirupati  
The Bank of Nova Scotia, Coimbatore

## Registered Office and 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  
Website: [www.amararaja.co.in](http://www.amararaja.co.in)  
e-mail id: [investorservices@amararaja.co.in](mailto:investorservices@amararaja.co.in)

## Registrar and Share Transfer Agents

M/s. Cameo Corporate Services Limited  
Subramanian Building  
No.1, Club House Road  
Chennai – 600 002  
Tel: + 91 44 2846 0390  
Fax: + 91 44 2846 0129  
e-mail id: [investor@cameoindia.com](mailto:investor@cameoindia.com)



# Directors' Report

Dear Members,

Your Directors have pleasure in presenting their report together with the audited financial statements for the financial year ended March 31, 2013.

## Financial Highlights

₹ Million

Parameters	2012-13	2011-12
Net revenue	29,614	23,645
Other income	465	280
<b>Total income</b>	<b>30,079</b>	<b>23,925</b>
Operating profit (EBIDTA)	4,658	3,570
Profit before tax (PBT)	4,218	3,186
<b>Profit after tax (PAT)</b>	<b>2,867</b>	<b>2,151</b>
Surplus brought forward	6,221	4,661
Amount available for appropriation	9,088	6,812
<b>Appropriations:</b>		
Transfer to General Reserve	287	215
Dividend on equity share capital		
Proposed dividend	430	323
Corporate dividend tax	73	52
Surplus carried forward to balance sheet	8,298	6,221

## Performance overview

The Company has recorded total revenue (net of excise duty) of ₹29.61 billion as against ₹23.64 billion in the previous year showing a remarkable 25% growth. The operating profit (Earnings Before Depreciation, Interest, Tax and Amortisation-EBIDTA) for the year stood at ₹4,658 million (previous year ₹3,570 million) representing 15.73% of net revenue. The Profit Before Tax (PBT) and Profit After Tax (PAT) for the financial year ended March 31, 2013 was at ₹4,218 million and ₹2,867 million as against ₹3,186 million and ₹2,151 million of the previous financial year respectively. The profit after tax has registered an impressive 33% growth. The financial year 2012-13

was a yet another significant year in terms of highest ever turnover and profit in the history of the Company.

## Industrial battery business

The Company's Industrial Battery business registered double digit revenue growth over the previous financial year and improvement in price realisation, despite capacity constraint and challenging & competitive market conditions. The demand from the telecom sector is primarily from replacement. This sector during the year has witnessed significant slowdown in both network expansion and up-gradation plans. The growth rate of UPS demand has moderated by the country's adverse

macro-economic conditions. Amidst these challenges, the industrial battery business improved the overall performance by virtue of its “preferred supplier status” with all major customers, backed by timely supplies, efficient after sales service, customer relationship management and consistent product performance of both PowerStack® and Quanta® batteries. During the year the Company has successfully introduced a new range of large VRLA battery (Quick Recharge Series – QRS) for telecom application which offers reliable performance enabling customers to optimise power cost.

The Company continues to retain dominant market share both in telecom and UPS battery businesses. The Company is investing on the capacity enhancement in medium and large VRLA product lines to meet the growing demand and also to sustain the growth momentum. The greenfield capacity expansion (from 1.80 million units to 3.60 million units per annum) project in medium VRLA product line and brownfield capacity expansion (to 900 million Ah per annum) project in large VRLA product line are progressing as per schedule and will commence supplies in Q3/Q4 FY 2014. The ultimate large VRLA product line capacity will be 1.00 billion Ah. The total capital commitment for the said expansions is ₹2.40 billion.

### Automotive battery business

The Company's Automotive Battery business reported strong double digit revenue growth supported by good volume increase of 20% in four-wheeler and 37% in two-wheeler batteries, over the previous financial year, despite capacity constraints in automotive four-wheeler batteries during the year. The year under review witnessed double digit volume growth in automotive OEM business, notwithstanding depressed automobile production in the country due to unfavorable macro-economic conditions.

Substantial volume growth in both four-wheeler and two-wheeler replacement segments was due to strong demand for Company's products, ably supported by focused action around the product offering, brand, channel and customer relationship. The continuing consumer preference for Amaron® and PowerZone™ enabled gains in market share both in aftermarket and OEM. The Company is well on course towards bulk supplies to two-wheeler

original equipment manufacturers.

The launch of Amaron® and PowerZone™ branded tubular inverter batteries and Home UPS under private label program facilitated the Company to fill the gap in product offering to the channel and helped to improve volume and market share. The pan-India consumer response to these products has been very encouraging and this vertical will aid to grow the revenue and profits of the Company in the years to come.

During the year, the Board of Directors has approved investments of ₹5.05 billion for enhancing automotive four-wheeler battery capacity from 5.60 million units to 8.25 million units per annum and two-wheeler battery capacity from 4.80 million units to 8.40 million units per annum through green and brownfield projects to meet the growing demand and to improve market share.

### Financial position

The Company's financial position has shown immense improvement over the years. The networth as at March 31, 2013 improved to ₹10,598 million with the addition of ₹2,363 million to the reserves and surplus during the year. There is no interest bearing debt as of March 31, 2013. The surplus cash as at the year end stood at ₹3,652 million. The Company has parked the surplus funds in fixed deposits with reputed banks to ensure utmost safety, liquidity and return. The debt to equity ratio as at March 31, 2013 is 0.08 times, without adjusting for surplus cash. The Company is confident of funding the recently announced various capacity expansions, at the current location and at a strategic second location, through surplus cash, estimated internal accruals during 2013-14 and with moderate debt.

CRISIL has upgraded the ratings on the Company's long-term bank loan facilities to 'CRISIL AA+/Stable' from 'CRISIL AA/Stable' and has re-affirmed the ratings on the short-term bank facilities at 'CRISIL A1+'.

During the year under review, the gross fixed assets including capital work in progress increased by ₹1,304 million (net of deletions of ₹155 million) and are at ₹7,832 million (previous year – ₹6,528 million). The entire additions were funded





through internal accruals. The earnings per share of ₹1 each for the financial year 2012-13 grew by 33% at ₹16.78 as against ₹12.59 for the previous financial year, while the book value per share as at March 31, 2013 was at ₹62 against ₹48 as at March 31, 2012.

### Sub-division of Shares

Pursuant to the approval of the shareholders at the twenty seventh annual general meeting of the Company held on August 14, 2012, the face value of the equity shares of the Company was sub-divided from ₹2 per equity share to ₹1 per equity share, with effect from September 26, 2012. Consequent to this sub-division, shareholders were issued two equity shares of ₹1 each in lieu of one equity share of ₹2 each held by them as on the record date i.e. September 26, 2012, fixed for this purpose. Subsequent to the sub-division, the total number of shareholders has significantly increased to over 21,000 from about 16,500.

### Dividend

The Board of Directors of the Company at their meeting held on May 19, 2010 had approved a policy on payment of dividend to shareholders i.e., to pay dividend (excluding corporate dividend tax) up to 15% of the profit after tax of the Company. In line with the policy your directors recommend a dividend of ₹2.52 per equity share of ₹1 each (252%) for the financial year ended March 31, 2013, subject to the approval of the shareholders.

The dividend, if approved, would involve a cash outflow of ₹430.45 million towards dividend and ₹73.15 million towards corporate dividend tax, resulting in a total cash outflow of ₹503.60 million.

### Transfer to reserves

As stipulated under the provisions of the Companies Act, 1956 read with Companies (Transfer to Reserves) Rules, 1975, your directors have proposed to transfer a sum of ₹287 million to the general reserve out of the profits earned by the Company.

A sum of ₹8,298 million is proposed to be retained as surplus.

### Awards and Recognitions

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

- “Gold award for excellence” in SME (Subject Matter Expertise) services from Indus Towers Limited
- Automotive battery plant won 5S sustenance award from CII Southern Region
- Won 3 star award in International Convention on Quality Circles
- Quality award from Bosch India Limited
- “World excellence award” under the category of warranty improvement from Ford, USA
- Special prize for “Good TPM Practices” by ABK AOTS DOSOKAI
- Won “Most Preferred Battery Brand - Telecom” award from FROST & SULLIVAN at India Back-up Power Industry Excellence Awards 2013

The Company won third position (back to back recognition) in “National award for excellence in cost management” for the year 2012 under “Private-Manufacturing-Organisation large” from the Institute of Cost Accountants of India.

### 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. T R Narayanaswamy, Mr. P Lakshmana Rao and Mr. Nagarjun Valluripalli, directors are liable to retire by rotation at the ensuing annual general meeting and being eligible offer themselves for re-appointment.

Mr. Ravi Bhamidipati was appointed as an additional director with effect from October 8, 2012 and has been designated as an Executive Director of the Company for the period from October 8, 2012 to March 31, 2014, subject to the approval of the shareholders.

Mr. Craig W Rigby resigned from the Board with effect from April 18, 2013 and Mr. Eric Stuart Mitchell was appointed as an additional director with effect from April 18, 2013 who will hold office upto the date of the ensuing annual general meeting.

Necessary resolutions for appointment/re-appointment of the above directors are being placed before the members for their approval.

The Board wishes to place on record their appreciation and acknowledgement for the valuable services rendered by Mr. Craig W Rigby, the outgoing director, during his tenure as director of the Company.

## Auditors

M/s. E Phalgun Kumar & Co. Chartered Accountants, Tirupati and M/s. Chevuturi Associates, Chartered Accountants, Vijayawada, the joint statutory auditors of the Company who hold office until the conclusion of the ensuing annual general meeting and being eligible, have offered themselves for re-appointment. The Board recommends their re-appointment as the joint statutory auditors of the Company.

The Central Government had approved the appointment of M/s. Nageswara Rao and Co. Cost Accountants, Hyderabad as cost auditors for the financial year 2012-13. The cost audit report will be filed within 180 days from the close of the financial year. The cost audit report for the previous financial year 2011-12 signed by Mr. A.V.N.S Nageswara Rao, Cost Accountant, Hyderabad was filed in eXtensible Business Reporting Language (XBRL) mode on December 31, 2012, within due date.

## Corporate Governance

The report on corporate governance along with the certificate from practising company secretary regarding compliance of conditions of corporate governance for the year ended March 31, 2013 pursuant to Clause 49 of the listing agreement is annexed hereto and forms part of the annual report. The Managing Director and the Chief Financial Officer of the Company have submitted a certificate endorsing to the Board the correctness of the financial statements and other matters as required under Clause 49 (V) of the listing agreement.

## 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.

## 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 ₹307,659 being unclaimed dividend pertaining to the financial year 2004-05 was transferred to the Investor Education and Protection Fund (IEPF) on October 1, 2012.

## 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, 2013.

## Health, safety and environmental protection

The Company has complied with all applicable environmental and labour laws. The Company continues to be certified under ISO-14001 and OHSAS 18001-2007 for its environment management systems and occupational health and safety management systems respectively.

## Industrial relations

During the year under review, industrial relations remained cordial and stable. The directors wish to place on record their appreciation for the excellent co-operation 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 registered office of the Company. Any member interested in obtaining such particulars may write to the company secretary at the corporate operations office of the Company.

### Conservation of energy, technology and foreign exchange

The particulars of conservation of energy, technology absorption, foreign exchange earnings and outgo prescribed under Section 217(1)(e) of the Act read with 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:

- i) In the preparation of the statement of profit and loss for the financial year ended March 31, 2013 and the balance sheet as at that date ("financial statements"), applicable accounting standards have been followed;
- ii) 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;

iii) 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 on-going 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;

iv) The financial statements have been prepared on a going concern basis.

### Acknowledgement

The Board of Directors takes this opportunity to place on record their appreciation for the unstinted co-operation, hard work and dedication of all the employees of the Company, and the support extended by the channel partners, customers, vendors, business associates, banks, government authorities and all concerned without which it would not have been possible to achieve all round growth of the Company.

Your directors also take this opportunity to thank the joint venture partner for their valuable assistance and support. The directors are thankful to the shareholders for their continued patronage.

On behalf of the Board

Place: Milwaukee  
Date: May 13, 2013

**Dr. Ramachandra N Galla**  
*Chairman*

# Annexure to the 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:

## A. Particulars of conservation of energy

The Company continued its focused energy conservation efforts through up-gradation of process technology, effective production scheduling and various energy saving initiatives including installation of energy efficient equipment, resulting in overall energy savings of 4% over the previous financial year.

### Form A

Form for disclosure of particulars with respect to conservation of energy

Sl No.	Parameters	2012-13	2011-12
<b>A</b>	<b>Power and Fuel consumption</b>		
1	Electricity		
(a)	Purchased		
	Unit (KWH)	139,604,924	124,444,616
	Total cost (₹)	952,170,353	583,439,025*
	Rate / Unit (₹)	6.82	4.69
(b)	Own generation		
(i)	Through diesel generator		
	Unit (KWH)	168,064	61,376
	KWH per unit of fuel	3.02	4.19
	Cost/Unit (₹)	15.16	10.16
(ii)	Through steam turbine/generator	-	-
2	Coal	-	-
3	Furnace oil	-	-
4	Others		
(a)	LPG Units (Kgs)	114,280	114,631
	Amount (₹)	8,636,319	6,680,633
(b)	Acetylene units (Cubic Mtrs)	24,288	21,708
	Amount (₹)	4,632,138	3,582,796
(c)	Oxygen Units (Cubic Mtrs)	48,706	46,109
	Amount (₹)	1,046,235	985,548
<b>B</b>	<b>Electricity consumed in Kwh per lakh of Ampere hour produced</b>	<b>4,107</b>	<b>4,285</b>

\*Cost includes fuel surcharge adjustment for the year 2011-12, shown as exceptional item in the financial year 2012-13.



## B. Technology Absorption

### Research and Development (R&D)

#### 1. Specific areas in which research & engineering development is carried out by the Company

The R&D activities of the Company are categorised under the following areas of focus:

- New product development
- New process development
- Alternate material development
- Fundamental studies

The R&D projects are identified to address the following specific objectives:

- Development of import substitution in materials and products
- Exploration of environmental friendly operations/materials
- Material/Process development activities for enhancing battery performance and cost efficiency
- New product development for emerging applications
- Technology up-gradation to make the batteries robust and provide superior performance
- Value engineering efforts and periodical product refreshment to meet changing application needs
- Closely track technology evolution

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

- Developed a RoHS compliant fire retardant poly for industrial batteries
- Developed an operations friendly glass leaf separator for automotive batteries
- Developed and customised bottom hold down container to cater to specific OEM and aftermarket requirements
- Developed two-wheeler AGM battery for OE application
- Developed automotive products for commercial vehicle application employing efficient plate making technology

- Developed robust flat plate inverter battery
- Introduced quick recharge series industrial battery for telecom BTS applications
- Launched high performance PowerZone™ automotive batteries to cater to rural markets
- Introduced new packing/loading for telecom batteries to enhance vehicle loading factor
- Introduced material efficient batteries for specific OE applications
- Introduced range of high performance VRLA two-wheeler batteries for aftermarket application
- Studied suitability of various advanced Storage Technologies for Telecom application on TCO basis
- Studied suitability of Hybrid AGM battery for DG Starter application

#### 3. Future Plan of Action

- Commercialise mono block range extension to meet growing UPS needs in IT & ITES segments
- Introduce maintenance free batteries for DG starter application
- Develop batteries for Start Stop application with specific focus on appropriate lead acid battery technology
- Develop range of automotive batteries for commercial vehicle and heavy duty applications
- Develop environment friendly cork composition for casting moulds
- Develop a fast curing resin to reduce the cycle time of the finished batteries
- Development of battery technology for E-bike application.
- Introduce range of automotive products utilising efficient plate making technology
- Work on plate making technologies that are material efficient

#### 4. Expenditure on R&D

		₹ Million	
Sl No.	Parameters	2012-13	2011-12
1	Capital	10.80	19.25
2	Recurring	35.58	24.59
	Total	46.38	43.84
	Total R&D expenditure as percentage of total turnover	0.16%	0.18%

## C. Technology absorption, adaptation and innovation

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

- Advanced curing technology study for LVRLA plates (under adaptation)
- Introduced value engineered version of large VRLA batteries for wide applications
- Developed automotive products for commercial vehicle application utilising efficient plate making technology
- Developed and customised bottom hold down container to

cater to specific OEM and aftermarket requirement

### 2. Benefits derived as a result of 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. Foreign exchange earnings and outgo

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

In industrial battery business, the exports during the year witnessed a significant drop due to slowdown in demand from Bharti Airtel in Africa. However, the Company continued its initiatives to increase exports of automotive batteries by enrolling more distributors and expanding to new markets.

### 2. Total Foreign exchange used and earned

₹ Million

Sl No.	Parameters	2012-13	2011-12
1	Foreign exchange used	7,384	7,281
2	Foreign exchange earned - exports	1,016	1,170

On behalf of the Board

Place: Milwaukee

Date: May 13, 2013

**Dr. Ramachandra N Galla**

*Chairman*



# Report on Corporate Governance for the year 2012-13

(As required under Clause 49 of the listing agreement entered into with the Stock Exchanges)

## I Company's Philosophy on Corporate Governance

Corporate Governance is based on principles and practices such that the affairs of the Company are being managed in a way which ensures accountability, transparency and fairness in all its transactions in the widest sense and meet its stakeholder's aspirations and societal expectations. Effective corporate governance practices constitute the strong foundation on which successful commercial enterprises are built to last.

Amara Raja Batteries Limited ("Amara Raja" or "the Company") is committed to the adoption of best governance practices and to its adherence in the business of the Company. The Company's corporate governance practices are driven by timely disclosures, transparent accounting policies, internal control on operations and high levels of integrity in decision making with an objective to enhance the value to the stakeholders. This is demonstrated in sustainable returns to the shareholders, high credit ratings, performance focused work environment and high quality products at competitive prices.

The Company is in compliance with the mandatory requirements stipulated under clause 49 of the listing agreement entered into with the stock exchanges with regard to corporate governance.

## II Board of Directors

i) The Company has an optimum combination of Executive and Non-Executive Directors in accordance with the provisions of clause 49 (I) (A) of the listing agreement.

As on March 31, 2013 the Board comprises of ten Directors i.e., two Executive Directors (20%) and eight Non-Executive Directors (80%), out of the eight Non-Executive Directors five are Independent Directors, which constitute 50% of the total strength of the Board. The Company has a Non-Executive Chairman, who is a promoter of the Company. The composition of the Board is in conformity with clause 49 of the listing agreement entered into with the stock exchanges.

- ii) All Independent Directors are persons of eminence and bring a wide range of expertise and experience to the Board, thereby ensuring best interest of the stakeholders and the Company. The Independent Directors have confirmed that they satisfy the criteria of independence as stipulated in clause 49 of the listing agreement. All the Directors except the Managing Director and Executive Director are liable to retire by rotation and are eligible for re-appointment.
- iii) None of the Directors on the Board are Members in more than ten Committees or Chairman of more than five Committees across all the public limited companies in which they are Directors. The Directors disclosed their positions held in committees and directorships held in other public limited companies as on March 31, 2013.
- iv) During the year under review, four Board Meetings were held on May 28, 2012, August 14, 2012, November 5, 2012 and January 28, 2013. The time gap between any two consecutive meetings did not exceed four months. The necessary quorum was present in all the meetings.

- v) The composition of the Board, attendance at Board Meetings held during the financial year under review and at the last Annual General Meeting, number of directorships, memberships/chairmanships in Committees of other public limited companies as on March 31, 2013 are as follows:

Name of the Director	Category	Number of Board Meetings during the year		Attendance at the last AGM	Number of directorships in other companies#	Number of committee memberships##	
		Held	Attended			Chairman	Member
Dr. Ramachandra N Galla <sup>§</sup> DIN : 00133761	Promoter/ Non-Executive Chairman	4	4	Yes	4	Nil	Nil
Mr. Jayadev Galla <sup>§</sup> DIN : 00143610	Promoter/ Managing Director	4	4	Yes	3	Nil	1
Mr. Ravi Bhamidipati <sup>^</sup> DIN : 00143028	Executive Director	4	2	NA	Nil	Nil	Nil
Mr. Craig W Rigby* DIN : 05270387	Non-Executive Director	4	2+	Yes	Nil	Nil	Nil
Mr. Shu Qing Yang* DIN : 01916660	Non-Executive Director	4	3	Yes	Nil	Nil	Nil
Mr. P Lakshmana Rao DIN : 01463507	Independent, Non-Executive Director	4	3	Yes	1	Nil	Nil
Mr. Nagarjun Valluripalli DIN : 00034389	Independent, Non-Executive Director	4	4	Yes	1	Nil	1
Mr. N Sri Vishnu Raju DIN : 00025063	Independent, Non-Executive Director	4	4	Yes	3	Nil	Nil
Mr. T R Narayanaswamy DIN : 01143563	Independent, Non-Executive Director	4	4	Yes	1	Nil	Nil
Mr. Raymond J Brown DIN : 01916646	Independent, Non-Executive Director	4	4	Yes	Nil	Nil	Nil

# excludes directorships in private companies, foreign companies, companies under Section 25 of Companies Act, 1956 and alternate directorship.

## includes only Audit Committee and Shareholders'/Investors' Grievance Committee.

<sup>^</sup> Mr. Ravi Bhamidipati was appointed as an Additional Director and designated as an Executive Director with effect from October 8, 2012.

\* Nominee Directors of Johnson Controls Inc. USA (Persons acting in concert).

+ Mr. Craig W Rigby also participated in other two meetings through audio conference call.

\$ No Director is related to any other Director on the Board, except Dr. Ramachandra N Galla and Mr. Jayadev Galla who are father and son respectively.

- vi) During the financial year 2012-13, information as mentioned in annexure 1A to clause 49 of the listing agreement such as annual operating plans and budgets, capital budgets, financial results of the Company, materially important litigations, foreign currency exposures on quarterly basis and such other information as and when applicable has been placed before the Board for its consideration.





vii) None of the Independent Non-Executive Directors have any pecuniary relationship or transactions with the Company.

viii) The Board has laid down Code of Conduct for all the Directors and the Senior Management Personnel of the Company and the same is available on the website of the Company.

All the members of the Board and the Senior Management Personnel of the Company have affirmed their compliance with the Code of Conduct for the year ended March 31, 2013. In terms of clause 49 of the listing agreement, a declaration signed by the Managing Director is enclosed to this report.

### III Audit Committee

i) The Audit Committee was constituted in accordance with Section 292A of the Companies Act, 1956 ("Act") and as per the provisions of clause 49 of the listing agreement. The role of the Audit Committee is to assist the Board in reviewing the financial information which will be provided to the stakeholders and others, reviewing the system of internal controls which the management and the Board had established, appointing, retaining and reviewing the performance of the auditors, overseeing the Company's accounting and financial reporting processes and the review of the Company's financial statements.

ii) The terms of reference of the Audit Committee are in accordance with and covers all the matters specified under Section 292A of the Act read with clause 49 (II) of the listing agreement with the stock exchanges.

iii) The previous Annual General Meeting of the Company was held on August 14, 2012 and was attended by Mr. P Lakshmana Rao, Chairman of the Audit Committee.

iv) The Chief Financial Officer, Statutory Auditors, Internal Auditor and Cost Auditor are invited to be present at the Committee meetings. The Company Secretary acts as the Secretary to the Audit Committee.

v) The Audit Committee comprises of four Independent Directors, all of whom are financially literate and have relevant exposure in the areas of finance and accounts. Mr. P Lakshmana Rao, Chairman of the Committee, is the financial expert. He is a Chartered Accountant by profession. During the financial year 2012-13, four meetings of the Audit Committee were held on May 28, 2012, August 14, 2012, November 5, 2012 and January 28, 2013. The necessary quorum was present in all the meetings.

vi) The composition of the Audit Committee and details of meetings attended by its members are given below:

Name	Category	Number of meetings during the year	
		Held	Attended
Mr. P Lakshmana Rao, Chairman	Independent, Non-Executive	4	3
Mr. Nagarjun Valluripalli, Vice Chairman	Independent, Non-Executive	4	4
Mr. N Sri Vishnu Raju	Independent, Non-Executive	4	3
Mr. T R Narayanaswamy	Independent, Non-Executive	4	4

### IV Remuneration Committee

i) The Remuneration Committee of the Company is empowered to decide the remuneration payable to the managerial personnel of the Company, recommend the commission payable to the Non-Executive Directors based on criteria fixed by the Board, review and determine the

Company's policy on managerial remuneration including periodic revision, performance bonus, incentives, other services, perquisites and benefits payable to the managerial personnel of the Company so as to ensure that they are fairly rewarded for their individual contributions to the Company's overall performance.

- ii) The Remuneration Committee consists of three Independent Directors. During the year no meeting of the Remuneration Committee was held. The composition of the Remuneration Committee is given below:

Name	Category
Mr. P Lakshmana Rao, Chairman	Independent, Non-Executive
Mr. Nagarjun Valluripalli	Independent, Non-Executive
Mr. T R Narayanaswamy	Independent, Non-Executive

iii) **Remuneration Policy**

The remuneration paid to Managing Director/Executive Director is recommended by the Remuneration Committee and approved by the Board of Directors, subject to the approval by the Shareholders at the general meeting and such other authorities, as may be required. The remuneration structure of Managing Director/Executive Director comprises of basic salary, commission, perquisites and allowances, contribution to provident fund and other funds. The remuneration is determined considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the Company.

The Non-Executive Independent Directors are entitled to sitting fee for attending the Board/Committee meetings and also for reimbursement of out of pocket expenses for attending the meetings. A sitting fee of ₹20,000 for attending

each meeting of the Board and ₹10,000 for attending each meeting of the Audit Committee, Shareholders'/Investors' Grievance Committee, Loan and Investment Committee and Sub-division and Allotment of Shares Committee meetings was paid during the year under review.

The shareholders at their meeting held on July 29, 2010 and the Ministry of Corporate Affairs vide its letter dated January 31, 2011 approved payment of Commission to Dr. Ramachandra N Galla, Non-Executive Chairman @ 3% of the net profits of the Company and other Non-Executive Independent Directors @ 1% of the net profits of the Company 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.

- iv) Details of Remuneration paid for the year ended March 31, 2013 are given below:

a) Non-Executive Directors (other than representatives of Johnson Controls Inc. USA):

₹ Million

Name	Commission*	Sitting Fees paid
Dr. Ramachandra N Galla	140.88	Nil
Mr. P Lakshmana Rao	Nil	0.12
Mr. Nagarjun Valluripalli	Nil	0.15
Mr. N Sri Vishnu Raju	Nil	0.13
Mr. T R Narayanaswamy	Nil	0.12
Mr. Raymond J Brown	Nil	0.08

\*Commission will be paid after the adoption of financial statements by the shareholders at the Annual General Meeting.

b) Managing Director and Executive Director:

₹ Million

Particulars	Mr. Jayadev Galla Managing Director	Mr. Ravi Bhamidipati Executive Director
Salary	23.46	11.86
Perquisites and Allowances	Nil	0.48
Commission*	211.34	11.68
Retirement benefits	0.01	Nil
<b>Total</b>	<b>234.80</b>	<b>24.02</b>

\*Commission will be paid after the adoption of financial statements by the shareholders at the Annual General Meeting.

Mr. Jayadev Galla was re-appointed as the Managing Director of the Company for a period of five years with effect from September 1, 2010 to August 31, 2015. The agreement entered into with Mr. Jayadev Galla may be terminated by either party by giving three months' notice.

During the year under review, the Board appointed Mr. Ravi Bhamidipati as an additional director and designated him as an Executive Director for the period from October 8, 2012 to March 31, 2014, subject to the approval of the members at the forthcoming Annual General Meeting. The agreement entered into with Mr. Ravi Bhamidipati may be terminated by either party by giving three months' notice.

v) Details of shares held by the Directors as on March 31, 2013

Name of the Director	No. of equity shares held (face value of ₹1 each)
Dr. Ramachandra N Galla	12,795,074
Mr. Jayadev Galla	12,821,984
Mr. Nagarjun Valluripalli	3,000

The Company has not issued any convertible instruments.

## V Shareholders'/Investors' Grievance Committee

- The Company has a Shareholders'/Investors' Grievance Committee to specifically look after the redressal of complaints of shareholder's/investor's viz., transfer/transmission of shares, issue of duplicate share certificates, non-receipt of dividend/annual report/notices, etc. The Company has appointed M/s. Cameo Corporate Services Limited as its Registrar and Share Transfer Agents (RTA). The RTA takes care of all activities relating to share transfers and dematerialisation of shares and all shares related work in consultation with/directions of the Company. The Committee reviews the redressal of investors' grievances and the action taken by the Company/RTA in that regard every quarter.
- During the financial year 2012-13, four meetings of the Committee were held on May 28, 2012, August 14, 2012, November 5, 2012 and January 28, 2013. The necessary quorum was present in all the meetings. The composition of the Shareholders'/Investors' Grievance Committee and details of meetings attended by its members are given below:

Name	Category	Number of meetings during the year	
		Held	Attended
Mr. P Lakshmana Rao, Chairman	Independent, Non-Executive	4	3
Dr. Ramachandra N Galla	Non-Independent, Non-Executive	4	4
Mr. Jayadev Galla	Non-Independent, Executive	4	4

- The 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.

iv) Details of investor complaints received and redressed to the satisfaction of the shareholders during the year 2012-13 are as follows:

Particulars	Non-receipt of dividend	Issue of Duplicate Share Certificate	Miscellaneous Complaints
Opening balance	Nil	Nil	Nil
Received during the year	12	3	2
Resolved during the year	12	3	2
Closing balance	Nil	Nil	Nil

There are no pending complaints as on March 31, 2013.

## VI Other Committees

- i) The Company has constituted a Loan and Investment Committee to approve the borrowings/investment decisions of the Company as per the powers entrusted to it and within the limits specified by the Board, from time to time. The Committee meets as and when required and the minutes of the meeting of the Committee are placed before the Board for noting.
- ii) The Company has a Share Transfer Committee which meets at regular intervals to approve the transfers, transmissions,

transpositions, dematerialisation, rematerialisation, issue of duplicate share certificates and such other matters related to shares as entrusted to it by the Board. The minutes of the meeting of the Committee are placed before the Board for noting.

- iii) During the year under review, the Company constituted Sub-division and Allotment of Shares Committee to implement and administer the process of sub-division of shares of the Company from face value of ₹2 each to ₹1 each.

## VII General Body Meetings

### i) Annual General Meeting(s):

For the Financial year	Venue	Day and date	Time	Whether any Special Resolution was passed
2011-12	Registered Office: Renigunta- Cuddapah Road,	Tuesday August 14, 2012	2:55 P.M	Yes. To amend the article 5 of Article of Association of the Company pertaining to Authorised Share Capital of the Company.
2010-11	Karakambadi, Tirupati – 517 520	Saturday August 13, 2011	3.00 P.M	NA
2009-10	Andhra Pradesh, India	Thursday July 29, 2010	3.00 P.M	Yes. For payment of commission to Non-Executive Chairman and Non-Executive Independent Directors.

### ii) Extraordinary General Meeting:

No Extraordinary General Meeting of the Members was held during the financial year 2012-13.

### iii) Postal Ballot :

No Postal Ballot was conducted during the financial year 2012-13.



## VIII Disclosures

### i) Disclosure of related party transactions

The Company places at every meeting of the Audit Committee and the Board in summary form all the transactions with related parties in the ordinary course of business for its approval/ratification. The material individual transactions whenever it is proposed with related parties which are not in the normal course of business are also placed before the Audit Committee and the Board for its approval. During the year under review, there are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large. Refer note no. 30 of financial statements for the details of related party transactions during the year.

### ii) Compliance(s) of matters relating to Capital Market

The Company has complied with various rules and regulations prescribed by stock exchanges, Securities and Exchange Board of India (SEBI) or any other statutory authority relating to the capital markets during the last 3 years. No penalties or strictures have been imposed by them on the Company.

### iii) Disclosure of Accounting Treatment

In the preparation of financial statements, the Company has followed the accounting standards notified under Section 211 (3C) of the Companies Act, 1956 and the pronouncements of the Institute of Chartered Accountants of India. The significant accounting policies, which are consistently applied, have been set out in the notes forming part of the financial statements for the year ended March 31, 2013.

### iv) 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 Company had further engaged an independent agency to strengthen the existing procedures adopted by the Company.

- v) During the year under review, the Company had not raised any money from public issue, rights issue, preferential issue or any other issues.
- vi) The Management Discussion and Analysis Report have been included separately forming part of the Directors Report.
- vii) The brief particulars of the directors proposed for re-appointment/appointment at the Annual General Meeting are given in the notes to the notice of the forthcoming Annual General Meeting.

### viii) Internal Control Systems

The Company has in place adequate system of internal controls 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.

- ix) The Company has fulfilled the following non-mandatory requirements of clause 49 of listing agreement entered into with the stock exchange
  - i) The Company has a separate office maintained for the Non-Executive Chairman.
  - ii) The Company has set up a Remuneration Committee, details of which are given under the heading "Remuneration Committee".
  - iii) The financial statements of the Company are unqualified by the Statutory Auditors.
  - iv) The Directors interact with the management in a very free and open manner on information that may be required by them. Orientation and factory visits are arranged for new Directors.

- v) The Company has not adopted Whistle Blower Policy. However, the Company fosters an environment which encourages employees to raise any issue with the management.

## IX CEO/CFO Certification

In accordance with the requirements of clause 49 (V) of the listing agreement, Mr. Jayadev Galla, Managing Director and Mr. K Suresh, Chief Financial Officer of the Company have submitted a certificate to the Board regarding the fairness of the financial statements and other matters as required under the above clause.

## X Compliance on Corporate Governance

The quarterly compliance report has been submitted to the stock exchanges where the Company's equity shares are listed in the requisite format duly signed by the Company Secretary. Pursuant to clause 49 of the listing agreement, regarding the Practising Company Secretary's Certificate regarding compliance of conditions of Corporate Governance is annexed to this report.

## XI Means of Communication

The quarterly, half-yearly and annual results of the Company are submitted to the stock exchanges in accordance with the listing agreement. The results are generally published in Business Standard, Business Line and Andhra Jyothi and Eenadu (Telugu). The Company also makes official news releases, on the quarterly and annual results and the same are also posted on the Company's website [www.amararaja.co.in](http://www.amararaja.co.in).

The Investors' section on the Company's website keeps the investors updated on material developments in the Company by providing key and timely information like Financial Results, Annual Reports, Shareholding Pattern, compliance on corporate governance reports, status of unclaimed/unpaid dividends, etc. Reminders for claiming unpaid dividend are sent to the shareholders as per records every year.

The Corporate Governance Report and Shareholding Pattern of the Company are filed with National Stock Exchange of India Limited through NSE Electronic Application Processing System (NEAPS). Hard copies of the said disclosures and correspondence are also filed with the Stock Exchanges.

The investor complaints are processed in a centralised web based complaints redress system viz., SEBI Complaints Redress System (SCORES). The salient features of this system are: Centralised database of all complaints, online upload of action taken reports by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

The Annual General Meeting is the principal forum for face to face communication with shareholders, where the Board responds to the specific queries of the shareholders.

## XII 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 (Directors, officers and designated employees) are prevented from dealing in the Company's shares during the closure of trading window.

The trading window is closed 15 days before the close of the quarter/financial year and remain closed until the day after the date of the Board Meeting wherein the unaudited/audited results/dividend or any other price sensitive matters are considered and approved by the Board of Directors. All Directors, officers and designated employees are required to obtain preclearance of trade from the Managing Director/ Compliance Officer in case they wish to trade (purchase/sell) in 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.

### XIII General Shareholders Information

i)	Annual General Meeting	
	Date and Time	: August 14, 2013 at 3.00 P.M
	Venue	: At the Registered Office of the Company i.e. Renigunta - Cuddapah Road, Karakambadi - 517 520, Tirupati, Andhra Pradesh
ii)	Financial year	: ending March 31
iii)	Financial calendar (tentative):	
	Unaudited financial results for the quarter ending June 30, 2013	: August 2013
	Unaudited financial results for the quarter ending September 30, 2013	: October/November 2013
	Unaudited financial results for the quarter ending December 31, 2013	: January/February 2014
	Audited Financial results for the year ending March 31, 2014	: May 2014
	Annual General Meeting	: July/August 2014
iv)	Date(s) of book closure	: Thursday, August 8, 2013 to Wednesday, August 14, 2013 (both days inclusive)
v)	Proposed Dividend & Dividend Payment Date	: ₹2.52 per equity share of ₹1 each (252%). The dividend warrants will be posted/ dividend amount will be credited to the shareholders account on or before August 31, 2013
vi)	Listing on stock exchanges	: National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
vii)	Stock Code	: AMARAJABAT (NSE) 500008 (BSE)
The Company paid annual listing fees of both the stock exchanges and annual custodian fees to NSDL and CDSL for the financial year 2013-14.		
viii)	Corporate Identity Number (CIN)	: L31402AP1985PLC005305

## ix) Market Price Data

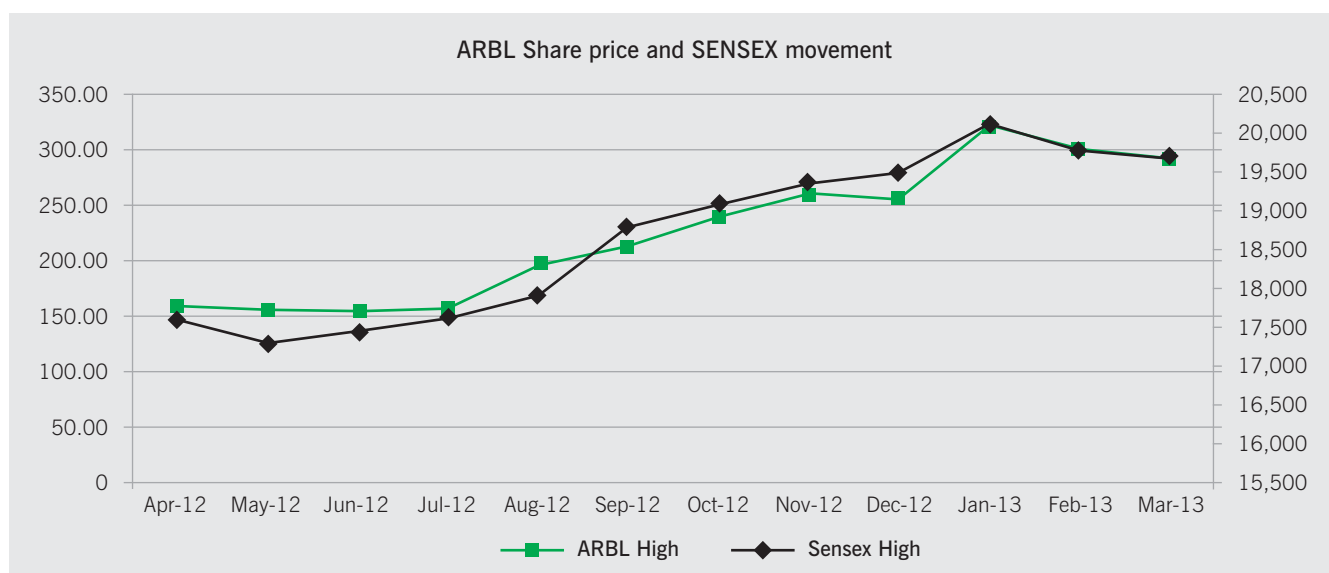
High, Low prices (based on closing prices) and number of shares traded during each month in the financial year 2012-13 on NSE and BSE are given herein below:

Month	NSE			BSE		
	High (₹)	Low (₹)	Total number of shares traded	High (₹)	Low (₹)	Total number of shares traded
April 2012	318.70	292.65	960,295	318.55	292.30	133,243
May 2012	309.65	273.50	1,183,440	308.40	273.75	142,687
June 2012	311.40	295.85	576,956	311.00	295.75	102,922
July 2012	315.55	292.05	492,054	315.75	291.10	60,993
August 2012	390.20	300.10	6,719,049	391.45	299.95	1,944,919
September 2012*	424.90	219.15	3,962,856	424.55	218.50	926,288
October 2012	239.05	217.25	4,350,894	238.35	217.40	806,221
November 2012	260.30	222.70	10,768,201	260.10	223.55	2,671,851
December 2012	255.25	237.70	2,185,673	255.05	238.30	273,383
January 2013	321.80	245.15	11,959,857	321.80	244.90	2,871,727
February 2013	302.10	259.80	2,774,550	302.05	259.90	514,411
March 2013	291.30	262.80	3,135,853	290.80	262.10	521,192

\* The face value of the equity shares of the Company has been sub-divided from ₹2 each to ₹1 each with effect from September 26, 2012 on both the stock exchanges.

## x) Performance of the Company's share price vis-à-vis-Sensex

A comparative line chart showing performance of adjusted share price (closing high) of the Company consequent to stock split with BSE Sensex (closing high) for the financial year 2012-13





## xi) Performance of the Company's share price as at the beginning and end of the financial year 2012-13

Amount in ₹

Name of the Stock Exchange	NSE Close Price	BSE Close Price
Price as on 1st April 2012*	149.33	148.63
Price as on 31st March 2013	274.55	273.65
Change in Value	125.22	125.02
% Change	83.86	84.12

\* Adjusted share price consequent to stock split.

As per the closing price of the Company's share on NSE, the market capitalisation increased from ₹25,507 million as on April 1, 2012 to ₹46,897 million as on March 31, 2013.

### xii) Registrar and Share Transfer Agents

For share related matters, the shareholders are requested to correspond with the RTA of the Company quoting their Folio Number, Client ID and DP ID at the following address:

#### Cameo Corporate Services Limited

Subramanian Building, No.1, Club House Road

Chennai – 600002

Telephone : +91 44 28460390

Fax : +91 44 28460129

Email : investor@cameoindia.com

Website : www.cameoindia.com

### xiii) Share Transfer System

Entire share transfers under physical segment are processed by the RTA and approved by a Committee of Directors called as "Share Transfer Committee". The equity shares lodged for transfer at the Registrar's address are normally processed within 15 days from the date of lodgment, if the documents are clear in all respects. All requests for dematerialisation of equity shares are processed and the confirmation is given to the depositories within 21 days. Grievances received from investors and other miscellaneous correspondence on change of address, mandates, etc. are processed by the RTA within 15 days subject to the documents being valid and complete in all respects.

### xiv) Reconciliation of Share Capital Audit/ Compliance of Share Transfer Formalities

Pursuant to clause 47(c) of the listing agreement with the stock exchanges, certificates, on half-yearly basis, have been issued by a Practising Company Secretary for due compliance of share transfer formalities by the Company. A Practising Company Secretary carried out a reconciliation of share capital audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/ paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form (held with NSDL and CDSL). These certificates are forwarded to the stock exchanges, where the shares are listed.

### xv) Equity Shares in Unclaimed Suspense Account

Pursuant to the provisions of clause 5A (II) of the listing agreement, the Company during the previous financial year transferred 212,500 equity shares having face value of ₹2 each in the name of "Amara Raja Batteries Limited – Unclaimed Suspense Account" (suspense account) which were issued pursuant to the public issue/bonus issue/stock split of the Company. The Company had transferred shares from the suspense account to the shareholders as and when the rightful shareholders approach the Company/RTA.

The details of shares transferred during the year and the outstanding number of shares as on March 31, 2013 are given below:

Particulars	Number of Shareholders	Number of Equity Shares
Aggregate number of shareholders and the outstanding shares of ₹2 each in the suspense account lying as on April 1, 2012	209	212,500
Shareholders who approached the Company for transfer of shares of ₹2 each and to whom shares were transferred from suspense account as on September 25, 2012 (pre sub-division)	2	1,500
Aggregate number of shareholders and the outstanding shares of ₹2 each in the suspense account lying as on September 25, 2012 (pre sub-division)	207	211,000
Number of shareholders and the outstanding shares of ₹1 each in the suspense account lying as on September 26, 2012 (post sub-division)	207	422,000
Shareholders who approached the Company for transfer of shares and to whom shares were transferred from suspense account post sub-division	5	37,500
Number of shareholders and the outstanding shares of ₹1 each in the suspense account before new transfers to the suspense account during the year.	202	384,500
Number of shares transferred to suspense account during the year i.e., on March 28, 2013	247	557,000*
Aggregate number of shareholders and the outstanding shares of ₹1 each in the suspense account lying as on March 31, 2013	449	941,500

\*The returned undelivered physical shares post sub-division of shares from face value of ₹2 to ₹1 each remaining unclaimed with the Registrar and Share Transfer Agents of the Company aggregating to 557,000 shares of ₹1 each had been transferred to the suspense account and were pending dematerialisation as on March 31, 2013. The said transfers were made in compliance with clause 5A(II) of the listing agreements.

The voting rights on the shares outstanding in the suspense account as on March 31, 2013 are frozen till the rightful owner of such shares claims the shares.

## xvi) Shareholding as on March 31, 2013

### (a) Distribution of Equity Shareholding as on March 31, 2013:

No. of shares held	No. of shares	Percentage to capital	No. of shareholders	Percentage to no. of shareholders
Upto 100	417,716	0.24	9,534	45.66
101-500	1,394,011	0.82	5,426	25.98
501-1000	1,282,781	0.75	1,680	8.04
1001-2000	3,497,492	2.05	2,341	11.21
2001-3000	2,035,684	1.19	727	3.48
3001-4000	660,128	0.39	181	0.87
4001-5000	954,943	0.56	208	1.00
5001-10000	2,467,821	1.44	345	1.65
Above 10001	158,101,924	92.56	441	2.11
<b>Total</b>	<b>170,812,500</b>	<b>100.00</b>	<b>20,883</b>	<b>100.00</b>

**(b) Categories of Equity Shareholders as on March 31, 2013:**

Category	Number of Shares held	Percentage of holding
Promoters	88,927,452	52.06
Mutual Funds & UTI	26,075,032	15.27
Banks/Financial Institutions	19,214	0.01
Foreign Institutional Investors/NRI's	26,963,526	15.79
Corporate Bodies	5,628,884	3.30
Trusts	308,506	0.18
Others	22,889,886	13.40
<b>Total</b>	<b>170,812,500</b>	<b>100.00</b>

**xvii) Dematerialisation of Shares and Liquidity**

The Company's equity shares are compulsorily traded in dematerialised form and are regularly traded on the NSE and BSE and the International Securities Identification Number (ISIN) allotted to the equity shares of ₹1 each of the Company under Depository System is INE885A01032.

As on March 31, 2013, 96.37% equity shares of the Company were held in the dematerialised form and the balance 3.63% equity shares were held in physical form. During the year under review, the Company had taken steps for encouraging the shareholders for dematerialising the shares held by them in physical form.

**xviii) Outstanding GDR/ADR/Warrants and convertible instruments**

The Company has not issued any GDR/ADR/Warrants and convertible instruments

**xix) Plant Location and registered office**

Renigunta- Cuddapah Road  
 Karakambadi -517520  
 Tirupati, Andhra Pradesh, India  
 Tel: +91 877 2265000  
 Fax: +91 877 2285600  
 e-mail id: amaraaraja@amaraaraja.co.in  
 Website: www.amaraaraja.co.in

**xx) Address for correspondence**

**Amara Raja Batteries Limited**  
 Corporate Operations Office  
 5<sup>th</sup> Floor, Astra Towers, Hitech City  
 12P, Kondapur, Hyderabad -500 038  
 Tel: +91 40 23683000  
 Fax: +91 40 23118219

**xxi) Dividend Policy**

Dividends, other than interim dividend(s), are to be declared at the Annual General Meetings of shareholders based on the recommendation of the Board of Directors. The Board of Directors at its meeting held on May 19, 2010 had adopted a dividend policy for distributing upto 15% of the profit after tax (PAT). Accordingly, every year the Company would pay the dividend amount upto 15% of the profit after tax (PAT) to all the eligible shareholders.

**xxii) Transfer of unclaimed dividend**

Pursuant to Sections 205A and 205C of the Act, all unclaimed/unpaid dividend amounts pertaining to the Company remaining unpaid or unclaimed in the unclaimed dividend account for a period of seven years, have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. No claim shall lie against the said Fund or the Company for the amounts so transferred nor shall any payment be made in respect of such claims.

During the year under review, an amount of ₹307,659 pertaining to unpaid/unclaimed dividend for the financial year 2004-05 has been transferred to IEPF on October 1, 2012.

Members who have not yet encashed their dividend from the financial year 2005-06 onwards are requested to make their claims without any delay to M/s. Cameo Corporate Services

Limited, Registrar and Share Transfer Agents (RTA) of the Company for claiming the unclaimed/unpaid dividends. The Company has sent reminder letter dated March 15, 2013 to the eligible shareholder(s) in this regard, informing them to approach RTA by returning the un-encashed dividend warrant for issue of demand draft(s) in lieu thereof.

Following table gives information relating to due dates for transfer of dividends to IEPF:

Financial Year	Date of Declaration	Due Date of Transfer to IEPF
2005-06	14.08.2006	19.09.2013
2006-07	14.08.2007	19.09.2014
2007-08	14.08.2008	19.09.2015
2008-09	30.07.2009	04.09.2016
2009-10	29.07.2010	03.09.2017
2010-11(special dividend)	24.01.2011	01.03.2018
2010-11	13.08.2011	18.09.2018
2011-12	14.08.2012	19.09.2019

As required under the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules 2012, (rules) the Company uploaded on the Company's website [www.amararaja.co.in](http://www.amararaja.co.in) the particulars of unclaimed dividend as on August 14, 2012 with information containing the names, addresses of the person entitled to receive the amount, nature of amount, due date for

transfer to IEPF and such other information as required by the rules. The same is also available on the website [www.iepf.gov.in](http://www.iepf.gov.in)

All shareholders, whose dividend remains unpaid/ unclaimed, are requested to refer the same on the Company's website or on [www.iepf.gov.in](http://www.iepf.gov.in) and lodge their claim to RTA/Company by submitting an application in writing and supported by an indemnity immediately.



## **Declaration by the Managing Director under Clause 49(I)(D) of the Listing Agreement regarding adherence to the code of Conduct**

In accordance with Clause 49 sub-clause (I) (D) of the listing agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the financial year ended March 31, 2013.

Place: Tirupati  
Date: April 18, 2013

**Jayadev Galla**  
*Managing Director*

## **Practising Company Secretary's Certificate On Corporate Governance**

To  
The Members  
M/s. Amara Raja Batteries Limited

I have examined the compliance of the conditions of Corporate Governance by Amara Raja Batteries Limited, for the year ended March 31, 2013, as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management; my examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of the Corporate Governance as stipulated in Clause 49 of the listing agreement.

I 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.

Place: Hyderabad  
Date: May 3, 2013

**V Suresh**  
*Practising Company Secretary*  
CP No. 6032

# Financial section

## INDEPENDENT AUDITORS' REPORT

To the Members of

**Amara Raja Batteries Limited**

### Report on the financial statements

We have audited the accompanying financial statements of Amara Raja Batteries Limited ("Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

- b) In the case of Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- c) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Report on other legal and regulatory requirements

- 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- As required by section 227(3) of the Act, we report that:
  - 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;
  - 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;
  - The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - On the basis of written representations received from the directors, as on March 31, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act; and
  - Since the central government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act, nor has it issued any rules under the said section prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

**For E. Phalgun Kumar & Co.**

Chartered Accountants  
Firm Registration No. 002644S

**For Chevuturi Associates**

Chartered Accountants  
Firm Registration No. 000632S

**E. Chaitanya**

Partner  
(Membership No: 215621)

**Raghunadha Rao Balineni**

Partner  
(Membership No: 28105)

Place : Tirupati

Date : May 13, 2013

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in our report to the members of Amara Raja Batteries Limited ("Company") for the year ended March 31, 2013, we report that:

1. In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) 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 off any substantial part of its fixed assets during the year.
2. In respect of its inventories:
  - a) According to the information and explanations furnished to us, the Company has physically verified its inventories (excluding inventories with third parties) during the year. In respect of inventory lying with third parties, the same have substantially been confirmed by them. 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. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 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 purchase 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. In respect of the contracts or arrangements referred to in section 301 of the Act:
  - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under section 301 of the Act have been so entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts/arrangements entered in the register maintained under section 301 of the Act and exceeding the value of ₹0.50 million in respect of each party during the year have been made at prices which appear reasonable as per information available with the Company and as perceived by the management.
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 Act.
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 Act 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.



## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT (Contd...)

- b) According to the information furnished to us, the following amounts of Income tax, 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 ₹ Million	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of expenses	5.68	2008-09	Commissioner of Income Tax (Appeals)
Central Excise Act, 1944	Disallowance of CENVAT credit	0.81	2002-03 to 2006-07	CESTAT
Service Tax under Finance Act, 1994	Denial of abatement on freight paid to GTAs	6.06	2005-06	CESTAT
Central Sales Tax Act, 1956 and Local Sales Tax Acts of various states	Non-submission of C/F forms, disallowance of entry tax and other matters	66.61 0.06	2004-05 to 2010-11 2007-08	Appellate Authority – Upto Commissioner's Level STAT

10. According to the information and explanations furnished to us, the Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the Company, there were no defaults in repayment of dues to financial institutions, banks and debenture holders.
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 (xiii) of paragraph 4 of the Order 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 (xiv) of paragraph 4 of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Hence the requirements of clause (xv) of paragraph 4 of the Order are not applicable to the Company.
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 (xvi) of paragraph 4 of the Order 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. Hence the clause (xix) of paragraph 4 of the Order is not applicable.
20. The Company has not raised any money through public issues during the year. Accordingly, the provisions of clause (xx) of paragraph 4 of the Order are not applicable to the Company during the year under report.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the Generally Accepted Auditing Practices in India, and according to the information and explanations given to us, we have not come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For E. Phalguna Kumar & Co.**

Chartered Accountants  
Firm Registration No. 002644S

**E. Chaitanya**

Partner  
(Membership No: 215621)

Place : Tirupati

Date : May 13, 2013

**For Chevuturi Associates**

Chartered Accountants  
Firm Registration No. 000632S

**Raghunadha Rao Balineni**

Partner  
(Membership No: 28105)

## Balance Sheet as at March 31, 2013

₹ Million

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	170.81	170.81
Reserves and surplus	3	10,427.33	8,063.88
		10,598.14	8,234.69
<b>Non-current liabilities</b>			
Long-term borrowings	4	773.13	784.72
Deferred tax liabilities (net)	5	195.09	219.60
Long-term provisions	6	376.41	146.18
		1,344.63	1,150.50
<b>Current liabilities</b>			
Short-term borrowings	7	98.63	56.04
Trade payables	8	1,362.84	876.33
Other current liabilities	9	1,807.26	1,136.73
Short-term provisions	6	2,493.20	2,060.88
		5,761.93	4,129.98
<b>Total</b>		<b>17,704.70</b>	<b>13,515.17</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	10		
Tangible assets		3,554.97	3,524.80
Intangible assets		33.69	20.92
Capital work-in-progress		1,024.97	310.65
Intangible assets under development		4.84	4.58
		4,618.47	3,860.95
Non-current investments	11	160.76	160.76
Long-term loans and advances	12	353.52	96.41
Other non-current assets	13	3.43	1.11
		5,136.18	4,119.23
<b>Current assets</b>			
Inventories	14	2,928.58	2,666.17
Trade receivables	15	3,806.77	3,196.83
Cash and bank balances	16	4,107.90	2,291.90
Short-term loans and advances	12	1,656.78	1,209.44
Other current assets	13	68.49	31.60
		12,568.52	9,395.94
<b>Total</b>		<b>17,704.70</b>	<b>13,515.17</b>
Significant accounting policies	1		

Statement on significant accounting policies and notes are an integral part of the financial statements

### As per our report of even date attached

**For E. Phalgun Kumar & Co.**  
Chartered Accountants  
Firm Registration No. 002644S

**For Chevaturi Associates**  
Chartered Accountants  
Firm Registration No. 000632S

**For and on behalf of the Board**

**E. Chaitanya**  
Partner  
(Membership No: 215621)

**Raghunadha Rao Balineni**  
Partner  
(Membership No: 28105)

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Vice Chairman and  
Managing Director

**K. Suresh**  
Chief Financial Officer

Place : Tirupati  
Date : May 13, 2013

Place : Milwaukee, USA  
Date : May 13, 2013



## Statement of Profit and Loss for the year ended March 31, 2013

₹ Million

Particulars	Note No.	Year ended March 31, 2013	Year ended March 31, 2012
<b>REVENUE</b>			
Sale of products		32,957.45	25,978.36
Less: Excise duty		3,495.72	2,383.94
<b>Net sale of products</b>		<b>29,461.73</b>	<b>23,594.42</b>
Sale of services		137.02	38.96
Other operating revenue		15.21	11.30
<b>Net revenue from operations</b>	17	<b>29,613.96</b>	<b>23,644.68</b>
Other income	18	465.51	279.71
<b>Total Revenue</b>		<b>30,079.47</b>	<b>23,924.39</b>
<b>EXPENSES</b>			
Cost of materials consumed	19	17,638.94	15,132.08
Purchases of stock-in-trade	20	2,632.54	840.02
Changes in inventories of finished goods, work-in-process and stock-in-trade	20	(320.89)	98.15
Employee benefits expense	21	1,266.23	1,002.64
Finance costs	22	9.98	24.47
Depreciation and amortisation expense [includes impairment loss of ₹75.52 million (PY ₹ Nil)]	23	660.92	464.73
Other expenses	24	3,882.01	3,175.85
<b>Total Expenses</b>		<b>25,769.73</b>	<b>20,737.94</b>
<b>Profit before exceptional items and tax</b>		<b>4,309.74</b>	<b>3,186.45</b>
Less: Exceptional items (net)	33	91.57	-
<b>Profit before tax</b>		<b>4,218.17</b>	<b>3,186.45</b>
Less: Tax expense			
Current tax		1,377.97	1,030.21
Deferred tax (credit) / expense		(24.51)	14.67
Earlier year's excess provision		(2.34)	(9.06)
<b>Profit for the year</b>		<b>2,867.05</b>	<b>2,150.63</b>
Basic and diluted earnings per equity share of ₹1 each	37	₹ 16.78	₹ 12.59
Significant accounting policies	1		

Statement on significant accounting policies and notes are an integral part of the financial statements

### As per our report of even date attached

**For E. Phalgun Kumar & Co.**  
Chartered Accountants  
Firm Registration No. 002644S

**For Chevaturi Associates**  
Chartered Accountants  
Firm Registration No. 000632S

### For and on behalf of the Board

**E. Chaitanya**  
Partner  
(Membership No: 215621)

**Raghunadha Rao Balineni**  
Partner  
(Membership No: 28105)

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Vice Chairman and  
Managing Director

**K. Suresh**  
Chief Financial Officer

Place : Tirupati  
Date : May 13, 2013

Place : Milwaukee, USA  
Date : May 13, 2013

## Cash Flow Statement for the year ended March 31, 2013

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012		
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Profit before tax from continuing operations</b>		4,218.17		3,186.45	
Add/(Less): Adjustments for					
a. Depreciation		577.20		459.92	
b. Amortisation		8.20		4.81	
c. Impairment loss		75.52		-	
d. Net (income)/loss on sale of tangible fixed assets		(0.04)		5.63	
e. Tangible fixed assets written off		44.27		3.83	
f. Interest paid on term loans		-		3.01	
g. Interest paid on working capital facilities		0.11		2.65	
h. Premium on forward contracts		-		0.56	
i. Provisions and credit balances written back		(6.44)		(5.31)	
j. Bad debts written off		4.84		7.00	
k. Provision for doubtful trade receivables and advances (net)		(38.69)		60.52	
l. Exchange gain on restatement - other than borrowings (net)		(13.18)		(17.43)	
m. Exchange loss on restatement / repayment of borrowings		-		8.39	
n. Provision for leave encashment		33.43		9.95	
o. Provision for gratuity		8.74		3.50	
p. Provision for warranty		156.14		216.61	
q. Dividend received		(145.27)		(26.10)	
r. Interest received on bank and other deposits		(112.29)		(41.05)	
s. Interest on income tax		2.03		7.79	
t. Provision for wealth tax		1.83	596.40	0.18	704.46
<b>Operating profit before working capital changes</b>		<b>4,814.57</b>		<b>3,890.91</b>	
Add/(Less): Adjustments for working capital changes					
a. Decrease/(increase) in inventories		(262.41)		180.80	
b. Decrease/(increase) in trade receivables		(571.57)		(205.00)	
c. Decrease/(increase) in loans and advances		(421.49)		65.00	
d. Increase/(decrease) in trade payables		490.32		(172.44)	
e. Increase/(decrease) in other current liabilities		671.36	(93.79)	251.63	119.99
<b>Cash generated from operations</b>		<b>4,720.78</b>		<b>4,010.90</b>	
Less: a. Income tax		1,365.95		1,025.96	
b. Wealth tax		0.18	1,366.13	0.19	1,026.15
<b>Net cash from operating activities - A</b>		<b>3,354.65</b>		<b>2,984.75</b>	
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>					
a. Purchase of tangible fixed assets		(724.78)		(865.81)	
b. Purchase of intangible fixed assets		(20.97)		(7.67)	
c. Decrease/(increase) in capital work in progress		(718.50)		58.92	
d. Decrease/(increase) in intangible assets under development		(0.25)		1.26	
e. Sale of tangible fixed assets		1.80		4.44	
f. Interest received on bank and other deposits		112.29		41.05	
g. Dividend received		145.27		26.10	
<b>Net cash from investing activities - B</b>		<b>(1,205.14)</b>		<b>(741.71)</b>	



## Cash Flow Statement for the year ended March 31, 2013 (Contd...)

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
a. Repayment of term loan	-	(97.83)
b. Short-term borrowings from Banks		
- Received during the year	42.59	-
- Repaid during the year	-	(144.06)
c. Interest free sales tax deferment		
- Availed during the year	-	98.30
- Repaid during the year	(16.92)	(9.00)
d. Interest paid on term loans	-	(3.01)
e. Interest paid on working capital facilities	(0.11)	(2.65)
f. Premium on forward contracts	-	(0.56)
g. Dividend paid	(322.84)	(222.06)
h. Dividend tax paid	(52.37)	(36.88)
<b>Net cash from financing activities - C</b>	<b>(349.65)</b>	<b>(417.75)</b>
<b>Net cash flow from all activities (A+B+C)</b>	<b>1,799.86</b>	<b>1,825.29</b>
Opening cash and cash equivalents	2,283.19	443.49
Add: Net increase in cash and cash equivalents	1,799.86	1,825.29
Add: Effect of foreign exchange differences on restatement of cash and cash equivalents	11.63	14.41
<b>Closing cash and cash equivalents</b>	<b>4,094.68</b>	<b>2,283.19</b>
<b>Components of cash and cash equivalents</b>		
i) Balances with banks		
- in current accounts	238.37	488.23
- in deposit accounts	3,652.00	1,750.10
- in exchange earner's foreign currency account	30.23	2,265.39
ii) Cheques/drafts on hand	172.61	16.73
iii) Cash on hand	1.47	1.07
<b>Closing cash and cash equivalents</b>	<b>4,094.68</b>	<b>2,283.19</b>

Statement on significant accounting policies and notes are an integral part of the financial statements

## Reconciliation of cash and cash equivalents

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Cash and bank balances as per Balance Sheet (Refer Note No. 16)	4,107.90	2,291.90
Less: Bank balances not considered as cash and cash equivalents as defined in AS 3 on Cash Flow Statement		
i) In earmarked accounts		
- Unclaimed dividends	13.22	8.71
<b>Cash and cash equivalents</b>	<b>4,094.68</b>	<b>2,283.19</b>

Note: The above cash flow statement has been prepared under indirect method as set out in Accounting Standard - 3 on Cash Flow Statement notified under section 211(3C) of the Companies Act, 1956.

### As per our report of even date attached

**For E. Phalgun Kumar & Co.**  
Chartered Accountants  
Firm Registration No. 002644S

**For Chevaturi Associates**  
Chartered Accountants  
Firm Registration No. 000632S

**For and on behalf of the Board**

**E. Chaitanya**  
Partner  
(Membership No: 215621)

**Raghunadha Rao Balineni**  
Partner  
(Membership No: 28105)

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Vice Chairman and  
Managing Director

**K. Suresh**  
Chief Financial Officer

Place : Tirupati  
Date : May 13, 2013

Place : Milwaukee, USA  
Date : May 13, 2013

## Notes forming part of the financial statements

### NOTE 1 : SIGNIFICANT ACCOUNTING POLICIES

#### 1. Corporate Information

Amara Raja Batteries Limited (“the Company”) is the second largest manufacturer of lead-acid storage batteries for industrial and automotive applications in India. The equity shares of the Company are listed in BSE Limited and the National Stock Exchange of India Limited. The Company’s products are supplied to various user segments viz., Telecom, Railways, Power Control and UPS under Industrial Battery business; and to Automobile OEMs, Replacement Market and Private Label Customers under Automotive Battery business. The Company’s products are being exported to various countries in the Indian Ocean Rim. The Company also provides installation & commissioning and maintenance services to the customers. The leading automotive and industrial battery brands of the Company are Amaron®, PowerZone™, Power Stack®, AmaronVolt™ and Quanta®.

#### 2. Significant Accounting Policies

##### a. Basis of Preparation of Financial Statements

The financial statements are prepared under historical cost convention on accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles in India. The financial statements are prepared to comply in all material respects with the Accounting Standards notified under section 211(3C) of the Companies Act, 1956, the pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

##### b. Use of Estimates

The preparation of the financial statements requires the management of the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and disclosures relating to the contingent liabilities and commitments. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

The judgments, estimates and underlying assumptions are made with the management’s best knowledge of the business environment and are reviewed on an ongoing basis. However, future results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

##### c. Fixed assets

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. The cost of fixed assets is inclusive of freight, non-refundable duties and taxes, financial costs on specific borrowings utilised for financing the assets upto the date of commissioning, the cost of installation/erection and other incidental expenses incurred to bring the asset to its present location and condition.

Intangible assets are stated at cost of acquisition less accumulated amortisation. All costs, including financing costs on specific borrowings utilised for financing the assets, incurred till the time the asset is put to use for intended purpose are capitalised.

Capital work-in-progress and intangible assets under development are stated at the amount expended upto the date of Balance Sheet.

##### d. Depreciation and Amortisation

Depreciation on fixed assets is provided on a straight line basis, at the following rates, which are determined on the basis of useful life of the assets estimated by the management or at rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher:

Asset Group	Estimated useful life
Electrical Installations	upto 21 years
Plant and Machinery (including Moulds)	upto 12 years
Computers	4 years
Office Equipments	8 years

(Refer Note No. 23 of the financial statements for the additional depreciation accounted due to revision in the estimated useful life of fixed assets during the year).

Depreciation on assets added/disposed off during the year is provided on pro-rata basis from/upto the date of addition or disposal, as the case may be.

Individual assets costing up to ₹5,000 each are fully depreciated in the year of purchase.

Intangible assets, comprising of expenditure on computer software, are amortised on a straight line method over a period of five years.

Cost of leasehold land is amortised over the period of lease on proportionate basis.

## Notes forming part of the financial statements (Contd...)

### e. Impairment of Assets

At each Balance Sheet date, the Company reviews the carrying amounts of the assets to determine whether there is any indication of impairment of assets. If any indication exists, the recoverable amount is estimated, at the higher of the realisable value and value in use, as considered appropriate. If the estimated recoverable amount is less than the carrying amount, an impairment loss is recognised in the Statement of Profit and Loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The impairment loss recognised in the previous accounting periods, if any, is reversed if there has been any change in the estimated recoverable amount.

### f. Borrowing Costs

Borrowing costs, that are directly attributable to the acquisition or construction of assets, that necessarily take a substantial period of time to get ready for its intended use, are capitalised as part of the cost of qualifying asset when it is possible that they will result in future economic benefits and the cost can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

### g. Investments

Trade investments are the investments meant to enhance the Company's interest. Investments are classified as current or non-current based on the management's intention at the time of investment. Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such diminution is other than of temporary nature.

Current investments are carried at lower of cost and fair market value.

### h. Inventories

- i) Inventories are valued at lower of cost and net realisable value.
- ii) In respect of raw materials, bought-out items, consumables, stores and spares, cost is ascertained on a weighted average basis. Cost includes freight, handling charges and non-recoverable taxes and duties.
- iii) In respect of work-in-process and finished goods, cost is determined on weighted average basis. Cost includes all direct costs and applicable production overheads incurred in bringing such inventories to their present location and condition. Finished goods are valued inclusive of excise duty.
- iv) Goods in transit are stated at actual cost incurred upto the date of Balance Sheet.
- v) Scrap is valued at estimated net realisable value.

Provision for obsolescence is made wherever necessary. Obsolete inventory items when identified and technically determined, are valued at estimated net realisable value.

### i. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- i) Revenue from sale of products is recognised when the risks and rewards in respect of ownership are transferred to the buyer under the terms of the contract which usually coincide with the dispatch of goods to the customer or when they are unconditionally appropriated under the terms of sale.
- ii) Sales include excise duty and service charges recovered and are stated net of trade discounts, allowances and sales returns.
- iii) Revenue from sale of services is recognised to the extent of services performed as per the agreements/arrangements with the customers.
- iv) Interest income is recognised on a time proportion basis taking into account the amounts invested and the rate of interest.
- v) Dividend income is accounted for in the year in which the right to receive the payment is established.

### j. Employee Benefits

#### 1) Defined Contribution Plans

- i) 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. Provident Fund contributions are made to the Government administered Provident Fund towards which the Company has no further obligations beyond its monthly contributions.

## Notes forming part of the financial statements (Contd...)

- ii) Company's contribution to Superannuation Fund in respect of employees who are members are made under a defined contribution plan, being administrated by Life Insurance Corporation of India and are recognised in the Statement of Profit and Loss at predetermined rates in the year in which the employees have rendered service. The Company has no further obligations to the Scheme beyond its monthly contributions.

### II) Defined Benefits Plans

- i) Company's liability towards Gratuity in respect of eligible employees at retirement, death, incapacitation or termination of employment is funded and is being administrated by Life Insurance Corporation of India. Cost of providing these benefits is determined on the basis of actuarial valuation at the end of each financial year using projected unit credit method and the incremental expense thereon is recognised in the Statement of Profit and Loss in the year in which the employee has rendered service.
- ii) Expense arising on account of unutilised leave which is unfunded is arrived at as per actuarial valuation and is recognised in the Statement of Profit and Loss in the year in which the employee has rendered service in lieu of such leave.
- iii) Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Profit and Loss in the year in which they arise.

### k. Research and Development Expenses

Capital expenditure on Research and Development is classified under tangible/intangible assets and depreciated in accordance with the Company's policy mentioned above.

Research costs are charged to revenue as and when incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the capitalisation criteria are met. Other development costs are recognised in the Statement of Profit and Loss as and when incurred.

Development expenditure as capitalised above is amortised over the estimated period of useful life or economic benefits not exceeding ten years.

### l. Foreign Currency Transactions

- i) The reporting currency of the Company is Indian Rupee.
- ii) Transactions in foreign currency are initially recorded in the reporting currency at the exchange rate prevailing on the date of transaction and charged or credited to revenue with the difference in rate of exchange arising on actual receipt/payment during the year.
- iii) 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.
- iv) 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.
- v) In respect of 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 Statement of Profit and Loss.
  - In respect of contracts, which are outstanding as on the date of Balance Sheet are valued at prevailing market price and the resultant gain/loss, if any, is recognised in the Statement of Profit and Loss.

### m. Income Taxes

Income tax expense comprises current tax and deferred tax.

- i) Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.
- ii) Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods, at the rate of tax enacted or substantively enacted by the Balance Sheet date.



## Notes forming part of the financial statements (Contd...)

iii) 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 in future period. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of their realisation in future period.

### **n. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company; or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. The Company does not recognise contingent liabilities but the same are disclosed in the notes.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

### **o. Product Warranties**

The Company estimates and provides for liability for product warranties in the year in which the products are sold. These estimates are established using historical information on the nature, frequency, quantum of warranty claims and corrective actions against product failures. The cost of warranty is net of realisable scrap value and includes the applicable taxes and duties like excise duty and also the best estimate of relevant freight expenses. The timing of outflows will vary based on the actual warranty claims. Provision is also recognised for product warranties in respect of claims received and remaining unsettled as at the date of Balance Sheet.

### **p. 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 claims which are no longer required.

### **q. Provision for doubtful trade receivables**

Receivables due from customers, which remain unpaid for more than one year from the due date and / or other receivables which are otherwise considered doubtful are recognised and provided for as provision for doubtful trade receivables.

### **r. Dividends**

Provision for dividends payable, including income tax thereon, is recognised in the books of account as proposed by the Board of Directors, pending approval of shareholders at the ensuing Annual General Meeting.

### **s. Cash and cash equivalents**

Cash and cash equivalents comprise of cash at bank and on hand, including cheques on hand. The Company considers all highly liquid investments, which are readily convertible into cash, to be cash equivalents.

### **t. Leases**

The Leases where the Lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss as per the applicable lease terms.

### **u. Segment Reporting**

The Company is engaged in the business of manufacture and sale of lead-acid storage batteries. This, in the context of Accounting Standard 17 on Segment Reporting, as specified in the Companies (Accounting Standards) Rules, 2006, is considered to constitute one single primary segment. Further, there is no reportable secondary segment i.e. Geographical Segment.

## Notes forming part of the financial statements (Contd...)

### NOTE 2 : SHARE CAPITAL

₹ Million

Particulars	As at	
	March 31, 2013	March 31, 2012
<b>Equity share capital</b>		
<b>Authorised</b>		
200,000,000 Equity shares of ₹1 each (previous year 100,000,000 of ₹2 each)	200.00	200.00
<b>Issued</b>		
175,028,500 Equity shares of ₹1 each (previous year 87,514,250 of ₹2 each)	175.03	175.03
<b>Subscribed and paid up</b>		
170,812,500 Equity shares of ₹1 each (previous year 85,406,250 of ₹2 each)	170.81	170.81
<b>Total</b>	<b>170.81</b>	<b>170.81</b>

#### a) Reconciliation of number of shares outstanding at the beginning and end of the year

Particulars	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	₹ Million	No. of Shares	₹ Million
<b>Equity share capital</b>				
Shares outstanding at the beginning of the year	85,406,250	170.81	85,406,250	170.81
Add: Shares issued during the year	-	-	-	-
Add: Sub-division of shares of ₹ 2 each into ₹ 1 each*	85,406,250	-	-	-
Less: Shares bought back / forfeited during the year	-	-	-	-
Shares outstanding at the end of the year	170,812,500	170.81	85,406,250	170.81

\*The Company has sub-divided the equity shares of face value of ₹2 each into two equity shares of face value of ₹1 each on September 26, 2012.

#### b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of ₹1 each (previous year face value of ₹2 each). Each holder of equity share is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the Annual General Meeting, except in case of interim dividend. In the event of liquidation, the holders of equity share will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

#### c) Shareholders holding more than 5% of shares in the Company

Name of the shareholder	As at March 31, 2013		As at March 31, 2012	
	No. of shares held	% of total shares	No. of shares held	% of total shares
<b>Equity Shares</b>				
Dr. Ramachandra N Galla	12,795,074	7.49	6,397,537	7.49
Sri Jayadev Galla	12,821,984	7.51	6,410,992	7.51
Johnson Controls (Mauritius) Private Limited	44,411,250	26.00	22,205,625	26.00

Note: The face value of shares held as at March 31, 2013 is ₹1 each (₹2 each as at March 31, 2012)

#### d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

During the financial year 2008-09 the Company has allotted 28,468,750 equity shares as fully paid-up bonus shares by capitalising part of general reserve.

## Notes forming part of the financial statements (Contd...)

### NOTE 3 : RESERVES AND SURPLUS

₹ Million

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Capital reserve</b>	0.01	0.01
<b>Securities premium reserve</b>	311.86	311.86
<b>General reserve</b>		
As per last Balance Sheet	1,530.56	1,315.50
Add: Transfer from surplus in the Statement of Profit and Loss	286.71	215.06
	1,817.27	1,530.56
<b>Surplus in the Statement of Profit and Loss</b>		
As per last Balance Sheet	6,221.45	4,661.09
Add: Profit for the year	2,867.05	2,150.63
Amount available for appropriation	9,088.50	6,811.72
Less: Appropriations		
Transfer to general reserve	286.71	215.06
Proposed dividend	430.45	322.84
Dividend tax on proposed dividend	73.15	52.37
	8,298.19	6,221.45
<b>Total</b>	<b>10,427.33</b>	<b>8,063.88</b>

#### Remittance in foreign currency on account of dividends

Particulars	Paid in 2012-13	Paid in 2011-12
Financial year to which the dividend relates	2011-12	2010-11
Number of non-resident shareholders to whom remittance made	4	5
Number of shares on which remittance made (face value ₹ 2 each)	22,515,299	22,645,199
Amount of dividend remitted in ₹ Million	85.11	58.88

### NOTE 4 : LONG-TERM BORROWINGS

₹ Million

Particulars	Non-current portion		Current maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Deferred payment liabilities</b>				
Interest free sales tax deferment (Unsecured)	773.13	784.72	9.27	14.60
<b>Total</b>	<b>773.13</b>	<b>784.72</b>	<b>9.27</b>	<b>14.60</b>

#### Interest free sales tax deferment

The Company has availed interest free sales tax deferment under Andhra Pradesh sales tax deferment scheme (Target 2000) from the financial year 1997-98 as per the eligibility norms in respect of expanded capacities. The Company has availed total deferment of ₹ 811.40 million since March 1998, which is repayable after a period of 14 years from the date of each availment in annual installments.

- Eligible amount of interest free sales tax deferment - ₹ 813.33 million
- Period eligible for availment - January 1998 till September 2015

₹ Million

Particulars	As at March 31, 2013	As at March 31, 2012
Outstanding liability against deferment at beginning of the year	799.32	710.02
Add: Availment during the year	-	98.30
Less: Repayments during the year against current portion	14.60	9.00
	784.72	799.32
Less: Repayments during the year against non-current portion	2.32	-
Outstanding liability against deferment at end of the year	782.40	799.32
Deferment liability to be repaid in next 12 months (current portion)	9.27	14.60
Balance deferment liability (non-current portion)	773.13	784.72

## Notes forming part of the financial statements (Contd...)

### NOTE 5 : DEFERRED TAX LIABILITIES (NET)

₹ Million

Particulars	As at March 31, 2013	As at March 31, 2012
As per previous year Balance Sheet	219.60	204.93
Add/(Less): Liability / (Asset) for the year	(24.51)	14.67
<b>Deferred tax liabilities (net)</b>	<b>195.09</b>	<b>219.60</b>

#### Major components of deferred tax assets and liabilities as at the end of the year arising on timing differences

₹ Million

Particulars	As at March 31, 2013		As at March 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Depreciation / amortisation		240.15		263.37
Employee benefits related and other provisions - allowed based on actual payments	33.45		20.13	
Provision for doubtful trade receivables	11.61		23.64	
<b>Total</b>	<b>45.06</b>	<b>240.15</b>	<b>43.77</b>	<b>263.37</b>
<b>Deferred tax liabilities (net of deferred tax assets)</b>		<b>195.09</b>		<b>219.60</b>

### NOTE 6 : PROVISIONS

₹ Million

Particulars	Long-term		Short-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Employee benefits</b>				
a) Gratuity	55.88	42.65	7.81	11.90
Less: Fund with LIC of India	51.97	39.67	7.81	11.90
	3.91	2.98	-	-
b) Leave encashment (Unfunded)	83.31	52.84	7.20	4.24
<b>Others</b>				
a) Income tax	-	-	1,380.00	1,038.00
b) Wealth tax	-	-	1.83	0.17
c) Proposed dividend	-	-	430.45	322.84
d) Dividend tax on proposed dividend	-	-	73.15	52.37
e) Product warranty	289.19	90.36	600.57	643.26
<b>Total</b>	<b>376.41</b>	<b>146.18</b>	<b>2,493.20</b>	<b>2,060.88</b>

#### a) Employee benefits (Disclosure required by AS 15)

##### I. Defined contribution plans

During the year, as per AS 15 the Company has recognised the following contribution amounts in the Statement of Profit and Loss

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Employer's contribution to provident fund	20.39	19.00
Employer's contribution to superannuation fund	25.72	23.62
Employer's contribution to employees' state insurance	12.54	10.53
<b>Total recognised in the Statement of Profit and Loss</b>	<b>58.65</b>	<b>53.15</b>

## Notes forming part of the financial statements (Contd...)

### II. Defined benefits plans

#### Reconciliation for changes in present value of defined benefits obligations

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	Gratuity	Leave Salary	Gratuity	Leave Salary
Present value of obligations at beginning of the year	54.55	57.08	49.60	47.13
Current service cost	9.14	40.00	7.57	25.57
Interest cost	4.28	4.47	3.97	3.61
Benefits paid	(4.31)	(2.52)	(2.07)	(4.07)
Net actuarial (gain)/loss	0.03	(8.52)	(4.52)	(15.16)
<b>Present value of obligations at end of the year</b>	<b>63.69</b>	<b>90.51</b>	<b>54.55</b>	<b>57.08</b>

#### Reconciliation for changes in fair value of plan assets

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	Gratuity	Leave Salary	Gratuity	Leave Salary
Fair value of plan assets at beginning of the year	51.57	-	38.22	-
Expected return	4.71	-	3.52	-
Contribution by employer	7.81	-	11.90	-
Benefits paid	(4.31)	-	(2.07)	-
<b>Fair value of plan assets at end of the year</b>	<b>59.78</b>	<b>-</b>	<b>51.57</b>	<b>-</b>

#### Reconciliation of present value of defined benefits obligations and fair value of plan assets

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	Gratuity	Leave Salary	Gratuity	Leave Salary
Present value of defined benefits obligations at end of the year	63.69	90.51	54.55	57.08
Fair value of plan assets at end of the year	59.78	-	51.57	-
Unfunded status at end of the year	3.91	90.51	2.98	57.08
<b>Net liability recognised in the Balance Sheet</b>	<b>3.91</b>	<b>90.51</b>	<b>2.98</b>	<b>57.08</b>
Net Liability to be paid in next 12 months (current portion)	-	7.20	-	4.24
Balance liability (non-current portion)	3.91	83.31	2.98	52.84

#### Major categories of plan assets as a percentage of total plan assets (Gratuity only)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Qualifying Insurance Policy	100%	100%

#### Amounts for the current and previous four financial years (for Gratuity)

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009
Present value of defined benefit obligations	63.69	54.55	49.60	40.43	35.79
Fair value of plan assets	59.78	51.57	38.22	26.27	20.46
Deficit in the plan assets	3.91	2.98	11.38	14.16	15.33

Note: Details of experience adjustments arising on plan liabilities and plan assets have not been disclosed in the absence of relevant information.

## Notes forming part of the financial statements (Contd...)

### Amounts for the current and previous four financial years (for Leave encashment)

₹ Million

Particulars	Year ended	Year ended	Year ended	Year ended	Year ended
	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Present value of defined benefits obligations	90.51	57.08	47.13	29.52	18.38
Deficit in the plan assets	90.51	57.08	47.13	29.52	18.38
Experience gain on plan liabilities	(29.45)	(15.16)	(14.07)	(9.13)	NA

### Expenses recognised in the Statement of Profit and Loss

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	Gratuity	Leave Salary	Gratuity	Leave Salary
Current service cost	9.14	40.00	7.57	25.57
Interest cost	4.28	4.47	3.97	3.61
Expected return	(4.71)	-	(3.52)	-
Net actuarial (gain)/loss	0.03	(8.52)	(4.52)	(15.16)
<b>Net expenses recognised in the Statement of Profit and Loss</b>	<b>8.74</b>	<b>35.95</b>	<b>3.50</b>	<b>14.02</b>

%

Actuarial assumptions	Year ended March 31, 2013		Year ended March 31, 2012	
	Gratuity	Leave Salary	Gratuity	Leave Salary
a) Discount rate	8.00	8.00	8.00	8.00
b) Attrition rate	4.00	8.10	4.00	7.00
c) Salary escalation rate per unit	7.00	13.00	7.00	10.00
d) Expected / Actual return	9.12	-	9.22	-

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.

### b) Movement in provision for product warranties

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Provision as at beginning of the year	733.62	517.01
Provision made during the year	799.40	684.40
Withdrawn/reversed during the year	643.26	467.79
Provision as at end of the year	889.76	733.62

## NOTE 7 : SHORT-TERM BORROWINGS

₹ Million

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Loans repayable on demand</b>		
Cash credit from banks (Secured)		
State Bank of India	98.63	16.73
State Bank of Hyderabad	-	39.31
<b>Total</b>	<b>98.63</b>	<b>56.04</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 all current assets of the Company. 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.

## Notes forming part of the financial statements (Contd...)

### NOTE 8 : TRADE PAYABLES

₹ Million

Particulars	As at	
	March 31, 2013	March 31, 2012
<b>(Unsecured)</b>		
<b>Trade payables</b>		
i) Dues to Micro, Small and Medium Enterprises	7.17	5.90
ii) Others	1,355.67	870.43
<b>Total</b>	<b>1,362.84</b>	<b>876.33</b>

#### Notes relating to Micro, Small and Medium 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, 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, Small and Medium Enterprises are given below:

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	Principal	Interest	Principal	Interest
I. Amounts due as at the date of Balance Sheet				
a) Principal amount	-	-	-	-
b) Interest thereon	-	-	-	-
II. Amount of interest along with the amounts of principal made beyond the appointed date during the year	-	-	-	-
III. Amount of interest due and payable for the period of delay in making payments of principal during the year beyond the appointed date	-	-	-	-
IV. The amount of interest accrued and remaining unpaid as at the date of Balance Sheet	-	-	-	-
V. The amount of further interest remaining due and payable in the succeeding year	-	-	-	-

### NOTE 9 : OTHER CURRENT LIABILITIES

₹ Million

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>(Unsecured)</b>				
<b>Unclaimed dividends*</b>		13.22		8.71
<b>Other payables</b>				
a) Employee related payables	311.60		220.50	
b) Outstanding liabilities	643.10		399.73	
c) Commission payable to Non-Executive Chairman	140.88		104.18	
d) Excise duty/service tax payable	4.17		9.15	
e) Sales tax payables	200.39		151.29	
f) TDS/TCS payables	14.48		14.72	
g) Advances from customers	42.52		12.24	
h) Creditors for capital goods/services	214.15		72.54	
i) Other non-trade payables	213.48	1,784.77	129.07	1,113.42
Sub-total		1,797.99		1,122.13
Add: Current maturities of long-term debt (Refer Note No. 4)				
Interest free sales tax deferment (Unsecured) repayable within 12 months		9.27		14.60
<b>Total</b>		<b>1,807.26</b>		<b>1,136.73</b>

\*The unclaimed dividends represent those relating to the years from 2005-06 to 2011-12 (for previous year from 2004-05 to 2010-11) and no part thereof has remained unpaid or unclaimed for a period of seven years or more from the date they became due for payment requiring transfer to the Investor Education and Protection Fund.

## Notes forming part of the financial statements (Contd...)

## NOTE 10 : FIXED ASSETS AND DEPRECIATION

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION / AMORTISATION BLOCK		IMPAIRMENT BLOCK		NET BLOCK			
		As at March 31, 2012	Additions during the year	Deductions during the year	As at March 31, 2013	Upto March 31, 2012	For the year	Upto March 31, 2012	On Deductions	Upto March 31, 2013	As at March 31, 2013	As at March 31, 2012
<b>A</b>	<b>Tangible assets</b>											
1	Land and land development											
	- Freehold land	168.28	1.89	-	170.17	-	-	-	75.52	-	94.65	168.28
	- Leasehold land*	-	133.65	-	133.65	-	0.84	-	-	-	132.81	-
2	Buildings	866.41	75.82	7.75	934.48	152.76	24.01	4.07	-	-	761.78	713.65
3	R&D buildings	9.90	-	-	9.90	4.28	0.31	-	-	-	5.31	5.62
4	Plant & machinery	4,287.20	385.36	123.13	4,549.43	2,157.41	460.03	90.07	-	-	2,022.06	2,129.79
5	R&D plant & machinery	108.58	11.40	1.14	118.84	76.71	5.73	0.54	-	-	36.94	31.87
6	Electrical installations	429.57	42.26	3.68	468.15	99.95	56.10	2.55	-	-	314.65	329.62
7	Furniture	75.29	5.37	1.41	79.25	39.91	3.83	1.29	-	-	36.80	35.38
8	Vehicles	66.91	43.58	4.99	105.50	31.04	6.00	3.23	-	-	71.69	35.87
9	Office equipment	169.12	25.45	13.51	181.06	94.40	21.19	12.81	-	-	78.28	74.72
	<b>Total</b>	<b>6,181.26</b>	<b>724.78</b>	<b>155.61</b>	<b>6,750.43</b>	<b>2,656.46</b>	<b>578.04</b>	<b>114.56</b>	<b>-</b>	<b>75.52</b>	<b>3,554.97</b>	<b>3,524.80</b>
	Previous year	5,364.00	865.81	48.55	6,181.26	2,231.19	459.92	34.65	-	-	3,524.80	3,132.81
<b>B</b>	<b>Intangible assets</b>											
10	Brands/trademarks	0.12	-	-	0.12	0.12	-	-	-	-	-	-
11	Computer software	31.11	20.97	-	52.08	10.19	8.20	-	-	-	33.69	20.92
	<b>Total</b>	<b>31.23</b>	<b>20.97</b>	<b>-</b>	<b>52.20</b>	<b>10.31</b>	<b>8.20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33.69</b>	<b>20.92</b>
	Previous year	23.56	7.67	-	31.23	5.50	4.81	-	-	-	20.92	18.06
<b>A+B</b>	<b>Grand Total</b>	<b>6,212.49</b>	<b>745.75</b>	<b>155.61</b>	<b>6,802.63</b>	<b>2,666.77</b>	<b>586.24</b>	<b>114.56</b>	<b>-</b>	<b>75.52</b>	<b>3,588.66</b>	<b>3,545.72</b>
	Previous year	5,387.56	873.48	48.55	6,212.49	2,236.69	464.73	34.65	-	-	3,545.72	3,150.87
<b>C</b>	<b>Capital work-in-progress</b>											
<b>D</b>	<b>Intangible assets under development</b>											
											<b>1,024.97</b>	<b>310.65</b>
											<b>4.84</b>	<b>4.58</b>

\*Leasehold land represents one time lease rent paid for 99 years during the year 2012-13. Amortisation of leasehold land rent of ₹0.84 million is included under capital work-in-progress as part of pre-operative expenses.



## Notes forming part of the financial statements (Contd...)

### NOTE 11 : NON-CURRENT INVESTMENTS

₹ Million

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>A. In Equity Instruments</b>				
a. Quoted - Non trade at cost				
i) 125 Fully paid up equity shares of ₹ 1 each in Standard Batteries Limited, India	0.01		0.01	
Less: Provision for diminution in value	0.01		0.01	
	-		-	
ii) 25 Fully paid up equity shares of ₹ 2 each in Nicco Corporation Limited, India	0.001		0.001	
iii) 10,000 Fully paid up equity shares of ₹ 1 each in Exide Industries Limited, India	0.04		0.04	
iv) 5,500 Fully paid up equity shares of ₹ 1 each in HBL Power Systems Limited, India	0.01		0.01	
v) 160,000 Fully paid up equity shares of ₹ 2 each in IVRCL Limited, India	0.21		0.21	
vi) 23,749 Fully paid up equity shares of ₹ 10 each in IDBI Bank Limited, India	1.01		1.01	
vii) 227,900 Fully paid up equity shares of ₹ 10 each in Andhra Bank, India	2.28	3.55	2.28	3.55
b. Unquoted - Non trade at cost				
i) 1,128 Fully paid up equity shares of ₹ 10 each in Indian Lead Limited, India	0.03		0.03	
Less: Provision for diminution in value	0.03	-	0.03	-
c. Unquoted - Trade at cost				
i) 1,206,000 Fully paid up equity shares of ₹ 10 each in Andhra Pradesh Gas Power Corporation Limited, India		157.14		157.14
<b>B. In Government Securities - Non trade at cost</b>				
6 years National Savings Certificates (Lodged as security with Government departments. ₹ 12,000 held in the name of Dr. Ramachandra N Galla, Non-Executive Chairman)		0.07		0.07
<b>Total</b>		<b>160.76</b>		<b>160.76</b>
<b>Aggregate of quoted investments</b>				
At cost		3.56		3.56
At market value		27.86		41.85
<b>Aggregate of unquoted investments - at cost</b>		<b>157.24</b>		<b>157.24</b>

## Notes forming part of the financial statements (Contd...)

### NOTE 12 : LOANS AND ADVANCES

₹ Million

Particulars	Long-term		Short-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>(Unsecured and considered good)</b>				
Capital advances	155.11	4.46	-	-
Refundable deposits	161.07	86.15	1.35	1.24
Loans and advances to related parties	37.34	5.80	-	-
<b>Other loans and advances</b>				
a) Material and other advances	-	-	182.30	116.45
b) Excise duty, service tax and VAT paid in advance	-	-	72.52	54.65
c) Income tax paid in advance and TDS receivables	-	-	1,340.64	1,010.36
d) Excise duty, service tax and sales tax paid under protest	-	-	21.92	8.69
e) Electricity charges paid under protest	-	-	38.05	18.05
<b>Total</b>	<b>353.52</b>	<b>96.41</b>	<b>1,656.78</b>	<b>1,209.44</b>

#### Loans and advances to related parties (Refer Note No. 30)

₹ Million

Particulars	As at March 31, 2013	As at March 31, 2012
Amara Raja Infra Private Limited - Capital advance	37.34	5.80
(Nature of relationship: Company in which the promoter directors are interested)		

### NOTE 13 : OTHER ASSETS

₹ Million

Particulars	Long-term		Short-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>(Unsecured and considered good)</b>				
Interest accrued	-	-	47.72	21.27
Prepaid expenses	3.43	1.11	20.77	10.33
<b>Total</b>	<b>3.43</b>	<b>1.11</b>	<b>68.49</b>	<b>31.60</b>

### NOTE 14 : INVENTORIES

₹ Million

Particulars	As at March 31, 2013	As at March 31, 2012
<b>(Valued at lower of cost and net realisable value)</b>		
Raw materials	666.18	553.67
Add: Raw materials in transit	264.64	429.34
Total Raw materials	930.82	983.01
Work-in-process	828.95	811.41
Finished goods	536.44	563.49
Stock-in-trade	368.98	44.70
Stores and spares	255.22	252.79
Loose tools	4.39	5.15
Secondary packing materials and others	3.78	5.62
<b>Total</b>	<b>2,928.58</b>	<b>2,666.17</b>

## Notes forming part of the financial statements (Contd...)

### NOTE 15 : TRADE RECEIVABLES

₹ Million

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>(Unsecured)</b>				
<b>a) Trade receivables outstanding for a period exceeding six months from due date</b>				
i) Considered good	20.19		11.62	
ii) Considered doubtful	34.15		44.57	
	54.34		56.19	
Less: Provision for doubtful trade receivables	34.15	20.19	44.57	11.62
<b>b) Other trade receivables</b>				
i) Considered good	3,786.58		3,185.21	
ii) Considered doubtful	-		28.27	
	3,786.58		3,213.48	
Less: Provision for doubtful trade receivables	-	3,786.58	28.27	3,185.21
<b>Total</b>		<b>3,806.77</b>		<b>3,196.83</b>

#### Movement in provision for doubtful trade receivables

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Provision as at beginning of the year	72.84	11.08
Provision made during the year	-	66.00
Reversed against collection / written off as bad debts during the year	38.69	4.24
Provision as at end of the year	34.15	72.84

### NOTE 16 : CASH AND BANK BALANCES

₹ Million

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>a) Cash and cash equivalents</b>				
i) Balances with banks				
in current accounts	238.37		488.23	
in deposit accounts	3,652.00		1,750.10	
in exchange earner's foreign currency account	30.23		27.06	
ii) Cheques/drafts on hand	172.61		16.73	
iii) Cash on hand	1.47	4,094.68	1.07	2,283.19
<b>b) Other bank balances in earmarked accounts</b>				
Unclaimed dividends		13.22		8.71
<b>Total</b>		<b>4,107.90</b>		<b>2,291.90</b>

## Notes forming part of the financial statements (Contd...)

### NOTE 17 : REVENUE FROM OPERATIONS

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>a) Sale of products</b>		
Storage batteries (finished goods)	30,371.92	25,097.12
Storage batteries (stock-in-trade)	1,493.93	534.76
Home UPS (stock-in-trade)	1,091.60	346.48
Gross revenue from sale of products	32,957.45	25,978.36
Less: Excise duty	3,495.72	2,383.94
Net revenue from sale of products	29,461.73	23,594.42
<b>b) Sale of services</b>		
Installation and commissioning	17.36	9.67
Annual maintenance	96.09	5.07
Preventive maintenance	5.75	8.67
Other services	17.82	15.55
Net revenue from sale of services	137.02	38.96
<b>c) Other operating revenue</b>		
Sale of process scrap	15.21	11.30
<b>Net revenue from operations</b>	<b>29,613.96</b>	<b>23,644.68</b>

### NOTE 18 : OTHER INCOME

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest Income		
On bank and other deposits	112.29	41.05
Against trade receivables	10.27	45.47
Dividend income		
On current investments - mutual funds	143.96	24.60
On long-term investments - equity instruments	1.31	1.50
Net gain on foreign currency transactions and translations	91.71	108.00
Insurance claims	13.48	22.44
Scrap Sales (non-process)	6.94	8.28
Cash discount earned on early payments	43.35	22.32
Provisions and credit balances written back	6.44	5.31
Bad debts recovered	0.25	0.04
Profit on sale of fixed assets	0.04	-
Provision for doubtful trade receivables / advances written back	35.06	-
Sundry income	0.41	0.70
<b>Total</b>	<b>465.51</b>	<b>279.71</b>

### NOTE 19 : COST OF MATERIALS CONSUMED

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Opening stock	553.67	634.71
Add: Purchases	17,751.45	15,051.04
Sub-total	18,305.12	15,685.75
Less: Closing stock	666.18	553.67
<b>Total</b>	<b>17,638.94</b>	<b>15,132.08</b>

## Notes forming part of the financial statements (Contd...)

### a) Materials consumed comprise

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Lead	8,221.83	6,980.73
Lead alloys	6,646.43	5,899.45
Separator	799.95	593.94
Others	1,970.73	1,657.96
<b>Total</b>	<b>17,638.94</b>	<b>15,132.08</b>

### b) Comparison between consumption of imported and indigenous materials

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	₹ Million	%	₹ Million	%
Imported	7,048.23	39.96	7,086.18	46.83
Indigenous	10,590.71	60.04	8,045.90	53.17
<b>Total</b>	<b>17,638.94</b>	<b>100.00</b>	<b>15,132.08</b>	<b>100.00</b>

## NOTE 20 : PURCHASES OF STOCK-IN-TRADE AND CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROCESS AND STOCK-IN-TRADE

### A. PURCHASES OF STOCK-IN-TRADE

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Storage batteries	1,437.71	522.79
Home UPS	1,194.83	317.23
<b>Total</b>	<b>2,632.54</b>	<b>840.02</b>

### B. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROCESS AND STOCK-IN-TRADE

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
<b>Work-in-process</b>				
Opening stock - Storage batteries	811.41		792.32	
Less: Closing stock - Storage batteries	828.95	(17.54)	811.41	(19.09)
<b>Finished goods</b>				
Opening stock - Storage batteries	563.49		726.95	
Less: Closing stock - Storage batteries	536.44		563.49	
	27.05		163.46	
Less: Excise duty on decrease of finished goods	6.12	20.93	23.54	139.92
<b>Stock-in-trade</b>				
Opening stock - Storage batteries	21.15		0.34	
- Home UPS	23.55		21.68	
	44.70		22.02	
Less: Closing stock - Storage batteries	145.01		21.15	
- Home UPS	223.97		23.55	
	368.98	(324.28)	44.70	(22.68)
<b>Net (increase)/decrease of inventories</b>		<b>(320.89)</b>		<b>98.15</b>

## Notes forming part of the financial statements (Contd...)

### NOTE 21 : EMPLOYEE BENEFITS EXPENSE

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Salaries and wages	1,086.99	858.03
Contribution to provident and other funds	69.81	57.90
Staff welfare expenses	109.43	86.71
<b>Total</b>	<b>1,266.23</b>	<b>1,002.64</b>

### NOTE 22 : FINANCE COSTS

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest expense		
Term loans	-	3.01
Working capital facilities	0.11	2.65
Income tax	2.03	7.79
Income tax	2.14	13.45
Other borrowing costs	7.84	2.12
Net loss on foreign currency transactions and translations	-	8.90
<b>Total</b>	<b>9.98</b>	<b>24.47</b>

### NOTE 23 : DEPRECIATION AND AMORTISATION EXPENSE

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Depreciation	652.72	459.92
Amortisation	8.20	4.81
<b>Total</b>	<b>660.92</b>	<b>464.73</b>

Note: Depreciation includes the following:

- Impairment provision on freehold land of ₹ 75.52 million (previous year ₹ Nil).
- During the financial year, the management has technically re-evaluated the estimated useful life of fixed assets and consequently depreciation has been re-ascertained on the balance estimated useful life. As a result, additional depreciation of ₹ 50.49 million (previous year ₹ Nil) has been recognised in the Statement of Profit and Loss.

### NOTE 24 : OTHER EXPENSES

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A. Manufacturing expenses</b>		
a. Stores and spares consumed (including packing material)	378.41	312.51
b. Power and fuel	986.92	539.84
c. Insurance	7.29	4.91
d. Repairs and maintenance to		
i) Machinery	55.79	47.99
ii) Buildings	14.28	70.07
ii) Buildings	70.07	10.42
ii) Buildings	58.41	
<b>Total (A)</b>	<b>1,442.69</b>	<b>915.67</b>
<b>B. Selling expenses</b>		
a. Advertisement and promotion	154.41	215.03
b. Freight outward	553.25	474.04
c. Commission on sales	10.13	16.33
d. Other sales expenses	434.25	246.96
e. Royalty on sales	0.05	2.44
f. Product warranties	502.71	636.06
<b>Total (B)</b>	<b>1,654.80</b>	<b>1,590.86</b>

## Notes forming part of the financial statements (Contd...)

₹ Million

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
<b>C. Administrative expenses</b>				
a. Rent		98.31		66.64
b. Commission to Non-Executive Chairman		140.88		104.18
c. Payment to Auditors (Refer Note No. 28)		2.73		2.19
d. Research and development expenses		2.83		7.27
e. Donations		112.23		64.68
f. Political donation		-		1.00
g. Travel and conveyance		116.70		100.27
h. Repairs and maintenance to office equipment		10.27		11.82
i. Communication expenses		16.58		13.49
j. Consultancy charges		39.18		35.95
k. Information technology expenses		18.71		18.67
l. Office maintenance expenses		83.24		53.09
m. Loss on sale of tangible fixed assets		-		5.63
n. Sundry expenses		57.71		74.24
<b>Total (C)</b>		<b>699.37</b>		<b>559.12</b>
<b>D. Other expenses</b>				
a. Provision for doubtful trade receivables		-		66.00
b. Bad debts and irrecoverable advances written off	4.84		7.00	
Less: Opening provision reversed	3.63	1.21	5.48	1.52
c. Tangible fixed assets written off		44.27		3.83
d. Premium on forward contracts		-		0.56
<b>Total (D)</b>		<b>45.48</b>		<b>71.91</b>
<b>E. Rates and taxes (excluding income tax)</b>				
a. Rates, taxes and licenses		3.63		2.82
b. Duties and taxes (indirect taxes)		34.21		35.29
c. Wealth tax		1.83		0.18
<b>Total (E)</b>		<b>39.67</b>		<b>38.29</b>
<b>Grand Total (A+B+C+D+E)</b>		<b>3,882.01</b>		<b>3,175.85</b>

### Comparison between consumption of imported and indigenous stores and spares

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	₹ Million	%	₹ Million	%
Imported	80.38	21.24	45.00	14.40
Indigenous	298.03	78.76	267.51	85.60
<b>Total</b>	<b>378.41</b>	<b>100.00</b>	<b>312.51</b>	<b>100.00</b>

### NOTE 25 : VALUE OF IMPORTS CALCULATED ON CIF BASIS

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Capital goods	346.44	318.36
Raw material and components	6,871.52	6,818.43
Stores and spares	61.22	64.94
<b>Total</b>	<b>7,279.18</b>	<b>7,201.73</b>

## Notes forming part of the financial statements (Contd...)

### NOTE 26 : EXPENDITURE INCURRED IN FOREIGN CURRENCY

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Travel expenses (exclusive of tickets purchased in Rupees)	4.88	7.47
Sales commission	2.12	5.68
Professional and consultation fees	0.70	-
Interest	-	4.31
Others	12.31	3.10
<b>Total</b>	<b>20.01</b>	<b>20.56</b>

### NOTE 27 : FOB VALUE OF EXPORTS

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Sales	1,016.39	1,170.25

### NOTE 28 : PAYMENT TO AUDITORS

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) For Audit		
- Statutory audit	2.20	1.80
- Cost audit	0.16	0.09
b) For taxation matters (including tax audit)	0.25	0.20
c) For other matters - certification fee for cost auditor	0.04	0.04
d) Reimbursement of expenses	0.08	0.06
<b>Total</b>	<b>2.73</b>	<b>2.19</b>

### NOTE 29 : SEGMENT REPORTING

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.

### NOTE 30 : RELATED PARTY TRANSACTIONS

Related parties particulars pursuant to "Accounting Standard –18"

#### I. Parties where control exists: None

#### II. Parties with whom transactions have taken place during the year

##### A) List of related parties

##### 1. Investing party for which the Company is an Associate

Johnson Controls (Mauritius) Private Limited

##### 2. Key management personnel

Sri Jayadev Galla

Sri Ravi Bhamidipati

##### 3. 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

Sri Siddharth Galla

Son of Sri Jayadev Galla



## Notes forming part of the financial statements (Contd...)

### 4. Enterprises over which key management personnel and / or their relatives exercise significant influence

Amara Raja Power Systems Limited  
 Amara Raja Electronics Limited  
 Mangal Industries Limited  
 Amara Raja Infra Private Limited  
 Amara Raja Industrial Services Private Limited  
 Rajanna Trust  
 Mangamma and Gangulu Naidu Memorial Trust

### B) Transactions with the Related Parties

₹ Million

Particulars	Transactions		Receivables		Payables		Share capital	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<b>Share capital</b>								
Sri Jayadev Galla	-	-	-	-	-	-	12.82	12.82
Dr. Ramachandra N Galla	-	-	-	-	-	-	12.80	12.80
Smt G. Amara Kumari	-	-	-	-	-	-	5.26	5.26
Smt G. Padmavathi	-	-	-	-	-	-	0.99	0.99
Dr. G. Ramadevi	-	-	-	-	-	-	8.06	8.06
Sri Ashok Galla	-	-	-	-	-	-	0.05	0.05
Sri Siddharth Galla	-	-	-	-	-	-	0.05	0.05
Mangal Industries Limited	-	-	-	-	-	-	3.12	3.12
Johnson Controls (Mauritius) Private Limited	-	-	-	-	-	-	44.41	44.41
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87.56</b>	<b>87.56</b>
<b>Remuneration</b>								
Sri Jayadev Galla	234.80	173.63	-	-	211.34	147.62	-	-
Sri Ravi Bhamidipati	24.02	-	-	-	11.68	-	-	-
Dr. Ramachandra N Galla	140.88	104.18	-	-	140.88	104.18	-	-
<b>Total</b>	<b>399.70</b>	<b>277.81</b>	<b>-</b>	<b>-</b>	<b>363.90</b>	<b>251.80</b>	<b>-</b>	<b>-</b>
<b>Dividends paid</b>								
Sri Jayadev Galla	24.23	16.67	-	-	-	-	-	-
Dr. Ramachandra N Galla	24.18	16.63	-	-	-	-	-	-
Smt G. Amara Kumari	9.94	6.84	-	-	-	-	-	-
Smt G. Padmavathi	1.87	1.29	-	-	-	-	-	-
Dr. G. Ramadevi	15.23	10.47	-	-	-	-	-	-
Sri Ashok Galla	0.10	0.07	-	-	-	-	-	-
Sri Siddharth Galla	0.10	0.07	-	-	-	-	-	-
Mangal Industries Limited	5.89	4.05	-	-	-	-	-	-
Johnson Controls (Mauritius) Private Limited	83.94	57.73	-	-	-	-	-	-
<b>Total</b>	<b>165.48</b>	<b>113.82</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Rents paid</b>								
Sri Jayadev Galla	9.16	-	-	-	-	-	-	-
Dr. Ramachandra N Galla	1.42	-	-	-	-	-	-	-
Dr. G. Ramadevi	9.16	5.42	-	-	-	-	-	-
Amara Raja Infra Private Limited	0.95	1.56	-	-	-	-	-	-
<b>Total</b>	<b>20.69</b>	<b>6.98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Donations paid</b>								
Rajanna Trust	84.36	63.89	-	-	-	-	-	-
Mangamma and Gangulu Naidu Memorial Trust	27.73	-	-	-	-	-	-	-
<b>Total</b>	<b>112.09</b>	<b>63.89</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes forming part of the financial statements (Contd...)

### B) Transactions with the Related Parties (Contd...)

₹ Million

Particulars	Transactions		Receivables		Payables		Share capital	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<b>Reimbursement / sharing of expenses charged by the Company</b>								
Amara Raja Power Systems Limited	23.87	21.36	-	-	-	-	-	-
Amara Raja Electronics Limited	13.99	14.97	-	-	-	-	-	-
Mangal Industries Limited	9.87	13.21	-	-	-	-	-	-
Amara Raja Infra Private Limited	0.34	0.53	-	-	-	-	-	-
Amara Raja Industrial Services Private Limited	0.33	0.06	-	-	-	-	-	-
<b>Total</b>	<b>48.40</b>	<b>50.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sale of goods/services (gross including duties &amp; taxes)</b>								
Amara Raja Power Systems Limited	123.33	199.98	47.30	97.36	-	-	-	-
Amara Raja Electronics Limited	318.42	282.90	24.92	49.62	-	-	-	-
Mangal Industries Limited	6.55	1.79	0.72	-	-	-	-	-
<b>Total</b>	<b>448.30</b>	<b>484.67</b>	<b>72.94</b>	<b>146.98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Purchase of goods/services (gross including duties &amp; taxes)</b>								
Amara Raja Power Systems Limited	1.77	5.41	-	-	0.37	9.26	-	-
Amara Raja Electronics Limited	1,241.74	328.96	-	-	69.06	17.05	-	-
Mangal Industries Limited	2,047.95	1,795.33	-	-	177.77	115.59	-	-
Amara Raja Infra Private Limited	6.28	17.01	-	-	-	13.64	-	-
Amara Raja Industrial Services Private Limited	46.35	33.14	-	-	0.04	0.35	-	-
<b>Total</b>	<b>3,344.09</b>	<b>2,179.85</b>	<b>-</b>	<b>-</b>	<b>247.24</b>	<b>155.89</b>	<b>-</b>	<b>-</b>
<b>Purchase of capital goods/ services (gross including duties &amp; taxes) and advances recoverable</b>								
Amara Raja Power Systems Limited	88.80	13.62	-	-	-	-	-	-
Amara Raja Electronics Limited	0.02	0.10	-	-	-	-	-	-
Mangal Industries Limited	28.02	11.31	-	-	-	-	-	-
Amara Raja Infra Private Limited	665.69	195.42	37.34	5.80	-	-	-	-
Amara Raja Industrial Services Private Limited	-	0.32	-	-	-	-	-	-
<b>Total</b>	<b>782.53</b>	<b>220.77</b>	<b>37.34</b>	<b>5.80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deposits recoverable</b>								
Sri Jayadev Galla	-	-	20.41	-	-	-	-	-
Dr. Ramachandra N Galla	-	-	3.16	-	-	-	-	-
Dr. G. Ramadevi	-	-	20.41	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>43.98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes forming part of the financial statements (Contd...)

### B) Transactions with the Related Parties (Contd...)

₹ Million

Particulars	Transactions		Receivables		Payables		Share capital	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<b>Interest Income / receivable</b>								
Amara Raja Power Systems Limited	8.82	37.04	-	1.03	-	-	-	-
Amara Raja Electronics Limited	0.93	7.06	-	1.99	-	-	-	-
Mangal Industries Limited	-	0.83	-	-	-	-	-	-
<b>Total</b>	<b>9.75</b>	<b>44.93</b>	<b>-</b>	<b>3.02</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: There are no amounts written off / written back or provided for during the year in respect of any related party transactions (previous year ₹ Nil).

### NOTE 31 : UNHEDGED FOREIGN CURRENCY EXPOSURE

Million

Particulars	Currency	As at March 31, 2013		As at March 31, 2012	
		Foreign currency	Indian Rupee	Foreign currency	Indian Rupee
Sundry creditors	USD	2.90	159.46	0.74	38.00
	EUR	0.10	7.02	0.04	2.51
	GBP	0.002	0.25	0.01	0.64
Advances from customers	USD	0.41	22.11	0.02	0.87
Sundry debtors	USD	2.67	143.94	3.94	199.75
	USD	1.84	100.91	1.11	57.25
	EUR	0.35	24.79	0.01	0.41
Advances	USD	1.84	100.91	1.11	57.25
	EUR	0.35	24.79	0.01	0.41
Bank balances	USD	0.40	33.23	0.004	0.36
	USD	0.56	30.23	0.53	27.06

There are no outstanding derivative instruments as at end of the year (previous year ₹ Nil).

### NOTE 32 : LEASES

The Company is obligated under cancelable operating leases for offices, warehouses, etc, which are renewable at the option of both the lessor and the lessee. Total rental expense debited to the Statement of Profit and Loss under cancelable operating leases amounts to ₹ 98.31 million (previous year ₹ 66.64 million).

There are no sub-lease payments received / receivable recognised in the Statement of Profit and Loss. Also, there are no contingent rents payable and there are no restrictions imposed by lease agreements such as those concerning dividends and additional debt.

### NOTE 33 : EXCEPTIONAL ITEMS

Exceptional items represent net provision for fuel surcharge adjustment claim(s) of ₹ 91.57 million (previous year ₹ Nil) by Southern Power Distribution Company of Andhra Pradesh Limited for financial years from 2009-10 to 2011-12 as per the orders from Andhra Pradesh Electricity Regulatory Commission.

## Notes forming part of the financial statements (Contd...)

### NOTE 34 : RESEARCH AND DEVELOPMENT EXPENDITURE INCURRED AT IN-HOUSE R&D CENTRE

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>I. Capital expenditure</b>		
a) Land and buildings		
i) Land	-	-
ii) Buildings	-	-
b) Capital equipment	12.56	19.25
<b>II. Revenue expenditure</b>		
a) Salaries and wages including employee benefits expense	38.09	32.52
b) Consumption of materials including consumables, stores and spares	9.60	9.01
c) Utilities	6.34	4.36
d) Others	10.55	60.44
	64.58	14.55
<b>III. Total expenditure incurred at R&amp;D centre (I + II)</b>	<b>77.14</b>	<b>79.69</b>
<b>IV. Total expenditure on approved R&amp;D centre excluding cost of land and buildings eligible for weighted tax benefit*</b>	<b>46.38</b>	<b>43.84</b>
<b>V. Amounts received by R&amp;D centre in cash and/or kind</b>	-	-
<b>VI. Net amount incurred by R&amp;D Centre (IV-V)</b>	<b>46.38</b>	<b>43.84</b>

\* The Company has obtained approval from the Department of Scientific and Industrial Research for claiming weighted tax benefit under Section 35(2AB) of Income Tax Act, 1961 for the financial year 2012-13.

### NOTE 35 : PARTICULARS OF REVENUE EXPENDITURE CAPITALISED

₹ Million

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Salaries	1.96	-
Amortisation of leasehold land rent	0.84	-
Travel expenses	0.14	0.34
Others	0.81	-
<b>Total</b>	<b>3.75</b>	<b>0.34</b>

### NOTE 36 : CONTINGENT LIABILITIES AND COMMITMENTS

₹ Million

Particulars	As at March 31, 2013	As at March 31, 2012
<b>A. Contingent liabilities</b>		
Claims against the Company not acknowledged as debts		
i) Excise duty/service tax	18.76	16.10
ii) Sales tax	76.70	30.06
iii) Income tax	5.68	48.93
iv) Electricity	423.17	248.89
[Against all the above, ₹ 21.92 million (PY ₹ 8.69 million) was paid under protest]		
<b>B. Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	996.11	142.31

Note: On the basis of the current status of individual cases and as per the legal advice obtained, wherever applicable, the management is of the view that no provision is required in respect of the above cases.

## Notes forming part of the financial statements (Contd...)

### NOTE 37 : EARNINGS PER SHARE

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Numerator - Earnings</b>		
Net profits for the year in ₹ Million	2,867.05	2,150.63
<b>Denominator - Equity shares*</b>		
Number of shares at the beginning of the year	170,812,500	170,812,500
Add: Shares issued during the year	-	-
Less: Shares forfeited / bought back during the year	-	-
Number of shares outstanding at the end of the year	170,812,500	170,812,500
Weighted average number of shares outstanding at the end of the year (basic and diluted)	170,812,500	170,812,500
<b>Basic and diluted earnings per equity share of ₹ 1 each</b>	<b>₹ 16.78</b>	<b>₹ 12.59</b>

\*The Company has sub-divided the equity shares of face value of ₹ 2 each into two equity shares of ₹ 1 each on September 26, 2012. Consequently, earnings per share as at March 31, 2012 has been recomputed.

### NOTE 38 :

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

### NOTE 39 :

In the opinion of Board of Directors the assets other than fixed assets and non-current investments are expected to realise the value stated in the financial statements, in the ordinary course of business.

### NOTE 40 :

Previous year political donation of ₹ 1.00 million represent payment to the Communist Party of India (CPI), Chittoor District Council.

### NOTE 41 :

Figures have been rounded off to the nearest million.

### As per our report of even date attached

**For E. Phalgun Kumar & Co.**  
Chartered Accountants  
Firm Registration No. 002644S

**For Chevuturi Associates**  
Chartered Accountants  
Firm Registration No. 000632S

### For and on behalf of the Board

**E. Chaitanya**  
Partner  
(Membership No: 215621)

**Raghunadha Rao Balineni**  
Partner  
(Membership No: 28105)

**Dr. Ramachandra N Galla**  
Chairman

**Jayadev Galla**  
Vice Chairman and  
Managing Director

**K. Suresh**  
Chief Financial Officer

Place : Tirupati  
Date : May 13, 2013

Place : Milwaukee, USA  
Date : May 13, 2013

# Notice of the Annual General Meeting

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

NOTICE is hereby given that the twenty eighth annual general meeting of the members of Amara Raja Batteries Limited will be held on Wednesday, August 14, 2013 at 3:00 PM at the registered office of the Company at Renigunta-Cuddapah Road, Karakambadi- 517 520, Tirupati to transact the following business:

## **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited statement of Profit and Loss for the year ended March 31, 2013 and the Balance Sheet as at that date together with the reports of the Board of Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the financial year ended March 31, 2013.
3. To appoint a director in place of Mr. T R Narayanaswamy, 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. 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.
5. 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.
6. 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 statutory 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:**

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED that Mr. Ravi Bhamidipati, who was appointed by the Board of Directors as an additional director of the Company with effect from October 8, 2012 and who holds office up to the date of this annual general meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“Act”) and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing his candidature for the office of director of the Company, be and is hereby appointed as a director of the Company, not liable to retire by rotation.”
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED that Mr. Eric Stuart Mitchell, who was appointed by the Board of Directors as an additional director of the Company with effect from April 18, 2013 and who holds office up to the date of this annual general meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“Act”) and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing his candidature for the office of director of the Company, be and is hereby appointed as a director of the Company, liable to retire by rotation.”



9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable and related provisions, if any, of the Companies Act, 1956, (“Act”) including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, approval of the members of the Company be and is hereby accorded to the appointment of Mr. Ravi Bhamidipati, as an Executive Director of the Company for a period from October 8, 2012 to March 31, 2014 on the terms and conditions as detailed below:
1. **Salary** : ₹20,80,000 (Rupees Twenty Lakhs Eighty Thousand only) per month.
  2. **Commission** : One percent (1%) of next profits of the Company subject to maximum of ₹2,50,40,000 (Rupees Two Crore Fifty Lakhs Forty Thousand only) per annum.
  3. **Perquisites/Benefits forming part of the salary:**
    - a) House Rent Allowance, reimbursement of medical expenses incurred for self, family and dependent parents, Leave Travel Concession for self and family to and from any place in India once in a year and provision for car in accordance with the terms and conditions of the Company’s car scheme.
    - b) Gratuity payable for each completed year of service will be in accordance with the Payment of Gratuity Act, 1972 and rules made there under.
    - c) Telephone, mobile/communication facilities at office and residence for business purposes, 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 objects.
  4. **Overall Remuneration:** The aggregate of salary, commission and perquisites in any financial year shall not exceed ₹5 crore per year or the limits prescribed from time to time under Sections 198, 309, 310 and other applicable provisions of the Act, including any statutory modification or re-enactment thereof, read with Schedule XIII to the said Act, as may, for the time being in force, whichever is lower.

RESOLVED FURTHER that notwithstanding anything hereinabove stated, wherein in any financial year closing on or after March 31, 2013, the Company incurs a loss or its profits are inadequate, the Company shall pay Mr. Ravi Bhamidipati the remuneration by way of salary and other allowances not exceeding the limits specified under Para 2 of Section II, Part II of Schedule XIII to the Act, or such other limits as may be prescribed from time to time as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to vary, alter or modify the different components of the above-stated remuneration as may be agreed to by the Board of Directors and Mr. Ravi Bhamidipati”.

By Order of the Board  
For Amara Raja Batteries Limited

Place: Milwaukee  
Date: May 13, 2013

Dr. Ramachandra N Galla  
Chairman

## Notes:

1. A Member entitled to attend and vote at the annual general meeting (the “meeting”) is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy so appointed 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. 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 representatives to attend and vote on their behalf at the meeting.
3. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
4. The register of directors' shareholding maintained by the Company pursuant to Section 307 of the Companies Act, 1956 is open for inspection to the members at the meeting.
5. The register of members and share transfer books of the Company will remain closed from August 8, 2013 (Thursday) to August 14, 2013 (Wednesday) (both days inclusive), for the purpose of payment of dividend, if declared at the meeting.
6. Dividend as recommended by the Board of Directors, if approved, by the members at the meeting, shall be paid on or before August 31, 2013 to those members whose name appear in the register of members as on the date of the meeting. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as at the close of August 7, 2013, as per the details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
7. Members are advised to refer to the shareholders' referencer placed on the Company's website [www.amararaja.co.in](http://www.amararaja.co.in) covering various aspects such as investor services and grievance handling mechanism, recommendations of the Company to the shareholders, dividend, ECS facility and its requirements, unclaimed/unpaid dividend, unclaimed shares, dematerialisation/rematerialisation of shares, transfer/transmission / transposition / duplicate certificates, etc, nomination facility, miscellaneous matters and other information. Members are also advised to refer to the general shareholders' information in the corporate governance section of the annual report to know more about various information and requirements pertaining to shares of the Company.
8. The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including annual report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the depository through their concerned depository participants. Members who hold shares in physical form are requested to fill the email updation form placed on the Company's website [www.amararaja.co.in](http://www.amararaja.co.in) and send the same to M/s. Cameo Corporate Services Limited, Registrar and Share Transfer Agents of the Company. We solicit your patronage and support in joining hands with the Company to implement the e-governance initiative.
9. Members are requested to handover the enclosed 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 write their Client ID and DP-ID number and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
10. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
11. For your convenience, the attendance slip and proxy form are attached at the end of this annual report.



12. A member or his/her proxy is requested to bring the annual report to the meeting as extra copies will not be distributed.
13. Members are requested to send their queries, if any, on the accounts and operations of the Company to the secretarial department at least 7 days before the annual general meeting.
14. No gifts/compliments/coupons will be distributed at the meeting.
15. Pursuant to clause 49 of the listing agreement entered into with the stock exchanges, brief particulars of the directors proposed for re-appointment/appointment at the annual general meeting are given below:

<b>I.</b>	<b>Name of the Director</b>	<b>Mr. T R Narayanaswamy</b>
	Date of Birth	March 14, 1977
	Qualification	Bachelor degree in Commerce from Loyola College, University of Madras and a Master degree in Commerce with specialisation in International Marketing from the University of Madras.
	Expertise	Mr. T R Narayanaswamy is a business man and has promoted many business ventures. He is the Chief Executive Officer of Results Marine Private Limited, Chennai. He has immense knowledge in the fields of business, finance and marketing.
	Name(s) of other Companies in which Directorships held	1) Thangamayil Jewellery Limited 2) Reson Unified Logistics & Technical Services Private Limited 3) Results Marine Private Limited 4) Birdie Investments (Madras) Private Limited 5) Tattva Holdings Private Limited 6) Tattva Shipping Private Limited 7) Tattva Survey Private Limited 8) Results Investments Private Limited
	Name of other Companies in which Committee membership (s)/ Chairmanship (s) held	Nil
	Total shares held by him in the Company	Nil
	Relationship with other directors	Mr. T R Narayanaswamy is not related to any other director of the Company.

<b>II.</b>	<b>Name of the Director</b>	<b>Mr. P Lakshmana Rao</b>
	Date of Birth	October 28, 1939
	Qualification	Bachelor degree in Commerce and a Fellow Member of Institute of Chartered Accountants of India.
	Expertise	Mr. P Lakshmana Rao 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 Companies in which Directorships held	1) Lalitha Real Estates Private Limited 2) Veeraiah Non-Conventional Power Projects Limited
	Name of other Companies in which Committee membership (s)/ Chairmanship (s) held	Nil
	Total shares held by him in the Company	Nil
	Relationship with other directors	Mr. P Lakshmana Rao is not related to any other Director of the Company.

<b>III.</b>	<b>Name of the Director</b>	<b>Mr. Nagarjun Valluripalli</b>
	Date of Birth	May 6, 1968
	Qualification	Master degree in Science from the Birla Institute of Technology and Science (BITS), Pilani, Rajasthan, India
	Expertise	<p>Mr. Nagarjun Valluripalli served as the founder, Chairman, President and Chief Executive Officer of Intelligroup, Inc. from 1993 till 2005. Intelligroup Inc. provided systems integration and IT outsourcing services and employed over 3000 professionals worldwide.</p> <p>Through the years he has received various awards which includes NJ Fast 50 awards in the years 1995, 1996 and 1997, NJ Fast 500 award in 1999, NJ Ernst and Young Entrepreneur of the Year Winner in 2001, VAR Business awards in 2000, 2001 and 2003 and Ronald Reagan Technology award from the World Business Forum for 2004.</p> <p>He is also a strategic investor in numerous companies from software, Food &amp; Beverages, Consumer Electronics, Business Process Outsourcing to Power and Infrastructure.</p>
	Name(s) of other Companies in which Directorships held	Silicon Leasing and Investments Limited and many other Private Limited Companies.
	Name of other Companies in which Committee membership(s)/ Chairmanship (s) held	Nil
	Total shares held by him in the Company	3,000
	Relationship with other directors	Mr. Nagarjun Valluripalli is not related to any other Director of the Company.

<b>IV.</b>	<b>Name of the Director</b>	<b>Mr. Ravi Bhamidipati</b>
	Date of Birth	October 26, 1959
	Qualification	Bachelor degree in Chemical Engineering from the College of Engineering, Andhra University, India and is a Post graduate in Industrial Engineering from NITIE, Mumbai, India
	Expertise	<p>Prior to joining the Company, Mr. Ravi Bhamidipati has held the position of Executive Director and was also a member of India leadership team at Price Waterhouse Coopers. Earlier, he was the Chief Executive of ECS, a management consulting firm and also held various positions in leading companies like RHL (P&amp;G) India, Asian Paints Limited and Arvind Clothing Limited and served them under various capacities.</p> <p>He served as an Independent Director of the Company (Amara Raja Batteries Limited) from 2005 to 2008 and during the said period he was also a member of the audit committee. He was associated with Amara Raja Group of Companies (AR Group) as a Management Consultant and provided inputs to strategic decisions of the group from October 2010 till September 2011. From October, 2011 Mr. Ravi Bhamidipati has been the management consultant/advisor to the Company and has provided valuable inputs for the growth plans till September 2012.</p>
	Name(s) of other Companies in which Directorships held	Nil
	Name of other Companies in which Committee membership(s)/ Chairmanship (s) held	Nil
	Total shares held by him in the Company	Nil
	Relationship with other directors	Mr. Ravi Bhamidipati is not related to any other Director of the Company.

<b>V.</b>	<b>Name of the Director</b>	<b>Mr. Eric Stuart Mitchell</b>
	Date of Birth	January 6, 1971
	Qualification	Bachelor degree in Business Administration (Accounting) and Bachelor degree of Arts in International Business (Finance/German) from University of Michigan
	Expertise	Mr. Eric Stuart Mitchell, started his career at Varity/Kelsey-Hayes and occupied various positions before moving to the position of finance director, Europe, TRW Chassis Systems.  In April 2003, he joined Johnson Controls Inc., as VP Finance & Change Management, EMEA, Automotive Experience Division, Burscheid, Germany. From January 2006 to May 2009 he was Group VP and GM China, with Automotive Experience Division. In 2009, he became VP and GM, EMEA, Power Solutions. He currently occupies the position as Group VP and GM, Components & Sourcing, Power Solutions Division Milwaukee, WI, USA.
	Name(s) of other bodies corporate outside India in which Directorships held	Johnson Controls Autobaterias S.A Middle East Battery Company Johnson Controls Investment GmbH Johnson Controls Plastics GmbH Johnson Controls Recycling GmbH Johnson Controls Hybrid and Recycling GmbH
	Name of other Companies in which Committee membership(s)/ Chairmanship (s) held	Nil
	Total shares held by him in the Company	Nil
	Relationship with other directors	Mr. Eric Stuart Mitchell is not related to any other Director of the Company.

## Explanatory Statement

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

The following explanatory statement sets out all material facts relating to special business mentioned in the accompanying notice dated May 13, 2013 and shall be taken as forming part of the notice.

### Item No. 7

Mr. Ravi Bhamidipati was co-opted as an additional director of the Company with effect from October 8, 2012, pursuant to Section 260 of the Companies Act, 1956, read with Article 95 of the Articles of Association of the Company. Mr. Ravi Bhamidipati holds office of director up to the date of the annual general meeting. The Company has received notice in writing from a member along with a deposit of ₹500 proposing the candidature of Mr. Ravi Bhamidipati for the office of director under the provisions of Section 257 of the Companies Act, 1956. None of the directors of the Company other than Mr. Ravi Bhamidipati is interested or concerned in the resolution.

The Board recommends the resolution as set out in item no.7 of the notice for approval of the members.

### **Item No. 8**

Mr. Eric Stuart Mitchell, a nominee of Johnson Controls Inc., was co-opted as an additional director of the Company with effect from April 18, 2013, pursuant to Section 260 of the Companies Act, 1956, read with Article 95 of the Articles of Association of the Company, consequent to the resignation of Mr. Craig W Rigby. Mr. Eric Stuart Mitchell holds office of director up to the date of the annual general meeting. The Company has received notice in writing from a member along with a deposit of ₹500 proposing the candidature of Mr. Eric Stuart Mitchell for the office of director under the provisions of Section 257 of the Companies Act, 1956. None of the directors of the Company other than Mr. Eric Stuart Mitchell and Mr. Shu Qing Yang being nominee of Johnson Controls Inc., are interested or concerned in the resolution.

The Board recommends the resolution as set out in item no.8 of the notice for approval of the members.

### **Item No. 9**

The Board of Directors of the Company by way of circular resolution dated October 8, 2012 has appointed Mr. Ravi Bhamidipati as an additional director and designated him as an Executive Director of the Company for the period from October 8, 2012 to March 31, 2014, subject to the approval of the shareholders in the forthcoming annual general meeting. The terms and conditions of the appointment are as follows:

1. Tenure of Appointment: October 8, 2012 to March 31, 2014.
2. Details of remuneration: As provided in the resolution.
3. The agreement entered into between the Company and Mr. Ravi Bhamidipati, may be terminated by either party by giving three months' notice.
4. Mr. Ravi Bhamidipati shall perform such duties as entrusted to him from time to time, subject to the superintendence, guidance and control of the managing director and/or the Board of Directors of the Company.

The resolution seeks the approval of the members in terms of Section 269, read with Schedule XIII and other applicable provisions of the Companies Act, 1956 for the appointment of Mr. Ravi Bhamidipati as an Executive Director of the Company for the period from October 8, 2012 to March 31, 2014.

No other director, except Mr. Ravi Bhamidipati, is interested or concerned in the appointment and remuneration payable to Mr. Ravi Bhamidipati as an Executive Director.

The Board recommends the resolution as set out in item no.9 of the notice for approval of the members.

### **Inspection of Documents**

The document(s) and resolutions referred to in this notice are available for inspection by the members at the registered office of the Company at Renigunta-Cuddapah Road, Karakambadi, Tirupati – 517520, Andhra Pradesh, during working hours on any working day till the date of the annual general meeting.

By Order of the Board  
For Amara Raja Batteries Limited

Place: Milwaukee  
Date: May 13, 2013

Dr. Ramachandra N Galla  
Chairman



**AMARA RAJA**

Gotta be a better way

## AMARA RAJA BATTERIES LIMITED

Registered Office: Renigunta – Cuddapah Road, Karakambadi, Tirupati – 517520, Andhra Pradesh, India

### ATTENDANCE SLIP

(To be presented at the entrance)

**28TH ANNUAL GENERAL MEETING ON WEDNESDAY, AUGUST 14, 2013 AT 3.00 P.M**

at Renigunta – Cuddapah Road, Karakambadi, Tirupati – 517520, Andhra Pradesh, India

Folio No. \_\_\_\_\_ DPID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_

Number of Shares held \_\_\_\_\_

Name and address of the Member/Proxy \_\_\_\_\_

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

Note : 1. Only Member/Proxy holder can attend the meeting.

2. Member/Proxy should bring his/her copy of the Annual Report for reference at the meeting.



**AMARA RAJA**

Gotta be a better way

## AMARA RAJA BATTERIES LIMITED

Registered Office: Renigunta – Cuddapah Road, Karakambadi, Tirupati – 517520, Andhra Pradesh, India

### PROXY FORM

I/We, \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member/  
members of 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 28th Annual  
General Meeting of the Company to be held on Wednesday, August 14, 2013 at 3.00 p.m at Renigunta - Cuddapah Road,  
Karakambadi - 517 520, Tirupati and at any adjournment(s) thereof.

Folio No. \_\_\_\_\_ DPID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_

Number of Shares held \_\_\_\_\_

Name and address of the Member/Proxy \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Affix  
15 Paise  
Revenue  
Stamp

\_\_\_\_\_  
Signature of the Member

This form is to be used \*\* in favour of / \*\* against the resolution. Unless otherwise instructed, the Proxy will act as he thinks fit.

\*\* Strike out whichever is not desired.

**Note: 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.**



## SAFE HARBOUR

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, MAY 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 'ANTICIPATES', 'ESTIMATES', 'EXPECTS', 'PROJECTS', 'INTENDS', 'PLANS', 'BELIEVES' AND WORDS OF SIMILAR SUBSTANCE IN CONNECTION WITH ANY DISCUSSION OF FUTURE PERFORMANCE.

WE CANNOT GUARANTEE THAT THESE FORWARD-LOOKING STATEMENTS WILL BE REALISED, ALTHOUGH WE BELIEVE WE HAVE BEEN PRUDENT IN OUR ASSUMPTIONS. THE ACHIEVEMENT OF RESULTS IS SUBJECT TO RISKS, UNCERTAINTIES AND EVEN INACCURATE ASSUMPTIONS. SHOULD KNOWN OR UNKNOWN RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INACCURATE, ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE ANTICIPATED, ESTIMATED OR PROJECTED. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.



**AMARA RAJA**  
Gotta be a better way



**Form A**

**Format of covering letter of the annual audit report to be filed with the stock exchanges**

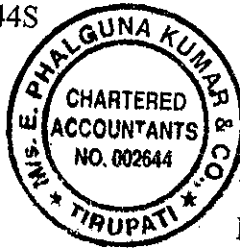
1.	Name of the Company	Amara Raja Batteries Limited
2.	Annual financial statements for the year ended	March 31, 2013
3.	Type of Audit Observation	Un-qualified
4.	Frequency of Observation	Not Applicable

**For E PHALGUNA KUMAR & CO.**


Chartered Accountants  
Firm Registration No. 002644S



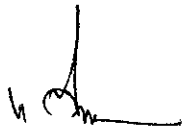
**E Chaitanya**  
Partner  
(Membership No. : 215621)



**For AMARARAJA BATTERIES LIMITED**



**Jayadev Galla**  
Vice Chairman and  
Managing Director



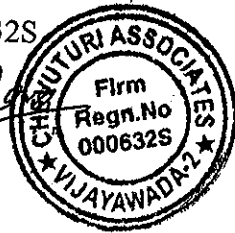

**K Suresh**  
Chief Financial  
Officer

**For CHEVUTURI ASSOCIATES**

Chartered Accountants  
Firm Registration No. 000632S



**Raghunadha Rao Balineni**  
Partner  
(Membership No. : 28105)

**Nagarjun Valluripalli**  
Vice-Chairman of  
Audit Committee

Place: Tirupati  
Date : May 13, 2013

Place: Milwaukee, USA  
Date : May 13, 2013

**For Amara Raja Batteries Limited.**



**M R Rajaram**  
Company Secretary