

AMARA RAJA

JOHNSON
CONTROLS

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gearing to power ahead

AMARA RAJA BATTERIES LIMITED

FIFTEENTH ANNUAL REPORT 1999-2000



Races are won or lost in the pit stop.

- Anonymous

In a race you need to time yourself.
It can make all the difference between
winning and losing.

At Amara Raja, the signals in the
environment acted as a catalyst for
changes in the organization, for
improvement in all aspects of our
business. We have worked as a team to
refocus our energies, sharpen our
strategies, reorganize our business and
explore new avenues for growth.

Because on the fast track it is the
control of mind over matter that
influences the outcome. And quality of
teamwork in the pit stop is what
ultimately decides who will eventually
ride the high wave of success.

Our Core Purpose

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

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Board of Directors

Mr. U. V. Warlu

Dr. Upendranath Nimmagadda
Alternate Director, Mr. V.R. Rao

Mr. P. Lakshmana Rao

Mr. Arthur F. Nennig Jr.
Alternate Director, Ms. Manjula Chavala

Mr. Douglas C. Brown
Alternate Director, Mr. Robit Kochhar

Mrs. Amara Kumari Galla

Mr. Jayadev Galla
Executive Director

Mr. Ramachandra N. Galla
Chairman & Managing Director

Auditors

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

M/s. Chevuturi Associates
Chartered Accountants, Vijayawada

Bankers

State Bank of India
Settipalle, Tirupati

Andhra Bank
Main Branch, Tirupati

State Bank of Hyderabad
Main Branch, Tirupati

Chairman's Message

Dear Shareholder,

The year has seen cataclysmic changes in the environment. In this seemingly turbulent phase we have continued to serve our customers with increased dedication and they have rewarded us with continued support.

I would like to state that from the viewpoint of achieving our long-term goals we are better placed than ever before. We continue to maintain our leadership in the industrial segment. We are better focused and better organized to achieve our goal of being the foremost manufacturer of advanced automotive and industrial batteries in the Indian Ocean Rim. Our singular focus of differentiating ourselves on the quality and performance of our products has been the key to our success in the past. We continue to work towards this by introducing world-class technology with our partners. The launch of Amaron™ Hi-life automotive batteries and KOMBAT™ high performance UPS batteries during the year is an added testimony to our commitment.

The industrial battery market witnessed unprecedented price competition that had its impact on the year's results. In the face of this it has not been easy to implement our strategy and maintain our course. It is a matter of satisfaction that despite these difficulties, we continued to register leading market shares. Our margins are still above global

industry averages reflecting our superior operating efficiencies. Many of the initiatives in earlier years of increasing capacities, streamlining processes and effecting control on costs have been responsible for this. The market is passing through a major phase of metamorphosis and as in the past Amara Raja has been responsible for leading the change. The activities we have now set into motion will help us emerge fitter and stronger in all areas of our business and better placed to meet our customers' requirements.

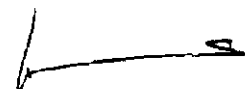
Our partnership with Johnson Controls has grown in strength. In addition to the close involvement of the JCI team in design and development of the new products launched, we have put in place their programs for adopting organization wide best practices and benchmarking our processes to global norms. ECHO, the alliance wide program for sharing plant performance parameters and improvements in productivity and Stake-in-the-Ground (SITG) that focuses on achieving measurable cost reductions in the short run, are examples of projects that are currently being implemented at Amara Raja.

Our ERP initiative currently underway with PricewaterhouseCoopers and Ramco e.applications promises to enhance organizational efficiency and effectiveness. In addition we are overhauling our entire service approach to exceed our customers' growing expectations. The organization has been further strengthened with induction of fresh talent. I believe all of this would go towards making Amara Raja a truly performance driven, customer oriented organization ready to take on any challenge.

Our automotive brand has been received very well, and there are exciting new OEM relationships in the offing; our new industrial products show good promise and we continue to consolidate our position in the VRLA segment. The automotive batteries project is well on its way to fruition - we can move in only one direction, up and ahead. We have made the right moves in the right direction and the best of Amara Raja is yet to come.

Thank you for seeing the future the way we do...and for your support.

Warm regards,



Ramachandra N. Galla
Chairman & Managing Director



The season for better products

Amara Raja has always offered time tested world-class technology and processes developed on international standards - be it high integrity VRLA systems like Power Stack and Power Plus or the recently launched high performance UPS battery - KOMBAT™ and Amaron™ hi-life automotive batteries that are products of the collaborative efforts of engineers at Johnson Controls Inc. and Amara Raja. Our goal has been, and will continue to be, to differentiate Amara Raja in the marketplace by excelling in innovative technology, longer life products and continuous improvement in quality. In line with this, the coming months will see many more new products incorporating the latest advances in technology that will offer enhanced value to customers.

Amaron™ launch

With the launch of Amaron™ in January 2000, Amara Raja has pioneered the introduction of hi-life automotive batteries in India. This zero-maintenance product uses the revolutionary patented SilvenX™ technology developed by Johnson Controls for high-heat environments and incorporates many superior features that make it the most advanced battery on roads anywhere in the world.

A fully charged, factory - activated product, Amaron™ provides extra high starting power and performance at any temperature and is specially designed to suit Indian roads and climatic conditions. Aimed at new-generation vehicles, the Amaron™ aftermarket program is further supported by new initiatives in distribution to offer customers a sales and service support experience of global standards.



Staying ahead...

Building competitive edge is a continuous process.

To remain at the forefront of technology and to foster innovation and best business practices, a number of programs and projects are underway.

In association with JCI we have adopted alliance wide benchmarking programs:

ECHO

The alliance program of sharing data on plant performance, productivity, business practices and quality improvements across all facilities will enable us to derive learning that will greatly benefit our promise of always being on par with global standards.

Stake-In-The-Ground

Employees at all levels in all departments are involved in ensuring optimal utilization of resources and achieving targeted cost reductions. At Amara Raja this program is being initiated to identify goals and actions that will impact measurable short-run cost reductions in all areas of operation.

Amara Raja has embarked on implementing an ERP solution within the next year that will significantly bolster our capabilities in distribution and allow us to differentiate ourselves from competition. The ERP solution is in line with our policy of effecting continuous investments in infrastructure and will help enhance operational efficiency and achieve tighter integration of our expanding operations.

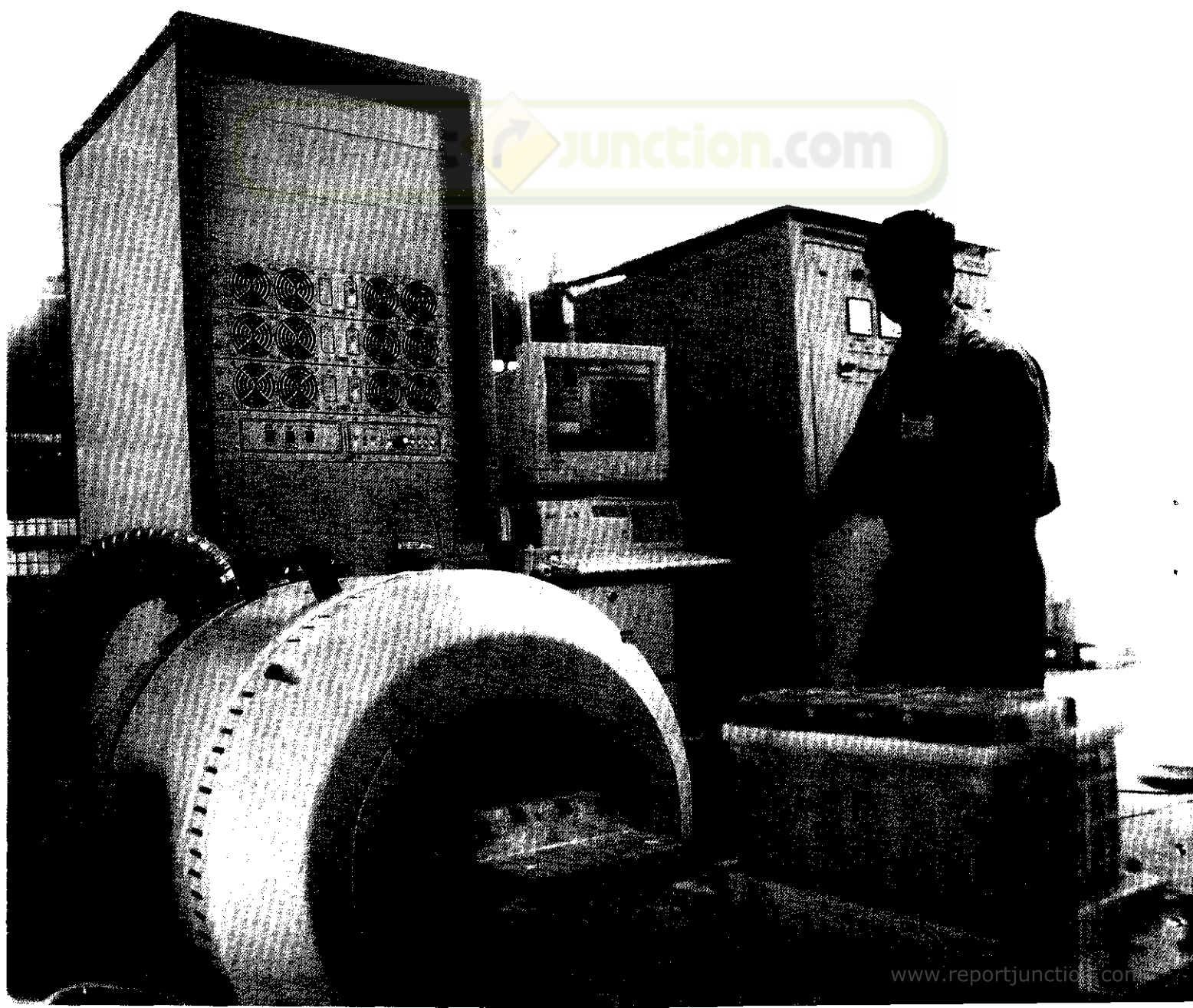
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Ensuring the next level of capability

Amara Raja is now engaged in setting up an automotive battery plant of international standards, leapfrogging generations in manufacturing technology. We are fully leveraging JCI's expertise in equipment selection and knowledge of process technology in setting up the most modern facility of its kind in South Asia. Further additions to our plastics capability, ongoing upgradations in process equipment for both automotive and industrial batteries are allowing us to effect continuous improvements in quality to which we are committed as a QS-9000 certified manufacturer.

A fully equipped state-of-the-art battery technology center is coming into being that will not only serve the needs of our domestic markets, but also be a resource for alliance research and development projects.



Connecting with customers

The importance of building lasting relationships with customers continues to be the motivating force behind all activities at Amara Raja. We are putting *within reach information and expertise to help our customers make well informed decisions.*

Our wide network and related marketing services have been put in place to ensure that we are accessible to our customers - all with the objective of serving customers with better products and services.

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A culture of excellence

To build sustainable competitive advantages, people with ideas and energy and an environment to perform are essentials. Amara Raja is putting in place a number of Human Resource Development initiatives to foster a spirit of togetherness and a culture of meritocracy. Involving employees at all levels in building organizational support plans and in evolving our vision

for the organization are some examples. Encouraging initiative and growing young talent allows the organization to develop innovative solutions.

We believe that demanding the highest standards of professional competence and treating each other with dignity and respect are not necessarily in conflict.

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Making up with nature

Benchmark pollution control measures at ARBL have allowed us surpass global standards in many areas. In addition energy conservation measures, waste reduction schemes, massive greenbelt development programs, employee health monitoring and industrial safety programs have already helped us take our environment management program further. Amara Raja has carried this commitment to environment and to society by participating actively in community welfare programs.

In furtherance of our commitment, Amara Raja has now targeted to secure the ISO-14001 certification in the next year - evidence of our concern for the world around us and in which our children will live.

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