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18TH ANNUAL REPORT
2002 - 2003

AMARA RAJA BATTERIES LIMITED

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Amara Raja

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B OARD OF DIRECTORS

Mr. Ramachandra N. Galla
Chairman & Managing Director

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

Mrs. Amara Kumari Galla

Mr. P. Lakshmana Rao

Mr. John P. Kennedy
Alternate Director: Ms. Manjula Chawla

Mr. Raymond J. Brown

Mr. Mark L. Koczela
Alternate Director: Mr. Patrick Nettesheim

Mr. Jayadev Galla
Executive Director

COMPANY SECRETARY

Mr. P. Varadarajan

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

REGISTERED OFFICE

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

REGISTRAR AND SHARE TRANSFER AGENTS

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

CHAIRMAN'S MESSAGE



Dear Shareholders,

Last year I had mentioned that I expected 2002 to be challenging. I had also mentioned that while these challenges would exist, we will continue to increase our market share positions, provide superior technology products and services, leverage our brand image, continue our thrust on exports and pursue the growth paths that the Company has charted out.

This year was indeed challenging – I would term it a mixed bag. While we launched new products, gained on market position, increased volumes, added new customers and exported to new markets, the year also saw a perceptible decline in our margins and profits.

The Domestic Telecom industry witnessed a major upheaval and this has had a ripple effect on vendors to telecom majors including battery manufacturers. Telecom tariffs had come down significantly impacting telecom investment plans. Also, with a large number of players in industrial batteries, increased competition saw prices being driven down which impacted our margins. Despite these challenges, your Company has shown an increase in volumes and market share. The launch of Quanta™ UPS batteries has been well received by trade and customers. Quanta™ has been developed at Amara Raja's Battery Excellence Center and is benchmarked against the best in the world.

Automotive battery volumes have been growing significantly. In a very short while, we are OE suppliers to almost all auto majors in India and our share is growing. Today, Amaron™, the aftermarket brand reaches consumers across India through a network of 100 franchisees and 7000 retailers. The investment in the brand has yielded excellent results – with high brand recall and recognition. In addition to enhancing our large base of satisfied aftermarket customers, we also strengthened our OE relationships by commencing supplies to new OE clients which included FIAT (Palio), Honda (Accord), International Tractors (Sonalika), General Motors (Panther & Nubira), Eicher & Telco Heavy vehicles. During the year we added Lucas to our stable of private label accounts.

Our continued thrust on exports has been encouraging. Our export turnover had crossed Rs. 50 Million from less than Rs. 10 Million last year and our client and country base has expanded significantly – from Middle East, Far East and West Africa to Singapore, Taiwan, Philippines, Dubai, Sri Lanka, Nepal, UK and Japan. We have recently concluded a Rs. 10 Million export order from a leading global auto component manufacturer, for Japan. Your company is 100% supplier for automotive batteries to ComfortDelgro Cabs, the largest taxi fleet operator in Singapore and has begun supplies to Dubai Transport Services, the largest fleet operator in UAE.

While volumes in automotive batteries continue to grow, we expect the investment in hard assets as also the expenditure on network and brand to yield full returns after a year. We expect the pressure on margins to continue in the short run. Realisations in Telecom seem to have bottomed out – but in this year we would face the full impact of the reduced margins. While the immediate short term does pose challenges, we expect top line growth and improved profitability in the future.

You, our investors, have in the past, bestowed your confidence and support in the Company. We are sure this relationship would only strengthen in the years to come. On behalf of every one at Amara Raja, which would include our business partners, the Board, our customers and our employees, I would like to thank you for your support.

With warmest regards,

Ramachandra N. Galla

Chairman and Managing Director

FIVE YEARS AT A GLANCE

PERFORMANCE OF FIVE YEARS AT A GLANCE

(Rupees in Million)

Particulars	2002-03	2001-02	2000-01	1999-00	1998-99
Production (Nos.)	735754	604949	382774	247039	239604
Sales (Nos.)	709957	580369	378153	244992	240527
Sales	1987.35	1882.20	1550.13	1320.81	1865.46
Profit before Depreciation, Interest and Tax	238.12	338.08	308.94	320.11	622.45
Profit before Depreciation	234.34	331.41	303.47	316.49	619.82
Profit after Depreciation	117.34	247.35	235.14	263.83	573.02
Profit after Tax	74.01	182.23	205.32	195.36	438.95
Equity Capital	113.88	113.88	113.88	102.73	102.73
Reserves and Surplus	1637.41	1582.68*	1555.57	1290.73	1129.58
Net Worth	1649.10	1587.53*	1602.99	1393.46	1232.32
Gross Block	1556.05	1453.41	1008.57	823.32	647.41
Net Block	1087.12	1094.72	733.80	616.83	491.98
Book Value per Share (Rs.)	144.82	139.41	140.77	135.64	119.96
Earnings per Share (Rs.)	6.50	16.00	19.64	19.02	42.73
Dividend (%)	15	35	35	30	60

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



Notice is hereby given that Eighteenth Annual General Meeting of the members of Amara Raja Batteries Limited will be held at 3 PM on Thursday, 31 July 2003 at the Registered Office of the Company at Renigunta - Cuddapah Road, Karakambadi - 517 520, Tirupati, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2003 and the Profit and Loss account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. P. Lakshmana Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Raymond J Brown, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors. M/s. E. Phalguna Kumar & Co., Chartered Accountants, Tirupati and M/s. Chevuturi Associates, Chartered Accountants, Vijayawada, the retiring Auditors of the Company are eligible for re-appointment.

Special Business

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

"RESOLVED THAT Mr. John P. Kennedy who was appointed as an Additional Director of the Company with effect from 29 April 2003 and whose term expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."
7. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT the Articles of Association of the Company be and is hereby amended as follows:

 - (a) the following proviso appearing in Article 70 of the Articles of Association of the Company be deleted.

"Provided that there shall be no quorum at a General Meeting unless at least one representative of Galla Family and JCI is present, provided always that such quorum requirement may be waived by any party in respect of its representation in writing for any particular General Meeting."
 - (b) the following two articles namely 91A and 91B of the Articles of Association of the Company be deleted.

Article 91 A: "The Board of Directors of the Company shall be reconstituted to have three (3) members nominated by Galla Family, three (3) members nominated by JCI and three (3) independent Directors. The independent Directors shall be recommended for appointment by mutual consent of Galla Family and JCI. In addition the Board may have Institutional Nominees as per Article No.97."

Article 91 B: "At any time and from time to time Galla Family and JCI shall have the right to replace any director nominated by such party. Upon expiration of the terms of any director, the party that nominated the director shall be entitled to nominate his replacement. The replacement independent directors shall be nominated with the mutual consent of Galla Family and JCI. Galla Family and JCI will cast their vote to effect the appointment of persons nominated as provided in Article 91 A."
8. To consider and if thought fit to pass with or without modification (s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 Mr. Ramachandra N. Galla be and is hereby appointed as the Executive Chairman of the Company for the period from 1 August 2003 to 31 August 2005 on the following terms and conditions:

 1. **Salary & Commission:** Salary: Rs.2,00,000/- per month. Commission: Not exceeding five per cent (5%) of the net profits of the Company, inclusive of salary and perks.
 2. **Perquisites:** Perquisites as follows will be paid / or provided to the Executive Chairman in addition to salary, subject however that the amount of perquisites, if taxable as per Income Tax Act, 1961 shall be restricted to total remuneration as per Part II of Schedule XIII to the Companies Act, 1956, as applicable from time to time.

NOTICE

- a. **House Rent Allowance / Housing Facility:** House Rent Allowance as may be applicable to the employees of the Company or provision of furnished accommodation as per the rules of the organisation.
- b. **Medical Reimbursement:** Reimbursement of medical expenses actually incurred for self and family, subject to a ceiling of one month's salary per year.
- c. **Leave Travel Concession:** Leave Travel Concession for self and family to and from any place in India, once in a year in accordance with the rules of the Company.

In addition to the remuneration, the Executive Chairman will be provided the following perquisites, which shall not be included in the computation of the ceiling on remuneration.

- d. **Provident Fund:** Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - e. **Leave:** Encashment of leave at the end of tenure as per the rules of the Company.
 - f. **Gratuity:** Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - g. **Car:** Company's car with driver for business purposes.
 - h. **Telephone:** Telephone / Communication facilities at residence for business purposes.
 - i. **Club Fee:** Club fee subject to a maximum of two clubs. No admission and life membership fee will be paid.
3. **Overall Remuneration:** The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may, for the time being, be in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of the entitlement under Section II of part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.
 4. **Minimum Remuneration:** In the event of loss or inadequacy of profits, in any financial year during the tenure of his service, the payment of salary, perquisites, commission and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, as may, for the time being, be in force".

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 Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 Mr. Jayadev Galla be and is hereby appointed as the Managing Director of the Company for the period from 1 August 2003 to 31 August 2005 on the following terms and conditions:

1. **Salary & Commission:** Salary: Rs.1,50,000/- per month. Commission: Not exceeding five per cent (5%) of the net profits of the Company, inclusive of salary and perks.
2. **Perquisites:** Perquisites as follows will be paid / or provided to the Managing Director in addition to salary, subject however that the amount of perquisites, if taxable as per Income Tax Act, 1961 shall be restricted to total remuneration as per Part II of Schedule XIII to the Companies Act, 1956, as applicable from time to time.
 - a. **House Rent Allowance/Accommodation:** House Rent Allowance as may be applicable to the employees of the Company or provision of furnished accommodation as per the rules of the Company.
 - b. **Medical Reimbursement:** Reimbursement of medical expenses incurred for self and family and dependent parents, subject to a ceiling of one month's salary per year.
 - c. **Leave Travel Concession:** Leave Travel Concession for self and family to and from any place in India, once in a year in accordance with the rules of the Company.

In addition to the remuneration, the Managing Director will be provided the following perquisites, which shall not be included in the computation of the ceiling on remuneration.

- d. **Provident Fund:** Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- e. **Leave:** Encashment of leave at the end of tenure as per the rules of the Company.
- f. **Gratuity:** Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

NOTICE

E

- g. Car: Company's car with driver for business purposes.
 - h. Telephone: Telephone / Communication facilities at residence for business purposes.
 - i. Club Fee: Club fee subject to a maximum of two clubs. No admission and life membership fee will be paid.
3. **Overall Remuneration:** The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may, for the time being, be in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of the entitlement under Section II of part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.
4. **Minimum Remuneration:** In the event of loss or inadequacy of profits, in any financial year during the tenure of his service, the payment of salary, perquisites, commission and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, as may, for the time being, be in force".

By Order of the Board

Place : Chennai
Date : 20 June 2003

P Varadarajan
Company Secretary

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.**
2. 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.
3. The Register of Members of the Company will remain closed from 26 July 2003 to 31 July 2003 (Both days inclusive).
4. Dividend, if any, declared at the meeting will be paid to the members whose names appear in the Register of Members of the Company as on 31 July 2003.
5. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed and forms part of this notice.
6. Members holding shares in physical form are requested to notify changes, if any, in their address immediately to the Company or to its Share Transfer Agents, M/s. Cameo Corporate Services Limited, "Subramanian Building", No.1 Club House Road, Chennai 600 002.
7. Members holding shares in electronic form are advised that the address / bank details as furnished to the Company by the respective Depositories, namely, NSDL and CDSL, will be printed on the dividend warrants.
8. **Bank mandate for dividend or electronic clearing service:**
 - a) In order to get protection from fraudulent encashment of warrants, shareholders are requested to furnish their bank account number, the name of the Bank and the branch where they would like to deposit the dividend warrants for encashment. These particulars will be printed on the cheque portion of the dividend warrants, besides the name of the shareholder so that these warrants can not be encashed by any one else. The above mentioned details should be furnished by the first / sole shareholder directly to the share transfer agents quoting the folio No. or DP ID No. and Client ID No. and the number of shares held. This is applicable for all shareholders who have not submitted ECS mandate(s).
 - b) Electronic Clearing System is a method of directly crediting the dividend to the shareholders account by electronic transfer. This facility is available to shareholders who are having account at the cities having this facility. Shareholders desirous of using this facility are requested to submit, the ECS mandate form to Cameo Corporate Services Limited on or before 31 July 2003. In case of any change in Bank name or account No. or branch name or name of the place etc., shareholders are requested to intimate those changes immediately to the Registrar.
 - c) In case of shareholders holding shares in the Electronic form i.e., through Demat Account, address, dividend mandate and the particulars of the bank, branch and bank account No. etc., available with DP as on 31 July 2003 would be taken into consideration for the purpose of distribution of dividend.

NOTICE

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

Item No.6

Mr. John P. Kennedy was appointed as Additional Director at the Board Meeting held on 29 April 2003. Under the provisions of Section 260 of the Companies Act, 1956, he holds the office till this Annual General Meeting. A notice has been received from a shareholder, along with the prescribed deposit, pursuant to Section 257 of the Act, proposing the appointment of Mr. John P. Kennedy as a Director of the Company.

Mr. John P. Kennedy is Senior Vice President, Secretary and General Counsel of Johnson Controls, Inc. He was a member of the Board of Governors of the Business Section of the State Bar of Wisconsin and founder of the State Bar's Entrepreneurial Law Committee. He has been appointed a member of Governor Thompson's Blue Ribbon Committee, assigned to investigate the implementation of a Business Court in Wisconsin. He also serves on the Executive Committee of the Council of Chief Legal Officers. He was an Adjunct Professor at Marquette University Law School. Mr. Kennedy holds a B.S. degree in Economics, a J.D. degree in Law, an M.B.A. degree in Finance and an L.L.M. degree in Corporate Law. He is a member of the Kansas, Missouri, Ohio, Wisconsin and U.S. Supreme Court Bar Associations. He is also a Director on the Board of Johnson Controls India Private Limited and Johnson Controls Software (Asia) Private Limited.

Your Directors recommend the resolution for approval of the members. None of the Directors, except Mr. John P. Kennedy, is interested in the resolution.

Item No.7

Registrar of Companies (RoC), Andhra Pradesh, had advised the Company to delete the proviso to Article 70 and Articles 91A and 91B of the Articles of Association of the Company, stating that these articles are not in consonance with the provisions of the Companies Act, 1956. The Articles proposed for deletion were inserted earlier pursuant to the special resolutions passed by the shareholders at the general meetings held on 22 October 1997 and 30 July 1998.

Your Directors recommend the resolution for approval of the members. None of the Directors except Mr. Ramachandra N. Galla, Mrs. Amara Kumari Galla and Mr. Jayadev Galla, is interested in the resolution.

Item No.8

The shareholders of the Company at the Annual General Meeting held on 9 August 2000 had re-appointed Mr. Ramachandra N. Galla as the Chairman and Managing Director of the Company for a period of five years from 1 September 2000 to 31 August 2005. Mr. Ramachandra N. Galla expressed that while he would continue to be Chairman of the Company for the existing tenure of his appointment, he would like to step down from being Managing Director with effect from 1 August 2003. The Board discussed the matter at its meeting held on 20 June 2003 and decided to appoint Mr. Ramachandra N. Galla as the Executive Chairman of the Company for the period from 1 August 2003 to 31 August 2005, on the same terms and conditions. The remuneration payable to him was approved by the Remuneration Committee of Directors of the Company.

Your Directors recommend the resolution for approval of the members. None of the Directors, except Mr. Ramachandra N. Galla, Mrs. Amara Kumari Galla and Mr. Jayadev Galla, is interested in the resolution.

Item No.9

The shareholders of the Company at the Annual General Meeting held on 9 August 2000 had re-appointed Mr. Jayadev Galla as the Executive Director of the Company for a period of five years from 1 September 2000 to 31 August 2005. Consequent to the appointment of Mr. Ramachandra N. Galla as the Executive Chairman, Mr. Jayadev Galla was appointed as the Managing Director of the Company for the period from 1 August 2003 to 31 August 2005, on the same remuneration. The remuneration payable to him has been approved by the Remuneration Committee of Directors.

Your Directors recommend the resolution for approval of the members. None of the Directors, except Mr. Ramachandra N. Galla, Mrs. Amara Kumari Galla and Mr. Jayadev Galla, is interested in the resolution.

By Order of the Board

Place : Chennai

Date : 20 June 2003

P Varadarajan

Company Secretary