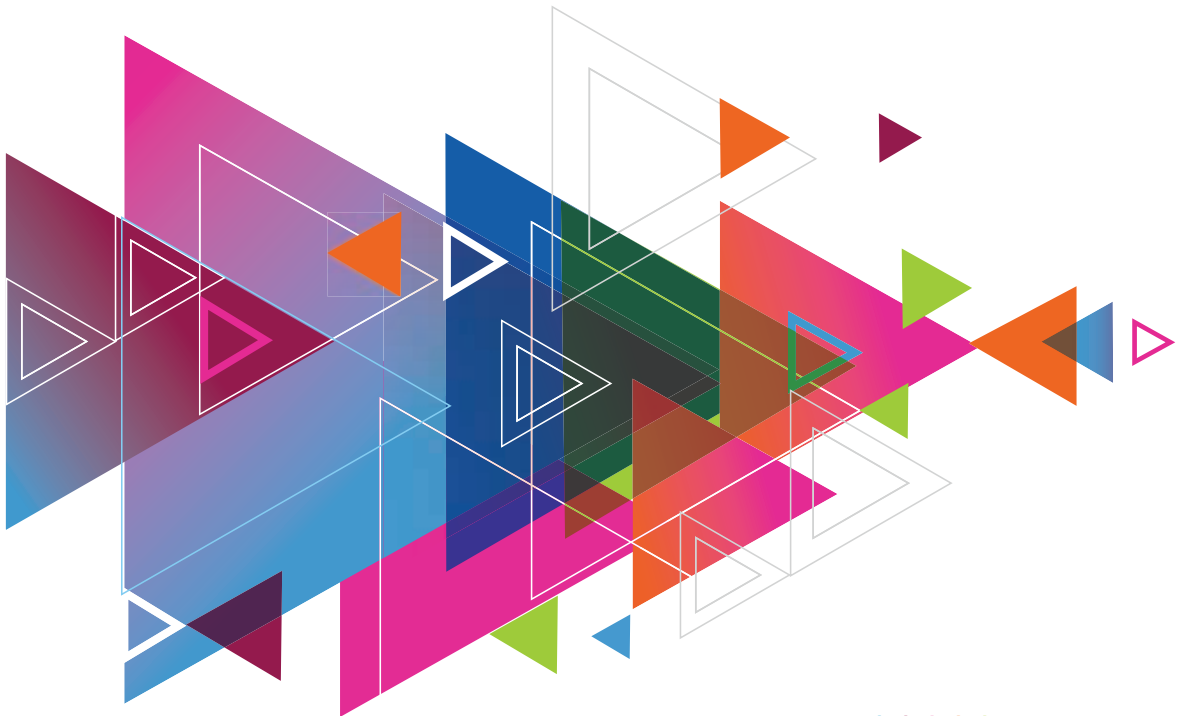




AMARA RAJA

Gotta be a better way

MORE... ALWAYS...



AMARA RAJA BATTERIES LIMITED
ANNUAL REPORT 2017-18

FORWARD LOOKING STATEMENTS

IN THIS ANNUAL REPORT, WE HAVE DISCLOSED FORWARD-LOOKING INFORMATION TO ENABLE INVESTORS TO FULLY APPRECIATE OUR PROSPECTS AND TAKE INFORMED INVESTMENT DECISIONS. THIS REPORT AND OTHER STATEMENTS – WRITTEN AND ORAL – THAT WE PERIODICALLY MAKE, CONTAIN FORWARD-LOOKING STATEMENTS THAT SET OUR ANTICIPATED RESULTS BASED ON MANAGEMENT PLANS AND ASSUMPTIONS. WE HAVE TRIED, WHERE POSSIBLE, TO IDENTIFY SUCH STATEMENTS BY USING WORDS SUCH AS ‘ANTICIPATE’, ‘EXPECT’, ‘PROJECT’, ‘INTEND’, ‘PLAN’, ‘BELIEVE’, AND WORDS OF SIMILAR SUBSTANCE IN CONNECTION WITH ANY DISCUSSION OF FUTURE PERFORMANCE.

WE CANNOT, OF COURSE, GUARANTEE THAT THESE FORWARD-LOOKING STATEMENTS WILL BE REALISED, ALTHOUGH WE BELIEVE WE HAVE BEEN PRUDENT IN OUR ASSUMPTIONS. ACHIEVEMENT OF RESULTS IS SUBJECT TO RISKS, UNCERTAINTIES, AND POTENTIALLY INACCURATE ASSUMPTIONS. SHOULD KNOWN OR UNKNOWN RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INACCURATE, ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE ANTICIPATED, ESTIMATED, OR PROJECTED. READERS SHOULD BEAR THIS IN MIND.

WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE.

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Real success is always a constant work-in-progress.

**When you learn to do something well, you keep learning
to do it better.**

**When you create something path-breaking, you keep
innovating towards the next trendsetter.**

**When you meet one big goal, you keep moving
towards another.**

**In other words, you always look to push the boundaries,
go the extra mile and surpass your previous
performances – because success never rewards
complacency. It is the ones who refuse to rest on their
past laurels and keep moving towards doing more, and
doing it better that manage to hold on to their place in
the industry summit.**

**Hence for us, our core philosophy is one that includes
idealism as well as realism, competence as well as greater
ambitions.**

At Amara Raja, the operative words are

More... Always...



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 the Indian Ocean Rim.

Core purpose

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

Innovation

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

Excellence

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

Entrepreneurship

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

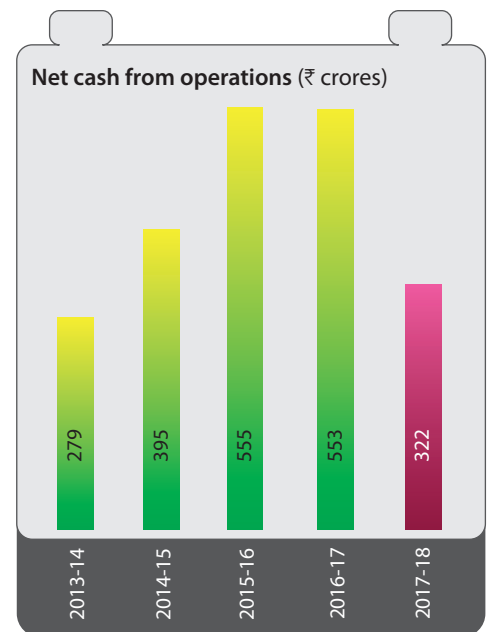
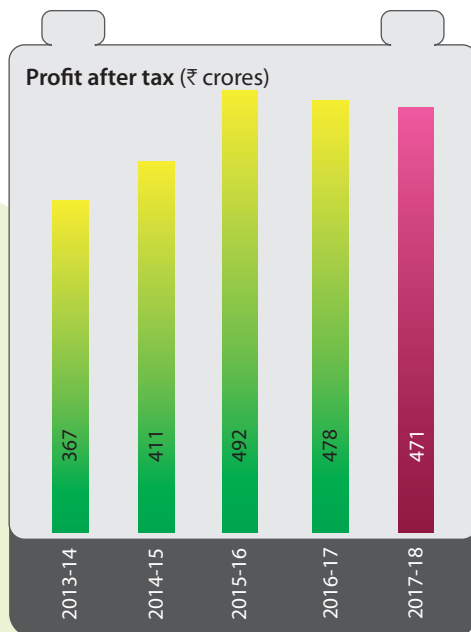
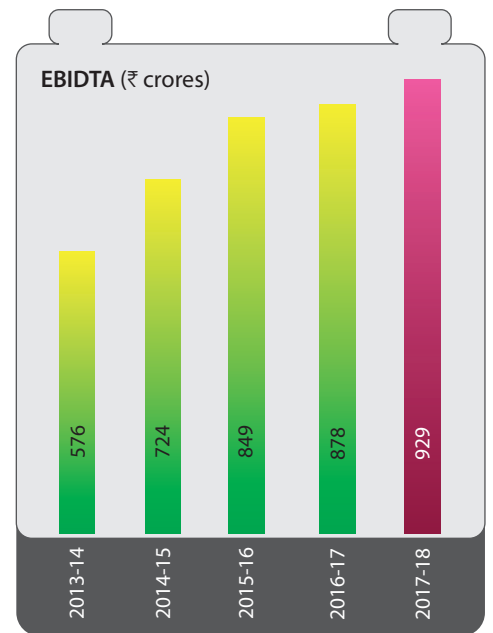
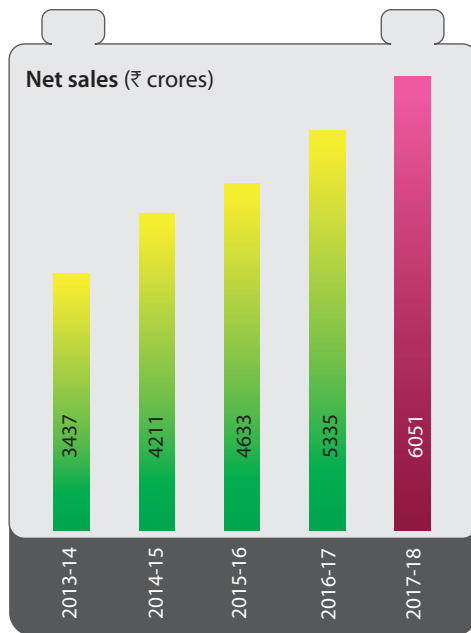
Experiences

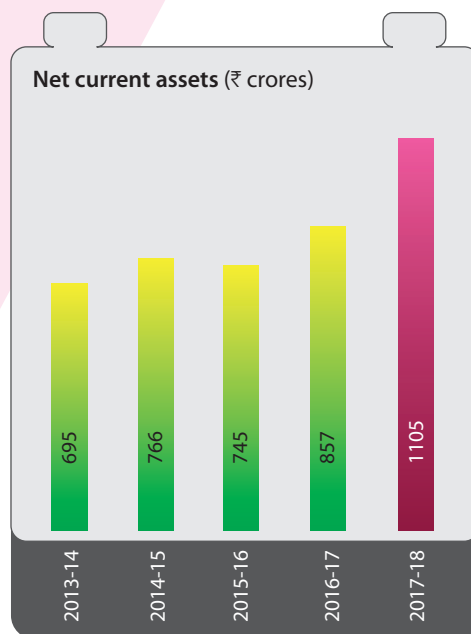
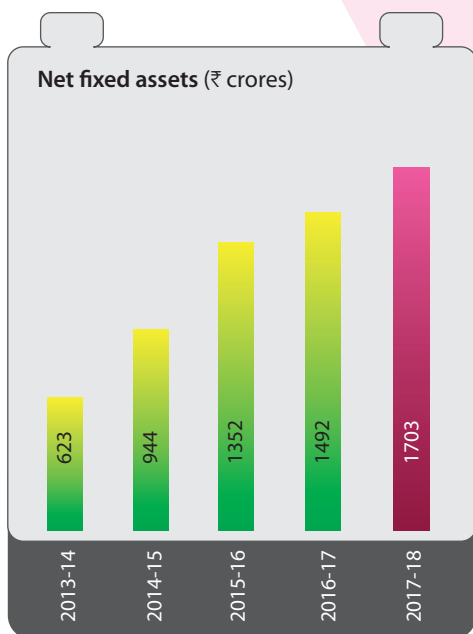
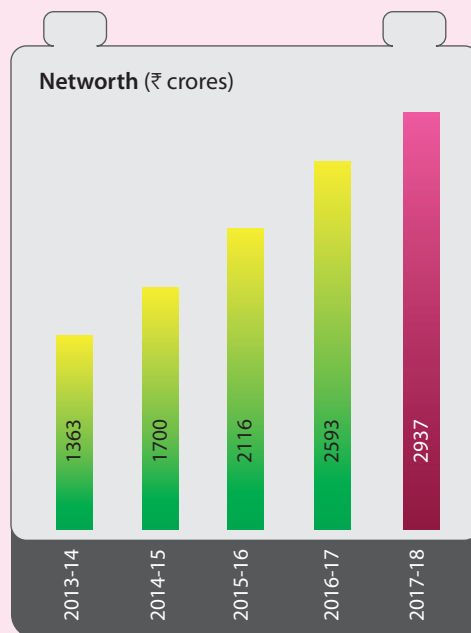
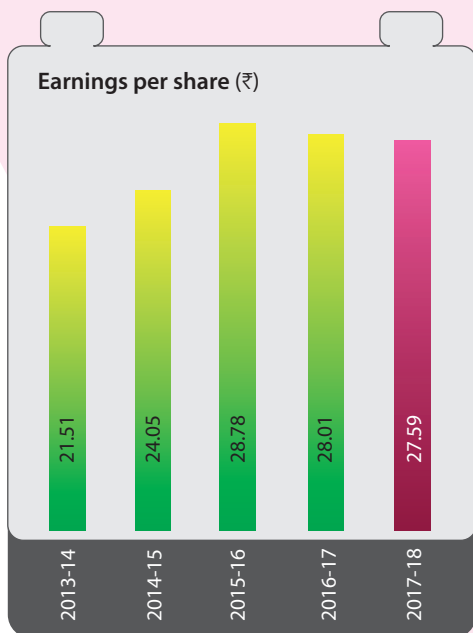
Experiences to us are what we create for our stakeholders, which make them feel part of something special, leading to endearing relationships.

Responsibility

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.

More... Always...





A portrait of Dr. Ramachandra N Galla, an elderly man with a mustache and glasses, wearing a dark suit, light blue shirt, and striped tie. He is smiling slightly. The background is a solid light grey. In the top left corner, there is a graphic element consisting of overlapping orange, white, and maroon triangles.

From the Management's desk

Fiscal 2017-18 was an important year for the Company as we truly lived up to the stakeholder expectation of 'More...Always...' from Amara Raja.

Dr. Ramachandra N Galla
Chairman



Dear shareholders,

Fiscal 2017-18 was an interesting year from a macro and micro economic perspective, as both registered an uptick in performance and a promise of maintaining the momentum in the following year.

Globally, the economic upswing that started in mid-2016 became broader and stronger in 2017. The global economy has not witnessed such strong and broad-based growth since the recovery of 2009-10, after the September, 2009 meltdown. The synchronised expansion will help to dispel some remaining legacies of the crisis by speeding the exit from unconventional monetary policies in advanced economies, encouraging investment, and healing labour market scars. Going forward, global growth seems on track to reach 3.9% this year and the next, catalyzed by faster growth in the Euro area, Japan, China, and the United States.

From an Indian perspective, we witnessed the roll out of the most decisive and path-breaking fiscal change in India post-Independence – the ONE NATION, ONE TAX regime, with the launch of Goods and Services Tax.

While this reform temporarily impacted India's economic progress in the first half of 2017-18, the nation bounced back with a 7%-plus GDP growth in the second half of the year, reclaiming its position as the fastest growing major economy in the world.

And from our perspective, Amara Raja experienced a very healthy growth across all our business verticals except for the telecom sector where the demand declined sharply owing to the prevailing consolidation wave. The unwavering resolve and untiring efforts of our entire team ensured that we registered healthy business growth – our revenue grew by 13% over the previous year while our EBITDA and Net Profit stood at ₹929 crores at ₹471 crores respectively.

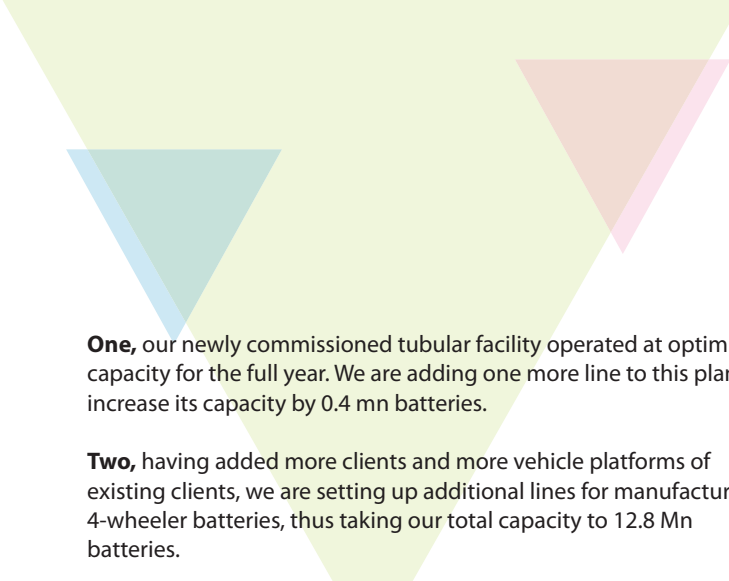
More...Always...

Fiscal 2017-18 was an outlier for us. For in addition to delivering higher volumes, we embarked upon important initiatives that will enable us to remain committed to our stakeholder commitment - 'More... Always...' We will enhance capacities, widen our product basket and expand our sectoral canvass which will enable making profitable growth sustainable.

More capacity... on the anvil

We consider ourselves fortunate that our products have received an overwhelming response from customers. As a result, capacity build-up has become a routine exercise at Amara Raja.





One, our newly commissioned tubular facility operated at optimum capacity for the full year. We are adding one more line to this plant to increase its capacity by 0.4 mn batteries.

Two, having added more clients and more vehicle platforms of existing clients, we are setting up additional lines for manufacturing 4-wheeler batteries, thus taking our total capacity to 12.8 Mn batteries.

Three, having made our mark in the two-wheeler space with our differentiated products, we have set up a highly sophisticated, fully integrated facility (capacity – 17 mn batteries) for two-wheeler batteries to be commissioned in a phased manner – Phase I for manufacturing 5 mn batteries was commissioned in December 2017.

These new capacities are expected to be commissioned in the current year, which, when commissioned, promise to catalyse business performance.

More products... in the offing

One, the ongoing consolidation in the telecom sector has also changed the operating rules for tower companies. To meet their requirement, we have developed two new variants – a cost effective variant for standard usage and a premium variant which is a high-performance battery that operates seamlessly in harsh conditions (long life with quick recharge).

Two, the Government's financial inclusion drive has resulted in significant penetration of the banking sector in the power-uncertain rural India. To provide a reliable power back-up for rural banking, we launched a tubular flooded battery variant, customised to the requirement of this application. Interestingly, this development opens a completely new market space for Amara Raja.

Three, even as the Government remains steadfast on its goal of adopting the BS-VI norms by 2020, we realised that the battery requirement for passenger cars would change. In keeping with this insight, we developed the high powered Enhanced Flooded Battery for Idle-Start-Stop applications, which are currently undergoing field trials with select OE customers. And there is more to this – we are also developing a superior battery variant for Advanced, Start-Stop applications which should be launched soon.

More sectors...to be serviced

In keeping with our efforts to expand our horizon, we identified new growth opportunities that promise significant growth over the medium-term.

One, we made a foray into motive power; for this is a sunrise sector which is at an inflection point in its journey – its growth being catalysed by favourable government policies and significant investments by the private sector in new-age warehousing solutions. We are seeding the market with batteries imported from Europe before setting up our facility.

Two, we are patiently listening to the buzz around e-mobility from all quarters as this involves venturing into the much talked about lithium-ion space. And even as we focused on drawing up a strategy from all the noise, we have taken baby steps in the e-mobility space. We have developed a battery (leveraging the lead-acid platform) customised to e-rickshaw applications which, over the years, has gained prominence in the public transport backbone in cities and towns across India. In addition, even as we deliberate on foraying into lithium-ion batteries, we have set up a battery pack assembly unit (it integrates the cell with the electronics), which should be operational in the current year.

Three, our patient persistence over the years has paid off. The Indian Railways have adopted 100% use of VRLA batteries for all rolling stock applications including second class sleeper coaches (earlier being used only for AC coaches). This opens the floodgates for new demand in the horizon from this large battery consumer.

The bottomline

At Amara Raja, the excitement is visible. As you can see a number of things are happening at the same time –more infrastructure, more products, more technology, more verticals and more customers. The bottom-line then is – we are seizing the day, to emerge better tomorrow; we are strengthening our core to make our business operations more flexible. And as we are working to break out of the challenges that held us back earlier, sectoral tailwinds should help to accelerate business growth.

Heartfelt appreciation

On behalf of the Company, we take this opportunity to convey our sincere appreciation to all our shareholders and express our gratitude to the government and its agencies, our eminent Board, our joint venture partner Johnson Controls, customers, employees, channel partners, bankers and suppliers for believing in our vision and facilitating the management in taking the Company to newer heights each year.

Warm regards

The Management Team