

Ingenuity - the spark

The spark.

Symbolising

ingenuity,

inspiration, ideas

and invention.

All of which fuel the

spirit of innovation

– Amara Raja's core

value.

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| Sl. No. | Particulars | Page |
|---------|---------------------------------------|------|
| 1. | Chairman's Message | 1 |
| 2. | Performance of five years at a glance | 2 |
| 3. | Notice | 3 |
| 4. | Directors' Report | 4 |
| 5. | Report on Corporate Governance | 10 |
| 6. | Management's Discussion and Analysis | 18 |
| 7. | Auditors' Report | 22 |
| 8. | Balance Sheet | 25 |
| 9. | Profit & Loss Account | 26 |
| 10. | Schedules to Balance Sheet | 27 |
| 11. | Schedules to Profit and Loss Account | 33 |
| 12. | Statement on Accounting Policies | 36 |
| 13. | Notes forming part of the Accounts | 38 |
| 14. | Cash Flow Statement | 42 |
| 15. | Balance Sheet Abstract | 44 |

BOARD OF DIRECTORS**Mr. Ramachandra N. Galla**

Chairman & Managing Director

Dr. Upendranath Nimmagadda

Alternate Director, Mr. V. R. Rao

Mr. P. Lakshmana Rao**Mrs. Amara Kumari Galla****Mr. Arthur F. Nennig Jr.**

Alternate Director, Ms. Manjula Chawla

Mr. Douglas C. Brown

Alternate Director, Mr. Rohit Kochhar

Mr. Mark L. Koczela**Mr. Jayadev Galla**

Executive Director

COMPANY SECRETARY

P. Varadarajan

AUDITORSM/s. E. Phalguna Kumar & Co
Chartered Accountants, TirupatiM/s. Chevuturi Associates
Chartered Accountants, Vijayawada**BANKERS**State Bank of India
Settipalle, TirupatiAndhra Bank
Main Branch, TirupatiState Bank of Hyderabad
Main Branch, Tirupati**SHARE TRANSFER AGENTS**M/s. Cameo Corporate Services Ltd.,
Subramanian Building,
No.1, Club House Road, Chennai - 600 002.

Dear Shareholders,

I am extremely pleased to report yet another eventful year for your Company, despite a challenging economic scenario and an increasingly competitive industrial batteries market. These situations have not deterred us from making strides in the storage power industry and consolidating our market position. Indeed, we continue to maintain our leadership in the industrial batteries segment and have taken giant steps forward in the automotive segment.

I believe we owe this to the spirit of innovation, a thirst for new ideas and the will to move unceasingly ahead, forces that have driven our Company to greater heights. The master key to our success however continues to be our ability to apply our knowledge in fresh and innovative ways to serve the customer better and trim our processes.

Customer knowledge is yet another strength that has enabled us to identify not just emerging needs and expectations, but foresee latent, unexpressed requirements as well. Our philosophy of pre-empting customer needs instead of waiting for customers to voice their requirements has contributed greatly to customer delight. Our constant endeavour to redefine products, technology and customer service and support has earned us a sizeable market-share.

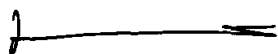
Our partnership with Johnson Controls has grown from strength to strength. Their unstinting support has helped us bring world class products to the Indian consumer. With this special bond, our goal of becoming the foremost manufacturer of automotive and industrial batteries in the Indian Ocean Rim is fast becoming a reality. By setting our sights on markets beyond the shores of India, we are laying the foundation for our future growth and the realisation of our dream of becoming a global player. We see export becoming one of our key thrust areas in the coming years.

In embracing the finest practices and processes at every level, from management to production, we have a world-class company that sets standards in the industry. With our automotive division doing well and given our pole position in the industrial batteries segment, I'm as positive about our future as you are. Add to this our many new initiatives and innovations in these two segments and we have a promising year to look forward to. A year ruled yet again by the spirit of innovation and fuelled by the spark of ingenuity.

On this note, I would like to express my appreciation and gratitude to our shareholders and our employees, who together form the backbone of our Company, for their unfailing commitment and support, and for sharing my vision of the road ahead.

Thank you,

With warmest regards,



Ramachandra N. Galla

Chairman and Managing Director

PERFORMANCE OF FIVE YEARS AT A GLANCE

(Rupees in million)

| Particulars | 2000-01 | 1999-00 | 1998-99 | 1997-98 | 1996-97 |
|---|----------------|----------------|----------------|----------------|----------------|
| Production (Nos.) | 382774 | 247039 | 239604 | 195094 | 126297 |
| Sales (Nos.) | 378153 | 244992 | 240527 | 195832 | 128631 |
| Sales | 1550.13 | 1320.81 | 1865.46 | 1443.82 | 1010.05 |
| Profit before Depreciation, Interest and Tax | 308.94 | 320.11 | 622.45 | 443.42 | 249.80 |
| Profit before Depreciation | 303.47 | 316.48 | 619.82 | 429.43 | 228.81 |
| Profit after Depreciation | 235.14 | 263.83 | 573.02 | 405.16 | 210.42 |
| Profit after Tax | 205.32 | 195.36 | 438.95 | 313.16 | 152.37 |
| Equity Capital | 113.88 | 102.73 | 102.73 | 102.73 | 75.92 |
| Reserves and Surplus | 1555.57 | 1290.73 | 1129.58 | 758.45 | 273.89 |
| Net Worth | 1602.99 | 1393.46 | 1232.32 | 861.18 | 349.81 |
| Gross Block | 1008.57 | 823.32 | 647.41 | 471.27 | 351.85 |
| Net Block | 733.80 | 616.83 | 491.98 | 363.63 | 267.48 |
| Book Value per Share (Rs.) | 140.77 | 135.64 | 119.96 | 83.83 | 46.08 |
| Earnings per Share (Rs.) | 19.64 | 19.02 | 42.73 | 30.48 | 20.07 |
| Dividend (%) | 35 | 30 | 60 | 45 | 30 |

Notice is hereby given that the Sixteenth Annual General Meeting of the members of Amara Raja Batteries Limited will be held at 3 PM on Wednesday, the 25 July 2001 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 2001 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 Mrs. Amara Kumari Galla, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Mr. P Lakshmana Rao 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.

By Order of the Board

Place: Tirupati
Date : 22 May 2001

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 21 July 2001 to 25 July 2001 (both days inclusive).
4. The Dividend, if declared at the Meeting, will be paid to the members whose names appear in the Register of Members of the Company as on 25 July 2001.
5. Members, holding shares in physical form, are requested to notify changes, if any, in their address immediately to the Share Transfer Agents, M/s. Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai 600 002.

Your Directors have pleasure in presenting the Sixteenth Annual Report together with Audited Accounts for the financial year ended 31 March 2001.

FINANCIAL RESULTS

The financial results for the year ended 31 March 2001 were as follows:

| Particulars | Rupees in million | |
|--|--------------------|---------------|
| | For the year ended | |
| | 31 March 2001 | 31 March 2000 |
| Profit After Tax | 205.32 | 195.36 |
| Add: Profit brought forward from last year | 279.13 | 217.98 |
| Profit available for appropriation | 484.45 | 413.34 |
| Appropriation | | |
| General Reserve | 100.00 | 100.00 |
| Dividend | 36.65 | 30.82 |
| Dividend Tax | 4.11 | 3.39 |
| Surplus carried to Balance Sheet | 343.69 | 279.13 |

DIVIDEND

Your Directors have pleasure in recommending a Dividend of Rs. 3.50 per Equity Share for the financial year ended 31 March 2001. The Dividend will absorb a sum of Rs. 40.76 million inclusive of tax on Dividend. Dividend on the shares allotted during the financial year will be paid on a pro-rata basis.

RESULTS OF OPERATIONS

Net sales rose to Rs. 1259.44 million during the year under review, representing an increase of 16.45% over the previous year. Increase in sales was assisted significantly by a strong growth of over 11% in the volume of Industrial Batteries and the addition of the Automotive aftermarket business.

The continued growth in the Telecom industry helped your Company register increased sales. In the industrial VRLA segment, prices continued to be under downward pressure but the price levels have now stabilised. With a strong volume growth matching industry growth, your Company continued to maintain market leadership in the standby VRLA Battery segment. Amara Raja continues to be the preferred vendor to major customers like VSNL, BSNL, MNC switch manufacturers, Indian Railways and Power Utilities. Kombat™, your Company's offering aimed at the mid-size UPS market, is now gaining increasing acceptance with UPS equipment manufacturers.

In the Automotive Battery business, we have added additional OEM accounts - Ashok Leyland cargo and Mahindra & Mahindra (Bolero) to the existing list of OEM customers - Ford, General Motors and Mercedes Benz. Additional OEM relationships are under finalisation. Amaron™, the Company's aftermarket brand has been received very well and the brand registered a healthy growth to emerge as a significant player within the first year of the launch. The year saw the roll out of Amaron™ across all major cities covering over 25 centres and the second phase of the roll out is now in progress. Your Company has also entered into a contract with MICO for the manufacture and supply of private label products under the Bosch brand. Additions to the product range for the Inverter, Farm and Truck sectors are being planned in the early part of next year.

After providing for Interest (Rs. 5.46 million), Depreciation (Rs. 68.34 million) and Taxation (Rs. 27.55 million), the net profit earned during the year was Rs. 205.32 million, an increase of 5.10% over the previous year.

BUSINESS OUTLOOK**Industrial Battery Division**

Backed by the anticipated high rates of growth in the Telecom and UPS sectors, the Industrial Battery Business is expected to continue to grow vigorously. While the impact of the global slowdown in IT and Telecom is felt in the Indian IT industry, your Company believes there is no significant impact of this on the domestic Telecom sector. Your Company is well positioned to exploit and derive benefit from the opportunity in the Telecom sector as its products have a proven track record of performance. To better exploit the opportunity in the UPS segment, your Company has planned upgradation of the Kombat™ monobloc range and a further expansion of the product range to cater to the entire range of mid-size UPS equipment. Your Company is aggressively pursuing new opportunities in the Power Control sector like motive power, security services and renewal energy, in addition to strengthening its existing presence in Power, Industry and Oil and Gas. In order to improve its access to industry, Amara Raja has embarked on new initiatives through the appointment of channel partners and the results of increased penetration will show during the next financial year.

Automotive Battery Division

Although, overall the last year witnessed a slowdown in the automotive OEM sector, long-term prospects are bright. Your Company is well positioned to take advantage of the need for high performance products and the requirement of high-performance batteries for new models of vehicles. The aftermarket segment continues to record robust growth and your Company has established a large network of franchisees with plans to further widen the same to cover the entire country. The increased geographical coverage and the wide range of products planned will also result in improved volumes for the Company. Your Company's diversification into the automotive business in association with Johnson Controls Inc., USA is with an eye on the future growth in this segment.

Your Company is also planning to focus on increasing exports of both automotive and industrial products as with increased capacities for manufacture, products that meet global standards and a competitive cost structure we believe that all the Company's products have excellent potential.

Recently, the Government in response to a petition filed by Amara Raja and other members of the domestic battery industry has imposed an anti-dumping duty on battery imports from Korea, China and Japan as an interim measure subject to further investigation. Low-priced imports from these countries were threatening injury to the domestic manufacturers. At Amara Raja, we feel that the Government's decision in this regard is a positive development and that the same will be confirmed through a final order soon.

SHARE CAPITAL

During the year under review, 11,14,100 Equity Shares of Rs. 10/- each at a premium of Rs. 90/- per share, were allotted to the Promoters and M/s. Johnson Controls on a preferential basis pursuant to the resolution passed by the shareholders at the Extraordinary General Meeting held on 25 November 2000. As at the end of the year the paid up capital of the Company was at Rs. 113.88 million and the Reserves and Surplus were at Rs. 155.57 million.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review and there are no outstanding deposits as on 31 March 2001.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Your Company has substantially complied with all the applicable Environmental Laws and Labour Laws. It has expended substantial resources, both financial and managerial, on complying with the relevant Laws and has taken all necessary measures to protect the environment and maximise worker protection and safety.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are annexed hereto and the same forms part of this report.

EMPLOYEES AND INDUSTRIAL RELATIONS

Industrial relations in the Company were very cordial and stable. Information as required under Section 217 (2A) of the Companies Act, 1956 and the rules made thereunder is given in the annexed statement and the same forms part of this report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mrs. Amara Kumari Galla and Mr. P. Lakshmana Rao retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. E. Phalgun Kumar & Co., Chartered Accountants, Tirupati and M/s. Chevuturi Associates, Chartered Accountants, Vijayawada, the joint Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

CORPORATE GOVERNANCE

Your Company has complied with the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance and believes that the initiatives on Corporate Governance will assist the Management in the efficient conduct of the business and in meeting its obligation to all its stakeholders.

A detailed report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as required under Clause 49 of the Listing Agreement is attached to this report.

DIRECTORS RESPONSIBILITY STATEMENT

As required under the Companies Act, 1956, your Directors wish to state:

- (a) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) That they have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (c) That they have taken proper and sufficient care 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; and
- (d) That they have prepared the accounts for the year ended 31 March 2001 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors are thankful to the Financial Institutions and Bankers for their continued support during the year under review and acknowledge with gratitude the help extended by the Central Government and the Government of Andhra Pradesh. Your Directors are equally grateful to the customers, suppliers and to you for the confidence reposed and the valuable support extended.

Place: Hanover, Germany

Date : 22 May 2001

For and on behalf of the Board

Ramachandra N. Galla

Chairman & Managing Director