



Because...

Amara Raja Batteries Limited
Annual Report 2007-08

Forward-looking statement

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, 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 'anticipate', 'estimate', '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 realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and the underlying assumptions undergoing change. Should known or unknown risks or uncertainties materialise, or should underlying assumptions not materialise, actual results could vary materially from those anticipated, estimated or projected. Shareholders & 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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.... our middle name is
PASSION



Our achievements in 2007-08

Numbers

- Revenue growth of 82% over 2006-07
- EBIDTA growth of 101% over 2006-07
- Profit after tax growth of 101% over 2006-07

Derivatives

- A 150 bps increase in the EBIDTA margin.
- A 150 bps increase in the Profit Before Tax
- A 600 bps increase in ROCE

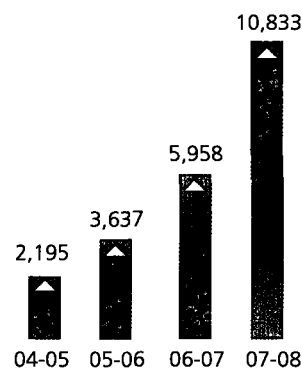
Operations

- Production of automotive batteries increased by 35% over 2006-07
- Production of industrial batteries grew by 40% over 2006-07
- Capacity utilisation in excess of 90% both in automotive and industrial

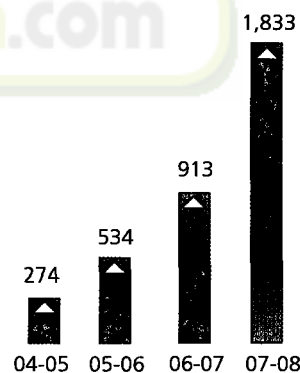
Marketing

- 28% market share in served industrial battery markets
- 26% market share in automotive OEM markets
- 28% market share in organised segment of automotive after market
- Increased franchised distributor network - 152 to 175
- Increased retail network - 14000 to 18000
- New rural & semi-urban retail expansion - 400
- Powerzone outlets

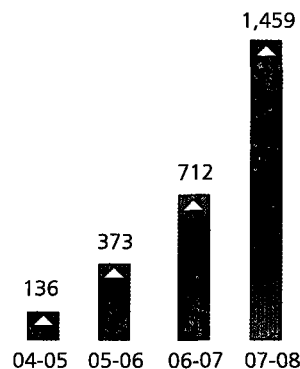
Net sales (Rs. million)



EBIDTA (Rs. million)

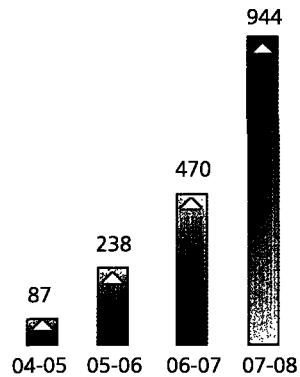


Profit before tax (Rs. million)

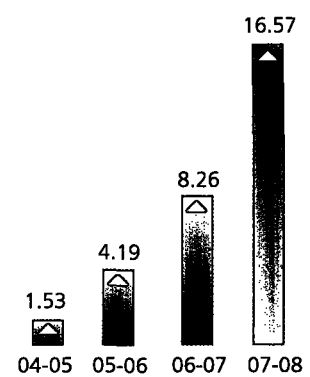


Our growth in numbers

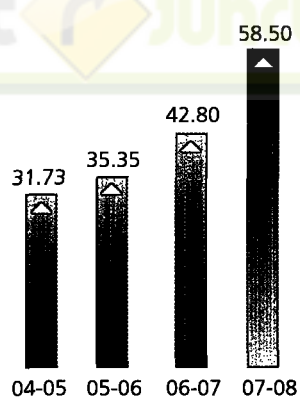
Profit after tax (Rs. million)



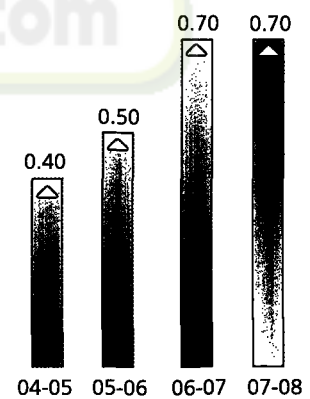
Earning per share (Rs.)



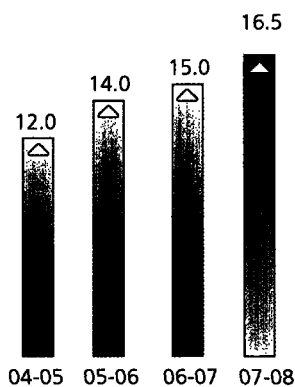
Book value (Rs.)



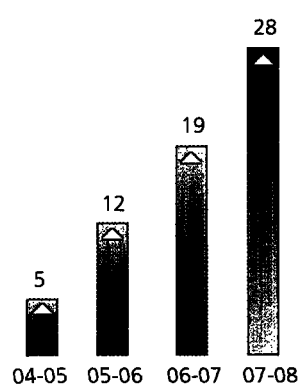
Dividend per share (Rs.)



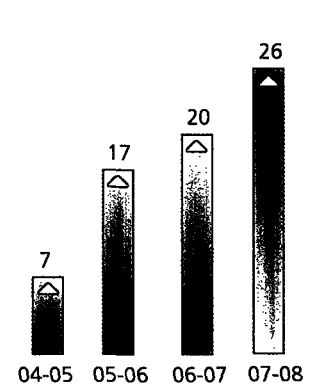
EBIDTA margin (%)



RONW (%)



ROCE (%)





Chairman's message

"Our growth and expansion plans have been carefully charted out to put us on the road to achieving USD 1 billion in 2012"

Dear Shareholders,

Year 2007-08 will go down in the history of our Company as one of many milestones:

- We crossed the magic number of Rs.10,000 million to record net revenues of Rs. 11,089 million.
- We announced our first-ever bonus issue in the ratio of one share for two shares held.
- We enhanced liquidity in the hands of our shareholders by splitting each share of Rs. 10/- each into five shares with face value of Rs. 2/- per share.
- Our innovative rural retail concept store PowerZone™ is today 400+ strong and has become a benchmark for bringing a world-class retail experience and a continuing source of job creation to the rural landscape of India.

Year 2007-08 will also be remembered for many new initiatives which will graduate Amara Raja Batteries into a higher orbit:

- We stepped into the two-wheeler battery segment with the launch of our Amaron Pro Bike Rider™ (during May 08). Powered by VRLA technology from our partner JCI, specially engineered for the Indian market by our own research, the product was received well. With more consumers going in for self-start bikes, we believe Amaron Pro Bike Rider, which comes with the promise of the highest power and the longest warranty, will be another block buster product from the Amaron stable.
- Our Quanta™ brand of VRLA batteries are well known in the UPS segment and we plan to extend the same to the home UPS segment during the second quarter of 2008-09.
- All our growth and expansion plans were carefully charted out to put us on the road to achieving USD 1 billion in revenue in 2012. One initiative in this regard was our move to relocate our corporate functions to Hyderabad, the place where we began. This will help us better utilise the newly developed infrastructure and the consequent locational advantage of being in the middle of the country.

The financials...

It is with great pleasure that I recount the financial performance of our Company here. The gross revenues for 2007-08 scaled to Rs. 13,500 million compared to Rs. 7,451 million recorded in 2006-07. For the year, our PBT shot up by 105% to Rs. 1,459.38 million and PAT by 100% to Rs. 943.63 million. The dividend recommended by the board of directors was 35%.

The surging demand in the industrial and automotive divisions and the lead price inflation enabled us to achieve the milestone of over Rs. 10,000 million in revenues.

Amara Raja Batteries is today the proud owner of strong brands respected and loved by customers – Amaron®, PitStop and PowerZone™ – built around strong business fundamentals with a keen sense of customer preferences. The new initiative viz., Amaron Karting Challenge, a novel talent hunt for young racing talent, has already emerged as a recognised brand among racing enthusiasts from the first season.

Looking ahead...

While we are looking at the future with confidence and comfort, what needs a close watch is the near term outlook of the Indian economy. While the Finance Secretary had predicted an 8% growth for the Indian economy, later developments and conservative predictions put this number at 7% to 7.5%.

With global crude prices moving northward against a backdrop of spiralling inflation, the effect on the auto industry is already evident. The automotive battery industry which benefit from a cyclical lag is yet to feel the slowdown but would see the effects cascading down in two or three quarters.

The offsetting effect of softening lead prices from the peak level of USD 4,000 to the current USD 2,000 is likely to cushion us from a real slow down, in this segment.

The industrial battery business is galloping on the back of booming telecom and UPS segments and will continue to see growth for some time.

The exchange rate is again moving into a territory of uncertainty and the expectations are that the rupee will depreciate to around INR 44 to the USD by end of the year.

The general dampening of sentiment due to the effects of the sub-prime crisis and all the developments above indicate that our journey through the next year needs to be cautiously negotiated.

Looking ahead, we believe that prevailing economic trends like uncertain global growth rates, surging price of crude oil, volatile commodity prices and rising inflation in India will have their impact on the Indian economy and hence may impact the Company's growth. However, the Company will continue to grow faster than the industry growth.

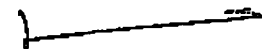
Our Company's robust management structure, industry-leading technological prowess and committed team of professionals will enable us to tide over this period with care and caution.

Backed by our core values of innovation, agility, long-term planning, stakeholder wealth creation, prudence and social responsibility, we are confident that our Company will emerge stronger leading to higher achievements in the years ahead.

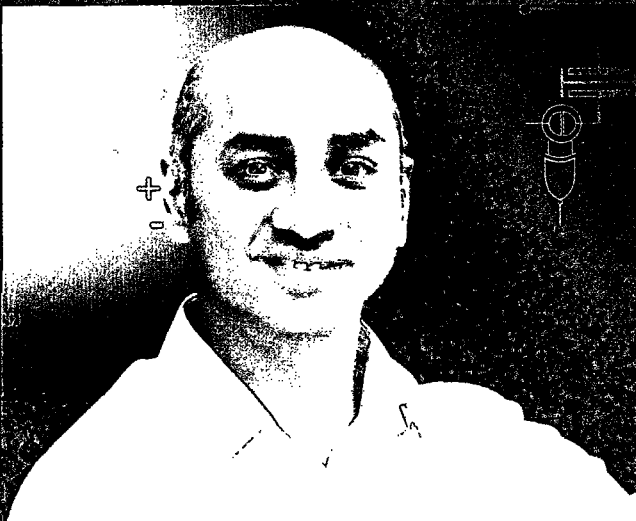
We cherish your continued partnership on this journey of growth and would like to place on record our heartfelt gratitude.

I also would like to thank our joint venture partners Johnson Controls Inc. (JCI), shareholders, bankers, customers and employees for their unstinting support in making our shared dreams come true.

Thank you,



Dr. Ramachandra N. Galla
Chairman



Managing Director's review

"We are rightly poised with a good pipeline of capacities and advanced technology to enhance our revenues"

Dear Shareholders,

This year's Annual Report conveys the message of crossing a significant milestone in our eventful and exciting journey. This fiscal, Amara Raja Batteries became the second storage battery company in the country to cross the landmark Rs. 10,000 million in revenues.

Our net revenues grew to Rs. 11,089.36 million compared to Rs. 6,055 million recorded in 2006-07. The profit before tax shot up by 105% to Rs. 1,459.38 million and net profit grew by 100% to Rs. 943.63 million.

While our top line growth of about 80% was propelled by good demand in both the Industrial and automotive divisions, around 50% of this revenue growth was due to the surge in lead prices.

The industrial battery business grew at an impressive 37%, gaining strength in both telecom and UPS segments. In a highly competitive market, there are discerning customers who consistently see a unique value proposition in our superior product offerings viz., Powerstack™ and Quanta™. We continued to maintain the preferred partner status with all key customers, helping us to achieve industry leading capacity utilisation. Despite our capacity constraints and growing imports in served markets, our market share improved to 28% during 2007-08.

The existing network of 50 AQUA channel partners will be expanded to 65 to support the growth in Quanta product ranges. Small VRLA (SVRLA) batteries under Quanta brand, targeting the high-growth segments – mini-UPS and other standby applications, will be launched during the second quarter of 2008-09.

We further enhanced our standing in the automotive battery segment with 26% market share in the automotive OEM market and 28% in the organised segment of the automotive after-market. The volumes in this business grew 27% annually.

We retained our leadership position in the automotive aftermarket in Singapore and expanded our reach into

newer markets in Indian Ocean Rim, including Africa and Asia.

In May 2008, we introduced our first two-wheeler battery - Amaron Pro Bike Rider™. Powered by VRLA technology and offering the highest 60 months warranty in the country, Amaron Pro Bike Rider is set to create new milestones for brand Amaron.

PowerZone™, a completely new retail experience in the power solutions sector for the semi-urban and rural consumer grew from strength to strength. Each of the 400 PowerZone stores has become a business hub, nurturing entrepreneurship and local employment opportunity in the rural market.

The Company's retail network has been the backbone of our growth, spanning 18000+ retailers and serviced by 175 franchised distributors, including 120 Amaron Pitstops, (the exclusive brand stores) and 400 PowerZone™ outlets. By end of 2008-09, the network would expand to 20,000 retailers, serviced by 200 franchised distributors, including 150 Amaron Pitstops, and 800 PowerZone™ stores.

Looking ahead, the plant capacity for automotive four wheeler and medium VRLA batteries is set to scale up from 4.9 to 5.4 million units per annum by the second quarter of 2008-09. Also, the current large VRLA capacity of the 450-million AH is set to double to 900 million AH per annum by October 2008 to cater to the growing telecom markets. The capacity for motor cycle and SVRLA batteries targeting the high- growth segments will be expanded from 1.00 million units to 3.16 million units per annum in the first quarter of 2009-10.

We are closely watching the next wave of technology in the power solutions sector to bring new products to the market. We are confident of our strength in R&D and the backing of Johnson Controls Inc. (JCI) — our JV partner and global leaders in battery technology, will help us tap new opportunities in emerging electric and electric hybrid arenas. Our R&D wing is developing Front Access Terminal (FAT) batteries for the growing telecom applications.

The economic outlook both at the national and global levels calls for cautious optimism with the emphasis on caution. Amara Raja has always been sensitive to such cyclical turns with alert pre-planning and discretion. Our continuous focus on internal productivity and efficiencies has provided us commercial benefits over the years. This would help us to overcome challenges during the current volatile period in surging ahead of the industry growth.

We are rightly poised with a good pipeline of manufacturing capacities and advanced technologies to enhance our revenues.

I am grateful for your support and encouragement and look forward to your continued support on the way ahead.

Thank you,



Jayadev Galla
Managing Director

