



FOCUSED

AMARA RAJA BATTERIES LIMITED | ANNUAL REPORT 2009-10

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 and 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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Amara Raja Batteries Limited is enriching prospects through a single-minded focus.

FOCUS

On capacity growth. On lateral extension.
On geographic spread. On revenue increase. On robust financials.
On enhanced shareholder value.
On brand recall.

OUR PERFORMANCE IN 2009-10

Financial performance

44%

EBITDA growth in 2009-10
over 2008-09

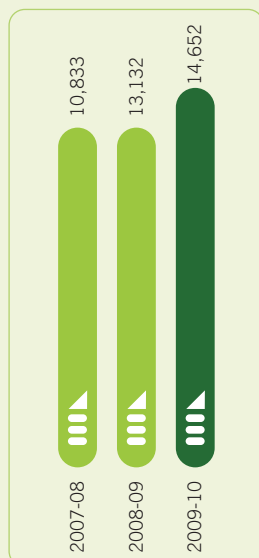
12%

Revenue growth in 2009-10
over 2008-09

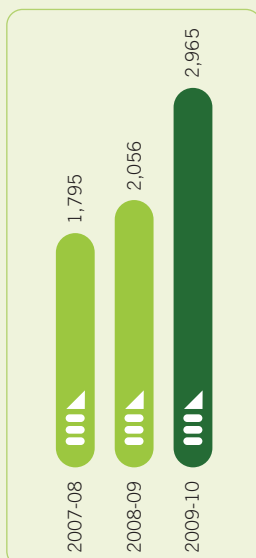
107%

PAT growth in 2009-10 over
2008-09

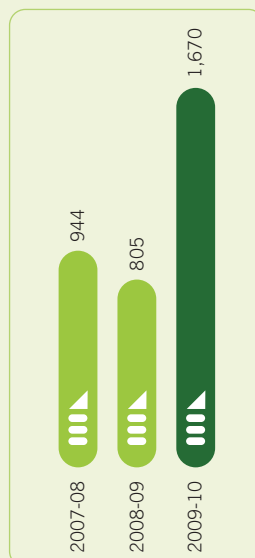
Revenues (net) (Rs. million)



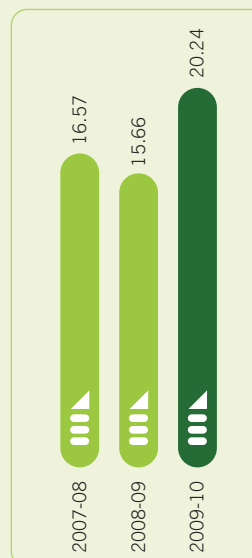
EBITDA (Rs. million)



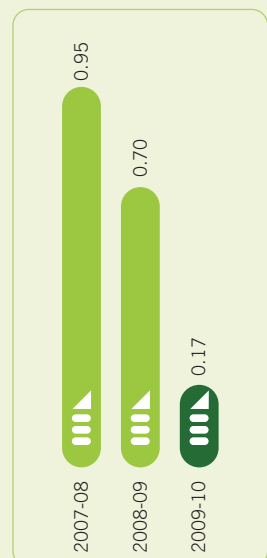
Post-tax profit (Rs. million)



EBITDA margin (percent)



Debt-equity ratio (times)



Dividend payout

145%

Highest in the Company's history

45%

ROCE in 2009-10 against 31% in 2008-09

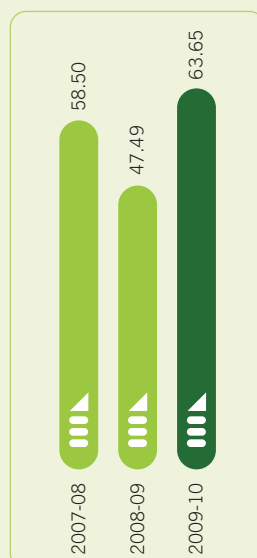
Operational performance

- Recorded double-digit growth in sales and production volumes
- Commissioned the brownfield expansion of MVRLA capacity – capacity enhanced to 1.80 million units
- Supplied batteries to five new platforms of existing OEM customers (four-wheelers)
- Launched the second variant of the motorcycle battery (Amaron Pro Bike Rider™ BETA series) based on VRLA technology with a 48-month warranty directed at the aftermarket.
- Concluded a two-wheeler VRLA battery development agreement with Honda, Japan
- Launched a 6V/120 Ah battery for train lighting applications for Indian Railways
- Commercialised the premium range of PowerStack™ (LVRLA) batteries
- Expanded the Quanta™ MVRLA range – 26Ah to 200Ah
- Widened the Amaron® distribution network to over 200 franchisees and 18,000 retailers; strengthened the PowerZone™ presence to over 700 outlets in semi-urban and rural locations and 75 AQUA partners for distribution of Quanta™ batteries
- Underwent HR Excellence and Total Cost Management maturity assessment by Confederation of Indian Industry (CII)

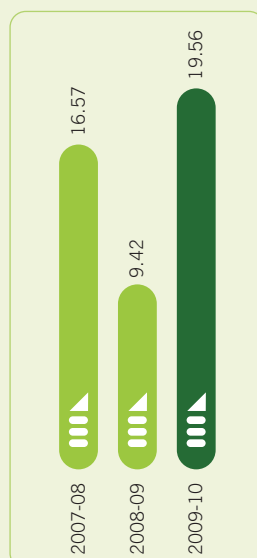
Awards

- Given 'Quality Excellence' award by Indus Towers Limited
- Received 'Best Telecom Equipment Manufacturer' award by BSNL
- Given 'Best Employer Award in the Electronics Industry Category' by the Employer Branding Institute of India

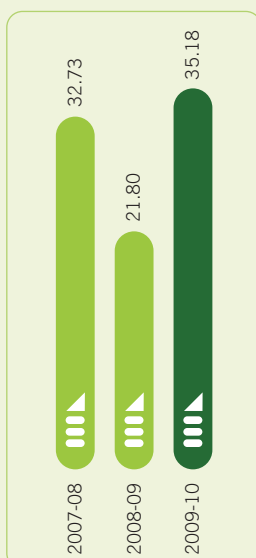
Book value per share (Rs.)



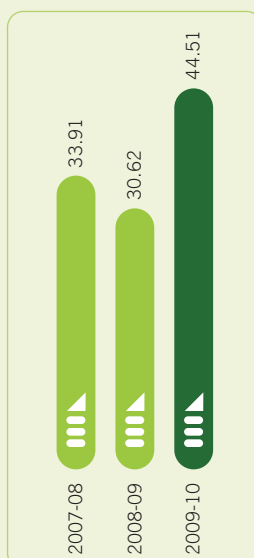
EPS (basic) (Rs.)



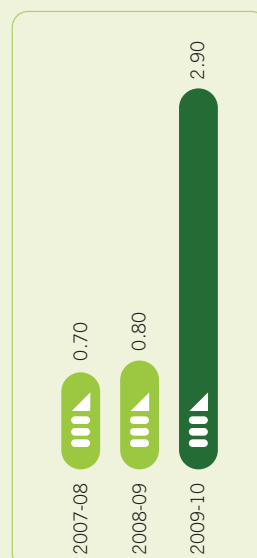
RONW (percent)



ROCE (percent)



Dividend per share (Rs.)



CHAIRMAN'S STATEMENT

**“BACKED BY OUR EXCELLENT
MANPOWER, SYSTEMS,
PROCEDURES AND INNOVATION,
WE ARE CONFIDENT OF MEETING
ALL CHALLENGES.”**



Dr. Ramchandra N Galla
Chairman

Overview

After a difficult 2008-09, fiscal 2009-10 was more comforting. Concerns of a prolonged depression disappeared with the global economy showing signs of recovery after a 0.8% decline in the global GDP. IMF economists predict a 3.9% growth in global GDP in 2010. However, the European economies continue to be a cause for worry. A contagion effect is unlikely as the two growth drivers of the world economy, India and China, performed robustly. India's GDP grew second fastest in the world at 7.4% in 2009-10.

According to World Bank estimates, the Indian GDP will grow at 9% within the next two years. In fact, between January and March 2010, the economy grew 8.6% on the back of a strong performance by the manufacturing sector. The only factor which might act as a dampener is fragile recovery in the US and the European Union. This may adversely impact our manufacturing exports, restrict capital flow to our economy and act as a roadblock for domestic capacity expansion. But the brighter side of this could be a stabilisation in commodity prices, crude oil in particular.

What we achieved


You will be pleased to note that our Company recorded a 107% increase in net profit during the year under review. Both the battery units, industrial and automotive, registered an encouraging performance.

Our Company emerged as the preferred supplier to almost all major cellular service providers, multinational telecom and power companies in the industrial business. In the automotive business, the Company commenced supply to five new platforms of OE customers and also tapped potential markets in Bahrain and Qatar.

Recognitions

The Company received the permit to use the “Diamond Mark” from the Kenya Bureau of Standards and received “Gulf Standard Organisation Certification” from the Directorate General of Specifications and Measurements, Ministry of Commerce and Industry, Sultanate of Oman, for its automotive batteries.

In the industrial battery unit, Indus Towers recognised our products and services and conferred the Quality Excellence award for the year 2009; the Telecom Quality



Assurance Circle of BSNL conferred the Best Telecom Equipment Manufacturer award for the year 2008-09 for our VRLA batteries.

In the knowledge-driven society of today, it is excellent manpower that builds a Company and we are happy that the Employer Branding Institute of India recognised our Company for its HR Strategy and conferred three awards – Best Employer award in the category of electronics industry, Continuous Innovation in HR Strategy at work (National round) and Excellence in HR through Technology (Southern region).

These laurels motivate the Company to focus on providing best global products.

Way forward

Going ahead, the Indian economy is expected to post a better performance on the back of the automotive and telecom sectors, which look bullish. The opportunities in the sectors are as follows:

Automotive sector: New product launches, India becoming a global automotive sector outsourcing hub and the growing popularity of electric vehicles.

Industrial sector: Roll out of new telecom operators, 3G spectrum auction, likely entry of new service providers and deepening telephony penetration in the country.

In the battle for supremacy, only excellence will count. Backed by our excellent manpower, systems and procedures and focus on innovation, we are confident of meeting all challenges. When the nation is striving for a position among the world's elite economies, our Company must look at building itself into a global leader in its segment.

remained disciplined in execution and faced a volatile market with a positive 'can do' attitude.

I dedicate all our achievements and successes to our employees, their families, shareholders, JV partner, bankers, vendors and customers. I sincerely thank one and all for making ARBL a truly world-class organisation.

“We are happy that the Employer Branding Institute of India recognised our Company for its HR strategy and conferred three awards – Best Employer Award in the category of electronics industry, Continuous Innovation in HR Strategy at work (National round) and Excellence in HR through Technology (Southern region).” Dr. Ramchandra N Galla, *Chairman*

ARBL's growth occurred within a challenging economic climate and the Company is poised to secure all opportunities that may come its way. Our Company demonstrated leadership,

“WE WILL FOCUS ON INNOVATION, IMPROVE OPERATIONAL EFFICIENCY AND INVEST IN TECHNOLOGY AND PEOPLE TO SUSTAIN THE GROWTH STORY FOR AN EVEN BETTER TOMORROW.”

THE RECESSION IS OVER AND THE FUTURE ALWAYS HAS A WAY OF ARRIVING UNANNOUNCED.

HOWEVER, WINNERS ARE NEVER TAKEN BY SURPRISE. THE LAST TWO YEARS' EVENTS HAVE BROUGHT US FACE-TO-FACE WITH THE REALITY THAT ENTERPRISES NEED TO BE ALWAYS FUTURE-PROOF.

With the Indian economy progressing towards a speedy recovery, we now face widening opportunities in terms of better growth, reforms and new ventures.

Even if the worst of times are behind us, the best of times will be ours only if we seize the right opportunities.

The Company responded to the sectoral and economic challenges through proactive capacity and quality enhancement. I am proud and happy to share with you the results. Our Company's profit in 2009-10 was the highest in its history.

■ Net revenues were Rs. 14,652 million compared to Rs. 13,132 million in FY 2008-09. This topline growth of 12% was achieved due to channelised market penetration and enhanced sales. Volatility in lead prices did not deter us from reaching new heights as our gross sales touched Rs. 16,910 million compared with Rs. 15,794 million in 2008-09. Net profit rose 107% to Rs. 1,670 million compared with the previous year.

■ The board of directors approved and adopted a dividend policy for distributing up to 15% of the profit after tax (PAT) to shareholders. Accordingly, the board has proposed a dividend of Rs. 2.90 (145%) per equity share of Rs. 2 each for 2009-10, subject to the approval of the shareholders.

The Company continues to enjoy comfortable liquidity and is confident of meeting the funding requirements for its expansion plans contemplated for 2010-11. The upgradation of the credit



Jayadev Galla
Managing Director

rating to AA/Stable and P1+ for long-term and short-term loan facilities by CRISIL and a healthy cash position with a low debt-equity ratio will enable us to leverage our borrowing with a minimum impact on financial charges.

The Company's industrial battery unit witnessed double-digit growth in sales during 2009-10. During the year, the installed capacity of medium VRLA batteries was enhanced from 1.20 million to 1.80 million units per annum. The Company continues to enjoy its preferred supplier status from leading telecom operators. The industrial battery unit's two leading brands - Powerstack™ and Quanta™ - continued to be preferred in the telecom, UPS and other user segments (ITES, railways, power control and solar). The Company's market share in the telecom sector continued to increase during the year under review and stood at 32% at the end of the financial year.

The Company's automotive battery unit

revenue grew 20% over 2008-09. The growth in sales volume outpaced industry growth for automotive and motor cycle batteries. The Company maintained its market share in OEM and the aftermarket aided by its focus on channel building, realignment of its product portfolio and brand awareness programmes.

During the year, the Company launched its second variant in the category of motor cycle batteries (with VRLA technology) under the name of Amaron Pro Bike Rider™ BETA Series with a 48-month warranty in the aftermarket. The BETA series will enhance the product portfolio in addition to the existing variant - ALPHA with a 60-month warranty.

In 2009-10, the Company expanded its Amaron® network to over 200 franchisees and 18,000 retailers; it strengthened its presence through 700 PowerZone™ outlets in semi-urban and rural locations. To enhance visibility and reach, the Company launched Pitstops in

urban areas and PowerZone™ outlets in semi-urban and rural areas. I am proud to share that the Amaron® Pitstop format is now ranked among the top franchising opportunities in India.

While 2009-10 was a learning experience, 2010-11 appears promising but with challenges. We will focus on innovation, improve operational efficiency and invest in technology and people to augment our market leadership.

Your support continues to inspire excellence in our endeavour. I would also like to express my appreciation for the support that we have always received from you and for the confidence reposed in us at all times.

I also wish to place on record our sincere gratitude to our joint venture partner Johnson Controls Inc. (JCI), our bankers, partners, associates and most importantly, Team Amara Raja.

We commit to sustain the growth story for an even better tomorrow.



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UNLEASH!