



WAY TO GO»»

AMARA RAJA BATTERIES LIMITED
ANNUAL REPORT 2011-12

Disclaimer

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, may 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 ‘anticipates’, ‘estimates’, ‘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 realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even 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. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

- 02 Vision, Core purpose and Values
- 04 Historical value creation
- 08 Statement from the Management
- 12 Management discussion and analysis
- 40 Corporate social responsibilty
- 43 10-year financials
- 44 Corporate information
- 45 Directors’ report
- 53 Report on Corporate Governance
- 61 General shareholders’ information
- 69 Financial section
- 95 Notice to the shareholders



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 Indian Ocean Rim

AMARA RAJA GROUP CORE PURPOSE

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



AMARA RAJA GROUP VALUES

- Innovation • Excellence • Entrepreneurship • Experiences
- Responsibility

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

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

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

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

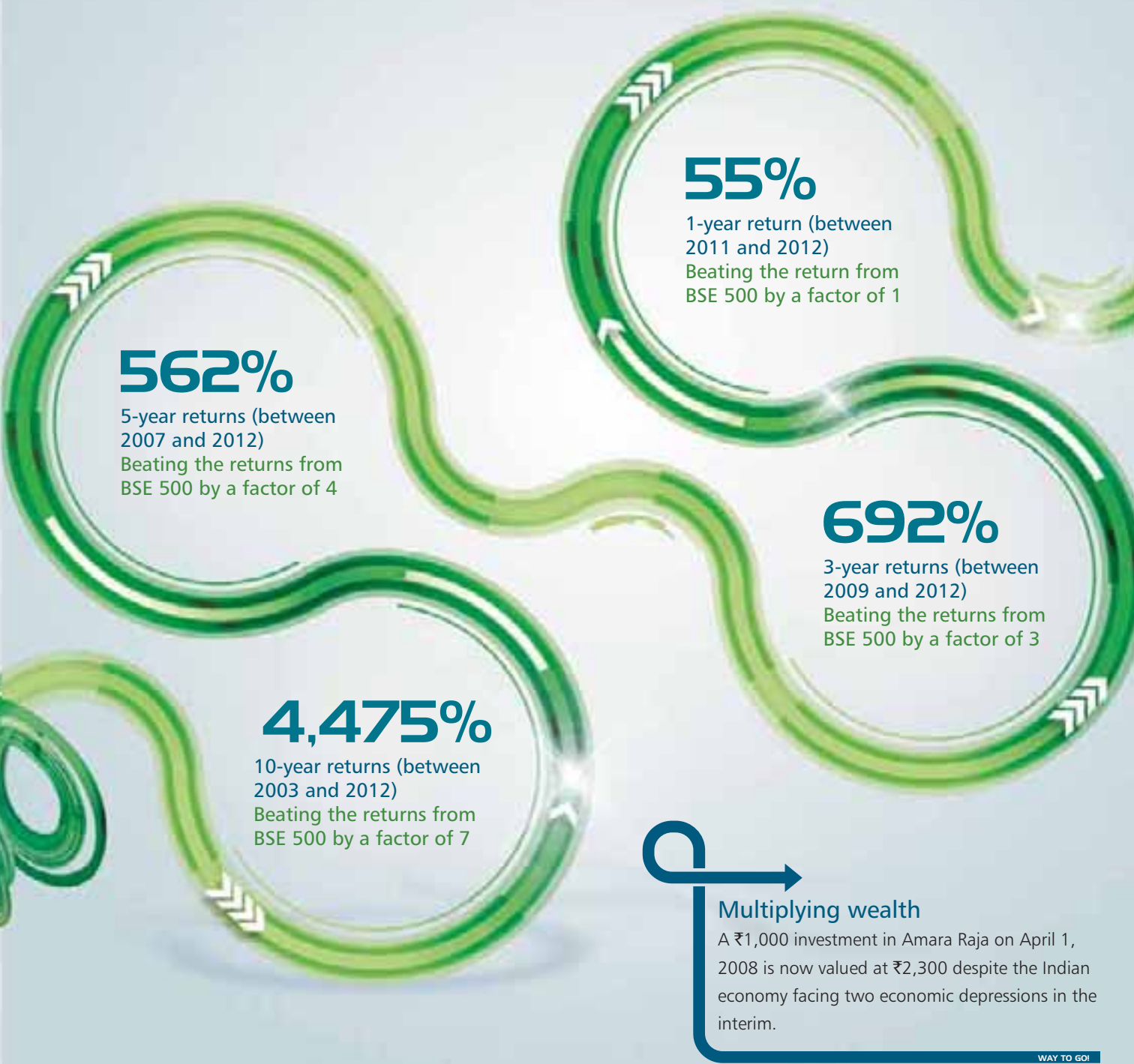
Responsibility to us is the total ownership of our thoughts and actions in every situation to achieve maximum common good in the best interest of Environment, Society, Customer, Supplier, Employee and Shareholders.

A BETTER WAY IS NOT SOMETHING ARCANE AND COMPLEX.

We invested in capacity. We created a better product. We invested in our intellectual capital. We found more customers. We captured a larger wallet share.



THE RESULT OF OUR BUSINESS STRATEGY: WE ENHANCED SHAREHOLDER VALUE.





PRIDE IN OWNERSHIP

AMARA RAJA POSSESSES A CREDIBLE RECORD in strengthening shareholder value in both good and difficult markets through a combination of robust business strategy, profit sharing and governance.



25 < 3

We will invest more – in capacities, capabilities and products – in the next three years than what we did in the past with the objective to enhance shareholder value faster than in the past.

WAY TO GO!

Intangible value addition

The Company fortified its governance-led business commitment and its corporate brand with the objective of enhancing stakeholder confidence in the management's ability to sustain growth over the long term.

Top-of-mind: The Company embarked on brand-building and innovative business solutions, strengthening stakeholder recall.

Awards and recognition: The growing public recognition of the Company's achievements bear testimony to the external stakeholder confidence in the Company's management.

Tangible value addition

The Company has expanded its business and profits, added to its asset base, increased its dividend payout and in doing so grew its market capitalisation.

Business strategy: The Company introduced a number of pioneering products, enjoying undisputed leadership in product segments and growing its topline faster than sectoral peers.

Improving profitability: The Company grew production capacities around attractive economies of scale on the one hand and the application of cost-effective technologies on the other.

We shared our profits

Strengthening shareholder funds: Over the years, the Company balanced the need to reward shareholders and reinvest in its business.

Business stability: The combination of robust profit growth and payout resulted in a growth in market capitalisation and enterprise value.

	2009-10	2010-11*	2011-12		March 31, 2010	March 31, 2011	March 31, 2012
Dividend distribution (₹ million)	248	393	323	Shareholders' funds (₹ million)	5,437	6,459	8,235
Dividend per share (₹)	2.90	4.60	3.78	Gross block (₹ million)	4,911	5,388	6,213

*Includes one time special dividend

	March 31, 2010	March 31, 2011	March 31, 2012		March 31, 2010	March 31, 2011	March 31, 2012
Market capitalisation (₹ million)	14,024	16,206	25,007	Return on net worth (%)	35.18	24.90	29.27
Enterprise value (₹ million)	14,311	16,754	23,570	Return on capital employed (%)	44.51	34.61	46.04

STATEMENT FROM THE MANAGEMENT

Dear shareholders,

FISCAL 2011-12
WAS ONE OF THE
CHALLENGING
YEARS FOR THE
INDIAN ECONOMY
AND INDIA INC., AS
WE WERE FACED
WITH THE
DIFFICULT TASK OF
MANAGING
ADVERSITY.

Challenging times

Stubborn inflation compelled the RBI to resort to interest rate hikes primarily due to lack of innovation in managing inflationary pressures. This adversely impacted capital intensive initiatives by India Inc. Besides, the surfacing of various high-level improprieties forced the active involvement of the Indian judiciary which diverted the policy makers' attention on managing tough situations and compulsions of coalition politics have resulted in a freeze on growth-oriented policies. The other roadblock that severely challenged economic progress was the sharp rupee depreciation and increasing fuel prices.

The prevailing overall uncertainty and lack of optimism, bulging fiscal deficit, rising cost of funds and increased cost of living forced India Inc., and the average Indian to postpone investment and consumption respectively – clearly borne out in India's economic progress – a 6.5% GDP growth, lower than what we achieved in the 2008 global slowdown.

Inspired response

Our performance in 2011-12 was very satisfying even as the external environment remained challenging.

We sustained the growth momentum, increased market share and reinforced our leadership across our key business verticals. Net sales grew 34% and profit after tax grew 45%.

The Company's ability to grow in the rapidly evolving and adverse external environment was due to its customer-centric approach, balanced nature of the business portfolio and entrenched presence across India and strengthening footprint in international markets – which resulted in a positive divergence – high sales growth and an even higher profit growth.

For the automotive battery business, we focused on strengthening our presence in the aftermarket segment. We filled the gaps in our product offering, widened our distribution network and invested in enhancing brand visibility resulting in increased market share. Besides, we developed batteries for some fast-moving OEM diesel platforms which improved the share of business and strengthened our market share.

In the industrial battery business, our alliance with Bharti Airtel generated large exports to Africa, Sri Lanka and Bangladesh. Besides, our transformation from a product vendor to a solution provider generated good business in the telecom space. Strengthening penetration, enhanced recognition of product performance in BFSI, government and corporate circles delivered sizeable volumes for our UPS batteries – we grew faster than the industry.

On the cost front, our shopfloor teams successfully implemented various measures germinating out of their rich knowledge capital and lateral thinking ability – partly neutralising the impact of inflationary headwinds on business profitability.

The result is that we exceeded our business target for 2011-12 even as the country passed through economic slowdown.

Prospects for 2012-13

The challenges posed by an adverse external environment are expected to continue. India's economy is expected to grow at 6.5-7%. Inflation remains high at 7.5%-plus levels. The political instability continues to withhold the passage of important growth-oriented policies. The rupee value continues to hover around 55 against the US\$, making imports dearer. As a result, the performance of India Inc., will largely remain subdued during the current fiscal. This is already reflected in low IIP growth and significant underperformance by the automobile segment.

The immediate action plan

At Amara Raja, we continue to defy these challenging times.

We have created a business plan with stretch targets. We are confident that we will be able to catalyse growth and meet aggressive targets through stronger capabilities.



45%

We sustained the growth momentum, increased market share and reinforced our leadership across our key business verticals. Net sales grew 34% and profit after tax grew 45%



DR. RAMACHANDRA N GALLA | CHAIRMAN

“HAVING CROSSED AN IMPORTANT MILESTONE, WE ARE PROCEEDING TO A LARGER GOAL...A NEW JOURNEY HAS JUST BEGUN.”

Leadership and management: We plan to expand our operations – new capacities, new products, new technologies and new markets. As a precursor to this expansion, we are reinforcing the leadership team and nurturing leaders to make our targeted goals a reality. We are fast-tracking the growth of star performers to undertake larger organisational responsibilities.

Research and development: We will continue to invest in R&D and engineering capabilities that strengthen innovation, widen product offerings and improve our performance.

Technology alliance: We leveraged the rich intellectual capital of Johnson Controls for the manufacture of automotive batteries leading to sectoral leadership in a short time. We will explore strategic alliance for the industrial battery business and cater to dynamic technology changes in the standby power segment.

Information technology: We will strengthen our investments in IT solutions that provide the critical backbone for strategic and informed decision-making.

Visibility & Reach: Our objective is to transform the ‘give some battery’ customer response to ‘give Amaron®’ through innovative branding and visibility initiatives and widespread reach.

₹ 20 billion

At our Company, the answer is clear: having crossed an important revenue milestone of ₹20 billion in 2011-12, we are forging ahead to emerge as ₹40 billion revenue company in the next four years.



JAYADEV GALLA | MANAGING DIRECTOR

“AT AMARA RAJA, WE STRIVE TO DEFY THE CHALLENGING TIMES. WE ARE CONFIDENT THAT WE WILL BE ABLE TO CATALYSE GROWTH AND MEET AGGRESSIVE TARGETS THROUGH STRONGER CAPABILITIES.”

Augmenting supply: We will be expanding our four-wheeler and two-wheeler battery capacity to six million units during 2013-14 in our existing location. We also intend to commission new manufacturing facilities to further augment four-wheeler automotive capacities at a strategic second location, while we continue to augment the two-wheeler capacities, as and when required, at the existing location.

Innovation: We are evaluating novel process technologies that promise cost optimisation and enhanced product performance. We also intend to introduce new range of products for micro hybrid application, inverter batteries and will explore opportunities for introducing VRLA four-wheeler batteries.

Industrial battery space

Creating demand: As the telecom space upgrades its operating platforms to 3G and 4G and deepens its presence in rural India, incremental demand will be derived through new roll-outs and upgrades; while the replacement demand for existing infrastructure will continue to provide enough opportunity. Besides, as India’s power demand and supply gap continues to widen, we expect that the demand for UPS batteries will increase. We will strengthen our dominance in these spaces through collaborative customer partnerships with the objective to develop customised products and comprehensive solutions. Besides, we are analysing market realities to establish a

presence in the tubular flooded/gel space, widening our opportunities.

Augmenting supply: We are expanding the medium VRLA product line capacity from existing 1.80 million units to 3.00 million units in a strategic second location, which will go on stream in the next 12-16 months. We will also create tubular flooded/gel product lines in existing or new location in line with emerging market dynamics.

The proposed investment in the second location will provide enough room for future expansions both in industrial and automotive battery businesses.

Concluding remarks

We are very much excited about the long-term prospects of the industry and our Company. In the past, we demonstrated our ability to provide superior shareholder returns than they would otherwise have earned through alternative investment options. We continue to be confident of doing the same over the foreseeable future.

On behalf of the Company, the management takes this opportunity to convey their sincere thanks to all shareholders and place on record their gratitude to their employees, customers, channel partners, bankers, suppliers and our joint-venture partner Johnson Control Inc.

Warm regards,
The Management





MANAGEMENT DISCUSSION AND ANALYSIS



Economic overview

Global economy: From a positive beginning in 2011, the global environment turned adverse in the second half of 2011, owing to the euro zone crisis and monetary imbalances in emerging economies. Capital flows to developing nations declined by almost half in 2011 compared with 2010.

Europe seemed to enter a recessionary phase. The euro zone crisis impacted the economic performance of trade partners. Growth in several developing countries (Brazil, India, and to a lesser extent China, Russia, South Africa and Turkey) declined, partly owing to the euro zone weakness and domestic policy tightening.

Despite apprehensions raised by rating agencies, USA delivered a heartening performance marked by declining unemployment, rising retail sales and

growing new home sales. Notwithstanding the relatively strong activity in the US and Japan, global economic trade and growth slowed sharply. Global GDP grew 3.9% in 2011 compared with 5.3% in 2010.

As per World Economic Outlook, global economic growth is expected to fall to 3.3% in 2012 as the euro area economy is expected to enter a period of mild recession in 2012 owing to increased sovereign yields, bank de-leveraging and fiscal consolidation. Despite a substantial downward revision, developing Asia is still projected to grow at 7.5% in 2012.

Indian economy: India's GDP grew 6.5% in 2011-12, down from 8.1% in 2010-11. In 2011-12, India faced conflicting demands – of managing growth and providing price stability – without corresponding initiatives to counter these challenges. India's real GDP growth in

2011-12 was the lowest in the past nine years even as it remained one of the fastest-growing economies. In addition to global factors, domestic factors like monetary tightening and rising repo rates to control inflation, spiraling oil prices and dampened business sentiments slowed industrial investment and curtailed economic growth.

At the sectoral level, agriculture and allied sectors grew 2.5% in 2011-12 against 7% in 2010-11; the services sector grew 9.4% in 2011-12 against 9.3% in 2010-11; the industrial sector grew 3.5% in 2011-12 against 8.1% in 2010-11, primarily responsible for the slowdown of India's economic progression. The economy's resilience to shocks was owing to the services sector, which enjoyed the largest share with the most consistent growth rate.

Industrial sector: Headline WPI inflation remained high at around 9% during 2011 for the following reasons:

- Higher prices of primary products
- Increasing global commodity prices
- Persistently high international crude petroleum prices

To counter inflation, RBI tightened the monetary situation by increasing interest rates 13 times between March 2010 and October 2011, making industrial borrowing expensive and projects unviable. Rising interest rates depressed manufacturing sector growth from 8.7% in 2010-11 to only 3.7% in 2011-12 (April 2011 to February 2012)

Rupee depreciation: The Indian rupee was under stress as overseas investors pared their exposure in Asia's third-largest economy. The rupee lost more

than 10 percent of its value during the year, making it the worst performing currency in Asia.

Estimates for 2012-13: WPI inflation eventually touched a level of 6.9% in April 2012, which among other factors triggered one of the first rate cut by RBI in several months. Few more rate cuts are expected during the year 2012-13. The RBI estimates an overall 7% GDP growth for the financial year 2012-13

GDP growth (%)

Particulars	2010	2011
World output	5.3	3.9
Advanced economies	3.2	1.6
Emerging and developing economies	7.5	6.2
Euro area	1.9	1.4

Source: IMF

BUSINESS SEGMENTS

Segment	Overview	Capacity	Products	Sectoral position	Segment	Distribution network	Customers	Competitive advantage	Market share
Industrial battery division	<ul style="list-style-type: none">● Commenced operations in the year 1991 to manufacture batteries for telecom, UPS, railways and power utility sectors● Manufacturing facility is ISO 9001 and ISO 14001-accredited	<ul style="list-style-type: none">● Large VRLA batteries – 900 million Ah per annum● Medium VRLA batteries: Two million units	<ul style="list-style-type: none">● Product portfolio offers capacities ranging from 4.5 Ah to 5,000 Ah under multiple brands● Amaron Volt™ (Telecom networks, data center, power station, oil and gas)● Power Stack® (Telecom networks, data center, power stations, oil and gas, Indian Railways)● Quanta® (UPS applications)● Power Slek™ (Wireless telecom network, UPS applications)	Largest supplier of batteries to the telecom and UPS sectors and to Indian Railways for rolling stock application	Industrial battery division	<ul style="list-style-type: none">● Largely a B2B model● 100 AQUA channel partners facilitate the reach for UPS batteries across the country	Key customers include Indus Towers, Viom Networks, ATC, Bharti Infratel, Bharti Airtel, Vodafone, Aircel, BSNL, Indian Railways, APC, Emerson, Numeric, Delta, DB Power among others	<ul style="list-style-type: none">● Partnered Bharti Airtel for its Africa, Sri Lanka and Bangladesh network expansions as the preferred vendor● Strategic supply partnership with leading telecom tower companies and operators	Telecom: 46% UPS: 32%
Automotive battery division	<ul style="list-style-type: none">● Commenced operations in the year 2000 with technology from Johnson Controls Inc, USA● Manufacturing facility is QS-9000, ISO-14001 and TS-16949 certified	<ul style="list-style-type: none">● Four-wheeler batteries: 5.60 million units per annum● Two-wheeler batteries: 4.80 million units per annum	<ul style="list-style-type: none">● Passenger cars: Amaron® Pro, Amaron® Flo, Amaron® Go, Amaron® Black and Amaron® Fresh● Commercial vehicles: Amaron® Hi-way● Tractors: Amaron® Harvest● Two-wheelers: Amaron Pro Bike Rider™	Second-largest player in the automotive battery business in India	Automotive battery division	<ul style="list-style-type: none">● Amaron® network comprises 274 franchised distributors, including 18,000 retailers and 2,400-plus service hubs – the second-largest in the battery segment in India● PowerZone™ network comprises 900 retail outlets for semi-urban and rural presence	<ul style="list-style-type: none">● Major OEM customers include Ford, Maruti Suzuki, Hyundai, Honda, M&M, Tata, Volvo Eicher, Daimler Benz, Tafe Tractors, Isuzu Motors among others● Major Private Label customers include Bosch, Lucas, Cummins and AC Delco● Dominant player in the aftermarket segment in four-wheelers	<ul style="list-style-type: none">● Battery supplier to the entire 'Comfort Delgro' taxi fleet in Singapore.● 100% share of business with Ford India and Daimler Benz● 100% share of business in Maruti A-Star exports and Hyundai 'EON'● First supplier of batteries to M&M for Scorpio Micro Hybrid vehicles● First to introduce zero maintenance 4-wheeler batteries and VRLA 2-wheeler batteries● First to provide extended warranties to consumers	Four-wheelers (OEM): 26% Four-wheeler aftermarket (organised): 34% Two-wheeler aftermarket (organised): 24%