



AMARA RAJA
Gotta be a better way



PROGRESS...
ON!

AMARA RAJA BATTERIES LIMITED
ANNUAL REPORT 2019-20



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Every road forks into two
ways: down one way,
there's a continuity of
life as it comes, down
the other, there's a zeal
to bring in disruptive
changes to make path-
breaking transformations.
We chose the second
lane. It called for a lot of
blood, sweat and hard toil,
yet we stuck on. And, we
triumphed. **We progressed
at every step** and emerged
better every day.

Along the way, **we
reinvented ourselves**,
to remain relevant and
resolute in sync with the
evolving paradigm of
business and advancing
technology. **We
resolved every issue**
differently, devised
every system inimitably,
and confronted every
challenge distinctively.

Because, **we always
believed there's
Gotta be a Better Way.**

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.

Core Values

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

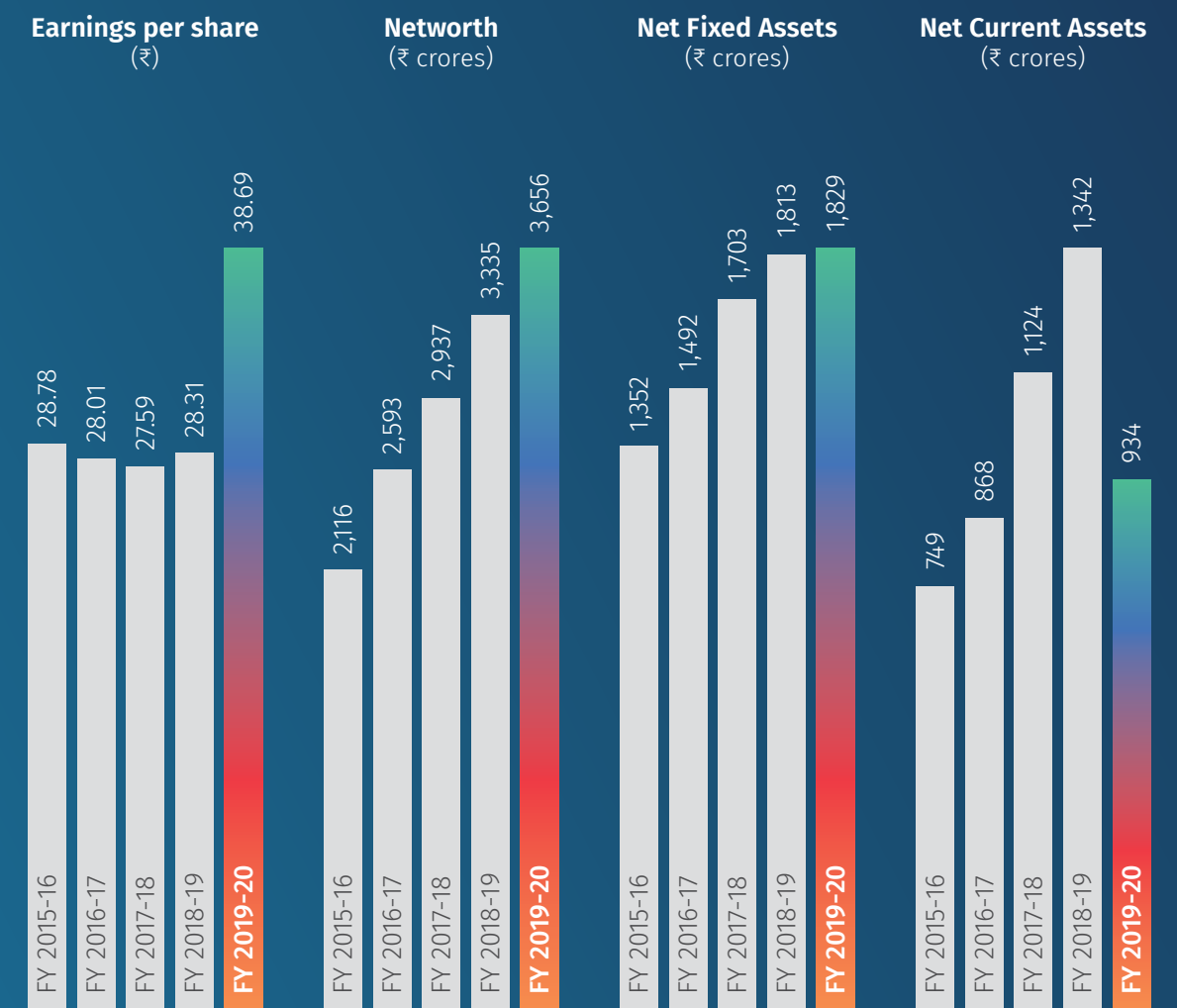
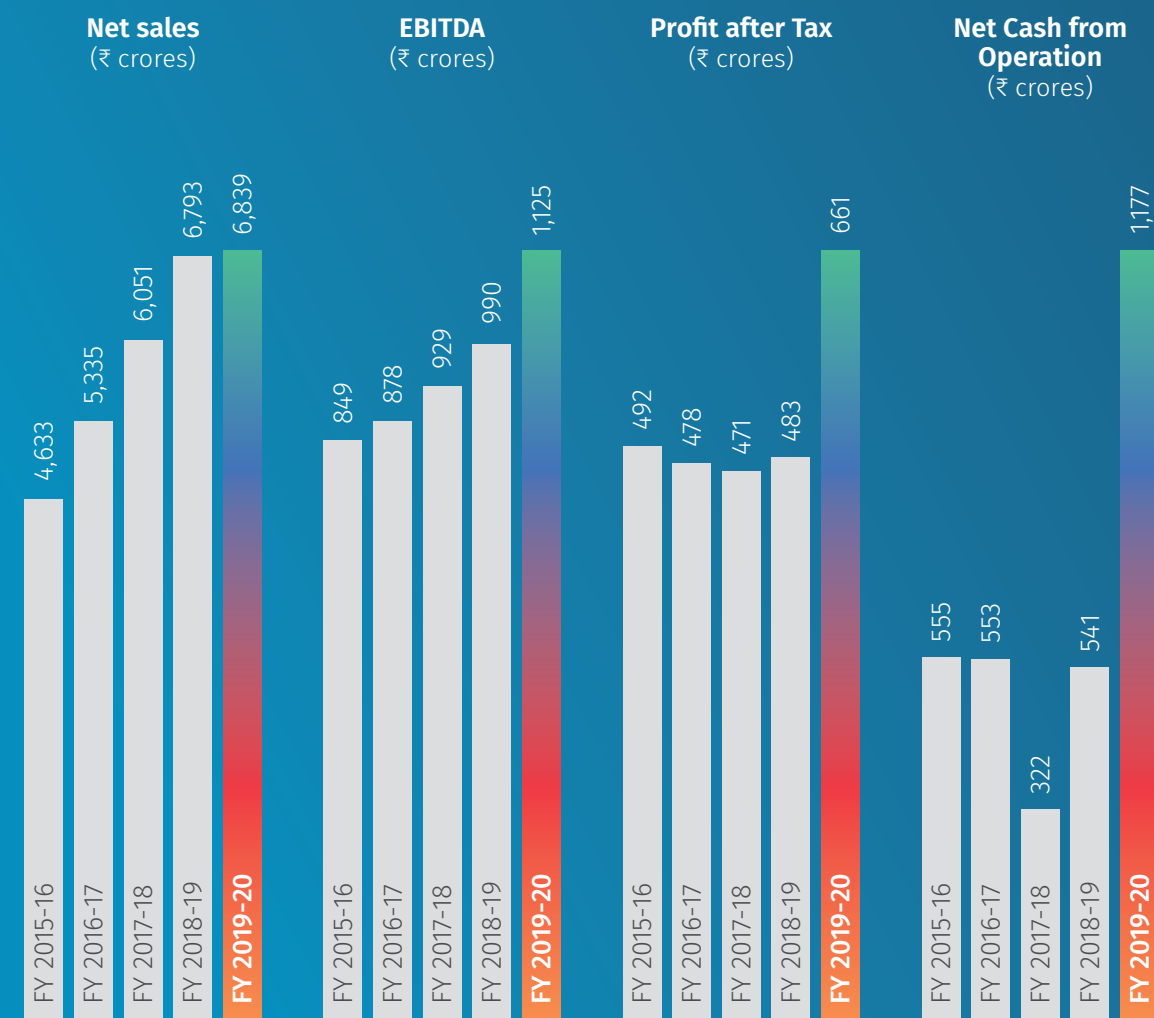
Experiences to us are what we create for our stakeholders, which makes them feel part of something special, leading to endearing relationships.

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.

Key Performance Indicators

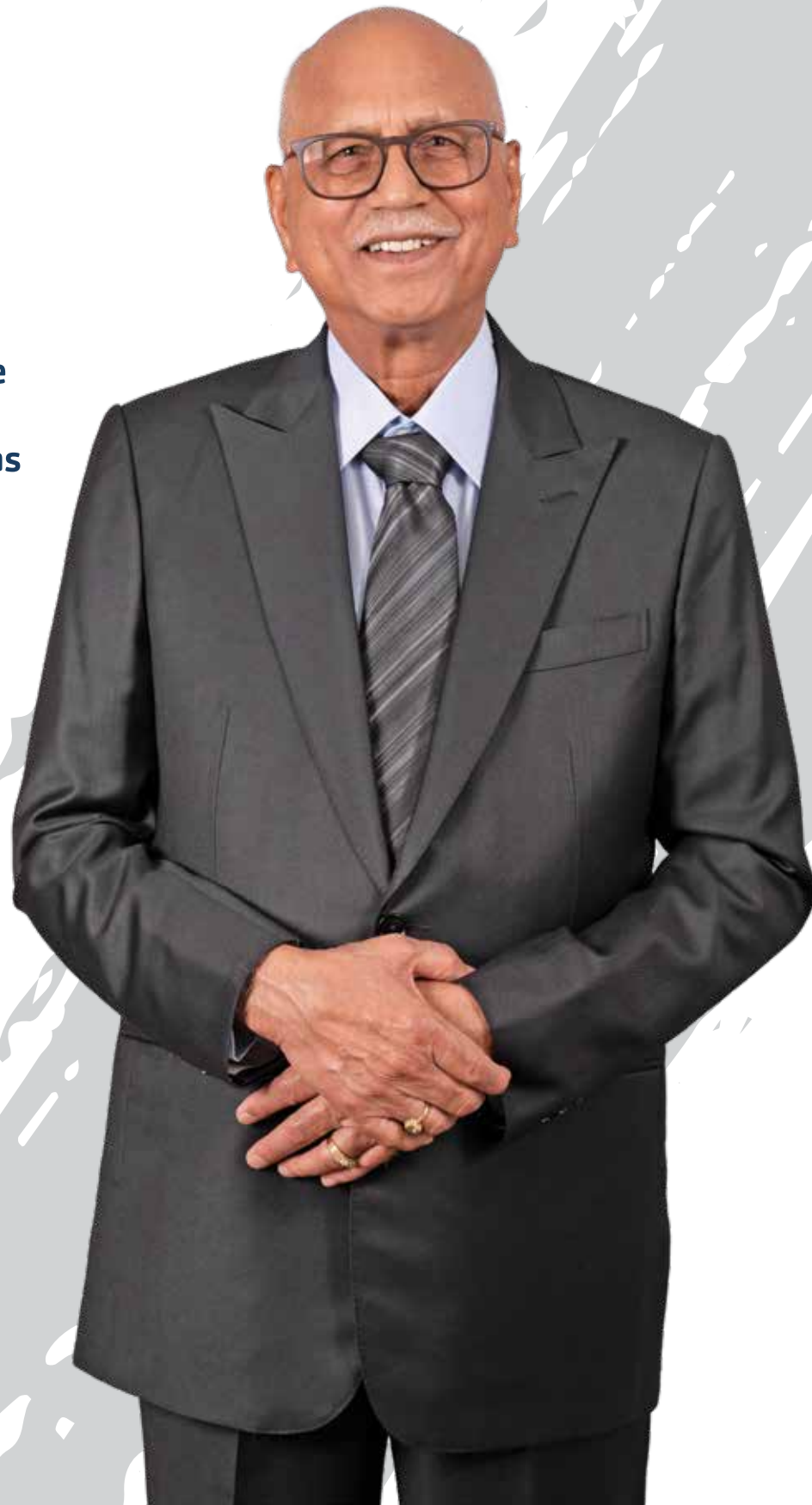
Amara Raja has remained steadfast on its growth journey across key performance metrics despite hurdles posed by the significant headwinds prevailing in the economic and sectoral environment. A comparative, five-year summary of key financial performance indicators highlights the Company's ability to sustain its momentum. This in no uncertain terms is ...Progress On!



From the management

“Technology leadership has been our hallmark since inception. This niche edge has powered the Company to redefine the domestic storage battery market by introducing globally benchmarked products. In 2019-20, we took giant strides in strengthening our technology repository.”

Dr. Ramachandra N Galla
Chairman



Dear Friends

We take great pleasure to address you as we look forward to a year with renewed hope and optimism.

As we look back at the year gone by, we find a sense of satisfaction and success in our performance. We were able to keep up our core philosophy – making meaningful progress in every aspect of our business. We believe that progress, at Amara Raja, is not a strategy or a KRA, it is rather the organisational DNA. Progress comes to us naturally.

Progress on!

At Amara Raja, 2019 -20 has been a year of great achievements.

From the financial perspective, we vaulted out of the ₹700-730-crore profitability band after 3-4 years with a 20% leap on our pre-tax profit, which stood at ₹840 crore on 31 March 2020.

From the business perspective, our automotive division secured approvals from two large two-wheeler OEs operating in India. The benefits will accrue in the current year. The industrial division, even as we completed the world's largest lead-acid energy storage system in Africa, bagged the contract for

supplying lithium ion packs for the largest single site lithium ion installation in India by a leading telecom player.

Technology leadership has been our hallmark since inception. This niche edge has powered the Company to redefine the domestic storage battery market by introducing globally benchmarked products. In 2019-20, we took giant strides in strengthening our technology repository.

Plates are at the heart of the functioning of a battery. Plate making at Amara Raja has progressed from workhorse gravity casting to continuous plate making. And now we are readying to launch the advanced stamped grid technology.

Our teams worked with subject-matter experts from Clarios (erstwhile Johnson Controls International plc). Commissioning of new manufacturing lines are under progress. We are also undertaking an extensive fleet-testing programme to assess the performance of the battery in Indian vehicle application. Our new products will hit the market shortly.

Our industrial division also contoured an innovative technology-driven shift – from products to solutions. We have successfully entered the telecom tower management space with the deployment of the Intelligent Telecom Monitoring System at cellphone towers, a product of our R&D work in IoT. This solution allows us to monitor tower performance across every parameter in diverse environments, real time, on handheld devices. This achievement has the promise to open a sustainable and growing revenue vertical for the Company. It surely is an exciting prospect.

From the sustainability perspective, we have put up a 9.25-MW solar rooftop installation at our operating unit, which is one of the largest industrial rooftop installations in India. Another 8.4-MW installation should be operational this year.

We are ready for the future – confident, capable and placed firmly. Progress on, indeed.



Mr. Jayadev Galla

Vice Chairman and Managing Director

Our today...

The new fiscal began in an unprecedented way with the Corona virus pandemic bringing life to a sudden halt. Lockdowns imposed across large parts of the world took a massive toll on business activities.

To deal with such trying times, we created crisis management teams with clear objectives and deliverables. While one team focused on the safety of our entire workforce, another team zeroed in on business continuity – communicating with customers and addressing priority deliveries, especially to the telecom sector.

As they say grave adversity presents interesting opportunity, it was the same with Covid-19. The pandemic presented a rare but narrow window of opportunity to reflect, reimagine and reset our world. Our leadership became more cohesive. Instead of talking from a business function perspective, or a company standpoint, official discussions and debates happened at a Group level. We believe this is very promising from a business continuity perspective.

Although the Covid-19 toll continues to rise in the country, a resilient India unlocked itself systemically, and opened up business activities in measured steps. This was a dire necessity to keep the wheels of the economy moving. While every business enterprise, large and small, is making a concerted effort towards economic revival, I believe that we have greater distances to cover to arrive at complete recovery.

The collateral damage done by the microbe has hit almost every industry in some way or the other. But some sectors had a positive rub-off. Telecom, for instance, saw green shoots of recovery after years of considerable turmoil. The data center space also looks promising as Indian enterprises, small and large, increasingly aligned themselves and will continue to do so, with the digital transformation sweeping the Indian landmass.

And tomorrow...

The journey ahead of us is indeed riveting. We will only sharpen our focus on technology deployment, efficiency improvement, sustainable manufacturing and exports.

As we look aggressively to venture beyond India's boundaries, we are focused on building a robust exports-driven global business by leveraging our diversified product portfolio and making inroads into lucrative overseas markets. We will unleash the power of the brand Amara by leveraging our existing relationships with global OEMs in India. To equip ourselves for a wider domain, we are creating new capacities which should be operational in the current year.

We are also focused on the prospects of bringing new technology to our customers because we are confident that this will start another exciting Amara chapter in the history of automotive batteries.

To sum it up...

We are uniquely positioned to grow across segments and channels – both locally and globally, given the depth of our

portfolio, sound technology, strong financials, brand equity and, above all, a great team. Their passion, professionalism and perseverance of working with our customers, partners and with each other gives us an exceptional edge in this competitive business space.

We will persistently explore new ways to improve our topline growth and profitability. We will further optimise our plant efficiencies by improving engineering quality and overall productivity. Fiscal prudence and a relentless focus on efficient capital allocation is our guiding principle. In sync with this, we continue to pursue returns-accretive projects with a strategic intent of continuing to deliver industry-leading returns through the cycle.

As we continue our journey of scaling new peaks, we would like to thank the Board for guiding us to execute our respective responsibilities in the best possible manner. We would like to extend our gratitude to each and every member of the Amara Raja team for their relentless efforts in making it a positively disruptive brand in the storage battery space. We would also thank all our stakeholders, bankers and government authorities for the support and assistance they provided throughout our journey.

We solicit your continued cooperation.

Warm regards

The Management Team

INSTITUTE
OF QUALITY

Confeder

Awards & Recognition

13th
Sigma
NATIONAL COMPETITION

23 September 2019, Bengaluru



Amara Raja team receiving awards at the 13th Six Sigma National Conference and Competitions organised by CII.



Amara Raja team with three Gold awards and one silver award at ICQCC (International Convention of Quality Control Circles) 2019 competition held at Tokyo, Japan.



Mr. S Vijayanand, CEO and Amara Raja team with the ABK AOTS 5S Sustenance Awards.



Mr G. Balaji, Head of Manufacturing Engineering and team receiving the innovation award in the category of Manufacturing -Large Enterprise at CII Industrial Innovation Awards Ceremony 2019.



Mr. L Venkata Madhav, President - Supply Chain Management receiving the 'Operational Excellence in Reverse Logistics' at the 9th Edition Manufacturing Supply Chain Awards Event.



In the backdrop of an increasingly competitive market, disruptions in different sectors, and existing and predicted economic challenges, it has become vital for a company to draw up a narrative that shows its ability to sustain the growth momentum. It helps the shareholder gain an insight into the organisation to decide on his investments – a review titled **Management Discussion & Analysis.**

World Economy: Performance & Prospects

The global economy continued to slide in 2019 and was eventually pushed to the edge by a host of factors like a sharp slowdown in manufacturing activity, a steep plunge in demand for capital goods, and volatility in global trade triggered by higher tariffs and trade policy uncertainties.

These factors were added to a sustained contraction in automotive industry that led to large-scale unemployment across

markets. An intensifying social unrest in many countries and several weather-related disasters too contributed greatly to the downturn.

The woes have been so strong that in 2019 the world economy recorded its lowest growth of 2.9% in a decade. This dragged the core inflation further down across advanced economies and below historical averages in emerging markets and developing economies.

As the world stepped into a new year, it encountered its worst nightmare in history. As on 1st July 2020, the Covid-19 pandemic claimed more than 5 lakh lives and the count kept rising with little sign of abatement.

The world economy suffered irreversible damage because of the containment measures like lockdown that kept more than 60% of the global populace indoors for days, stopping all business activities.

The fast plunge in global economic outlook and a breakdown of the OPEC+ (the Organization of Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) agreement among oil suppliers weighed heavily on commodity prices. From mid-January to end-March, base metal prices fell about 15%, natural gas prices slumped 38%, and crude oil dropped about 65%.

The financial market sentiment



deteriorated since mid-February 2020 when the Corona virus outbreak began taking a scary magnitude. Financial conditions in advanced as well as emerging market economies turned significantly tight with drastic selloff in equity markets, significant widening of high-yield corporate and emerging market sovereign spreads, and reversal of portfolio flow to emerging market funds particularly in case of hard currency bonds and equities. Signs of dollar funding shortages have emerged amid general rebalancing of portfolios toward cash and safe assets. Currencies that had depreciated significantly in the early part of 2020 appreciated with time.

The steep decline in activity has

come with a catastrophic hit to the global labor market with companies being forced to cut down on workforce. Low-skilled workers have been hit hardest.

Outlook: The health crisis has had a severe impact on the global economic activity. Global lending agency IMF anticipates a steep recession and a slow recovery. As a result of the pandemic, the global economy is projected to contract sharply by -4.9% in 2020, much worse than what it was during the 2008-09 financial crisis.

The crisis has paved way for an external demand shock, tightening of global financial conditions and a continued slump in commodity prices.

The downward revision to growth prospects for emerging markets and developing economies over 2020-21 (2.8 percentage points) exceeds the revision for advanced economies (1.8 percentage points). The GDP of emerging and developing Asia is expected to contract by 0.8%.

Indian Economy: Performance & Prospects

The Indian economy slowed down in sync with the global economic turmoil to its lowest pace of growth in a decade at 4.2% in 2019-20 from 6.1% a year before.

On the output front, agriculture (3.7% growth) and mining (3.1% growth) seemed to have held forts, while on the expenditure front, government spending perhaps saved the day for the economy. Manufacturing and gross fixed capital formation stayed extremely disappointing. The three components of demand fell sharply during the year – consumption demand kept sliding to a historic low, while investments and exports stayed in the negative territory.

Keeping the agri sector performance in perspective, the 3.7% growth at current price level translates to an 11.3% growth, which is 60% more than the rate of growth for the non-agri sector. Industrial output for fiscal 2019-20 contracted 0.7% compared with a growth rate of 3.8% in 2018-19.

The government's tax revenue remained subdued throughout the financial year as the economy slowed. Total receipts stood at ₹17.5 lakh crore, about 10% short of the budgeted ₹19.31 lakh crore. On the other hand, expenditure for FY20 reached ₹26.86 lakh crore or 99.5% of the target.

With a considerable revenue shortfall and limited expenditure compression, the government's fiscal deficit overshot its revised estimates by a massive ₹170,000 crore, taking the deficit for FY2020 to 4.6% of GDP as against a revised estimate of 3.8%.

India's Foreign direct investment (FDI) receipts grew by 13% to a record \$49.97 billion in 2019-20 – up from \$44.36 a year ago – perhaps because of India's consistent upward move in the World Bank's 'Ease of Doing Business' ranking. India jumped 14 places to stand at 63rd position on the index.

According to the Department for Promotion of Industry and

Internal Trade (DPIIT), services sector attracted foreign inflow of \$7.85 billion in 2019-20, computer software and hardware received \$7.67 billion, telecommunications \$4.44 billion, trading \$4.57 billion, automobile \$2.82 billion and construction \$2 billion.

India continued to make steady progress in GST collections. Between November 2019 and February 2020, GST collections surpassed the ₹1-lakh-crore mark. In March 2020 though it slipped below this benchmark. For, 2019-20, GST for domestic transaction grew 8% over the revenues during last year. GST from import on goods reduced by 8% over the last year. Overall, the

While the first green shoots were seen in some sectors of the economy, the Covid-19 pandemic made the dreaded onslaught on India. Although the authorities declared a lockdown only in the last week of March, the adverse impact was experienced by business enterprises across the board, in particular those with a global presence. India's GDP growth rate slowed down to 3.1% in the fourth quarter of 2019-20 with the Corona virus further ailing the consumer demand and private investments in the March quarter.

The Covid-19 outbreak ran riots on the teetering economy, leading to large-scale loss of

gross GST revenues grew at 4% over the year-ago period.

employment. In April 2020, India's manufacturing and services activities recorded the sharpest contraction among the world's top 10 economies. The agriculture sector functioned with lesser hitches as there has been no shortage of food grains, vegetables and dairy products. A part of services sector remained agile and alive, especially the BFSI and the Telecom and IT sectors, as the work-from-home culture became the only means of keeping commerce alive.

But that's not the end of the road. Built over a strong foundation and seasoned by several crises, the Indian economy has gathered enough strength to rebound. Experts believe that that while the economic damage of the pandemic has so far been deep and far-reaching in India, there is hope that the economic activities will spike once the Covid restrictions are eased.