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powered by
Innovation





New ideas. Fresh perspectives. Looking beyond boundaries.
Scaling new heights. It is the spirit of innovation that fuels progress.
At Amara Raja, this axiom serves as the guiding principle.



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BOARD OF DIRECTORS

Mr. Ramachandra N. Galla

Executive Chairman

Dr. Upendranath Nimmagadda

Alternate Director: **Mr. V. R. Rao**

Mrs. Amara Kumari Galla

Mr. P. Lakshmana Rao

Mr. Raymond J. Brown

Mr. Mark L. Koczela

Alternate Director: **Ms. Manjula Chawla**

Mr. John D. Major

Mr. Ravi Bhamidipati

Mr. Jayadev Galla

Managing Director

Chief Financial Officer

Mr. Gopal Mahadevan

Company Secretary

Mr. K. Ramakrishna

Auditors

M/s. E. Phalguna Kumar & Co.
Chartered Accountants, Tirupati

M/s. Chevaturi Associates
Chartered Accountants, Vijayawada

Cost Auditors

M/s. P. Parankusam & Co.
Hyderabad

Bankers

State Bank of India, Settipalle, Tirupati

Andhra Bank, Main Branch, Tirupati

State Bank of Hyderabad, Main Branch, Tirupati

Registered Office

Renigunta - Cuddapah Road, Karakambadi - 517 520
Tirupati, Andhra Pradesh, India.

Registrar and Share Transfer Agents

M/s. Cameo Corporate Services Limited
"Subramanian Building" No.1, Club House Road, Chennai - 600 002.

PERFORMANCE OF FIVE YEARS AT A GLANCE

(Rupees in Million)

Particulars	2004-05	2003-04	2002-03	2001-02	2000-01
Production (Nos)	1230974	944632	735754	604949	382774
Sales (Nos)	1222943	947658	709957	580369	378153
Sales	2685.44	1999.23	1987.35	1882.20	1550.13
Profit before Depreciation, Interest and Tax	273.57	136.33	238.12	338.08	308.94
Profit before Depreciation	272.12	134.57	234.34	331.41	303.47
Profit after Depreciation	135.81	11.52	117.34	247.35	235.14
Profit After Tax	86.90	13.90	74.01	182.23	205.32
Equity Capital	113.88	113.88	113.88	113.88	113.88
Reserves and Surplus	1692.97	1632.04	1637.41	1582.68*	1555.57
Net Worth	1806.85	1745.92	1649.10	1587.53*	1602.99
Gross Block	1672.30	1593.02	1556.05	1453.41	1008.57
Net Block	961.52	1001.40	1087.12	1094.72	733.80
Book Value per Share (Rs.)	158.66	153.32	144.82	139.41	140.77
Earnings per Share (Rs.)	7.63	1.22	6.50	16.00	19.64
Dividend (%)	20	15	15	35	35

* Rs.115.27 million has been adjusted against net deferred tax liability up to 31 March 2001.

CHAIRMAN'S MESSAGE



Dear Shareholders,

It gives me great pleasure to get in touch with you again. I am proud to state that your Company has crossed the Rs. 2 billion mark. We have achieved a record gross turnover of Rs. 2685 million in the financial year 2004-05, which represents a growth of 34% over the previous year. Both our Industrial and Automotive businesses have witnessed significant growth over the previous year.

The Indian Economy continued its robust march. While the initial estimates of 8.5% GDP growth have now been pared down to 6.9%, India continues to be one of the high growth economies in the world. Industry and Services continued to perform well. Agricultural growth had declined sharply to 1.1% when compared to 9.5% in the previous fiscal and will need specific attention to bring it back on rails. The spiraling oil prices and the hardening of global interest rates are a cause for concern though.

The Union Budget announced in February 2005 addressed the representation of the Domestic Storage Battery Industry with respect to mismatch in the import duty structure. Customs Duty on Lead was reduced to bring parity between the import duty on raw material and that on finished batteries. While this was indeed a welcome move, the high Lead Prices during the financial year continued to put pressure on our operating margins. Very recently, Lead prices have softened marginally. We would need to see whether the trend is maintained.

The Company's Industrial Battery volumes registered a healthy growth during the financial year. This helped to reinforce our position as a leading player in the Industrial VRLA battery segment. This has also helped in retaining our preferred vendor status with most of our valuable customers, as they rate our batteries amongst the best for their technological superiority, consistency, robustness and ability to perform under very demanding conditions.

Our Automotive Battery business grew very significantly, fuelled by growth in the OE, Aftermarket and Export segments. We commenced supplies to Maruti Udyog Limited, the Country's largest passenger car manufacturer. In June 2005 we commenced supplies to Hyundai Motor India Limited. We expanded our retail network further, which today caters to customers across the country.

Automotive Battery Exports have also grown significantly in FY 2004-05. It is a matter of pride that our batteries are finding a place of their own in the extremely competitive and demanding global markets.

We are currently expanding the Automotive Battery capacity from 1.5 million units to 2.4 million units per annum. Amara Raja will continue its thrust on achieving greater operational efficiency and focus on cost optimisation. This is a mantra, which has become an integral part of the work ethos in the Company.

I have had the opportunity to lead the team at Amara Raja since its inception in 1985. During this period we have grown from a small manufacturing unit located in Karakambadi to a globally recognised Storage Battery Manufacturer employing over 1300 people and having offices across the country. Amara Raja pioneered VRLA technology in India in 1989, which transformed the Industrial Battery markets in the country forever. We entered into a strategic alliance with Johnson Controls and diversified into Automotive Batteries. We have grown in size. I believe the time has come for a change of guard and the day-to-day operations and the management of the Company should now vest with the younger generation under the dynamic leadership of Jayadev Galla. Jay has been with the Company since 1992 and has been behind some of the key strategic initiatives including the diversification into Automotive Batteries and the successful roll out of the Amaron brand and network. I wish him and the Management team the very best. As Chairman of the Company, I would be watching the developments at Amara Raja keenly and would continue to provide the guidance and inputs the team may require.

I would like to take this opportunity to thank our Joint Venture partners, Johnson Controls Inc, our employees, our associates & channel partners, our Bankers, the Government and you our esteemed shareholders for your continued help and support.

Thank you,

Ramachandra N. Galla

FROM THE DESK OF THE MANAGING DIRECTOR



Dear Shareholders,

It has been 20 years since Amara Raja was incorporated and it gives me immense pleasure to be writing to you this year.

This has been a year of great importance - a year when our turnover crossed the Rs. 2 billion mark. We believe we are in definitive growth mode.

Our top line grew 34% over the previous year, fuelled by the increased revenues from our Industrial and Automotive battery businesses. Exports have become an integral part of our business and will continue to receive increased attention, as we believe this is one of the paths to be taken to become a truly global player.

Amara Raja's Industrial Battery volumes grew 48% over the previous year, driven by the renewed off-take from the Telecom sector and growing demand for our Quanta UPS batteries. We have consolidated our position as preferred vendor to Telecom Companies, System Integrators as well as to Switch Manufacturers. Our Railways business was stable. Quanta UPS batteries have been receiving very positive response from the trade and from UPS manufacturers and we are focused on expanding the reach of our network.

Our Automotive Battery volumes grew faster than the market as we gained both in market share and mind share. Maruti Udyog Limited has been a significant addition to our growing list of OE customers. In June 2005 we commenced supplies with another auto major, Hyundai Motor India Limited. We believe that our OE business is critical to growth as there are synergies between the OE and Aftermarket businesses.

Amaron™ has consolidated itself as the second largest Automotive brand in the market and continues to be the fastest growing. As a Company, we have believed in being innovative and we have within a short span of four years become trendsetters in India, be it for introducing new technology products, providing greater value to customers through higher warranty confidence or having factory charged products across ranges. In FY 04-05, we expanded the Amaron suite of products by introducing Amaron PRO with a first of its kind 48 month warranty. We also launched FRESH and GO range of batteries targeted at three wheelers, taxis and younger generation car owners. The response has been very encouraging. As at the end of the financial year, we had grown our franchisees to over 100 and had more than 9000 active retailers. We will continue to expand the Amaron network.

Exports would be a thrust area for the Company. The year under review saw total Export turnover grow 30% and our Automotive batteries being sold in Singapore, Japan, Australia, Greece and the tough markets of China.

As stated earlier, we are growing in size. We had earlier expanded our Automotive Battery facility from 1 million to 1.5 million units. We are now expanding further to 2.4 million units per annum to keep pace with our growth plans. We believe that growth is key – growth in size, spread, reach and market share. We believe that in a business such as batteries, critical mass would need to be attained to achieve the benefits of greater throughput, operational efficiency and lower product costs. The team is continuously working on achieving greater operational efficiency through Six Sigma and Best Business Practice initiatives.

India is no longer the insular economy it once was. Today, Indian manufacturers compete and more importantly win against the best in the world. Indian manufacturing is coming of age and is crossing the confines and borders of the country. The Government is opening up the economy and creating a regime where global trade will flow freely. We need to be geared to meet this transformation in markets and to meet the challenges of tomorrow. Team Amara Raja is continuously working on being recognised as a technology-lead, innovative and efficient battery Company.

On that note, I wish to thank every one associated with us including our Joint Venture partners, our bankers, our employees, our channel partners and franchisees, the Government and our shareholders for their support.

Jayadev Galla

Notice is hereby given that the Twentieth Annual General Meeting of the members of Amara Raja Batteries Limited will be held at 3.00 p.m. on 13 August 2005 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 2005 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 Mr. P Lakshmana Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Mark L. Koczela, 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, eligible for re-appointment.

Special Business:

6. To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Ravi Bhamidipati, who was appointed as an Additional Director of the Company with effect from 29 January 2005 and whose term expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."
7. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, Mr. Jayadev Galla be and is hereby re-appointed as the Managing Director of the Company for a period of five years from 1 September 2005 to 31 August 2010 on the following terms and conditions:
 1. **Salary & Commission:**
Salary: Rs. 2,00,000/- per month
Commission: Five per cent (5%) of the net profits of the Company, inclusive of salary and perks.
 2. **Perquisites:**
 - a) House Rent Allowance / Accommodation: House Rent Allowance as may be applicable to the employees of the Company or provision of Furnished Accommodation.
 - b) Medical Reimbursement: Reimbursement of medical expenses incurred for self and family and dependent parents, subject to a ceiling of one month's salary per year.
 - c) Leave Travel Concession: Leave Travel Concession for self and family to and from any place in India, once in a year in accordance with the rules of the Company.
 - d) Provident Fund: Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
 - e) Leave Encashment: Encashment of leave at the end of tenure as per the rules of the Company.
 - f) Gratuity: Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - g) Car: Company's car with driver for business purposes.
 - h) Telephone: Telephone / Communication facilities for business purposes.
 - i) Club Fee: Club fee subject to a maximum of two clubs. No admission and life membership fee will be paid.

3. **Overall Remuneration:** The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, including any statutory modification or re-enactment thereof, as may, for the time being, be in force.
4. **Minimum Remuneration:** In the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, perquisites, commission and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, as may, for the time being, be in force.
8. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act 1956, the Listing Agreement with the Hyderabad Stock Exchange and the provisions of the Securities and Exchange Board of India (De-listing of Securities) Guidelines 2003, or any amendment or modification thereof and subject to other approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company ("the Board") or any Committee/person(s) authorised by the Board, consent be and is hereby accorded to voluntarily de-list the Ordinary Shares of the Company from the Hyderabad Stock Exchange."

"RESOLVED FURTHER THAT authority be and is hereby accorded to the Board or any Committee/person(s) authorised by the Board, to settle all questions, difficulties or doubts that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

By Order of the Board

K. Ramakrishna

Company Secretary

Place: Tirupati

Date: 30 June 2005

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 / herself 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 11 August 2005 to 13 August 2005 (both days inclusive).
4. Dividend, if any, declared at the meeting will be paid to the members whose names appear in the Register of Members of the Company as on 13 August 2005.
5. Members holding shares in physical form are requested to notify changes, if any, in their address immediately to the Company or to its Registrars and Share Transfer Agents, M/s. Cameo Corporate Services Limited, "Subramanian Building", No.1 Club House Road, Chennai 600 002.
6. Bank Mandate for Dividend or Electronic Clearing Service
 - a) In case of members holding shares in the Electronic form i.e. through Demat Account, address, dividend mandate and the particulars of the Bank, Branch and Bank Account No. etc. available with DP as on 13 August 2005 would be taken into consideration for the purpose of distribution of dividend.
 - b) The members who are keeping their shares in physical form may either give a Dividend Mandate or opt for Electronic Clearing System (ECS).

Electronic Clearing System (ECS): Electronic Clearing System is a method of directly crediting the dividend to the shareholders account by electronic transfer. This facility is available to shareholders who are having account at the cities having this facility. Members desirous of using this facility are requested to submit the ECS Mandate in the enclosed format to Cameo Corporate Services Limited on or before 13 August 2005. In case of any change in Bank name or Account No. or Branch name or name of the place etc., members are requested to intimate those changes immediately to Cameo Corporate Services Limited.

Dividend Mandate:

The members should furnish their Bank Account No., the name of the Bank and the Branch where they would like to deposit Dividend Warrants for encashment. These particulars would be printed on the portion of the Dividend Warrants, besides the names of the members so that these warrants cannot be encashed by anyone else. The first/sole member should furnish these details directly to Cameo Corporate Services Limited quoting the Folio Number.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956**Item No. 6**

Mr. Ravi Bhamidipati was appointed as Additional Director at the Board Meeting held on 29 January 2005. Under the provisions of Section 260 of the Companies Act, 1956, he holds the office till this Annual General Meeting. A notice has been received from a member, along with the prescribed deposit, pursuant to Section 257 of the Act, proposing the appointment of Mr. Ravi Bhamidipati, as Director of the Company.

Mr. Bhamidipati is a Chemical Engineer (B.Tech) from University College of Engineering, Andhra University and a Post Graduate in Industrial Engineering (PGDIE) from the National Institute of Industrial Engineering (NITIE), Mumbai. He is the Chief Executive of ECS Limited, a Business Management Consulting firm - a Joint Venture between the Eicher Group and the Strategic Decisions Group (SDG), USA. Prior to joining ECS, Mr. Bhamidipati was Executive Director with a Big 4 Consulting Firm where he led the Supply Chain Practice nationally. He has also held positions of increasing responsibility at Arvind Clothing, Asian Paints and RHL (P&G) earlier in his career. Mr. Bhamidipati is recognised as a leader in Supply Chain Management and his work has been published as well as presented to a number of industry bodies. He has been a member of several steering committees on SCM and ERP, where he focused on ways to leverage technology to enhance Supply Chain effectiveness.

Your Directors recommend the resolution for approval of the members.

None of the Directors, except Mr. Ravi Bhamidipati, is interested in the resolution.

Item No. 7:

The members of the Company, at the Annual General Meeting held on 31 July 2003 had appointed Mr. Jayadev Galla as the Managing Director of the Company from 1 August 2003 to 31 August 2005. At the Board meeting held on 30 June 2005, the Board of Directors decided to re-appoint Mr. Jayadev Galla as the Managing Director for a further period of five years from 1 September 2005 to 31 August 2010, on the terms and conditions as set out in the resolution. The remuneration payable to him has been approved by the Remuneration Committee of Directors at their meeting held on 30 June 2005.

Your Directors recommend the resolution for approval of the members. None of the Directors, except Mr. Ramachandra N. Galla, Mrs. Amara Kumari Galla and Mr. Jayadev Galla, is interested in the resolution.

Item No. 8

Ordinary Shares of Rs. 10/- each of your Company are presently listed at The Hyderabad Stock Exchange Ltd., The Stock Exchange, Mumbai and National Stock Exchange of India Limited. The trading volumes in the Company's shares on the Hyderabad Stock Exchange are either nil or insignificant. The Company's shares are actively traded at the The Stock Exchange, Mumbai and the National Stock Exchange. Accordingly, the Board of Directors recommend voluntary de-listing of the Company's shares from the Hyderabad Stock Exchange. De-listing from the Hyderabad Stock Exchange would result in administrative convenience and savings in costs on account of Listing Fee. The Company's shares will, however, continue to be listed on the Stock Exchange, Mumbai and the National Stock Exchange.

In accordance with SEBI (De-listing of Securities) Guidelines 2003, consent of the members by a Special Resolution is required for voluntary de-listing of the Company's shares from the aforesaid Stock Exchange. Hence, the resolution.

None of the Directors is concerned or interested in this Special Resolution.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twentieth Annual Report together with the Audited Accounts for the financial year ended 31 March 2005.

Financial Results

The financial results for the year ended 31 March 2005 were as follows:

Particulars	Rupees in million	
	For the year ended 31 March 2005	For the year ended 31 March 2004
Profit After Tax	86.90	13.90
Add: Profit brought forward from last year	512.46	518.88
Profit available for appropriation	599.36	532.78
Appropriation:		
General Reserve	6.52	1.05
Dividend (Including Dividend Tax)	25.97	19.27
Surplus carried to Balance Sheet	566.87	512.46

Appropriation from Profits

A sum of Rs. 6.52 million is proposed to be transferred to General Reserve.

Dividend

Your Directors have pleasure in recommending a Dividend of Rs.2.00 per Equity Share for the financial year ended 31 March 2005. The Dividend will absorb a sum of Rs.25.97 million inclusive of tax on Dividend.

Results of Operations

Gross Sales for the financial year 2004-05 was Rs. 2685.4 million (previous year Rs. 1999.2 million) representing a growth of 34% over the previous year. Profit After Tax for the year was Rs. 86.9 million (previous year Rs. 13.9 million). During the financial year both Industrial and Automotive Battery volumes grew significantly.

Industrial Batteries - Domestic

In the Telecom Sector, there was increased demand for VRLA batteries from both Private and Public Sector Telecom companies. The Telecom industry continued to witness a high growth rate in subscribers, which necessitated fresh investments by the Telecom companies in capacity and network expansion. Battery prices in the Telecom segment, which had been showing a declining trend over the years, had stabilized, though continuing to be at low levels. The Railways business continued to be stable with the Company retaining its position as preferred supplier.

Sales of 'Quanta™ UPS batteries' were robust riding on the back of increased demand. The Company had further expanded its channel network for Quanta™ during the year and added new UPS customers. The efforts of our Manufacturers' Representatives as also our Channel Partners have helped in penetrating the market.

The Company's overall Domestic Industrial Battery volume grew by 48%.

Automotive Batteries - Domestic

Domestic Automotive Battery volumes registered a strong growth over the previous year. The Company witnessed strong demand for its products both in OE and After Market segments.

During the year, the Company entered into an OE relationship with India's largest passenger car manufacturer - Maruti Udyog Limited. This is expected to add significant volumes to the Company's future OE business. Current OE relationships were further expanded with supplies to General Motors - 'Chevrolet-Tavera', Ford India - 'Fusion', Mahindra & Mahindra - 'Champion' (3 wheeler) and Force Motors.

In Aftermarket, the Company expanded its Amaron range by introducing a premium four-year warranty product - 'Amaron Pro'. The Company also introduced factory charged batteries under the product names 'Go' and 'Fresh' for the three-wheeler and taxi segments. Through this strategy, the Company has further addressed the requirements of customers across the spectrum. The expansion of the Amaron suite of products is expected to yield benefits in the immediate future, as the response from both trade and customers has been very positive. Investments were made in the retail network to further expand the depth and reach for the Company's products. During 2004-05, the Company increased its number of PitStops from 40 to 66 and the number of active retailers from 8000 to 9000. Innovative on-the-ground promotions and programmes helped reach out to new customers and enhance brand recall. Persistent efforts of the Company's over 100 strong franchisee network helped in extending the reach to the retailers.

The Amaron™ Brand is today well recognised across India. The new commercial released last year has received a very positive response. The Company has also been promoting the brand through a number of innovative programmes. "Amaragaon" is one such programme where the Company is working with a recognised NGO for promoting information kiosks in remote villages to bridge the "Digital Divide". These kiosks serve as information and contact points for farmers, students and local businessmen which help the local population get acquainted with technology, internet and serve to provide them information on farming, weather and other pertinent topics. This effort should help the Company in gaining the confidence and mind space of the local population - especially in a market where direct penetration is very challenging.

The Amaron™ team is also working closely with trucking companies helping fleet owners understand how they could maintain the electricals of their vehicles better. This "touch" helps in forging deeper relationships with fleet operators which should, in the long run, benefit both the Company as well as the fleet operators.

Exports

The Company's export turnover grew 30% over the previous year. Automotive Battery volumes registered a high rate of growth. The Company's products rate with the best in the world in terms of performance and technology and are fast gaining the acceptance and confidence of customers in the markets penetrated. During 2004-05, the Company exported its Automotive Batteries to Japan, Singapore, Australia, Taiwan, Philippines, UAE, Kuwait, Greece and China. The Company believes it would need to invest in expanding its export markets further as this would help in reaching critical size.

Expansion in Automotive Capacity

The Board of Directors has approved the expansion of Company's Automotive (Monobloc) Battery capacity from 1.5 million units per annum to 2.4 million units per annum. The estimated outlay towards this expansion would be Rs. 388 million. The Company plans to fund the expansion through internal accruals. The expansion is expected to be completed by end of December 2005.

Duties, taxes and Lead Prices

In the recent Union Budget, the Government addressed the representation made by the Indian Battery Industry for reducing duties on Lead and Battery parts. Thus the duty on Lead was reduced from 15% to 5%. The duty on finished batteries was also reduced from 20% to 15%. While this has provided the much needed succour to Indian Battery Industry, Lead Prices continued to be firm and were at levels of \$ 1000/ MT - which is 220% of the prices of \$ 450/MT in March 2003. High Lead prices would continue to be a challenge to the profitability of the battery industry. There has been a softening of Lead prices very recently but it would need to be seen whether this positive development would be sustained.

Profitability

Gross Sales for the financial year 2004-05 was Rs. 2685.4 million as against Rs. 1999.2 million in the previous year, representing a growth of 34% over the previous year. Profit After Tax for the year was Rs. 86.9 million as against Rs. 13.90 million in the previous year. With the continued tight situation of Lead - the principal raw material - in the International market and the consequent high Lead prices, margins continue to be under pressure. The Company has been continuously working on driving down product costs and increasing operational efficiency as measures to improve profitability.

Future Outlook

We believe that in the medium term, the Company would witness growth in both Industrial and Automotive businesses. The Company is currently investing in increasing its Automotive Battery capacity and growing its market share - all of which would require capital and revenue spends.

As per forecasts and announcements made by the Government of India, the country is set to witness tremendous growth in Telecom. The Government is targeting to have 250 million telecom subscribers by 2007 from current levels of around 100 million. This would call for significant investments by the Telecom industry and consequently result in increased demand for batteries. The setting-in of the replacement market in the future should result in further demand. With the growth in Banking, IT Services and IT Enabled Services sectors, demand for UPS batteries is expected to increase. The Indian Battery Industry has represented to the Government to provide indirect tax concessions on supplies made to UPS Manufacturers who sell the UPS for end use in IT services industry. This would help match the zero duty concession given to batteries imported for UPS applications for IT Industry.

The Company's Automotive Battery volumes are expected to grow in the coming years, fuelled by increased OE demand and higher volumes from the After Market segment. The Company has been entering into new OE relationships, the benefits of which would be felt in the coming years. The Aftermarket programmes of the Company coupled with investments in the brand and sales promotion should fuel the growth in this business.

Exports would continue to play a significant role in the Company's future growth. The Company is trying to deepen and widen its presence in the export markets.

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 2005.

Health, Safety and Environmental Protection

Your Company has substantially complied with all the applicable Environmental Laws and Labour Laws. The Company continues to be certified under ISO - 14001 for its Environment Management System. The Company has been complying with the relevant Laws and has been taking all necessary measures to protect the environment and maximise worker protection and safety.

Conservation of Energy, Technology and Foreign Exchange

The particulars of Conservation of Energy, Technology Absorption, Foreign Exchange outgo and earnings, required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are annexed hereto and form part of this report.

Employees and Industrial Relations

Industrial relations in the Company were very cordial and stable.

Information in accordance with the provisions of Sec.217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended regarding employees, is Annexed to the Directors' Report. However, as per the provisions of Sec.219 of the Companies Act, 1956, the Report and Accounts are being sent to all the members of the Company excluding the aforesaid information. The said information would be filed with the Registrar of Companies and also would be available for inspection by any member at the Registered Office of the Company. Any member interested in obtaining such particulars may also write to the Company Secretary at the Registered Office of the Company.

Directors

Mr. P Lakshmana Rao and Mr. Mark L. Koczela retire by rotation and being eligible, offer themselves for re-appointment.

Mr. John D Major was appointed as Director with effect from 16 April 2005 in the casual vacancy arising out of resignation of Mr. John P. Kennedy, who resigned from the Directorship on 29 January 2005. The Board places on record its appreciation for the contribution by Mr. Kennedy as Director of the Company.

Mr. Ravi Bhamidipati was appointed as Additional Director with effect from 29 January 2005 and holds office until the ensuing Annual General Meeting. His appointment as Director is being placed before the General Meeting for approval.

Auditors

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

M/s. Parankusam & Co., Hyderabad, are the Cost Auditors appointed for the year 2004-05.

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 together with Management Discussion and Analysis and Auditors Certificate on 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 and that there are no material departures therefrom;
- b) That they have selected such accounting policies and applied them consistently and made judgment 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 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 2005 on a 'going concern' basis.

Acknowledgements

The Directors express their gratitude to the Company's Bankers, various Government Agencies and employees of the Company. They also take the opportunity to thank the Company's valued customers, vendors and the shareholders for the confidence reposed and the valuable support extended.

For and on behalf of the Board

Ramachandra N. Galla

Executive Chairman

Place: Tirupati

Date: 30 June 2005

ANNEXURE TO DIRECTORS' REPORT

Particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31 March 2005.

A. CONSERVATION OF ENERGY

The Company continues its ongoing efforts on energy conservation through upgradation of process technology, proper production scheduling and installation of energy efficient equipment, resulting in energy savings.

Form for disclosure of particulars with respect to conservation of energy

S.No.	Particulars	2004-05	2003-04
A.	Power and Fuel consumption		
1.	Electricity		
	(a) Purchased		
	Unit (Kwh)	23,182,513	18,717,531
	Total Amount (Rs.)	56,016,262	38,702,459
	Rate / Unit (Rs.)	2.42	2.07
	(b) Own Generation		
	(i) Through Diesel Generator		
	Unit (Kwh)	47,600	120,250
	Unit per litre of diesel	2.07	2.65
	Cost / Unit (Rs.)	12.07	8.08
	(ii) Through steam turbine / generator	–	–
2.	Coal	–	–
3.	Furnace Oil	–	–
4.	Others	–	–
	(a) LPG		
	Unit (Kgs)	107253	67082
	Amount (Rs.)	3,307,185	1,911,671
	(b) Acetylene - Commercial		
	Unit (Cub. Mts.)	6725	5748
	Amount (Rs.)	887,775	830,502
	(c) Oxygen		
	Unit (Cub. Mts.)	12974	9382
	Amount (Rs.)	252,308	204,242
B.	Power consumed in Kwh per lakh of Ampere hour produced	4,774	5,485

B. TECHNOLOGY ABSORPTION

Research and Development

01. Specific Areas in which R&D is carried out by the Company:

- Increase efficiency in material usage
- Saving in power consumption

- Bench Marking of competitor products
- Improvement in environment friendly operations
- Increase efficiency of battery performance
- Quality improvements in processes to enhance first pass yield

02. Benefits derived as a result of the above R&D:

- Improvement in product design & performance
- Cost optimization
- The Curing Profile of VRLA batteries was optimised to increase the yield to minimum 95%.
- Greater operational efficiency
- Establishment of Extrusion process for compounding formulation.
- Developed alternate grade of PPCP for battery poly to reduce the energy consumption levels during poly production.
- Materials for in-house lamination of PE separator were developed
- Reduced formation cycle time
- Reduced energy consumption
- In-house material substitution resulting in improved performance and reduced costs

03. Future Plan of Action:

- Optimization of Grid Aging to enhance productivity in pasting.
- Developing In-house Colour Master Batches.
- To develop and implement di-electric High Voltage test for containers & Jars (SLI and VRLA) in order to improve the robustness.
- Development of paste additives for battery cells for reducing C & D failures
- To develop alternative plastics for improved injection moulding & reduction in costs
- Establish process for increased automation in charging for SLI batteries

04. Expenditure on R & D:

Particulars	(Rupees in Million)	
	2004-05	2003-04
Capital	1.77	11.57
Recurring	6.30	4.61
Total	8.07	16.18
Total R & D Expenditure as a percentage of Total Turnover	0.30%	0.81%

Technology absorption, adaptation and innovation

01. Efforts in brief, made towards technology absorption, adaptation and innovation

- For the greater benefit of customer, the most cost effective JIS Range of Automotive Batteries were introduced for after market application.
- Environment friendly and accurate methods were developed for laboratory analysis.
- Established newer products/designs to penetrate into newer applications/segments.

02. Benefits derived as a result of the above efforts:

- Cost reduction
- Environmental protection
- Material and Energy Conservation
- Enhanced Performance and reliability of the product
- Enhanced market share
- Penetration into Newer applications

03. Information regarding Imported Technology

a) Technology Imported

The Company has imported technology for the manufacture of Automotive (SLI) batteries from Johnson Controls Inc. USA

b) Year of Import

1998

c) Has the technology been fully absorbed?

Yes. Further, latest developments in the technology are absorbed and implemented from time to time and with the help of Johnson Controls Inc., USA when and where required.

d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action

Not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports, development of new markets for products and services and export plans

The Company's products rate with the best in the world in terms of performance and technology and are fast gaining the acceptance and confidence of customers in the markets penetrated. During 2004-05, the Company exported its Automotive Batteries to Japan, Singapore, Australia, Taiwan, Philippines, UAE, Kuwait, Greece and China. New markets are being developed in other Countries as well. The Company has been exporting Industrial Batteries as well, and stepping up its efforts in this direction.

(Rupees in million)

Sl.No.	Particulars	2004-05	2003-04
01.	Foreign Exchange Used	876.98	505.69
02.	Foreign Exchange Earned	145.75	110.80

For and on behalf of the Board

Place: Tirupati

Date: 30 June 2005

Ramachandra N. Galla

Executive Chairman

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below.

A. MANDATORY REQUIREMENTS

1. Company's philosophy on Code of Governance

The Company's philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting its obligations to shareholders.

2. Board of Directors

A. Composition

The present strength of the Board is nine Directors. The Board comprises of Executive and Non-Executive Directors. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions. The Executive Chairman and the Managing Director are Whole-time Directors. There are seven non-executive directors.

Amara Raja Batteries Limited has certain rights enshrined in the Articles of Association pertaining to appointment of Directors.

B. Meetings & Attendance:

a) There were six Board Meetings held during the year 2004-05 on the following dates.

- 6 Apr 2004
- 24 Jun 2004
- 29 Jul 2004
- 11 Aug 2004
- 26 Oct 2004
- 29 Jan 2005

b) Physical attendance of each Director at the Board Meetings during the Financial Year 2004-05 and the last AGM.

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM
Mr. Ramachandra N. Galla	Executive Chairman	6	Yes
Dr. Upendranath Nimmagadda	Director	2	No
Alternate: Mr. V. R. Rao		3	Yes
Mrs. Amara Kumari Galla	Director	3	Yes
Mr. P. Lakshmana Rao	Director	5	Yes
Mr. John P. Kennedy*	Director	1	No
Mr. Mark L. Koczela	Director	2	No
Alternate: Ms. Manjula Chawla **		3	Yes
Mr. Raymond J. Brown	Director	4	Yes
Mr. Jayadev Galla	Managing Director	6	Yes
Mr. Ravi Bhamidipati #	Director	1	NA
Mr. John D. Major ##	Director	NA	NA

*Mr. John P. Kennedy has resigned from the Board with effect from 29 January 2005.

**Ms. Manjula Chawla ceased to be Alternate Director to Mr. John P. Kennedy and has been appointed as Alternate Director to Mr. Mark L. Koczela with effect from 29 January 2005.

#Mr. Ravi Bhamidipati was appointed as Additional Director with effect from 29 January 2005.

##Mr. John D. Major was appointed as Director in the casual vacancy created by the resignation of Mr. John P. Kennedy with effect from 16 April 2005.

c) Participation in the Board Meetings through Teleconference:

Name of the Director	No. of Board Meetings participated
Mr. Mark L. Koczela	1

C. Number of other Companies or Committees, the Director (being a Director as on the date of Directors' Report) is a Director / Chairman

Name of the Director(s)	No. of other Public Companies in which Director	No. of Committees (other than Amara Raja Batteries Limited in which Member) *
Mr. Ramachandra N. Galla	1	-
Dr. Upendranath Nimmagadda	1	-
Mr. V. R. Rao	-	-
Mrs. Amara Kumari Galla	-	-
Mr. P. Lakshmana Rao	-	-
Ms. Manjula Chawla	-	-
Mr. Mark L. Koczela	-	-
Mr. Raymond J. Brown	-	-
Mr. Jayadev Galla	-	-
Mr. Ravi Bhamidipati	-	-
Mr. John D. Major	1 [#]	-

*Only Audit Committee and Remuneration Committee reckoned for this purpose. [#]Foreign Company.

D. Remuneration to Directors

a) The remuneration paid to Whole-time Directors during the year 2004-05 includes salary, perquisites & commission on profits as detailed below.

Rs. in Million			
Name and Designation	Salary & Perquisites	Commission on Profits	Total
Mr. Ramachandra N. Galla Executive Chairman	2.40	5.15	7.55
Mr. Jayadev Galla Managing Director	2.93	4.62	7.55

b) The details of payment to Non-executive Directors during the year 2004-05 are given below:

Name of the Director	Sitting Fee Rs.
Mr. P. Lakshmana Rao	18000
Dr. Upendranath Nimmagadda	4000
Mrs. Amara Kumari Galla	6000
Ms. Manjula Chawla	12000
Mr. V. R. Rao	14000
Mr. Ravi Bhamidipati	2000

E. A Brief on Directors seeking appointment / re-appointment

Mr. P. Lakshmana Rao

Mr. P Lakshmana Rao is a Fellow Member of the Institute of Chartered Accountants of India and is a partner of M/s. Brahmaya & Co., Chartered Accountants, since 1974. He was the Chairman of the Vijayawada Branch of Southern India Regional Council of the Institute of Chartered Accountants of India. He is associated with various educational institutions as Governing Body Member / President / Vice President. He is a Director on the Board of Lalitha Real Estates Private Limited.

Mr. Mark L. Koczela

Mr. Mark L. Koczela is Vice-President General Counsel - Controls Europe for Johnson Controls, Inc. From March 2000 until January 2005, he was Vice President General Counsel - Battery for Johnson Controls. Mr. Koczela joined Johnson Controls in March 2000 from ARI Network Services, Inc. where he was Executive Vice President of Business Development. Prior to ARI, Mr. Koczela was a partner with the Milwaukee law firm of Godfrey & Kahn, S.C. where he specialized in mergers and acquisitions. He has a B.A. in history from the University of Massachusetts and J.D from Duke University Law School.

Mr. Ravi Bhamidpati

Mr. Bhamidpati is a Chemical Engineer (B.Tech) from University College of Engineering, Andhra University and a Post Graduate in Industrial Engineering (PGDIE) from the National Institute of Industrial Engineering (NITIE), Mumbai. He is the Chief Executive of ECS Limited, a Business Management Consulting firm - a Joint Venture between the Eicher Group and the Strategic Decisions Group (SDG), USA. Prior to joining ECS, Mr. Bhamidpati was Executive Director with a Big 4 Consulting Firm where he led the Supply Chain Practice nationally. He has also held positions of increasing responsibility at Arvind Clothing, Asian Paints and RHL (P&G) earlier in his career. Mr. Bhamidpati is recognised as a leader in Supply Chain Management and his work has been published as well as presented to a number of industry bodies. He has been a member of several steering committees on SCM and ERP, where he focused on ways to leverage technology to enhance Supply Chain effectiveness.

3. Audit Committee

Terms of Reference & Composition, Names of Members and Chairman

The Audit Committee comprises of Mr. P. Lakshmana Rao, Chairman of the Committee, Mr. V. R. Rao and Ms. Manjula Chawla all being Independent Directors. The Executive Chairman, Managing Director along with Statutory Auditors and Chief Financial Officer are invitees to the meeting. The terms of Reference of this Committee are wide enough covering matters specified for Audit Committees under the Listing Agreements and the Companies Act.

Meetings and the attendance during the year

There were Four meetings of the Audit Committee during the year 2004-05. The attendance of each member of the Committee is given below.

Name of the Director	No. of Meetings attended
Mr. P. Lakshmana Rao	4
Mr. V. R. Rao	4
Ms. Manjula Chawla	3

4. Remuneration Committee

Terms of Reference & Composition, Names of Members and Chairman

The Remuneration Committee comprises of Mr. P. Lakshmana Rao, Chairman of the Committee, Dr. Upendranath Nimmagadda and Ms. Manjula Chawla all being Independent Directors. The terms of Reference of this Committee are wide enough covering matters specified for Remuneration Committee under the Listing Agreements and the Companies Act.

Meetings and the attendance during the year

There was no meeting of the Remuneration Committee during the year 2004-05.

5. Investors / Shareholders Grievance Committee

The Company has an Investors / Shareholders Grievance Committee under the Chairmanship of Mr. V. R. Rao. Other members of the Committee are Mr. P. Lakshmana Rao and Mrs. Amara Kumari Galla. All the three members of the Committee are Non-Executive Directors. The Committee looks into the shareholders' and investors' complaints. Mr. K. Ramakrishna, Company Secretary is the Compliance Officer. Number of complaints received during the year were 14. All complaints are solved to the satisfaction of shareholders. The number of shares pending for transfer was nil as on 31 March 2005.

6. General Body Meetings

Details of the location of the past three AGMs and the details of the resolutions passed or to be passed by Postal Ballot.

- a) The last three Annual General Body meetings of the Company were held at the Registered Office of the Company, Renigunta – Cuddapah Road, Karakambadi - 517 520, Tirupati.
- b) The Company had no occasion to place a resolution requiring postal ballot for Shareholders' approval as recommended under the relevant rules & Clause 49 of the Listing Agreements.

7. Auditors' Certificate on Corporate Governance

The Certificate by the Statutory Auditors on compliance of Corporate Governance is attached to this report.

8. Disclosures

- There have been no materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large. For the other transactions with related parties as per AS-18, please refer para 22 of the Notes to the Accounts.
- There were no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets on account of non-compliance by the Company, during the last three years.

9. Means of Communication

- | | |
|--|---|
| <ul style="list-style-type: none"> • Half yearly report sent to each household of Shareholder | <p>No. As the results of the Company are published in one English daily newspaper circulating in the whole or substantially the whole of India and in one newspaper published in Telugu, the language of the region where the Registered Office of the Company is situated, the half-yearly report is not sent to each household of shareholders.</p> |
| <ul style="list-style-type: none"> • Quarterly Results | <p>Yes. Being published in one English daily newspaper circulating in the whole or substantially the whole of India and in one newspaper published in Telugu, the language of the region where the Registered Office of the Company is situated.</p> |
| <ul style="list-style-type: none"> • Newspapers in which results are normally published in | <p>i) Business Standard
ii) Business Line
iii) Andhra Jyothi</p> |
| <ul style="list-style-type: none"> • Any website where displayed | <p>SEBI EDIFAR site</p> |
| <ul style="list-style-type: none"> • Whether it also displays official news releases; and | <p>-No-</p> |
| <ul style="list-style-type: none"> • The presentations made to institutional investors or to the analysts | <p>-No-</p> |
| <ul style="list-style-type: none"> • Whether Management Discussion & Analysis is a part of Annual Report or not | <p>Yes.</p> |

10. General Shareholder Information

- Annual General Meeting
 - Date 13 August 2005
 - Time 3.00 p.m.
 - Venue Registered Office of the Company at Renigunta – Cuddapah Road, Karakambadi – 517 520, Tirupati.
- Financial Calendar

Quarter	Period	Publication of Results
First	Apr – Jun	Last week of July
Second	July – Sep	Last week of Oct
Third	Oct – Dec	Last week of Jan
Fourth	Jan – Mar	May / June
- Date of Book Closure 11 August 2005 to 13 August 2005 (Both days inclusive)
- Dividend Payment dates September 2005.
- Listing on Stock Exchanges
 - The Hyderabad Stock Exchange Ltd
6-3-654, Adjacent to Erramanzil Bus Stop
Somajiguda, Hyderabad – 500 082
 - The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001
 - National Stock Exchange of India Ltd
Exchange Plaza, Bandra – Kurla Complex
Bandra East, Mumbai – 400 051

Listing Fee for the year 2004-05 has been paid to all the Stock Exchanges.
- Stock Code
 - '500008' on The Stock Exchange, Mumbai
 - 'AMARAJABAT' on National Stock Exchange of India Limited
 - 'AMARBA\$' on The Hyderabad Stock Exchange Limited
- ISIN Number for NSDL & CDSL INE 885A01016
- Market Price data: High & Low during each month in last financial year. As per Annexure – I
- Stock performance in comparison to Broad based indices such as BSE Sensex, NSE - CNX 500 As per Annexure – II
- Registrar and Transfer Agents
 - M/s. Cameo Corporate Services Limited
Subramanian Building, No.1, Club House Road
Chennai – 600 002.
Phone: 044 28460390, Fax: 044 28460129
- Share Transfer System
 - All the transfers received are processed and approved by the Share Transfer Committee which normally meets once in a month or more depending on the volume of transfers.

<ul style="list-style-type: none"> • Distribution of Shareholding and Shareholding pattern as on 31 March 2005. 	As per Annexure – III
<ul style="list-style-type: none"> • Dematerialisation of Shares and liquidity 	39.86% of the Paid-up Capital has been dematerialized as on 31 March 2005. Shares of the Company are actively traded in BSE & NSE and have good liquidity.
<ul style="list-style-type: none"> • Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity. 	The Company has not issued any GDR / ADR, etc., as on date.
<ul style="list-style-type: none"> • Plant Location 	The Company's plant is located at Renigunta – Cuddapah Road, Karakambadi – 517 520, Tirupati, Andhra Pradesh, India.
<ul style="list-style-type: none"> • Address for correspondence 	The Company Secretary, Amara Raja Batteries Limited Corporate Operations Office, No.12, Kodambakkam High Road, Chennai – 600 034 Or M/s. Cameo Corporate Services Limited Subramanian Building, No.1, Club House Road, Chennai – 600 002

B. NON MANDATORY REQUIREMENTS

<p>a) Chairman of the Board</p> <p>Whether the non-executive Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.</p>	<p>Not applicable as the Chairman of the Board is an Executive Chairman.</p>
<p>b) Remuneration Committee</p>	<p>The Company has constituted Remuneration Committee consisting of non-executive directors.</p>
<p>c) Shareholder Right –</p> <p>The half-yearly declarations of financial performance including summary of the significant events in last six months should be sent to each household of shareholders.</p>	<p>As the Company's Quarterly, Half yearly and Annual results are published in English newspapers having a circulation all over India and Telugu newspaper [having circulation in AP], the same are not sent to the shareholders of the Company individually.</p>
<p>d) Postal Ballot</p>	<p>The Company had no occasion to place a resolution requiring Postal Ballot for Shareholders' approval as recommended under the relevant rules & Clause 49 of the Listing Agreements.</p>

Annexure 'I'

High / Low of market price of the Company's shares traded on The Stock Exchange, Mumbai during the financial year 2004-05.

Figures in Rs.

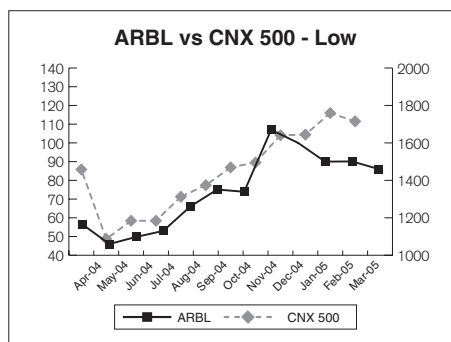
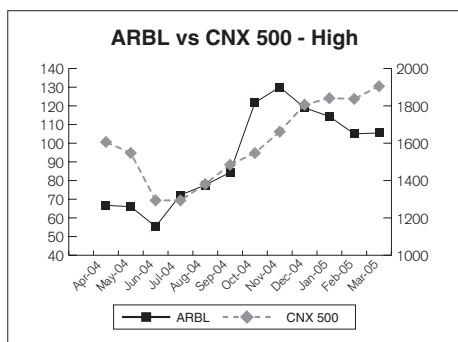
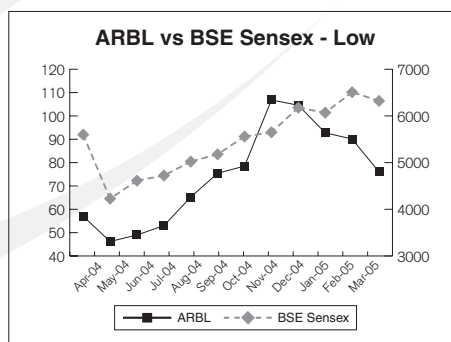
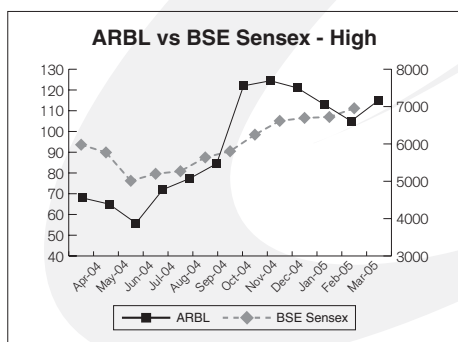
Month	High	Low	Month	High	Low
April '04	68.00	57.00	October	122.00	78.50
May	65.00	46.20	November	124.45	106.85
June	55.80	49.00	December	121.00	104.55
July	72.00	53.00	January '05	113.00	92.75
August	77.35	65.25	February	105.00	90.10
September	84.50	75.45	March	114.80	76.00

High / Low of market price of the Company's shares traded on National Stock Exchange of India Limited during the financial year 2004-05.

Figures in Rs.

Month	High	Low	Month	High	Low
April '04	66.75	56.55	October	121.75	73.90
May	66.00	46.00	November	130.00	107.00
June	55.35	49.80	December	119.00	100.00
July	72.25	53.00	January '05	114.30	90.00
August	77.55	66.00	February	105.00	90.10
September	84.40	75.10	March	105.50	86.00

Annexure 'II'



Annexure 'III'**The Distribution of shareholding as on 31 March 2005**

No. of Equity Shares held	No. of folios	%	No. of Shares	%
Up to 500	12070	91.31	1750449	15.37
501 – 1000	632	4.78	516892	4.54
1001 – 2000	262	1.98	404887	3.55
2001 – 3000	78	0.59	201916	1.77
3001 – 4000	31	0.24	110202	0.97
4001 – 5000	28	0.21	132665	1.17
5001 – 10000	60	0.45	448819	3.94
10001 and above	58	0.44	7821670	68.69
Grand Total	13219	100.00	11387500	100.00
No. of Shareholders in Physical Mode	2624	19.85	6848550	60.14
No. of Shareholders in Electronic Mode	10595	80.15	4538950	39.86

Shareholding Pattern as on 31 March 2005

Category	No. of Shareholders	No. of Shares	%
Promoters	9	2960747	26.00
Foreign Collaborators	1	2960750	26.00
Mutual Funds & UTI	14	211988	1.86
FIs / Banks	9	310971	2.73
FIIIs / NRIs	117	980707	8.61
Domestic Companies	509	592452	5.21
Public	12507	3326385	29.21
Clearing Members:			
NSDL	44	39968	0.35
CDSL	9	3532	0.03
Total	13219	11387500	100.00

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

Amara Raja Batteries Limited

We have examined the compliance of conditions of Corporate Governance by Amara Raja Batteries Limited, for the year ended on 31 March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For E. Phalguna Kumar & Co.,
Chartered Accountants

E. Phalguna Kumar
Partner

For Chevaturi Associates
Chartered Accountants

S. Satyanarayana Murthy
Partner

Place: Tirupati

Date: 30 June 2005

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion aims to share the Management's perspective and views on the various developments that could impact the Company, which includes changes in the business environment, government policies, opportunities and challenges facing the Company. This discussion should be read in conjunction with the Letter to Shareholders, Directors' Report, Financial Statements and Notes to Financial Statements included elsewhere in this Annual Report.

The Economy & Environment

India continued to be one of the highest growth economies in the world. While the initial expectations of over 8.5% growth in GDP have now been revised to 6.9%, it is still significantly higher than the rate of growth of most other developing and developed economies. Even as the challenge of controlling the fiscal deficit remains, the reduction in inflation, the firm exchange rate and the very comfortable foreign exchange reserve position continue to spur growth.

In 2004-05 the Manufacturing sector had shown a healthy growth of 9.2%. Agriculture, however, had shown a significant decline in the growth rate at 1.1% as against 9.6% in the previous fiscal. This, compounded further with the partial onset of the monsoon, could have implications for this sector and the economy. The Government has stepped up focus on Agriculture and embarked on its programme of Growth with Social Justice and we believe that the corrective measures planned should see some improvement.

The Union Budget announced in February 2005 this year addressed the long pending concern of the Indian Battery Industry. The reduction in duties of Lead and other battery parts helped provide parity with import duty on finished batteries. This positive step has been welcomed by the Indian Battery Industry.

Lead Prices continued to be high during the year with prices close to \$ 1000/ MT. Thus the year had witnessed a steep rise in Lead prices.

Challenges and Opportunities

Lead Prices continue to be a Challenge

Lead is the principal raw material used in the production of Storage Batteries. This has been the second year of continued high prices of Lead in the international markets. High Lead prices could put a pressure on operating margins, as the Storage Battery Industry is not able to pass on fully the impact of high Lead prices to customers. While there has been a softening of Lead prices recently, it would need to be seen whether this positive development would be sustained.

Industrial Batteries:

The Indian Telecom Industry continued to grow at a scorching pace with the subscribers touching the 100 million mark. The Government is now looking at increasing the subscriber base to 250 million by 2007, which sets the pace for growth in the coming years. Recent reports on the potential for Fixed Line growth have further brightened the prospects for this sector.

While the year saw a stabilisation in realisations of Battery supplies to Telecom sector, prices continued to be at low levels. The excess capacity in the Industrial VRLA industry was one of the prime reasons for this. We expect that the situation should improve in FY 05-06.

The Company continued to retain its position as leading supplier to the Indian Railways. It is expected that this business would continue to be stable for the forthcoming year.

The UPS battery business continued to grow significantly during the year. The Management is optimistic about the potential this business holds and expects to consolidate its position further in the coming years.

The Company also sees very good potential for VRLA batteries in the high growth sectors of Oil and Energy. It has taken up these sectors as a special thrust area for realising the potential these sectors hold.

Automotive Batteries:

The year under review witnessed a 21% growth in the Company's Automotive Battery volumes. This has been driven by increased demand from both OE and Aftermarket.

During the year, the Company entered into an OE relationship with the country's largest passenger car manufacturer, Maruti Udyog Limited. Recently in June 2005, it commenced supplies to Hyundai Motor India Limited. With the acquisition of these two accounts, the Company's batteries are under the hood of almost all major automobile manufacturers in India. Relationships with existing OE customers were consolidated further with increasing share of business.

In the Aftermarket, the Company raised the bar again by introducing Amaron Pro - a premium battery with a 48-month warranty. It expanded the Amaron range further by introducing factory charged batteries under Go and Fresh range, which cater to three wheelers, taxis and first time car owners. With the expansion of the range, Amaron™ is now in a position to address the requirements of the entire spectrum of battery customers.

The continued investment in the distribution and brand have made Amaron™ well recognised across the country. Today, the Company's pan-India distribution network operates in 26 States with over 100 Franchisees and 9000 active Retailers. Plans are afoot to increase the number of retailers to 12000 in the ensuing year. The Company increased the number of PitStops from 40 at the beginning of FY 2004-05 to 66 by the end of the year with a target to increase it to 100 by end of FY 2005-06.

Exports:

Exports at Rs. 138.8 million for FY 2004-05 registered a 30% growth over the previous year.

Automotive Batteries were exported to a number of countries including Japan, Singapore, Australia, Taiwan, UAE, Greece and China.

The Company continues its focus on developing export markets for its Industrial Batteries as it holds very good potential.

Risks and Concerns

While the projected growth of the Indian Telecom Industry holds tremendous potential for Industrial VRLA Batteries, the Telecom Industry is also witnessing a phase of change in business models. Today relationships need to be established not only with Telecom Companies but also with Telecom Equipment vendors and System Integrators. This is because a number of activities hitherto handled directly by the Telecom Companies have now been outsourced. It is also expected that pure play telephony would pave way to convergence technologies and the opportunities that could emerge from such convergence need to be studied.

Till recently the key driver to growth in Indian Telecom Industry has been mobile telephony. Growth in Fixed Line has been limited, as this requires a higher investment per subscriber. This could impact battery demand in the future.

The Management believes that while the Indian Telecom Industry is going through a phase of dynamic and continuous change, there could be opportunities both in terms of increased demand from existing customers as also from new players. Convergence would bring a number of new players into the data and telephony space. Recent reports have indicated that all Telecom players see the tremendous potential that Fixed Line holds for convergence technology. Thus there could be growth in Fixed Line subscribers as well.

While the Company continues to be a leading supplier to the Indian Railways, the procurement policy and entry of new players would need to be closely monitored. The Company is working closely with the Indian Railways to provide optimal solutions for its battery power requirements.

In respect of UPS Batteries while there are challenges being faced from imported batteries, the Company's volume continue to grow on the back of increased demand from OEs as well as Channel sales. The Company has been focusing on increasing the reach and depth of the distribution network. The positive response from UPS manufacturers and the Channel Partners for Quanta Batteries indicate the potential this business holds for the Company.

In respect of Automotive batteries, sales to OEs would depend directly on the growth of the Automobile Industry. According to published reports, the outlook for growth of Indian Automobile Industry is positive. During financial year 2004-05 the Company had entered into an OE relationship with the country's largest passenger car manufacturer, Maruti Udyog Limited. Recently in June 2005, it has entered into an OE agreement with Hyundai Motor India Limited. It is expected that these new relationships and the growing share in existing OE accounts should fuel the growth of the Company's OE businesses.

As per published estimates, it is expected that the number of Indian households that would own a car would grow significantly in the next five years. These estimates hold tremendous potential for growth in passenger cars and consequently for batteries both in OE and Aftermarket segments. During FY 04-05, the Company has expanded its retail network further. As at the end of the financial year, the Aftermarket network spans 26 States with over 100 franchisees, 66 PitStops and 9000 active retailers. Plans are afoot to expand the reach of the network further in FY 2005-06 to over 12000 retailers by March 2006.

The Automotive exports markets are extremely competitive. The Company competes with the best and the most cost effective manufacturers across the world. Towards this, the Company has been stepping up initiatives in focus markets such as Singapore, Japan, China, Australia and Greece. The response has been very positive as the Company's batteries rate among the best in the world. In FY 2005-06, the Company expects exports volumes to grow further.

In 2004, the Government of India had signed a Free Trade Agreement with Thailand. Recently the Comprehensive Economic Co-operation Agreement (CECA) has been signed with the Government of Singapore. While it appears that there is no immediate impact on the Indian Storage Battery Industry as a fall out of these agreements, it is expected that there could be more such FTAs being signed with other countries as well. These agreements could directly and indirectly impact the Company in terms of low duty imports coming into the country. While the opening of the Indian Economy under Trade Agreements could result in competition from imports, new opportunities would be created, as Indian Manufacturers would get greater access to other markets. Developments on this front would be closely watched.

Financial Review

Gross Sales for the financial year 2004-05 was Rs. 2685.4 million (previous year Rs. 1999.2 million) representing a growth of 34% over the previous year. Profit After Tax for the year was Rs. 86.9 million (previous year Rs. 13.9 million). During the financial year both Industrial and Automotive Battery volumes grew significantly. Domestic Industrial Battery Volumes grew 48% over the previous year. Domestic Automotive Battery Volumes registered a growth of 21% over the previous year. The Company's total export turnover registered a growth of 30%.

Higher Lead prices continued to exert pressure on the Company's operating margins. The Company has been continuously working towards improving operational efficiencies and implementing cost control programmes as a measure to counter the impact of increased Lead prices.

Resources and Liquidity

The Company's liquidity and resources position continued to be comfortable. The Company continued to fund investment in fixed assets through internal accruals with no term loans from banks or financial institutions.

Internal Controls

The Company has internal control systems and processes which help ensure an efficient and effective transaction processing system is in place. The internal controls systems are commensurate to the size and complexity of the Company's operations.

Predominant part of the transactions of the company are integrated through an ERP system which helps to further strengthen the controls, checks, authorization and reporting of transactions.

Human Resources

The Amara Raja team today consists of over 1300 employees many of whom have joined the Company when they began their working career. Over the years, the Company has constantly invested in building capabilities in its people to enable them to perform well in their current roles as well as prepare themselves to take on higher responsibilities.

With the economy becoming more buoyant, the aspirations of every employee also increases resulting in a constant challenge to attract and retain good talent. The Company has been therefore, reviewing its HR policies, periodically, to align them with contemporary trends and practices. In the years to come we shall continue our efforts to build a high performance organization.

The Company continues to invest in its Human Assets through a judicious mix of financial and non-financial incentives. Employees are exposed to Continuous Improvement Programmes, Six Sigma Initiatives and Best Business Practices. The Company also invests in the training and development of employees at all levels through in-house as well as external training.

The Company has been successful in creating a process oriented, yet informal work atmosphere, that is conducive to both individual and collective development. Team building exercises and informal sessions amongst team members foster a work atmosphere that is open to communication and new ideas.

Cautionary forward-looking statements

The Company has made forward-looking statements in this document that are subject to risks and uncertainties. Forward-looking statements may be identified by the use of words like "expects", "anticipates", "believes", "estimates" or similar expressions. All statements that address expectations or projections about the future, including, but not limited to, statements about the Company's strategy for growth, product development, market position, market expenditures and financial results are forward-looking statements.

For those statements, the Company cautions that numerous important factors could affect the Company's actual results and could cause its results to differ materially from those expressed in any such forward-looking statements.

AUDITORS' REPORT

To
The Members of
Amara Raja Batteries Limited

We have audited the attached Balance Sheet of Amara Raja Batteries Limited as at 31st March, 2005, its Profit and Loss account for the year ended on that date annexed thereto, and its Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2005;
 - (b) in the case of the Profit and Loss account, of the PROFIT of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For E. Phalguna Kumar & Co.,
Chartered Accountants

E. Phalguna Kumar
Partner
(ICAI Memb.No: 20278)

Place: Tirupati
Date: 30 June 2005

For Chevaturi Associates
Chartered Accountants

S. Satyanarayana Murthy
Partner
(ICAI Memb.No: 23651)

ANNEXURE TO THE REPORT OF THE AUDITORS

The Annexure referred to in the Auditors' Report to the members of Amara Raja Batteries Limited for the year ended March 31, 2005.

We report that:

- 1.1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2 According to the information and explanations furnished to us, the Company has not physically verified all its fixed assets during the year. However, the Company has adopted a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed during the year on such verification.
- 1.3 According to the information and explanations furnished to us, the Company has not disposed of substantial part of its fixed assets during the year.
- 2.1 According to the information and explanations furnished to us, the Company has physically verified its inventories during the year. In our opinion, the frequency of verification is reasonable.
- 2.2 In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 2.3 According to the information furnished to us, the Company is maintaining proper records of inventory and the discrepancies, if any, noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- 3.1 According to the information and explanations furnished to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties whose particulars are recorded in the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of clauses 4(iii) (b), 4(iii) (c) and 4(iii) (d) of the order, are not applicable.
- 3.2 According to the information and explanations furnished to us, the Company has not taken any loans secured or unsecured to companies, firms or other parties whose particulars are recorded in the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of clauses 4(iii)(f) and 4(iii)(g) of the order, are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. Further during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that are needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under Section 301 of the Companies Act, 1956 and having an aggregate value exceeding rupees five lakhs in respect of each party during the year under report, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public and consequently, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the rules framed thereunder are not applicable. According to the information furnished to us, no Order has been passed on the Company by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal for non compliance with the provisions of Sections 58A and 58 AA of the Companies Act, 1956.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of account and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not carried out a detailed audit of the same.
- 9.1 According to the information furnished to us, the Company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- 9.2 There were no undisputed statutory dues mentioned in the preceding paragraph in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.
- 9.3 According to the information furnished to us, the following amounts of Income Tax, Sales Tax, Service tax, and Excise Duty have been disputed by the Company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report.

Name of the statute	Nature of the dues	Rupees in Million	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty	0.60	2002-2003	C.C.E.S.T.A.T., Bangalore.
		1.50	1994-2000	C.C.E.S.T.A.T., Bangalore.
	Service Tax	2.56	2002-2004	Commissioner of Central Excise (Appeals), Guntur.
Sales Tax Act	Sales Tax	0.78 (APGST)	2000-2001	High Court of Andhra Pradesh, Hyderabad.
		3.46 (CST)	2000-2001	-do-
		6.02 (CST)	2001-2002	-do-
		0.95 (CST)	2001-2002	Appellate Deputy Commissioner, Kurnool
		1.59 (APGST)	2003-2004	High Court of Andhra Pradesh, Hyderabad.
		6.16 (CST)	2003-2004	-do-
		0.45 (APGST)	2004-2005	-do-
		6.41 (CST)	2004-2005	-do-

10. According to the information and explanations furnished to us, the Company has been incorporated for a period exceeding five years. It had no accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the Company, there were no defaults in repayment of its dues to financial institutions and banks at the date of the Balance Sheet. The Company has not issued any debentures.
12. According to the information and explanation given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations furnished to us, the Company is not a chit fund or a nidhi/ mutual benefit fund / society and hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under report.

14. According to the information furnished to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. According to the information and explanation given to us, the Company has not obtained any term loans. Accordingly, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under report.
17. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investment during the year under report.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, or to any others.
19. According to the information and explanations given to us, the Company has not issued any debentures during the year under report.
20. The Company has not raised any money through public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under report.
21. According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the Company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

For E. Phalgun Kumar & Co.,
Chartered Accountants

E. Phalgun Kumar
Partner
(ICAI Memb.No: 20278)

Place: Tirupati
Date: 30 June 2005

For Chevuturi Associates
Chartered Accountants

S. Satyanarayana Murthy
Partner
(ICAI Memb.No: 23651)

BALANCE SHEET AS AT 31 MARCH 2005

Particulars	Schedule No	As at 31.03.2005		As at 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	113,875,000		113,875,000	
Reserves & Surplus	2	1,692,973,671		1,632,042,302	
			1,806,848,671		1,745,917,302
Loan Funds					
Secured Loans	3	73,665,914		44,945,252	
Unsecured Loans	4	159,392,966		103,853,138	
			233,058,880		148,798,390
Deferred Tax Liability	5		130,927,315		145,000,360
TOTAL			2,170,834,866		2,039,716,052
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	1,672,298,054		1,583,508,897	
Less: Depreciation		723,666,680		591,622,548	
Net Block		948,631,374		991,886,349	
Capital Work-in-Progress		12,892,109		9,514,644	
			961,523,483		1,001,400,993
Investments	7		235,627,152		208,778,082
Current Assets, Loans & Advances					
Inventories	8	440,958,913		307,245,534	
Sundry Debtors	9	649,706,121		471,673,642	
Cash & Bank Balances	10	169,121,827		152,292,556	
Loans, Advances & Deposits	11	342,929,588		251,402,682	
Other Current Assets	12	9,926,048		7,622,683	
		1,612,642,497		1,190,237,097	
Less: Current Liabilities & Provisions					
Liabilities	13	345,042,817		162,283,498	
Provisions		293,915,449		198,416,622	
		638,958,266		360,700,120	
Net Current Assets			973,684,231		829,536,977
TOTAL			2,170,834,866		2,039,716,052

Note: The Schedules, Accounting Policies and Notes on Accounts form an integral part of the Balance Sheet

as per our report of even date attached

for and on behalf of the Board

for E. PHALGUNA KUMAR & CO.

Chartered Accountants

E. Phalguna Kumar

Partner

for CHEVUTURI ASSOCIATES

Chartered Accountants

S. Satyanarayana Murthy

Partner

Ramachandra N. Galla

Executive Chairman

Gopal Mahadevan

Chief Financial Officer

Jayadev Galla

Managing Director

K. Ramakrishna

Company Secretary

Place: Tirupati

Date: 30 June 2005

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

Particulars	Schedule No.	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
INCOME			
Sales - Gross		2,685,436,096	1,999,232,783
Less: Excise duty collected		317,378,821	240,215,479
Net Sales		2,368,057,275	1,759,017,304
Other Income	15	63,043,449	41,581,593
Increase /(Decrease) in Stock	16	71,015,819	11,120,770
TOTAL		2,502,116,543	1,811,719,667
EXPENDITURE			
Raw Material Consumed	17	1,382,962,610	831,843,012
Payments & Benefits to Employees	18	170,091,901	157,730,759
Manufacturing, Selling, Admin & Other Expenses	19	494,265,237	561,985,559
Duties & Taxes	20	181,230,080	123,834,416
Interest	21	1,448,427	1,754,335
Depreciation		136,307,132	123,052,249
TOTAL		2,366,305,387	1,800,200,330
Profit Before Taxation		135,811,156	11,519,337
Add: (a) Excess Provision of Income Tax & Wealth Tax in earlier years (Net)		-	4,954,943
(b) Provision for Deferred Income Tax credited back (Net)		14,073,045	30,473,038
Less: Provision for Taxation - Current		59,500,000	33,000,000
- Earlier years		3,440,615	-
- Wealth Tax		43,023	49,721
Profit After Taxation		86,900,563	13,897,597
Profit brought forward from previous year		512,460,202	518,882,390
Profit Available for Appropriation		599,360,765	532,779,987
Less: Appropriation			
Transfer to General Reserve		6,517,542	1,050,000
Proposed Dividend		22,775,000	17,081,250
Dividend Tax		3,194,194	2,188,535
Balance Carried to Balance Sheet		566,874,029	512,460,202
Basic Earnings Per Equity Share of Rs. 10 Each (EPS)		7.63	1.22
Net Profit After Tax Rs. 86,900,563/- (Previous Year Profit Rs. 13,897,597/-)			
No of Equity Shares 11,387,500 (Previous Year 11,387,500).			

Note: The Schedules, Accounting Policies and Notes on Accounts form an integral part of the Profit & Loss Account.

as per our report of even date attached

for and on behalf of the Board

for E. PHALGUNA KUMAR & CO.
Chartered Accountants
E. Phalgun Kumar
Partner

Ramachandra N. Galla
Executive Chairman

Jayadev Galla
Managing Director

for CHEVUTURI ASSOCIATES
Chartered Accountants
S. Satyanarayana Murthy
Partner

Gopal Mahadevan
Chief Financial Officer

K. Ramakrishna
Company Secretary

Place: Tirupati

Date: 30 June 2005

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2005

Sch. No.	Particulars	As at 31.03.2005		As at 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
1	SHARE CAPITAL				
	Authorised:				
	15,000,000 Equity Shares of Rs.10/-Each		150,000,000		150,000,000
	Issued:				
	11,809,100 Equity Shares of Rs.10/-Each		118,091,000		118,091,000
	Subscribed and Paidup:				
	11,387,500 Equity Share of Rs.10/- Each		113,875,000		113,875,000
	TOTAL		113,875,000		113,875,000
2	RESERVES & SURPLUS				
	a. Capital Reserve as per last Balance Sheet		11,500		11,500
	b. Securities Premium as per last Balance Sheet		311,862,600		311,862,600
	c. General Reserve as per last Balance Sheet	807,708,000		806,658,000	
	Additions during the year	6,517,542		1,050,000	
			814,225,542		807,708,000
	d. Surplus in Profit & Loss Account		566,874,029		512,460,202
	TOTAL		1,692,973,671		1,632,042,302
3	SECURED LOANS (Refer Note No:1)				
	A. Term Loans:				
	From Financial Institutions:				
	Rupee Term Loans		386,522		386,522
	B. Working Capital Facilities:				
	a. State Bank of India		29,664,289		41,342,648
	b. Andhra Bank		14,531,999		1,825,140
	c. State Bank of Hyderabad		29,083,104		1,390,942
	TOTAL		73,665,914		44,945,252
4	UNSECURED LOANS				
	Interest free Sales Tax Deferment (Ref Note No:3A)		159,392,966		103,853,138
5	DEFERRED TAX LIABILITY				
	As Per Last Balance Sheet	145,000,360		175,473,398	
	Add/(Less) for the year	(14,073,045)		(30,473,038)	
			130,927,315		145,000,360

SCHEDULES TO BALANCE SHEET

SCHEDULE 6 FIXED ASSETS & DEPRECIATION

(Amount in Rupees)

S.No	Particulars	Gross Block				Depreciation Block			Net Block		
		Cost as on 01.04.2004	Additions	Deletions	Total as on 31.03.2005	Upto 31.03.2004	Current Period	Deletions	Total as on 31.03.2005	As on 31.03.2005	As on 31.03.2004
1	LAND & LAND DEVELOPMENT	5,493,659	-	-	5,493,659	-	-	-	-	5,493,659	5,493,659
2	BUILDINGS	327,349,464	7,783,416	-	335,132,880	42,820,943	8,904,710	-	51,725,653	283,407,227	284,528,521
3	R&D BUILDINGS	9,896,346	-	-	9,896,346	1,678,807	330,538	-	2,009,345	7,887,001	8,217,539
4	PLANT & MACHINERY	893,960,540	75,703,399	3,049,420	966,614,519	422,587,882	100,158,915	2,610,427	520,136,370	446,478,149	471,372,658
5	R&D PLANT & MACHINERY	85,964,216	1,765,198	244,425	87,484,989	27,253,577	7,104,965	107,048	34,251,494	53,233,495	58,710,639
6	ELECTRICAL INSTALLATIONS	102,513,098	1,121,323	-	103,634,421	33,041,400	4,785,459	-	37,826,859	65,807,562	69,471,698
7	FURNITURE	45,739,966	267,839	-	46,007,805	12,694,054	2,865,868	-	15,559,922	30,447,883	33,045,912
8	OFFICE EQUIPMENT	90,079,844	5,514,391	327,840	95,266,395	41,225,268	10,148,811	311,448	51,062,631	44,203,764	48,854,576
9	VEHICLES	22,396,764	2,403,620	2,148,344	22,652,040	10,251,176	1,984,866	1,234,077	11,001,965	11,650,075	12,145,588
10	TRADE MARKS	115,000	-	-	115,000	69,441	23,000	-	92,441	22,559	45,559
	TOTAL	1,583,508,897	94,559,186	5,770,029	1,672,298,054	591,622,548	136,307,132	4,263,000	723,666,680	948,631,374	991,886,349
	Previous Year	1,513,712,696	71,521,580	1,725,379	1,583,508,898	468,937,397	123,052,249	367,098	591,622,548	991,886,350	1,044,775,298

Note: Additions to Plant & Machinery include Rs. 47,362/- (Rs. 91,037/-) on account of increase in Rupee liability consequent upon fluctuation in the rate of foreign currency.

SCHEDULES TO BALANCE SHEET

Sch. No.	Particulars	As at 31.03.2005		As at 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
7	INVESTMENTS				
	A. In Government Securities				
	a. Indira Vikas Patra		7,000		7,000
	b. 6 Years National Savings Certificates (Lodged as security with Govt. depts. Rs 12000/- held in the name of Shri Ramachandra .N.Galla, Executive Chairman)		55,000		55,000
	B. Quoted				
	a. Shares in Companies				
	i. 166 Fully paid Equity Shares of Rs.10/- each in Nicco Corporation Ltd		1,735		1,735
	ii. 250 Fully paid up Equity Shares of Rs. 0.50 each in Standard Batteries Ltd. (Face Value of Rs.10/- per share has been reduced to Rs 0.50 as per the Court Order)		7,750		7,750
	iii. 1000 Fully paid up Equity Shares of Rs.10/-each in Exide Industries Ltd. (Including 500 Bonus Shares)		44,069		44,069
	iv. 500 Fully paid up Equity Shares of Rs.10/-each in HBL Nife Power Systems Ltd.,		4,850		4,850
	v. 7,200 Fully paid up Equity Shares of Rs.10/-each in IDBI Ltd., (Including 2700 Bonus Shares)		585,000		585,000
	vi. 23,500 Fully paid up Equity Shares of Rs.10/-each in IDBI Bank Ltd.,		423,000		423,000
	vii. 16,000 Fully paid up Equity Shares of Rs.10/-each in I.V.R.C.L. Infrastructure and Projects Ltd. (including 8,000 bonus shares)		204,800		204,800
	viii. 227,900 Equity shares of Rs.10/- each fully paid in Andhra Bank.		2,279,000		2,279,000
	b. Others				
	i. 23,65,391 Units of SBI Magnum Liquid Bonds Income Fund of Rs.10/- each		25,000,000		25,000,000
	ii. 658 Units of SBI Magnum Institutional Income Fund of Rs.10/- each (29,02,873 units purchased and 29,02,873 units sold during the year.) 658 units Dividend reinvested.		6,601		-
	iii. 31,40,181 units of Prudential ICICI Gilt Fund Treasury Plan of Rs.10/- each		31,800,000		31,800,000
	iv. 18,24,818 units of Prudential ICICI Income Plan @ Rs.10/- each		20,000,000		20,000,000
	INVESTMENTS IN MUTUAL FUNDS (Short Term)				
	a) HDFC Cash Management Fund Savings Plan Daily Dividend 9,67,141 Units of Rs.10/- each (Sold during the year)		-		10,286,896

SCHEDULES TO BALANCE SHEET

Sch. No.	Particulars	As at 31.03.2005		As at 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
	b) Grindlays Cash Fund - Daily Dividend 4,86,549 Units of Rs.10/- each (sold during the year)		-		5,148,610
	c) HSBC Cash Fund Dividend 5,05,785 Units of Rs.10/- each (sold during the year)		-		5,153,088
	d) Deutsche Liquid Insta Cash Plus 5,01,718 Units of Rs.10/- each (sold during the year)		-		5,164,538
	e) IL & FS Liquid Account 10,27,820 Units of Rs.10/- each (sold during the year)		-		10,278,200
	C. Un-Quoted				
	a. Shares in Companies				
	i. 1128 Fully paid up Equity Shares of Rs.10/-each in Indian Lead Ltd., (including 128 Bonus Shares)		30,000		30,000
	ii. 12,06,000 (8,04,000) Fully paid up Equity Shares of Rs.10/-each in Andhra Pradesh Gas Power Corp. Ltd. (4,02,000 fully paid of Equity Shares Purchased during the year)		157,143,610		94,236,735
	b. Others				
	i. 300 Unsecured, redeemable, sub-ordinated floating interest rate bonds of Rs.1,000/- in State Bank Of India fully paid.		300,000		300,000
			237,892,415		211,010,271
	Less: Provision for loss on diminution		2,265,263		2,232,189
	TOTAL		235,627,152		208,778,082
	Aggregate of Quoted Investments at Cost		80,356,805		116,381,536
	Market value		104,168,645		114,149,346
	Aggregate of Un-Quoted Investments at cost		157,535,610		94,628,735
	Note: All the above Investments are long term unless and otherwise stated				
8	INVENTORIES				
	(As Certified by the Management)				
	a. Stores & Spares		33,372,850		29,631,850
	b. Material In Transit		26,436,033		6,875,448
	c. Stock In Trade				
	i. Raw Materials		139,746,690		100,350,715
	ii. Finished Goods		79,883,581		63,145,970
	iii. Work In Process		161,519,759		107,241,551
	TOTAL		440,958,913		307,245,534
9	SUNDRY DEBTORS				
	Sundry Debtors, Unsecured				
	a. Debts Outstanding for a period exceeding 6 months:				
	Considered Good	89,525,082		13,147,317	
	Considered Doubtful	14,885,549		17,341,760	
		104,410,631		30,489,077	
	Less: Provision for Doubtful Debts	14,885,549		17,341,760	
			89,525,082		13,147,317
	b. Other Debts		560,181,039		458,526,325
	TOTAL		649,706,121		471,673,642

SCHEDULES TO BALANCE SHEET

Sch. No.	Particulars	As at 31.03.2005		As at 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
10	CASH & BANK BALANCES				
	A. Cash / Cheques on hand		11,257,159		366,724
	B. At Scheduled Banks in:				
	a. Current Accounts		33,042,953		10,502,449
	b. Fixed Deposits		120,360,510		136,685,510
	c. Towards Unclaimed dividends		4,461,205		4,737,873
	TOTAL		169,121,827		152,292,556
11	LOANS, ADVANCES & DEPOSITS (Unsecured and considered good)				
	a. Advances recoverable in cash or in kind, for value to be received		10,941,010		13,987,657
	b. Advance for purchases		48,339,014		34,601,894
	c. Deposits Recoverable	20,893,434	-	17,250,195	17,250,195
	Less: Provision for Doubtful Deposits	396,876	20,496,558	-	14,148,116
	d. Excise Duty paid in advance		40,996,647		154,487,661
	e. Income Tax paid in Advance		202,354,113		16,927,159
	f. Income Tax Deducted at Source		19,196,758		
	g. Excise duty Paid Under Protest		605,488		
	TOTAL		342,929,588		251,402,682
12	OTHER CURRENT ASSETS				
	a. Interest Accrued		9,415,718		6,253,286
	b. Pre-Paid Expenses		510,330		1,369,397
	TOTAL		9,926,048		7,622,683
13	CURRENT LIABILITIES & PROVISIONS				
	A. Current Liabilities				
	a. Sundry Creditors:				
	i) Dues to Small Scale Units (Ref Note No:20)		-	167,216	
	ii) Others (Include Rs.97,70,127/- [Previous Year Rs.1,82,766/-] Commission due to Executive Chairman and Managing Director)	282,724,559	282,724,559	101,592,617	101,759,833
	b. Advances from Customers		11,734,382		11,729,117
	c. Outstanding Liabilities		24,182,756		23,269,248
	d. Sales Tax Payable		21,939,915		20,787,427
	e. Unclaimed Dividend		4,461,205		4,737,873
	TOTAL		345,042,817		162,283,498
	B. Provisions				
	a. Income Tax		229,206,116		169,706,116
	b. Wealth Tax		43,023		49,721
	c. Leave Encashment		9,953,865		8,244,116
	d. Proposed Dividend		22,775,000		17,081,250
	e. Dividend Tax		3,194,194		2,188,535
	f. Warranty Expenses		28,743,251		1,146,884
	TOTAL		293,915,449		198,416,622
14	Misc. Expenditure to the extent not written off or adjusted				
	Balance as per last Balance Sheet	-		102,187,251	
	Add: Incurred during the year	-		-	
					102,187,251
	Less: Written off during the year				102,187,251
	Balance carried forward				-

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

Sch. No.	Particulars	Year ended 31.03.2005		Year ended 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
15	OTHER INCOME				
	a. Scrap Sales		22,187,045		17,290,794
	b. Interest Received (TDS Rs.1,868,519/-) (Previous Year: Rs.1,037,792/-)		8,528,844		8,473,207
	c. Dividend Received		3,296,060		10,115,378
	d. Claims Received		429,816		522,903
	e. Miscellaneous Income		4,471,729		39,200
	f. Profit on sale of Assets		16,673		-
	g. Profit on sale of Investments		35,361		-
	h. Gain on Foreign exchange (Net)		4,650,694		2,436,923
	i. Bad debts Recovered		3,600,000		-
	j. Credit balances Written back		15,327,948		1,673,895
	k. Excess provision credited back		499,279		1,029,293
	TOTAL		63,043,449		41,581,593
16	INCREASE/(DECREASE) IN STOCKS				
	Closing Stock				
	a. Work-in-Process	161,519,759		107,241,551	
	b. Finished Goods	79,883,581		63,145,970	
			241,403,340		170,387,521
	Less: Opening Stock				
	a. Work-in-Process	107,241,551		77,991,373	
	b. Finished Goods	63,145,970		81,275,378	
			170,387,521		159,266,751
	Increase/(Decrease) in Stocks		71,015,819		11,120,770
17	RAW-MATERIALS CONSUMED				
	Opening Stock	100,350,715		94,359,555	
	Add:Purchases	1,422,358,585		837,834,172	
			1,522,709,300		932,193,727
	Less: Closing Stock		139,746,690		100,350,715
	CONSUMPTION		1,382,962,610		831,843,012
18	PAYMENTS & BENEFITS TO EMPLOYEES				
	a. Salaries,Wages & Bonus		122,685,455		113,167,734
	b. Contribution to PF,Gratuity and Other Funds		22,531,887		20,591,482
	c. Workmen & Staff Welfare Expenses		24,874,559		23,971,543
	TOTAL		170,091,901		157,730,759
19	MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES				
	A. Manufacturing				
	a. Stores & Spares Consumed (Including Packing Material)		20,262,272		14,790,745
	b. Power & Fuel		56,940,275		41,089,954
	c. Insurance		4,514,111		4,810,596

SCHEDULES TO PROFIT & LOSS ACCOUNT

Sch. No.	Particulars	Year ended 31.03.2005		Year ended 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
	d. Repairs to:				
	i. Machinery		20,383,142		23,285,436
	ii. Buildings		799,802		2,534,351
	iii. Other-Assets		599,433		598,942
	TOTAL - A		103,499,035		87,110,024
	B. Selling				
	a. Advertisement		71,129,175		99,860,995
	b. Freight Outwards		82,840,169		64,169,047
	c. Commission on sales		7,752,307		8,294,936
	d. Sales Expenses		35,029,981		32,548,998
	e. Royalty		276,976		11,123,244
	f. Warranty Expenses (Including Provision)		58,108,098		23,768,263
	TOTAL - B		255,136,706		239,765,483
	C. Administrative				
	a. Rent		15,272,977		14,445,372
	b. Directors Sitting Fee		56,000		48,000
	c. Managerial Remuneration (Refer Note No:16)		15,096,351		4,809,360
	d. Payments to Auditors (Refer Note No:17)		700,666		597,400
	e. R&D Expenses		3,691,660		2,552,851
	f. Donations		3,587,392		2,057,000
	g. Loss on Sale of Assets		127,982		144,296
	h. Loss on Sale of Investments		950		-
	i. Rates ,Taxes & Licences		1,498,027		1,397,293
	j. Travelling Expenses		30,714,712		31,359,824
	k. Communication Expenses		9,183,326		8,880,673
	l. Miscellaneous Expenses		41,553,860		50,984,463
	TOTAL - C		121,483,903		117,276,532
	D. Other Expenses				
	a. Provision for Doubtful debts		7,822,720		9,045,663
	b. Provision for Doubtful Deposits		396,876		-
	c. Provision for Diminution in the value of investments		33,073		1,065,049
	d. Bad debts & Irrecoverable Advances written off		12,252,376		2,932,015
	e. Obsolete Stores written off		3,170,525		2,581,005
	f. Assets written off		592,762		-
	g. Deferred Revenue Exp, written off		-		102,187,251
	h. Prior Period expenses		156,192		22,537
	Sub Total		24,424,524		117,833,520
	i. Less: Provision for Doubtful Debts/ Irrecoverable Advances Written Back		10,278,931		-
	TOTAL - D		14,145,593		117,833,520
	TOTAL (A+B+C+D)		494,265,237		561,985,559
20	DUTIES & TAXES (Excluding Income Tax)				
	a. Rates & Taxes		168,896,152		123,512,862
	b. Excise Duty		12,333,928		321,554
	TOTAL		181,230,080		123,834,416
21	INTEREST PAID				
	On Working Capital Facilities		1,448,427		1,754,335
	TOTAL		1,448,427		1,754,335

STATEMENT ON ACCOUNTING POLICIES

1. GENERAL:

Financial statements are prepared under historical cost convention and in accordance with generally accepted accounting practices.

2. FIXED ASSETS:

Fixed Assets are stated at cost net of CENVAT, less accumulated depreciation. Cost of acquisition of Fixed Assets is inclusive of freight, duties and taxes, interest, if any, on specific borrowings utilised for financing the assets upto the date of commissioning, the cost of installation/erection, and other incidental expenses. Additional liability on account of foreign exchange fluctuations on loans obtained for purchase of imported equipment is capitalised as and when the liability crystallises.

3. DEPRECIATION:

Depreciation is provided in accordance with the rates and rules prescribed under Schedule - XIV to the Companies Act, 1956, under straight-line method.

4. INVESTMENTS:

Long term investments are stated at cost less provision required, if any, for the permanent diminution in value thereof. Dividends thereon are accounted as and when received.

5. INVENTORIES:

- a. Finished goods are valued at lower of cost or market value.
- b. Work in process, Raw materials, Stores and Spares, Materials in transit etc., are valued at cost.
- c. Stock of scrap is valued at an estimated net realizable value.

6. SALES:

Sales are inclusive of Excise Duty, Sales tax, freight, insurance, service charges etc., recovered thereon.

7. RETIREMENT BENEFITS:

- a) All employees of the Company are entitled to retirement benefits of Provident Fund and Gratuity. Employees who are members of the Super Annuation Scheme are entitled to the benefits under the Scheme.
- b) Contributions to Provident Fund are accounted for at the prescribed rates every month on accrual basis. Contributions towards Gratuity and Superannuation are made on the basis of the demands raised by the Life Insurance Corporation of India and are charged to revenue accordingly.
- c) Encashment of leave by employees is permitted only on retirement or cessation of service. The liability towards leave encashment as on the date of Balance Sheet is provided for on accrual basis.

8. RESEARCH AND DEVELOPMENT EXPENSES:

Research and Development costs of revenue nature are charged to revenue when incurred. Expenditure of capital nature is capitalised and depreciation thereon is provided as per the rates prescribed in schedule XIV to the Companies Act, 1956.

9. FOREIGN CURRENCY TRANSACTIONS:

- a) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately to capital or revenue, with the difference in the rate of exchange arising on actual receipt/payment during the year.
- b) At each Balance Sheet date
 - Foreign currency monetary items are reported using the rate of exchange on that date
 - Foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized

- c) In respect of forward exchange contracts in the nature of hedges
- Premium or discount on the contract is amortized over the term of the contract,
 - Exchange differences on the contract are recognized as profit or loss in the period in which they arise

10. WARRANTY CLAIMS AND PROVISIONS

Company's liability for warranty claims is charged to revenue in the year in which the party claims it. The Company makes a provision for the probable future liability on account of warranty as at the end of the financial year.

11. LATE DELIVERY CHARGES:

The liability on account of late delivery charges, due to delay in the delivery of finished products is accounted for on accrual basis as per terms of the contracts after adjusting the claims no longer required.

12. TAXATION:

Provision is made for Income-tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income tax Act, 1961.

In accordance with the Accounting Standard – 22, Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India (ICAI), and effective from 1st April 2001 and in accordance with the listing agreements with the respective stock exchanges, the Company has recognised the deferred tax liability in the accounts, whereby

- The net deferred tax liability arising on account of timing differences at 01.04.2001 has been adjusted against the General Reserve as at 01.04.2001.
- Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax.
- Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.

13. DIVIDENDS:

Provision is made in the accounts for the dividends payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income Tax on dividends payable is provided for in the year to which such dividends relate.

14. IMPAIRMENT OF ASSETS:

At the date of each Balance Sheet, the company evaluates internally, indications of the impairment if any, to the carrying amount of its fixed and other assets. If any indication does exist, the recoverable amount is estimated at the higher of the realizable value and value in use, as considered appropriate. If the estimated realizable value is less than the carrying amount, an impairment loss is recognized.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

15. CONTINGENT LIABILITIES

Contingent liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

NOTES FORMING PART OF THE ACCOUNTS

1. (a) The Company's land and building, plant and machinery, equipment, vehicles both present and future have been placed as security under a pari passu charge for the term loans obtained by the Company from IDBI, IFCI, ICICI, State Bank of India, Andhra Bank and IREDA. Some of the said loans have been repaid in full but the satisfaction of charges created in respect thereof remains to be obtained pending certain technical formalities. Further these loans are guaranteed by promoter directors in their personal capacities.
- (b) Working capital facilities from banks are secured by way of hypothecation of work-in-process, finished goods, raw materials, all stocks of stores, bills receivables, book debts and by second charge on fixed assets of the Company on a paripasu basis among the participating consortium banks.
2. During the year 1991-92 the interest due on term loans from financial institutions viz. IDBI, IFCI and ICICI were funded with an option to convert a part of such funded interest not exceeding Rs.2.63 Million into fully paid up equity shares of the Company before 31-12-96. The Company cleared the funded interest loans by 31-03-95. However, IFCI filed a petition in a Court of Law demanding conversion of loan in to equity shares, which has been disputed by the Company and is pending disposal by the court.
3. (a) Sales Tax Deferment liability shown under Unsecured Loans represents the Sales Tax payable by the Company, treated as Interest Free Loan by Andhra Pradesh State Government to be repaid without interest after 14 years from the date of liability. The Company has availed this deferment scheme on its expanded capacity since 1997-98. The amount of such deferment by the Company from 2000-2001 till date, of Rs.102,014,322/- is subject to the final assessment orders by the Sales Tax Authorities, which are pending before various authorities.
- (b) Sales Tax authorities made provisional assessments for the assessment years 2003-2004 and 2004-2005, taking into consideration a partial period, and raised demands of Rs.7,747,667/- and Rs.6,860,557/- respectively. The demands are disputed by the Company on technical grounds and obtained a stay from Honourable High Court of Andhra Pradesh. Pending disposal of the same no provision is made in the books.
4. The demands from Excise Department on Central Excise duty and service tax amounting to Rs. 2,108,023/- and Rs.2, 563,332/- respectively were contested by the Company on various grounds, and were pending before various authorities. Pending disposal of the same no provision is made in the books of account. However an amount of Rs. 605,488/- is paid under protest towards excise demands and shown under 'Loans and advances'.
5. Provision not made for Income Tax in Dispute in respect of matters:

	As At 31.03.2005 (Rs. in million)	As At 31.03.2004 (Rs. in million)
A) Decided in the Company's favour by Appellate Authorities and for which the Department is in Further appeal		
Assessment year 2000-01	3.17	3.17
Assessment year 2001-02	35.77	35.77
B) Decided partly in favour of Company by Appellate Authorities and for which the Department is in Further appeal		
Assessment year 1997-98	0.57	0.57
Assessment year 1998-99	0.89	0.89

6. Contingent Liabilities

Rs. in million

Particulars	31.03.2005	31.03.2004
a. Claims against the Company not admitted	14.51	14.51
b. Counter guarantees given to banks in respect of Bank Guarantees issued in favour of various constituents	81.52	76.59
c. Letters of credit opened with banks	161.14	1.26
d. Estimated amount of Contracts remaining to be executed on capital accounts, not provided for.	57.36	1.05

7. Capacity and Production

Particulars	Qty.	31.03.2005	31.03.2004
Storage Batteries			
Installed Capacity	Nos	1,775,000	1,275,000
Actual Production	Nos	1,230,974	944,632

Note: The installed capacity is as estimated and certified by the management.

8. Turnover (Including Excise Duty)

Rs. in million

Particulars	31.03.2005		31.03.2004	
	Qty Nos.	Rs.	Qty Nos.	Rs.
Storage Batteries	1,222,943	2685.44	947,658	1999.23

Note: The above includes Nos.27,805 (18,379) Batteries issued as replacements, samples, etc.

9. Opening and Closing Stock of Finished Goods

Rs. in million

Particulars	31.03.2005		31.03.2004	
	Qty Nos.	Rs.	Qty Nos.	Rs.
Opening Stock	56,209	63.15	59,235	81.28
Closing Stock	64,240	79.88	56,209	63.15

10. Consumption of Raw Material

Rs. in million

Particulars	UNIT	31.03.2005		31.03.2004	
		Qty Nos.	Rs.	Qty Nos.	Rs.
Lead	Kgs	9464804	495.60	7006273	242.97
Lead Alloys	Kgs	8437127	491.88	6282012	246.44
Separator	Kgs	189292	54.41	133304	51.81
Separator	Sq. Mtrs.	1455783	57.68	970004	53.55
Miscellaneous	-	-	283.39	-	237.07
Total			1382.96		831.84

11. Comparison between consumption of Imported and Indigenous Raw Materials, Stores and Spares during the year.

i. Raw Materials

Rs. In Million

Particulars	31.03.2005		31.03.2004	
	Value	%	Value	%
Imported	958.47	69.30	613.87	73.80
Indigenous	424.49	30.70	217.97	26.20
Total	1382.96	100.00	831.84	100.00

ii. Stores and Spares Consumed (Charged to appropriate head)

Rs. in million

Particulars	31.03.2005		31.03.2004	
	Value	%	Value	%
Imported	1.83	9.03	3.13	21.16
Indigenous	18.43	90.97	11.66	78.84
Total	20.26	100.00	14.79	100.00

12. Value of imports made during the year by the Company calculated on CIF basis.

Rs. in million

Particulars	31.03.2005	31.03.2004
Capital Goods	47.13	4.58
Raw Material & Components	811.44	476.20
Stores & Spares	6.67	3.69
Total	865.24	484.47

13. Expenditure in foreign currency during the year

Rs. in million

Particulars	31.03.2005	31.03.2004
Royalty	0.28	11.12
Foreign Travel Expenses (Exclusive of tickets purchased)	3.90	4.45
Sales commission	1.11	-
Interest	0.93	-
Others	0.04	0.09
Total	6.26	15.66

14. Remittance in foreign currency on account of dividends

Rs. in million

Year	No. of non-resident Share Holders	No. of Shares	Amount of Dividend
2004-05	18	3,653,434	5.48
2003-04	20	3,705,824	5.56

15. Earnings in Foreign exchange during the year.

Rs. in million

Particulars	31.03.2005	31.03.2004
Sales	145.75	110.80

16. Remuneration to Executive Chairman and Managing Director:

i. Computation of net profits in accordance with Section 349 of the Companies Act 1956.

Amount in Rupees

		31.03.2005
Profit for the year as per the Profit and Loss Account		135,811,156
Add:		
Directors' sitting fee	56,000	
Remuneration to Executive Chairman & Managing Director	15,096,351	
		15,152,351
Net profit as per Sec.349		150,963,507
Remuneration to Executive Chairman @ 5%		7,548,176
Remuneration to Managing Director @ 5%		7,548,175

ii. Details of remuneration to Executive Chairman and Managing Director

Amount in Rs.

Particulars	31.03.2005		31.03.2004	
	EC	MD	EC	MD
Salary	2,400,000	1,800,000	2,400,000	1,800,000
Contribution to PF, Gratuity & other funds	–	9,360	–	9,360
Other perquisites	–	1,116,864	–	600,000
Commission	5,148,176	4,621,951	–	–
Total	7,548,176	7,548,175	2,400,000	24,09,360

17. Payments to Auditors

Amount in Rs.

Particulars	2004-05*	2003-04
Statutory Audit	400,000	324,000
Taxation Matters (including Tax Audit)	40,000	43,200
Sales tax audit	30,000	32,400
For Certification	100,000	108,000
Reimbursement of out of pocket expenses	18,039	–
Cost Audit	75,000	64,800
Cost Audit – Out of pocket Expenses	16,027	–
Certificate Fee for Cost Auditor	21,600	25,000
Total	700,666	597,400

*(Excluding applicable service tax)

18. Fixed Deposits under Cash and Bank balances include:

As at 31 March 2005	As at 31 March 2004	
Rs.	Rs.	
120,000/-	145,000/-	Lodged as security with various authorities.
55,240,510/-	26,540,510/-	Towards margin money deposits.

19. Sundry debtors include debts due from companies in which the directors are interested:

	As at 31 March 2005	As at 31 March 2004
	Rs.	Rs.
a. Amara Raja Power Systems Pvt. Ltd.,	7,039,500	15,020,250
Maximum balance	15,855,536	35,491,621
b. Amara Raja Electronics (P) Ltd.,	4,023,784	2,212,075
Maximum balance	5,082,865	3,316,434

20. There are no dues to Small Scale industrial undertakings outstanding for more than 30 days as at the date of Balance Sheet.

Particulars of the status of the creditors is based on the information as available with the Company. The same has been relied upon by the Auditors.

21. The Company is engaged in the manufacture of Lead Acid Storage Batteries. In the perception of the management, identifying the Company's business into further segments as per Accounting Standard – 17, does not arise.

22. Related Party Transactions:

Disclosure of Particulars pursuant to "Accounting Standard –18 "

(A) LIST OF RELATED PARTIES:

1. Key Management Personnel:

Sri. Ramachandra N Galla

Sri. Jayadev Galla

2. Relatives of Key Management Personnel:

Smt. G. Amara Kumari Wife of Sri. Ramachandra N Galla

Smt. G. Padmavathi Wife of Sri. Jayadev Galla

Smt. G. Ramadevi Daughter of Sri. Ramachandra N Galla

3. Enterprises in which Key Management Personnel and / or their relatives have significant influence:

Amara Raja Power Systems Pvt. Ltd.

Amara Raja Electronics Pvt. Ltd.

Mangal Precision Products Pvt. Ltd.

4. Enterprise with substantial interest:

Johnson Controls Mauritius Private Limited, Mauritius

(B) TRANSACTIONS WITH THE RELATED PARTIES:

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management Personnel and / or their relatives have significant influence	Enterprise with substantial Interest
	Rs.	Rs.	Rs.	Rs.
I. Transactions during the year:				
a. Remuneration paid	15,096,351	-	-	-
b. Sitting fee paid	-	6,000	-	-
c. Dividends paid	2,561,707	1,430,790	311,550	4,441,125
d. Rents paid	6,329,970	4,049,385	-	-
e. Sale of goods	-	-	25,277,200	37,749,384
f. Services rendered	-	-	8,888,597	-
g. Purchase of goods	-	-	3,184,640	5,570,707
h. Purchase of capital items	-	-	276,650	-
i. Service charges paid	-	-	58,767,312	-
j. Royalty paid	-	-	-	276,976
II. Balances as at 31-03-2005				
a. Share capital held	17,078,040	9,538,600	2,077,000	29,607,500
b. Remuneration payable	9,770,127	-	-	-
c. Payables – Trade dues	-	-	-	76,760
d. Receivables – Trade dues	-	-	11,063,284	19,321,039
e. Deposits receivable	3,515,000	1,757,500	-	-

23. Major components of Deferred Tax Assets and Liabilities as at 31.03.2005 arising on account of timing differences are:

Amount in Rs.

Particulars	Assets	Liabilities
1. Depreciation	--	149,618,091
2. Amounts disallowed U/s.43B of the IT Act & Others	18,690,776	--
Total	18,690,776	149,618,091

Net Deferred Tax Liability as on 31st March, 2005 Rs.130,927,315

24. In accordance with the provisions of Accounting Standard 29, which is applicable from the financial 2004-05, the Company has made provision of Rs. 28.7 mm towards probable future liability on account of warranty as at the end of the financial year. Consequently, to that extent, the profits of the current year are lower, when compared to the previous year.

25. Units of Mutual Funds purchased and sold during the year :

Amount in Rs.

Sl.No.	Particulars	Purchased	Sold
1	HDFC Cash Management Fund Savings Plan Daily Dividend (Rs. 10/-)	197,889	10,484,785
2	Grindlays Cash Fund - Daily Dividend (Rs. 10/-)	93,991	5,242,601
3	HSBC Cash Fund Dividend (Rs. 10/-)	97,702	5,250,790
4	Deutsche Liquid Insta Cash Plus (Rs. 10/-)	99,439	5,263,977
5	IL & FS Liquid Account (Rs. 10/-)	205,401	10,483,602
6	Prudential ICICI Liquid Plan	12,000,000	12,000,000
7	SBI Magnum Liquid Bonds Insta Cash Fund	30,006,601	30,000,000

26. The balances in various personal accounts are subject to confirmation by and reconciliation with the concerned parties.

27. In the opinion of Board of Directors the current assets, loans and advances are expected to realise the value stated in the accounts, in the ordinary course of business.

28. Previous year figures have been regrouped wherever necessary to confirm to the current year's classification.

29. Figures have been rounded off to the nearest thousands and rupees where it is mentioned in Million and amount in Rupees respectively.

as per report of even date attached

for and on behalf of the Board

For E. Phalguna Kumar & Co.
Chartered Accountants

Ramachandra N Galla
Executive Chairman

Jayadev Galla
Managing Director

E. Phalguna Kumar
Partner

For Chevuturi Associates
Chartered Accountants

Gopal Mahadevan
Chief Financial Officer

K. Ramakrishna
Company Secretary

S. Satyanarayana Murthy
Partner

Place: Tirupati

Date: 30 June 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

Particulars	2004-2005		2003-2004	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax		135,811,156		11,519,337
Add/Less: Adjustments for :				
Depreciation	136,307,132		123,052,249	
Foreign Exchange Difference	(4,650,694)		(2,436,923)	
Provision for Diminuation in the Value of Investments	33,073		1,065,049	
Profit on Sale of Assets	(16,673)		-	
Profit on Sale of Investments	(35,361)		-	
Loss on Sale of Assets	127,982		144,296	
Loss on Sale of Investments	950		-	
Assets Written off	592,762		-	
Interest Paid	1,448,427		1,754,335	
Dividends Received	(3,296,060)		(10,115,378)	
Interest Received	(8,528,844)		(8,473,207)	
Provision for leave Encashment	1,709,749		1,858,283	
Deferred Revenue Expenditure charged off	-		102,187,251	
Provision for Warranty expenses	27,596,367		(713,664)	
		151,288,810		208,322,291
Operating Profit Before Working Capital Changes		287,099,966		219,841,628
Add/Less: Adjustments for working capital:				
Decrease/(Increase) in Inventories	(133,713,379)		(13,031,748)	
Decrease/(Increase) in Sundry Debtors	(178,032,479)		(15,953,981)	
Decrease/(Increase) in Loans and Advances	(41,390,855)		(27,854,041)	
Decrease/(Increase) in Other Current Assets	859,067		(1,801,566)	
(Decrease)/ Increase in Trade Payables & Liabilities	178,920,396		(59,787,576)	
		(173,357,250)		(118,428,912)
Cash generated from operations		113,742,716		101,412,716
Less: i. Interest paid	1,448,427		1,754,335	
ii. Income Tax paid	50,136,051		37,834,573	
		51,584,478		39,588,908
Cash Flow before Extraordinary Items		62,158,238		61,823,808
Add : Foreign Exchange Difference		4,650,694		2,436,923
NET CASH FROM OPERATING ACTIVITIES - A		66,808,932		64,260,731
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(94,559,186)		(70,653,269)	
Decrease / (Increase) in capital work in progress	(3,377,465)		32,829,243	
Purchase of Investments	(62,913,476)		(78,270,707)	
Sale of Fixed Assets	802,958		345,673	
Sale of Investments	36,065,743		-	
Interest Received	5,366,412		8,473,207	
Dividend Received	3,296,060		10,115,378	
NET CASH USED IN INVESTING ACTIVITIES-B		(115,318,954)		(97,160,475)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

Particulars	2004-2005		2003-2004	
	Rupees	Rupees	Rupees	Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES				
(Decrease)/ Increase in Borrowings	84,260,490		51,429,330	
Dividend paid	(16,732,662)		(17,081,250)	
Dividend Tax paid	(2,188,535)		(2,188,535)	
NET CASH USED IN FINANCING ACTIVITIES-C		65,339,293		32,159,545
NET INCREASE IN CASH OR CASH EQUIVALENT (A + B + C)		16,829,271		(740,199)
Opening Cash and Bank Balances		152,292,556		153,032,755
ADD: Net increase in Cash or Cash Equivalent		16,829,271		(740,199)
CLOSING CASH AND BANK BALANCES		169,121,827		152,292,556

for and on behalf of the Board

Ramachandra N. Galla
Executive Chairman

Jayadev Galla
Managing Director

Gopal Mahadevan
Chief Financial Officer

K. Ramakrishna
Company Secretary

Place: Tirupati

Date: 30 June 2005

AUDITORS' CERTIFICATE

To

The Board of Directors
Amara Raja Batteries Limited

We have examined the attached Cash Flow Statement of Amara Raja Batteries Limited, Tirupati, for the year ended 31st March, 2005. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 30 June 2005 to the members of the Company.

For E. Phalgun Kumar & Co.,
Chartered Accountants

E. Phalgun Kumar
Partner

Place: Tirupati

Date: 30 June 2005

For Chevaturi Associates
Chartered Accountants

S. Satyanarayana Murthy
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

(i) Registration No.	:	0	5	3	0	5			
(ii) State Code	:	0	1						
(iii) Balance Sheet Date	:	3	1	0	3	2	0	0	5

II. Capital raised during the year (Amount Rs. in thousands)

(i) Public Issue	:	N	I	L
(ii) Bonus Issue	:	N	I	L
(iii) Rights Issue	:	N	I	L
(iv) Private Placement	:	N	I	L

III. Position of mobilisation and deployment of funds (Amount Rs. in thousands)

(i) Total Liabilities	:	2	8	0	9	7	9	3
(ii) Total Assets	:	2	8	0	9	7	9	3

Sources of Funds

(i) Paid-up Capital	:	1	1	3	8	7	5	
(ii) Reserves & Surplus	:	1	6	9	2	9	7	4
(iii) Secured Loans	:	7	3	6	6	6		
(iv) Unsecured Loans	:	1	5	9	3	9	3	
(v) Deferred Tax Liability	:	1	3	0	9	2	7	

TOTAL

2	1	7	0	8	3	5
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Application of Funds

(i) Net Fixed Assets	:	9	6	1	5	2	4
(ii) Investments	:	2	3	5	6	2	7
(iii) Net Current Assets	:	9	7	3	6	8	4

TOTAL

2	1	7	0	8	3	5
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IV. Performance of the Company

(i) Turnover including other income	:	2	7	4	8	4	7	9
(ii) Total Expenditure	:	2	6	1	2	6	6	8
(iii) Profit before Tax	:	1	3	5	8	1	1	
(iv) Profit after Tax	:	8	6	9	0	1		
(v) Earning per share in Rs.	:	7	.	6	3			
(vi) Dividend Rate in %	:	2	0					

V. Generic names of two principal products/services of the Company (as per monetary terms)

(i) Item Code (ITC Code)	:	8	5	0	7	2	0	.	0	0
Product Description	:	Storage Batteries - Maintenance Free Valve Regulated Lead Acid (MF-VRLA) Batteries								
(ii) Item Code (ITC Code)	:	8	5	0	7	1	0	.	0	0
Product Description	:	Lead Acid Storage Batteries used for Starting Piston Engines								

Member's Folio/Account No.....
DP ID
Client ID.....

Amara Raja Batteries Limited

Registered Office: Renigunta - Cuddapah Road, Karakambadi, Tirupati 517 520.

PROXY FORM

I / We
of
being a member / members of the above named Company, hereby appoint
..... of
..... or
failing him / her of
..... as my / our
proxy to vote for me / us on my / our behalf at the **Twentieth Annual General Meeting**
of the Company to be held at 3.00 p.m. on Saturday, 13 August 2005
and at any adjournment thereof.

Revenue
Stamp
Re. 1/-

Signed
.....

Date

Note: Proxies must reach the Company's Registered Office not less than 48 hours before the meeting.

Amara Raja Batteries Limited

Registered Office: Renigunta - Cuddapah Road, Karakambadi, Tirupati 517 520.

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

Name of the attending Member (in Block Letters):
.....
Member's Folio / Account Number:
Name of the Proxy (in Block letters):
Number of Shares held:

I hereby record my presence at the **Twentieth Annual General Meeting** at the
Registered Office of the Company at Renigunta - Cudappah Road, Karakambadi,
Tirupati - 517 520 at **3.00 p.m. on Saturday, 13 August 2005.**

.....
Member's / Proxy's Signature

Note: The copy of the Annual Report may please be brought to the meeting hall.
For Office Use:

AMARA RAJA BATTERIES LIMITED

(An Amara Raja - Johnson Controls Company)

Corporate Operations Office:

Corporate Marketing Office & Customer Support Centre

12, Kodambakkam High Road, Chennai - 600 034, India.

Tel: +91-44-2821 3270 Fax: +91-44-2828 4821