

Directors' Report

Dear Members,

Your Board of Directors are pleased to present their report for the financial year ended March 31, 2018.

Summary of financial results

The Company's financial performance for the year ended March 31, 2018 is summarized below:

	₹ crores	
Parameters	2017-18	2016-17
Revenue from operations	6,232.98	5,981.39
Other income	66.37	49.24
Total income	6,299.35	6,030.63
Profit before tax	714.20	702.21
Less: Tax expense (including deferred tax)	242.88	23.72
Profit for the year	471.32	478.49
Total other comprehensive income/(loss)	1.52	(1.29)
Total comprehensive income for the year	472.84	477.20

Share Capital

The paid up equity share capital of the Company as at March 31, 2018 stood at ₹17.08 crores comprising of 170,812,500 equity shares of ₹1 each. During the year under review, the Company has not issued shares with differential voting rights, employee stock options and sweat equity shares.

Dividend

Your directors recommend a final dividend of ₹2.15 per equity share of ₹1 each (215%) for the financial year ended March 31, 2018, subject to the approval of the shareholders. The final dividend, if approved, would involve a cash outflow of ₹36.72 crores (excluding corporate dividend tax). In the month of November, 2017, the Board declared and paid an interim dividend of ₹2 per equity share of ₹1 each (200%). The total dividend for the financial year ended March 31, 2018, including the proposed final dividend amounts to ₹4.15 per share (415%), which is in line with the dividend policy of the Company.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board approved and adopted the Dividend Distribution Policy and the same is available on the Company's website viz. www.amararaja.co.in

Transfer to reserves

Your Directors propose to transfer an amount of ₹47.13 crores to the general reserve. An amount of ₹2,475.17 crores is retained in the retained earnings.

Material changes and commitments affecting the financial position of the company between the end of the financial year and the date of the report

There were no material changes and commitments affecting the financial position of the Company between the end of the financial year and the date of this Report.

Automotive battery business

The Company's automotive battery business reported double digit revenue growth supported by good volume increase in both four-wheeler and two-wheeler batteries, over the previous financial year.

During the year, the Company fully expanded its capacity of the new four-wheeler battery plant, consolidating its position. In four-wheeler OEM space, the Company grew its share by growing beyond the 11% increase in automobile production. In the aftermarket segment, the Company's brands grew in both four-wheelers and in two-wheeler batteries, thereby, registering growth in market share. The volume growth in both four-wheeler and two-wheeler aftermarket business continued during the year due to strong preference for Company's products, supported by complete product offering, strengthening of brands Amaron® and PowerZone™, expansion of channel and leveraging customer relationships.

The volume from export business grew significantly at 30% over previous year. The brand and products of the Company have started gaining recognition in overseas markets, resulting in increased business. The focused market strategy in key markets, paid off leading to higher penetration and enhanced business.

The inverter battery segment saw a clear preference towards Tubular batteries, resulting in healthy utilization of the new Tubular plant. Some trading was resorted to in this segment to meet specific product range requirements.

Industrial battery business

The recent developments in the telecom market, with the new entrant, had disrupted the revenue models of all Telcos and tower companies forcing to relook at their cost structures and also merging of operations for cost efficiencies. This had impacted the volume off-take for replacement batteries in the industrial battery business during the year under review. In addition, the increase in lead price presented challenging market conditions in both Telecom and UPS segments. Under this competitive environment, the Company's industrial battery business achieved a very good growth in volume in industrial battery business segments like UPS, Railways, Exports during the year but de-grown in Telecom segment.

The industrial battery business improved the overall performance by virtue of its "preferred supplier status" with all major customers, efficient after sales service, customer relationship management and consistent product performance of its flagship brands PowerStack®, Quanta® and QRS Series batteries.

The Company has initiated necessary measures in all key customer segments to provide integrated solution offering for backup power requirements to its customer.

Promoters and their shareholding

The individual promoters (Galla Family) in the month of February 2017 as a part of consolidation of their shareholding in various Companies constituted a partnership firm namely M/s. RNgalla Family & Co., (Firm) and contributed inter-alia their shares held in the Company i.e 41,400,702 equity shares of ₹1 each as capital to the said firm. During the year under review, the said firm was converted into a Company i.e RNgalla Family Private Limited under part I of Chapter XXI of the Companies Act, 2013. At present, RNgalla Family Private Limited holds 41,400,702 equity shares of ₹1 each constituting 24.24% of the paid-up share capital of the Company.

Subsidiaries, Associates and Joint Ventures

There are no subsidiaries, associates and joint venture companies.

Directors and Key Managerial Personnel

Mr. Nagarjun Valluripalli, Mr. N Sri Vishnu Raju, Mr. T R Narayanaswamy and Ms. Bhairavi Tushar Jani are the present Independent Directors of the Company appointed pursuant to the provisions of Section 149 of the Companies Act, 2013 ("the Act"). They have submitted a declaration that each of them meet the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as an Independent Director during the year, which had been considered and taken on record by the Board.

In accordance with the provisions of Section 152 of the Act, Dr. Ramachandra N Galla, Director (DIN: 00133761) is liable to retire by rotation at the ensuing annual general meeting and being eligible offers himself for re-appointment.

Mr. Raphael John Shemanski (DIN: 07462586) and Mr. Trent M Nevill (DIN: 07699463) nominees of Johnson Controls resigned from the Board with effect from November 9, 2017 and May 18, 2018 respectively. The Board of Directors wishes to place on record their sincere appreciation of the valuable services rendered by them during their tenure as a director of the Company.

Mr. Marc D Andraca (DIN: 08032189) was appointed as an Additional Director on the Board with effect from February 10, 2018, who holds office upto the date of the ensuing annual general meeting. The resolutions seeking your approval for the re-appointment of Dr. Ramachandra N Galla, Director and appointment of Mr. Marc D Andraca as a Director are included in the notice of the ensuing annual general meeting along with brief details about them.

Pursuant to the provisions of Section 203 of the Act, Mr. Jayadev Galla, Vice Chairman and Managing Director, Mr. S Vijayanand, Chief Executive Officer, Mr. S V Raghavendra, Chief Financial Officer and Mr. M R Rajaram, Company Secretary are the key managerial personnel of the Company.

Auditors and Auditors' Report

M/s. Brahmayya & Co., Chartered Accountants and M/s. Deloitte Haskins & Sells LLP, Chartered Accountants were appointed as the joint statutory auditors at the Annual General Meeting held on August 14, 2015 for a term of five (5) years from the conclusion of the 30th annual general meeting till the conclusion of 35th annual general meeting. The Auditors' report does not contain any qualification, reservation or adverse remark.

As per Section 148 of the Act, read with the Companies (Cost Records and Audit) Rules as amended from time to time, the cost records are required to be audited. Based on the recommendation of the Audit Committee, your Board has appointed M/s. Sagar & Associates, Cost Accountants, Hyderabad as cost auditors for the financial year 2018-19. Necessary resolution for ratification of their remuneration is being placed for your approval.

Pursuant to Section 204 of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. R. Sridharan & Associates, Company Secretaries to undertake the secretarial audit of the Company for the financial year 2017-18. The Secretarial Audit Report in Form MR-3 received from them is annexed herewith as **Annexure I**. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Corporate Governance

The report on corporate governance for the year ended March 31, 2018 pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed hereto as **Annexure II**. The certificate from practicing company secretary regarding the compliance of conditions of corporate governance is attached to the report on corporate governance.

Management discussion and analysis

Management discussion and analysis report, highlighting the performance and prospects of the Company's business is provided in a separate section and forms an integral part of this report.

Business Responsibility Report

Pursuant to Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Business

Responsibility Report (BRR) initiatives taken from an environmental, social and governance perspective, is annexed hereto as **"Annexure III."**

Directors' responsibility statement

Pursuant to Section 134(3)(c) and 134(5) of the Act, the Board of Directors of the Company confirm, to the best of their knowledge and belief, that in the preparation of annual financial statements for the year ended March 31, 2018;

- i) applicable accounting standards and Schedule III of the Act have been followed;
- ii) appropriate accounting policies have been selected and applied consistently and such judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the profit of the Company for the financial year ended March 31, 2018;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognised in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an on-going basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function;
- iv) financial statements have been prepared on a going concern basis;
- v) proper internal financial controls are in place and that such internal financial controls were adequate and were operating effectively;
- vi) systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

Information and Disclosures under the Act

Extract of the Annual Return

The extract of the Annual Return pursuant to Section 134(3)(a) and Section 92(3) of the Act read with Companies (Management and Administration) Rules, 2014 in the prescribed form MGT-9 is annexed herewith as **Annexure IV**.

Number of Meetings of the Board

During the year five meetings of the Board of the Directors of the Company were convened and held in accordance with the provisions of the Act. The date(s) of the Board Meeting, attendance by the directors are given in the Corporate Governance Report forming an integral part of this report.

Committees of the Board

In compliance with the provisions of Sections 135, 177, 178 of the Act, the Board constituted Corporate Social Responsibility Committee, Audit Committee, Nomination and Remuneration Committee and Share Transfer and Stakeholders Relationship Committee (Committees). The details of composition of the Committees, their meeting and attendance of the members are given in the Corporate Governance Report forming an integral part of this report.

Corporate Social Responsibility (CSR)

The brief outline of the CSR Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are given in **Annexure V** to this report in the format prescribed in Companies (Corporate Social Responsibility Policy) Rules, 2014. The said policy is available on the Company's website at <http://www.amararaja.co.in/policies/ARBL-Corporate-Social-Responsibility-Policy.pdf>

Nomination and Remuneration Policy

The Board has on the recommendation of Nomination and Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management Personnel and their remuneration. The Nomination and Remuneration Policy adopted by the Board is available on the Company's website at <https://amararaja.co.in/policies/ARBL%20%20Nomination%20and%20Remuneration%20Policy.pdf>

Evaluation of the Board

Pursuant to the provisions of the Act, and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board had carried out an annual evaluation of its own performance, the Directors individually and of the committees of the Board.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering aspects of the Board's functioning such as adequacy of the composition of the Board and its committees, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of Individual Directors including the Chairman of the Board. The Directors performance was evaluated on parameters such as level of engagement and contribution in safeguarding the interest of the Company etc.

The performance evaluation of all Directors including the Independent Directors was carried out by the entire Board. Further, the performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors.

Mr. Marc D Andraca, additional director did not participate in the evaluation process or being evaluated, as he was appointed towards the end of the financial year 2017-18.

Familiarisation Programme for Directors

A handbook covering the role, function, duties and responsibilities and the details of the compliance requirements expected from the Directors under the Act, and relevant Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 were given and explained to the new Directors.

The newly appointed Directors are given induction and orientation with respect to Company's Vision, Core purpose, Core Values and business operations. In addition detailed presentations are made by Senior Management Personnel on business environment, performance of the Company at every Board Meeting.

The above initiatives help the Directors to understand the Company, its business and the regulatory framework in which the Company operates and enables the Directors to fulfill their role/responsibility. The details of the familiarization programme are available on the Company's website www.amararaja.co.in.

Particulars of loans, guarantees and investments

The Company has not given any loans, guarantees or security in connection with loans or made any investments falling within the ambit of Section 186 of the Act.

Transactions with the Related Parties

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. During the financial year 2017-18, there were no materially significant transactions with the related parties which might be deemed to have had a potential material conflict with the interest of the Company at large.

In line with the provisions of Section 177 of the Act, read with the Companies (Meetings of the Board and its Powers) Rules, 2014, omnibus approval for the estimated value of transactions with the related parties for the financial year is obtained from the Audit Committee. The transactions with the related parties are routine and repetitive in nature.

The summary statement of transactions entered into with the related parties pursuant to the omnibus approval so granted are reviewed and approved by the Audit Committee and the Board of Directors on a quarterly basis. The summary statements are supported by an independent audit report certifying that the transactions are at an arm's length basis and in the ordinary course of business.

The members at the annual general meeting held on August 7, 2017 approved and authorised the Board to enter into transactions with Mangal Industries Limited (MIL) upto a cumulative value of transactions of ₹1,000 crores in each financial year. During the financial year 2017-18, the transactions with MIL amounted to ₹721.16 crores (including dividend paid), a material transaction under the Regulation 23 of the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulations") and the policy adopted by the Company under the said Regulations.

The Form AOC- 2 pursuant to Section 134 (3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is set out as **Annexure VI** to this Report.

Internal Controls

The Company has put in place adequate system of internal controls commensurate with its size and the nature of its operations. The Company's internal control system covers the following aspects:

- Financial propriety of business transactions.
- Safeguarding the assets of the Company.
- Compliance with prevalent statutes, regulations, management authorisation, policies and procedures.

The Audit Committee of the Board periodically reviews audit plans, observations and recommendations of the internal and external auditors, with reference to the significant risk areas and adequacy of internal controls and keeps the Board of Directors informed of its observations, if any, from time to time.

Risk Management

During the year, the risk assessment parameters were reviewed and modified. The audit committee reviewed the element of risks and the steps taken to mitigate the risks. In the opinion of the Board, there are no major elements of risk which has the potential of threatening the existence of the Company.

Whistle Blower Policy /Vigil Mechanism

The Company has established a whistle blower policy/vigil mechanism to provide an avenue to raise concerns. The mechanism provides for adequate safeguards against victimization of employees who avail of it and also for appointment of an Ombudsperson who will deal with the complaints received. The policy also lays down the process to be followed for dealing with the complaints and in exceptional cases, also provides for direct appeal to the Chairperson of the Audit Committee. The Whistle Blower Policy established by the Board is available on the Company's website at <http://www.amararaja.co.in/policies/ARBL-Whistle-Blower-Policy.pdf>

Deposits from Public

The Company has not accepted any deposits from the public falling within the ambit of Sections 73 and 74 of the read with and the Companies (Acceptance of Deposits) Rules, 2014 during the year under review. There are no outstanding deposits as on March 31, 2018.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption, foreign exchange earnings and outgo as per Section 134(3)(m) of the Act read with Rule 8 of The Companies (Accounts) Rules 2014, are annexed hereto as **Annexure VII** and forms an integral part of this report.

Particulars of Remuneration

The information required pursuant to Section 197(12) of the Act read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed hereto as **Annexure VIII**.

A statement showing names and other particulars of the top ten employees and employees drawing remuneration in excess of the limits prescribed under Rule 5(2) of the said rules is also annexed to the Directors' Report as **Annexure IX**. However, as per the provisions of Section 136(1) of Companies Act, 2013, the annual report is being sent to all the members excluding the aforesaid statement. The statement is available for inspection at the registered office of the Company during working hours.

Reporting of Frauds

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of the Act and the rules made there under.

Regulatory Orders

There are no significant material orders passed by the Regulators/Courts which would impact the going concern status of the Company and its future operations.

Compliance of Secretarial Standards

The Company has complied with the Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India and approved by the Central Government.

Investor Education and Protection Fund (IEPF)

In terms of Section 124 (5) of the Companies Act, 2013, a total amount of ₹3,964,451 being unclaimed dividend(s) pertaining to the financial year 2009-10 and interim dividend for the financial year 2010-11 were transferred to IEPF on September 15, 2017 and March 22, 2018 respectively.

Health, Safety and Environmental protection (HSE)

The Company has complied with all applicable environmental and labour laws. The Company continues to be certified under ISO-14001 and OHSAS 18001-2007 for its environment management systems and occupational health and safety management systems respectively.

Prevention of Sexual Harassment at workplace policy

The Company has in place a policy on prevention of Sexual Harassment and has constituted an Internal Complaints Committee (ICC) in line with the requirements of the Sexual Harassment of women at the workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder. During the year, the Company received one (1) complaint which was investigated and resolved as per the provisions of the aforesaid Act.

Awards and Recognitions

Your Company continues to get accolades and awards from its customers and other prestigious domestic/international forums. Some of the awards and recognitions your Company received during the year under review:

- Featured in Forbes Magazine's August 2017 issue, **India's Super 50 Companies** for the second time in a row.
- Received "**First Award**" under the category "**Private – Manufacturing (Large)**" at the 14th National Awards for Excellence in Cost Management 2016 from The Institute of Cost Accountants of India.
- Received the **Quality award** and **Q1 award** from Tata Motors Limited and Bajaj Auto Limited respectively in recognition for our excellence in the field of QCQM parameters (Excellence in Quality, Delivery, and relationship Building)
- Received "**Gold award**" under infra equipment's category from Indus Towers Limited.
- Received the "**Overall Performance**" award from Bosch Limited Bangalore.
- Received "**Environmental Leadership**" award from Cummins India Limited.
- Supply Chain team won the '**Best-in-class Supply Chain Innovation Award**' at the Asia Logistics & Supply Chain Leadership Conclave held at Mumbai.
- Two-wheeler automotive battery plant team won the 1st runner award in Eleventh CII Six Sigma National Conference and Competition under the "**Manufacturing Industry (Discrete and Assembly Line)**" category.
- Bestowed with prestigious **ABK AOTS awards** in following three different categories
 - i. **Model 5S Company award** for MVRLA Battery Plant, Chittoor and Automotive Battery Plant, Tirupati
 - ii. **Platinum award under Excellence category** for LVRLA Battery Plant, Tirupati, Tubular Battery Plant and Automotive Battery plant II, Chittoor
- Four teams won Gold awards in ICQCC (International Convention of Quality Control Circles) 2017 competition held in Manila, Philippines.
- Adjudged as winner for its presentation on "**Nava Prathibha -Talent building at the Entry Level**" under the category of "**Most Effective Recruitment, Engagement & Innovative Retention Strategy**" at the CII -First National HR Circle Competition.

Industrial relations

During the year under review, industrial relations remained cordial and stable. The directors wish to place on record their sincere appreciation for the co-operation received from employees at all levels.

Acknowledgement

The Board of Directors takes this opportunity to place on record their appreciation for the unstinted co-operation, commitment and dedication of all the employees of the Company, and the support extended by the channel partners, customers, vendors, business associates, banks, government authorities and all concerned without which it would not have been possible to achieve all round growth of the Company.

Your Directors also take this opportunity to thank the joint venture partner Johnson Controls for their valuable assistance and support. The Directors are thankful to the shareholders for their continued patronage.

On behalf of the Board

Dr. Ramachandra N Galla
Chairman

Place: Milwaukee, USA
Date: May 18, 2018