FINM542 CORPORATE FINANCE – I

Academic Task No. 1

AN ANALYSIS OF SOURCES OF FINANCE AND FINANCING STRATEGY OF EXIDE INDUSTRIES LIMITED

A Multi-Year Study with Industry Benchmarking

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DECLARATION

We, the undersigned group members, declare that this report has been prepared jointly for the Corporate Finance – I academic task. The analysis is based mainly on published company information, annual reports, statutory filings, official financial releases, and academic literature. We have used this material as a basis for analysis and have rewritten the discussion in our own words as a group. All figures, calculations, and interpretations have been cross-checked against the cited annual reports and the company's Form MGT-7 Annual Return before submission.

ACKNOWLEDGEMENT

We would like to thank our faculty Dr. Tajinder Singh sir for giving us the opportunity to study a practical corporate finance problem through the financial statements of a real company. This report helped us understand that financing decisions come down to how much risk a company is willing to take on, not just how much money it can raise. We used annual reports, statutory filings, company disclosures and academic research to understand the financing pattern of Exide Industries Limited and compare it with companies operating in the same broad battery and energy-storage space.

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1. INTRODUCTION

Finance, which mainly focuses on how corporation (or company) raises funds and then applies them is called corporate finance. A company can have a successful product and can sell it very well, but it Yes doesn't guarantee that its development will not be limited by an inconvenient financing structure. Important sources of finance are retained earnings equity bank finance, debentures and borrowing. A change in the choice of the final type of finance can cause change in cost risk control and financial flexibility.

This report is dedicated to look into the financing policy of Exide Industries Limited, a key player in the Indian battery industry. This is not only to know the sources of finance that Exide has available to it, but also to interpret what the financial indicators tell us about the financiation process of its growth. We have selected a 5 years time frame for this research analysis ie FY 2021-22 to FY 2025-26, which is significant in the light of the post-pandemic resumption, a better vehicle and industrial demand and the beginning of a greater focus towards new-energyand Next-generation batteries.

Based on the latest financials published by Exide, the sales of the firm have grown steadily in last 5 years (Exide Industries Limited, 2026c) from Rs. 12410 crores during FY 2021-22 to Rs. 17269 crores during FY 2025-26. The same rise is recorded in operating profit of the firm, which increased from Rs. 1398 crores to Rs. 1943 crores during these years. The cash profits of the company also rose from Rs. 5097 crores during FY 2021-22 to Rs. 1612 crores in the year FY 2025-26. Yet, it must be kept in mind that the FY 21-22 results are not comparable to results in any other financial year, as there was an abnormal income made during this financial year.

It is only appropriate to consider the expenses caused due to this abnormal income as the future normal profits. What is the concern of this report is whether Exide follows conservative financing or aggressive financing when meeting its financial plan. The compare of Exide with Amara Raja Energy & Mobility and HBL Engineering is done for getting fair ideas of the figures for industry standards..

1.1 Milestones, Origin and Temporal Progress

The corporate history of Exide reveals a slow evolution from conventional storage batteries into a diverse energy-storage portfolio. The origins of the company in India are below: the company

traces back to the formation of one battery manufacturing unit at Shamnagar, West Bengal in 1946 and the formation of Associated Battery Makers (Eastern) Limited in 1947. Afterwards, the business's title changed various times and was forming Exide Industries Limited in 1995. As the official record of the company's important dates, this does not determine a single United States/individual founder; as a result, in this report the founding corporate body and history is revealed rather than stating a United States/individual founder, to remove an unfounded personal legacy..

2.1 Exploring New Markets Through Collaboration

Examples of growth in advanced energy storage at Exide show how cooperation can enable entry into a new technology and customer market. In April 2004 a non-binding Memorandum of Understanding was signed with Hyundai Motor Company and Kia Motor Corporation by Exide Energy Solutions Limited (EESL), a wholly owned subsidiary of Exide Industries, for strategic partnership in the Indian electric-vehicle marketmore exactly development, production, and supply of battery cells for Hyundai electric cars for the Indian market, which is clearly as a strategic market-development opportunity not a source of contract revenue. The partnership is enabled by Exide's investment in EESL. Exide injected 1,500 crore of equity during FY202526, taking total investment to 4,802 crore (cumulative, until end of FY2025-26).

As the FY202526 the company improved internal validation, commissioning and plant readiness on cylindrical and prismatic lines, while sample delivery and initial commercialisation was scheduled for FY202627. Exploring the corporate-finance dimensions-this is a capital-allocation decision in which the company was investing internal funds today, for future cash flow additions in a new market. A collateral of the alliance is that it reasserts the importance of strategic alliances from a financing perspective: technology, customer base and production capability can be built up without depending solely on debt-funded growth. Yet at the same time, the investment is not yet replicating mature operating returns, which was reported to be the case in FY202526 with Exide's Return on Net Worth dipping in part due to the onerous investments in EESL that has yet to come through..

Table 3: Selected collaborations supporting Exide's new-market expansion

Collaboration / initiative	Purpose	Corporate-finance relevance
EESL–Hyundai Motor Company & Kia MoU (2024)	Develop, produce and supply battery cells for Indian EV applications	Supports entry into EV battery market; non-binding and therefore not treated as guaranteed revenue
EESL lithium-ion cell manufacturing	Build cylindrical and prismatic cell capabilities	Large internal-capital allocation for future growth; cumulative equity investment ₹4,802 crore by FY26
SVOLT technical collaboration (2022)	Technology support for lithium-ion cell manufacturing	Reduces the technology-development barrier associated with a new business line

Source: Exide Industries Limited investor disclosures and Integrated Annual Report 2025–26.

Table 2: Selected milestones and temporal progress of Exide Industries

Year	Milestone / temporal progress
1946–47	First battery plant at Shamnagar; Associated Battery Makers (Eastern) Limited established
1969	Second factory established at Chinchwad, Pune
1976	R&D centre established in Kolkata
1995	Chloride Industries Ltd. renamed Exide Industries Ltd.
2003	Bawal plant commissioned, strengthening OEM manufacturing footprint
2011–12	Home-UPS manufacturing capabilities added through acquisitions
2018	Entry into lithium-ion battery packs and modules at Prantij, Gujarat
2022	EESL established; technical collaboration with SVOLT for lithium-ion cell manufacturing
2024	EESL signed a non-binding MoU with Hyundai Motor Company and Kia for EV battery-cell cooperation in India
2025–26	₹1,500 crore invested in EESL during FY26; cumulative equity investment reached ₹4,802 crore

Source: Exide Industries Limited (official milestones, investor disclosures and FY2025–26 Integrated Annual Report).

2. COMPANY PROFILE – EXIDE INDUSTRIES LIMITED

Exide Industries Limited is an old name in the energy-storage industry, an Indian company. It's producing automotive and industrial batteries and energy-storage devices. It is listed on the Bombay Stock Exchange and on the Na tional Stock Exchange, the symbol is EXIDEIND. And, the company's investor relations section contains the annual reports, the financial accounts and the financial indicators summary between 2006 and 2016 (Exide Industries Limited, 2026b).

The business of the company has always been concerned with the automotive after-market, the different producers of their equipment, and other industries. At the same time, the battery market is going through a revolution thanks to electricmobility, by renewable energies, data-centers, telecom industry, and others places where energy storage is an absolute priority. It's very important for corporate finance.

The battery company has to raise money to set up its plant and equipment, develop the technology, create the working capital, conduct research and expand when not enough capital is discussed. Still, too much borrowings may burden with the fixed-interest obligation in low-margin period. Because of this, Exide's financial function can be the good example on the balance of internal and external fund.

3. THEORETICAL FRAMEWORK

3.1 Sources of Finance

Sources of finance can be classified into two including external sources of finance and internal sources of finance. Those sources of finance, which are internal first and foremost comprise of retained earnings and cash flow from operation. External sources consist of issues of equity, taking loans from banks and selling of bonds debentures commercial papers and other sources of finance. Issuance of shares and debentures in India is handled by the Companies Act 2013 whereas the public issues of corporate debts are handled SEBI (Ministry of Corporate Affairs, 2013; SEBI, 2026). Financial resources used over time are mainly used as working capital, financial resources used over time are used for investment in fixed assets and for the development of the business.

3.2 Pecking Order Theory

The pecking order theory is relevant for this study. This theory states that firms always prefer internal financing first, then raise debt then go for new equity issue as last (Myers, 1984). The reason being, information asymmetry since the company managers generally have more information about their firms than investors and because of this issuance of security becomes difficult or observed as a signal in the market (Myers & Majluf, 1984). We have plethora of evidences collected in various research works related to Indian firms indicate the pecking order financing decisions and information asymmetry impacts the firms financing decisions (Chakrarty 2010, Sony & Bhaduri 2021).

3.3 Trade-Off Theory

The trade off theory considers that debts are both advantageous and disadvantageous. But, it should not be forgotten that debts tend to provide tax advantage as they are taxed on the interest thoughpay. Also, debts tend to reduce the all-in cost of capital. Conversely, debts also create some burdens and forward the probability of the financial distress (Jensen, 1986). This way firms find the best debt level where advantages and disadvantages of using debts are in balance (Shyam-Sunder & Myers, 1999; de Jong et al., 2011).

3.4 Capital Structure and Financial Flexibility

Capital structure, defined as the particular combination of debt and equity that the firm uses. A business with a low debt level faces fewer risks as far as its finances are concerned and is so more capable of borrowing at a later stage. Businesses with high debt levels can potentially provide investors with very high returns if profits are high still they will have more fixed obligations to meet (Frank & Goyal, 2003). Financial flexibility is highly relevant to firms in industries with rapid changes in demand and technology.

4. RESEARCH METHODOLOGY

The report written through descriptive and analytical approach is focused on what comes next; the disclosers to the major company data is obtained from various disclosers to the investor's information of Exide such as annual statement reports for several years. The time period of the study is from the fiscal year of 2021-22 to 2025-26.

The theoretical background has been described with the help of secondary literature related to capital structure and financing behaviour. Key ratios that are cited in this report are like this: sales growth, profit ratios (operating profit and net profit), net cash profit, debt to equity ratio and the capacity to service the debt. Data provided by the competitors in the battery and energy systems fields is used for comparison.

The calculation of the authorities was used predominantly the straightforward form of the formula with the use of figures published. For instance, the cost of operating profit was equal to the operating profit to sold multiplied by 100. Like that, value of the debt to equity ratio was clear from the total debt to the shareholder's equity.

5. SOURCES OF FINANCE USED BY EXIDE INDUSTRIES

5.1 Internal Accruals and Retained Earnings

Most impressive feature of the finance policy of Exide is its reliance on internally generated funds. As stated in Exide's annual report 2026 for the year ending on 6, Exide describes its finance policy as being a conservative one as its fact is that the company was able to sustain debt-free balance sheet as the internally generated funds gave higher inflows than external ones (Exide Industries Limited, 2026). As the statement explains the cash generated from its operations was 2, 231 crores in year ending 6 and it was only 1, 298 crores in FY 2025-26 (Exide Industries Limited, 2026). Internally generated funds seem on the ground of corporate finance favorable because for this source of fund no direct costs and no dilution of ownership are given. Still it is necessary to remember that the company's retention is limited and the company has to balance its investment with the dividends and acquisitions and some other shareholders' requirements.

5.2 Equity Share Capital

Equity is a permanent type of financing and does not necessitate repayment. Exide has already been listed, so equity opportunities are open in case funds are required, as long as it adheres to SEBI's issuance guidelines (SEBI, 2025). Nevertheless, issuing shares could affect existing shareholders and may not be required due to its high internal generation of cash.

5.3 Debt and Borrowed Funds

All types of debt financing are designed and have its own virtues, which enable the operations of organizations to run smoothly without any complications. The changing concerns on debt financing of India have had its own implications on the debt financing of Exide (Reserve Bank of India, 2025). One assumption that is to be considered is that of debt financing to funding long-term investments through the investment of matching length. While Exide is taking conservative approach, but even in its recent report FY 2025-26, it shows its balance sheet as devoid of liabilities (Exide Industries Limited, 2026a). Also, the FY 2024-25 shows details of the very low debt equity ratio due to existence of liabilities in leases (Exide Industries Limited, 2025). But actually it does not prove that debt financing can be a missed opportunity for Exide. Rather it seems as if the

company will be avoiding debt until the point where it needs be to able to embark on any future investment opportunities where there are no liabilities involve.

5.4 Short-Term Finance and Working Capital

All manufacturing companies need short-term funds to meet the requirement for inventory, trade receivables, and other working capital needs. A good cash position along with successful working capital cycle can minimize dependency on bank loans. According to Exide's FY 2025-26 report, the number of days of net working capital is about 27 days (Exide Industries Limited, 2026a), which shows that operational efficiency is a key element in its financing strategy.

6. FIVE-YEAR FINANCIAL ANALYSIS

Table 6.1 presents selected financial figures from Exide's official ten-year key financials. The figures are in ₹ crore.

Particulars	FY22	FY23	FY24	FY25	FY26
Sales	12,410	14,592	16,029	16,588	17,269
Operating Profit	1,398	1,568	1,871	1,893	1,943
PBT before exceptional	1,026	1,215	1,410	1,441	1,500
Net Profit	4,684	904	1,053	1,077	1,111
Cash Profit	5,097	1,359	1,550	1,581	1,612

Source: Exide Industries Limited (2026c), Key Financials – 10 Years. Figures reproduced from the company's official investor disclosure.

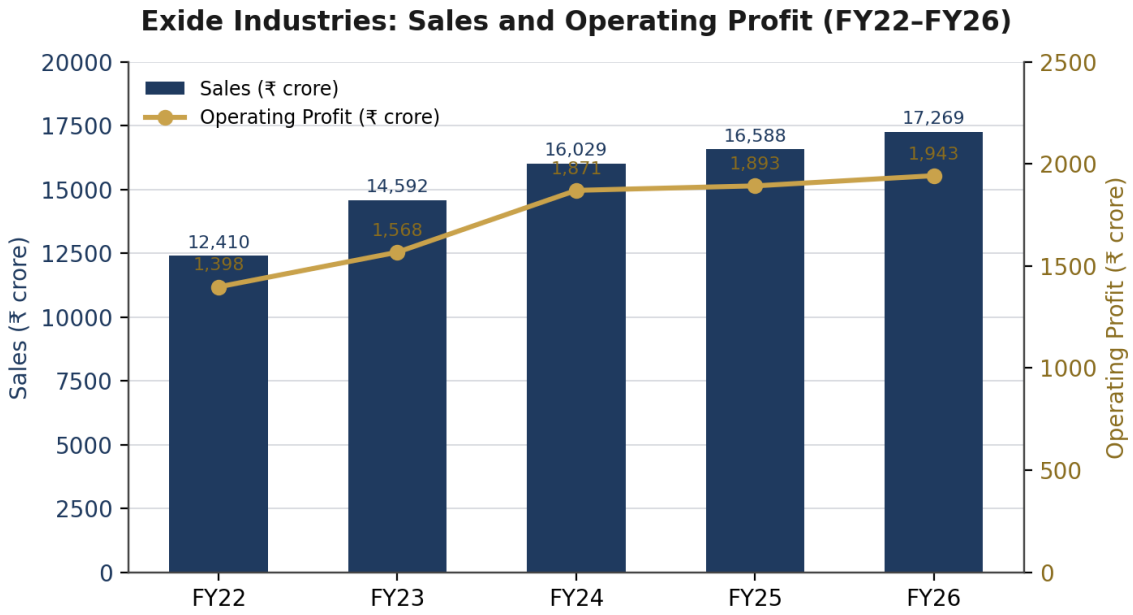


Figure 1: Sales and operating profit trend, FY22–FY26 (₹ crore)

6.1 Sales Trend

Throughout this period, the sales have increased till very high. The sales has increased from 12410 cr in FY22, to 17269 cr in FY26, which is a growth of approx. 39.2% for the 5-year period. This can be seen that the sales has been increasing even during the time of the pandemic and the subsequent changes in the automobile and energy-storage markets. Growthfor finance reasons, a firm's growth in sales will create additional demand for working capital. If the growth is financed using the internal cash generation of the firm, then the firm's ability to generate positive operating cash flows needs to be checked. Because of this, Exide's cash flow capabilities support the advantages of low-debt policy.

6.2 Operating Profit

The operating profit is increased from 1398 crore to 1943 crore. The operating margin is calculated as: FY26 operating margin= 1943/17269*100= about 11.25%. The operating margin for FY22 is worked out as 11.26%. So 5 years the operational margin remained almost same although large sales growth. This is important because it means that the story of the source of finance lies in a consistent operating performance rather than where one profit is taken. Consistent operating margins enable the company to finance investment out of its own cash flow from trading.

6.3 Net Profit and the FY22 Exceptional Item

Highest net profit was observed during FY22 of the organization worth as (Exide Industries Limited, 2026c). The financial position of the organization is showing exceptional item worth as if in the year 22, which is not a benchmark for other successive years. It has is risen to assets 904 in FY23 and assets 1053 in FY24 assets 1077 in FY25 and assets 1111 in FY26. In this very reason, operating profit, PBT excluding exceptional item, and cash flows has been given more importance in the report for finance capacity against others. Single ratio/ year here would have mislead us.

6.4 Cash Generation

The cash profit grew from Rs 1,359 crores during FY23 to Rs 1,612 crores during FY26. However, even more important is that Exide reported an operating cash flow of Rs 2,231 crores during FY26. A firm having a good operating cash flow is able to manage a portion of its capital spending without borrowing much money, which is the strategy of Exide.

6.5 Sales Index (FY22 = 100)

A sales index converts the five-year sales series into a common base, making the pace of expansion easier to compare without changing the underlying rupee values. FY22 is set at 100; each later year is calculated as current-year sales divided by FY22 sales multiplied by 100.

6.6 Justification for the Five-Year Financial Analysis

The choice of five years is important: it covers more than a one-year snapshot but just one clear business cycle. FY2021-22 is the point where the major one-time gain occurred on the sale of its shares of Exide Life Insurance Company, and so profitability indicators for that year could be manipulated. FY2022-23 and FY2023-24then reflect a period of normalization of earnings, and the growth in sales; FY2024-25 and FY2025-26reflect the company's drive towards high-end batteries and investments in new energy sources.

But the five-year period allows the financing policy to be compared with net worth leverage profitability, investment policies and sales. This time frame also coincides with the assignment marking guideline, which calls for analysis of three-to-five-year trends (with any trends tested and explained). Analyzing FY22FY26 would allow the financing discussion to be contextually internally consistent, while connecting it to the company's post-pandemic operating recovery and the start of its broader lithium-ion investment cycle.

Table 4: Five-year sales index of Exide Industries

Particulars	FY22	FY23	FY24	FY25	FY26
Sales (₹ crore)	12,410	14,592	16,029	16,588	17,269
Sales Index (FY22=100)	100.00	117.58	129.16	133.67	139.15

Source: Exide Industries Limited (2026c), Key Financials – 10 Years. Calculation by the authors.

7. CAPITAL STRUCTURE AND RATIO ANALYSIS

7.1 Operating Profit Margin

Formula: Operating Profit Margin = Operating Profit / Sales × 100.

FY22 = 1,398 / 12,410 × 100 = 11.27% (approximately). FY26 = 1,943 / 17,269 × 100 = 11.25% (approximately). The similarity suggests that Exide maintained a relatively stable operating margin while expanding revenue.

7.2 Net Profit Margin

Formula: Net Profit Margin = Net Profit / Sales × 100.

FY26 = 1,111 / 17,269 × 100 = approximately 6.43%. FY25 = 1,077 / 16,588 × 100 = approximately 6.49%. That small a movement points to profitability after tax staying broadly stable in the latest two years.

7.2b Return on Net Worth (Verified via Statutory Filing)

Calculation: return on net worth = net profit/net worth in percentage. Applying the net worth of '14,673.58 crore and the net profit of '1,111 crore, which are filed in the form MGT -7 Annual return by the company with Registrar of companies (Ministry of Corporate Affairs, 2026), return on net worth = 1,111/14,673.58.x 100 =7.57%. The value is in particular interesting because the returns are derived from a truly independent filing of a statutory company document, not a disclosure to investors by the company. Such a measure is so highly traceable. The moderate return on net worth together with the conservative capital structure can allow Exide to more actively employ financial leverage without quite a bit increasing its risk levels.

7.2c Five-Year Capital Structure and Ratio Analysis

The table below aligns the major profitability and financing indicators across the same five-year period. The FY22 net profit margin and Return on Net Worth are marked with an asterisk because

both are affected by the exceptional gain recognised in that year; they should not be interpreted as recurring operating performance.

Table 5: Five-year capital structure and profitability ratio analysis

Ratio / Particular	FY22	FY23	FY24	FY25	FY26
Operating Profit Margin (%)	11.27	10.75	11.67	11.41	11.25
Net Profit Margin (%)	37.74*	6.20	6.57	6.49	6.43
Return on Net Worth (%)	53.6*	8.3	8.6	7.8	7.6
Net Worth (₹ crore)	10,598	11,210	13,137	14,442	14,674
Loans / Debt (₹ crore)	10	0	0	0	0

*Source: Exide Industries Limited (2026c), Key Financials – 10 Years; Integrated Annual Reports. *FY22 includes the exceptional gain and is therefore not a normalised year.*

7.2d Return on Net Worth – Five-Year Trend

Retour sur la valeur nette (RONW) becomes very interesting for financing analysis as it is the rate of return on the money invested by shareholders. Exide's RONW figure was abnormally high in FY22 due to Exide Life Insurance Company's share sale armot gain. RONW normalized to 8.3% in FY23, 8.6% in FY24, 7.8% in FY25, and 7.6% in FY26. The FY26 annual report cites large investments in EESL, which still haven't yielded returns.

7.3 Debt-Equity Position

7.3a Five-Year Financing Mix: Equity, Preference Capital and Debt

The next table above categories paid-up equity share capital, preference share capital and interest related loans separately. Paid-up equity share capital was constant at 85 crore for Exide during all 5 years and no preference capital is reported. Further interest bearingloan reports 10 crore only for its FY22 and instead nil thereafter in it's 10 years key-financial series. So the computed debt-to-net-worth ratio below is based only on reported loans and should not be taken as equivalent to SEBIs ratio, which can take into account other liabilities related to debt, i.e.lease liabilities.

Table 7: Return on Net Worth (RONW), FY22–FY26

Financial Year	FY22	FY23	FY24	FY25	FY26
Reported RONW (%)	53.6	8.3	8.6	7.8	7.6
Interpretation	Exceptional-item effect	Normalisation	Stable range	Moderate decline	Slight decline amid EESL investment

Source: Exide Industries Limited (2026c), Key Financials – 10 Years; Integrated Annual Report 2025–26.

Table 6: Five-year debt–equity position and financing mix

Particular	FY22	FY23	FY24	FY25	FY26
Equity share capital (₹ crore)	85	85	85	85	85
Preference share capital (₹ crore)	0	0	0	0	0
Interest-bearing loans / debt (₹ crore)	10	0	0	0	0
Net worth (₹ crore)	10,598	11,210	13,137	14,442	14,674
Loans / Net worth (%)	0.09	0.00	0.00	0.00	0.00

Source: Exide Industries Limited (2026c), Key Financials – 10 Years; Corporate Benefits / Equity History. Calculations by the authors. Preference capital shown as nil where no preference share capital is reported.

The debt-equity ratio of Exide is very conservative. As per the FY2024-25 annual report, the debt-equity ratio was 2.67% as against 3.01% in FY2023-24 with lease liabilities considered as the major component in deriving the analytical ratio (Exide Industries Limited, 2025). FY2025-26 annual report reflects in reality the company has been adhering to debt free balance sheet (Exide Industries Limited, 2026a). Independent confirmation of this fact is provided in the statutory Form MGT-7 Annual Return (filed with Registrar of companies for FY ending 31 March 2026) disclosure that there is nil outstanding non-convertible, partly convertible as well as fully convertible debentures, has a turnover of '17,268.92 Crore, and net worth of '14,673.58 Crore (Ministry of Corporate Affairs, 2026).

Since no new equity was issued by the company because of public issue, rights issue, bonus issue, preferential allotment or ESOPs during FY 2025-26, the extent of changes in paid up capital (a fresh allocation of 7 92 559 shares was the only change in paid up-capital during the year on physical to demat conversion basis) indicates that Exide neither issued fresh equity nor raised any debentures and because of this growth during the year was internally funded. A low debt-equity ratio refers to a lower risk and borrowing capacity as far as the firm would need the funding to any project at some stage in the future. conversely, in this context implies Truth is the company has not benefited from taxation shield and uses. Still, this may not necessarily be a weakness, as the company might generate enough cash internally to meet its goals.

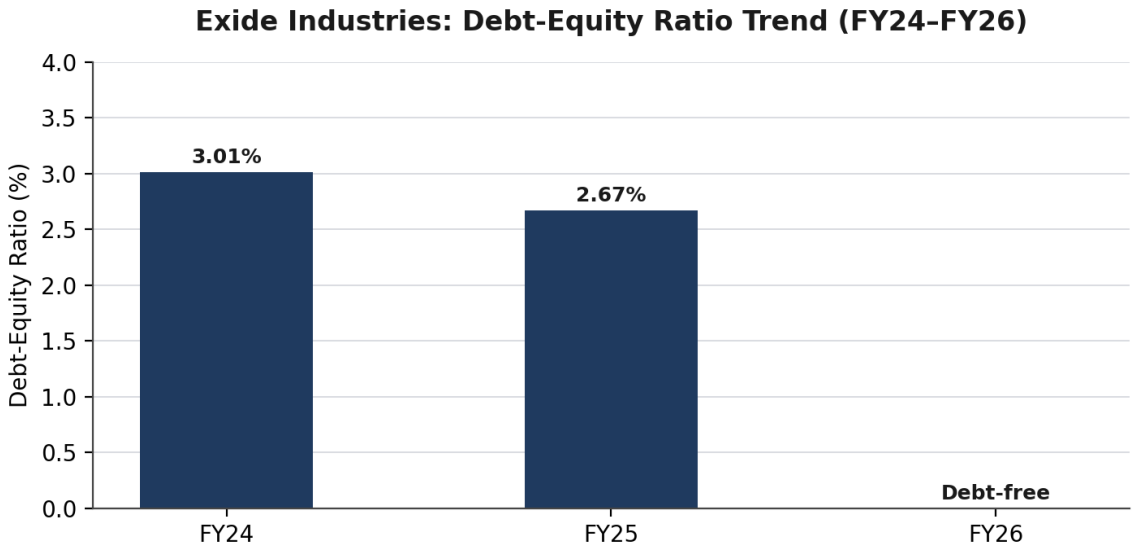


Figure 2: Debt-equity ratio trend, FY24–FY26

7.4 Debt Servicing Capacity

In the FY2024-25 annual report, the Debt service coverage ratio recorded was 29.97 as against 26.63 in FY2023- 24(Exide Industries Limited, 2025). So the firm has a large cushion on operating income and debt service requirement, so affirms the strong creditworthiness of Exide.

7.5 Overall Interpretation

Overall, it is clear that the firm has a solid internal funding capacity, low financial gearing and consistent operating performance. Because of this, the firm's capital structure should be considered as conservative instead of aggressive. In my view, the primary benefit of such capital structure for the firm is flexibility in the event that it needs to use debt for a sole project.

8. PEER BENCHMARKING

For the purpose of benchmarking, the most similar company in terms of operations is Amara Raja Energy & Mobility. HBL Engineering can be used as a benchmark for the company as well. The comparison must be considered as directional and not like-for-like.

Company	FY25 Revenue	FY25 Debt/Equity	Comment
Exide Industries	₹16,588 cr	~0.03x / very low	Conservative, largely internally funded
Amara Raja Energy & Mobility	₹12,846 cr consolidated	~0.02x	Low leverage, strong internal cash generation
HBL Engineering	₹1,946 cr	0.04x	Very low leverage, net cash position

Sources: Exide Industries annual financial disclosures; Amara Raja Energy & Mobility FY2024-25 annual report/investor presentation; HBL Engineering FY2024-25 annual report. Definitions may differ slightly across companies.

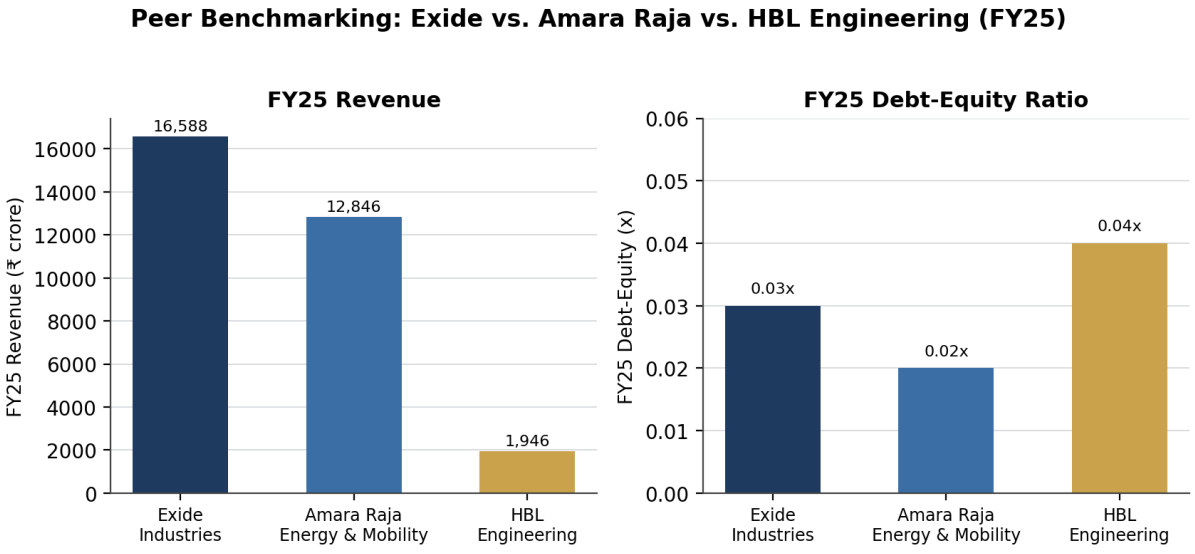


Figure 3: Peer benchmarking — FY25 revenue and debt-equity ratio

Market Share Context

A high-level market-share perspective helps provide some background for the peer comparison. A 2025 industry exhibit reproduced from an SEBI-filed Draft Red Herring Prospectus for an Indian lead-acid battery operation reports Exide Industries with 37.6% of the Indian lead-acid battery market, with 26.0% for Amara Raja Energy & Mobility, 8.3% for Luminous Power Technologies, 4.0% for HBL Engineering, and 1.9% for Okaya Power Group. The remaining 22.2% equals other manufacturers and imports. As the source database is a market study apparently used in a regulatory filing, the chart reflects a FY2025 market-share estimate, not an audited financial ratio declared by the issuer.

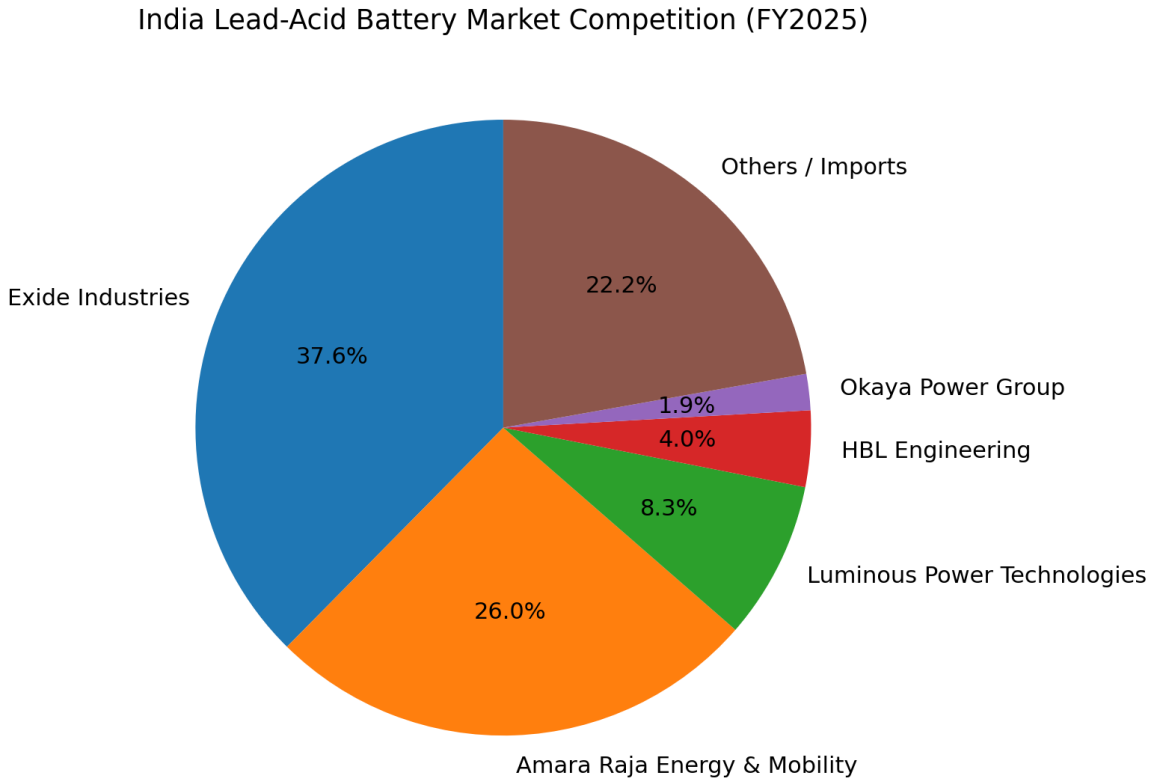


Figure 4: India lead-acid battery market competition, FY2025

Source: SEBI-filed DRHP market-competition exhibit (2025); percentages shown for Exide, Amara Raja, Luminous, HBL, Okaya and other manufacturers/imports.

8.1 Five-Year Peer Revenue Benchmarking

To compare performance of the companies in their benchmarking section, it is broadened to five financial years (2001- 2005) from a one-year snapshot (2004). Since the three companies are at different scales and have similar but not exactly same business mix, revenue is used as the common yardstick. Also, the table is meant to show the path of the companies and their scale in relative terms rather than to mean that their businesses were the same.

Table 8: Five-year peer revenue benchmarking

Company (₹ crore)	FY22	FY23	FY24	FY25	FY26
Exide Industries	12,410	14,592	16,029	16,588	17,269
Amara Raja Energy & Mobility	8,697	10,392	11,708	12,846	13,814
HBL Engineering	1,221	1,350	2,209	1,946	3,252

Sources: Exide Industries Limited; Amara Raja Energy & Mobility Limited; HBL Engineering Limited annual reports and financial disclosures. Figures are rounded to ₹ crore.

8.1 Exide versus Amara Raja

Amara Raja consolidated revenue stood at 12,846 crore as well as a debt to equity ratio of around 0.02x for the year ending 31st March 2025 (Amara Raja Energy and Mobility Limited, 2025b). The company has also presented strong operating cash flows as well as continuing investments in new energy projects as well (Amara Raja Energy and Mobility Limited, 2025a). Comparing the two companies is useful since they both are within the same industry where investment is now far greater into capabilities and technology.

Both companies appear to like the low leverage, suggesting that the more conservative funding is probably the solution for the well-diversified battery producers producing a lot of cash in-house and allowing them to look for other needed sources for their future expansion with no leverage.

8.2 Exide versus HBL Engineering

HBL Engineering also income for FY25 at 01,946 crore, net debt at (-) 74 crore and debt equity ratio of 0.04x (HBL Engineering Limited, 2025). HBL engineering were also having very low-leverage position. Exide is much large compared about revenues, but the comparison of the financing structure of Exide with HBL will be will show that low gross repayment is usual for financially healthy companies in other similar fields.

8.3 What the Benchmark Suggests

So, the peer comparisons have reinforced the idea that exide's low debt level is not a matter of institution. But, for its size, exide has other internal generations to rely on as well as presumably higher capacity for growth without having to borrow money. What is more important to note in this instance is that, exide has sufficient financial strength to utilise debt.

9. EVALUATION OF EXIDE'S FINANCING STRATEGY

The financial policy of Exide can be characterized as a conservative policy as well as an internal and a flexible policy. Several principles of corporate finance theories can be applied to this policy. First, it conforms to pecking order theory because the company prefers to use internal sources as much as possible. Then, this policy make the company less susceptible to financial distress as there is no debt. Finally, it maintains the capacity of borrowings for future investments.

The main advantage of this kind of financing policy is the fact it constrains the worst case scenario. Debt commitments (interest payments and debt repayment) put pressure on companies to perform even when market conditions are poor. Exide's debt level is fairly low so this is not a problem for the company. The other most important benefit is the control.

When the company uses its internal funds in the financier policy, it is not necessary to increase the numer of stocks, so it is not necessary to decrease the value of its stockholders' shares. There are yet some drawbacks of this strategy. The firm might not want to take advantage of the tax shield by avoiding debt funding altogether. Also, in case of an unexpected and large investment that sudden infusion of an internal source of capital might become a disadvantage.

Balance should have implied to be at a certain amount of debt, reflecting the firm's flow of cash and risk. Looking at the annual report for FY2025-26, Exide has fairly strong internal financial strength currently and is deploying it to reach its strategic plans for growth. Strategic plans that involve new-energy businesses investments are still on schedule. It is when the financial flexibility should work. If the investments are more capital intensive, then Exide could resort to long term debt, if the return on investments is much higher than the cost of capital, debt.

10. MAJOR FINDINGS

Exide's sales rise from Rs.12410 crore in FY22 to Rs.17269 crore in FY26, indicating a robust long term trend in sales.

Consistent operating margin at a level of ca.11% despite a progression in operating profit from Rs.1,398 crore to Rs. 1,943 crore; FY22 net profit is not to be considered a normal year as the said company made an exceptional item of Rs 4694 crore.

Exide had a very low debt equity position and had claimed that they remained debt free in FY26.

The sound operating cash generation is why by which the company is able to finance growth using internal cash flows.

Leverage among peer firms is also found to be low indicating that conservative form of finance is not uncommon in this industrial sub-sector.

The financial flexibility inherent in Exide's financing strategy, instead of due to debt, is a key strength.

The biggest danger is that hyper-conservative financing might leave some of the debt's potential tax advantages on the table and impair some limited large-scale expansion if internal cash is not enough.

11. RECOMMENDATIONS

Firstly, Exide needs to keep using internally generated resources as the main source of finance for the company if it wishes to grow since it has positive cash flows coming from its operations. This strategy would also keep the risks at bay as the company retains control over its stockholders. Second, Exide can keep having a transmission of clear capacity of borrowings.

But, the firm should not get to zero debt because if Exide has a strategic project, which can produce a significant flow of cash flows, and is entered into with a higher yield than the cost of debt, issue long-term debt. Third, debt financing should be tied to the life of the asset being financed. Long-term borrowings should not be used to finance long term manufacturing capability and technology-related investments. Fourth, Exide still has to observe the working capital management because it

can reduce requirement for external financing. Lastly, management should provide feedback on how they have handled these internal funds for capital adequitions and new energy investments.

12. CONCLUSION

This analysis points out a conservative financial policy followed by the Exide Industries during the 5 year period under examination. Growth strategy of the company has been through growing its sales and operating profit with maintaining a very low leverage. The high generation of operating cash flows has enabled the company to finance its growth mainly on internal accruals. Such behavior is supported by pecking order theory of corporate financing, which prefers internal sources of funds over external sources.

The industry comparison also shows that low leverage appears to be an industry feature of financially stronger firms in the biggerbattery&oserateglobal industry. That's why the low leverage of Exide is more attributable to the company's financial policy rather than the company's inability to leverage. Henceforward, the challenge will be to strike a compromise between safety and development.

New energy investments might be very costly and the company's cash could not be enough. So, Exide can follow its conservative fundamentals but but be ready to accept conservative long term debt when the project business case justifies it. The current financing policy seems to be related to the company's profitability, cash flow and risk.

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APPENDIX A – CALCULATIONS

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1. FY26 Operating Profit Margin = 1,943 / 17,269 × 100 = 11.25%.

2. FY22 Operating Profit Margin = 1,398 / 12,410 × 100 = 11.27%.

3. FY26 Net Profit Margin = 1,111 / 17,269 × 100 = 6.43%.

4. FY25 Net Profit Margin = 1,077 / 16,588 × 100 = 6.49%.

5. Five-year sales increase = (17,269 – 12,410) / 12,410 × 100 = approximately 39.2%.

6. FY25 Amara Raja consolidated revenue = ₹12,846 crore; debt-equity approximately 0.02x based on published company/secondary disclosures.

7. FY25 HBL Engineering debt-equity = 0.04x as reported in the company's annual report.
8. FY26 Return on Net Worth = 1,111 / 14,673.58 × 100 = approximately 7.57% (net worth per Form MGT-7 Annual Return, Ministry of Corporate Affairs, 2026).

APPENDIX B – AI USAGE DECLARATION

AI tools were used only as an academic support tool for locating publicly available financial information, understanding corporate finance concepts, checking calculations, cross-checking annual-report figures, and helping with the initial organisation of the report. Web-based sources were used to locate official annual reports, company disclosures and market-context information. The final report is reviewed, verified and rewritten by the student group before submission, consistent with the course requirement on AI-assisted work.