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Financial Performance and Board Structure Valuation: A Study

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ABSTRACT

This paper studies financial performance, corporate governance, agency problems and business ethics at Exide Industries Limited over FY2020–21 to FY2024–25. Exide is a relevant Unit I case because its battery business combines manufacturing risk, lead sourcing and recycling, energy-transition exposure, product responsibility, safety obligations and a substantial public shareholder base. The study uses a documentary, longitudinal case-study approach based on Exide's integrated annual reports, audited financial statements, corporate-governance report, BRSR, CSR disclosures, statutory material and a peer benchmark with Amara Raja Energy & Mobility Limited. Exide's standalone sales increased from ₹10,041 crore in FY2020–21 to ₹16,588 crore in FY2024–25, while operating profit rose from ₹1,356 crore to ₹1,893 crore. The sales endpoint CAGR was 13.37%; operating-profit CAGR was 8.70%. In FY2024–25 the company reported an 11.4% operating margin, 6.49% net margin, 1.51 current ratio and 0.03 debt-equity ratio. The governance profile showed four independent directors out of seven (57.14%) and promoter holding of 45.99%. The study concludes that Exide has strong formal processes and a conservative balance sheet, while Board-level transparency should focus more on capital allocation, technology transition, related-party oversight and measurable remediation.

Keywords: corporate governance; agency theory; business ethics; battery industry; Exide Industries; Board independence; BRSR; CSR

INTRODUCTION

Corporate governance determines how financial resources are directed, challenged and accounted for. A company can report profit and maintain a strong balance sheet while still facing agency problems involving managerial incentives, controlling shareholders, related parties, safety, environmental obligations or the allocation of capital to new technologies.

Exide Industries provides a distinctive case. It manufactures automotive and industrial batteries, operates a large distribution network, serves automotive and infrastructure customers, and depends on lead, plastics, energy, recycling and technology partnerships. Its activities create value through reliable energy storage but also create responsibilities involving hazardous materials, product stewardship, environmental compliance, worker safety and end-of-life battery management.

The company is moving through a technology transition. Lead-acid batteries remain central to the business, while lithium-ion, battery-energy-storage systems and solar solutions create future opportunities. That transition increases the importance of Board oversight. Capital must be allocated between existing lead-acid operations, recycling capacity, new-energy projects, research and development, digital systems and shareholder distributions. The agency question is not simply whether management is profitable. It is whether the Board can evaluate risk-adjusted returns and challenge assumptions about the future.Exide's shareholding also makes ownership-control analysis relevant. Promoters held 45.99% of issued shares at 31 March 2025, while foreign portfolio investors and mutual funds held 11.60% and 11.11%, respectively (Exide Industries Limited, 2025). Concentrated promoter ownership may support long-term commitment, but minority investors require assurance that transactions, succession, technology investments and capital allocation are independently reviewed. This paper asks: How did Exide's financial performance, governance architecture and ethical-accountability disclosures evolve over FY2020–21 to FY2024–25, and what do the trends imply for agency-risk control and stakeholder protection? Financial performance is treated as context rather than proof of a causal governance effect.

REVIEW OF LITERATURE

Agency and Ownership-Control Problems

Jensen and Meckling (1976) created the foundational theory of the firm by combining agency theory, property rights and finance to explain how ownership is structured. They described agency costs as the total of the monitoring costs incurred by the principal, the bonding costs incurred by the agent, and the residual loss that occurs because managers do not bear the full wealth effects of their decisions. Their analysis demonstrated that the separation of ownership from control generates these costs and that the ownership structure of the firm is itself an endogenous response to the need to minimise them. This study remains the theoretical basis for any examination of managerial agency risk in listed companies.

Fama and Jensen (1983) developed this framework by concentrating on the survival of organisations in which the management of decisions is separated from the control over those decisions. They maintained that it is efficient to separate residual risk-bearing from decision-making functions provided that decision hierarchies, boards of directors and mutual monitoring mechanisms properly approve and monitor key decisions. Their study showed that board independence and the formal separation of initiation from ratification are central governance mechanisms for addressing agency problems—a conclusion that continues to influence evaluations of board composition and committee structure.

Young, Peng, Ahlstrom, Bruton and Jiang (2008) applied the agency approach to emerging economies by identifying principal–principal conflicts as the dominant governance issue. Unlike the classic principal–agent problem central to developed-market research, principal–principal conflicts occur between controlling shareholders and minority shareholders under conditions of concentrated ownership, family control, business-group structures and weak legal protection of minority interests. The authors showed that such conflicts change the dynamics of corporate governance and call for solutions different from those developed for companies with dispersed ownership. Their review provides the theoretical basis for examining promoter-dominated firms such as Exide, where concentrated ownership may simultaneously encourage long-term commitment and increase the need for an independent board to challenge related-party transactions and capital allocation.

Shleifer and Vishny (1997) examined the role of corporate governance in protecting investors from the misuse of corporate resources by managers and controlling shareholders. They emphasized that effective corporate governance mechanisms are necessary to ensure that investors receive appropriate returns on their investments. Their study highlighted the importance of ownership structures, legal protection and monitoring mechanisms in reducing conflicts between different groups within a company. Their work provides an important foundation for analysing how governance mechanisms can protect shareholder interests and improve accountability.

Freeman (1984) developed stakeholder theory by stating that corporate value is determined by the quality of the firm's relationships with its employees, customers, suppliers, communities, investors, regulators and the natural environment. Instead of considering shareholders as the only residual claimants, the theory views the firm as a system of cooperative relationships whose long-term sustainability depends on the ongoing generation of mutual value. For manufacturing companies that work with hazardous materials and follow circular-economy models, stakeholder theory provides the normative basis for treating product stewardship, worker safety, environmental compliance and community engagement as essential parts of governance rather than as peripheral CSR activities.

Later empirical studies have investigated the impact of these governance mechanisms. Research on board independence and audit-committee effectiveness consistently finds that formal independence enhances financial-reporting quality and managerial scrutiny, while warning that structural features alone do not ensure real oversight. Studies of enterprise risk-management systems linked to COSO and ISO 31000 show that multiple levels of escalation—from process owners through executive committees to Board risk committees—can reduce residual agency losses when risk matrices are connected to operational results. Parallel investigations of whistle-blower systems and codes of conduct indicate that confidentiality, protection against retaliation and direct access to Audit Committee chairs are essential design elements, and that multi-year statistics are necessary for evaluating operating effectiveness.

The body of literature presents three closely linked propositions pertinent to the current study. First, in companies with concentrated ownership, managerial agency and principal–principal conflicts coexist; the Board must therefore act independently on capital allocation, related-party transactions and succession. Second, formal governance structures—Board independence, audit and risk committees, internal controls and whistle-blower systems—help reduce information asymmetry but should be assessed against actual outcomes rather than design features alone. Third, ethical accountability in manufacturing settings extends beyond compliance checklists to measurable performance on safety, environmental compliance, product responsibility and stakeholder impact. These propositions provide the basis for the analysis of Exide Industries Limited's five-year governance and ethics disclosures.

Boards, Audit and Risk Systems

Board independence is a monitoring capacity rather than a purely numerical label. Studies of Board composition and audit committees explain why independent oversight can improve challenge and financial reporting quality, while also warning that formal structures do not establish actual effectiveness. Statutory audit, internal audit, secretarial audit, cost audit and internal financial controls operate at different levels. An unqualified financial-statement opinion is important, but it cannot establish that every safety, environmental, cyber or stakeholder risk is absent.

Exide's integrated report links its Enterprise Risk Management framework to COSO and ISO 31000, uses a 5×5 risk matrix and describes oversight by the Board, Risk Management Committee, Executive Committee and process owners (Exide Industries Limited, 2025). Such architecture is relevant to agency control because it creates escalation routes. The critical analytical question is whether the annual report shows how risks changed, which mitigations were effective and what remained unresolved.

Business Ethics and Stakeholder Governance

Stakeholder theory treats corporate value as dependent on relationships with employees, customers, suppliers, communities, investors, regulators and the natural environment (Freeman, 1984). For a battery manufacturer, this perspective includes product reliability, safe workplaces, responsible lead sourcing, battery recycling, community impacts and honest customer communication. CSR reporting should distinguish spending from outcomes. A project budget shows resource allocation; it does not by itself establish social impact. Similarly, a whistle-blower policy shows control design, while the number of cases, investigations, retaliation complaints, closure times and corrective actions show how the system operates.

OBJECTIVES AND RESEARCH METHODOLOGY

The study has five objectives. First, it describes Exide's five-year financial and operating context. Second, it evaluates the Board, ownership, committees, audits, risk management and internal financial controls as agency-risk mechanisms. Third, it examines the Code of Conduct, whistle-blower, POSH and BRSR evidence as indicators of business ethics. Fourth, it benchmarks Exide against Amara Raja Energy & Mobility while controlling for differences in business mix and reporting basis. Fifth, it develops recommendations connected to observed gaps.

The method is a documentary, quantitative and longitudinal case study. Exide's ten-year performance table provides a consistent standalone series for FY2020–21 through FY2024–25. FY2024–25 governance and BRSR evidence is taken from the integrated report's statutory sections. Amara Raja data is taken from its FY2024–25 integrated report. Amounts are in ₹ crore unless stated otherwise. Growth is calculated as (FY2025 − FY2021) ÷ FY2021 × 100; CAGR as (FY2025 ÷ FY2021)^(1/4) − 1; PAT margin as PAT ÷ sales × 100; Board independence as independent directors ÷ total directors × 100; CSR achievement as total CSR spent ÷ CSR obligation × 100.

Limitations include the distortion of the net-profit series by a large exceptional item in FY2021–22, the influence of external factors (lead prices, demand, input costs) independent of governance, and the fact that the Board snapshot is labelled as at 1 July 2025.

EXIDE COMPANY PROFILE AND UNIT I FRAMEWORK

Exide is an Indian energy-storage company with products spanning automotive batteries, reserve power, industrial UPS, solar solutions, motive power, railways, telecom and specialised applications. Its FY2024–25 report describes 11

manufacturing plants, three lead-recycling plants, more than 60 countries of global presence and zero debt in the corporate overview (Exide Industries Limited, 2025).

Circularity is central to the business. Exide states that its wholly owned subsidiary Chloride Metals Limited has annual recycling capacity of approximately 346 KMT and that recycled lead is integrated into new battery production. This creates a potential competitive advantage but also a governance responsibility because lead handling, waste movement, environmental compliance and product stewardship must be monitored across the operating chain.

The framework connects governance to three risks. Principal–agent risk concerns management decisions that may not align with shareholders. Principal–principal risk concerns the relationship between promoters and minority investors. Stakeholder and ethical risk concerns employees, customers, suppliers, regulators, communities and the environment. Board independence, Audit Committee oversight, Enterprise Risk Management, internal controls, whistle-blower access, BRSR assurance and CSR monitoring are expected to reduce these risks.

FIVE-YEAR DATA ANALYSIS OF EXIDE

Financial and Operating Trend

Table 1. Exide five-year standalone performance (₹ crore except EPS)

Metric	FY20–21	FY21–22	FY22–23	FY23–24	FY24–25
Sales (net)	10,041	12,410	14,592	16,029	16,588
Operating profit	1,356	1,398	1,568	1,871	1,893
PBT before exceptional	1,018	1,026	1,215	1,410	1,441
Net profit	758	4,684	904	1,053	1,077
Cash profit	1,138	5,097	1,359	1,550	1,581
EPS (₹)	8.92	55.11	10.63	12.39	12.67
Return on net worth	11.5%	53.6%	8.3%	8.6%	7.8%

Source: Exide Integrated Annual Report 2024–25, "10-Year Performance," pp. 106–107

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Sales increased by ₹6,547 crore (65.20%) between FY2020–21 and FY2024–25; endpoint CAGR was 13.37%. Operating profit increased 39.60% (CAGR 8.70%). PBT before exceptional items rose 41.55% (CAGR 9.08%). The net-profit series is distorted by a large exceptional item in FY2021–22 linked to the Chloride Power Systems and Solutions merger and should not be treated as a clean recurring series. FY2024–25 operating margin was 11.41% and PAT margin 6.49%. The company reported current ratio 1.51, debt-equity 0.03 and interest coverage 27.66 times.

Capital Structure and Value-Creation Context

Total assets rose from ₹9,629 crore to ₹18,819 crore and net worth from ₹6,894 crore to ₹14,442 crore (+109.49%). The near-zero debt structure reduces refinancing risk but heightens the importance of disciplined capital allocation, especially for lithium-ion, battery-energy-storage and recycling projects. Agency risk can arise when management incentives favour expansion or visible capacity over post-investment returns. The Board should therefore connect new-energy capital expenditure to stage gates, hurdle rates and independent post-completion review. The existence of Chloride Metals Limited as a wholly owned subsidiary also makes related-party transparency and subsidiary oversight important.

GOVERNANCE, AGENCY PROBLEMS AND ETHICS

Board Independence and Ownership

Table 2. Exide Board composition disclosed as at 1 July 2025

Item	Value	Interpretation
Total directors	7	Board denominator
Independent directors	4	4 ÷ 7 = 57.14%
Non-independent directors	3	Vice-Chairman, MD & CEO, Finance & CFO
Independent Chairperson	1	Mr. Sridhar Gorthi
Promoter holding (31 Mar 2025)	45.99%	Ownership concentration relevant to agency analysis
Board & committee attendance	>99%	Company-reported FY2024–25 highlight

Source: Exide Integrated Annual Report 2024–25, pp. 48–49 and p. 278.

The post-year-end Board profile shows a majority of independent directors and an independent Chairperson. All Board committees were chaired by independent directors. The 45.99% promoter holding creates a mixed agency profile: promoter continuity may support long-term investment, while minority investors need clear information on related-party transactions, pricing basis and independent review. Succession planning around year-end director changes also affects committee continuity and institutional memory.

Audit, Risk and Internal Controls

Statutory audit was performed by BSR & Co. LLP; secretarial and cost audits were also clean. No qualifications, adverse remarks or fraud under Section 143(12) were reported. Internal financial controls showed no reportable material weakness. The company uses SAP S/4HANA and an Enterprise Risk Management framework linked to COSO and ISO 31000 with a 5×5 risk matrix. These disclosures indicate a developed control environment but do not prove the absence of operational or environmental risk. Audit and Risk Committees should connect financial-control reporting to safety, waste, cyber and product-quality outcomes.

Code of Conduct, Whistle-Blower and POSH

Directors, key managerial personnel and senior management complied with the Code of Conduct. The whistle-blower policy provides confidentiality, anti-retaliation protection and direct access to the Audit Committee Chair in exceptional cases. No personnel were denied access. Public disclosure, however, lacks a multi-year case table (received, substantiated, closed, unresolved, retaliation), limiting external assessment of operating effectiveness. One POSH complaint was reported, investigated and closed with none pending at year-end.

CSR and Stakeholder Accountability

FY2024–25 CSR obligation was ₹24.03 crore; total spending was ₹20.53 crore (85.44% achievement). ₹3.50 crore was transferred to an Unspent CSR Account for an ongoing project. The transfer was disclosed and compliant, yet remains a material accountability item requiring public tracking of milestones, completion and impact. Circularity disclosures report more than 75% recycled lead usage and 346 KMT recycling capacity; reporting boundaries (standalone / subsidiary / value-chain) and assurance levels should be stated more explicitly.

PEER BENCHMARKING AND DATA INTERPRETATION

Table 3. FY2024–25 battery-sector peer context

Company	Revenue (₹ cr)	Profit metric	PAT (₹ cr)	Margin
Exide (standalone)	16,588	Op. profit 1,893	1,077	11.4% op. margin
Amara Raja (consolidated)	12,846	EBITDA 1,812	945	14.1% EBITDA

Sources: Exide and Amara Raja Integrated Annual Reports 2024–25. Definitions and consolidation bases differ.

Exide's sales were approximately 29% higher while operating profit was only about 4.5% higher than Amara Raja's EBITDA. Margin comparison is directional only. Both companies emphasise new-energy and recycling investment. Financial resilience must be evaluated with technology execution, balance-sheet discipline and capital allocation rather than margin alone. Exide's disclosures are strong on formal risk architecture and BRSR assurance; the main improvement area is outcome disclosure (ethics cases, project completion, related-party review and post-investment returns).

FINDINGS AND RECOMMENDATIONS

Findings

1. Strong sales growth (CAGR 13.37%) outpaced operating-profit growth (CAGR 8.70%); the net-profit series was distorted by a FY2021–22 merger-related exceptional item.
2. Conservative balance sheet: debt-equity 0.03, current ratio 1.51, near-zero debt and net worth more than doubled.
3. Board profile (as at 1 July 2025) showed 57.14% independent directors and an independent Chairperson; promoter ownership of 45.99% makes both managerial and principal–principal agency analysis relevant.
4. Extensive audit, risk, ERP, whistle-blower and internal-control systems with no material weakness or auditor-reported fraud under Section 143(12).
5. CSR spending reached 85.44% of obligation; ₹3.50 crore transferred to Unspent CSR Account for an ongoing project—compliant but requiring public completion tracking.
6. Circularity model supports strategic resilience, yet reporting boundaries for recycled-lead and ESG metrics need clearer demarcation.

Recommendations

1. Publish a capital-allocation dashboard linking major capex and new-energy investments to hurdle rates, stage-gate milestones, expected commissioning dates and post-investment returns.
2. Strengthen related-party transparency by stating pricing basis, independent review, commercial rationale and post-transaction monitoring for promoter, subsidiary and technology-partner transactions.
3. Track the Unspent CSR Account to completion with location, objective, milestones, later spending and independent impact results.
4. Add an ethics-case and whistle-blower dashboard (cases received, substantiated, closed, unresolved, resolution time, retaliation) while preserving confidentiality.
5. Link the 5×5 risk matrix explicitly to operational outcomes: lead exposure, battery-waste compliance, safety, cyber, product quality and lithium-ion execution.
6. State reporting boundaries and assurance levels for every circularity, recycling and BRSR metric.
7. Publish a Board skills matrix and succession plan for independent directors and committee chairs, especially around retirement and appointment dates.

CONCLUSION

Exide's five-year evidence supports a balanced assessment. The company expanded sales and operating profit, maintained a conservative financial structure and more than doubled net worth. Yet sales growth did not translate proportionately into operating-profit growth, and FY2021–22 net profit was distorted by an exceptional merger item. The governance architecture is substantial—majority-independent Board profile, independent committee chairs, clean audits, ERM, whistle-blower access, POSH mechanisms and BRSR Core reasonable assurance. These features reduce information and control risk but do not by themselves establish that every investment decision was effectively challenged.

The most material governance questions are forward-looking and outcome-based: capital allocation between the lead-acid core and new-energy opportunities, documented completion of the unspent CSR project, transparent related-party

review, and clearer circularity reporting boundaries. Exide's governance quality will ultimately be demonstrated not only by policies and committees but by measurable challenge, remediation and stakeholder results.

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