July 02, 2025

Exide Energy Solutions Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- non fund based- letter of credit	250.00	0.00	-
Long term -fund based- term loan	2,750.00	3,000.00	[ICRA]AAA(CE) (Stable); Reaffirmed
Long term-others-interchangeable	(2,750.00)	(3,000.00)	[ICRA]AAA(CE) (Stable); Reaffirmed
Long term - interchangeable	(10.00)	(10.00)	[ICRA]AAA(CE) (Stable); Reaffirmed
Long term-others-fund based	0.00	50.00	[ICRA]A+ (Stable); Assigned
Long term-fund based cash credit	0.00	50.00	[ICRA]A+ (Stable); Assigned
Short term- fund based- others	0.00	50.00	[ICRA]A1; Assigned
Short term- interchangeable – Others	0.00	(60.00)	[ICRA]A1; Assigned
Short term- interchangeable	(10.00)	(10.00)	[ICRA]A1+(CE); Reaffirmed
Total	**3,000.00**	**3,150.00**	

Ratings Without Explicit Credit Enhancement	**[ICRA]A+/[ICRA]A1**

**Instrument details are provided in Annexure I*

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For the [ICRA]AAA (CE) (Stable)/[ICRA]A1+ (CE) ratings

The above ratings are based on the strength of the corporate guarantee provided by Exide Industries Limited (EIL, rated [ICRA]AAA (Stable)/[ICRA]A1+), the parent of Exide Energy Solutions limited (EESL/the company), for the rated bank facilities. Further, ICRA's assessment on the strength of the linkages between EESL and EIL, including the corporate guarantee furnished by EIL to EESL for the rated facilities, is a key driver for the ratings. The Stable outlook on the long-term rating reflects ICRA's outlook on the long-term rating of the guarantor, Exide Industries Limited.

Adequacy of credit enhancement

For assigning the ratings, ICRA has assessed the attributes of the guarantee issued by EIL in favour of the rated instruments of EESL. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument, and has the other relevant attributes specified in ICRA's methodology for considering a credit enhancement, the payment mechanism is post-default in nature. Yet, ICRA has assigned ratings of [ICRA]AAA(CE) /[ICRA]A1+(CE) for the said facilities against the unsupported ratings of [ICRA]A+/[ICRA]A1, and equivalent to the guarantor's ratings of [ICRA]AAA (Stable)/[ICRA]A1+ in view of the strong linkages between the company and the guarantor. In case the ratings of the guarantor were to undergo a change in future, the same would reflect in the ratings of the aforesaid instruments as well. The ratings of these instruments may also undergo a change in a scenario whereby, in ICRA's assessment, there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity, or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

- The facility shall be utilised towards financing the project and other related costs. The proceeds shall not be utilised for capital market activities, land acquisition, real estate activities, acquisition of equity, buy back among others.
- During the entire duration of the facility, the management control of EESL would remain with EIL and EIL should continue to hold at least 51% stake in EESL.
- Prior approval of banker to be obtained for availing any fresh term borrowings not included in the company's projections or working capital borrowings outside the maximum permissible bank finance from any other bank/lender.

For the [ICRA]A+ (Stable)/[ICRA]A1 ratings

The above ratings take into account EESL's strong parentage, the favourable outlook for electric vehicles (EVs) and early mover advantage in lithium-ion (Li-on) battery cell manufacturing in India. The ratings draw comfort from EESL's strong operational and financial linkages with EIL and financial flexibility arising from its parentage. EIL and EESL have common board members, and EIL has committed to provide timely and adequate financial support to EESL, should there be a need.

EESL is undertaking significant capex for its Li-ion cell manufacturing plant at Bengaluru, of which Phase 1 is expected to be operational by Q3 FY2026. The company has spent a significant portion of the capex of around Rs. 4,200 crore up to FY2025, and around Rs. 1,000 crore is expected to be spent in FY2026. While EIL has infused Rs. 3,602.2 crore of equity into EESL as on April 30, 2025, some part of the capex is expected to be debt-funded and the financial closure for the same has been achieved. Although the size of the investment is large, and the capex is partially debt-funded, ICRA notes that the capex is critical for early-mover advantage in Li-ion cell manufacturing.

The favourable outlook for EVs and EESL's early mover advantage augur well for the company. However, any project-specific challenges, including significant time or cost overruns pertaining to execution, demand/off-take, supply-chain or technology obsolescence or delay in the ramp-up upon commencement of operations, has the potential to impact EESL's credit profile and hence, remain key credit monitorables. Further, significant dependence on imports for sourcing raw materials exposes the entity to geopolitical and region-specific risks for raw materials. Also, there are risks on the off-take front, given that EV penetration is still in a nascent stage and the company does not have any 'take-or-pay' agreements. While the company is investing in Li-ion cells, the emergence of any alternative battery technologies such as solid-state batteries would expose it to obsolescence risks. However, its collaboration with SVOLT Energy Technology Company Limited (SVOLT) for the technology/supply chain and construction contracts being awarded to reputed players mitigate the other risks to an extent. The company could also witness competition from imports and other players who have invested in Li-ion cell manufacturing in India. However, the relatively high capital intensity, EESL's early mover advantage, strong parentage and wide distribution/ customer network are expected to mitigate the competition to an extent.

The stable outlook on the [ICRA]A+ rating reflects ICRA's opinion that EESL will continue to have strong linkages with EIL and timely completion of the project with no major time or cost overruns.

Key rating drivers and their description

Credit strengths

Strong parentage – EIL holds a 100% stake in EESL. ICRA draws comfort from EESL's strong operational and financial linkages with EIL. EESL has strong financial flexibility and lender/investor comfort from being a subsidiary of EIL. Further, EESL's day-to-day operations are monitored by EIL, and the latter's representatives are part of EESL's board of directors. Also, EIL has extended corporate guarantee for majority of EESL's sanctioned bank lines (except for the working capital limits that were initially sanctioned to erstwhile EEPL, which got merged with EESL in 2024), and is expected to extend timely and adequate financial support to EESL as and when required. Further, EIL has infused Rs. 3,602.2 crore of equity into EESL as on April 30, 2025.

Favourable demand outlook for EVs – While India is one of the larger automobile markets globally, the EV industry is still in its nascent stages. However, in recent years, there has been a strong push by both the Central and state governments for faster adoption of EVs. ICRA expects EV penetration to be around 25% for two-wheelers (2W), 40% for three-wheelers (3W), 30% for buses, 15% for passenger vehicles (PV) and 12-16% for light commercial vehicles (LCVs) as a percentage of total sales by 2030. The favourable EV demand prospects are likely to benefit the company.

Early mover advantage in Li-ion cell manufacturing – Given the medium to long-term demand prospects for EVs, domestic auto OEMs and ancillaries are investing in developing a local vendor ecosystem, and EIL is one of the early movers in Li-ion cell manufacturing in India. The company is setting up a 6-GWh Li-ion cell manufacturing facility at Bengaluru in Phase 1 and plans to expand to 12-GWh based on demand, once the first phase is completed. It has tied up with SVOLT for technology licence and services. The construction for the first phase of the project has been progressing and is expected to become operational by Q3 FY2026. While the company does not have any 'take-or-pay' agreements with customers, it has signed a non-binding Memorandum of Understanding (MoU) with Hyundai Motor Company and Kia Corporation (South Korea). Further, EIL's brand equity, established clientele and distribution network are likely to mitigate offtake risks to an extent. Moreover, while the capex is significant, ICRA notes that it is critical to capitalise on opportunities from EVs.

Credit challenges

Sizeable capex plans over the medium term – EESL is undertaking significant capex for its Li-ion cell manufacturing plant at Bengaluru for which a large portion of the Phase 1 capex has been completed and around Rs. 1,000 crore would be incurred in FY2026. The capex incurred so far has been majorly funded by the equity infusion of Rs. 3,000 crore from EIL, while part of the remaining capex is expected to be debt-funded. While the capex is significant, ICRA notes that it is critical to capitalise on opportunities from EVs. EIL has infused Rs. 3,602.2 crore of equity into EESL as on April 30, 2025 and is expected to extend timely and adequate financial support to EESL as and when required.

Project exposed to risks of execution, demand/off-take, supply-chain and technology obsolescence – The project is exposed to risks arising from time and cost overruns. Further, significant dependence on imports for sourcing raw materials exposes the entity to geopolitical and region-specific risks for raw materials. Also, there are risks on the off-take front, given that EV penetration is still in a nascent stage and the company does not have any 'take-or-pay' agreements, although the non-binding Memorandum of Understanding (MoU) with Hyundai Motor Company and Kia Corporation (South Korea) mitigates the risk to an extent. While EIL is investing in Li-ion cells, the emergence of any alternative battery technologies, such as solid-state batteries, would expose it to obsolescence risks. However, its collaboration with SVOLT for the technology/supply chain and construction contracts being awarded to reputed players mitigate other risks to an extent.

Exposed to competitive risks – The company could face competition from imports and other players who have invested in Li-ion cell manufacturing in India. However, the relatively high capital intensity, EESL's early mover advantage, its strong parentage and EIL's wide distribution/ customer network are expected to mitigate the competition to an extent.

Liquidity position

For the rated entity (Exide Energy Solutions Limited): Adequate

EESL's liquidity is adequate, supported by periodic infusion of funds from its parent, EIL, and undrawn lines of over Rs. 2,000 crore as on date. The company had unencumbered cash and liquid investments of Rs. 184.9 crore as on March 31, 2025. While it has significant capex plans of over Rs. 1,000 crore in FY2026, which is expected to be funded through a mix of equity from EIL and debt, its repayment obligations are minimal in FY2026 and repayments commence meaningfully only from FY2027. EIL would also extend timely and adequate financial support to EESL as and when required.

For the guarantor (Exide Industries Limited): Strong

EIL's liquidity position is strong, supported by its strong operational cash flows, sizeable cash and bank balances and liquid investments of Rs. 499.1 crore (as on March 31, 2025) along with sanctioned fund-based working capital lines of Rs. 400.0 crore (which have been unutilised for most part of the year). Against these cash sources, the company has consolidated capex plans of Rs. 1,000-1,500 crore for FY2026 and repayment obligations of Rs. 47.3 crore. This is expected to be funded from the aforementioned sources of liquidity, as well as sanctioned and unutilised term loan lines available to the extent of around Rs. 2,000 crore. The company's liquidity position is likely to remain strong over the medium term, supported by its strong operational profile. Link to rationale

Rating sensitivities

For the [ICRA]AAA (CE) (Stable)/[ICRA]A1+ (CE) ratings

Positive factors: Not applicable

Negative factors: The ratings could be downgraded if there is any weakening in the parent's (EIL) credit profile or EESL's linkages with the parent entity. Additionally, pressure on the ratings could arise if there are significant time or cost overruns, or delays in the ramp-up upon commencement of operations, leading to a weakening of debt metrics or liquidity position.

For the [ICRA]A+ (Stable)/[ICRA]A1 ratings

Positive factors: The ratings could be upgraded when the entity demonstrates a successful ramp-up in operations, such that it generates steady free cash flows on a sustained basis.

Negative factors: The ratings could be downgraded if there is any weakening in the parent's (EIL) credit profile or EESL's linkages with the parent entity. Additionally, pressure on the ratings could arise if there are significant time or cost overruns, or delays in the ramp-up upon commencement of operations, leading to a weakening of debt metrics or liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components Rating Approach - Explicit third-party support
Parent/Group support	Parent Company: Exide Industries Limited (EIL). EIL (rated [ICRA]AAA (Stable)/[ICRA]A1+) is expected to extend timely and adequate financial support to EESL, as and when required.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of EESL.

About the company

Exide Energy Solutions Limited is a 100% subsidiary of Exide Industries Limited (EIL). EESL was incorporated in March 2022 and is setting up a 12-GWh Li-ion cell manufacturing facility in Bengaluru in two phases of 6 GWh each. The first phase is expected to be operational in the near term. In addition, it also assembles battery packs, a business that has come in by way of amalgamation of Exide Energy Private Limited with EESL.

About the guarantor

Exide Industries Limited is a leading lead-acid battery manufacturer in India. The company started operations as Associated Battery Makers (Eastern) Ltd., a subsidiary of Chloride Overseas UK and was acquired by the Rajan Raheja Group in 1993. In 1995, the company was renamed Exide Industries Limited. In 1998, EIL took over the battery business of Standard Batteries Limited (SBL), the then second largest battery manufacturer in India, along with four of its factories and the Standard Furukawa brand. EIL has one of the largest storage-battery manufacturing capacity in India, with geographically diversified manufacturing facilities.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	240.0	117.6
PAT	- 149.5	-209.1
OPBDIT/OI	-38.9%	-142.5%
PAT/OI	-62.3%	-177.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.7
Total debt/OPBDIT (times)	-2.4	-5.4
Interest coverage (times)	-8.8	-11.9

Source: Company, ICRA Research; Financial ratios are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years				
				FY2025		FY2024	FY2023	
Instrument	Type	Amount Rated (Rs. crore)	July 02, 2025	March 04, 2025	November 29, 2024	September 21, 2023	Date	Rating
Term Loan	Long Term	3,000.00	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	-	-
Interchangeable – Others	Long Term	(3,000.00)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	-	-
Non fund based – Letter of Credit	Long Term	-	-	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	-	-
Interchangeable	Short Term	(10.00)	[ICRA]A1+(CE)	[ICRA]A1+(CE)	[ICRA]A1+(CE)	[ICRA]A1+(CE)	-	-
Interchangeable	Long Term	(10.00)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	-	-
Cash credit-fund based	Long Term	50.00	[ICRA]A+ (Stable)	-	-	-	-	-
Fund based – others	Long Term	50.00	[ICRA]A+ (Stable)					
Fund based – others	Short Term	50.00	[ICRA]A1	-	-	-	-	-
Interchangeable - Others	Short Term	(60.00)	[ICRA]A1	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long Term- Fund Based – Cash Credit	Simple
Short Term- Fund Based – Others	Simple
Short Term- Interchangeable – Others	Very Simple
Long Term -Fund Based – Term loans	Simple
Long Term- Interchangeable – Others	Very simple
Long Term -Interchangeable	Simple
Long Term-Fund Based – Others	Simple
Short Term-Interchangeable	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN No.	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term-fund based cash credit	-	-	-	50.00	[ICRA]A+ (Stable)
NA	Short term- fund based- others	-	-	-	50.00	[ICRA]A1
NA	Short term- interchangeable – Others	-	-	-	(60.00)	[ICRA]A1
NA	Long term -fund based- term loan	Feb 2023	6.82%	FY2033	3,000.00	[ICRA]AAA(CE) (Stable)
NA	Long term-others-interchangeable	-	-	-	(3,000.00)	[ICRA]AAA(CE) (Stable)
NA	Long term- interchangeable	-	-	-	(10.00)	[ICRA]AAA(CE) (Stable)
NA	Long term-others-fund based	-	-	-	50.00	[ICRA]A+ (Stable)
NA	Short term- interchangeable	-	-	-	(10.00)	[ICRA]A1+(CE)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - Not Applicable

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ABOUT ICRA LIMITED

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