

Directors' Report to the Shareholders

(Including Management Discussion & Analysis)

Your Board of Directors are pleased to present the 71st Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2018.

ECONOMIC ENVIRONMENT

The year 2017-18, was a watershed year in the field of indirect taxation in India. On 1st July 2017, the nation ushered in the Goods and Services Tax (GST). With its introduction, a long-cherished dream of many governments to transform India into "one economic union, one market, one tax" was realised. This composite tax saw many levies being done away with. GST remains the most significant tax transformation in India since Independence, and the largest tax transformation exercise ever implemented in the world.

The Indian economy demonstrated its resilience by absorbing dramatic change brought in by demonetisation and introduction of GST and has regained its status as the fastest growing major economy during the current calendar. The government has demonstrated its commitment to fiscal prudence by sticking to its revised fiscal deficit targets and in supporting strongly RBI's efforts to keep inflation in check. All growth drivers of the economy viz. public and private capital expenditure, domestic consumption, exports, and foreign direct investments continue to gain in strength. The government also demonstrated its responsiveness to business community by streamlining GST glitches in a nimble fashion.

Going forward, economic activity is expected to gather further momentum in FY 2018-19, benefiting from a conducive Domestic and Global environment. With the implementation and stabilisation of GST, movement and transportation of goods will also become a lot smoother and efficient.

INDUSTRY STRUCTURE & DEVELOPMENT

The Passenger Vehicle Industry domestic sales grew at 8% during the year, as compared to 9% in the previous year. The rise in fuel prices, inflation and an increase in interest rates dampened slightly, the enthusiasm generated by the slew of new model launches by leading OEMs. After a slow 4% growth last year, the Commercial Vehicle Segment bounced back strongly with a 20% growth in domestic sales. In the 3/4 Wheeler market, domestic sales grew at nearly 12% compared to 6% last year. Two-Wheeler sales have seen a robust growth at 15% compared to a modest 7% growth last year.

COMPANY PERFORMANCE

Automotive Batteries

Buoyed by significant growth in volumes over the previous year, your Company consolidated its leadership position in the

Automotive Battery business. A host of new product launches and new marketing initiatives in the four-wheeler and two-wheeler aftermarket segments helped your Company register a robust double-digit growth as compared to the previous year.

As the most preferred partner to almost all the vehicle manufacturers in the country, your Company continued growing at a fast pace driven by the sustained growth of the automobile OEMs. Exports and Institutional business also witnessed healthy growth this year.

Industrial Batteries

Your Company registered a robust double digit growth in the industrial division. It has become the preferred choice of majority of Telecom Tower companies and has gained significant market share in the private telecom space by displacing competition. Your Company's Advanced VRLA products have been found to be superior in enhanced backup and charge acceptance and the Company has been awarded the Gold Award in the Technology space by the largest Tower Company of the country.

Your Company has also done successful trials with the Ultra range of batteries in technical collaboration with East Penn, USA and Ecoult, Australia, in the off-grid Telecom Tower sites and the trials have demonstrated significant savings in diesel consumption as compared to Advanced VRLA products. The Company plans to commercially deploy Ultra range of Batteries in the coming years for reducing the diesel consumption and remains committed towards creating solutions for a fossil fuel free world.

Your company has also registered double digit growth in the UPS segment and continues to be the preferred choice of almost all the OEM's in the country.

Your Company recorded a Net Sales of Rs. 9,186 crores in 2017-18 as compared to Rs. 7,583 crores in the previous year with a corresponding operating profit (EBIDTA) of Rs. 1,241 crores as compared to Rs. 1,082 crores.

The other segments including Solar, Traction, Power & Projects have also registered robust growth and Exide continues to be the preferred brand for the customers.

Submarine

During the year under review, your Company successfully completed bulk production of the 1st set of indigenous submarine batteries for French Scorpene class submarines recently inducted into the Indian Navy. These batteries completely passed all the most stringent quality control norms & tests set by the Ministry of Defence that was spread over many months, before final acceptance by M/s Mazagon Dock Shipbuilders Limited.

Your Company has acquired a new export customer viz., Vietnam Navy beating international competition to expand the international submarine battery business and successfully signed prestigious contracts for manufacture & supply of 2 sets of submarine batteries for their new Russian 636 class submarines. These batteries are currently under production & will be exported during the financial year 2018-19.

Your Company has also received an important order to manufacture and supply one set of submarine batteries for the next indigenous nuclear submarine under construction. This battery set also is under production and is expected to be supplied during the next financial year 2018-19.

Exports

In the fiscal year 2017-18, automotive exports have registered substantial growth through new markets, new brands, supporting promotional activities and increasing the market shares in the existing markets.

For automotive batteries, during the financial year, your Company was able to increase its reach by extending four wheeler battery markets in majority of GCC (Gulf Co-operation Council) countries, South East Asian countries and select African nations. As a result of such efforts made in exports, there was a total growth in export sales value over 31% as compared to the previous financial year.

For Industrial batteries, your Company increased its reach by entering into new traction markets in Saudi Arabia and Zambia while consolidating its position in the major market in Europe and South East Asia. For the standby segment, the Company made inroads into new markets like Zambia, Angola, Gambia, Saudi Arabia & Chile. The Company increased the capacity of traction batteries and has been able to utilise the full capacity resulting in high growth in exports of industrial batteries over the previous financial year.

Technology Upgradation

In order to maintain its leadership position, your Company is continuously focused on upgrading its products and manufacturing technology as well as acquiring new and

advanced technology to meet the emerging expectations of the customers. The in-house Research & Development (R&D) division is recognised by the Department of Scientific and Industrial Research (DSIR), Government of India, as a fully accredited Research Centre in the field of energy storage. Import substitution of raw materials, reducing energy consumption and manufacturing cycle time reduction are some of the areas where the priorities are highest.

The in-house R&D also plays a major role in providing the interface between the Company priorities and the adoption of collaborators' technology. Your Company has ongoing technical collaboration and assistance agreements with East Penn Manufacturing Company Inc., USA (EPM), a leading US manufacturer of lead acid batteries and related items. An advanced manufacturing facility has been installed and commissioned at Haldia Plant and new range of advanced products (with Punched Grids) has been launched in Exide MGRID & Exide EGRID brands. The introduction of state-of-the-art Punched Grid Technology ensures enhanced battery life with higher corrosion/float life than conventional battery and allows for high level of productivity with performance consistency. Also, higher power to weight ratio than present equivalent conventional products is another key feature of this technology.

Your Company has also an ongoing technical assistance and collaboration agreement with 'Furukawa Battery Company Limited, Japan' for various automotive applications. Additionally, your Company has a long standing technical cooperation agreement with Hitachi Chemicals Co. (formerly, Shin Kobe Electric Machinery Co.), Japan, for a variety of automotive as well as VRLA industrial range of products. Based on the research inputs received from Hitachi Chemicals, during the course of the recently concluded financial year, a new 'Zero Maintenance Sealed Flooded automotive battery' has been launched in replacement market.

In the Industrial Battery segment, the state-of-the-art 'Ultra Battery' with outstanding charge acceptance characteristics, nearly at par with lithium technology has been introduced for field trials in Telecom. It is also a proven technology globally, and is vigorously being pursued for MW scale renewable energy storage, grid stabilisation, diesel abatement and other allied operating modes. New machinery has been installed & commissioned for manufacturing of Ultra Battery. The development has taken place in collaboration with East Penn Manufacturing, USA and Ecoult Pty, Australia.

Your Company has also been pursuing the development of appropriate lithium-ion technology for applications in the country particularly for the emerging demands of electric vehicles. Prototypes have been assembled and are undergoing laboratory and field tests to be followed by submission for certification by regulatory authorities. The work is closely being

done under the technical collaboration and guidance of IIT Madras and associated organisation.

Your Company has recently entered into a Technical License Agreement with 'Advanced Battery Concepts, LLC, USA' (ABC) for acquiring the Know-how and Technology in the field of Bi-Polar Lead Acid Storage Batteries.

HIGHLIGHTS OF PERFORMANCE

Your Company recorded a Net Sales of Rs. 9186.32 crores in 2017-18 as compared to Rs. 7583.47 crores in the previous year with a corresponding profit before tax of Rs. 1006.16 crores as compared to Rs. 975.73 crores.

Financial Results

	(Rs. in Crores)	
	2017-18	2016-17
Profit before depreciation, finance cost & tax expenses	1299.17	1186.36
Depreciation and amortisation expenses	245.94	206.32
Finance cost	5.24	4.31
Profit Before Exceptional item and Tax	1047.99	975.73
Exceptional item	41.83	-
Profit Before Tax	1006.16	975.73
Tax expenses	337.81	282.09
Profit After Tax	668.35	693.64
Other Comprehensive Income	2.90	1.90
Total Comprehensive Income for the year	671.25	695.54
Balance brought forward	4878.59	4426.43
Making a total of	5549.84	5121.97
Out of this appropriations are :		
Final Dividend for 2015-16 (80%)	-	68.00
Final Dividend for 2016-17 (80%)	68.00	-
Tax on Final Dividend	13.84	11.69
Interim Dividend for 2016-17 (160%)	-	136.00
Interim Dividend for 2017-18 (160%)	136.00	-
Tax on Interim Dividend	27.69	27.69
(Aggregate Dividend amounts to 240% (previous year - 240%))	245.53	243.38
And leaving a balance of (which is carried forward to next year)	5304.31	4878.59

Effect of Lead Price Movement

Lead and Lead Alloys are the primary materials consumed in the manufacturing of batteries representing more than 70% of total material consumption by value. Your Company procures about 30% of its Lead and Lead Alloys requirement through imports or import parity pricing based on prices quoted on London Metal Exchange (LME). The balance 70% is procured locally at prices which are influenced by demand/supply situation as well as LME movement.

Your Company procures Lead and Lead Alloys mostly at current prices or on LME averages and there is no long-term contract

for pricing. About 30% of your Company's business with OEM's as well as institutional customers is having "Lead price variation clause" and thus this portion of the business is protected from lead price volatility. The balance 70% of the Company's business to retail customers is exposed to lead price volatility, the risk of which is reduced to an extent by increasing the usage of recycled lead which is cheaper than pure lead and not directly exposed to LME price movement.

The exposure to currency fluctuations and its impact on Company's business is significant since about 30% of Lead and Lead Alloys procurement is based on "import parity price". Further, your Company imports few other materials and capital goods. Exports made by your Company which constitutes about 5% of the Company's business, acts as an automatic hedge against risks resulting from currency fluctuation.

Your Company as a policy does not enter into commodity hedging or currency hedging. In a few cases forward covers are taken against import liabilities.

During FY 2017-2018 the average LME price of pure lead increased by 19% as compared to FY 2016-2017, while the average landed cost of Lead and Lead Alloys, including recycled lead, in 2017-2018 indicates a rise of 14% as compared to the previous financial year.

Consolidated Financial Statements

As required under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and in accordance with the Indian Accounting Standard (Ind-AS) 110, Consolidated Financial Statements of the Company and its subsidiaries form part of the Annual Report and are reflected in the consolidated financial statements of the Company. These statements have been prepared on the basis of audited financial statements received from the subsidiary companies as approved by their respective Boards.

Dividend

Your Company has paid an interim dividend at the rate of 160% i.e. @Rs 1.60 per equity share of Re.1 each on the equity shares to the shareholders, whose names appeared on the Register of Members on 6th November, 2017. Your Directors are now pleased to recommend a final dividend at the rate of 80% i.e. Re. 0.80 per equity share of Re.1 each for the year ended 31st March, 2018, subject to approval of the shareholders at the ensuing Annual General Meeting. Consequently, the total dividend for the year ended 31st March, 2018 including the interim dividend paid during the year, shall be 240% i.e. Rs. 2.40 per equity share of Re.1/- each.

Share Capital

The paid up equity share capital as on 31st March, 2018 was Rs. 85 crores, divided into 85,00,00,000 equity shares of face value of Re. 1 each.

A) Issue of equity shares with differential rights

The Company did not issue equity shares with differential rights during the financial year 2017-18.

B) Issue of sweat equity shares

The Company did not issue sweat equity shares during the financial year 2017-18.

C) Issue of employee stock options

The Company did not issue stock options during the financial year 2017-18.

D) Provision of money by Company for purchase of its own shares by employees or by trustees for the benefit of employees

The Company does not have a scheme for purchase of its own shares by employees or by trustees for the benefit of employees.

Deposits

During the year under review, the Company did not accept any deposits from the public within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

Particulars of Loans, Guarantees or Investments

Pursuant to Section 186 of the Companies Act, 2013, the details of the loans given (Note nos. 6 and 13), guarantees on securities provided (Note no. 38(ii)) and investments made (Note nos. 4 and 9) by the Company during the year under review, have been disclosed in the financial statements.

Material Changes and Commitments

There have been no material changes which have occurred subsequent to the close of the financial year of the Company to which the financial statements relate and the date of the report, for example:

- Settlement of tax liabilities;
- Operation of patent rights;
- Depression in market value of investments;
- Institution of cases by or against the Company;
- Destruction of any assets or disposal of a substantial part of undertaking;
- Changes in capital structure;
- Alteration in wage structure arising out of trade union negotiation; and
- Material changes concerning purchase of raw material and sale of the product.

AUDITORS**Statutory Auditors and their Report**

M/s B S R & Co. LLP, Chartered Accountants, were appointed as Statutory Auditors of your Company at the Annual General Meeting held on 27th July, 2017, for a term of five consecutive years till the conclusion of 75th Annual General Meeting of the Company.

The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

The Statutory Auditors have not reported any incidence of fraud to the Audit Committee of the Company during the year under review.

Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 (as amended), the cost records maintained by the Company in respect of the products manufactured by the Company are required to be audited. Your Directors, on the recommendation of the Audit Committee has appointed M/s Shome & Banerjee, Cost Accountants to audit the cost records of the Company for the financial year 2018-19 at a remuneration of Rs. 9,00,000/- plus out-of pocket expenses and taxes as applicable.

A resolution regarding ratification of remuneration payable to M/s Shome & Banerjee, Cost Accountants, forms part of the Notice convening the 71st Annual General Meeting of the Company.

Secretarial Auditors & their Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s A. K. Labh & Co., Practising Company Secretaries to undertake audit of secretarial and other related records of the Company for the financial year 2017-18. The Secretarial Audit Report is annexed herewith as "Annexure – I". The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

BUSINESS RESPONSIBILITY REPORT

The Ministry of Corporate Affairs, Government of India, in July 2011, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain certain principles which are to be adopted by companies as part of its business practices and disclosures regarding the steps taken to implement these principles through a structured reporting format, viz. Business Responsibility Report. Pursuant to Regulation 34(2)(f) of SEBI

(Listing Obligations and Disclosure Requirements), Regulations, 2015, your Company has prepared the Business Responsibility Report and is annexed herewith as “Annexure - II”

CORPORATE GOVERNANCE

Transparency is the cornerstone of your Company’s philosophy and all requirements of corporate governance are adhered to both in letter and spirit. All the committees of the Board of Directors meet at regular intervals as required in terms of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Your Board of Directors has taken necessary steps to ensure compliance with all statutory requirements. The directors and key management personnel and senior executives of your Company have complied with the approved ‘Code of Conduct for Board of Directors and Senior Executives’ of the Company. The declaration to this effect pursuant to Schedule V of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 signed by Managing Director and CEO of the Company forms part of the Annual Report.

The Report on Corporate Governance as required under Regulation 34(3) read along with Schedule V of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 forms part of and is annexed herewith marked as “Annexure – III”. The Auditors’ Certificate on compliance with Corporate Governance norms is also attached to this Report. Further as required under Regulation 17(8) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, a certificate from the Managing Director & CEO and Director-Finance & CFO is being annexed with this Report.

BUSINESS EXCELLENCE

Your Company has a well-designed TQM Model to drive the organisation towards continuous improvement in order to deliver high-quality products and services to customers. The TQM model is aimed at developing TQM culture for long-term success through customer satisfaction. All members of the organisation participate in improving processes, products, services aligned to the business needs.

The TQM initiatives deployed in your company are: TPM, Six Sigma, 5S, Kaizen, Quality Circle, and Suggestions. Your Company has implemented International Standards like ISO 9001 & IATF 16949 for Quality and ISO 14001 & OHSAS 18001 for Environment, Health & Safety. The Organisational learning and development was one of the key focus areas during the financial year. There is a structured framework for monitoring and measurement in your Company for all these TQM initiatives that flashes the monthly report on various TQM performance metrics.

Implementation of best practices and promoting competitive capability of the organisation is one of the important areas your Company focused during the year and is committed to excel in

the years ahead. The excellence in areas of operation, supply chain sustainability, quality, innovation, corporate governance etc. were assessed by external professional bodies like JIPM, CII, Institute of Directors, ACFI, Greentech, Arogya Health, GCI etc. 119 Awards have been received by your Company in various categories during the financial year.

Quality Circle is an effective approach to voluntarily involve people in the continuous improvement journey. The QC projects are aligned to the business strategy to achieve the business goals and produce tangible and intangible benefits through involvement of workmen. This initiative is deployed in all the factories and to extended supply chain.

TQM Ranking Assessment System has been introduced for transparent rating and evaluating with an intensive focus to regularly monitor and measure the various TQM initiatives practiced in the factories. It helped in identifying the gaps and improving the system and process along with cross functional learning. This ranking system has been institutionalised for building competitiveness among factories and flow of best practices from one factory to other. The audit is conducted at quarterly intervals and factories are ranked as per the audit outcome.

OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT

Your Company has a well designed EHS (Environment, Occupational Health & Safety) policy and it is effectively deployed across all factories. All factories are certified for EMS 14001 & OHSAS 18001 BY TUV NORD.

Your Company utilises natural and man-made resources in an optimal and responsible manner and ensures the sustainability of resources by reducing, reusing, recycling and managing waste. It regularly monitors and prevents pollution through waste minimisation at the source; recovery / treatment of emissions and releases and conservation of energy. This progressively improves environment, occupational health and overall carbon footprint.

Your Company has established, implemented and maintained a procedure for the ongoing identification of hazards, assessment of their risk and determining the necessary controls. Safety Audits, Hazard Evaluation, Emergency Management Planning are conducted periodically in the factories.

Your Company’s employees as well as the upstream partners are being regularly trained and awareness programmes are conducted to ensure health and safety risks are minimised for the employees and contract workers.

Occupational health and safety is given the utmost focus in your Company, through TQM ranking audit in every quarter the functioning of the following things is ensured on proactive basis to achieve zero accident which is our goal in TPM:

- a) Emergency Response Plan
- b) Near miss capturing
- c) Incidents Investigation & gaps closure
- d) Functioning of safety equipment like fire hydrants, Fire extinguishers etc.
- e) Medical Surveillance plan of employees.

The maturity level of Occupational Health & Safety and Environment system are assessed by separate external certification body. During the financial year 2017-18, your Company has been awarded with

- Golden Peacock Awards- 'Special Commendation' for Sustainability
- Grow Care India Environment Award 2017 for Chinchwad factory
- Annual Greentech Gold Award in Safety Category for Hosur factory.
- Arogya Healthy Work Place Award 2017 (Gold Award) for Hosur factory.

Your Company is transparent about the sustainability challenges. Identifying the economic, environmental and social issues that are relevant for the business, environment and stakeholders is most important. The sustainability efforts include reduction of pollution, waste elimination, effective utilisation and recycling of existing natural resources (like as water, oil, gas, metal), and energy saving. Your Company complies with applicable legal, statutory, regulatory, customer specific and other requirements related to the environmental aspects, occupational health and safety. Your Company has focused on the sustainability of its upstream partners for business sustainability. Several vendor sustainability programs have been conducted in all the regions involving almost all the critical vendors. Periodic trainings on Risk Assessment, Environment, Health & Safety and Quality have been provided to them for sustainability of their business.

CORPORATE SOCIAL RESPONSIBILITY

Your Company always seeks ways to imbibe long-term sustainability through inclusive growth and development not only within the adjoining community around the main operational locations but also with the society at large at regional or national level. The core thematic areas that continue to remain the main pillars of your Company's CSR philosophy are:

1. Basic Education
2. Health
3. Environment Management
4. Women Empowerment
5. Community Development.

The above areas were an integral part of the Company's CSR Philosophy well before the mandatory CSR provisions were introduced in the Companies Act, 2013.

The Board of Directors of your Company has approved a Corporate Social Responsibility (CSR) Policy namely "EIL CSR Policy" in accordance with Section 135 of the Companies Act 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 notified by the Ministry of Corporate Affairs, Government of India, which is available on the organisational website at <http://www.exideindustries.com/investors/governance-policies.aspx>. The CSR policy underlines the guiding principles and mechanisms for undertaking various CSR activities/ programs by the Company.

The disclosure as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed hereto as "Annexure – IV".

A total amount of Rs. 1771.03 lacs was spent during financial year 2017-18 as against its 2% obligation amounting to Rs. 1764.20 lacs, thereby fulfilling its entire CSR obligation. The main thrust for the year was to consolidate the efforts which had been made over the past few years. The year witnessed establishment of certain model projects especially in basic education which created higher impact within the given resources and can be considered for further replication as and where applicable in future projects.

Your Company made significant strides in achieving over 100% utilisation for the year to harness all its resources for successful execution of CSR projects across all the manufacturing units at West Bengal, Maharashtra, Tamil Nadu, Uttarakhand, Haryana and also for certain big-ticket projects at national level. Some of the projects were undertaken through nationally renowned partner organisations like UNICEF, Wildlife Conservation Trust, Diabetics Association of India, Society for the Rehabilitation of Paraplegics, Marrow Donor Registry (India), YUVA Unstoppable, India Sponsorship Committee, Cheshire Homes. Beside national level tie-ups, projects were undertaken with local partnerships primarily for basic educational support and sanitation programmes. A significant amount was spent directly through the dedicated CSR teams across all manufacturing units led by the Central team.

The year continued to witness a thrust on projects at school level mainly for promoting education, sanitation, making available safe drinking water. Along with the above the other significant ones were for public healthcare, women empowerment and promoting education including special education and employment enhancing vocation skills, rural development, eradication of hunger, poverty and malnutrition.

The social initiatives undertaken by the Company through the year essentially were a step closer to creating long term sustainable development through possible transformation in the lives of the beneficiaries.

INTERNAL CONTROLS

A strong internal control framework is an essential pre-requisite of growing business. In this context, to the best of their knowledge and belief and according to the information and explanations, obtained by them, your Directors state that your Company's internal control systems are commensurate with its size and scale of operations that are designed to provide reasonable assurance that the Company's financial statements are reliable and prepared in accordance with the law.

OUTLOOK

Two successive years of strong performance and recovery of new auto sales should be a huge boost for automotive battery business in the coming years. GST should also drive market share gains from the unorganised players in the aftermarket segment, as well. Emerging opportunities like the e-rickshaw segment would also add to growth in the medium term.

Post de-monetisation and implementation of GST, the Indian economy is expected to grow faster in FY 2018-19 compared to the Economic Survey estimated growth projection of 6.75% for 2017-18. Growth forecast by the International Monetary Fund (IMF) for FY 2018-19 is at 7.4%.

Decrease in the Consumer Price Index (CPI) inflation rate and a buoyant economic outlook should offer a healthy and profitable growth opportunity for the industry.

OPPORTUNITIES AND THREATS

Contrary to general perceptions, your Company believes that lead acid batteries will remain relevant even in the electric vehicle (EV) world. Most EVs have a 12V lead acid battery as auxiliary battery for SLI (starter, lighting and ignition) application. Unless there is significant change of technology, lead acid batteries will continue to be the most reliable and affordable power source for vehicles. Newer lead acid battery technologies are also redefining the performance limits of the battery.

The current growth in automobile sales translates into medium and long-term opportunity for sale of replacement batteries. The rapid growth in E-rickshaw population continues unabated and is quickly becoming a huge source of business for aftermarket sales.

The strong brand equity, the exceptional channel partnerships and the technology leadership that your Company enjoys, places it in a unique position to leverage the emerging opportunities and translate them into profitable growth.

Being dependent on several other industry segments like Automobile, Power and Manufacturing, makes your Company susceptible to the performance of these sectors.

RISKS AND CONCERN

There is risk of new battery technology such as lithium ion technology which is penetrating into market, and reduction in its price is making it viable in many segments. The emerging areas

like Electric vehicles, solar and telecom are expected to catch the penetration of lithium ion. Your Company has implemented the lithium ion technology road map and strategies to tap the market potential. It has leveraged the strength of collaborators and technology transfer plan is in place. It has also established the lithium ion organisational structure.

In order to maintain its leadership position in Lead Acid business, new products are being introduced to ensure the competitive differentiator in each of the segments. Product plans are in place to fulfill the Automotive OEMs expectation of reduced battery weight, satisfying BS VI norms. Some of these new developments are ultra battery for automotive range, AGM VRLA for E-Rickshaw, etc. It is leveraging the capabilities of collaborators to outperform in technology development program. Your Company's technology development initiatives are adequate for sustained leadership position.

Risk of environmental damage is also one of the top risks. Mitigating actions are in place to ensure protection of environment. ETP, STP plants are installed in each & every factory of your Company so that water released on land does not pollute it. Factories of your Company are zero discharge factories. Water harvesting, Plantation, Hazardous Waste management, Environmental monitoring, Monitoring of the BLL of employees and Statutory Compliance Management are carried out to minimise the damage to environment by your Company. There is a road map to increase the usage of solar energy. Solar Panels are being installed in manufacturing units. Your Company has end to end plan to minimise adverse impact on environment due to activities across the Value Chain. As part of suppliers sustainability program, an initiative to promote the sustainability which significantly covers the environmental aspects and structured its requirement to protect the planet. Plastic waste reduction program to reduce the consumption of plastic material, usages in material handling and manufacturing disposals have been launched. Reduction of resource consumption, yield of raw material (PPCP), energy efficiency, compliance to ISO 14001 standards are some of the focus areas which are being driven across supplier fraternity. Initiative to enhance the rate of battery scrap collection through dealer network is in place.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

Your Company has a Whistle Blower Policy establishing vigil mechanism, to provide a formal mechanism to the directors, employees and stakeholders to report genuine concerns about unethical behavior, actual or suspected, fraud or violation of the Company's Code of conduct or ethics policy in accordance with the provisions of the Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The Policy provides for adequate safeguards against victimisation of persons who use such mechanism and

provides for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases. Your Company has provided a dedicated email address for reporting such concerns. It is affirmed that no personnel of the Company has been denied access to the Audit Committee. The Policy is available on the web-site of the Company under the web-link <http://www.exideindustries.com/investors/governance-policies.aspx>. The Audit Committee of Board is entrusted with the responsibility to oversee the vigil mechanism.

SUBSIDIARIES

Your Company has four Indian subsidiaries viz, Chloride Metals Limited, Chloride Power Systems & Solutions Limited, Chloride International Limited, Exide Life Insurance Company Limited and three foreign subsidiaries, viz. Chloride Batteries S.E Asia Pte. Ltd., Singapore, Espex Batteries Limited, UK and Associated Battery Manufacturers (Ceylon) Limited, Sri Lanka.

- Exide Life Insurance Company Limited ('ELI'), a 100% subsidiary of your Company, is engaged in the business of life insurance and annuity, offering a range of individual and group life, pension and health products across traditional and unit-linked platforms. It reaches customers through technology enabled solutions and its network of 200 plus offices to cater to the needs of customers.

ELI manages assets (AUM) of over Rs. 12,500 crores as at 31st March, 2018. The total premium collected by ELI during the year ended 31st March, 2018 was Rs. 2,532 crores as against Rs. 2,408 crores collected during the previous year ended 31st March, 2017. It has also recorded a profit before tax of Rs. 60.02 crores during the year ended 31st March, 2018 as against a profit of Rs. 112.51 crores recorded during the previous year.

As at 31st March, 2018, market consistent embedded value (MCEV) of ELI was Rs. 2,137 crores against MCEV of Rs. 2,051 crores in the previous year.

- Chloride Metals Limited, another 100% subsidiary of your Company, having its plants situated at Markal, Taluka – Khed, Pune and Malur, Kolar district, Karnataka is engaged in the business of running smelting plants having integrated facilities for extracting lead from exhausted batteries and manufacturing and supplying recycled lead and lead alloys. The net sales of Chloride Metals Limited was Rs. 2,013.56 crores and a profit before tax was Rs. 29.65 crores representing an increase of 41% in net sales and a decrease of 13% in profit before tax compared to the previous financial year.
- Chloride Power Systems & Solutions Limited, a 100% subsidiary of your Company having its factory at Sector V, Salt Lake City, Kolkata is engaged in manufacture and sale of battery chargers, D.C Power Systems, solar installations and associated equipment. During the year 2017-18, the

said Company achieved a turnover of Rs. 81.81 crores and a profit before tax of Rs. 4.07 crores.

- Chloride International Limited is presently not engaged in any trading or manufacturing activity and has income from rent and interest/dividend on securities. The income of Chloride International Limited during 2017-18 amounted to Rs. 68.04 lakhs with a profit before tax of Rs. 56.28 lakhs representing a decrease of 5% and 8% respectively over the previous financial year.
- Your Company also holds 100% of the share capital in Chloride Batteries S.E Asia Pte. Ltd., Singapore. The said Company is engaged in production and distribution of industrial battery chargers, rectifiers and parts thereof and the distribution of industrial and automotive batteries. It caters to the South East Asian and Australian markets. During the year 2017-18, the said Company achieved a turnover of SGD 23.37 million and incurred a loss of SGD 0.7 million.
- Espex Batteries Limited, UK, 100% subsidiary of your Company is engaged in marketing and selling of lead acid batteries for industrial applications in UK and its neighboring areas. During 2017-18, the Company achieved a turnover of GBP 6.7 million and made a profit before tax of GBP 0.25 million.
- Your Company also holds 61.5% of the share capital in Associated Battery Manufacturers (Ceylon) Limited, Sri Lanka. The said Company is engaged in the business of manufacturing and marketing of lead acid batteries. During the year 2017-18, the said Company achieved a turnover of SLR 3357.56 million and made a profit before tax of SLR 271.88 million.

The profit and loss accounts, balance sheet, auditors' report and directors' report of the subsidiaries are not attached to the annual accounts of your Company pursuant to general exemption granted vide general circular number 2/2011 dated 08.02.2011 issued by the Government of India, Ministry of Corporate Affairs and in terms of section 136 of the Companies Act, 2013. Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014, a statement containing salient features of financial statements of subsidiaries in Form AOC-1 is attached to the financial statements. However, the necessary details about the subsidiaries are given in the consolidated financial statements. The Company will make available the said financial statements and related detailed information of the subsidiary companies upon request by any member of the Company or its subsidiary companies. Copies of the financial statement of the subsidiaries would also be available for inspection by any such person at the registered office of your Company on any working day as specified in the Notice convening the 71st Annual General Meeting.

Pursuant to Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries are available on the website of the Company.

EXTRACT OF THE ANNUAL RETURN

The extract of the Annual Return in Form No. MGT – 9 attached as “Annexure-V” shall form part of the Board’s report.

DIRECTORS

Mr. A K Mukherjee, Director-Finance and CFO and Mr. Arun Mittal, Director - Industrial, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Surin Shailesh Kapadia, was appointed as additional director (Independent) with effect from 25th October, 2017 on the recommendation of nomination & remuneration committee and board of directors.

Necessary information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of directors to be appointed and re-appointed at the ensuing Annual General Meeting are given in the Annexure to the Notice convening the Annual General Meeting scheduled to be held on 2nd August, 2018.

None of the Directors of your Company is disqualified for being appointed as directors, as specified in Section 164(2) and Rule 14(1) of Companies (Appointment and Qualification of Directors) Rules, 2014.

KEY MANAGERIAL PERSONNEL

During the year, the following directors/executives continued as Key Managerial Personnel of the Company:

- Mr. Gautam Chatterjee, Managing Director & CEO
- Mr. A K Mukherjee, Director – Finance & CFO
- Mr. Subir Chakraborty, Director – Automotive
- Mr. Arun Mittal, Director – Industrial
- Mr. Jitendra Kumar, Company Secretary & EVP - Legal & Administration

DECLARATION OF INDEPENDENCE

All independent directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the performance evaluation of the Board as a whole,

Chairman and the non-independent directors was carried out by the independent directors. This exercise was carried out in accordance with the Remuneration Policy framed by the Company within the framework of applicable laws.

The Board carried out an annual evaluation of its own performance, as well as the evaluation of the working of its committees and individual directors, including Chairman of the Board. The performance evaluation of all the directors was carried out by the Nomination and Remuneration Committee. The questionnaire and the evaluation process were reviewed in accordance with the SEBI guidance note on Board evaluation dated 5th January, 2017 and suitably aligned with the requirements.

While evaluating the performance and effectiveness of the board, various aspects of the Board’s functioning such as adequacy of the composition and quality of the Board, time devoted by the Board to Company’s long-term strategic issues, quality and transparency of Board discussions, execution and performance of specific duties, obligations and governance were taken into consideration. Committee performance was evaluated on the basis of their effectiveness in carrying out respective mandates, composition, effectiveness of the committees, structure of the committees and meetings, independence of the committee from the Board, contribution to decisions of the Board. A separate exercise was carried out to evaluate the performance of Independent Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution to Board deliberations, independence of judgement, safeguarding the interest of the Company and focus on creation of shareholders value, ability to guide the Company in key matters, attendance at meetings, etc.

The Directors expressed their satisfaction with the evaluation process.

REMUNERATION POLICY

In accordance with the provisions of Section 178(3) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has remuneration policy in place. The objectives and key features of this Policy are:

- (a) Formulation of the criteria for determining qualifications, positive attributes of directors, Key Managerial Personnel (KMP) and senior management personnel and also independence of independent directors;
- (b) Aligning the remuneration of directors, KMPs and senior management personnel with the Company’s financial position, remuneration paid by its industry peers etc.;
- (c) Performance evaluation of the board, its committees and directors including independent directors;
- (d) Ensuring board diversity;

- (e) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down;
- (f) Directors' induction and continued training.

The Remuneration Policy is available on the Company's web-site under the following web-link <http://www.exideindustries.com/investors/governance-policies.aspx>

MEETINGS

The Board meets at regular intervals to discuss and decide on Company / business policy and strategy apart from other items of business. The Board exhibits strong operational oversight with regular presentation by business heads to the Board. The Board and committee meetings are pre-scheduled and a tentative annual calendar of Board and committee meetings is circulated to the directors well in advance to help them plan their schedule and to ensure meaningful participation at the meetings.

During the year under review four (4) board meetings and six (6) audit committee meetings were convened and held, the details of which are given in the Corporate Governance report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

The details of constitution of the board and its committees are given in the Corporate Governance report.

COMPLIANCE WITH CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR EXECUTIVES

All directors and senior management personnel have affirmed compliance with the code of conduct for board of directors and senior executives. A declaration to that effect is attached with the Corporate Governance report.

COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND ANNUAL GENERAL MEETINGS

The Company has complied with secretarial standards issued by the Institute of Company Secretaries of India on Board Meetings and Annual General Meetings.

RISK MANAGEMENT POLICY

In accordance with the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company are responsible for framing, implementing and monitoring the risk management plans of the Company. The Company has a "Risk Management Policy" to identify risks associated with the Company, assess its impact and take appropriate corrective steps to minimise the risks which may threaten the existence of the Company.

To improve the Company's ability to address the increasingly complex internal and external issues and potential business threats, your Company has devised Risk Management System. Through the risk management, the Company proactively

identifies and addresses potential critical risks for the Company's business and is able to take measures for mitigation that are considered most optimal.

The risk management policy of your Company stresses on exploring the new opportunities, strengthening corporate governance while achieving the business objectives. The Risk Management policy has been implemented through comprehensive framework. This has been implemented at corporate functions and business sites ensuring Enterprise Risk Management Framework.

The corporate risk register of the organisation is reviewed by the Audit Committee and the Board to ensure adequacy of risk mitigation. Risk Management System involves the executives across the organisation and promotes risk evaluation as an integral part of decision making. Your Company in FY 2017-18 got the certification on Risk management system (ISO 31000) by TUV – Nord for all corporate functions & Hosur Factory.

The Risk Management Policy is available on the Company's web-site under the following web-link <http://www.exideindustries.com/investors/governance-policies.aspx>

LISTING

The equity shares continue to be listed on the BSE Limited (BSE), the National Stock Exchange of India Limited (NSE) and The Calcutta Stock Exchange Limited (CSE). The Company has paid annual listing fee for the financial year 2018-19 to BSE, NSE and CSE.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions which were entered during the financial year were in the ordinary course of business and on an arm's length basis. There were no materially significant related party transactions entered into by the Company with promoters, directors, key managerial personnel or other persons which may have a potential conflict with the interests of the Company.

All related party transactions are placed before the audit committee for review and approval. Prior omnibus approval is also obtained from the Audit Committee for the related party transactions which are of repetitive nature and which can be foreseen and accordingly the required disclosures are made to the audit committee on quarterly basis in terms of the omnibus approval of the committee.

The policy on materiality of related party transactions and also on dealing with related party transactions as approved by the audit committee and the board of directors is uploaded on the website under the following web-link <http://www.exideindustries.com/investors/governance-policies.aspx>.

Since all related party transactions entered into by the Company were in the ordinary course of business and were on an arm's length basis, there were no material related party transactions

during the year. Form AOC – 2 is therefore not applicable to the Company.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

There are no significant material orders passed by the regulators/ courts/tribunals which would impact the going concern status of the Company and its future operations. However, member's attention is drawn to the statement on contingent liabilities and commitments in the notes forming part of the financial statements.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Clause (m) of Sub-Section (3) of Section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure - VI".

HUMAN RESOURCES

Your Company believes that human capital will be the key to drive future progress and contribute in the overall success of the organisation. To facilitate this, your Company has been focusing on Employee Development and Talent Management. Large scale developmental centers have been set up to identify and develop senior and middle management talent. High quality leadership talent has been infused across all functions to build Talent Pipeline. Besides, your Company believes in creating a compelling employer brand thereby attracting and promoting young talent through B-school campus programmes and engagement activities.

Sales and Manufacturing Training academies have been launched to augment the functional knowledge and technical skills of employees. Your Company aims to continue substantial investment of resources in skill development in all functional areas. It is committed towards bringing transparency and objectivity in processes by adoption of Technology like Online Performance Management System, Automated Attendance System and Human Resource Information System.

Your Company continues to drive performance through a quarterly evaluation process and a competitive Performance based Bonus process for all its employees. "You Did It" is a platform to publicly recognise and reward good performance every quarter in the presence of Senior Management.

Your Company continues to have cordial and harmonious industrial relations across all the manufacturing units. During the year under review, many best manufacturing practices have been adopted through internal / external benchmarks

like – flexible manufacturing, productivity enhancements, TQM practices, workmen engagement, plant trainee schemes, quality circles, etc.

The total number of employees of the Company as on 31st March, 2018 stood at 5384.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and financial statements are being sent to Members and others entitled thereto, excluding the information on employees particulars which are available for inspection by the Members at the registered office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. Any Member interested in obtaining a copy thereof, may write to the Company Secretary. Further, we confirm that there was no employee employed throughout the financial year or part thereof, who was in receipt of remuneration in the financial year which, in the aggregate, is in excess of that drawn by the Managing Director and Whole-time Directors and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company.

Particulars of employees pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is annexed hereto and marked as "Annexure - VII".

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

Your Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition & redressal of sexual harassment at workplace in line with the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('Act') and Rules thereunder. It is committed to providing equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. Your Company has constituted Internal Complaints Committees (ICC). During the year, no complaints relating to sexual harassment were filed with the Company.

DIRECTOR'S RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. That in the preparation of the annual financial statements, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the Directors have prepared the annual accounts on a going concern basis;
- e. That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and
- f. That systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

FORWARD LOOKING STATEMENTS

This Report contains forward-looking statements that involve risks and uncertainties.

When used in this Report, the words "anticipate", "believe", "estimate", "expect", "intend", "will", and other similar

expressions as they relate to the Company and/or its businesses are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performance or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

ACKNOWLEDGEMENT

Your Directors would like to record their appreciation for the enormous personal efforts as well as the collective contribution of all the employees to the Company's performance. The directors would also like to thank its customers, employee unions, shareholders, dealers, suppliers, bankers, government agencies and all stakeholders for their co-operation and support to the Company and the confidence reposed on the management.

On behalf of the Board of Directors

Place: Mumbai
Date: 7th May, 2018

Sd/-
(Bharat D Shah)
Chairman
DIN: 00136969