

Ref: SEC:JS:

May 05, 2016

- 1) B S E Limited
Floor 1, 'Phiroze JeeJeebhoy Towers'
Dalal Street
Mumbai - 400 001

- 2) The Listing Department
National Stock Exchange of India Ltd.
"Exchange Plaza",
Bandra-Kurla Complex, Bandra (E)
MUMBAI – 400 051

Dear Sirs,

Sub : revision in credit rating disclosure

With reference to the above, please find enclosed the Crisil Rating Rationale wherein CRISIL reaffirmed A1 rating for short term loan and revised rating from A+stable to A Stable for your kind perusal.

Please acknowledge receipt.

Thanking you,

Yours faithfully,
For INDO NATIONAL LIMITEDJ. Srinivasan
Company SecretaryEncl: As above

Indo-National Limited

Rating Downgraded

Total Bank Loan Facilities Rated	Rs.366.8 Million
Long Term Rating	CRISIL A/Stable (Downgraded from 'CRISIL A+/Stable')
Short Term Rating	CRISIL A1 (Reaffirmed)

(Refer to Annexure 1 for facility details)

CRISIL has downgraded its rating on the long-term bank loan facility of Indo-National Ltd (INL) to 'CRISIL A/Stable' from 'CRISIL A+/Stable', while reaffirming its rating on the short-term facilities at 'CRISIL A1'.

The downgrade reflects CRISIL's belief that INL's financial credit metrics will moderate over the medium term due to continuing partly debt-funded capital expenditure (capex) in 2016-17 (refers to the financial year, April 1 to March 31) and lower cash generation compared with earlier estimates, on account of losses from a recently acquired entity. This is in continuation to the moderation in financial risk metrics in 2015-16 following elevated debt levels, due to higher than anticipated capital spending and an acquisition. Further, the company's liquidity position has also moderated from earlier comfortable levels.

INL is in the process of acquiring 51 percent stake in Goa-based Kineco Pvt Ltd (Kineco; rated 'CRISIL B-/Stable/CRISIL A4'), and as on 31st March 2016 it has acquired 44.49 percent through its wholly owned subsidiary Helios Strategic Systems (I) Ltd. The acquisition is part of INL's strategy to diversify its business profile following modest growth in its core battery business. Kineco manufactures composite for various public sector undertakings in sectors such as defence, railways and aerospace and has considerable experience in this segment supported by existing relationships with key clients. But its operations have been impacted by weak profitability due to high fixed cost nature of operations and high working capital intensity, resulting in accumulated losses of Rs.164.6 million as on March 31, 2015. With fund support from INL in 2015-16, Kineco's operations are gradually turning around. Nonetheless, the improvement will only be gradual.

Compared to expectations of only moderate capex, INL incurred capex of about Rs.300 million in 2015-16 on setting up solar power plant which was partly funded with debt and liquid surplus. Furthermore, INL also has plans to increase its capex spend in 2016-17 which may entail part financing with additional debt. The additional debt, along with losses at Kineco will result in INL's gearing increasing to over 0.9 times at March 31, 2017 (estimated at 0.6 times at March 31, 2016) from 0.2 times at March 31, 2015; interest cover ratio too is moderating to average levels from earlier healthy levels. Further, INL's liquid surplus too has fallen to around Rs.100 million at present from over Rs.260 million in 2014-15.

The ratings continue to reflect INL's established market position and brand in the domestic dry cell batteries industry, as well as its vast distribution network. The ratings are also

supported by the company's adequate, albeit moderating financial risk profile. These rating strengths are partially offset by low growth in INL's core domestic dry cell batteries business, supplier concentration risks, and susceptibility of INL's operating profitability to volatile input prices and intensifying competition.

For arriving at the rating CRISIL has consolidated the financial risk profile of INL and its subsidiary, Kineco.

Outlook: Stable

CRISIL believes that INL's credit risk profile will continue to benefit from its established position in battery segment, resulting in steady cash generation, which will help partially buttress the impact of losses at Kineco. Its financial metrics, though are expected to moderate, due to continuing partly debt funded spending. The outlook might be revised to 'Positive' if INL generates significantly higher than expected cash accruals from core business and Kineco turns around much faster than anticipated, benefitting key credit metrics. Conversely, the outlook may be revised to 'Negative' in case of sluggish business performance of the core battery business or delays in turnaround of Kineco or elongated working capital levels, necessitating much higher borrowings, and further weakening of credit metrics.

About the Company

INL (formerly Nippo Batteries Company Ltd) was incorporated in 1972 as a joint venture (JV) between the late Mr. P Obul Reddy and Panasonic Corporation, a leading Japanese electronics company. Based in Chennai (Tamil Nadu), the company manufactures and sells dry cell batteries. It also trades in torches, an emergency power back-up range of products and LED's

INL is the second-largest player in the dry cell batteries industry in India, with production capacity of 785 million batteries per annum and a market share of about 29 per cent. INL has an established distribution network comprising exclusive distributors, 4000 exclusive stockists, 30 depots, and 1.5 million retail outlets and wholesalers. In 2015-16, INL acquired a stake of 44.49 percent in Kineco, which manufactures composite for sectors such as railways, aerospace and defence. Kineco also has a 76:24 joint venture, Kineco Kaman Composites Pvt Ltd, with Kaman Aerospace Group, USA which manufactures advanced composites for medical, aerospace and several other industries. Furthermore, INL also setup 4.6MW solar power plant in Polepally Village, Telangana and has entered into a power purchase agreement with Deccan Hospitals (unit of Apollo Hospitals Enterprise Ltd, rated CRISIL AA/FAA+/Stable/CRISIL A1+)

For 2014-15, INL reported a profit after tax (PAT) of Rs.271 million on net sales of Rs.3.21 billion, against a PAT of Rs.127 million on net sales of Rs.3.24 billion for 2013-14. For the 9 month period ended December 31, 2015, the company reported a PAT of Rs.158.6 million (PAT of Rs.256.2 million in corresponding period of 2014-15) on net sales of Rs.2.59 billion (Rs.2.57 billion).

Annexure I - Details of Bank Facilities

Current Facilities			Previous Facilities		
Facility	Amount (Rs. Million)	Rating	Facility	Amount (Rs. Million)	Rating
Bank Guarantee	22	CRISIL A1	Bank Guarantee	22	CRISIL A1
Bill Purchase- Discounting Facility	150	CRISIL A1	Bill Purchase- Discounting Facility	150	CRISIL A1
Cash Credit	110	CRISIL A/Stable	Cash Credit	110	CRISIL A+/ Stable
Letter of Credit	80	CRISIL A1	Letter of Credit	80	CRISIL A1
Proposed Short- Term Bank Loan Facility	4.8	CRISIL A1	Proposed Short- Term Bank Loan Facility	4.8	CRISIL A1
Total	366.8	--	Total	366.8	--