NIPPO

Indo National Limited

Dated 14th July 2017

The B S E Limited

Floor 25, 'Phiroze JeeJeebhoy Towers'
Dalal Street
Mumbai - 400 001

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

Sub: Credit Rating

Dear Sirs,

Pursuant to regulation 30 of the SEBI (Listing obligation and disclosure requirements)Regulations 2015, we wish to inform you that the company has received credit rating as per below for the Bank loan facilities of Rs.36.50:

1. Long term Rating – Crisil A/ stable (reaffirmed)
2. Short term Rating – crisil A1 (reaffirmed)

This is for your information and records.

Thanking you

Yours faithfully
For Indo National Ltd

J.srinivasan
Company Secretary

Indo-National Limited

Rating Reaffirmed

Total Bank Loan Facilities Rated	**Rs. 36.68 Cr**
Long-Term Rating	**CRISIL A/Stable (Reaffirmed)**
Short-Term Rating	**CRISIL A1 (Reaffirmed)**

Refer to Annexure 1 for facility details.

Detailed Rationale:
CRISIL has reaffirmed its ratings on bank facilities of Indo-National Limited (INL) at CRISIL A/Stable/CRISIL A1.

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

INL's subsidiary, Kineco Limited (Kineco, rated 'CRISIL BB-/Stable/CRISIL A4+') achieved breakeven in fiscal 2017, post infusion of equity from INL. With gradual turnaround of the subsidiary and steady contribution from INL, consolidated revenues are expected to grow at 4% CAGR over the medium term, while operating profitability is expected to remain at around 10-11%. Capex spend is likely to be modest in INL, while Kineco is likely to incur about Rs 20 Cr towards expansion of capacity, which is expected to be funded partly through debt.

Analytical Approach:
For arriving at the rating, CRISIL has consolidated the business and financial risk profile of INL and its subsidiary, Kineco. CRISIL has also amortized the goodwill on acquisition of Kineco over a period of five years.

Key rating drivers and detailed description:

Strengths:
Established player, with strong brand name, in dry-cell industry
With a production capacity of 78.5 crore batteries per annum, INL is the second-largest player in the dry-cell industry in India with a market share of 28.6% and continues to benefit from its strong 'Nippo' brand. INL has also been trying to diversify its product portfolio into products like LED, torches, etc. Further, the acquisition of Kineco is also expected to improve INL's revenue diversity and visibility in the medium to long term as Kineco's operations gradually turnaround and scale up.

Wide and established distribution network
More than 68% of INL's batteries are sold through authorised distributors. The company has an established distribution network involving exclusive distributors, 4000 stockists, 33 depots, and 15 lakh retail outlets and wholesalers. INL has had established relationships

with its distributors since inception. The distributors also assume absolute responsibility for the storage and distribution of goods. CRISIL believes INL will continue to capitalize on its wide distribution network and established brand image.

Comfortable financial risk profile

INL's comfortable financial risk profile which moderated slightly in fiscal 2016, improved in fiscal 2017. Due to the deferment of capex towards a second solar plant and prepayment of term loan availed for the first solar plant, gearing improved to an estimated 0.4 time as on March 31, 2017 from about 0.5 time as on March 31, 2016. Cash generation has also improved with turnaround of operations in Kineco and stable cash flows from the core business resulting in improvement in debt protection metrics. The interest coverage and net cash accrual to total debt (NCATD) ratios improved to an estimated 8.7 times and 0.3 time respectively in fiscal 2017 from 6.7 times and 0.1 time in fiscal 2016.

Weaknesses:

Stagnant revenue growth in core dry cell battery business

INL's revenue from dry cell battery segment has grown at a modest CAGR of about 1% from about Rs.260 crore in fiscal 2006 to an estimated Rs.320 crore in fiscal 2017. This is mainly due to decreasing share of larger 'D' size batteries, and competition from cheaper imports. While the company has been diversifying its product and revenue mix successfully scaling up of new products and Kineco will be critical to improve business levels.

Partial susceptibility to raw material price volatility and intense competition

Raw material accounts for over 54% of total cost of sales. The company purchases zinc based on prices on London Metal Exchange and sources its monthly requirements both at spot and monthly average prices. Any steep increase in zinc prices will impact the company's profitability given the intense competition in the industry following the prevailing over-capacity.

Supplier concentration risk

Zinc, which constitutes about 28% of INL's raw material is sourced entirely from Hindustan Zinc Ltd (Hindustan Zinc; rated 'CRISIL AAA/Stable/CRISL A1+'). This, exposes INL to supplier concentration risk and may affect its price-negotiation capabilities. However, this is partly offset by INL's established business relationship, going back to more than a decade, with Hindustan Zinc, and long-term contract for supply of zinc.

Outlook: Stable

CRISIL believes that INL's credit risk profile will continue to benefit from its established position in the battery segment, resulting in steady cash generation, which will help partially buttress impact of subdued performance at Kineco and debt-funded capex in the subsidiary. The outlook may be revised to 'Positive' if INL generates significantly higher-than-expected cash accrual from core business and Kineco improves its performance much faster than anticipated, while sustaining credit metrics. The outlook may be revised to 'Negative' in case of steep decline in the core battery business or delays in improvement at Kineco leading to lower cash flows, or in case of elongated working capital levels or larger than expected capex, necessitating much significantly higher borrowing.

About the Company
Incorporated in 1972 as a joint venture (JV) between the late Mr. P Obul Reddy and Panasonic Corporation (leading Japanese electronics company), Chennai-based INL (formerly, Nippo Batteries Company Ltd) manufactures and sells dry cell batteries and also trades in torches, emergency power back-up products, and LEDs.

INL is the second-largest player in the dry cell batteries industry in India, with capacity of 78.5 crore battery per annum and a market share of about 29%. INL has an established distribution network comprising exclusive distributors, 4000 exclusive stockists, 30 depots, and 15 lakh retail outlets and wholesalers. In fiscal 2016, INL acquired 44.49% stake in Kineco, which manufactures composite for Railways, aerospace, and defence. Subsequently, in fiscal 2017, INL increase its stake in Kineco to 51%. Kineco also has a 51:49 joint venture, Kineco Kaman Composites Pvt Ltd, with Kaman Aerospace Group, USA, which manufactures advanced composites for medical, aerospace, and several other industries. INL also set up 4.6 megawatt 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 fiscal 2017, on a consolidated basis, INL reported a profit after tax (PAT) of Rs.20.2 crore on net sales of Rs.378 crore, against a PAT of Rs.14.2 crore on net sales of Rs.362 crore for fiscal 2016.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	5.0	CRISIL A/Stable
NA	Cash Credit	NA	NA	NA	1.0	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	7.5	CRISIL A/Stable
NA	Bill Purchase-Discounting Facility	NA	NA	NA	8.0	CRISIL A1
NA	Bill Purchase-Discounting Facility	NA	NA	NA	15.0	CRISIL A1
NA	Proposed Short-Term Bank Loan Facility	NA	NA	NA	0.18	CRISIL A1

*Interchangeable with short term loan

Annexure 1 - Details of Bank Facilities

Current Facilities			Previous Facilities		
Facility	Amount (Rs. Crore)	Rating	Facility	Amount (Rs. Crore)	Rating
Bank Guarantee	-	-	Bank Guarantee	2.2	CRISIL A1
Bill Purchase-Discounting Facility	23.0	CRISIL A1	Bill Purchase-Discounting Facility	15.0	CRISIL A1
Cash Credit*	13.5	CRISIL A/ Stable	Cash Credit	11.0	CRISIL A/ Stable
Letter of Credit	-	-	Letter of Credit	8.0	CRISIL A1
Proposed Short-Term Bank Loan Facility	0.18	CRISIL A1	Proposed Short-Term Bank Loan Facility	0.48	CRISIL A1
Total	36.68	--	Total	36.68	--

*Interchangeable with short term loan up to Rs. 7.5 Cr