



Dated 20th June 2023

To

National Stock Exchange Of India Ltd.

Exchange Plaza

Bandra-Kurla Complex

Bandra (E), MUMBAI-400051

Dear Sir,

Sub: Credit Rating

Ref :- Your mail dated 16th June 2023 to clarify downward rating and reasons provided by the rating agency for such downward revision.

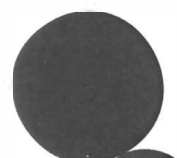
CRISIL Rating Agency downgraded ratings on the bank facilities of Indo-National Limited (INL) to '**CRISILBBB+/Negative/CRISIL A2**' from '**CRISIL A-/Negative/CRISIL A2+**'

The reasons as mentioned in their report as follows: -

Quote

The rating action follows continued moderation in INL's business performance due to sluggish demand for dry-cell batteries, and less than estimated offtake by Indian Railways pertaining to order execution at its subsidiary, Kineco Ltd (Kineco Ltd). Besides, the company's operating profitability is estimated at 2.5-3.5% in fiscal 2023, also weaker than earlier expected, due to lower business levels, higher input prices, and stiff competitive pressures. Ergo, cash generation is expected to be lower at less than Rs.20 crores in fiscal 2023, impacting key debt metrics.

Outlook for dry cell batteries continues to remain sluggish due to availability of alternatives, narrowing price gap with alternatives, and stiff competition, including from cheap imports. CRISIL Ratings expects INL's revenue growth will continue to be modest at 7-8 % and driven by better performance of Kineco due to its healthy order book from Indian railways for supplying composite parts for Vande Bharat trains, and other turnkey projects for Garibrath and Tejas trains. Better absorption of fixed costs as a result of higher order execution, and slight softening of input costs, as well as improved product mix in battery segment, should help operating margins recover to ~4-6% over the medium term, which will still be lower compared with 10-12% registered in previous fiscals, prior to fiscal 2022. Cash accruals are expected at Rs. ~20-30crores over medium term, adequate to meet term debt repayment obligations of Rs.~7-8 crore and to fund the moderate capital expenditure (capex) and working capital requirements. Debt protection metrics, too are expected to improve, albeit gradually.





INL's revenue during 9 months of fiscal 2023 declined by 4.5% year-on year basis. This is despite 8% growth in battery and allied product revenues to partly pass on higher input prices, even as there was a 14% decline in dry cell battery volumes, due to sluggish demand and increased competitive intensity. Also, Kineco's revenues witnessed sharp contraction due to lower than estimated off take of railway rakes by Indian railways.

INL's operating profitability declined by 460 basis points from 7% (9 months of fiscal 2022) to 2.3% in 9 months of fiscal 2023, despite multiple price increase in battery segment, high zinc prices, despite some moderation, weaker business levels at Kineco and due to non-availability of input pass on clauses in many of Kineco's orders. INL consequently reported a net loss of Rs.6 crore in the first 9 months of fiscal 2023, compared to a profit after tax of Rs.20 crore in the corresponding period of fiscal 2022.

Unquote

Thanking you

Yours faithfully

For Indo National Ltd

J. Srinivasan

Company Secretary

