

September 15, 2010

**CARE REVISES LONG TERM RATING AND RETAINS SHORT TERM RATING OF
NATIONAL ENGINEERING INDUSTRIES LTD**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term bank facilities	212.8 (reduced from 278.1)	'CARE AA-' (Double A minus)	Revised from CARE A+[Single A Plus]
Short-term bank facilities	224.9 (enhanced from 118.7)	'PR 1+' (PR One plus)	Retained
Total bank facilities	437.7		
Short-term debt (including Commercial Paper)	90.0 #	'PR 1+' (PR One plus)	Reaffirmed
Short-term debt (including Commercial Paper)	30.0 *	'PR 1+' (PR One plus)	Reaffirmed

**The aggregate of CP/STD and other working capital borrowings shall be within the sanctioned working capital limits*

by earmarking fund based bank limit

Rating Rationale

The revision in the long term rating takes into account the notable improvement in profitability parameters and leverage ratios of NEIL in FY10 & Q1FY11 and favourable outlook of the automobile industry. NEIL's long & satisfactory track record, rich experience of the promoters, strong presence in the domestic bearing industry with established brand, strong technical tie-ups with internationally reputed bearing majors, expanding user segments and sustained comfortable financial position also support the ratings. The ratings also factor in volatility in input price, capital intensive nature of business and increasing competition due to cheaper imports. The ability of the company to maintain its total revenue and profit level and future prospects of the automobile industry will remain the key rating sensitivities.

Company Profile

NEIL, incorporated in 1946, belongs to the G.P. - C.K. Birla group. It is engaged in manufacturing of various types of ball and roller bearings (BRB) with its three plants (aggregate capacity – 59.5 mn nos.) at Jaipur & Newai (at Rajasthan) and Manesar (at Haryana). The company has a leading position in the domestic bearing manufacturing segment and sells its products under the registered trade mark 'NBC' – an established brand.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Out of total income of Rs.744.0 crore (P.Y. Rs.617.0 crore), NEIL earned a PAT of Rs.79.3 crore (P.Y. Rs.40.0 crore) in FY10.

During the quarter ended June 30, 2010 (Q1FY11), NEIL achieved a PAT of Rs.31.2 crore on total income of Rs.230.6 crore as against respective figures of Rs.8.8 crore & Rs.176.2 crore in Q1FY10.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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