

February 28, 2013 – Mumbai

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	33.85	SMERA BBB/Stable (Assigned)
Term Loans	103.96	SMERA BBB/Stable (Assigned)
Non-Fund Based Facilities	28.47	SMERA A2 (Assigned)

SMERA has assigned ratings of '**SMERA BBB**' (read as **SMERA Triple B**) and '**SMERA A2**' (read as **SMERA A Two**) to Xpro India Limited's (XIL) Rs.166.28 crore bank facilities. The outlook is '**Stable**'. The ratings draw comfort from XIL's established presence in the polymer processing business, the company's position as a major domestic producer of dielectric/capacitor films, and XIL's improving market share in key business lines. The ratings also benefit from the company's healthy financial risk profile and the management's extensive industry experience. The ratings are however constrained by XIL's declining performance resulting into losses for the last two quarters (margins are subdued because of lower off-take from key customers on account of low sales across the refrigeration industry), high customer concentration and the susceptibility to fluctuations in raw material prices.

XIL is a part of the Sidharth Birla group of companies; the company has a significant market share in the biaxially oriented polypropylene (BOPP) films, cast films, and coextruded plastic sheets industry. XIL is also a major domestic producer of dielectric/capacitor films and the company continues its focus on this segment through an ongoing capacity expansion. The company is also improving its market share in refrigerator sheets and liners business by taking advantage of its existing long standing relationships with its key customers

XIL benefits from a healthy financial profile evidenced by a net worth of Rs.144.88 crore and a comfortable gearing of 0.51 times as on 31<sup>st</sup> March 2012. The gearing is expected to remain comfortable over the medium term despite a large ongoing debt-funded capital expenditure of Rs.170 crore (debt to equity of 3:1). The liquidity position of the company is also healthy and supported by cash equivalents of Rs.78.18 crore as on 31<sup>st</sup> March 2012 (including profit on sale of a thermosets division of Rs.28.35 crore) which provides the company cushion for debt repayment. The company has maintained healthy cash balances on a sustained basis.

The ratings also derive strength from the management's long standing industry experience in the polymer processing business. XIL's board is also composed of eminent personnel. The management has successfully turned around operations of Biax Speciality Films Private Limited (BSFPL), an ailing unit acquired in 2010.

The ratings are however constrained by the company's weak financial performance over the last two quarters. XIL has reported net losses for the last two quarters due to declining performance and sluggish demand from its key customers (although demand is expected to revive gradually). XIL is exposed to high customer concentration risk (top five customer's account for 65 percent of total

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sales); this is partly mitigated by long standing relationships enjoyed by the company with existing customers. XIL has also undertaken measures to reduce this dependence going forward. However as the refrigerator manufacturers continue to face a challenging environment given subdued festive demand, the company will also continue to feel the pressure on revenues in this segment till the fortunes of its customers improve. The ratings are also constrained by susceptibility of the company to fluctuation in raw material prices.

#### Rating Sensitivity Factors

- Timely completion of the project without cost overruns and the ensuing revenue pick-up without a material increase in the working capital requirements
- Continued sluggish demand in key product lines

#### Outlook: Stable

SMERA believes that despite muted growth and profitability in the near term, XIL will be able to maintain its credit profile given the established market presence supported by strong net worth and healthy liquidity. The outlook may be revised to 'Negative' if the company suffers a (higher than anticipated) decline in performance and/or continued losses. The outlook could be revised to 'Positive' if there is a significant improvement in company's profitability, aided by a strong market position in key segments.

#### About the Company

XIL, incorporated in 1997, is a part of the Sidharth Birla group. The Birla family holds 46.7%, while aggregate public shareholding is 53.21% in the company. XIL manufactures biaxially oriented polypropylene (BOPP) films, cast films, coextruded plastic sheets, refrigerator sheets, liners and cabinets. The company has manufacturing facilities at Barjora (West Bengal), Greater Noida (Uttar Pradesh), Ranjangaon (Maharashtra), Pithampur (Madhya Pradesh) and Faridabad (Haryana). XIL has two wholly owned subsidiaries, namely Xpro Global Ltd (India) and Xpro Global Pte Ltd (Singapore). For FY 2011-12, XIL reported a PAT of Rs.5.26 crore on net sales of Rs. 236.69 crore as compared with a PAT of Rs. 11.38 crore on net sales of Rs.300.54 crore for FY 2010-11. For the nine months ended December 31, 2012, XIL reported a net loss of Rs.4 crore on net sales of Rs. 163 crore as compared to a PAT of Rs.33 crore on net sales of Rs.217 crore for the corresponding period in the previous year (figures are directly not comparable due to sale of thermosets division in August 2011).

#### Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Sanjay Kher National Sales Manager – Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : <a href="mailto:sanjay.kher@smera.in">sanjay.kher@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Umesh Nihalani – Head, Financial Sector Ratings, Tel: +91-22-6714 1106 Email: <a href="mailto:umesh.nihalani@smera.in">umesh.nihalani@smera.in</a>	Tel: +91-22-6714 1170 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

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