



RATING RATIONALE

15 March 2021

Xpro India Limited

Brickwork Ratings reaffirms the long- and short-term ratings for the Bank Loan Facilities amounting to Rs. 215.34 Crs of Xpro India Limited, with a change in outlook to Stable from ‘Credit Watch with Developing Implications’

Particulars:

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2020)	Present
Fund based Working Capital Term Loans GCEL Loan [^]	45.00 129.25 -	45.00 110.41 22.93	Long Term	BWR BBB-/Credit Watch with Developing Implications	BWR BBB-/Stable (Reaffirmed)
Non-Fund Based BG/LC	37.00	37.00	Short Term	BWR A3/Credit Watch with Developing Implications	BWR A3 (Reaffirmed)
Total	211.25	215.34	Rupees Two Hundred & Fifteen Crores and Thirty Four Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings.

[^]GCEL stands for Guaranteed Emergency Credit Line facility

Details of bank loan facilities are given in Annexure I.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the ratings of Xpro India Limited (XIL or the company), with a change in outlook to ‘Stable’, based on its audited financials for FY20, published nine-months results and other updates provided by the company.

The ratings continue to factor in the company’s established market presence, as a major producer of co-extruded sheets and refrigerator liners for the white goods industry and a sole manufacturer of dielectric BOPP films in India. It also produces cast films which are high clarity films including stretch wrap and cling, especially formulated films for medical disposables, hygiene films & other applications. It also has established track record in terms of support for its operations by way of disposing of some of its unviable units and raising unsecured loans from the promoters to meet its immediate liquidity requirements, consistent improvement in its turnover levels on a quarter-on-quarter basis despite COVID-19 pandemic and estimating adequate cash accruals for servicing its debt obligation for FY21. Brickwork Ratings also notes that the company has availed a new GCEL (Guaranteed Emergency Credit Line) facility of Rs. 22.93 Cr in Q4FY21 along with promoter’s support to infuse equity/unsecured loans in FY22, which will provide comfort to its liquidity profile over the medium term. The management also advised that the company expects to close the sales transaction of its unviable unit II (located at Barjora, West Bengal) in FY22 itself, the proceeds of which would be mainly utilized for its debt servicing.



The ratings are, however, constrained by the susceptibility to foreign exchange fluctuation risks, along with the susceptibility of profitability margins to commodity price fluctuations. Its interest coverage ratios and debt protection remained at modest levels in FY20 and the current financial year. Further, with increasing annual fixed debt obligations year-on-year, its ability to generate adequate cash accruals from its operations remain crucial for the ratings.

RATING OUTLOOK: Stable

BWR changes its outlook from 'Credit Watch with Developing Implications' to 'Stable' considering that the company's management has voluntarily withdrawn the application made to its lenders for availing One Time Restructuring under "Policy on Resolution Framework for COVID-19 Related Stress" as per RBI guidelines dated 06 Aug 2020. The reason for not applying for OTR is because of the substantial improvement in its Q3FY21 performance coupled with new GCEL loan of Rs. 22.93 Cr availed from its lenders for meeting its immediate liquidity requirements. BWR also notes that during the time of applying for OTR, the company was regularly servicing its all debt obligations with no impact on its credit metrics.

DESCRIPTION OF KEY RATING DRIVERS

Credit Strengths:

Experienced promoters with established track record: Xpro India is promoted by Mr. Sidharth Birla, his family members and entities controlled by them hold 50.02% of the shares in the company. Rest is held by the public. Mr. Sidharth Birla, Chairman, looks after the matters relating to corporate governance, communicating with stakeholders, holding of high level of strategy/plans etc. Mr. C Bhaskar is the M.D. and CEO of the company who looks after its overall operations with support of Mr. H. Bakshi, Chief Operating Officer and Mr. Vinay K. Agarwal as Chief Financial Officer of the company. The board has a majority of independent and professional directors.

Adequate track record of its promoters to provide financial support: The company derives benefit from the continuous financial support of Siddharth Birla Group which holds majority shareholding in the Company. It has shown a track record of raising funds either by way of selling its unviable units and unsecured loans from the promoters to meet its immediate liquidity requirements, if any. As per the ABS FY20 audit report, about Rs. 7.95 Cr has been paid in advance against the scheduled debt payment.

Improvement in turnover levels during 9MFY21: The company's revenue profile has improved consistently during 9MFY21 despite the COVID-19 pandemic. It reported a revenue of over Rs. 100 Cr against the estimated revenue of Rs. 61 Cr for Q3FY21. Cautious optimism arises from the revival of the consumer markets in recent months which translated into good offtake for its products since the second quarter of the year (as highlighted in its published 9MFY21 results). Based on its current regular flow of orders, the management is estimating to surpass its FY21 revenue estimates.

Credit Risks:

Susceptible to fluctuation in its raw material prices: The company's operations are highly



susceptible to fluctuations in its raw material prices, and this factor has resulted in decline of its EBITDA margins for FY20. EBITDA margins were also impacted in the last quarter of FY20 by the gradual build-up of the pandemic-related lockdown. Major raw material requirements for dielectric films are met through imports and thus, the Company is exposed to raw material price volatility and foreign exchange rate fluctuations.

Below average interest coverage ratios and debt protections metrics: ISCR and DSCR ratios stood at below average for FY20 due to pressure on its profitability margins in the last quarter of FY20 coupled with high debt repayment obligations, although it met its schedule of term loan repayment by increasing creditor's turnover period and promoter's unsecured loans. Further, the annual fixed-debt obligations is expected to increase further by Rs. 6-7 Cr in FY22 on account of availing new GCEL loans coupled with ballooning repayments of its ECB loans and thus, its cash accrual from its operations may fall short for servicing the said debt obligations. Though, the management has raised/about to raise liquidity from its long-term sources such as equity infusion/unsecured loans from the promoters, available cash & cash balance and disposing off its unviable unit (located at Barjora, West Bengal) which may provide cushion to its liquidity requirements upto some extent in FY22. Thus, the ability of the company to raise sufficient liquidity in order to service its upcoming debt obligations in a timely manner remains crucial for the ratings.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The company's ability to maintain growth in its turnover levels and sustain its operating margins to 11-12% at least and subsequently, the interest coverage ratios at 3x at least, along with maintaining its gearing ratio at below 1.2x and improving its debt coverage indicators to at least 2x over the medium term, will be positive for the ratings.

Negative: Significant decline in its turnover and profitability margins and a lower-than-expected coverage ratios and debt protection metrics besides reporting lower current ratio could impact its credit metrics over the medium term and thus, will be negative for the ratings.

LIQUIDITY POSITION: Adequate

The company had undrawn working capital limits of over Rs.37 Cr as on 31 January 2021, with unencumbered cash and cash balance of Rs.1.51 Cr as on 28 Feb 2021. It estimates to generate a net cash accruals of at least Rs. 18.50 Cr against its fixed debt repayment obligation of around Rs.21 Cr for FY21. Further, with increasing annual debt obligations year-on-year against the available cash accrual from its operations, ability of the company to service the said obligations remain crucial for the ratings. Though, the management had submitted that it has raised or about to raise funds through various long-term sources such as unsecured loans/equity of Rs. 6 Cr from the promoters, selling off its unviable unit for Rs.5 Cr & GCEL loan of Rs.22.93 Cr apart from generating to meet its cash shortfall requirements, if any. With the availability of long-term sources of finance, the Rating team expects its current ratio to improve in the current financial year.



COMPANY PROFILE:

Xpro India Ltd is listed on both BSE and NSE and is engaged in the manufacturing of BOPP films, Dielectric capacitor films, cast films, coextruded plastic sheets, refrigerator sheets, liners and cabinets. Presently, XIL runs three manufacturing facilities located at Barjora (West Bengal), Greater Noida (UP) & Ranjangaon (Maharashtra). The manufacturing facilities operate under two division viz. Biax Division and Coex Division. The company is a part of the Sidharth Birla Group (the Birla family owns 50.02 percent share in the Company). The total installed capacity of BOPP film (Biaxially Oriented PP) for both the units is 5786 MTPA and the total installed capacity of co-extruded sheet line, refrigerator liners - doors & refrigerator liners - cabinets is 21700MT, 3850000 Nos. & 575000 Nos., respectively.

FINANCIAL PERFORMANCE:

Key Parameters	Units	2019 (A)	2020 (A)
Operating Revenue	Rs. crs	352.15	354.84
EBITDA	Rs. crs	32.78	30.86
PAT	Rs. crs	2.29	1.21
Tangible Net worth	Rs. crs	81.36	82.37
Total Debt/Tangible Net worth	Times	2.11	2.04
ISCR	Times	1.65	1.66

Rating History for the last three years (including withdrawn and suspended)

S. No	Current Rating (2021)				Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable															
	Bank Loan Facilities																			
1					04 Dec 2020				11 Dec 2019				26 Nov 2018							
	Facilities	Type	Amt. (Rs. Crs)	Rating	Facilities	Type	Amt. (Rs. Crs)	Rating	Facilities	Type	Amt. (Rs. Crs)	Rating	Facilities	Type	Amt. (Rs. Crs)	Rating				
	Fund Based	Long Term	178.34	BWR BBB-/Stable	Fund Based	Long Term	174.25	BWR BBB- Credit Watch with developing Implications	Fund Based	Long Term	182.42	RNR	Fund Based	Long Term	182.42	BWR BBB - /Stable				
	Non Fund Based	Short Term	37.00	BWR A3	Non Fund Based	Short Term	37.00	BWR A3/ Credit Watch with developing Implications	Non Fund Based	Short Term	37.00	RNR	Non Fund Based	Short Term	37.00	BWR A3				
	Total		215.34																	
					22 January 2020															
					Facilities	Type	Amt. (Rs. Crs)	Rating												
	Fund Based	Long Term	174.25	BWR BBB - / Stable																
	Non Fund Based	Short Term	37.00	BWR A3																

Status of non-cooperation with previous CRA- Not Applicable

Any other information: Nil

ANNEXURE I
Details of Bank Facilities rated by BWR

S No.	Type of Facility	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
1	Fund Based Limits Term Loan I	10.68	-	10.68
2	Term Loan II	5.93	-	5.93
3	Term Loan III	3.68	-	3.68
4	Term Loan IV	55.56	-	55.56
5	ECB Loan	31.10	-	31.10
6	Corporate Loan I	3.46	-	3.46
7	GCEL Loan I	4.30	-	4.30
8	GCEL Loan II	2.30	-	2.30
9	GCEL Loan III	16.33	-	16.33
10	Working Capital I	10.00	-	10.00
11	Working Capital II	7.00	-	7.00
12	Working Capital III	28.00	-	28.00
13	Non Fund Based Limits ILC/FLC	-	36.00	36.00
14	BG	-	1.00	1.00
Total		178.34	37.00	215.34

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Manufacturing Companies](#)



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