"Xpro India Limited

Q2 & H1 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Xpro India Limited Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of the future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. C. Bhaskar, Managing Director from Xpro India Limited. Thank you and over to you, sir.

C. Bhaskar: Thank you, Vidhi. Good morning, friends. I extend a very warm welcome to all participants to this Q2 and H1 financial year 2027 earnings call of Xpro India Limited. Many of us would have interacted in the past. Nonetheless, I introduce myself once again as C. Bhaskar, Managing Director of Xpro India Limited.

Today on this call, I have with me Shri Girish Behal, our Managing Director Designate and Chief Executive Officer, Shri Vinay Kumar Agarwal, our President (Finance) and Chief Financial Officer, Shri Himangshu Bakshi, our Group Technical Counsel, Shri Kamal Sewoda, our Company Secretary. MUFG Intime, who many of you will remember as Orient Capital earlier, is our Investment Relations Partner and is as always coordinating this session.

We are continuing the practice commenced a few years ago of hosting this conference call for the benefit of our investor community and for keeping investors, analysts familiar and updated about our results and key developments at our units. As many of you have already had the opportunity to meet us on earlier calls, at the AGM or in occasional investor meets, I shall not dwell on reintroducing our company.

I must add that we are transparent in our approach but must state that all discussions here will be within boundaries reasonably imposed by our strategic and competitive position and of course legal requirements as may be applicable. As you are all aware, Xpro India Limited is a diversified multi-locational company primarily focused on polymer processing with extremely strong governance standards. The company is family-led and is a professionally managed arm of one of India's largest and most reputed industrial houses, the Birlas. Xpro itself currently has manufacturing facilities at Greater Noida in UP, Ranjangaon in Maharashtra, and Barjora in West Bengal, besides a subsidiary in the United Arab Emirates at Ras Al Khaimah.

Our operating units have built up special skills and competencies in the specialized field of co-extrusion with application in the manufacture of oriented films, multilayer plastic sheets, and multilayer cast plastic films. Thermoforming supports downstream processing of sheets. Xpro specializes in advanced materials and is India's leading manufacturer of polypropylene dielectric capacitor films.

These precision engineered ultra-thin films range from the ultra-film range of 2 micron and up to 16 micron in thickness and form the core of capacitors used in EV inverters, solar systems, wind turbines, and industrial drives. We are also India's largest supplier of sheets and liners to the refrigerator industry.

Driven by technical precision, quality, and development strength besides customer qualification cycles and support, Xpro has faced well the global competition without tariff protection to become the premier supplier in this part of the world. Our results for the quarter and half year ended September 30th, 2026 have already been uploaded on stock exchange portals and you may have had the opportunity to also go through our press release and the presentation that we have uploaded to the exchange site and also on our own websites.

With the new dielectric film line at Barjora operational, the company entered 26-27 with materially expanded capacity and a stronger platform for volume and export growth. The new line has doubled our nameplate capacity in India to 8,000 metric tons of dielectric films a year. Commercial ramp-up of the line is now underway and its full impact will be reflected commensurately as we go forward.

With regard to dielectric capacitor films, as most of you are aware, the company operates in a product and process space that is fundamentally different from BOPP for conventional uses. Polypropylene dielectric film, mainly for capacitor applications, is specification-intensive and precision-driven, and the industry is limited globally amongst a select number of producers.

Building credible scale and reputation in this space requires technical capability and consistent product quality attributes that our Biax operations have developed systematically, earning a strong standing among discerning clients while maintaining a first-mover domestic producer advantage. Interestingly, the demand backdrop here is structural, not cyclical.

Electrification, renewable energy build-out, grid modernization, data centers, electric mobility, and traction systems, all place a direct and growing premium on film durability and dielectric performance with long-term capital development cycles that consistently reinforce end-use demand. Our films go into capacitors used in EV inverters, solar and wind installations, grid equipment, railways, and data centers. So, all of these are good for us.

Product development is directed deliberately at the highest value end, ultra-thin, hazy, and semi-raw films for power capacitors, EV systems, and railway applications. These are also high entry barrier segments which are technically demanding, relation-driven, and margin-supported. During the quarter, we strengthened our position and our recorded market share in both segments of dielectric films, that is plain films and hazy films.

Dielectric film exports nearly doubled over last year. New customers and applications are being onboarded for the new capacity while management continues to focus on driving volume growth and enhancing margins, while pricing has to remain dynamic and flexible to retain market traction in a frequently volatile scenario, even at the risk of occasional impact on margins. Capacity additions are sharpening the company's trajectory.

The new dielectric film, as I just mentioned, was commissioned in March, meaningfully expanded domestic capacity while extending reach into premium performance critical variants, including ultra-thin gauges where differentiation is sharpest. Coming to the new line, production on the new line grew by 35% over the last quarter.

Film from this line is already being supplied commercially to customers in India and overseas and a number of other customers are going through the approval process. Capacitor life tests of 1,000 hours to 2,000 hours are also going on at some customers end. These things take the routine time in our industry and how quickly approval turns into volumes will depend on some of these results.

Till then, the operating costs, depreciation, and finance costs of the new capacity continue to weigh on profitability. We continue to put a lot of effort into research and development. We have developed a new range of ultra-thin films on the new line and the 3.5-micron film has already been approved by some key customers. Our R&D team is also working on several other development projects and we will share more on this as and when we go along.

I am also happy to say and share that Xpro this year has already received three awards from ELCINA, the Electronics Industries Association of India, for excellence in quality, excellence in research and development, and environment protection and sustainable development, all indicating a good recognition of the work being done by our teams in all areas.

In the Coex related businesses, Coextruded sheet and thermoformed refrigerator liners are manufactured on multiple lines available with the Coex division at Ranjangaon and Greater Noida. Our products are usually custom-made to customer needs and based on various polymers including ABS, polystyrene, and polypropylene.

Being an established supplier to most leading brands in the refrigerator sector, volumes are directly correlated to the consumer end-market conditions. The Indian refrigerator production grew about 8% in Q2 over last year, which is better than the 4% we saw in Q1. On the other hand, our sheet and liners volume grew by 26% in Q2 over last year, well ahead of the market, with both Greater Noida and Ranjangaon units performing well, indicating clearly that we continue to gain market share.

Revenue growth came from higher volumes and also from higher selling prices as the steep increases in polymer costs were passed on. Cast films are facing competitive pressure and here our focus is on release films and new product development on one of the cast film lines which we have substantially revamped.

Now coming to the Q2 performance, revenue from operations during the quarter was at INR176.69 crores against INR119.91 crores in the corresponding previous year, reflecting a growth of 47.4%. Operating PBIDT before other income and forex differences was at INR16.4 crores against INR10.68 crores, up 53%, actually higher than the revenue growth.

PBT for the quarter was INR12.79 crores against INR7.6 crores in the corresponding previous quarter. Profit after tax was INR9.52 crores against INR5.86 crores, reflecting an increase of 62%. In this quarter, dielectric films recorded revenue growth of 64% over the corresponding

quarter last year, while the sheets and cast film business recorded growth of 41% over the corresponding quarter last year.

Coming to the first 6 months of the financial year or the half-year performance. The company reaffirmed its operational resilience in the volatile business environment marked by supply chain worries, rising costs, geopolitical tensions, underscoring the efficacy of our operational strategies and the competitive trends.

Aggregate production volume rose 14% to 19,218 tons from 16,795 tons. Net revenues were INR351.11 crores, up 32.6% from the INR264.81 crores in the corresponding previous period. This comes from higher volumes in refrigerator sheets and liners and from selling price adjustments as polymer prices remained volatile.

Total exports were higher at INR17.09 crores against INR9.39 crores. You will see that we are well on the track to exceeding a turnover of INR700 crores if this market sustains itself the way it has during the year, which would be a new high.

Profitability improved overall, supported by higher revenues and a significantly lower forex impact, even as competitive pricing, input cost volatility, and higher depreciation and finance costs continued to weigh. PBDT before non-operating forex differences was INR36.7 crores against INR30.27 crores in the previous corresponding period.

The forex loss was INR32 lakhs only, of which INR78 lakhs were unrealized resulting from accounting standard requirements. This translated in the overall to a PBT of INR26.51 crores against INR13.63 crores in the corresponding previous period. I must reiterate that there is no outstanding long-term borrowing for existing operations. However, we had from a financial perspective, particularly interest savings that would accrue in future years, gone in for supplier credit in the nature of ECB for financing the new line at Barjora. We have already commenced repayments and a few installments have already been made paid. During the half-year, repayment of non-current borrowings amounted to INR6.65 crores.

Total borrowings stood at INR106.7 crores as on September 30th, 2026 against INR111.81 crores as of March 31, 2026, while the net debt to equity remained negligible with a return on equity of 5.3% and return on capital of 7.2% for the half-year.

A dividend of INR 2 per equity share for the Financial Year 2025-26, as approved by shareholders at the AGM of July 20th, 2026, was paid on July 28th, 2026. The paid-up equity capital of the company stands at INR23.7 crores with a net worth of INR729.39 crores. The paid-up equity capital remained unchanged during the half-year.

All capital raised earlier through preferential issues and QIP has been or is being deployed for stated purposes with INR64.29 crores held in bank deposits of the company and its subsidiary pending utilization. Deployments are also monitored independently as required.

A quick update on the status of capacity addition. As already mentioned, the capacity at Barjora has been in commercial operation since end March 2026. The project in UAE is broadly on track. Geopolitical conditions in West Asia remain fluid with the ongoing regional conflict

contributing to heightened uncertainty, elevated costs, and intermittent disruptions to trade and transport with risks amplified whenever hostilities persisted.

However, all our key equipment is at site and has been installed. In fact, we have already commenced commissioning of utility equipment, electricity, gas, water, all fundamental utilities are at site and all signals go on that front.

I would also add that there has been no disturbance of any significance in the Al Ghail area where our site is located and project execution has not been hampered due to any local disturbances on account of the warlike situation. Barring unforeseen circumstances, commercial operations are expected later during this financial year.

Management, of course, continues to monitor geopolitical developments to take appropriate risk mitigation measures, bearing in mind also the safety of our suppliers and our staff.

The subsidiary's accounts mainly reflect pre-operative expenses, capital advances, and the use of foreign supplier credit for capital expenditure. In accordance with applicable accounting standards, the subsidiary company recorded a total loss of AED1.73 million during the half-year, reflecting only guarantee, lease, and other accumulated costs recognized as expenses for the project under implementation.

We are already working on the market for the UAE line, which will be our third dielectric film line, and we are confident of placing its volumes. Our exports were up 82% in the first half and we have gained share both in India and in exports, even in a soft market.

Film from the new Barjora line is already going to customers in India and overseas and we are now in the approval process with some of the leading global capacitor manufacturers. These relationships will also help us when the third line starts. Customers in advanced applications are also looking for qualified and reliable suppliers and our additional manufacturing unit will only help us serve them better.

With the demand we see coming from electrification, renewable energy, grid modernization, and data centers, and in addition to certain cap film capacities in advanced markets aging, we are confident that this capacity will serve the growing demand across the globe.

With this, I would like to open the floor to questions and I will also request Girish and Vinay to be available to answer appropriate questions. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Debarshi Dev from Ashva Holdings. Please go ahead.

Debarshi Deb: Hello, thank you for the opportunity. So, my question is, I would like to get a guidance of the sustainable EBITDA margin for the entire business when you start selling the value-added products. And what could be the revenue per metric ton realization and EBITDA per metric ton realization for export business, particularly in specialty films?

So, I would like to know about that. Besides that, I would my second question would be, the Barjora Line 2 has already been commissioned and it has started its production. So, when the revenue can be can be expected to get reflected in the top line? So, that's my question.

Management: Your particular question about a guidance for a long-term EBITDA is probably outside the purview of this call. However, and you have also said about a sustainable EBITDA for the entire business. I assume you are looking at the business as we always suggest, as separately for the dielectric film businesses, which is high EBITDA business, and the co-extruded sheets and films businesses, which is a low EBITDA business.

So the guidance for the co-extruded business is something which we have stated and we can happily continue to place on record is in the 5% to 7% EBITDA range and it is expected to sustain in that range. We don't see a dramatic increase or a dramatic decrease based on current indicative trends. That is one.

Of course, you see slightly,when price increases happen only on account of freight pass-through of raw material prices, there is an apparent reduction in EBITDA while the value addition remains flat. But that's only an accounting indicator. Going into the capacitor businesses, you are absolutely right, in that we are moving into the high value-added films which are thinner.

Now, I am refraining from giving a value-add indicator or an EBITDA indicator here, excepting to say that in this segment, the EBITDA for the different types of films varies between something like on the lower side 35% and going up to something like 55%, on the conventional thicknesses that we are working at. As we move into thinner films, obviously there would be increase in the EBITDA.

Just to give you an indicator, since you had also asked a price idea, you know, just take for example that the modal price of film is around INR470, INR 480 a kilo. If I were to take for example the 3.5 micron film that, our film which has been approved, let me give you this a price indicator. I am actually not free to indicate the exact price, but as a price indicator, it's a little over INR600 a kilo.

Now, if one moves down towards say 3 micron, as this would be the next level, it would be near INR900 a kilo. So, you would see that the EBITDA margins would increase in that scale. And as I told you and mentioned earlier, our 3.5 micron film has already been approved commercially and is being supplied to some customers in India at this point. Does that sort of answer your question?

Debarshi Deb: Yes, sir. Thank you for answering that. And in addition to that, I would like to know the working capital days like for these as you have entered into specialty films. So, the working capital days will be a bit higher or will it be same for Coex and Biax division? Will it be same or for Biax division is going to be a bit higher? So, that's what I wanted to understand.

Management: You can take that as typically same, right? The difference is twofold. In the very, very specialized business, all sales are on LCs. While the credit may change, you are totally secured, right? In the refrigerator business, there could be some exposures on credit. However, they are all solid parties because you know the guys who make refrigerators are big guys.

The difference on the working day cycle today is a temporary disruption because of the global uncertainties on shipping. All producers are tending to stock more raw material, whenever they are able to lay their hands on it. So, today you have an issue because of shipping.

If normally, let's say, one month stock was -- I am just taking a random number. If one month stock was enough, today you will find that if I can buy and stock for 3 months, I would, because we don't know what's going to happen to shipping over the next couple of weeks. And that is entirely driven by Hormuz and I think you people are all very aware of the shipping uncertainties prevailing today. Not unique to our industry, but to every industry.

Debarshi Deb: Okay, got it. And the last question would be what kind of turnover that you are expecting from the capital that you have put in. I mean, against the capex, what kind of net sales you are expecting out of it?

And another question is, there are two new players who are coming up in this capacitor films or so what is your take on it? Like, is it going to, how you are dealing that competition in near future?

Management: I got your question. Let me give you the answer to the turnover and then I will request Girish to answer on the other players who are coming in. Now, turnover depends on price, depends on product mix, which is a highly sensitive question.

However, just to give you an idea of what turnover we expect from that line, I think in the last call, Girish had stated specifically that we expect during the fourth quarter this year to be operating the new line at between 70% to 80% of its rated capacity. That should give you a fair indication of where we would be on that line. Girishji, would you like to add on the competition?

Management: Yes, on competition so we have competition and some new competition has entered and is also expected to enter more. Yes, the market is growing, so there is a space for other people to come and come and play.

And of course, we if you have noted in our remarks we mentioned, because this is a business where technical expertise, patience, and skill, the combination of all matters. Whosoever joins this business, of course they have to have the patience to at least get into the long qualification cycles.

Devarshi Deb: Okay, that's all from my end. If I have, I will join back with you. Thank you.

Management: Moderator, for the next question, please.

Moderator: The next question is from the line of Tej Patel from Niveshaay Investment Advisors. Please go ahead.

Tej Patel: Thank you so much for the opportunity. Sir, I might have missed the number which you have spoken in the introduction, but can you please help me with the value and volume mix for Biax and Coex this quarter and Q1 also, if that's possible? That will be helpful.

Management: In any case our annual report contains these numbers, and at this stage we've given . Last year our breakup of…

Tej Patel: Sir, I'm talking about Q1, Q2. I'm talking about Q1, Q2 of this year. Last -- I get it, FY26, we know the numbers, but I'm talking about Q1 and Q2.

Management: Correct. So, our last year numbers are there in the annual report, and this year the growth that what we have experienced, recorded, that we have already shared. So, this is what the information we can share at this stage.

Tej Patel: Okay, but then let's say if I wanted to understand the ramp-up from the second line what utilizations did we achieve on Q2? Because sir said we have achieved some 35%-40% of volume growth compared to last quarter on the new line.

But the question is, there was hardly any number coming from Q2, or let's say production happened in -- sorry, in Q1 from the new line. I just wanted to understand the utilization of second line in Q2. And so that would be very helpful from our end to understand the mix. So at least for Q2, if you could provide the mix between Coex Biax.

Management: Let me explain to you from a market perspective and a supply perspective. This, we ourselves look at as the total capacity available with us. So, your question can be directed towards understanding two things. One, what is the total market, in which case you need to understand how is the market growing for the two lines combined, because our customers, once approved, we supply them from either of the lines per…

Tej Patel: Yes

Management: Your question could be directed to understanding, is the new line performing at all? Now, to answer that concern, I think we had earlier made a categorical statement that production on the new line was higher by so much during this quarter over the previous quarter. So as far as it goes, the new line is producing well. Market has accepted the outputs of the new line better.

Especially in thinner films, which is what it is designed for. And as I told you, we have already supplied down till 3.5 micron from that line, although we ourselves have produced even down to 3 micron, which we have not yet sent out commercially into the market. So, your 2 questions are -- one, I, I read your query as 2 queries. What is it…?

Tej Patel: It possible to provide a number? I mean, of course, directionally you -- I mean, everything is Yeah, no,

Management: No, I understand. I am unable to see how a per-line breakup because that would actually be on production convenience would be material.

Tej Patel: Okay.

Management: And sure, I'll tell you what will happen Second. In course of time and we have reasons for saying that. I mentioned that the new line quality or the new line output is good. Remember, it's a new

line, so it will always look -- it will always produce shinier looking stuff for some time. I'm using the word shinier in English and not in any way connected to a film quality.

We do not want a situation where the markets tell us we want product only from Line A or Line B. We would be supplying a product made to a particular specification, produced on the line of maximum convenience to the production team.

Tej Patel: No, of course, sir, I get it. You, for you it's…

Management: I mean, like saying if I walk into an Udupi and I order a dosa; he makes it wherever he likes. I don't tell him make it on

Tej Patel: Of course, sir, I understand that.

Management: On A burner or a B burner.

Tej Patel: I understand that sir. My question was more from the you know, ramping up perspective because your approvals, you said let's say a lot of customers have already approved, right? So, I'm assuming the second line would also let's say, yeah.

Management: Question is towards, is there ramping up happening, A, and B, is there a product quality acceptance? I'm telling you, yes, and taken well by the market. B, production on that line on Q2 was higher by 35% over the previous quarter.

Tej Patel: Okay, no problem, no problem, sir. Perfect, got it. And in terms of hello?

Management: Yeah, yeah, please.

Tej Patel: Yeah, in terms of, sir, let's say the raw material prices have moved significantly in the past 2 quarters and, and so the question was when I look at your gross margins, when let's say the contribution is coming in from second line as well.

I'm just trying to understand, were we able to, let's say, pass on the full incremental cost that happened due to increase in raw material to our customers or do you think, let's say, we were, let's say, still not able to fully pass on the cost, and which would might happen in, let's say, the upcoming quarters? I just wanted to understand on that part as well.

Management: That is a little complex query. Because see, raw material prices have gone up, correspondingly shipping has gone up. So, the effective landed cost will have a double impact: the raw material, the petrol impact, and the shipping impact. This is to some extent neutralized by our stockholding because of the fact that we follow a weighted average principle of raw material distribution, which is normal and required for this product.

So yes, we have been getting some of our price increases. So, I will not say that there are no price increases and no pass-through, but the pass-on has been, I will say, not full yet, and the pass-on effects will continue. The reason for that is after when there was the first so-called war impact starting from February, March. I'm using the word war loosely because I don't know is there a war or no war -- but that first of increases, we went into increases, and surprisingly there

was a steep fall in prices after that also, which you might have seen also happen to crude. Crude went up, crude come down.

So, the prices also are yo-yoing. So, when that yo-yoing impact happened it's a little tougher to get the increase before people say wait for the next dip. So, we are taking a balance of these factors in, in going through the pricing, price increase.

But yes, to answer your question, full neutralization is far, and that is something we are constantly working on. I mean, so if your question is, is there a hidden price increase possible I will only say it's not hidden. It has to happen.

Tej Patel: Okay, okay, understood, understood. And sir, how, how confident are we to start dry runs on the UAE line at the start of Jan?

Management: Sorry, I missed your question.

Tej Patel: How confident are we to start dry runs at the UAE line? And if you could help me understand the timelines as well by when you can probably say by the start of Jan we were probably planning to start dry runs? I know, I just wanted one. Yeah,

Management: I'll tell you, already certain pieces of equipment, elements of equipment have been commissioned or in the process literally in the last 7-10 days. For example, boilers have been fired, chillers are commissioned, some of the ancillary equipment utilities are one by one getting commissioned. The core issue is when do we commission? When do we start dry runs on the main equipment?

The main equipment is fully installed. We are waiting for the Germans to come back, meaning it's a different team. The team that did the installation has finished their work and gone, and now there's a team which does the checkup. The electricals are done, then the software is done, then there's a checkup team which is due anytime soon. And after they do that will we start dry run. Dry runs will start section by section. We as of today do not see any significant delay in those dry runs happening. Having said that, I'll say like anybody else, we are also waiting and watching. I think you must have read that flights into Dubai from by say Lufthansa or Singapore Airlines, or some airlines have been disrupted, etcetera. Those disruptions are something we can't predict, but otherwise we are moving on track or pretty close to track.

Tej Patel: So, right, when we will probably start with the dry runs?

Management: Sorry, boss,

Tej Patel: January would be the month when we would be starting with the dry runs, right?

Management: Maybe some elements we start in December.

Tej Patel: Okay, super.

Management: See, dry runs, you don't have to be commissioning 100% of equipment. For example, I'm taking an example, not relevant, not setting dates on it. Say for example, if the winder engineer comes

in tomorrow, we start dry runs on the winding winder tomorrow. Because there are specialists for each of these segments. So, depending on which segment guy comes in first, we will start. And they are independent of each other because dry runs happen not in the operating sequence but equipment by equipment.

Tej Patel: Got it, got it. Superb. So last question from my end, and then I will join the queue.

Moderator: I'm sorry to interrupt you, Sir. If you have follow-up questions, please rejoin the queue.

Tej Patel: Just last question. Just last question, if possible, please. I will then rejoin. Sir, early that's a good demand for hazy films in India as well but what I understand since we were capacity constrained earlier we probably not able to meet let's say a decent chunk of the market but let's say with the second line coming in where which could probably get some load from line one. Just wanted to get your view on this. How fast and can we capture the markets are there incremental buyer than demands for the existing. Just wanted to get your view on this.

Management: Let me give you a non-quantitative answer, then I'll request Girish to answer. But we are already supplying these films. Now don't ask me new line, old line, because that's not relevant. We have already substantially increased our sales in the hazy film segment to India replacing, I think, import. Substantially. I mean, as that market goes, that market is, say, 2,000 ie 1,800 to 2,000 tons per year. So out of that, I think we've started doing a good bit already. Even in the last quarter, we have done. Girish may like, if he, if he thinks it's non-competitive, he may share that number.

Management: So, I think, your question is right. We are focused on hazy film, and hazy films form an integral part of ours. We are on track, and I think we are gaining market share as we had planned.

Tej Patel: Okay, no problem. Superb, sir. Thank you so much. I will rejoin. Thank you.

Moderator: The next question is from the line of Purva Jhaveri from Ionic Wealth. Please go ahead.

Purva Jhaveri: Yeah, hello sir, good morning, sir, thanks for the opportunity though. So, I just wanted to ask you on raw material front. In Q1 calendar year '26, the PP resin prices shot up, and in Q2 it was, down by 20%. And sir, commentary from Borouge suggests that you expect it to increase again. So, sir, how are we navigating this? Should we be stocking up our RM, or our RM prices are contract-based? And how does this impact our realization? Is our entire raw material procured from Borouge only?

Management: See, I think the indication which what you are mentioning here is given by Borouge on various grades that they manufacture. We also buy from them and our grades, what we buy, are specialty grades. Yes, PP prices have gone up. In between, there were indications of coming down, and again, as time is firming up again.

So, this question was partly answered in the previous set of questions. In this year, yes, we have taken few prices increases, and, given if the raw material remains the way it is behaving, of course there will be more price increase that probably we'll have to take.

Purva Jhaveri: All right, sir. So, another question, which I wanted to ask was basically in the sub-3-micron film, so where the demand is coming from and any ongoing discussion for sub-3-micron films as well?

Management: I can say only the yes, that there are ongoing developments on product and market both are happening as a continuous activity.

Purva Jhaveri: All right, sir. And so just one question from my end, sir. So that, basically who do we give our base films to? Like, for example, we are giving it to metallizing players. So, sir, why don't we do metallize ourselves? Like, it's a high margin business plus, it's a forward integration step, right? So, sir, are we planning to have metallizing in our future units as well, or what's the scenario over there?

Management: I think, what we are doing is part of our strategy, what we are working on, and whatever we have said in the past that though all those strategy and direction remains consistent, and I don't wish to comment anything further on this particular topic.

Purva Jhaveri: All right, sir. Thank you.

Moderator: Thank you. The next question is from the line of Vishal Prasad from Rajmahal Capital. Please go ahead.

Vishal Prasad: Thank you, and, thank you for arranging the half-yearly call. So, Bhaskarji always mentioned that we are a transparent company within the boundaries of our competitive position. And I appreciate that. But when I see lacking is a more open communication on the starting struggles, and when we see us, reasonably improving our margins.

We used to be a company delivering 15% margin probably 3 years back, and then we are getting into these new lines. So, if you could talk about when we can expect the margins to improve and see a significant jump? It is not a commitment from your side, but what you see today will be really helpful for us to understand where the business is going.

Management: My reading of your question is you're asking about when the scale-up of the new line is expected to happen. Given the - that scale-up is happening in a high-margin business of ours. So, we have indicated in the last quarter that we should be operating at about 80% utilization level in the last quarter of this year. So, we are still maintaining the same guidance.

Vishal Prasad: No, that's what you mentioned earlier on the call today as well. So, my question is not on sales, but it is on margins. When we can see significant improvement in the margins, is it last quarter of this year or is it next year? If you can comment on that, because if you see the margin, it has decreased by 1% But it has decreased from last quarter as well. It is at 8%-9%.

And when we talk about significant improvement, we probably are looking at 25% consolidated margin, probably 1 years or 2 years down the line. So, there is a journey there. And if you could communicate on when we can see the changes, like when we can reach 15% or 14%, that, that can show us a path.

Management: actually you will appreciate I would not like to comment on a very specific number and when it will be achieved. However, as an indication let me tell you, and this is something we have said earlier. I think, A, as far as Q2 goes, we had even in the last call said that Q2 performance, even as per our own strategic plan, would be the same as Q1, which is more or less where it was. However, there's another statement that we have made often, and I think I would have said it ad nauseam myself, is that there are 2 directions on which we have to move And which we are moving on these new capacities. One is a volume ramp-up and one is a value ramp-up. They are independent of each other, but both need to happen before we realize the full value. So, step one is volume ramp-up. In the global turmoil that's happening with shipping, etcetera., volume ramp-up is our first target. So, when volume ramp-up happens, and which Girish ji just said, we should be operating at a particular level by the 4th quarter. You would see impact 1, Stage 1, which would be some impact coming from just sheer volume growth. it will translate further as and when the value ramp-up happens, which is also happening simultaneously. So, both effects are happening. Value ramp-up takes a little longer because there is a major acceptance issue, development issue, which is going into it. So those stand as it is, and I'm not saying these are 40-year journeys. These are few-quarter journeys that take place for the value enhancement. That said, I can tell you two things. The new line is also EBITDA positive in the last month as a stage one. In the last time, I had said that the Marchant line or the new Barjora line had itself given us a total loss of something like INR7 crores in the first quarter. That has itself moved due to its own performance, improved by something like INR3 crores.

So, you can see even these small trends are moving. And as I mentioned, in the last month that line was EBITDA positive. So, the direction is absolutely what we said it is. I'm only refraining from giving an indicator that, in Q4 '20 so much we will make this EBITDA. We are not trying to say that. I think as a guideline, I think we have indicated what our position is.

Vishal Prasad: Right. So, second question is the nameplate capacity of the new line that we have put in, so it is 4,000 MT. And so, is there a thickness that we considered while calculating the capacity? Because we have given a range from 16 microns down to less than 2 microns. Does total output go down significantly as we move from thick to thin films since thin films raise must lent per limit…

Management: I've understood your question. Let me answer it. I'm not cutting your question, but since I got the gist, I thought we'll save some time for somebody else's question also. You see, it's like this. This line is designed as a two-to-five-micron line. Okay? So that will answer your first question. And its capacity is based on a line designed for 2-to-5 microns.

Having said that, let me go on to also say I agree with your point that when you go thinner and thinner, there's a steep fall in capacity. However, if you were to produce 2-micron on a 9-micron line, there would be a, a particular level of output fall. When you produce 2-micron on a 2-to-5-micron line that percentage of production fall would be far lesser.

Vishal Prasad: Okay. And sir last question, you had mentioned that we are looking at Line 4 and Line 5. So, are we still positive and probably we can hear something in next one year?

Management: We are not just positive; we are doing our internal work on it. Yes, some of our internal work has been tempered a little bit by the global crisis right now.

Vishal Prasad: Okay, so yeah, go ahead.

Management: Well, it's like this. I think reasonably you will agree now on the flippant side not on a formal side, either this Middle East situation has to resolve itself or the world would go in a different way because you'll get no oil from anywhere. So, we are expecting that one way or the other there would be a resolution.

Vishal Prasad: So, whenever the order…

Moderator: I'm sorry to interrupt you sir. if you have follow-up questions…

Management: Hang on. And I think that we still can't imagine a world without electricity, which is our primary driver.

Vishal Prasad: So, whenever we order, it will take 3 years for the machines to come, or it will take less time this time?

Management: I can tell you that packaging businesses have been down. And where packaging businesses go down, equipment suppliers can speed up a little bit. But yes…

Vishal Prasad: Got it. Yeah.

Management: I doubt you would,I mean, a line can come in, in see, we will save time on designing, we will save time on the bit some of the basics of understanding your specs that you want. So that actually saves a year-ish. But yes, I'm sure manufacturing commissioning will still take 2 years. It cannot be less than 2 years today.

Vishal Prasad: And do we need to raise equity for that?

Management: Unless some miracle happens and there's some line available somewhere, I mean, all some inorganic, organic, we are open to any kind of growth.

Vishal Prasad: Yes, so do we need to raise equity for the next capex or we are okay?

Management: **S**orry, I couldn't hear you, so it's a little muffled.

Vishal Prasad: Baskar Ji, so do we need to raise equity for new lines or we'll be able to it internally?

Management: We do not anticipate raising equity for the system itself. There could be supposing we do it as subsidiary, surely we would need to fund the subsidiary. Subsidiary may raise, but then we would be investing in the subsidiary. We do not today see a capital raise.

Vishal Prasad: And subsidiary will remain at the same shareholding pattern that is there today?

Management: Sorry, sir, I – somehow your line is a little muffled. Could you just repeat that?

Management: Baskar Ji, subsidiary will remain at the same shareholding that is there today, or we need to dilute more and sell it to our partners?

Vishal Prasad: I'll tell you something, if we capitalize it some more, then surely, we will – the co-investor today will come in with a similar number. So, we do not see a dilution. But who can tell about the future? Maybe 5 years down the line we decide to list it. I mean, anything is possible. So, I am not commenting on the anything is possible situation. Today we do not see diluting and bringing in another investor into that unit.

Vishal Prasad: I think that is all. Thank you so much.

Management: Thank you. Thank you so much.

Moderator: Thank you. The next question is from the line of Anand Kumar from Dhairya Investments. Please go ahead.

Anand Kumar: First of all, welcome Girish ji I hope you will be much more lenient than Bhaskar ji all these years in answering our queries so Bhaskar ji I would like to ask my question in Hindi So, you have said that your exports have doubled quarter-on-quarter. And you have also indicated that in Q4 you will reach 80% capacity. So, sir, 80% capacity is around 900 tons from your line 2.

So, in these 900 tons, what could be the share of exports and what could be the share of domestic, because when you are confident that you will reach 80%, I assume you have many orders in hand or you have made agreements. So, could you give a breakup based on your understanding of how much could be exports and how much could be domestic in those 900 tons?

Management: The majority of that volume will be going into the domestic market. This is what I can state to your question.

Anand Kumar: Any number, sir? Would you like to give a percentage?

Management: We are putting full emphasis, or are putting it, but the idea is that we should do maximum exports from the Middle East, because there should be an advantage of freight and everything.

Anand Kumar: Yes, that is fine sir, but from this line, because the ultra-thin film will come from this line, right?

Management: So, you also know that thinner film will be made from that line. But we will not comment on that right now, because as I told someone else a little while ago, we will decide based on production convenience which line will make products for whom. The volumes of ultra-thin will naturally be lower compared to the overall volume over the initial period until it is fully absorbed.

Anand Kumar: At this time, how do you see the weightage of ultra-thin in those 900 tons, sir? I am talking about Q4. I feel that for Q3, the numbers will remain somewhat like this as it is still ramping up, as you said.

Management: It is like this. I will tell you something. Ultra-thin is picking up for many applications now. So, new applications like data centers, like non-conventional energy, like EV, they all go towards thin. So, they are becoming more thin. So, that share will definitely increase.

But I can assure you that this will never happen. I mean, in the next 5 years, it will never happen that 100% is ultra-thin. So, it will be mixed. And that trend will remain. It will keep increasing and it is happening already.

Anand Kumar: Sir, one last question from me. We read a newsletter from a Chinese counter. I think it was from JDL or Ningbo. They have set up a capacity in Zeraman. And they are looking at India as a very potential market. So, will you be able to compete with Chinese competitors at that price? Because they have clearly stated India to be a very big market for them.

Management: You need to understand. Since we are looking at export, we are exporting so as the Chinese. So, we are competing them in any case today. And we are on strong footing to at least we can compete them in India and abroad.

Anand Kumar: Yeah, yeah. I mean, JDL, any capacity additions that you see in China happening, sir? Because JDL has put up one line and they have said that they will come up with another 2 lines. Any update on that you have?

Management: The market is growing and many people are expanding capacity. So, I am not fully updated on what is JDL status today. Whatever my status is three months ago, yes, few people have added capacity, and if the market growth is there, few people will keep on adding capacity. So as such, this business lies on the ability to execute and give a product which works. So, we are standing well against our European competitors and Chinese competitors and we will be able to compete with them.

Anand Kumar: Can we take for the rest of the year the modal price of around 480 and 500 sir?

Management: Sorry I did not get your question properly.

Anand Kumar: You said that modal prices are around 480 and 470. Q4, do you think that you will be able to maintain the total for the year?

Management: We don't want to go so specific into Q4 guidance at this stage. But yes, I think in the previous questions if you have followed, yes, there is a nominal increase coming through and there will be next price increases also. So, but the world is highly volatile. We don't want to comment specifically on Q4 pricing.

Management: I want to say one more thing, sir. You will again say that I hide information. But if I tell you a price idea, how will I negotiate with a client? They will say that your expectation is only 480. So, why should I give you 500? So, I do not want to comment on a price level for that reason also.

Anand Kumar: Okay sir all right thank you so much

Management: Thank you.

Moderator: Thank you. Due to interest of time, that was the last question for today. I now hand the conference over to the management for closing remarks.

Management: Thank you very much Vidhi, and thank you all the friends who joined the call. I think some of you we have met for the first time, many of you we are meeting again. We are happy to meet you in any case at any time. I am sure many of you have some more questions, and we would be happy to meet with you and discuss them as and when the opportunity arises. Needless to say, within the restrictions of what can be put into the public domain.

Despite the volatile business environment prevailing, we are confident of the direction in which we are moving. Our strategic plan remains unchanged compared to anything we would have discussed over the last few years. Our expanded capacity, broader product range, and strong customer relationships position us well for long-term growth in the sectors that we are operating in. Most important, at Xpro, we are committed to delivering a superior quality product with exceptional service exceeding customer expectations to maintain the leadership in our chosen segments. I would once again like to welcome Girish Behal. I think he has been introduced to all of you, and, next quarter's call he will be running as MD. We'll all be available to guide him with whatever guidance heu would like to seek.

Having said that, if you have any further queries, please contact the company secretary, our Investor Relations partners, or any of us for further clarification.

Most important, I would like to wish each one of you and your families a very, very happy Deepavali, and please convey our festive greetings to all your near and dear. Thank you.

Moderator: Thank you, sir. On behalf of Xpro India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.