

September 3, 2010

**CARE REAFFIRMS THE RATINGS TO BANK FACILITIES OF
XL TELECOM AND ENERGY LTD.**

Ratings Assigned

Facilities	Amount (Rs. Crore)	Ratings¹	Remarks
Long-term Bank Facilities	965.66 (enhanced from 280.83)	'CARE B' (Single B)	Reaffirmed
Long/Short-term Bank Facilities	77.29 (reduced from 155)	'CARE B' (Single B)/'PR 4' (PR Four)	Reaffirmed
Total Facilities	1,042.95		

Rationale

The ratings continue to factor in the tight liquidity conditions being experienced by XLTEL due to decline in the operational performance of the company caused by the global economic recession resulting in cancellation of orders and consequent restructuring of its bank facilities. The ratings also factor in the completion of joint documentation of CDR. The rating is however underpinned by experienced management, orderbook position of Rs.150 crore as on June 30, 2010 and growth prospects for the solar/renewable energy industry.

The ability of XLTEL to improve its operational and financial risk profile, completion of FAB city project and meet various covenants of the CDR agreement are the key rating sensitivities.

Company Profile

Incorporated in October 1985, XLTEL is engaged in the manufacture of Fixed Wireless Phones (FWPs), CDMA Handsets, SMPS Systems, Solar Photo Voltaic Modules (SPV) and Ethanol.

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

On a total income of Rs.426 crore, XLTEL incurred losses of Rs.296 crore in FY09 (period ended December 31, 2009). Further, for the first quarter ended March 31, 2010, the company incurred net loss of Rs.16 crore on a total income of Rs.7 crore.

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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.

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