

# **Sterlite Technologies Limited**

**Q2 & H1FY16 – Earnings call  
26 October 2015**

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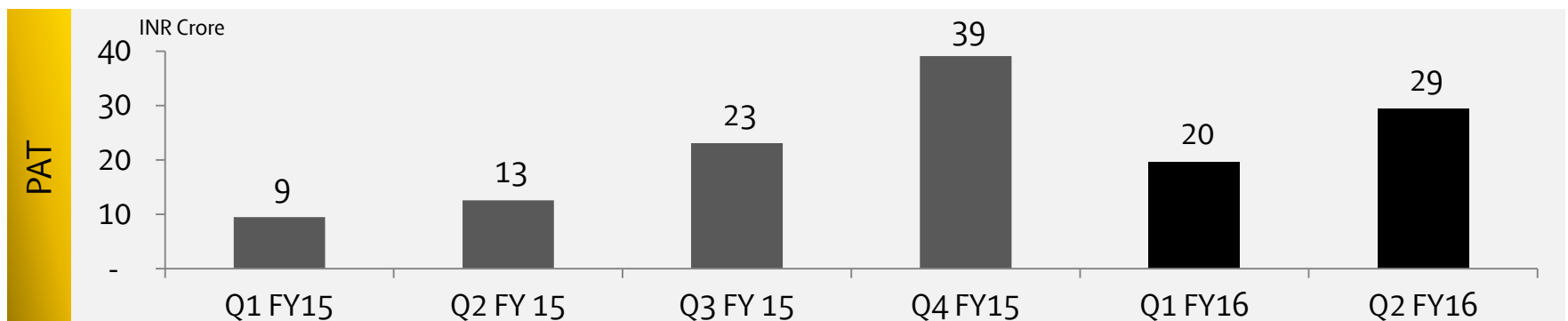
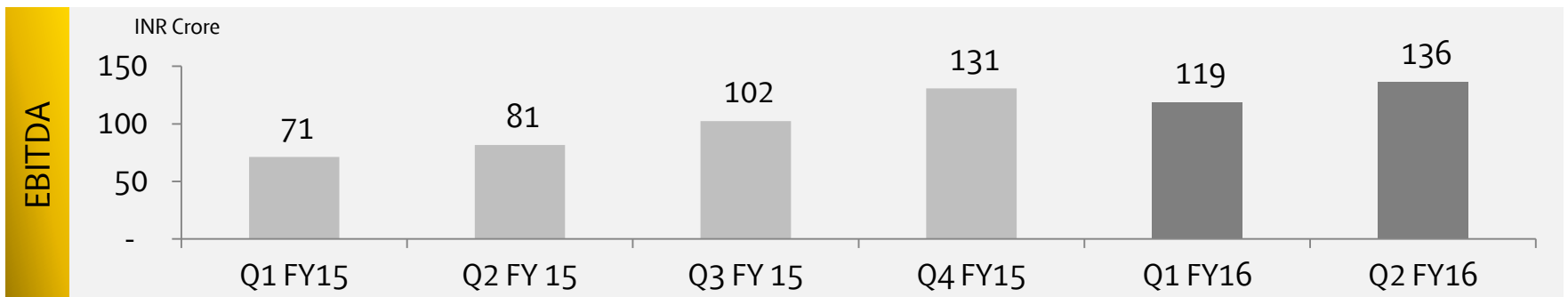
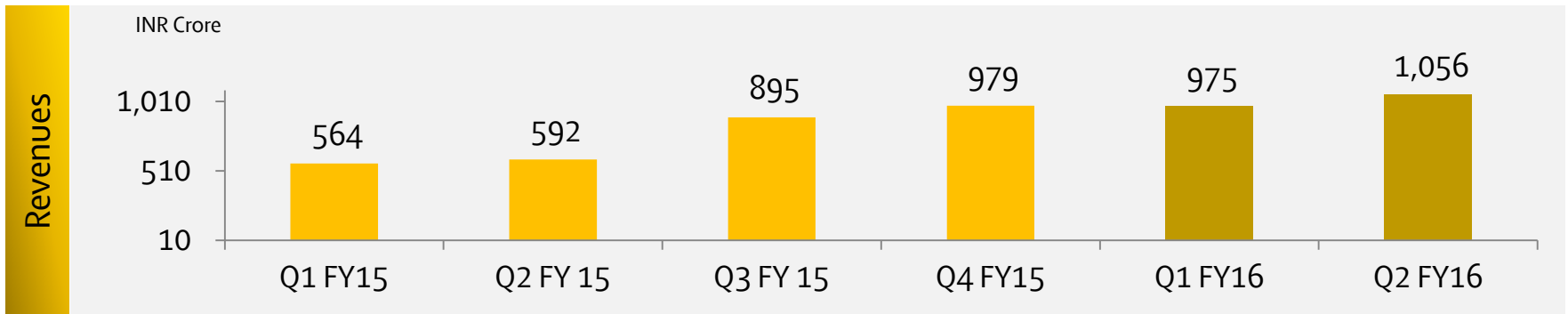
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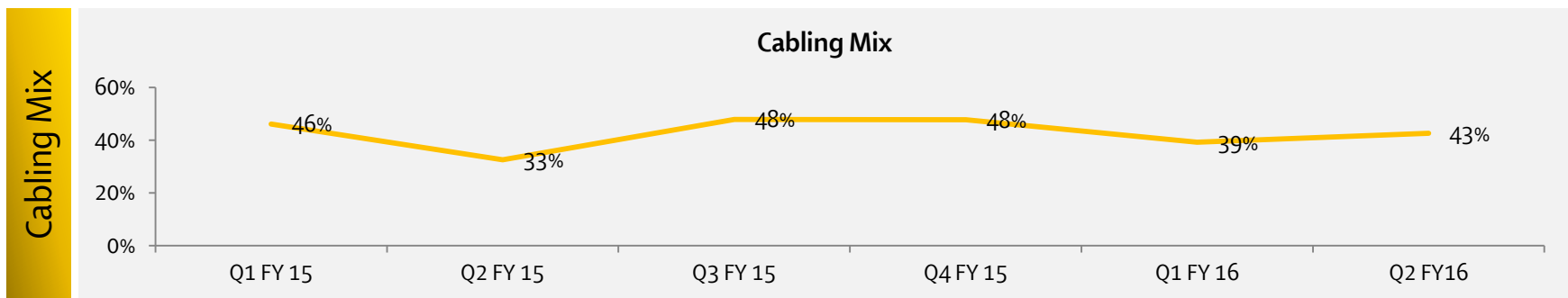
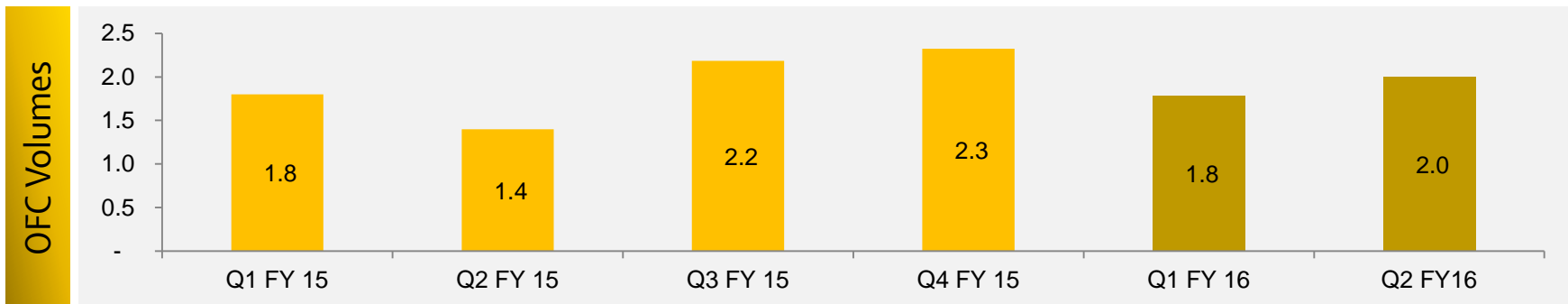
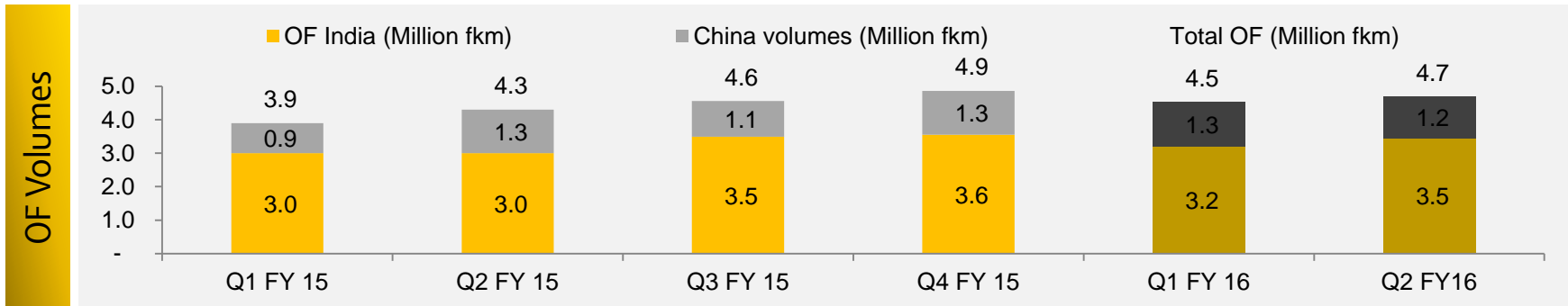
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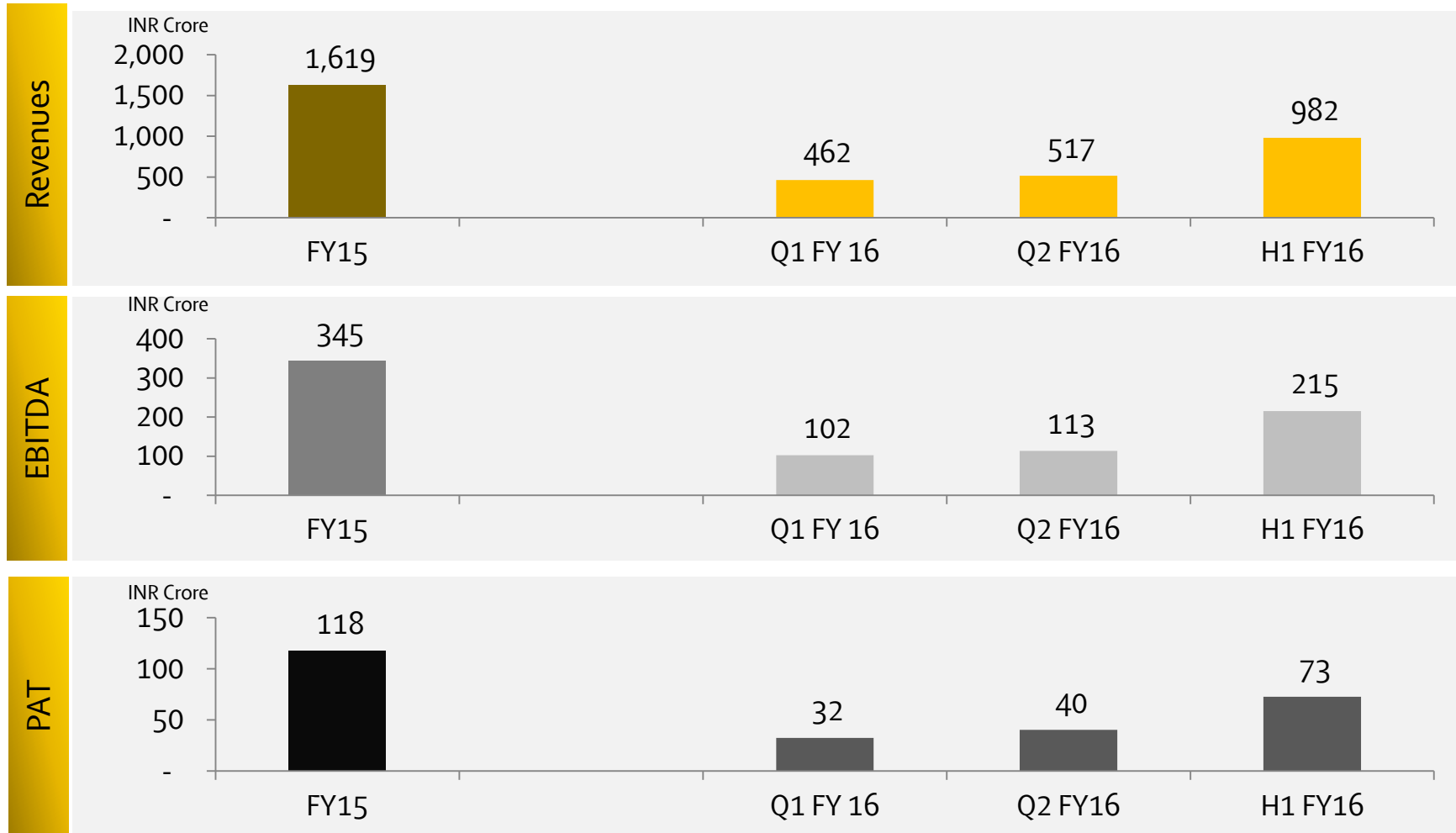
## Quarterly standalone financials



# Volume analysis for the Telecom business



## Financial Performance of the Telecom business

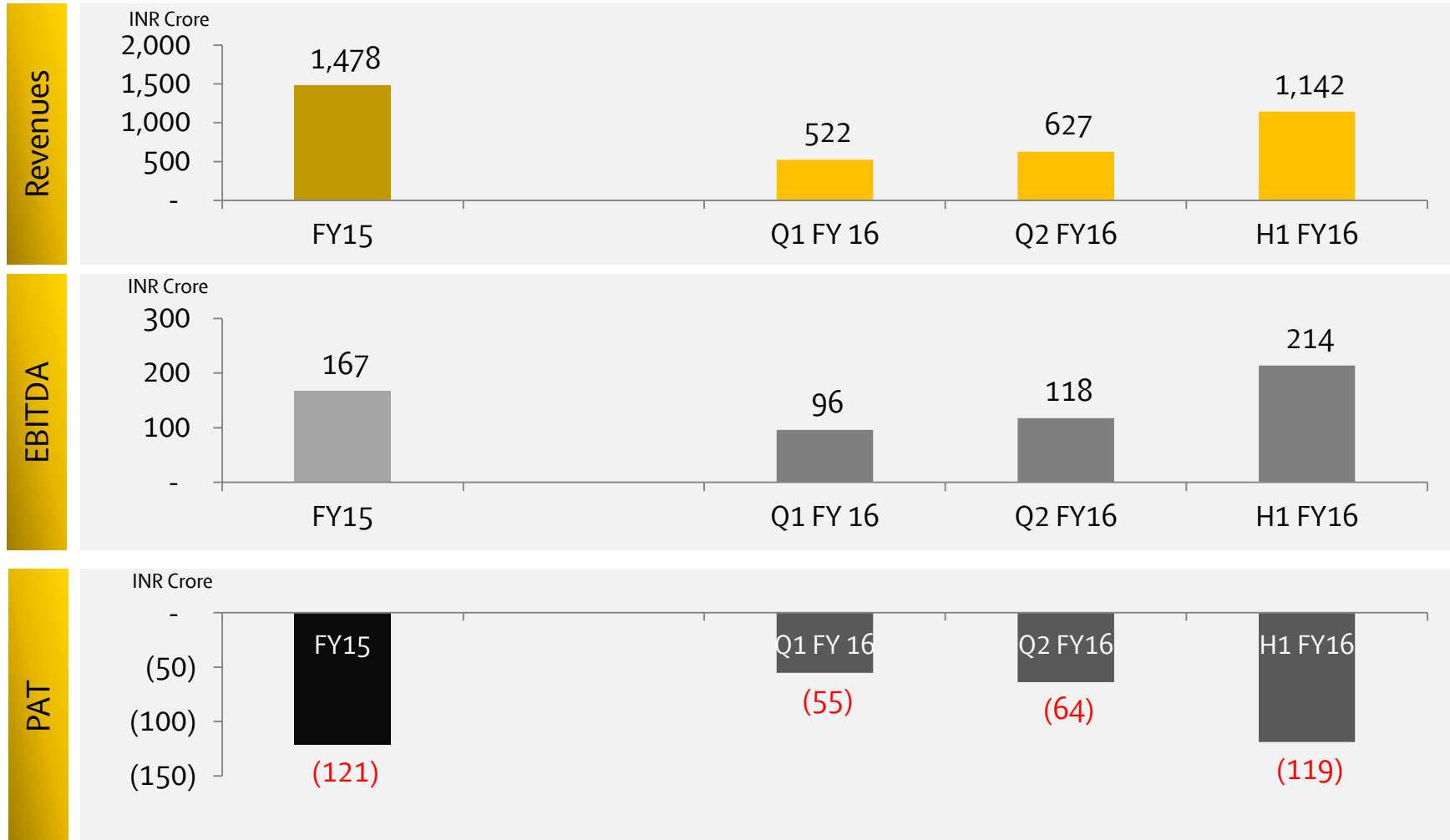


NOTE: The performance is based on the consolidated numbers for the telecom business. This includes performance of our China and Brazil JV and other telecom related subsidiaries. It does not include performance of Elitecore which was acquired on 30<sup>th</sup> September

## Operating highlights for the Telecom business

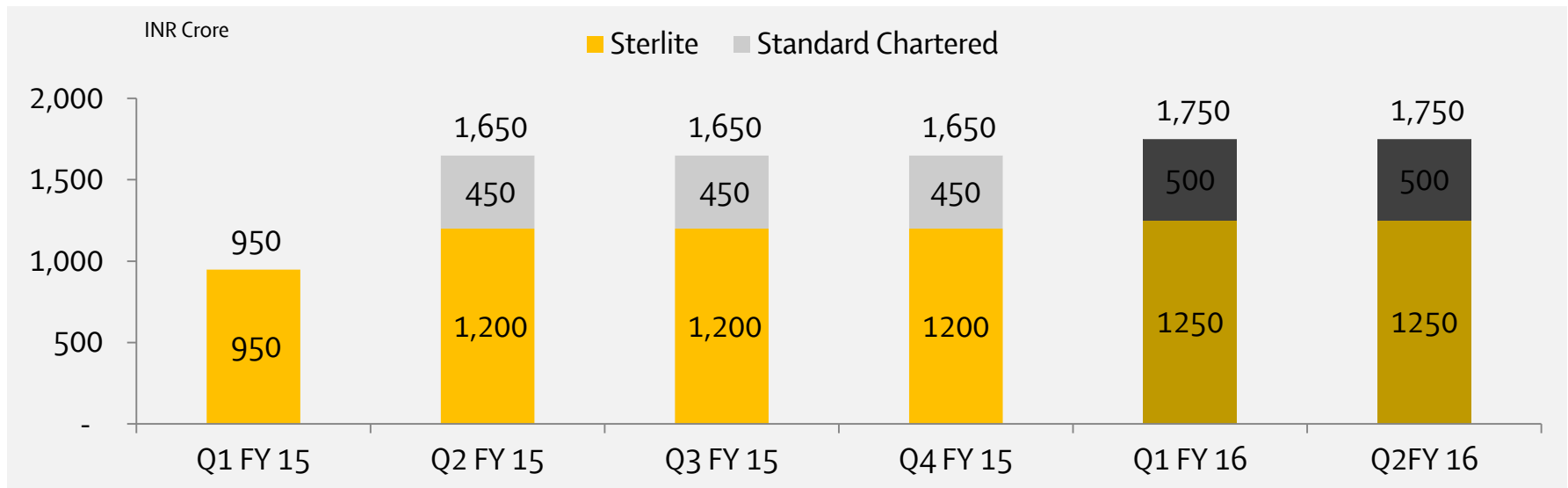
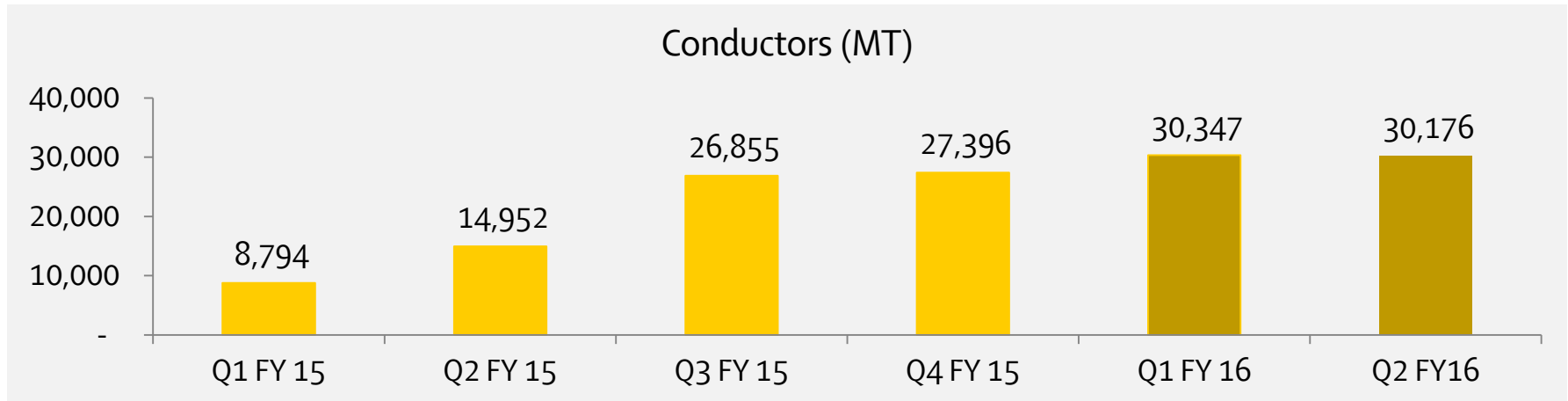
- Mix between domestic revenues and exports was at 26% for the business, main export markets were China and Europe
- Revenues for the quarter from the NFS order were at Rs 78 crore and for the half year was at Rs163 crores against Rs 69 crore for the full year in FY 15
- Previously announced optical fiber cable capacity expansion from 8m fkm to 15m fkm continues to progress well and we expect to complete the expansion during Q4 FY16.
- On the optical fiber capacity front we have commenced certain de-bottlenecking initiatives and improvements in process to result in a 10% increase in capacity to 22m fkm by the end of this financial year
- Acquisition of Elitecore Technologies has been completed, adding distinctive capabilities in the telecom software solutions space and further reinforces Sterlite Technologies unique position as a leading solutions provider for telecom and communication service providers
- Telecom order book stands at Rs 2009 crore, of which services and supply of products as part of the NFS order was at around Rs 1900 crore and should be executed by the end of 2016
- The telecom products business continues to win new customers globally and has recently been selected to help a global operator expand its network across 50 Towns and over 500,000 buildings in Ireland

## Financial performance of the Power business



NOTE: The performance is based on the consolidated numbers for the power business. This includes performance of the power products division and power transmission grid subsidiary

## Product volumes and level of investment in the Power business





## Proforma financials for Telecom and Power

| Consolidated                         | FY 2014-15 (Carved out) |               |               |
|--------------------------------------|-------------------------|---------------|---------------|
|                                      | Tel                     | Power         | Total         |
| Revenue                              | 1,619                   | 1,478         | 3,097         |
| EBIDTA                               | 345                     | 167           | 512           |
| <i>EBITDA Margin</i>                 | 21%                     | 11%           | 17%           |
| Depreciation                         | 96                      | 89            | 185           |
| Interest                             | 75                      | 252           | 327           |
| <b>Cash Profit</b>                   | <b>270</b>              | <b>(84)</b>   | <b>185</b>    |
| Tax                                  | 55                      | (52)          | 4             |
| <b>PAT</b>                           | <b>118</b>              | <b>(121)</b>  | <b>(4)</b>    |
| <b>EPS (Diluted)</b>                 | <b>2.92</b>             | <b>(3.01)</b> | <b>(0.09)</b> |
| Balance Sheet as on Mar 31, 2015     |                         |               |               |
| Net Worth                            | 600                     | 469           | 1,069         |
| Borrowing                            | 674                     | 4,207         | 4,882         |
| Minority Investment in Grid Business | -                       | 450           | 450           |
| <b>Total</b>                         | <b>1,275</b>            | <b>5,126</b>  | <b>6,401</b>  |
| Fixed Assets                         | 984                     | 5,264         | 6,248         |
| Fund Involvement                     | 290                     | (138)         | 153           |

| Consolidated                          | H1 FY 2016 (Carved Out) |               |               |
|---------------------------------------|-------------------------|---------------|---------------|
|                                       | Tel                     | Power         | Total         |
| Revenue                               | 982                     | 1,142         | 2,124         |
| EBIDTA                                | 215                     | 214           | 429           |
| <i>EBITDA Margin</i>                  | 22%                     | 19%           | 20%           |
| Depreciation                          | 55                      | 86            | 140           |
| Interest                              | 50                      | 252           | 302           |
| <b>Cash Profit</b>                    | <b>166</b>              | <b>(38)</b>   | <b>128</b>    |
| Tax                                   | 38                      | (5)           | 34            |
| <b>PAT</b>                            | <b>73</b>               | <b>(119)</b>  | <b>(46)</b>   |
| <b>EPS (Diluted) (Not annualized)</b> | <b>1.81</b>             | <b>(2.95)</b> | <b>(1.15)</b> |
| Balance Sheet as on Sep 30, 2015      |                         |               |               |
| Net Worth                             | 671                     | 350           | 1,021         |
| Borrowing                             | 924                     | 5,141         | 6,065         |
| Minority Investment in Grid Business  | -                       | 500           | 500           |
| <b>Total</b>                          | <b>1,595</b>            | <b>5,991</b>  | <b>7,585</b>  |
| Fixed Assets                          | 1,079                   | 5,905         | 6,985         |
| Fund Involvement                      | 515                     | 85            | 601           |

- Overall net debt for the telecom business has moved from Rs 674 crore to Rs 924 crore as the cash on hand has reduced on account of acquisition of Elitecore Technologies
- The ROCE for the telecom business is at 21 % as the company continues to build out its service capabilities without making significant investments in capital intensive capacities
- ICRA has recently awarded a rating of AA- for STL's long term and A1+ for STL's short term debt

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## Additional financial information – Standalone financials

|                           | Q2 FY 16 | Q1 FY 16 | Q2 FY 15 | 6M FY 16 | 6M FY 15 | FY 15 |
|---------------------------|----------|----------|----------|----------|----------|-------|
| Sales                     | 1,056    | 975      | 592      | 2,031    | 1,156    | 3,030 |
| EBITDA                    | 136      | 119      | 81       | 256      | 153      | 386   |
| EBITDA %                  | 13%      | 12%      | 14%      | 13%      | 13%      | 13%   |
| Depreciation              | 31       | 29       | 27       | 60       | 54       | 108   |
| EBIT                      | 105      | 91       | 54       | 196      | 99       | 278   |
| EBIT %                    | 10%      | 9%       | 9%       | 10%      | 9%       | 9%    |
| Interest                  | 66       | 62       | 42       | 128      | 72       | 179   |
| PBT                       | 39       | 29       | 12       | 68       | 27       | 99    |
| Tax                       | 10       | 8        | (1)      | 18       | 5        | 15    |
| <i>Effective tax rate</i> | 25%      | 29%      | na       | 27%      | 17%      | 15%   |
| PAT                       | 29       | 20       | 13       | 50       | 22       | 84    |
| PAT %                     | 3%       | 2%       | 2%       | 2%       | 2%       | 3%    |

## Additional financial information – Standalone financials

| Telecom Standalone (INR Cr) | Q2 FY 16 | Q1 FY 16 | Q2 FY 15 | 6M FY 16 | 6M FY 15 | FY 15 |
|-----------------------------|----------|----------|----------|----------|----------|-------|
| Sales                       | 478      | 424      | 287      | 902      | 608      | 1,487 |
| EBITDA                      | 112      | 101      | 76       | 213      | 145      | 345   |
| EBITDA %                    | 23%      | 24%      | 26%      | 24%      | 24%      | 23%   |
| Depreciation                | 22       | 19       | 18       | 41       | 38       | 76    |
| EBIT                        | 90       | 82       | 57       | 172      | 108      | 269   |
| EBIT %                      | 19%      | 19%      | 20%      | 19%      | 18%      | 18%   |
| Capital employed            | 1,539    | 1,283    | 1,063    | 1,539    | 1,063    | 1,179 |
| ROCE %                      | 23%      | 25%      | 22%      | 22%      | 20%      | 23%   |

| Power Standalone (INR Cr) | Q2 FY 16 | Q1 FY 16 | Q2 FY 15 | 6M FY 16 | 6M FY 15 | FY 15 |
|---------------------------|----------|----------|----------|----------|----------|-------|
| Sales                     | 562      | 537      | 287      | 1,099    | 516      | 1,473 |
| EBITDA                    | 25       | 19       | 6        | 43       | 7        | 41    |
| EBITDA %                  | 4%       | 3%       | 2%       | 4%       | 1%       | 3%    |
| Depreciation              | 9        | 9        | 9        | 19       | 16       | 32    |
| EBIT                      | 15       | 9        | (3)      | 24       | (9)      | 9     |
| EBIT %                    | 3%       | 2%       | -1%      | 2%       | -2%      | 1%    |
| Capital employed          | 471      | 415      | 497      | 471      | 497      | 323   |
| ROCE %                    | 13%      | 9%       | -3%      | 10%      | -4%      | 3%    |

## Additional financial information – Consolidated financials

| Particulars  | Standalone            | Consolidated                          | Standalone            | Consolidated                          | Standalone          | Consolidated        |
|--|-----------------------|---------------------------------------|-----------------------|---------------------------------------|---------------------|---------------------|
|  | Quarter ended         |                                       | Half year ended       |                                       | Year ended          |                     |
|  | Sep 15<br>(Unaudited) | Sep 15<br>(Unaudited /<br>Unreviewed) | Sep 15<br>(Unaudited) | Sep 15<br>(Unaudited /<br>Unreviewed) | Mar 15<br>(Audited) | Mar 15<br>(Audited) |
| <b>Income from Operations</b>                                |                       |                                       |                       |                                       |                     |                     |
| a) Net Revenue   | 104,054               | 112,308                               | 200,146               | 209,380                               | 296,023             | 302,709             |
| b) Other Operating Income                                    | 1,561                 | 1,574                                 | 2,969                 | 2,982                                 | 6,987               | 6,997               |
| <b>Total Income from operations (Net)</b>                    | <b>105,615</b>        | <b>113,882</b>                        | <b>203,115</b>        | <b>212,362</b>                        | <b>303,010</b>      | <b>309,706</b>      |
| <b>Total Expenditure</b>                                     | <b>95,432</b>         | <b>98,878</b>                         | <b>184,288</b>        | <b>184,630</b>                        | <b>279,661</b>      | <b>282,139</b>      |
| a) Cost of materials consumed                                | 71,469                | 67,780                                | 138,165               | 125,636                               | 194,464             | 181,176             |
| b) Purchase of stock-in-trade                                | 447                   | 447                                   | 1,258                 | 1,258                                 | 4,292               | 4,292               |
| c) (Inc) / Dec in finished goods, stock-in-trade & WIP       | (3,458)               | (3,527)                               | (5,739)               | (5,576)                               | (3,469)             | (3,097)             |
| d) Staff Cost  | 4,848                 | 6,165                                 | 8,649                 | 10,737                                | 15,095              | 17,594              |
| e) Depreciation & Impairment                                 | 3,086                 | 7,535                                 | 5,962                 | 14,006                                | 10,774              | 18,498              |
| f) Other Expenditure   | 19,040                | 20,478                                | 35,993                | 38,569                                | 58,505              | 63,676              |
| Operating profit before other income, interest and tax       | <b>10,183</b>         | <b>15,004</b>                         | <b>18,827</b>         | <b>27,732</b>                         | <b>23,349</b>       | <b>27,567</b>       |
| Other Income   | 366                   | 565                                   | 781                   | 1,179                                 | 4,481               | 5,134               |
| Profit before interest and tax                               | <b>10,549</b>         | <b>15,569</b>                         | <b>19,608</b>         | <b>28,911</b>                         | <b>27,830</b>       | <b>32,701</b>       |
| Interest Cost  | 6,605                 | 16,283                                | 12,802                | 30,156                                | 17,928              | 32,690              |
| <b>Profit / (loss) before tax</b>                            | <b>3,944</b>          | <b>(714)</b>                          | <b>6,806</b>          | <b>(1,245)</b>                        | <b>9,902</b>        | <b>11</b>           |
| Tax Expenses   | 1,005                 | 759                                   | 1,839                 | 1,355                                 | 1,478               | 369                 |
| <b>Net Profit /(loss) after tax</b>                          | <b>2,939</b>          | <b>(1,473)</b>                        | <b>4,967</b>          | <b>(2,600)</b>                        | <b>8,424</b>        | <b>(358)</b>        |
| Adjustment for Minority Interest                             | -                     | 81                                    | -                     | 87                                    |                     | (94)                |
| <b>Net Profit / (loss) after Tax &amp; Minority Interest</b> | <b>2,939</b>          | <b>(1,554)</b>                        | <b>4,967</b>          | <b>(2,687)</b>                        | <b>8,424</b>        | <b>(264)</b>        |

Additional information pertaining to consolidated financial performance of the group for the quarter and half year ended September 30,2015 is not audited or reviewed by the Auditors

# Additional financial information – Consolidated financials



| Segment Reporting   | Standalone            | Consolidated                          | Standalone            | Consolidated                          | Standalone          | Consolidated        |
|---|-----------------------|---------------------------------------|-----------------------|---------------------------------------|---------------------|---------------------|
|   | Quarter ended         |                                       | Half year ended       |                                       | Year ended          |                     |
|   | Sep 15<br>(Unaudited) | Sep 15<br>(Unaudited /<br>Unreviewed) | Sep 15<br>(Unaudited) | Sep 15<br>(Unaudited /<br>Unreviewed) | Mar 15<br>(Audited) | Mar 15<br>(Audited) |
| <b>Segment Revenue</b>  |                       |                                       |                       |                                       |                     |                     |
| Telecom Product and Solutions                                 | 47,846                | 51,064                                | 90,246                | 96,408                                | 148,726             | 157,643             |
| Power Product and Solutions                                   | 56,208                | 56,208                                | 109,900               | 109,900                               | 147,297             | 147,297             |
| Power Transmission Grid                                       |                       | 10,896                                |                       | 19,649                                |                     | 15,387              |
| Inter-segment elimination                                     |                       | (5,860)                               |                       | (16,577)                              |                     | (17,618)            |
| <b>Total</b>  | <b>104,055</b>        | <b>112,308</b>                        | <b>200,146</b>        | <b>209,380</b>                        | <b>296,023</b>      | <b>302,709</b>      |
| <b>Profit before interest,depreciation and tax</b>            |                       |                                       |                       |                                       |                     |                     |
| Telecom Product and Solutions                                 | 11,170                | 11,337                                | 21,254                | 21,553                                | 34,518              | 34,515              |
| Power Product and Solutions                                   | 2,465                 | 1,748                                 | 4,316                 | 3,152                                 | 4,086               | 3,519               |
| Power Transmission Grid                                       |                       | 10,021                                |                       | 18,219                                |                     | 13,195              |
| Unallocable   |                       | (2)                                   |                       | (7)                                   |                     | (30)                |
| <b>Total</b>  | <b>13,635</b>         | <b>23,104</b>                         | <b>25,570</b>         | <b>42,917</b>                         | <b>38,604</b>       | <b>51,199</b>       |
| <b>Profit before Interest and Tax</b>                         |                       |                                       |                       |                                       |                     |                     |
| Telecom Product and Solutions                                 | 9,016                 | 8,583                                 | 17,172                | 16,313                                | 26,906              | 24,898              |
| Power Product and Solutions                                   | 1,533                 | 834                                   | 2,436                 | 1,291                                 | 924                 | 380                 |
| Power Transmission Grid                                       |                       | 6,159                                 |                       | 11,326                                |                     | 7,478               |
| Unallocable   |                       | (7)                                   |                       | (19)                                  |                     | (55)                |
| <b>Total</b>  | <b>10,548</b>         | <b>15,569</b>                         | <b>19,608</b>         | <b>28,911</b>                         | <b>27,830</b>       | <b>32,701</b>       |
| Net Interest Cost   | 6,605                 | 16,283                                | 12,802                | 30,156                                | 17,928              | 32,690              |
| <b>Profit / (loss) before tax</b>                             | <b>3,944</b>          | <b>(714)</b>                          | <b>6,807</b>          | <b>(1,245)</b>                        | <b>9,902</b>        | <b>11</b>           |
| <b>Capital Employed (Segment Assets- Segment Liabilities)</b> |                       |                                       |                       |                                       |                     |                     |
| Telecom Product and Solutions                                 | 153,871               | 163,520                               | 153,871               | 163,520                               | 117,939             | 129,668             |
| Power Product and Solutions                                   | 47,122                | 45,471                                | 47,122                | 45,471                                | 32,272              | 34,238              |
| Power Transmission Grid                                       |                       | 557,447                               |                       | 557,447                               |                     | 491,171             |
| Unallocable   | 126,093               | 31,235                                | 126,093               | 31,235                                | 143,328             | 28,454              |
| <b>Total</b>  | <b>327,085</b>        | <b>797,673</b>                        | <b>327,085</b>        | <b>797,673</b>                        | <b>293,539</b>      | <b>683,531</b>      |

Additional information pertaining to consolidated financial performance of the group for the quarter and half year ended September 30,2015 is not audited or reviewed by the Auditors