Sterlite Technologies Limited

Q2 & H1FY16 – Earnings call

26 October 2015

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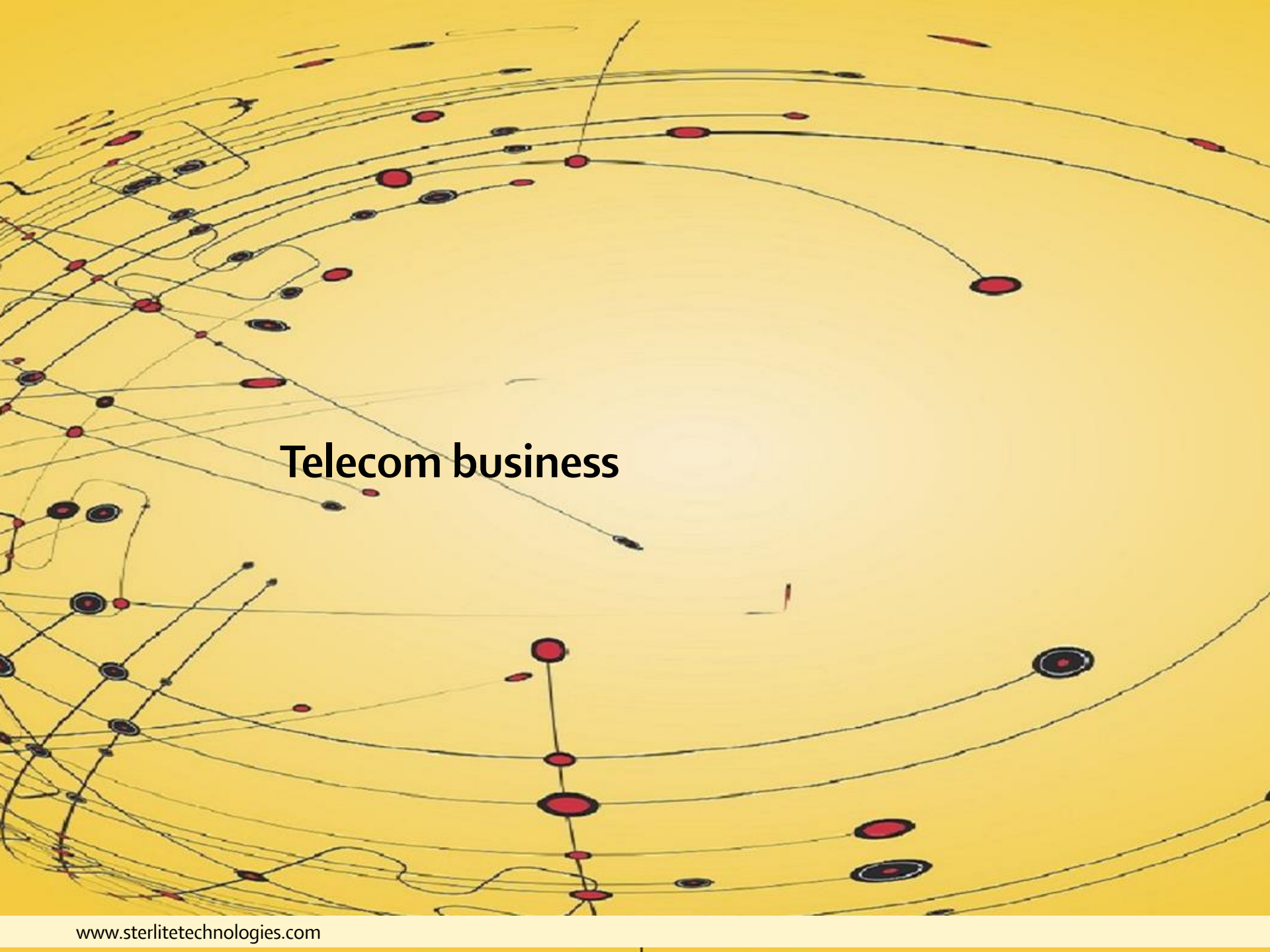
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Telecom business

Value proposition for the telecom business



Best in class operations; Fully integrated



Significant global presence with market leadership positions

Cutting edge technology with focus on R&D and engineering

Established track record, robust outlook



Beneficiary of exponential growth in data consumption





Unique skill sets and capabilities to benefit from the opportunity



Wide footprint within the telecom sector

STL Telecom Business

Products

- Optical fibers & preform
- Fiber optic cables and structured data cables
- Dedicated Center of Excellence
- Strong patent portfolio of over 50 patents

Network & System Integration

- End-to-end project management
- Specialized team with FTTH experience
- Network engineering, Roll out, Integration and O&M

Software and Services

- OSS / BSS software solutions
- Other services


Raw materials


Preform


Optic fiber


OF cable


Services

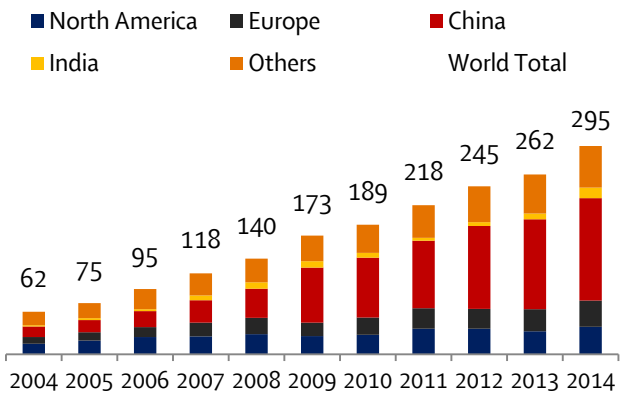


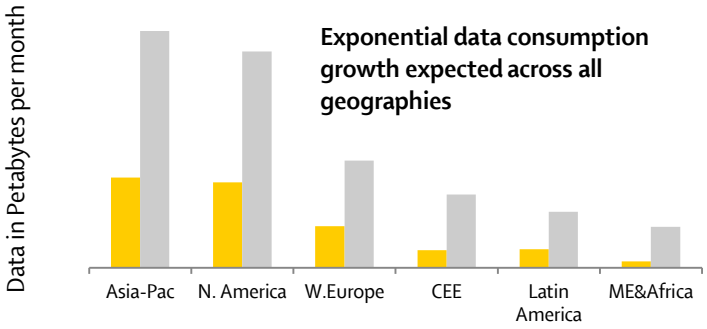
Turnkey Sol.

Full control over the entire value chain driven by capacities and capabilities

Forefront of emerging data opportunity

Data consumption continues to grow fiber demand



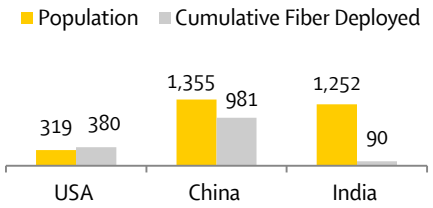


By 2019, there will be nearly 3.9 billion global Internet users (more than 51 percent of the world's population), up from 2.8 billion in 2014 and they all will need reliable high speed broadband

In India, data traffic will grow 5-fold from 2014 to 2019, a compounded annual growth rate of 36%, or from current rate of 763 petabytes / month (the equivalent of 191m DVD/ month) to 3.5 Exabytes per month in 2019 (877m DVD/ month)

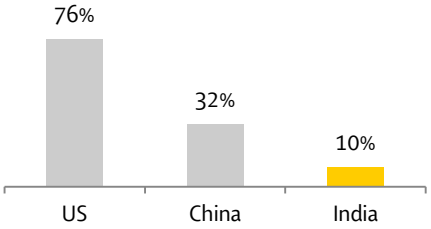
India's digital infrastructure needs to catch up

Population Vs Fiber Deployed (Mn)



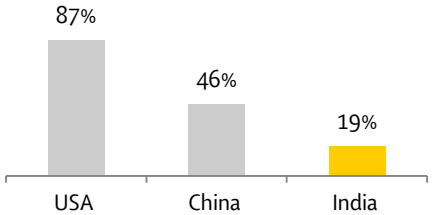
- India is highly under Fiberized, compared to US & China
- Total Cumulative Fiber Deployed to Population Ratio in US is 1.2x, China is 0.7x while India is just 0.1x

% user with Internet speed > 4mbps



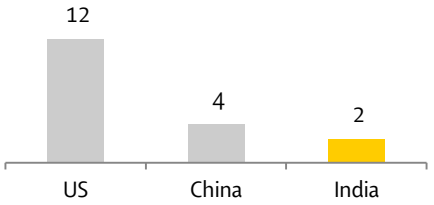
- India just has 10% of users which enjoys 4 mbps and above speed
- Due to significant low Fiber deployment, users are not able to experience Internet & associated applications

Internet Penetration



- Internet penetration in India is significantly low compared to other countries and compared to voice Teledensity in India which is nearly 80%

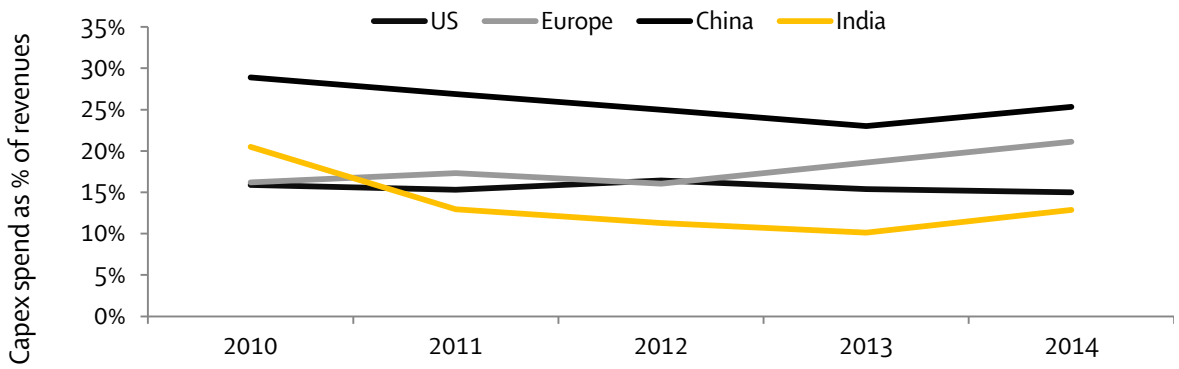
Avg. Internet Speed (Mbps)



- Average Internet speed (Fixed & Mobile) is nearly half compared to China

Forefront of emerging data opportunity

Beneficiary of the global telecom capex spend



Average capex spend / year

China $50bn

Europe $50bn

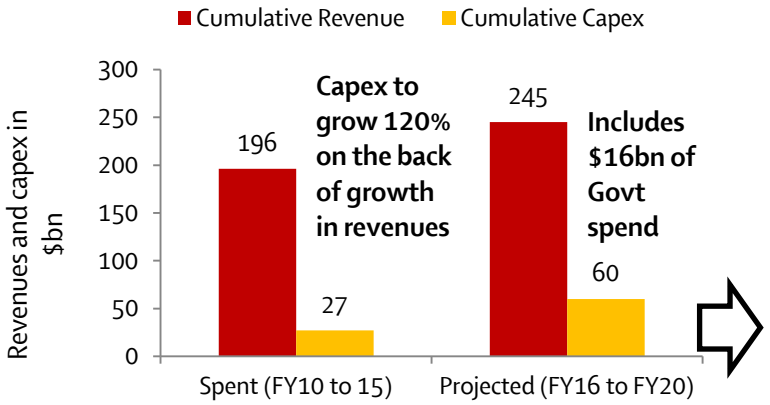
US $45bn

India $5bn

Global telecom service providers continue to invest heavily in building next generation networks

The rate of such investment will continue to rise to keep pace with growth in data traffic

Indian Telcos to significantly scale up capex to over the next five years



$19Bn Mobile access (2G/3G/4G)



$3.5Bn Small-cells and WiFi



$3n Mobile Core



$12Bn BharatNet

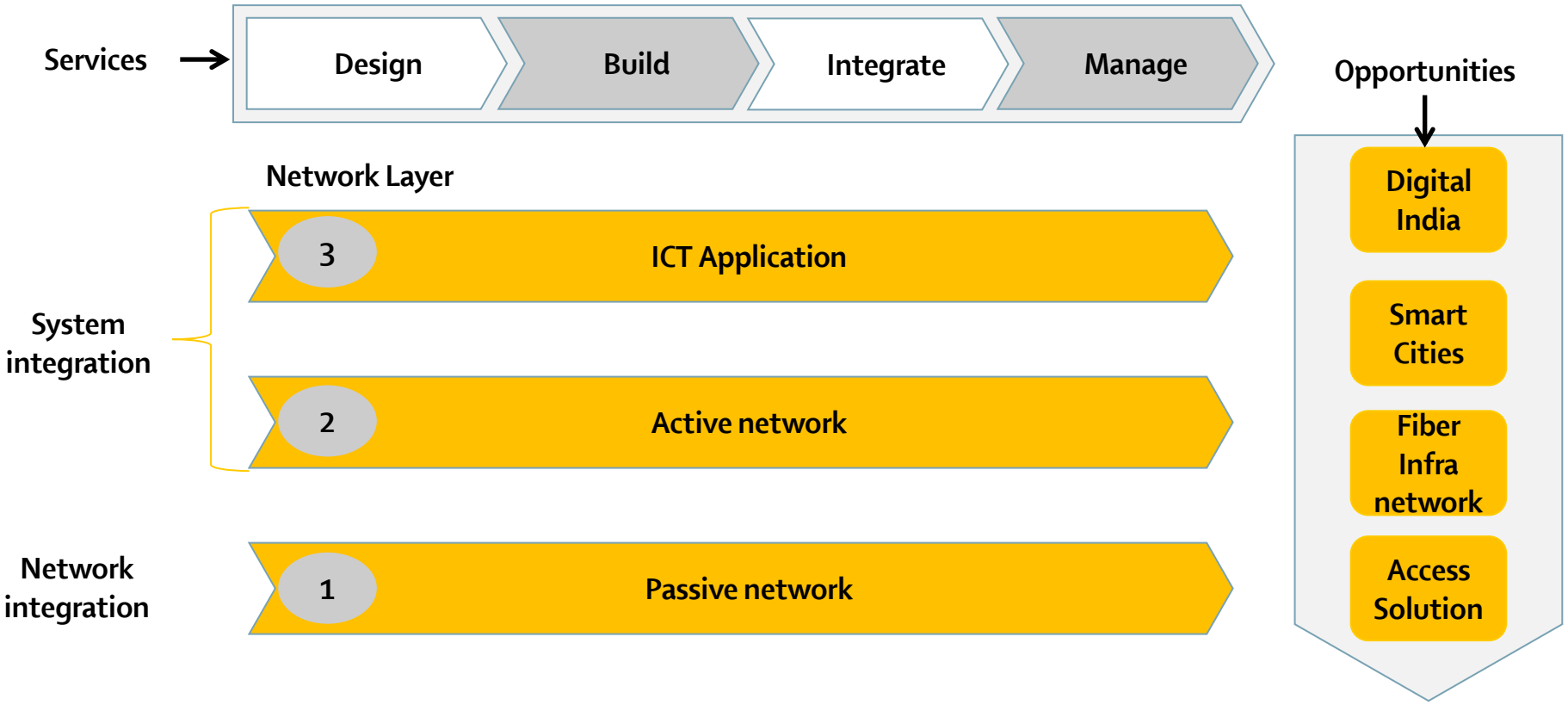
BBNL

$4Bn Smart cities

smart city

Unprecedented capital investments planned over the next 5 yrs by Telcos and Government in creating the Digital India infrastructure

Telecom services business – System and network integration

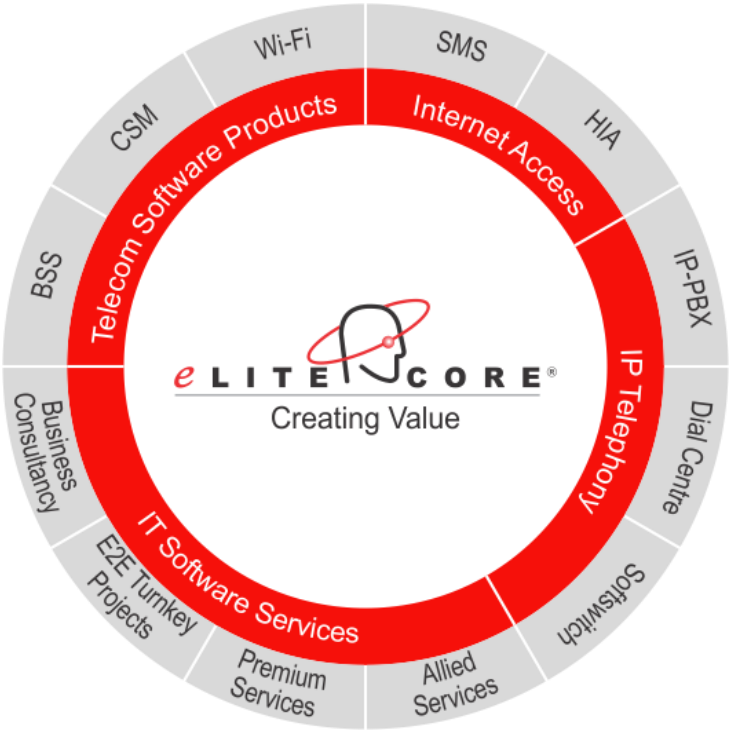


- Sterlite to offer end to end integrated services across the various network layers
- Services business presents a multi billion multi year opportunity as India's broad band infrastructure is built

Capabilities acquired through Elitecore

- Elitecore is a **Telecom Software Product and Services** company having **global presence** in providing **monetizing and customer experience** solution to CSPs.
- **Indigenously developed** end to end BSS and packet core solutions
- **150+** network deployments in **40+ countries**
- **2 Billion CDRs** processed per day
- **11 of the Top 30 Global Telecom Operators** on Elitecore Platform and 30+ Service provider wi-fi deployments
- Elitecore products **reduce TCO** and time to market and **faster monetisation** of next generation networks

Core competencies
Monetization of Next Generation Networks
Real Time Analytics
Real Time Customer Experience management



Gartner

Fastest growing IRCM companies in Gartner MQ IRCM 2014

Deloitte.

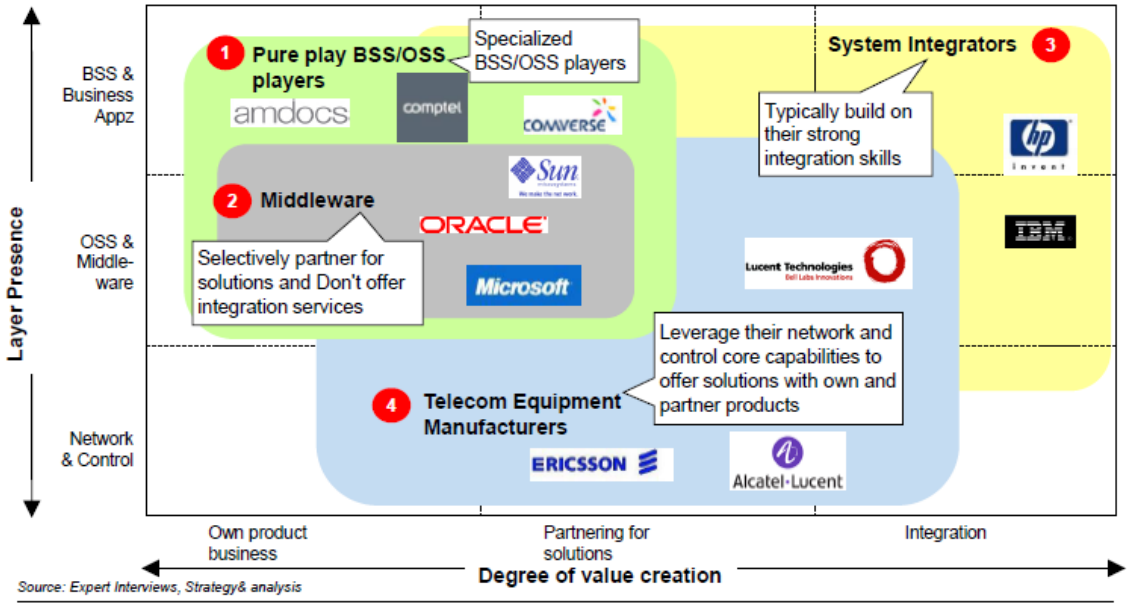
Fastest growing IRCM companies in Gartner MQ IRCM 2014

HEAVY READING

Global Top 16 BSS vendors

Elitecore is a profitable niche player with strong growth prospects

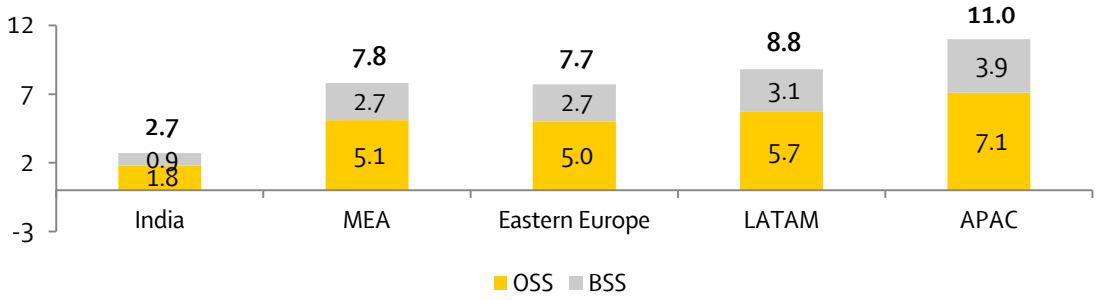
Elitecore is a pure play BSS / OSS player



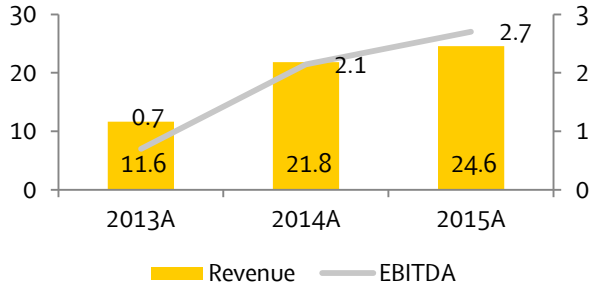
With strong partner relationships

ORACLE · ERICSSON · WIPRO · CISCO · Tech Mahindra (IT Services and Telecom Solutions) · HUAWEI · Ruckus Wireless · Alcatel·Lucent · Infosys · nsn

Expected addressable market size (Fy15 to Fy20) $bn



Financial performance



Sterlite + Elitecore : a win- win outcome

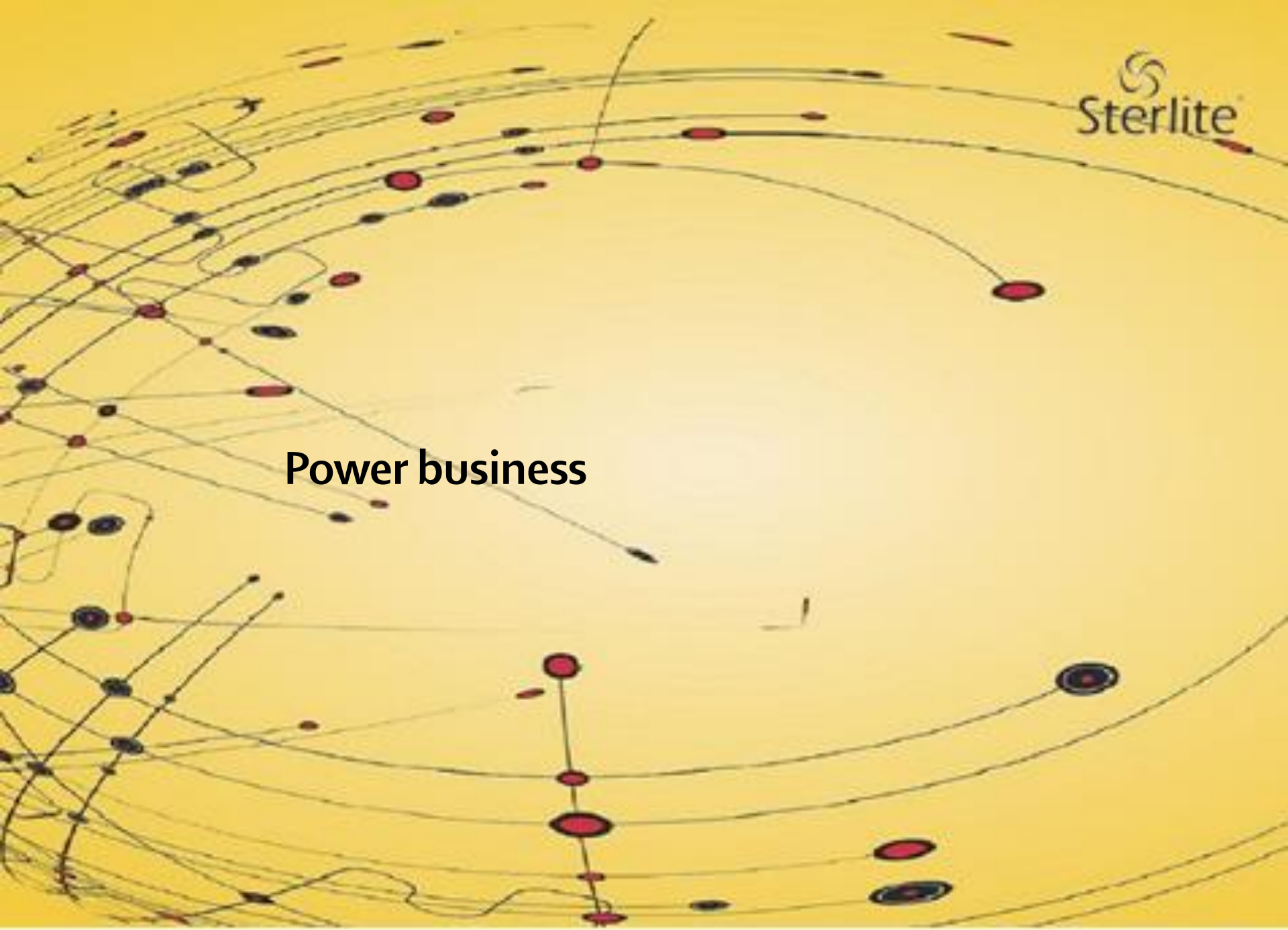
Very strong economic and strategic rationale for the transaction

Sterlite + eLITECORE

- Is a strong strategic fit to Sterlite as it plans to build capabilities in the services and solutions space – create a new facet within the telecoms value chain
- Sterlite to be able to offer complete suite of products and solutions for telecom service providers and become a partner of choice - fiber and cable portfolio, network creation and now OSS / BSS products
- Elitecore serves as a very good entry in the OSS/ BSS space and the wider telecom software space
- Allows Elitecore to partner with the Sterlite team to continue growing exponentially and leverage of relationships, market access and financial backing
- Helps transform Sterlite from a capital driven growth to knowledge and services driven growth
- Combined company to be positioned attractively to capitalize on the global telecom data boom

Leader in developing broadband solutions for converged communication networks




Sterlite
Power business

Our power business

Products

- Full range conductors from ACSR to high performance conductors
- HV and EHV cables from voltage grade of 6.6 kV to 220 kV
- Optical Ground Wire (OPGW) that leverage core expertise in power conductors & fiber optic cables

Solutions

- Engineering T&D networks & re-conductoring solutions
- Enhancing current carrying capacity
- End-to-end project management
- Engineering, Integration, Roll out and O&M

Infrastructure

- Largest private sector independent power transmission company in India
- 7 Projects in Portfolio
- 3 Projects Commissioned and 4 under implementation
- $1.3 bn capital commitment
- 5,500 Circuit Km of transmission lines & 3 substations across 12 states

Key Customers

- Central and Private sector power utilities
- State Electricity Boards
- EPC contractors

Full control over the entire value chain



Raw materials

- Aluminium
- Other alloys



Products

- HV and EHV product line



Engineering

- Heli stringing and live line reconductoring



Power Grids

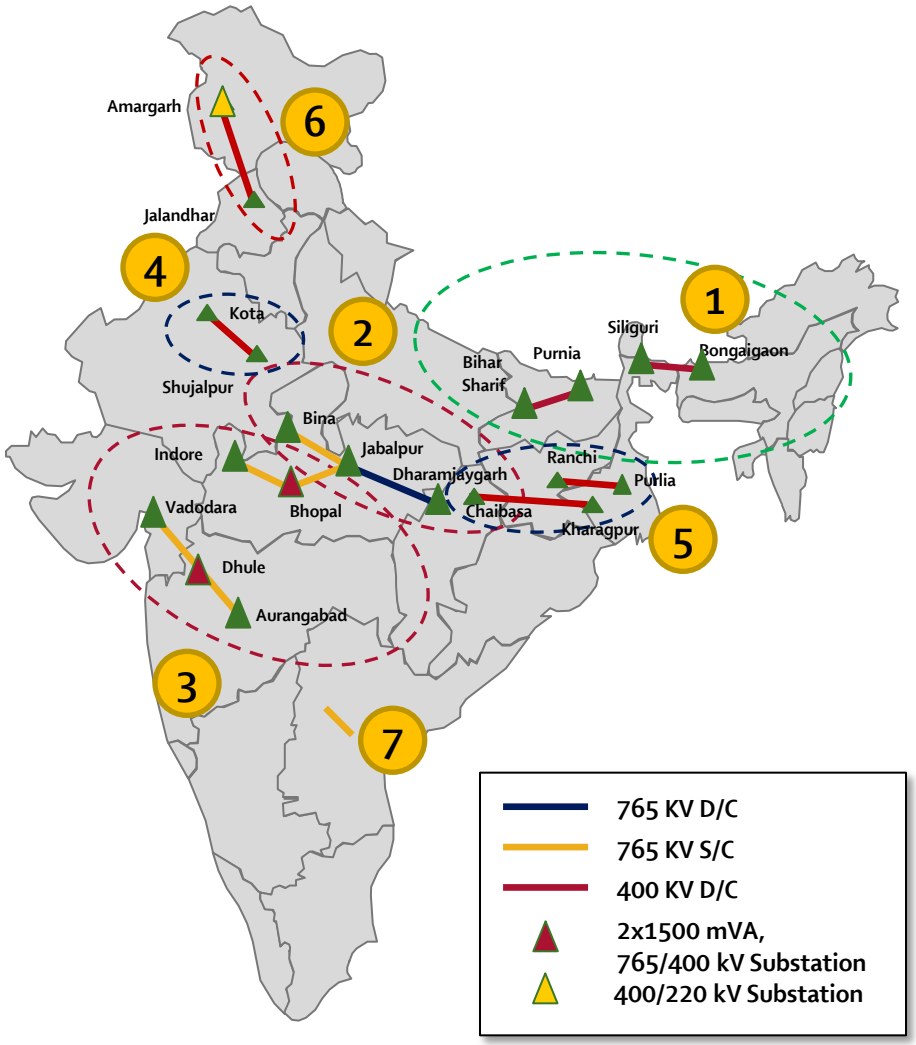
- Inter State Transmission networks

Connecting key generating centers with load centers

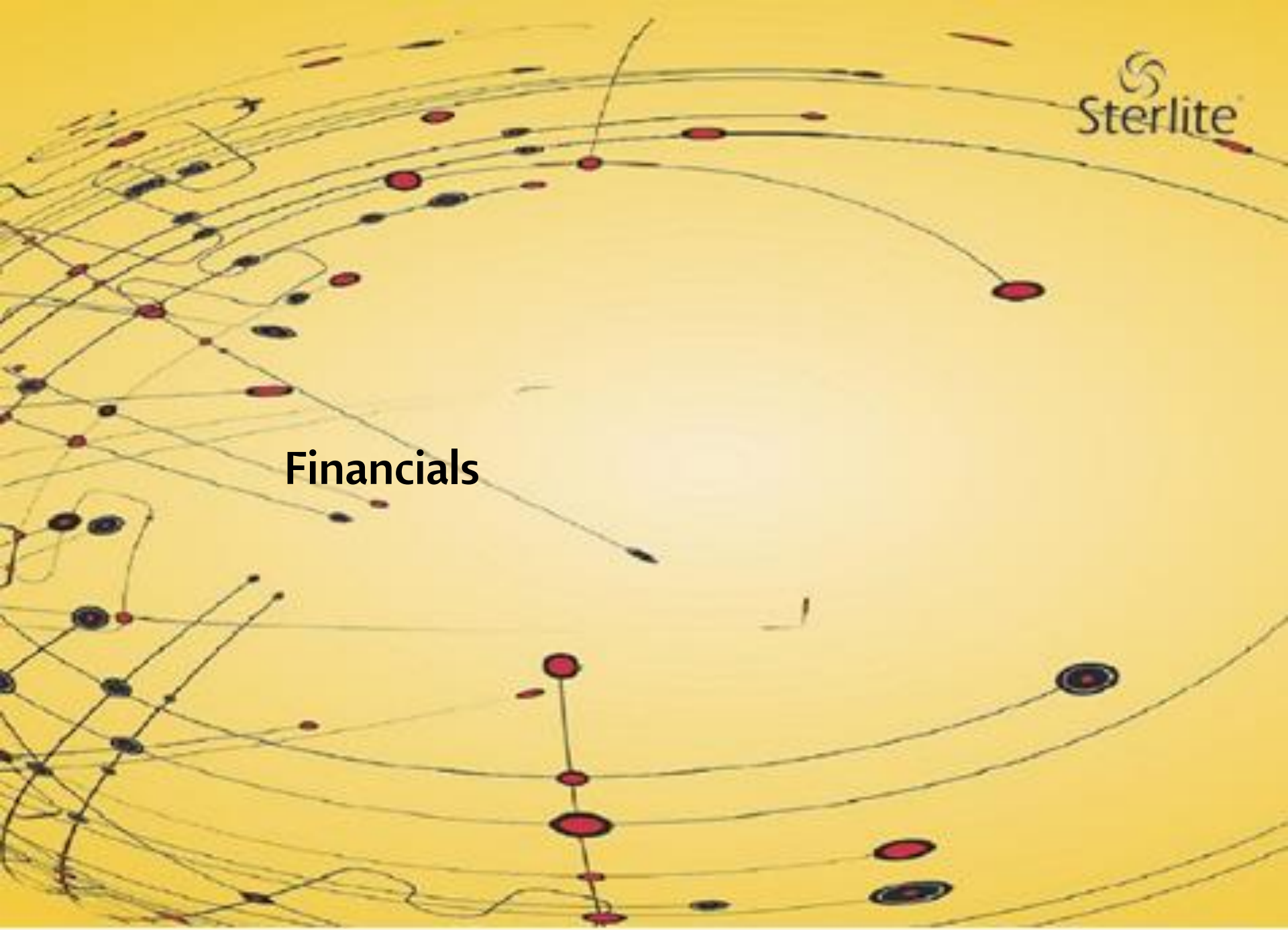
- Build-Own-Operate-Maintain (BOOM) Model with 7 Projects in Portfolio
  - 5000 Km circuit transmission lines & 3 substations across 12 states
  - Estimated capital expenditure of US $ 1.3bn
  - Three project fully commissioned, all 7 to be commissioned by FY20

- One of the lowest risk profiles as compared to other segments within the Infrastructure segment
  - Fixed annuity model (35 years) with high quality of receivables that is not dependent on power flow
  - Perpetual assets with minimum maintenance capex
  - Assets have opportunity for additional revenue generation

- SCPE has invested US$83m equity investment - the first foreign investment into India's power transmission sector



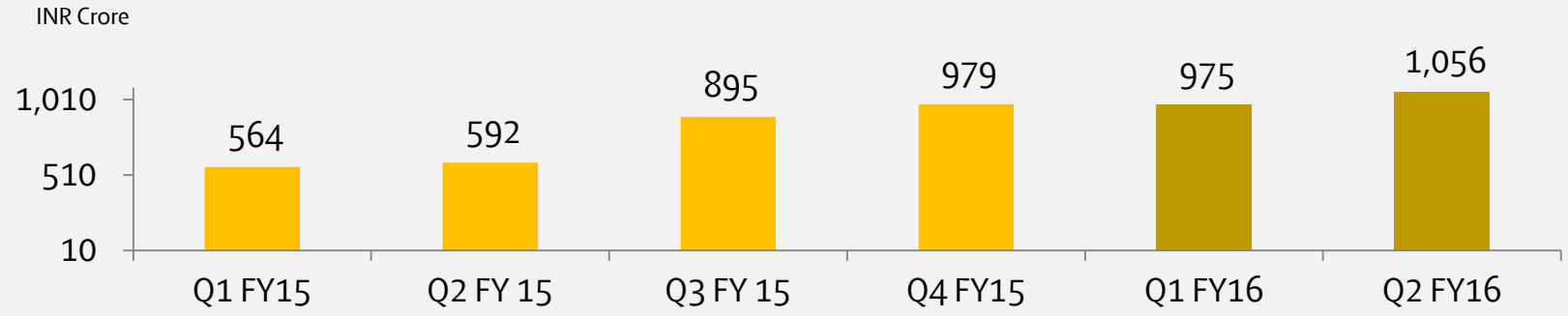
Note: Map is representative of project locations and transmission lines not to scale



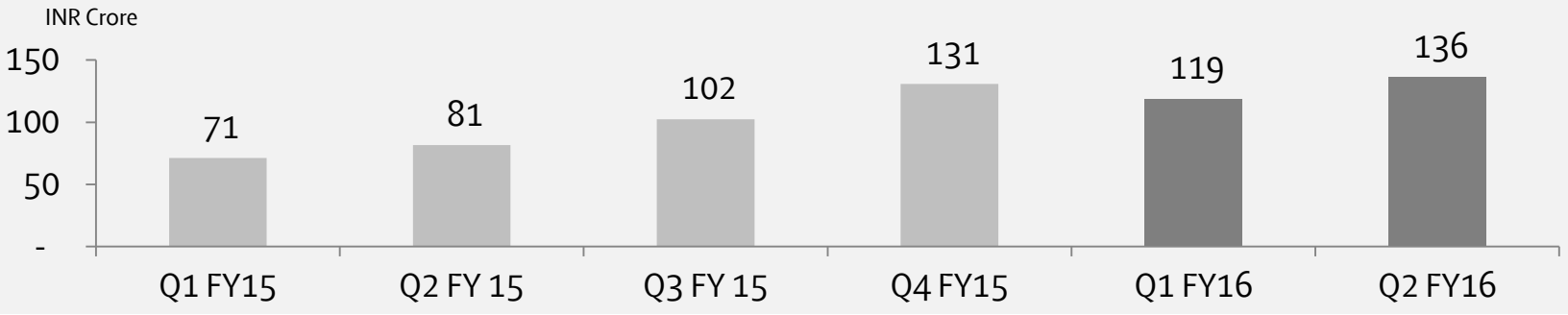
Financials

Quarterly standalone financials

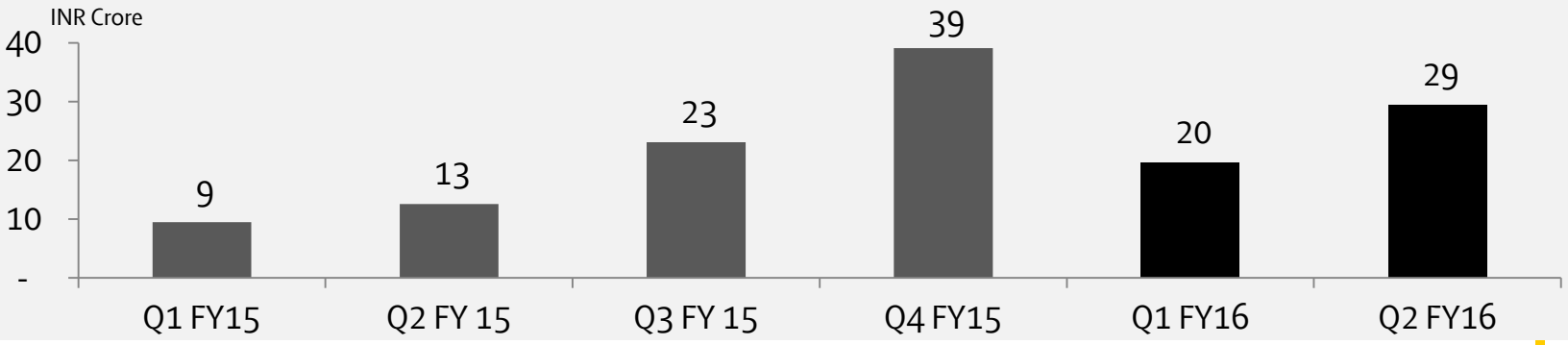
Revenues



EBITDA

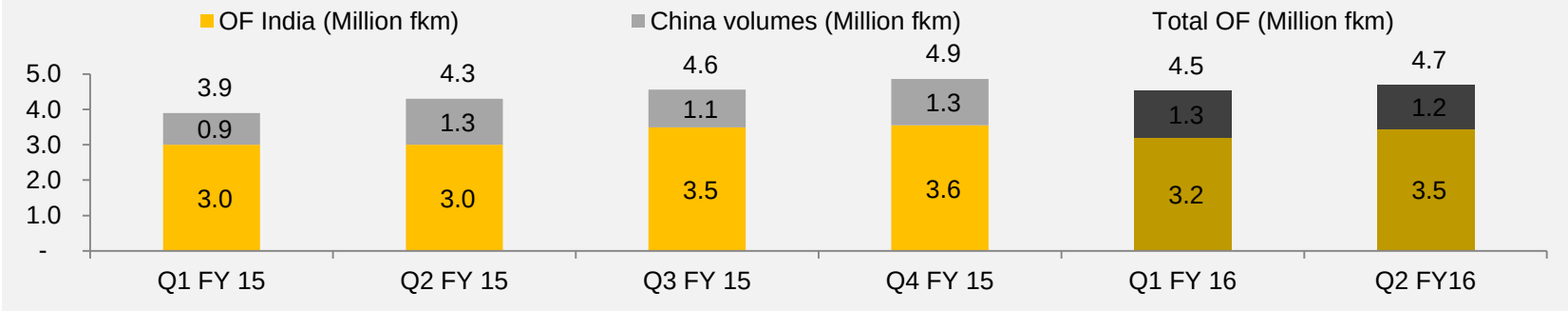


PAT

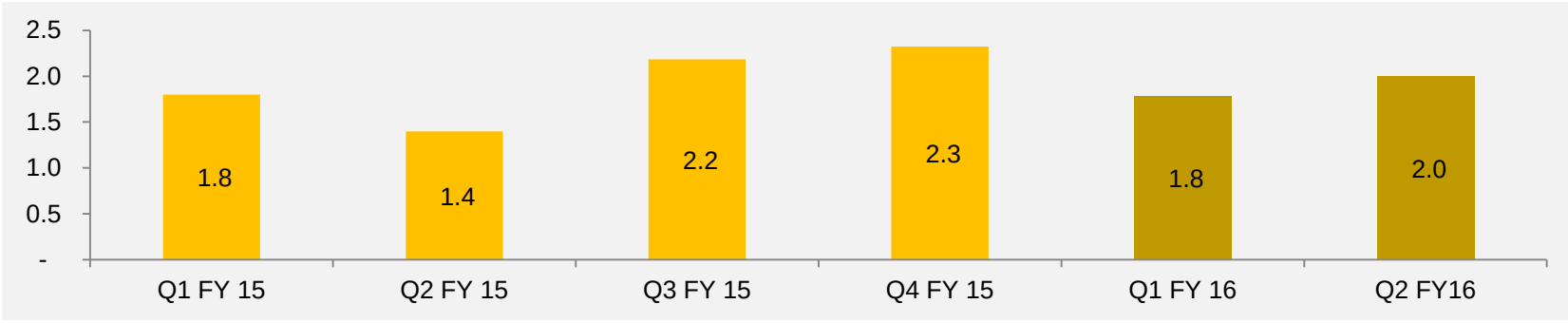


Volume analysis for the Telecom business

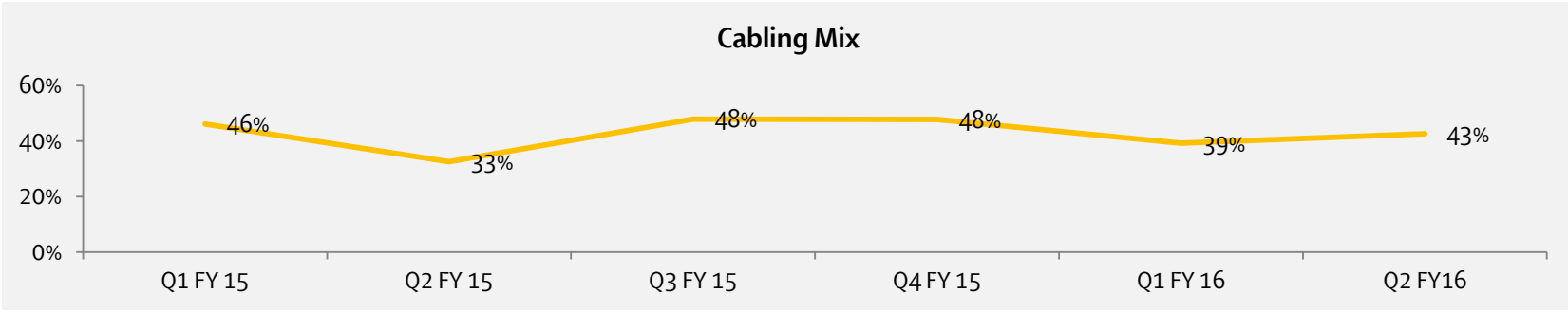
OF Volumes



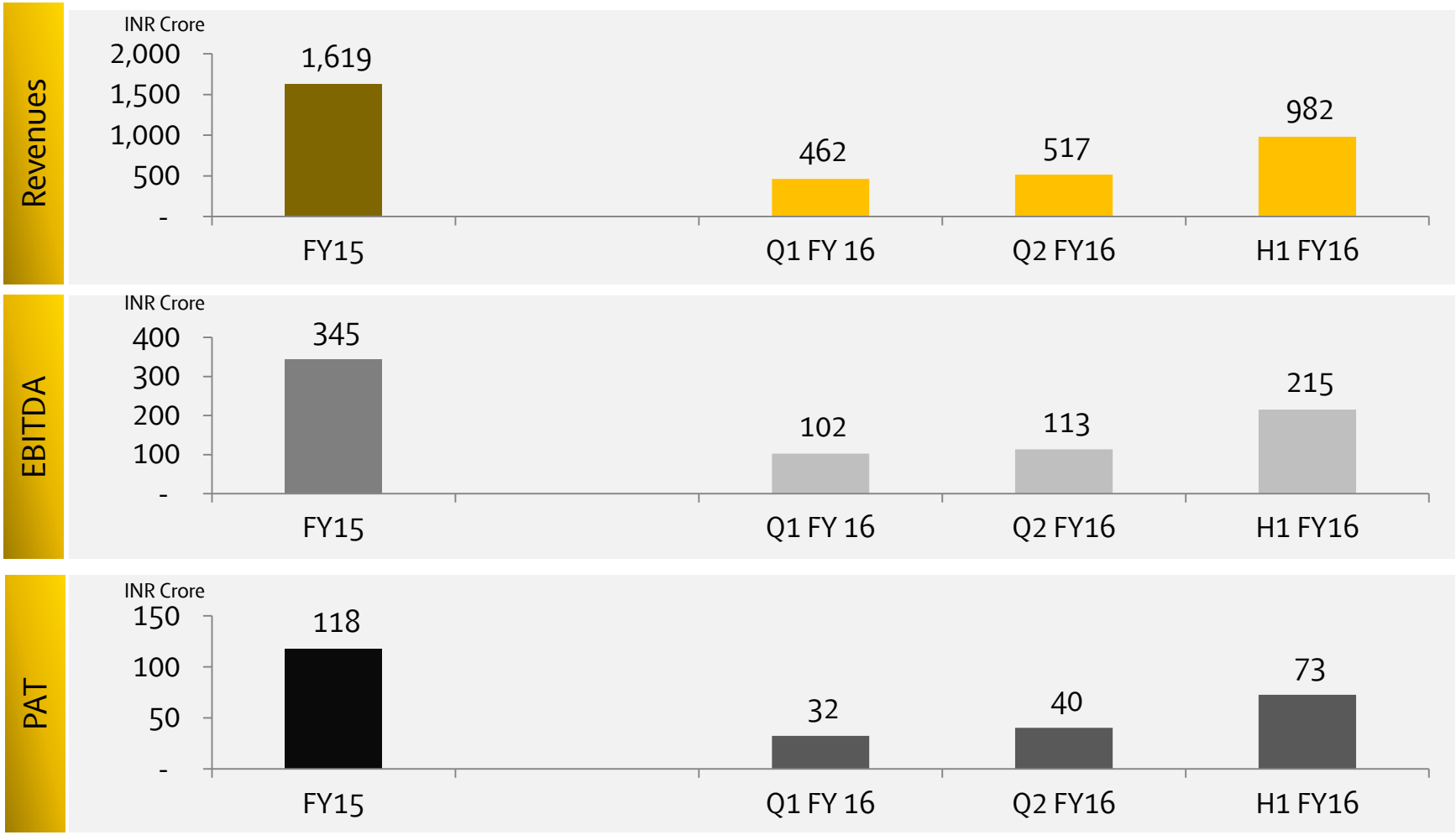
OFC Volumes



Cabling Mix



Financial Performance of the Telecom business



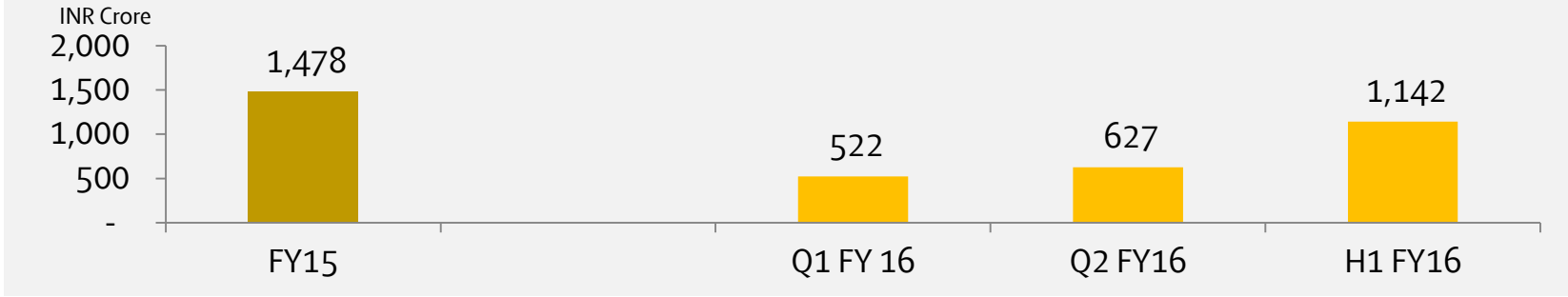
NOTE: The performance is based on the consolidated numbers for the telecom business. This includes performance of our China and Brazil JV and other telecom related subsidiaries. It does not include performance of Elitecore which was acquired on 30th September

Operating highlights for the Telecom business

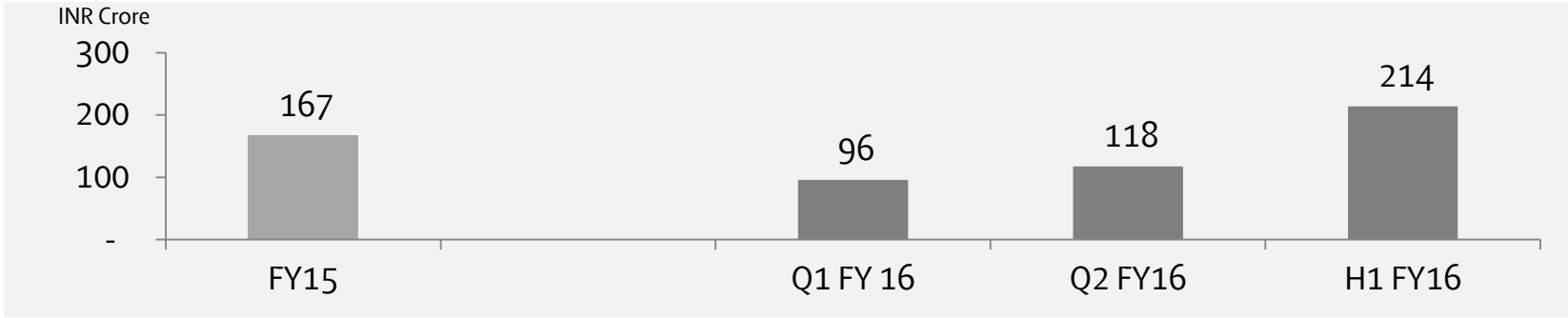
- Mix between domestic revenues and exports was at 26% for the business, main export markets were China and Europe
- Revenues for the quarter from the NFS order were at Rs 78 crore and for the half year was at Rs163 crores against Rs 69 crore for the full year in FY 15
- Previously announced optical 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

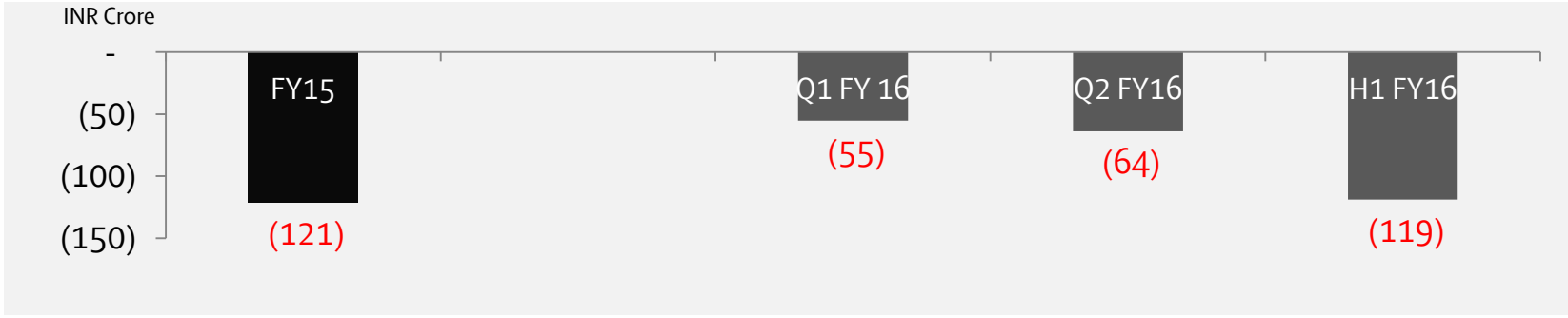
Revenues



EBITDA

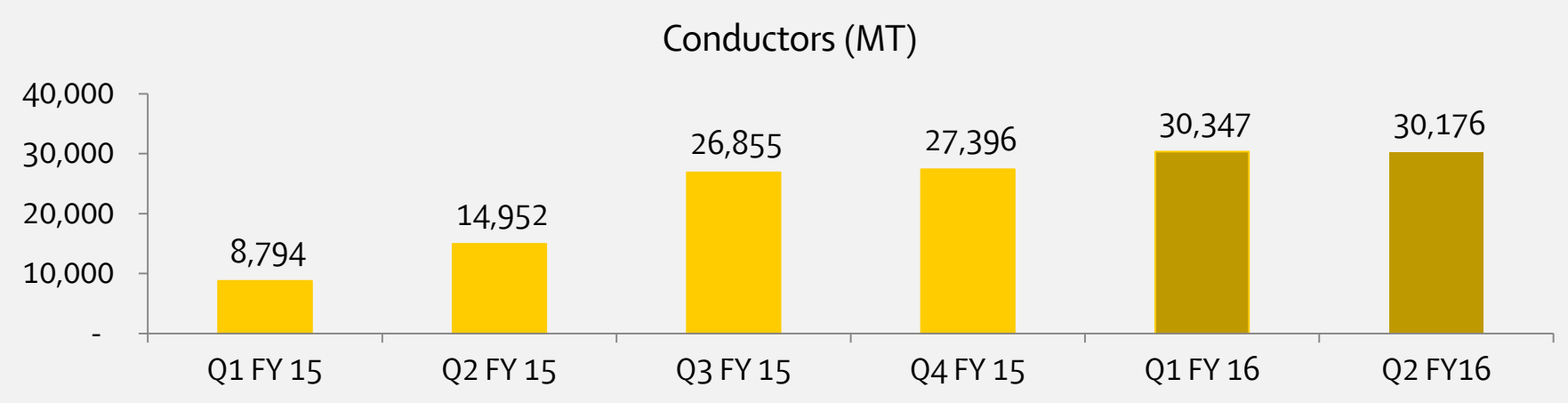


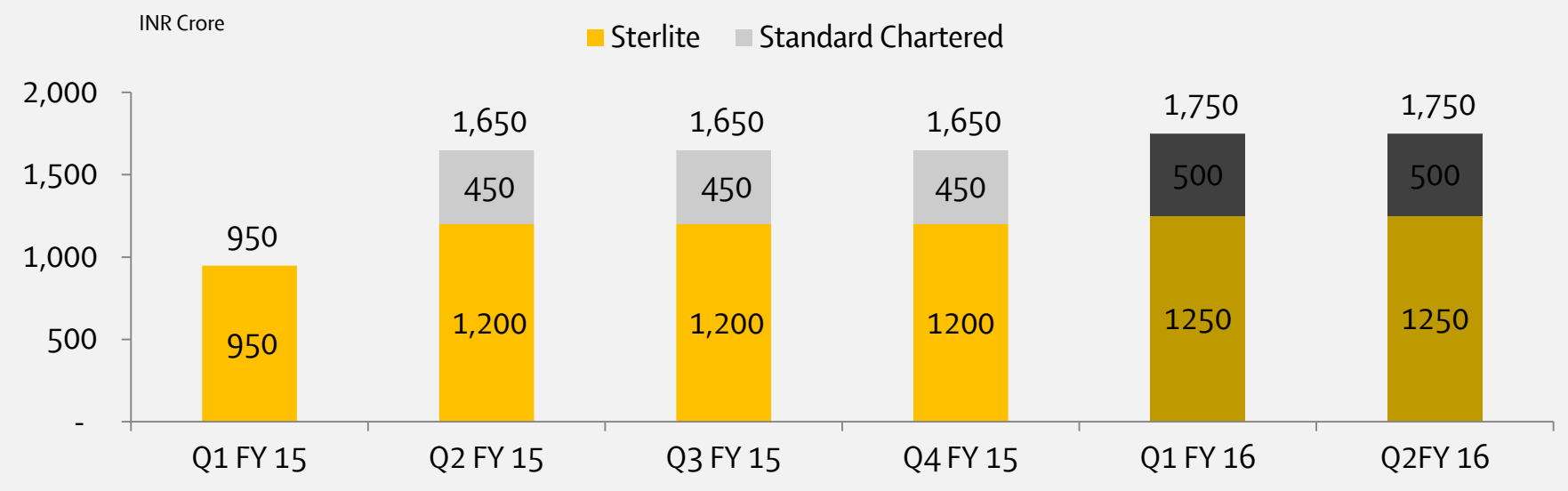
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NOTE: The performance is based on the consolidated numbers for the power business. This includes performance of the power products division and power transmission grid subsidiary

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
EBITDA Margin	*21%*	*11%*	*17%*
Depreciation	96	89	185
Interest	75	252	327
Cash Profit	**270**	**(84)**	**185**
Tax	55	(52)	4
PAT	**118**	**(121)**	**(4)**
EPS (Diluted)	**2.92**	**(3.01)**	**(0.09)**
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
Total	1,275	5,126	6,401
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
EBITDA Margin	*22%*	*19%*	*20%*
Depreciation	55	86	140
Interest	50	252	302
Cash Profit	**166**	**(38)**	**128**
Tax	38	(5)	34
PAT	**73**	**(119)**	**(46)**
EPS (Diluted) (Not annualized)	**1.81**	**(2.95)**	**(1.15)**
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
Total	1,595	5,991	7,585
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 has 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

Sterlite

STERLITE TECHNOLOGIES
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Additional financial information

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
Effective tax rate	**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 (Unaudited)	Sep 15 (Unaudited / Unreviewed)	Sep 15 (Unaudited)	Sep 15 (Unaudited / Unreviewed)	Mar 15 (Audited)	Mar 15 (Audited)
Income from Operations						
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
Total Income from operations (Net)	**105,615**	**113,882**	**203,115**	**212,362**	**303,010**	**309,706**
Total Expenditure	**95,432**	**98,878**	**184,288**	**184,630**	**279,661**	**282,139**
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	**10,183**	**15,004**	**18,827**	**27,732**	**23,349**	**27,567**
Other Income	366	565	781	1,179	4,481	5,134
Profit before interest and tax	**10,549**	**15,569**	**19,608**	**28,911**	**27,830**	**32,701**
Interest Cost	6,605	16,283	12,802	30,156	17,928	32,690
Profit / (loss) before tax	**3,944**	**(714)**	**6,806**	**(1,245)**	**9,902**	**11**
Tax Expenses	1,005	759	1,839	1,355	1,478	369
Net Profit /(loss) after tax	**2,939**	**(1,473)**	**4,967**	**(2,600)**	**8,424**	**(358)**
Adjustment for Minority Interest	-	81	-	87		(94)
Net Profit / (loss) after Tax & Minority Interest	**2,939**	**(1,554)**	**4,967**	**(2,687)**	**8,424**	**(264)**

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 (Unaudited)	Sep 15 (Unaudited / Unreviewed)	Sep 15 (Unaudited)	Sep 15 (Unaudited / Unreviewed)	Mar 15 (Audited)	Mar 15 (Audited)
Segment Revenue						
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)
Total	**104,055**	**112,308**	**200,146**	**209,380**	**296,023**	**302,709**
Profit before interest,depreciation and tax						
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)
Total	**13,635**	**23,104**	**25,570**	**42,917**	**38,604**	**51,199**
Profit before Interest and Tax						
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)
Total	**10,548**	**15,569**	**19,608**	**28,911**	**27,830**	**32,701**
Net Interest Cost	6,605	16,283	12,802	30,156	17,928	32,690
Profit / (loss) before tax	**3,944**	**(714)**	**6,807**	**(1,245)**	**9,902**	**11**
Capital Employed (Segment Assets- Segment Liabilities)						
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
Total	**327,085**	**797,673**	**327,085**	**797,673**	**293,539**	**683,531**

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


Thank you