

# Sterlite Technologies Limited

## Investor Presentation

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This presentation was last updated in April 2016.

# Company overview

# One of the leading global providers of solutions in telecom and power transmission



STL operates in **2** business lines – telecom and power

**INR 3097 Cr** FY15 consolidated net revenues and **INR 512 Cr** of consolidated EBITDA

**31%** of FY15 consolidated net revenues comes from international markets

**6** of the global top 10 telecom operators use Sterlite's innovative solutions

**3** manufacturing locations – India, China and Brazil with **2500+** full time employees

**50** patents in the telecom business across USA, EU, India and China and **73** more under global approval

# Sterlite Technologies Limited a combination of 2 businesses...



Proposed to be demerged (unlisted)

## Telecom Business



- Optical fibers & preforms
- Fiber optic and data cables
- System integration and FTTH solutions
- Software and Services

### Business Offerings

### Key Markets

- Europe, China, Middle East and India

### Customers and competitors

- Telecom service providers
- Corning (US) & Prysmian (Italy)

## Power Products and Transmission Business



- Power conductors
- HV/EHV cables
- OPGW

- Americas, Middle East, Africa and Asia

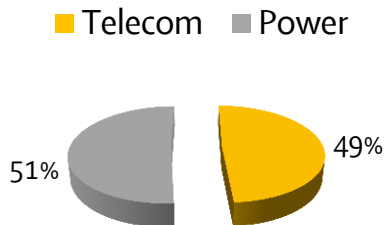
- Power transmission utilities
- Apar (India) and Midal (ME)

- 9 projects across 14 states won through competitive bidding on BOOM basis
- Over 6000 circuit km transmission lines and 3 substations

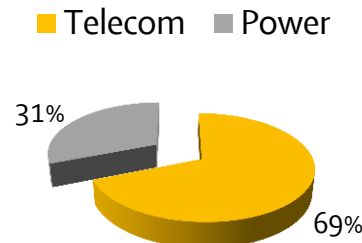
- India

- Power generation & transmission
- Power Grid and L&T (India)

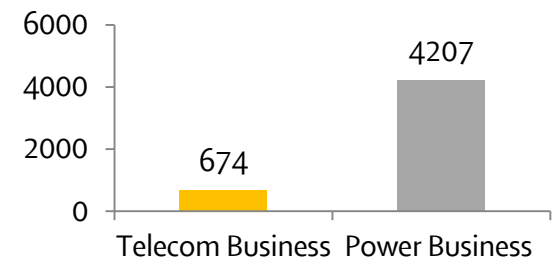
Revenues (Rs. 3097 Cr)



EBITDA (Rs. 512 Cr)



Net Debt Position (Cr)



Note : FY15 Consolidated numbers



# Strong global footprint ensures proximity to our clients



## Manufacturing Locations

### Telecom

- **Optical Fiber (Capacity: 22 mn fkm)**– Aurangabad(India) and Haimen, Jiangsu Province (China)
- **Optical Fiber Cable (Capacity: 8 mn fkm being increased to 15m fkm)**– Silvassa (India) and Curitiba (Brazil)
- **Structured data cables** – Silvassa (India)

### Power Products

- **Conductors (Capacity: 1,60,000 tonnes)** Silvassa (India) and Jharsuguda (India)
- **HV and EHV Cables** Haridwar (India)

## Services and Solutions

### Telecom

- **NFS Project execution in J&K**

### Power

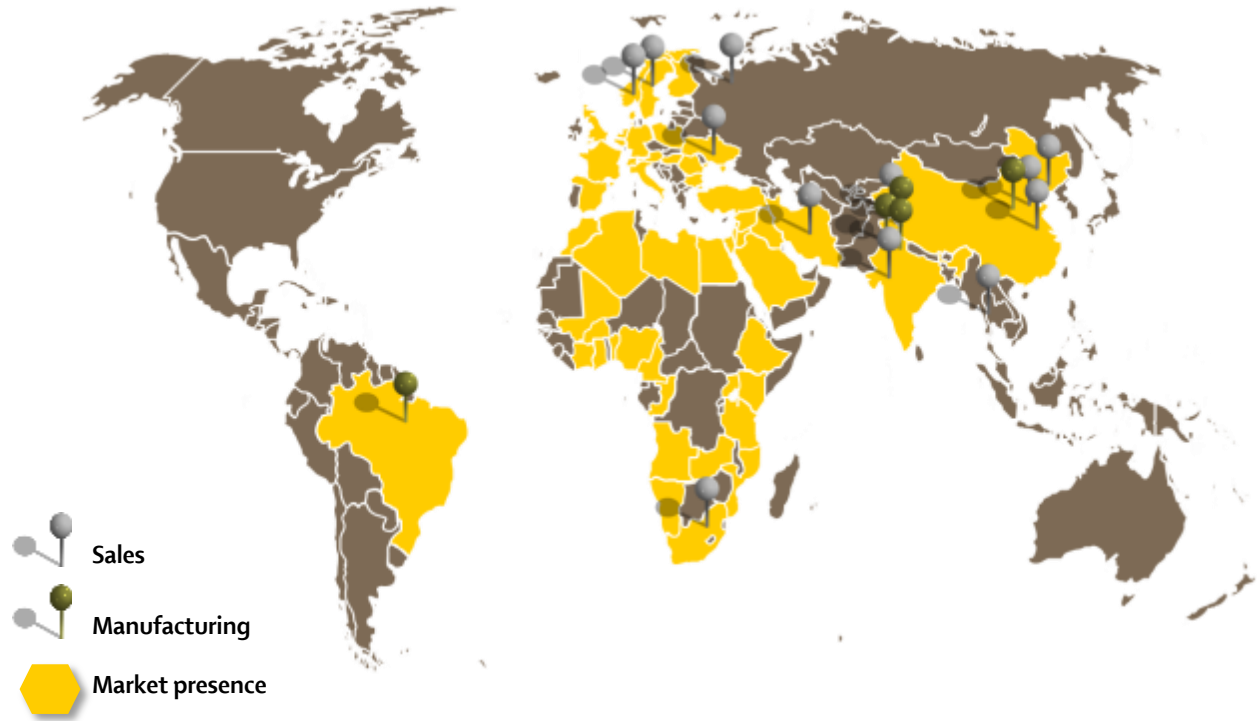
- **9 Grid projects across 14 states in India**

## Telecom Joint Ventures

- **China - 75:25 with Tongguang for drawing optic fiber**
- **Brazil – 50:50 JV with Condu spar for fiber cabling**

## Sales Offices

- **China, India, Netherlands, Russia, South Africa, Turkey, UAE, UK**



# Value unlocking through the demerger of the Telecom and Power Business

# Two business with distinct and diverse needs

**Telecom Business**

**Power Products and Transmission Business**

**Objective**

To be the pre-eminent provider of broadband solutions for converged networks

Leading developer of power transmission infrastructure in the country

**Business model**

Focus on the entire value chain from products to system integration to application development

Transmission asset creation, ownership and rotation

**Structure**

Listed

Unlisted  
Given high capital intensity and leverage and variability in financial performance

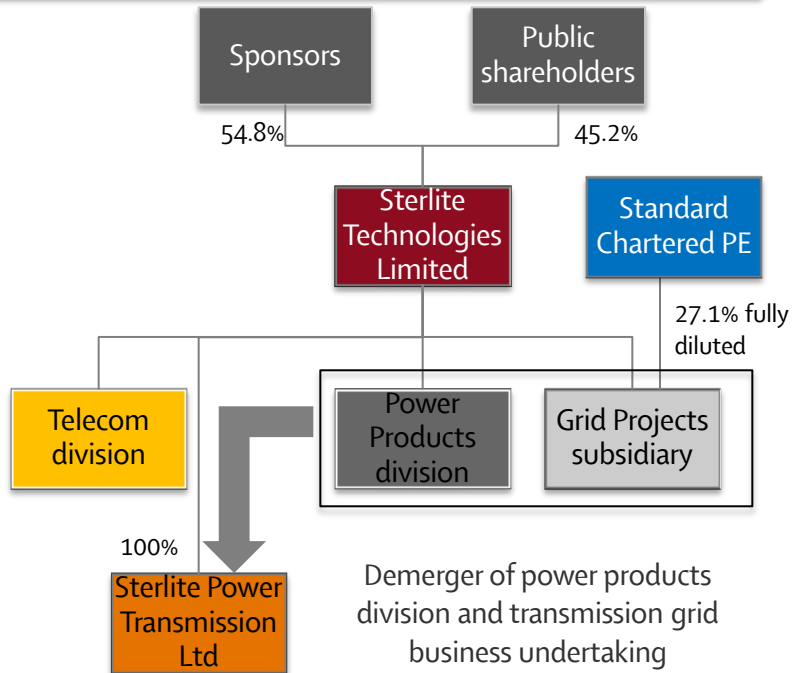
Demerger to unlock value for the telecom business by taking out the asset intensive power business



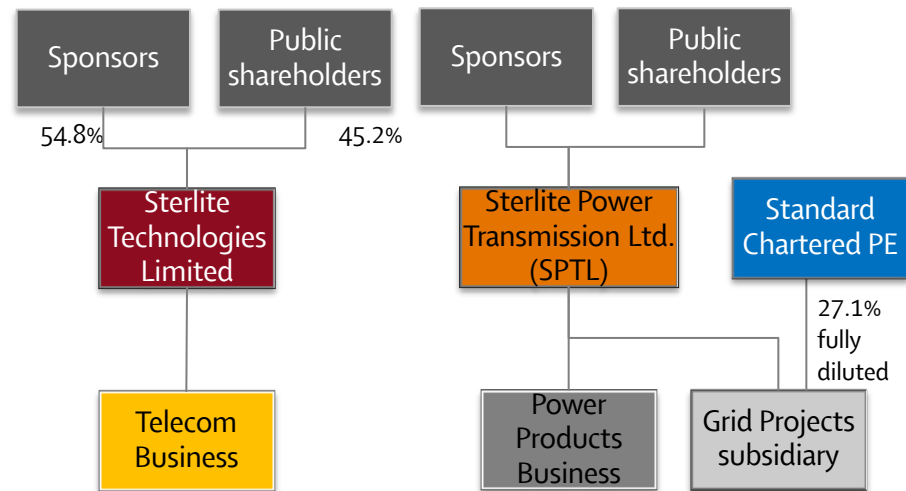
# Restructuring to create focused pure play opportunities



## Current Structure



## Post Restructuring



The effective date for the demerger is 1<sup>st</sup> April 2015  
 Proposal was approved by Shareholders, Creditors & Lenders on 15<sup>th</sup> December 2015

# Proforma financials on account of demerger

	FY 2014-15 (Carved out)		
	Tel	Power	Total
Revenue	1,619	1,478	3,097
<b>EBIDTA</b>	<b>345</b>	<b>167</b>	<b>512</b>
<b>EBIDTA margin</b>	<b>21%</b>	<b>11%</b>	<b>17%</b>
Depreciation	96	89	185
Interest	75	252	327
Cash Profit	270	(84)	185
Tax	55	(52)	3
<b>PAT</b>	<b>118</b>	<b>(121)</b>	<b>(3)</b>

	H1 FY 2016 (Carved Out)		
	Tel	Power	Total
Revenue	982	1,142	2,124
EBIDTA	215	214	429
EBIDTA margin	22%	19%	20%
Depreciation	55	86	140
Interest	50	252	302
Cash Profit	166	(38)	128
Tax	38	(5)	34
<b>PAT</b>	<b>73</b>	<b>(119)</b>	<b>(46)</b>

	9M FY 2016 (Carved Out)		
	Tel	Power	Total
Revenue	1,566	1,827	3,393
EBIDTA	331	390	721
EBIDTA margin	21%	21%	21%
Depreciation	85	141	226
Interest	77	407	484
Cash Profit	254	(17)	237
Tax	54	(10)	45
<b>PAT</b>	<b>114</b>	<b>(148)</b>	<b>(34)</b>

## Balance Sheet

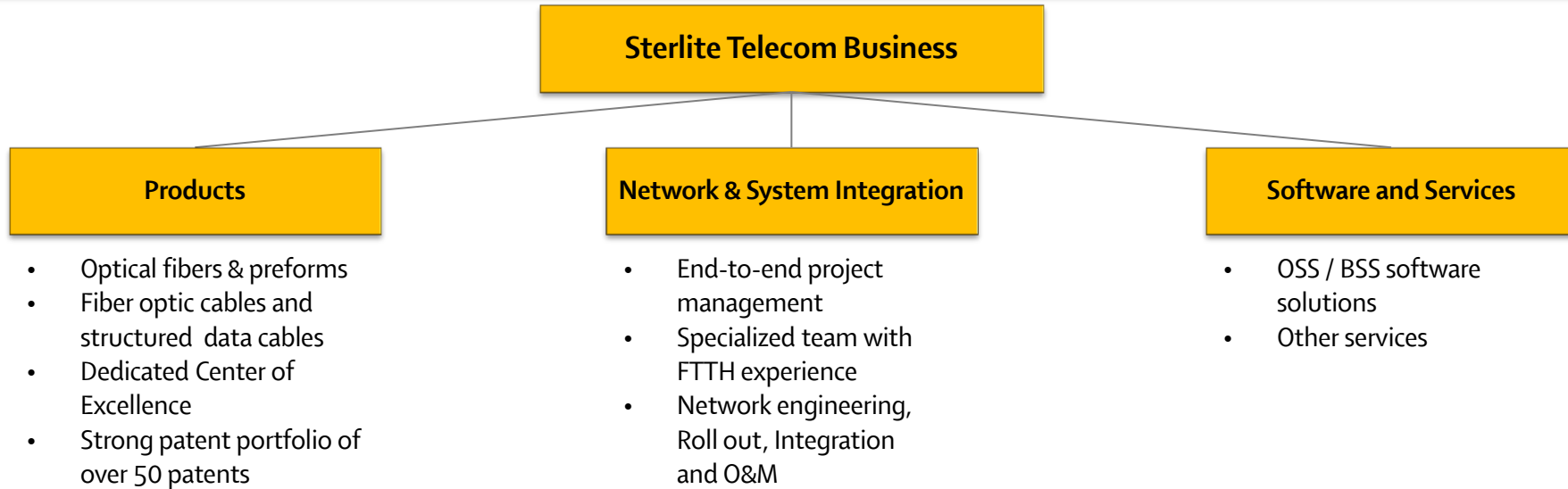
Net Worth	600	469	1,069
Borrowing	674	4,207	4,882
Minority Interest - SCPE	-	450	450
<b>Total</b>	<b>1,274</b>	<b>5,126</b>	<b>6,401</b>
Fixed Assets	984	5,264	6,248
Net Fund Involvement	290	(138)	153

Net Worth	671	350	1,021
Borrowing	924	5,141	6,065
Minority Interest - SCPE	-	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
Net Fund Involvement	515	85	601

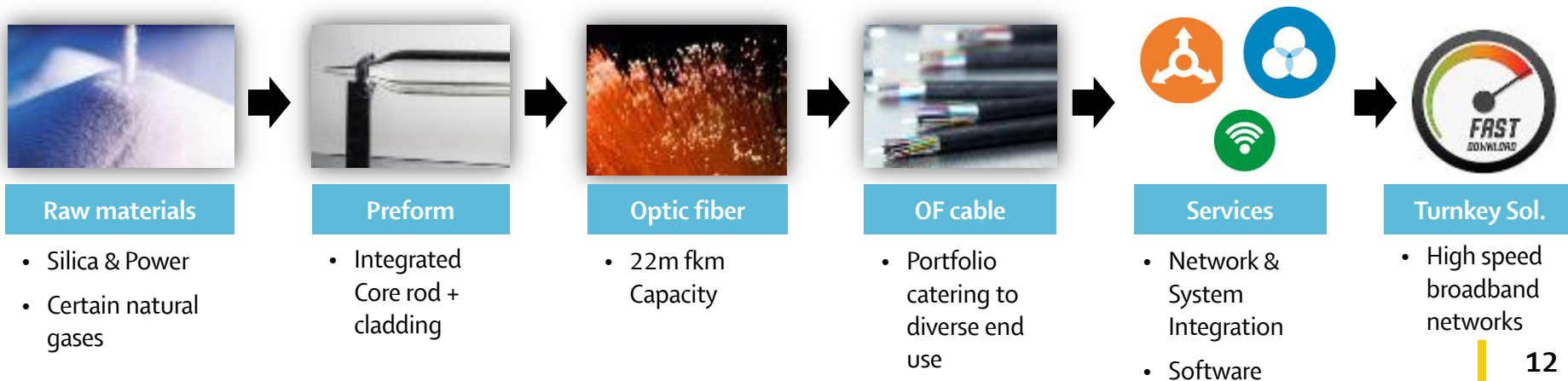
Note : Amounts in INR Cr ,PAT does not include minority interest and not annualized

# Telecom Business

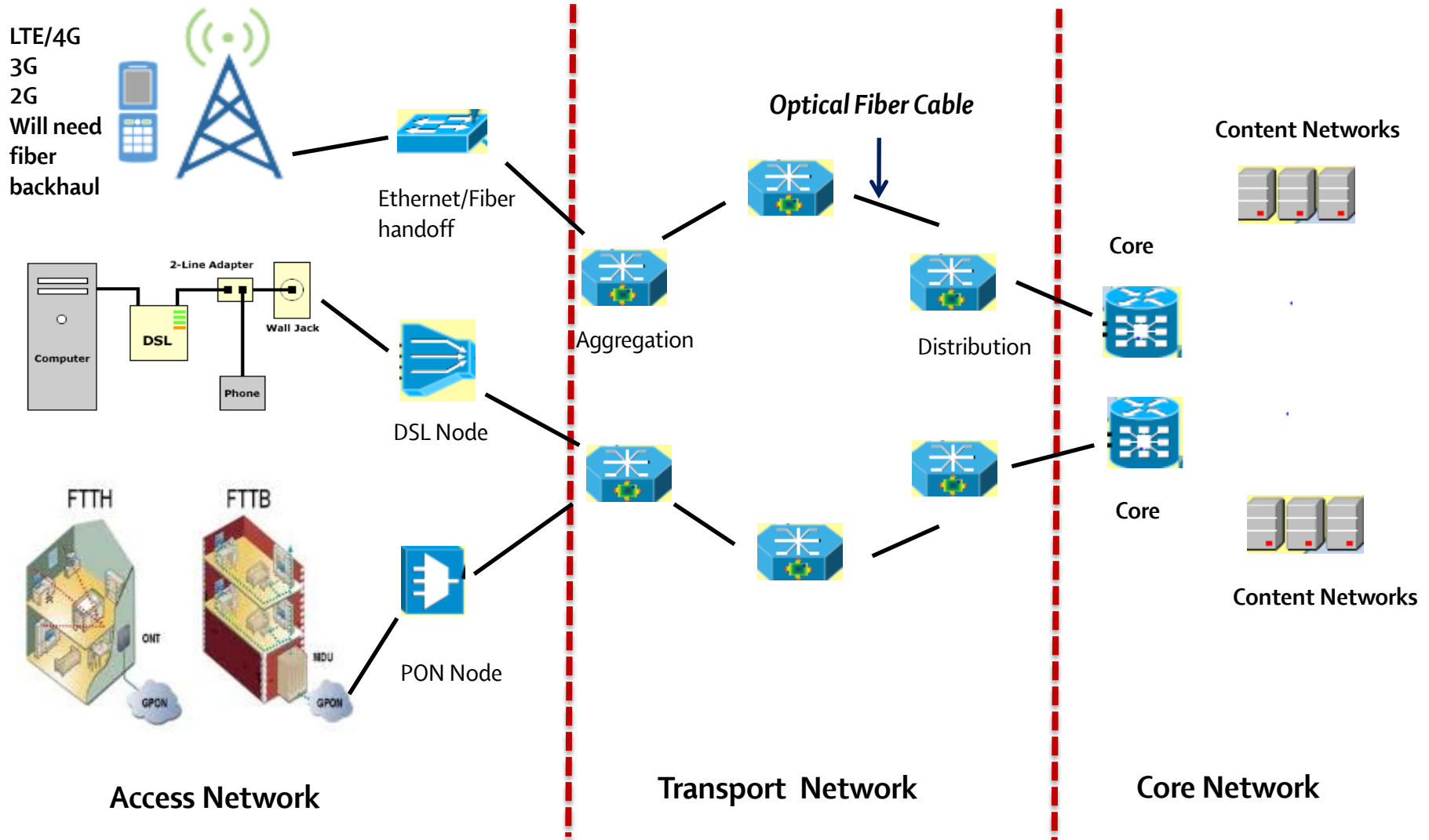
# We have a wide footprint within the telecom sector and fully integrated across the value chain



## Full control over the entire value chain



# Optical fiber is the key building block of any communication network including wireless networks

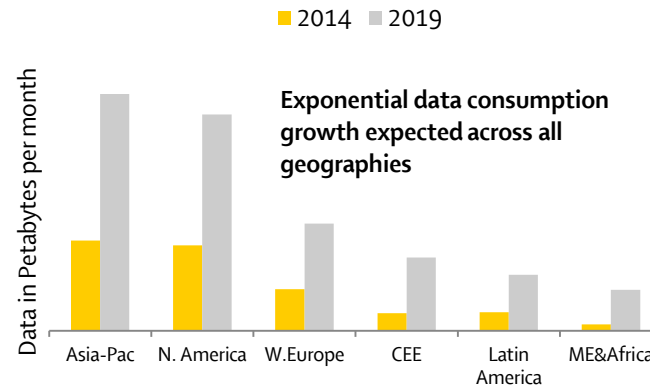
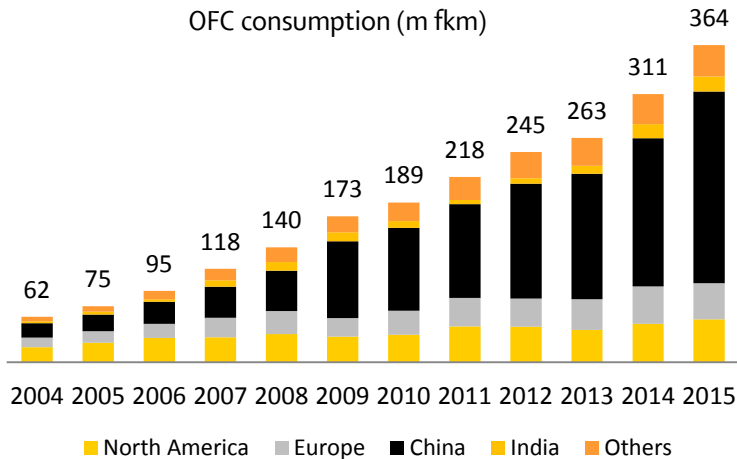


Black lines are representing Optical Fiber Cable



# India : emerging data opportunity

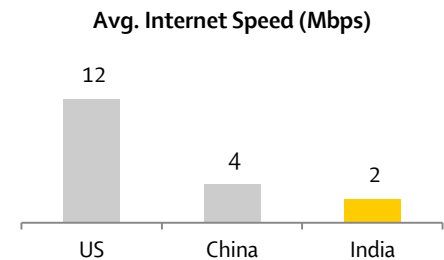
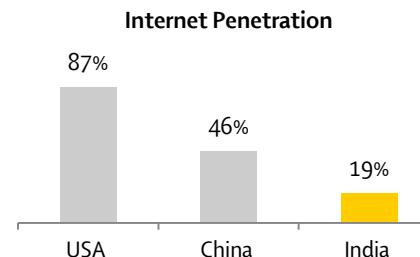
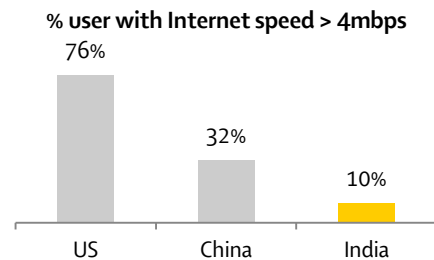
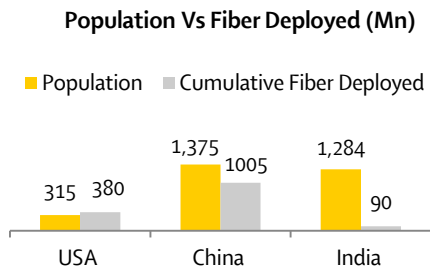
## Data consumption continues to grow fiber demand



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.)

## India's digital infrastructure needs to catch up



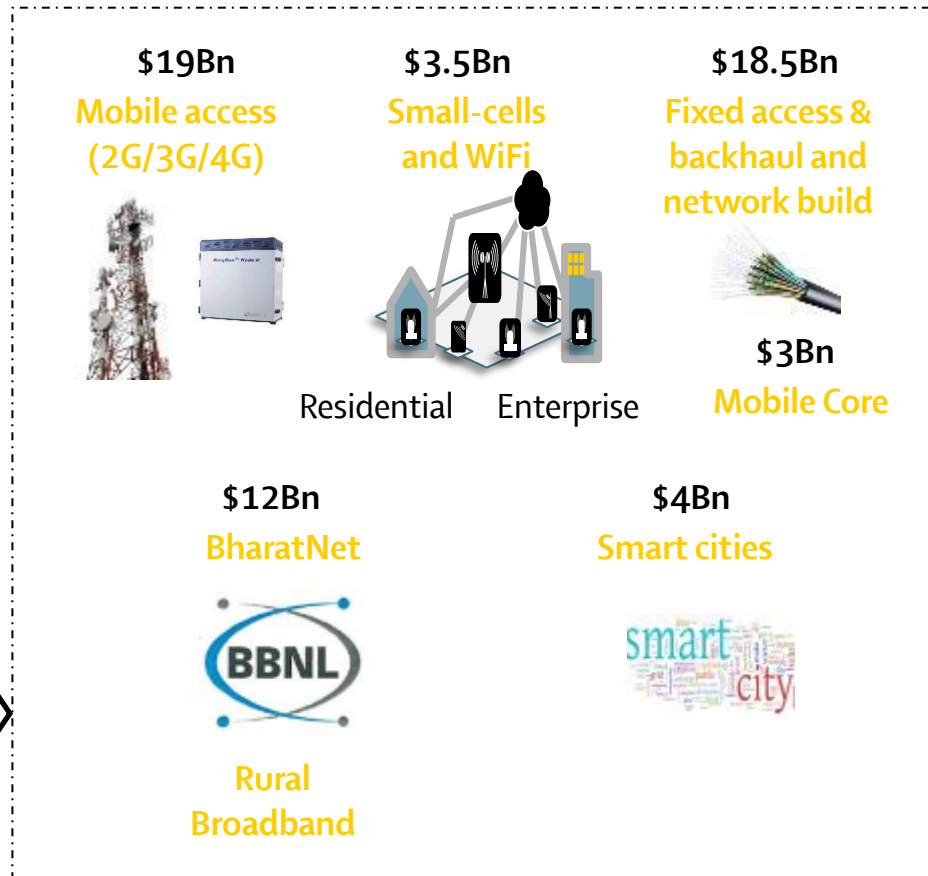
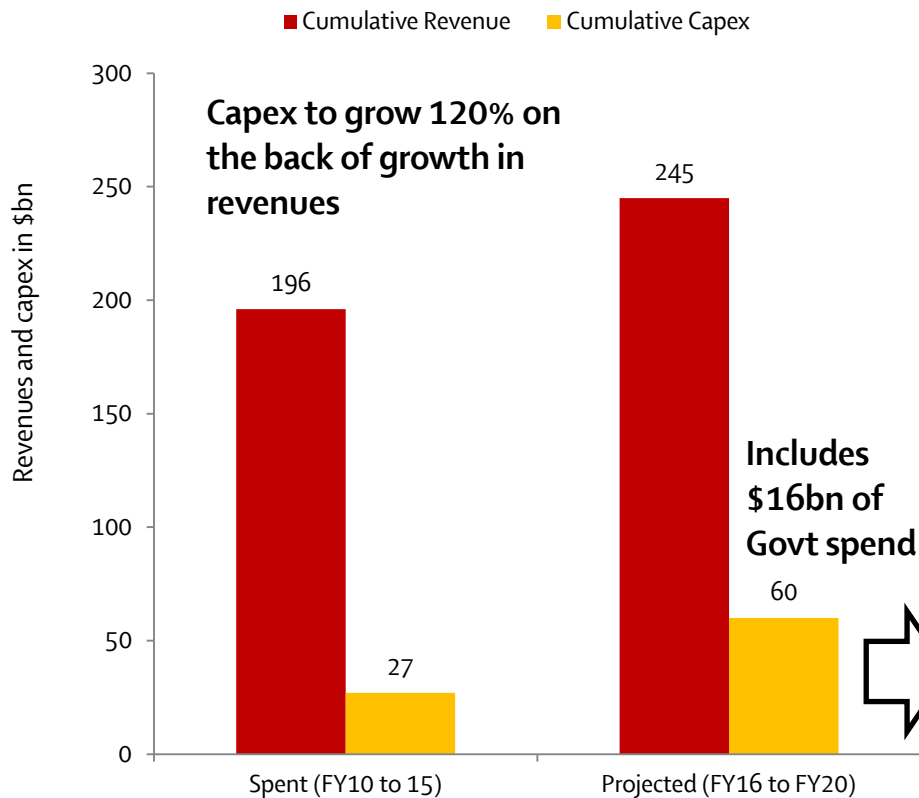
- Total Cumulative Fiber Deployed to Population Ratio in US is 1.2x, China is 0.7x while India is just 0.1x

- India just has 10% of users which enjoys 4 mbps and above speed

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

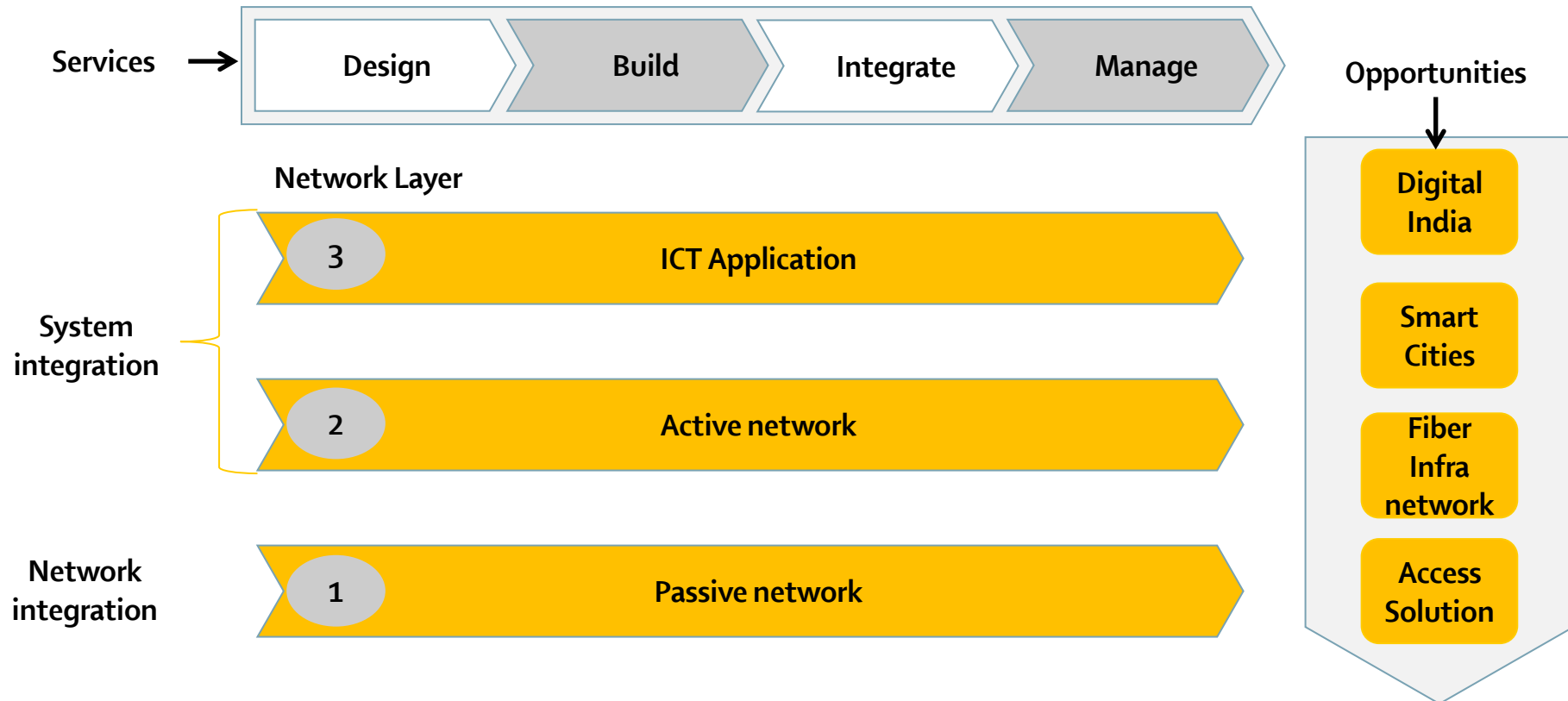
- Average Internet speed (Fixed & Mobile) is nearly half compared to China

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



Unprecedented capital investments planned over the next 5 yrs by Telcos and Government and Sterlite will continue to be proud supporter of initiatives such as "Digital India", "Make in India" and "100Smart Cities"

# Our system and network integration approach



Sterlite to offer end to end integrated services in addition to its product portfolio across the various network layers and presents a multi billion multi year opportunity as India's broad band infrastructure is built

# Focus on R&D and engineering – capacities plus capabilities



## Center of Excellence - Dedicated to Nation

- The CoE is the first of its kind in India & among the few across the world
- Focused on terabit scale communications and exceeding global competitive benchmarks for network infrastructure development
- CoE has labs in domains of System & Network, Photonics, Reliability and Quality Assurance, Fiber-to-the-Home (FTTH-Network) and Glass characterization.
- Created an international standard OFC blow track – allows for simulation of latest installation techniques
- Strong patent portfolio 50 granted patents across the globe and break through products and patents including Bend insensitive fibers for FTTH and Low Loss (LL), Ultra Low Loss (ULL) fibers for Metro and backbone network

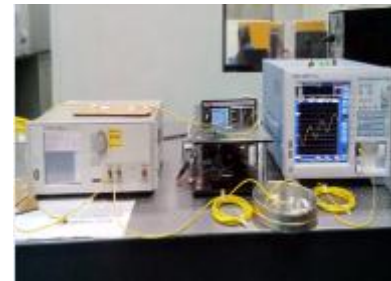
## System & Network Lab



## Glass and reliability Lab



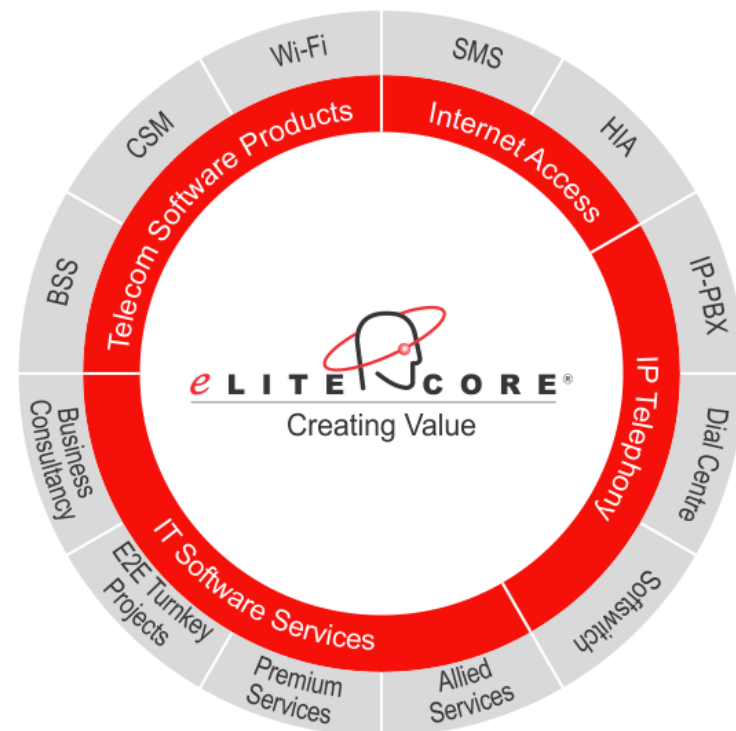
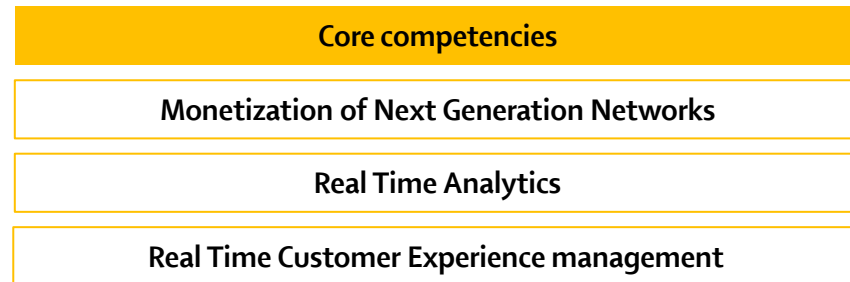
## Optical characteristics Lab



# Building capabilities - Elitecore acquired in September 2015



- 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



Fastest growing IRCM companies in Gartner MQ IRCM 2014



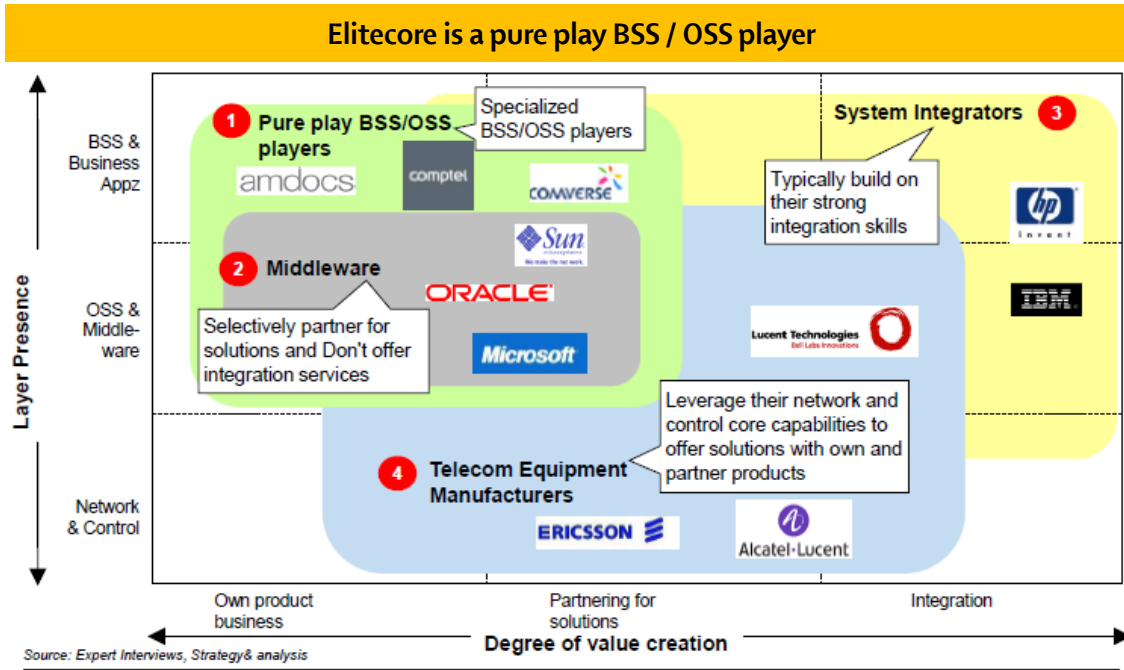
Fastest growing IRCM companies in Gartner MQ IRCM 2014



Global Top 16 BSS vendors



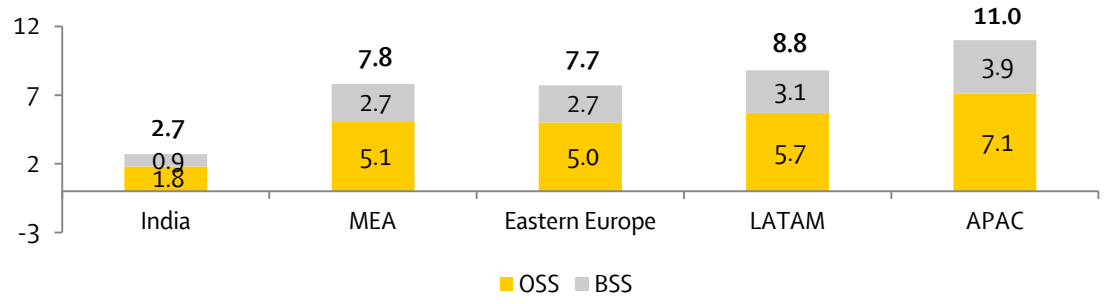
# Profitable niche player with strong growth prospects



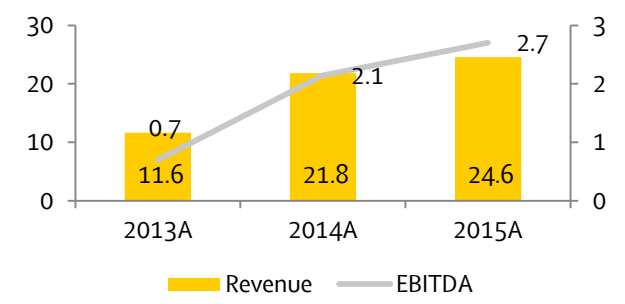
**With strong partner relationships**



**Expected addressable market size (Fy15 to Fy20) US \$bn**



**Financial performance (US\$m)**



# Sterlite + Elitecore : a win- win outcome



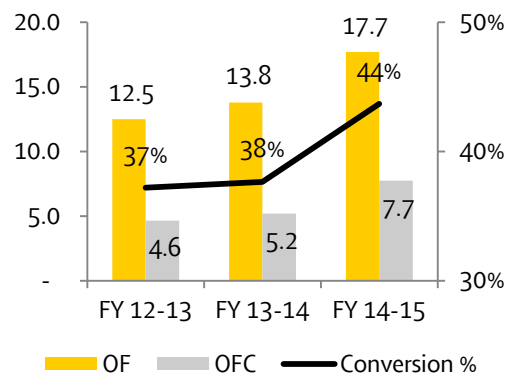
Very strong economic and strategic rationale for the transaction



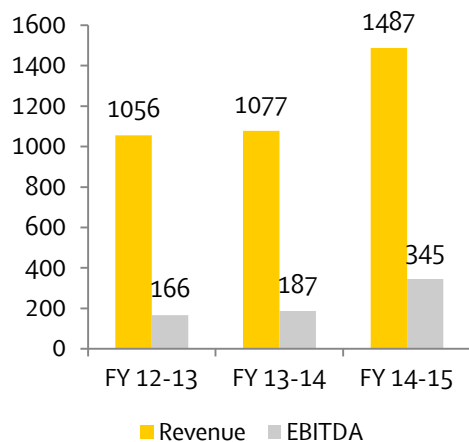
- Is a strong strategic fit to Sterlite as it plans to build capabilities in the services and solutions space – create a new facet within the telecoms value chain
- Sterlite to be able to offer complete suite of products and solutions for telecom service providers and become a partner of choice - fiber 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

# Proforma financials for the Telecom business

## Volume performance (mfkm)



## Standalone performance (Rs Cr)



Consolidated financials (in Rs Cr)	FY 15	Q1 FY 16	Q2 FY 16	H1 FY 16	Q3 FY 16	9M FY 16
<b>Volumes (m fkm)</b>						
Optical fiber	17.7	4.5	4.7	9.2	5.4	14.6
Optical fiber cable	7.7	1.8	1.9	3.8	1.2	5

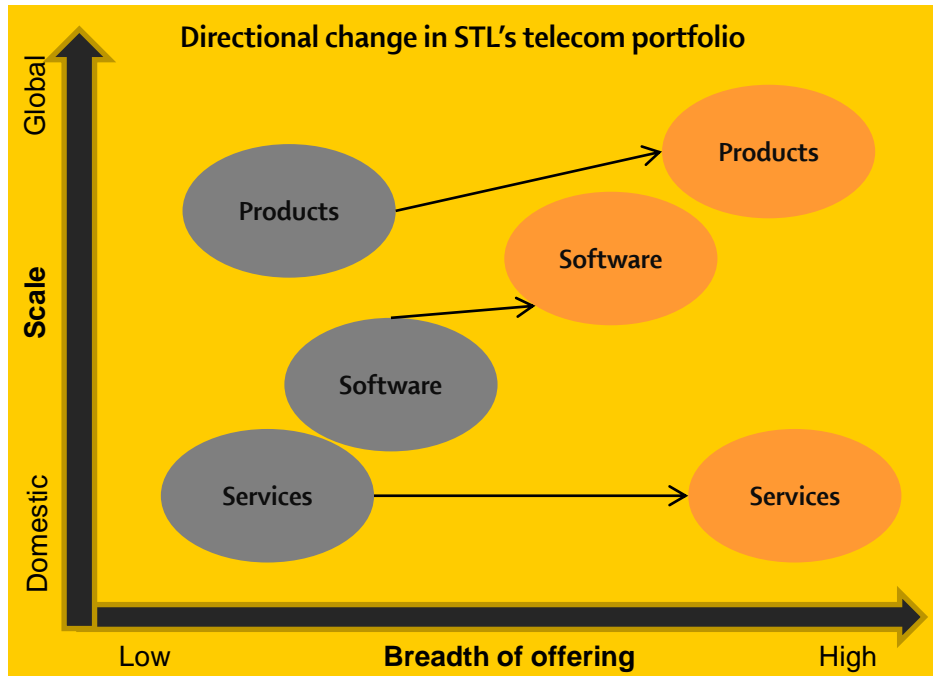
Profit and Loss *						
Revenue	1,619	462	519	982	585	1566
EBIDTA	345	102	113	215	115	331
<b>EBITDA Margin</b>	<b>21%</b>	<b>22%</b>	<b>22%</b>	<b>22%</b>	<b>20%</b>	<b>21%</b>
Depreciation	96	26	29	55	31	85
Interest	75	24	26	50	27	77
<b>Cash Profit</b>	<b>270</b>	<b>78</b>	<b>87</b>	<b>166</b>	<b>88</b>	<b>254</b>
Tax	55	20	18	38	16	54
<b>PAT</b>	<b>118</b>	<b>32</b>	<b>40</b>	<b>73</b>	<b>42</b>	<b>114</b>

Balance Sheet				
Net Worth	600		671	
Borrowing	674		924	
<b>Total</b>	<b>1,275</b>		<b>1,595</b>	
Fixed Assets	984		1,079	
Fund Involvement	290		515	

Note :

- Profit and Loss does not include performance of Elitecore Technologies until H1FY16, H1FY16 balance sheet includes acquisition cost of Elitecore

# Strategy going ahead is to be the “Partner of choice for Global Telcos”



Products business to enter high value product segments – focus on high value engineered products and capitalise on the data networks opportunity

Services business to offer complete system and network integration services to create the next generation broadband networks in India

Software business to grow and compete globally by continuous investment in innovation and R&D

Continually build capabilities organically or through selective value accretive partnerships

Focus on driving shareholder value through strong return on capital metrics

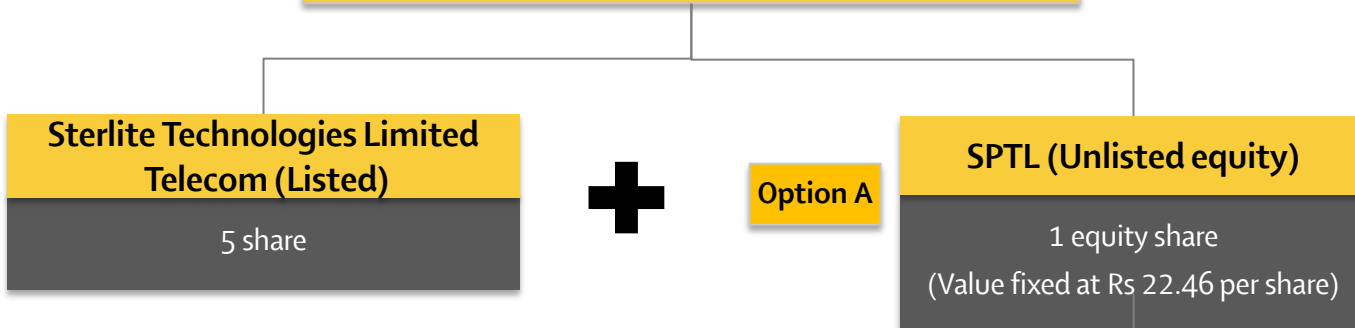
All of the above to result in sustainable and profitable growth

# Appendix



# Options for shareholders as part of the demerger

5 share in Sterlite Technologies Limited



## Scheme offers multiple options to cater to investor's preference

- **Option A** : Continue to hold equity shares and partner in the value creation of the power sector

*In case shareholder is unable to hold shares due to conflict with their investment mandate then will be issued Redeemable Preference Shares (RPS)*

- **Option B** : Provides a liquidity event at the end of 18 months
- **Option C** : Provides an initial liquidity window for 30 days

or

**Option B**

**SPTL Listed RPS**

1 Redeemable Preference shares to be redeemed at the end of 18 months (includes 8% dividend p.a -Rs 24.7)

or

**Option C**

**SPTL Listed RPS**

1 Redeemable Preference shares to be redeemed within 30 days of the allotment date

Note : \* Representative for resident shareholders options for other shareholders and Promoters may be different and is covered in the scheme document.

**Power Business-  
To remain as an unlisted  
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
- 9 Projects in Portfolio
- \$1.5 bn capital commitment
- 6000 Km transmission lines & 3 substations across 14 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

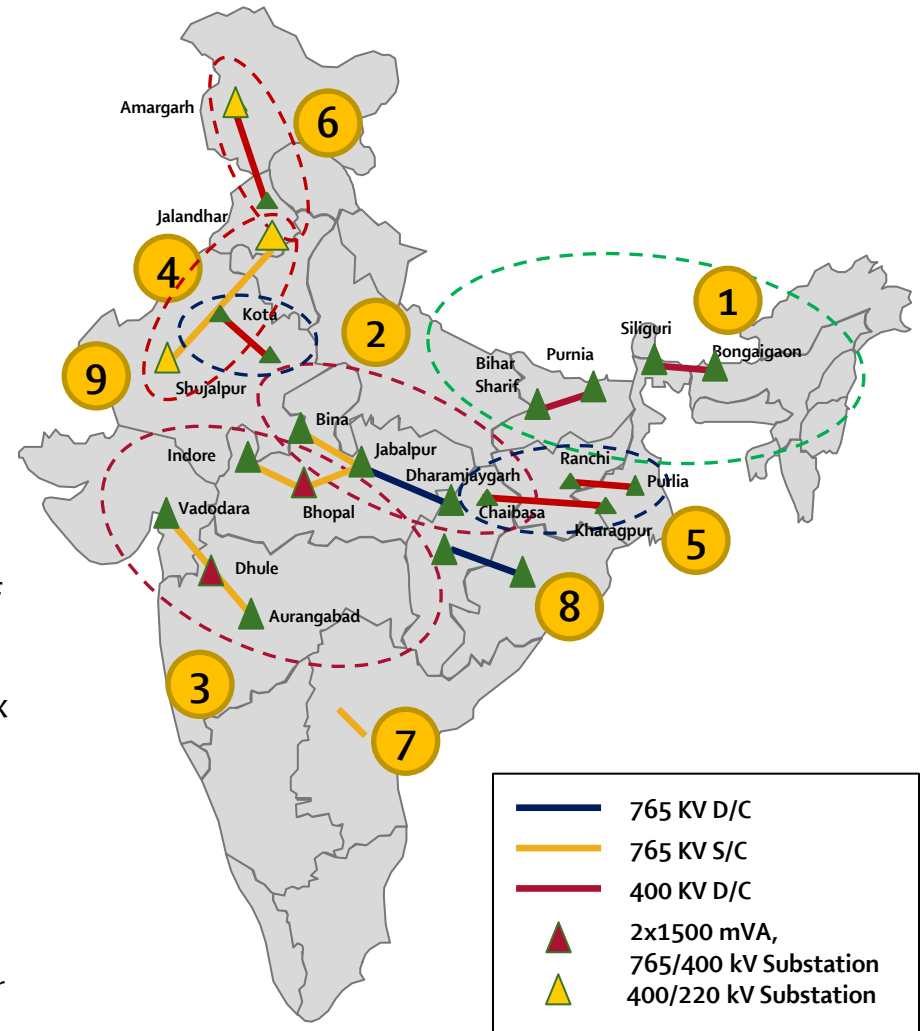


### Power Grids

- Inter State Transmission networks

# Connecting key generating centers with load centers

- Build-Own-Operate-Maintain (BOOM) Model with 9 Projects in Portfolio
  - 6000 Km circuit transmission lines & 3 substations across 14 states
  - Estimated capital expenditure of ~ US \$ 1.5bn
  - Four project fully commissioned, all 9 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

# Infrastructure project details

	Project name	States covered	Other details	Line length (kms)	Expected operation by	Approx. Level Tariff (Rs Mn)^
1	East North Interconnect	Assam, Bihar & West Bengal	2 * 400 kV double circuit	450	Commissioned	1,180
2	Jabalpur transmission	Chhattisgarh, Madhya Pradesh	1 * 765 kV single circuit 1 * 765 kV double circuit	610	Commissioned	1,400
3	Bhopal – Dhule	Madhya Pradesh, Maharashtra & Gujarat	4 * 765 kV single circuit 2 * 400 kV double circuit	990	Commissioned	2,000
4	Rajasthan Atomic Power	Rajasthan & Madhya Pradesh	1 * 400 kV double circuit	200	Commissioned	400
5	Purulia & Kharagpur	West Bengal & Jharkhand	2 * 400 kV double circuit	270	Mar-16	600
6	NRSS 29	Punjab & Jammu & Kashmir	3 * 400 kV double circuit 1 substation	440	Jul-18	4,400
7	Maheshwaram project	Telangana	400 kV double circuit transmission line	258	June -18	550
8	Jharsugda to Raipur	Odisha & Chattisgarh	765kV double circuit Line	347	Aug-17	1,400
9	Gurgaon SS	Haryana, Rajasthan & UP	400 kV double circuit line 3 * 400/220 kV 2 * 400 kV bays	145	Oct-17	1,355



## Proforma financials for the Power business

Consolidated financials in Rs Cr	FY 15	Q1 FY 16	Q2 FY 16	H1 FY 16	Q3 FY 16	9M FY 16
<b>Volumes (MT)</b>						
Conductors	77,996	30,347	30,176	60,523	30,804	91,327

<b>Profit and Loss</b>						
Revenue	1,478	522	620	1,142	685	1,827
EBIDTA	167	96	118	214	176	390
<b>EBITDA Margin</b>	<b>11%</b>	<b>18%</b>	<b>19%</b>	<b>19%</b>	<b>26%</b>	<b>21%</b>
Depreciation	89	39	47	86	55	141
Interest	252	115	137	252	155	407
<b>Cash Profit</b>	<b>(84)</b>	<b>(19)</b>	<b>(19)</b>	<b>(38)</b>	<b>21</b>	<b>(17)</b>
Tax	(52)	(2)	(3)	(5)	(5)	(10)
<b>PAT</b>	<b>(121)</b>	<b>(55)</b>	<b>(64)</b>	<b>(119)</b>	<b>(29)</b>	<b>(148)</b>

<b>Balance Sheet</b>				
Net Worth	469		350	
Borrowing	4,207		5,141	
Minority interest - SCPE	450		500	
<b>Total</b>	<b>5,126</b>		<b>5,991</b>	
Fixed Assets	5,264		5,905	
Fund Involvement	(138)		85	

# Company history

## Erstwhile Sterlite Industries

## Sterlite Optical Technologies renamed to Sterlite Technologies



- Incorporated Copper telecom cables Facility

- Optical fiber facility set-up at Aurangabad

- Acquisition of power conductors business

- JV with TG for fiber facility in China

- Secured prestigious NFS project to implement end to end OF Network for Defense services

1988

1995

2006

2012

2014

1993

2000

2010

2013

2015

- Fiber optic cables facility setup



- Demerger from Sterlite Industries

- Commencement of Grid business



- JV with Condu spar in Brazil for fiber cable
- Commissioned India's first UMTF (in record 26 months)



- Demerger Announced
- Elitecore Technologies Acquired



# Professional Management Team

## Pravin Agarwal, Vice Chairman (30+ years experience)

- Closely involved with the Sterlite Group's operations in India since its inception
- Has rich experience in general management and commercial matters

## Dr. Anand Agarwal, CEO (19 years experience)

- Joined Sterlite in 1995 and B. Tech. in Metallurgical Engineering from IIT-Kanpur, Masters and Ph.D. from the Rensselaer Polytechnic Institute, USA

## Anupam Jindal, CFO (18 years experience)

- Joined the Sterlite Group in 1998 and is Chartered Accountant from the ICAI
- His key focus areas have been Finance, Treasury, Accounts and MIS.

## K. S. Rao, COO – Telecom & Power Conductors (21 years exp)

- Joined Sterlite in 1993 and holds a Bachelor's degree in Mechanical Engineering
- His key focus areas have been engineering, mfg, product and business development

## Pratik Agarwal Head-Infrastructure Business (10+ years experience)

- He leads strategic business initiatives in the infrastructure ownership space
- Completed his B.Eco from Wharton, Pennsylvania and MBA from London Business School

## Ajay Bhardwaj, COO – Grid Business (30 years experience)

- Joined Sterlite in 2011
- Worked in senior capacities in various organisations on projects in T&D, Energy Management Systems.
- An electrical Engineer from IIT-Roorkee

## Ankit Agarwal Global Head - Telecom Products (10+ years experience)

- Also responsible for identifying and executing strategic opportunities globally for Sterlite
- Holds a Bachelor's degree from Univ. of Southern California and MBA from London Business School.

## Rajendra Mishra, COO - Power Cables (24 years experience)

- Joined Sterlite in 2008 and holds a Bachelor's degree in Electrical and Electronics Engineering from REC, Suratkal

## Pankaj Priyadarshi, CCO – SCM (28 years of experience)

- Joined Sterlite in 2012 and has completed Mechanical Engineering from BITS Pilani and a course on Strategic Sourcing Management from IIM-Ahmedabad.

# Sterlite Technologies Limited

## Investor Presentation