



“Sterlite Technologies Limited Q1FY15 Earnings
Conference Call”

July 31, 2014



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LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Sterlite Technologies Limited Q1FY15 results conference call. Sterlite Technologies develops and delivers Products, Solutions and Infrastructure for High Speed Data Transmission and Power Transmission Networks globally. Sterlite Technologies is among the global leaders in all its business areas of Optical Fiber, Fiber Optic Cables, Power Conductors and HV/EHV Power Cables through its operations in India, China and Brazil. As the most integrated Optical Fiber Company in the world, Sterlite Technologies is also pioneering the FTTH deployment in the country, Ultra High Speed Broadband Infrastructure. Sterlite Technologies is developing several Transmission Infrastructure Projects spanning over 5000 Kms across India.

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 * then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Dr. Anand Agarwal – CEO; Sterlite Technologies. Thank you and over to you.

Dr. Anand Agarwal: Thank you. Good afternoon friends. I welcome you to the Sterlite Technologies Q1FY15 earnings call. We declared our first quarterly results for FY15 today and I hope that you had an opportunity to look at them. We closed the quarter with revenues of Rs. 564 crores and an EBITDA of Rs. 71 crores resulting in profit after tax of Rs. 9 crores. On a segmental basis, the telecom segment has benefited from continued growth from domestic and international customers and I have seen revenues grow by 10% and EBITDA by 25% on quarter-to-quarter basis. Meanwhile, the power segment continues to face certain external challenges and this has resulted in revenue degrowth of 31% resulting in significant drop in EBITDA. At the company level, our EBITDA margin has improved from 11% to 13% on a quarter-on-quarter basis essentially due to a higher mix of telecom in the overall revenue.

We will elaborate further on the individual business segment as well as financial performance after we have shared some of the key developments during the last quarter. One of the important highlights of our telecom business last quarter was to receive a purchase order from Bharat Sanchar Nigam Limited for end-to-end deployment including design, engineering, implementation, and maintenance of a part of the prestigious network for Spectrum project. This project in Jammu and Kashmir region includes optical fiber cables, including optical fiber cable supplies to other parts of the country, will add about Rs. 2000 crores to Sterlite order book. The rollout of this network should start by the end of this year and scheduled to be executed by 2016. In addition to this order, Sterlite is also contracted to provide AMC services for a period of 7 years at a value of about Rs. 500 crores. In the power infrastructure segment, we added one more project last quarter in Jammu and Kashmir. The northern region strengthening project, which is NRSS 29 is a part of the national grid and is designed to carry over 1000 MW of electricity from Punjab to the Kashmir valley. The project consists of one substation and about 800 circuit Km of 400 KV line in the states of Punjab and J&K. The

project will generate an annual levelized revenue of approximately Rs. 440 crores and we expect the project to become sequentially operational by FY17 and completely by FY19.

Sterlite Power Grid, a 100% subsidiary of Sterlite Technologies entered into agreements with Standard Chartered Private Equity for an equity investment of Rs. 500 crores in Sterlite Power Grid Venture Limited and SPGVL will issue convertible securities to Standard Chartered Private Equity for a minority share. This is the first foreign investment in India in power transmission sector. We have recently received Rs. 450 crores from SCPE as part of the above agreement and should be receiving the balance amount subject to certain routine approvals. The proceeds will be used for equity contribution in existing as well as new power transmission projects. Our order book for the power and telecom business now stands at a high Rs. 4,400 crores. As a company, we continue to focus on growing our exports business and nearly 28% of our total order book is for the export market.

I will move on to the telecom segment. In the telecom segment, we ended the quarter with sales of Rs. 322 crores. Corresponding to this revenue, the volumes for optical fibers were closed to about 3.9 million Kms including the China JV volume of about 0.9 million Kms. Fiber cable volumes continue to show healthy growth with highest ever volumes recorded last quarter at 1.8 million fiber kilometer. On the operating performance, for this segment for the quarter EBITDA stands at Rs. 70 crores versus Rs. 55 crores in previous quarter which reflects a 25% increase. Higher EBITDA realization as in primarily on account of increase in volumes coupled with margin expansion.

On the industry front as per latest market data, world fiber shipments in H1 2014 which is the Jan-June period totaled about 148 million kilometers which were 13% more than H1 of 2013 and 6% more than H2 2013. The increase in bare fiber shipment is due to double digit increase in H1 cable fiber demand in Europe, China, and other Asia. Even North America and rest of the world showed single digit increases in demand in H1. This demand is fueled by a mix of large scale fiber to the home project and national back bone programs. Even as fiber shipment has increased the reports of tightness in cable capacities for some markets as demand for micro cables and micro modules cables increases. In one of the major industry developments, China added a fourth major operator with China's government officially launching CBN as the fourth operator. CBN will offer triple play service consisting of radio, TV and internet. CBN will oversee the restructuring of the existing installed cable TV base of over 2000 operators and nearly 175 million subscribers.

Closer home in India, the outlook remains good with H1 demand closer to 7 million FKM in the current year. We start the quarter with confirmed order book of about 2,200 crores in the telecom business, the bulk of which is expected to be executed in the next two years.

Moving on to our power segment, we ended the quarter with sales of Rs. 229 crores with a volume of just about 9,000 metric tonnes. The corresponding volume decrease is primarily on account of continued lower levels of demand from PGCIL as well as other domestic customers.

The EBITDA for the segment was Rs. 2 crores only for this quarter against Rs. 18 crores in the previous quarter. We believed that the current quarter's performance is an exceptional account of sub optimal volume and is not reflective of sustainable margins from this business. As we have discussed in the past, the ordering from PGCIL has been negligible and we now see a slow revival in demand. PGCIL has commenced tendering and we expect ordering and delivery to commence in the second half. Their ordering is to be close to about 100,000 metric tonnes. On the positive side, we start Q2 of this year with a good order book size of about 2,200 crores of which nearly 55% is for the export market.

Now moving on to the infrastructure segment, we generated Rs. 16 crores of revenue this quarter from the first line of ENICL which was commissioned in the last fiscal. The second line of this project will get commissioned during the next few months. We continue to focus on getting our infrastructure project operational and have successfully commissioned both the substations on the Bhopal-Dhule Transmission Company Limited line this summer. We will see some revenues from these lines coming in the Q2 of the current year. On the financial performance at standalone level, we closed the quarter with revenues of Rs. 564 crores and EBITDA of Rs. 71 crores. The net debt on standalone basis was about Rs. 1,200 crores against Rs. 1,064 crores as on 31st March. The increase in net debt is primarily on account of additional investments into the grid projects.

On the financial performance at consolidated level, at consolidated level we generated revenues of about 579 crores which resulted in an EBITDA of Rs. 87 crores and our net debt on the consolidated level is about 4,200 crores against Rs. 3,900 crores at the end of 31st March. This brings us to the end of the update.

To summarize, we are overall pretty bullish on broadband growth in India driven by the launch of 4G services by major telcos which will drive fiberization of towers and this coupled with a government's pan India broadband rollout program should provide stable demand in India. On a more global basis, the demand for fiber to the home deployment and creation of national backbone infrastructure in developing countries as well as China's new operators should help provide a stable and sustainable level of growth. On the power segment, we expect a pickup in the business domestically once stalled projects are restarted. We expect PGCIL to recommence orderings at more normalized levels sometimes during the second half of this year. Recent investment by Standard Chartered PE in our grid business validates our long-term strategy in creating power T&D infrastructure and we endeavor to contribute to the new government stated vision of providing 24/7 power to every Indian household. Our order book at Rs. 4,400 crores which is to be executed over the next couple of years provides us with a good visibility in terms of volumes and realization. On the communication front, we continuously make efforts to share insights on the business and the industry with you on regular basis and will continue doing the same. Now Anupam and I would be glad to take any questions that you may have. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Jigar Shah from May Bank. Please go ahead.

- Jigar Shah:** My first question is regarding the power conductors. Sir you also supply to several other power utility companies and also in the export market. So can you give an idea that other than PGCIL, what is happening with customers in terms of conductor demand?
- Anand Agarwal:** Jigar, you are right. We are supplying to PGCIL, then other domestic users in the country as well as more global. From the global side, we continue to see a demand and that is also reflective of our order book. We have almost close to 1,200 crores of global orders right now. On the India side, what we saw the decrease in demand over the last couple of years has sort of caught up. So PGCIL, we see a revival in H2. The other domestic generation/ transmission projects, we think it will take a bit longer before those volumes come into play for us. But Q1 we believe has been at the lowest volume for this. From Q2, we see a revival in volumes of this business.
- Jigar Shah:** Can you give any idea or any broad number on what kind of volume you targeting during the current financial year? I think you did 90,000 tonnes last year, right?
- Anand Agarwal:** Yes. It would be pretty much in the similar range, 95,000-100,000 kind of range. Q2, we will start off slightly slower and H2 we should do better.
- Jigar Shah:** So I think the ratio can be probably 30:70 more like that, right?
- Anand Agarwal:** Yes.
- Jigar Shah:** There are two large projects or initiatives by the Government of India. One is about the national optic fiber network project which will be funded from the fund that they have and the other was the project of the defense. So can you guide whether these two projects have started or you have got your orders contained something from that or that is still to come?
- Management:** Sure. The first fiber to the village project orders we got in February of this year. So that dispatches have started. We have done some sales almost about 30 crores worth of sale in Q1. The other order for the defence, we got the confirmed purchase order last week and these dispatches should start towards the end of this calendar year and may be around in the October-December quarter.
- Jigar Shah:** So are these kind of recurring projects and you will keep getting some of the other orders or is it a onetime big award which comes to any supplier?
- Anand Agarwal:** Both these are pretty large macro projects. So I would not call it very recurring. But some sort of government infrastructure project will continue. So currently this is full defense network and fiber to about 2.5 lakh villages. We will believe that the degree of fiberization will continue to more villages. There is a current requirement that all the new highways should have fiber along with it. The new cities which will come will have that. So we believe the national broadband

network which eventually this fiber will become part of will continue to grow over the next several years in the form of several other kind of project.

Jigar Shah: Sir currently our order book is 4,400 crores, of which 2,500 crores is only the project which you have secured from BSNL.

Anupam Jindal: This 4,400 crores includes 2,000 crores towards this NFS. The 500 crores AMC is not included in that order book because that is to be done after completion of this project. **Jigar Shah:** And this other defence related project which Doctor just mentioned that is also included in 4,400 crores?

Management: Yes, that is included.

Jigar Shah: So only 1,200 crores is the power and the rest is all telecom?

Anupam Jindal: No. So what I am saying is 2,200 pertains to telecom. 2,200 pertains to the power segment. Out of 2, 200 for telecom; 2,000 crores is towards defence project and 200 crores pertains to the NFS.

Moderator: Thank you. The next question is from the line of Prashanth Kanuru from Karvy Stock Broking. Please go ahead.

Prashanth Kanuru: First of all, just wanted to understand the volume part on power conductors. The total order book stands at 2,200 crores. So what is this come out in terms of metric tonnes?

Anupam Jindal: It will be roughly about 145,000 tonnes.

Prashanth Kanuru: So the usual execution period for this 145,000 metric tonnes in a normal scenario would be one year or one and a half?

Management: Roughly 1.5 years, but this order book has large export content of which one of the orders is even having 3 year delivery period.

Prashanth Kanuru: So you also have a certain amount of short term orders, which you have to execute in a shorter period, in power conductors.

Anupam Jindal: That is correct.

Prashanth Kanuru: So how much of the Q1 sales from those short term orders?

Anand Agarwal: Q1, this 9,000 tonnes it becomes the current short term but some of these orders we would have gotten during latter half of last year.

Prashanth Kanuru: But these are all short term orders. This bulk of Q1 has come from short term orders?

- Anupam Jindal:** No. Bulk of these orders executed in Q1 was part of the order book and we have received some more order during the quarter. The issue is the order book which is scheduled even for on a quarterly basis, some of the customers are even deferring the dispatches that is why the dispatches are not happening as per our plan.
- Prashanth Kanuru:** So these are customers, this basically is PGCIL or even some private because you have the biggest transmission network. So you will also be using this for your internal consumption, like you will be giving it to SPGVL.
- Anupam Jindal:** Some of those go to SPGVL also or to its subsidiary. But there are some private companies also in the order book.
- Prashanth Kanuru:** How much of this 2200 crore order book is for internal SPGVL?
- Anupam Jindal:** There is nothing much from the internal order book.
- Anand Agarwal:** Bulk of the internal sales has happened. May be our 2200 crores, it might be 60-70 crores.
- Prashanth Kanuru:** Because last year, the intersegment transfer in consolidated level showed around 250 odd crores if I am not wrong. So it was quite significant last year.
- Anand Agarwal:** In the current year, since lot of these projects are towards the closure stages bulk of the sales have happened.
- Prashanth Kanuru:** And what is the, like for example you said, in the previous quarters concall around Rs.8000-9000 odd is the metric tonne. EBITDA is the most sustainable EBITDA level for this business segment. So is that going to be sustainable this year, considering, I am saying this because aluminum prices have been going up and if I am not wrong the way export orders work is the cost are fixed. You can pass on the cost in domestic order to some extent. That is my understanding. I don't know whether it is right or not.
- Anupam Jindal:** Prashanth, the aluminum price does not affect the margin. We are able to pass on the price variation to the customer if it is a fixed price we can hedge it. So we have a policy of hedging back to back. We do not keep any price risk. So that does not affect us. What has affected the overall EBITDA is the low volume which is beyond the cut off. So that is why the overall EBITDA per tonne is lower for Q1 and it may have some impact. While overall business on a sustainable basis should deliver Rs. 8,000-9,000 per tonne. That is the volume is significantly lower in the quarter and with the capacity you have, if you are able to raise to about 100,000 plus, yes we will be able to reach up to that level also for the full year.
- Prashanth Kanuru:** Like for example in FY12 and 13, the margins came up and in FY11 they were in dollar terms but per ton gross margins like the aluminum cost on LME and what we got is the realization. The difference was around \$550 odd is that maintaining now or do you see it coming down?

- Anupam Jindal:** We have not seen in terms of dollar realization minus aluminum price because there are certain other content also. But typically what we monitor is this contribution. So at the order taking time average basis that is about Rs. 8,000-9,000. As I said if the execution is below certain level, your fixed cost absorption becomes less. That has affected your EBITDA per ton.
- Prashanth Kanuru:** So sir this 2,200 crores order book on an average how much time will this take to get executed, will it be 18 months or 24?
- Anupam Jindal:** So some part of that will definitely go beyond 24 months, but yes average could be about 18 months.
- Prashanth Kanuru:** How much of that will go beyond 18 sir, beyond 24 months?
- Anupam Jindal:** Right now, I am not having the number of that particular orders which will go beyond 18 months. But may be about 300 to 400 crores may shift.
- Prashanth Kanuru:** Usually what is the total in a normal macro situation? What is the usual size of short term orders that the company gets in a year?
- Anupam Jindal:** Again the trends are not indicating anything because currently the market is very low. So the current situation is not reflective of a normal situation. Normal situation almost 50% of your order book continues to be from the short term. If you have one year order book, similar order book you can continue to get. So half of the volume it typically get on short term.
- Prashanth Kanuru:** So which means you get an order, you execute within one year. That is what you define in a short term?
- Anupam Jindal:** Within 6 to 12months we can execute that.
- Prashanth Kanuru:** How much is the short term orders sirs, out of these 2,200 crores?
- Anupam Jindal:** I am not having in terms of timeline right now that how much of this but I was telling that we typically have 50%-60% of firm order book when we start the year and it is maintained throughout the year.
- Prashanth Kanuru:** So presently that is close to zero. Can we say that?
- Anupam Jindal:** Currently, we have about 20%-30% of those orders but may be further details we can have it from our IR team.
- Prashanth Kanuru:** And sir like you have said the NFS order, network for spectrum, it is around 2,500 of which 500 will not be coming in. It will be after the execution, the turnkey contract. Out of this 2,000, it is 1,500 odd crores is the turnkey and 500 odd crores is for OFC, optic fiber cable.

- Anupam Jindal:** To be supplied to others. It is about 400 crores to be supplied to other EPC players who have also got this project.
- Prashanth Kanuru:** Okay, 400 crores of OFC. So sir there is no contribution from NFS and NFS in this telecom performance in this quarter?
- Anupam Jindal:** Currently no. The next quarter also it will not be there.
- Prashanth Kanuru:** And NFN, you said around 30 crores.
- Anupam Jindal:** Actual sales, yes.
- Prashanth Kanuru:** And last quarter you said, NFN you have a market share of around 22%. So if that is the case, is it still the same or are there any chances of increasing it?
- Anupam Jindal:** For the orders allotted, it is same. Unless new order opportunity comes, there is nothing currently right now.
- Prashanth Kanuru:** Sir how much of this 250,000 has been given out till now? Out of this if requirement is X, how much of it has already been tendered out in NSN?
- Anand Agarwal:** About 50% of the order has come through. The other 50% they will do after the execution of this.
- Moderator:** Thank you. The next question is from the line of Tarun Sisodia from Chanakya Niti. Please go ahead.
- Tarun Sisodia:** My question is regarding the Power Grid, the Sterlite Power Grid and the infrastructure growth where the investments from Standard Chartered has been taken. How do you see strategically say 2-3 years down the line in terms of revenue mix on a consolidated basis, the contribution from this particular segment?
- Anand Agarwal:** From the grid investments which we have done, the consolidated projects which we have in hand will generate about 1,100 crores of revenue. We generated close to about 30 crores in the last year and by FY19, this entire 1100 is going to pan out. So this year should be closer to 200 odd crores and every year the volume will increase and three years down the line the revenues will be of the order of 600 odd crores.
- Tarun Sisodia:** And this is at a much higher margin level compared to the existing business profile, am I right?
- Anand Agarwal:** These are orders where we look at the margins more essentially on the equity investment on a P&L basis, the EBITDAs are definitely much different.

- Tarun Sisodia:** The second question is related to, if you seeing this as one of the big growth segments to drive the business profile for the company, this is also associated with a significant change in the risk profile of the company as well in terms of debt. How do you see that moving forward?
- Anand Agarwal:** See for these projects when we start of the debt is typically about 75% of the total outlay and we look at the debt which gets associated with the projects on a non-recourse basis and the balance equity we get refinanced once the project construction finishes. So debt which is associated with the project will continue to be an integral part of the project balance sheet unless we are able to sell that project and take that debt off the balance sheet. But the project debt which is the part of project recourse will continue to be part of the balance sheet.
- Tarun Sisodia:** So currently the company has already contributed almost 950 odd crores into the equity portion, am I right?
- Anand Agarwal:** Yes, right.
- Tarun Sisodia:** And you have also taken another 500 crores from Standard Chartered which I assume will also go as an equity component into a debt, into the project.
- Anand Agarwal:** Yes.
- Tarun Sisodia:** Would that be now sufficient or do you think further equity contribution would be needed going down the line?
- Anand Agarwal:** At an overall basis, we believe that the total equity requirements between us and Standard Chartered would be closer to 1,650 or 1,700 crores. But there will be an extra requirement of about 200 odd crores, 200-250 maximum which will happen mostly in the next financial year.
- Tarun Sisodia:** Okay, would you be in a position to throw some light on what kind of equity holding would Standard Chartered Private Equity be having eventually on full dilution basis?
- Anand Agarwal:** Currently as we have maintained this is the shareholding percentage will get determined at the time of conversion of these preference shares which will happen at the end of 5 years.
- Tarun Sisodia:** Is there flexibility in that or is it that you would not like to discuss that right now?
- Management 2:** Basically it is confidential. So we will not be able to discuss, but as we have maintained we will continue to hold a majority shareholding
- Tarun Sisodia:** Okay, I do not need the number in that case. But it is a fixed number right? It is based on some performance and numbers will vary from one into another, the dilution figure.
- Anupam Jindal:** So it will range in certain percentage but very narrow range.

- Tarun Sisodia:** Fair enough. Apart from this 200 crores which is expected, the need is expected over next financial year. There is nothing else needed as of now. Everything else is closed.
- Anupam Jindal:** Broadly yes, because that also assume certain refinancing in the top up and all that. So I think as the market is improving and our execution is improving, we believe that at least on next 12-18 months the money which we have raised is sufficient and balance will be required after that.
- Moderator:** Thank you. The next question is from the line of Amit Sureka from Bharati Axa Life Insurance. Please go ahead.
- Amit Sureka:** Just a couple of questions. One to follow up on this earlier question on your infra business. Now if I understand right you mentioned that out of 500 crores, 430 crores you have already received till now. Is that the right number or I heard the wrong number?
- Anupam Jindal:** 450 crores has been received.
- Amit Sureka:** And you also mentioned that your investment from the books of Sterlite Technologies, standalone book is 950 crores. So is this that the total equity in that power infra business is 950 plus 450 crores till now?
- Anupam Jindal:** We have committed to invest 1,100 crores in parallel. So our investment will grow up to 1,100 crore and 500 for theirs. So that will be 1,600 crores.
- Amit Sureka:** Till FY18 right? Based upon the adjustment projects?
- Anupam Jindal:** Currently, we are saying current year. As the new projects comes in, this requirement may increase?
- Amit Sureka:** So it is an additional 200 crores you will require this year only in FY15?
- Anupam Jindal:** Yes, this is a commitment that we will fund 1,100 crores. That STL will fund 1,100 crores of equity.
- Amit Sureka:** One more thing related to this thing. From your book 950 crores which has been invested how much is the debt you have taken at the standalone level for that?
- Anupam Jindal:** There is a total debt at standalone which is roughly about 1200 crores.
- Amit Sureka:** Okay, fair enough. The other thing is like your Q1 revenue from the infra business has been Rs.16 crore and for the entire year you are looking at roughly 200 crores kind of revenue coming. If I am not wrong, your Q1 Power Infra revenue is even lower than Q4 number, am I right?

- Anupam Jindal:** You are right. But Q4 of last year, Q4 there was certain trading activities in that business. But if you look at some of the grid business, the infra business it was only 16 crores.
- Amit Sureka:** So when will this run rate increase from 16 crores kind of number?
- Anupam Jindal:** Some may come in the current quarter also, but it will increase from Q3, Q4.
- Amit Sureka:** Which will be dependent upon your three other lines also coming up by Q3?
- Anupam Jindal:** Yes, there are certain parts in that which can get commissioned independently and we can have revenue coming in.
- Amit Sureka:** So you are still holding you 200 crores kind of numbers and you were saying that day in three years' time that 200 crores annual revenue will go to a run rate of roughly 600 crores kind of annual revenue.
- Anupam Jindal:** Yes, in three years it will go to +600.
- Amit Sureka:** And what sort of ROEs are you looking at from this business, let us say three years down the line when you will be generating 600 crores from the current five lines which you have?
- Anupam Jindal:** Broadly, it will be mid-teens number on equity side. That is the kind of ROE we are expecting.
- Amit Sureka:** For example right now you are making losses in this business?
- Anupam Jindal:** At PAT level, there will be losses but we need to see the cash being generated and being able to serve the debt and leave some money for the equity. Currently, the numbers are not fully reflective of the business because you have certain interest going in towards the money which is not
- Amit Sureka:** I thought that your P&L interest plus depreciation which you are currently showing in the P&L is only for the first line which is operational.
- Anupam Jindal:** Yes, but there are certain interests which also goes for the money which has been funded as equity. So that interest also comes into P&L.
- Amit Sureka:** If I can just ask, on telecom business you have shown this around 320 crores of revenue in Q1 in the standalone business, what I wanted to understand was that 320 crores is attributable to your 3 million fiber kilometer or this is attributable including China 0.9 million fiber kilometer also.
- Anupam Jindal:** It is not including the revenue done from China, but what it includes is the sale made from here to China, Indian entity to China. So substantially we supply our glass from here to China entity. So that revenue is included in this.

- Moderator:** Thank you. The next question is from the line of Kamna Motwani from Crisil Limited. Please go ahead.
- Kamna Motwani:** Sir just couple of quick questions. One is the realization in the conductor segment looks quite high this quarter. So any change in product mix there?
- Management:** So Kamna , this quarter also includes our other segment within the conductor segment we have OPGW. So part of OPGW and part of power cable revenues are also there.
- Kamna Motwani:** EHV side.
- Anupam Jindal:** Yes, EHV side. Since the contribution from the conductor has come down significant, they are offering a bit higher.
- Kamna Motwani:** And sir on the interest cost front, how much was the interest that you shown as received from SPV level?
- Anupam Jindal:** About 9 crores.
- Kamna Motwani:** And that should go down going forward, right?
- Anupam Jindal:** We will have to work out Kamna. With this transaction, there will be certain changes in the structure that we will have to figure out.
- Kamna Motwani:** Sir and quickly just wanted to get your thoughts on a yearend debt, where do you see that at the end of the year on a standalone level?
- Anupam Jindal:** The standalone level, we should be pretty much what we are today may be about 100-150 crores more from here but not beyond that. We are currently at about 1200 crores. We are still working out to keep it around current level but maybe I would say 1300-1500 crores is the numbers we are looking at max.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from May Bank. Please go ahead.
- Jigar Shah:** I wanted to just confirm my understanding on the power transmission project. East North Interconnection one line is operating and one line is likely to start in some time. On Jabalpur transmission and Bhopal-Dhule transmission the work is on, right?
- Anupam Jindal:** Yes.
- Jigar Shah:** And on the Purulia and Kharagpur transmission and RAPP transmission and the northern region, all three financial closures are pending?
- Anupam Jindal:** Yes, that is correct.

- Jigar Shah:** So when do you expect to complete those financial closures?
- Anupam Jindal:** Jigar, for the initial two projects which are smaller we are expecting financial closure within this quarter and for NRSS may be by next quarter.
- Jigar Shah:** And the Jabalpur and Bhopal project when do you expect to commission and start generating from that?
- Anand Agarwal:** Between now till June of next year, it will come in phases. So there are 8 different elements and in the current quarter itself one element will come in. So say between now till June of next year all these elements will start operating.
- Jigar Shah:** Okay, so Q2FY16 it will be fully operational?
- Management:** Yes, for these three projects.
- Jigar Shah:** And you said I think somewhere in one of the questions you mentioned that this year the revenue from the power transmission activity will be 200 crores and next year 600 crores, right?
- Anand Agarwal:** That will be closer to 200 this year and in three years it will be closer to 600.
- Moderator:** Thank you. The next question is from the line Sudhakar Prabhu from Span Capital Services. Please go ahead.
- Sudhakar Prabhu:** I just have couple of questions. One is on this NRSS project; how much do you plan to spend on that? What is the total CAPEX?
- Anupam Jindal:** NRSS will be close to about 2,800 crores.
- Sudhakar Prabhu:** And what is the timeline for completion of this project, three years?
- Anupam Jindal:** This is about 48 months on the completion. Overall timeline is 48 months, FY19.
- Sudhakar Prabhu:** And coming back to your optical fiber segment, what kind of volume do you see this year. Earlier in the previous quarter you have talked about 15-16 million kilometers. Is that possible? Do you think that number is achievable this year?
- Anand Agarwal:** The first quarter itself, we have done about 3.9. We are already on target to do something between 15-16.
- Sudhakar Prabhu:** Okay and what is the progress on moving to optic fiber cable segment? Earlier you talked about your plan to move towards the cable segment to improve your margins. So any progress on that?

- Anand Agarwal:** If you see quarter-on-quarter, that is actually already happening out of, like right now we are almost doing 45%-46% as cables which may be a year ago would be closer to 35%. So that is happening quarter-on-quarter and we think good number would be close to 50% where half will go as cable and half will go as fiber.
- Sudhakar Prabhu:** And that should happen in next 2-3 years?
- Anand Agarwal:** This 50% will happen in next 2-3 quarters. So we are simultaneously increasing the cable and fiber volumes. The cable volumes which was close to about million kilometers a year ago is now close to about 1.8 million. So that is happening hand in hand.
- Sudhakar Prabhu:** And similarly what kind of volume do you expect in your transmission business because in the previous quarter, you had said that second half would be better where we will see volume picking up and you and even Power Grid tendering going on. So any take on that?
- Anand Agarwal:** So that is what we said earlier. So we see volumes would be pretty much similar overall to last year between 90,000-100,000 tonnes. The first quarter has been abnormal and we see H2 being stronger.
- Sudhakar Prabhu:** You still see that 90,000 volume is possible for the full year?
- Anand Agarwal:** That is what we are targeting sir.
- Moderator:** Thank you. The next question is from the line of Ashish Agarwal from Almondz Global. Please go ahead.
- Ashish Agarwal:** Sir in case of telecom sales, we have 320 crores telecom sales. How much have been segregated to optical fiber sales and optical fiber cable sales?
- Anand Agarwal:** Close to about 200 odd would be fiber cable sales and about 120 odd would be fiber sales.
- Ashish Agarwal:** In how much EBTIDA you are making on optical fiber and optical fiber cable on dollar basis?
- Anand Agarwal:** That would not be on dollar basis. It will be on rupee basis. The fiber business as we have maintained earlier is between 25%-30% and cable business is about 12%-13%.
- Ashish Agarwal:** And on rupee basis, how many rupees per Km?
- Anupam Jindal:** Those details may be you can take it from Vishal. Right now, we do not have that number Ashish.
- Moderator:** Thank you. The next question is from the line of Prashanth Kanuru from Karvy Stock Broking. Please go ahead.

- Prashant Kanuru:** Yes, just talking about this infra projects, the first thing is the government has said infra funding would not have other banking requirements of CLR and SLR. So are you planning to refinance some of the debt so that your repayment schedule can be increased?
- Anand Agarwal:** Any refinancing that we are planning to do currently will be at the time of projects coming into operations. ENICL will do it in the next 4-5 months and then subsequently the other two projects.
- Prashant Kanuru:** And this first project, ENICL, BDTCL and other one. These three projects were supposed to, if I am not wrong were expected to generate annuity payments around 550-570. So when you say by June next year all three projects will be done. So from next year on, that annual annuity payment run rate can start right?
- Anand Agarwal:** Absolutely.
- Prashant Kanuru:** And the fourth and fifth projects when they come in, they will add another 110-120.
- Anupam Jindal:** So that is after FY16.
- Prashant Kanuru:** So those two will come in 4th and 5th comes around FY18 or odd?
- Anupam Jindal:** Absolutely. Partly it may come in 2017, but full benefit will come in 2018.
- Prashant Kanuru:** So FY17 on, we will see definitely around 600 crores or annuity payments coming in, close to 600 and you said in power connectors, you compensated for low power conductor volume with distribution cables and OPGW. So what are the margins like on distribution cable sir?
- Anupam Jindal:** These are recently new set up. So they are not having significant margins because we are very nascent to say that at this point of time.
- Prashant Kanuru:** Okay, sir how do you see it ramping up in the next 2 years, say.
- Anand Agarwal:** There are two different business. The OPGW business, the margins will be of the order of 13%-14% in EBITDA and power cable business that is of the order of again 11%-12% margin.
- Prashant Kanuru:** So sir like what is the recurrent possible volume for these two sir?
- Anand Agarwal:** Together both of these may be in a couple of years should generate about 300-400 crores of sales.
- Prashant Kanuru:** That is yearly?
- Anand Agarwal:** Yes.

- Prashant Kanuru:** And sir convertible securities from StanC can be taken as just as debt, I mean till the time they are not converted. So what is the interest outflow on that or it is a zero coupon.
- Anupam Jindal:** They are equity like instrument, there is no interest outflow.
- Prashant Kanuru:** Okay, it is a zero coupon?
- Anupam Jindal:** There is no coupon as such. So it is basically a convertible instrument without any interest attached to that that means in the five years there is no outflow.
- Prashant Kanuru:** If they decide not to convert, so it will just be the principle repayment with no interest, that covenant would be there, right sir?
- Anupam Jindal:** So there are certain exit things and this is basically starting from IPO to Sale proceeds and all that.
- Prashant Kanuru:** And sir this capital goods, any imports for this transmission projects like do we need any imported goods for setting up of these 6 transmission projects or you are sourcing it all domestically?
- Anupam Jindal:** Generally these are all lines which are not having any major import content except may be the insulator. Unless there are substations involved like in one of our projects, there is no major import content.
- Prashant Kanuru:** And sir in this optic fiber of the telecom segment, this 400 odd crores which you say will be the fiber cable that will be sold to other players who have won the remaining part of the order. Has part of that been included in the first quarter results?
- Anupam Jindal:** No, we have not started NFS. Execution will start from October onwards.
- Prashant Kanuru:** Okay, so this 400 crores of OFC order, 400-500 crores will also start only in Q3.
- Anupam Jindal:** 2Q onwards depending on their progress. But yes, we expect that to start.
- Prashant Kanuru:** That will be a high realization projects right sir? I will just leave that. But considering this very good performance in Q1 in this optic fiber so this can be sustainable going forward because you not even have any NFS or NSN contribution is also low. So this performance can be considered to be fantastic. So this is sustainable and may be even improve going ahead.
- Anupam Jindal:** That is what we expect and just to mention on this, last 4-5 quarters the performance has been improving. So it has already started as Anand mentioned, one of the key factors in that is our own fiber cable increasing as a percentage to our fiber.
- Prashant Kanuru:** Sir the capacity is 6 million fiber kilometers OFC, optic fiber cable capacity that we have?

- Anupam Jindal:** If we look at 1.8 million which we have done in Q1, it is working out to 7.2 million. So it depends on the mix. So we can actually produce with the kind of mix we have up to 8 million without any major investment.
- Prashant Kanuru:** And just one thing that Chinese topline contribution because China has 0.9 fiber kilometers. So how much is the contribution in topline from China JV?
- Anupam Jindal:** The number is not included in the standalone number, but since we supply glass from here that automatically it comes under the revenue of Sterlite Technologies India. China number, I am not having off hand, but it would be close to 0.9 million, so roughly about 30 odd crores.
- Prashant Kanuru:** But this is given in the consolidated right?
- Anupam Jindal:** In consol, it will come but then it will also get eliminated. The supplies made from here will get eliminated.
- Prashant Kanuru:** Sir and about this CESTAT order that you have about 180 odd crores. If it turns negative for us, will it be a single bullet payment or will it be installments sort of a thing.
- Anupam Jindal:** It all depends on the outcome Prashant. Currently the matter is status quo. So depending on what kind of order we get and what kind of liability it attaches it all depends on that.
- Prashant Kanuru:** And sir one last question, the CAPEX for all this infra projects taking this 2,800 crores for NRSS and for the first three projects and all, combined together what would be the CAPEX?
- Anupam Jindal:** Close to about 7,800 crores.
- Prashant Kanuru:** So out of that, 5,000 crores is for the first three projects?
- Anupam Jindal:** First five projects is 5,200.
- Prashant Kanuru:** And for the remaining between those two it will be very less then, close to nil.
- Anand Agarwal:** No, it is 4,400, 600, and 2,800.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead.
- Anand Agarwal:** We would once again like to thank everyone for attending this call and making it so interactive. I hope you were able to address and clarify all your queries and comments. For any further clarifications and discussions, you can feel free to contact our IR team including myself and Anupam and we would be happy to interact with you and share our plans and insights for the business and the industry. Thank you and good evening.



*Sterlite Technologies Limited
July 31, 2014*

Moderator: Thank you gentlemen. Ladies and gentlemen, on behalf of Sterlite Technologies Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.