



“Sterlite Technologies Limited Q2 & H1 FY-15 Results  
Conference Call”

**October 31, 2014**



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TECHNOLOGIES LIMITED  
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**Moderator:** Ladies and Gentlemen, Good Day, and Welcome to the Sterlite Technologies Limited Q2 & H1 FY-15 Results Conference Call. STL develops and delivers Products, Solutions, and Infrastructure for Telecom and Power Transmission Networks globally. STL 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 one of the most integrated Optical Fiber Company in the world, STL is also pioneering the FTTH deployment in the country, Ultra High Speed Broadband Infrastructure. STL is developing several Transmission Infrastructure Projects spanning over 5,000 Kms across India.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation conclude. Should you need assistance during the conference, 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, sir.

**Dr. Anand Agarwal:** Good Afternoon. I welcome you to the Sterlite Technologies Q2 & First Half FY15 Earnings Call. We declared our H1 and Q2 results earlier today and I hope you had had an opportunity to look at them. We closed the quarter with revenues of Rs.592 crores and H1 with revenues of Rs.1156 crores. The revenues for the quarter was up 5% QoQ given an increase in power sector volumes, but on a year-on-year basis showed decline of about 17% on account of suboptimal volumes in power products business in the first half of this year as compared to the last year. The overall profitability has witnessed an increase with EBITDA for the quarter at Rs.81 crores, which is an improvement of 14% quarter-on-quarter. On a half yearly basis, EBITDA this year stood at Rs.153 crores which is an improvement of 6% when compared to the same period last year. The increase in profitability is primarily driven by the improved margins in the Telecom business, both on account of volume increase as well as margin improvement. We will elaborate on the overall financial performance after we have shared updates on each of the business segments.

I would now like to take you through key highlights in the business of financial performance and the industry outlook for each of the business segments respectively: Starting with our Telecom Products and Solutions segment, we ended the quarter with sales of Rs.287 crores for the Telecom segment. Corresponding to this revenue the volumes for Optical Fiber was close to 4.3 million skm, which corresponds to almost a run rate of about 17 million kilometres which is from a quarterly perspective the highest volume till date. This is inclusive of our volume from our China joint venture for around 1.3 million kilometres. The dip in Telecom revenues in this quarter is on account of drop of Optical Fiber Cable volume from 1.8 million fkm in Q1 to 1.4 million Fkm in Q2; however, on a year-on-year basis, we have recorded a growth of 22% in our Telecom sales. On an operating level, the EBITDA for the first half of this year has witnessed a sharp increase on account of the volume growth as well as a growing proportion of Optical Fiber Cable in our total Telecom sales.

On the business highlights, during the quarter, our Brazil JV became operational and recorded the first supply from that facility to the growing LATAM market. We continue to increase our foray in the international markets by having major wins in LATAM market as well as repeat order from some of our key accounts in China, Europe as well as the Middle Eastern region. Europe and China continue to account for maximum share in our Telecom exports, which total close to about Rs.118 crores in the current quarter out of sale of about Rs.287 crores. On our recent project win for nationwide fiber rollout for defense, the network for Spectrum project, the work has started on ground with finalization of EPC contracts, we should start seeing revenue recognition happening in the current quarter from this project. On the industry side globally, the demand for Fiber remains strong, driven by large scale Fiber-To-The-Home and Fiber-To-The-Node deployments in Europe and US, coupled with 4G rollouts in China, as well as back-haul fiberization in the other parts of the world. Closer home, the Government of India continues to push for implementation of the National Optical Fiber Network project. And we see this project has been central to the government's "Digital India" plan to create ecosystem for data-enabled citizen-centric services to serve the country. Positive demand for Optical Fiber Cable on a global basis has resulted in prices remaining stable and we also see inventory levels in China getting depleted and most of the Fiber manufacturers continue to remain busy.

Moving on to our Power Products and Solutions segment, we ended the quarter with sales of Rs.287 crores with a volume of about 15,000 MT. Demand from PGCIL continues to be subdued and we expect this to revive in the coming quarters with ordering coming back to normalized levels. The EBITDA for the segment was Rs.6 crores for this quarter as against Rs.2 crores in the last quarter. We expect EBITDA margins to improve progressively as we operated higher capacity utilization levels.

In one of the significant developments during the quarter, we announced the signing of joint venture agreement with VISCAS of Japan for Underground Power Cable business. This JV is an important step towards a vision to attain leadership in the extra high voltage cable business in India. On the customers' front, we have won orders from a number of domestic customers for supply of our power products in new transmission lines, including supply of Optical Ground Wire. In addition to this, we have recently been approved by leading European Utility for supply of Overhead Conductors, which should help diversify reliance on the domestic markets as well as increase our exports presence.

We overall continue to remain bullish on long-term prospects of Transmission sector in the country with the Government of India's plan for 24X7 Electricity moving to the next phase; Mega Transmission announcement for Northeastern states by CEA; as well as the Ministry of Power initiation to prepare a plan to strengthen the interregional grid across the country. This program is likely to be jointly funded by the central and state governments and the ministry targets to develop almost 28,000 MW of interregional transmission capacity over the next three years would enhance the total capacity to more than 66,000 MW by 2017.

Now, moving on to our Infrastructure segment. We generated revenues close to about Rs.18 crores this quarter as compared to about Rs.16 crores in Q1. This quarter also included revenue from a few elements of our BDTCL project which was partly commissioned during this quarter. Our first project ENICL, the first half of it continues to generate revenue as per schedule and the second line of ENICL project is getting commissioned within the next few days. The delays that we saw in our second and third project due to forest clearance are now being expedited and we expect all elements of the first three projects to become fully operational by June of 2015, and we will progressively see revenue improvements on every single quarter moving from now. Following the infusion of equity from Standard Chartered Private Equity we are well capitalized for now and the focus is on project execution.

On the financial performance at the overall standalone levels, we closed the quarter with revenues of Rs.592 crores and EBITDA at Rs.81 crores. Our net debt stands at Rs.1490 crores as against Rs.1200 crores at the end of last quarter. The overall order book for the company stands at Rs.4900 crores at the end of Q2 and this is fairly split evenly between the Telecom and Power businesses. Within these business segments, also, we are well diversified across a number of customers, both domestically as well as in the export market.

On the financial performance at consolidated level, we recorded revenue of Rs.617 crores with EBITDA of Rs.86 crores, after accounting for intersegmental elimination. Our consolidated net debt at the end of quarter is at Rs.4,260 crores, of which Rs.2600 crores pertains to borrowings at the project debt level for our Power Transmission Grid business. This brings us to the end of the update.

To summarize, our capital investments have peaked for all our business and we have ready global size operational capacities for both our Products businesses. We remain bullish on the prospects for both Telecom and Power sector in the country and expect volume growth in our Products and Solutions business to drive operating profitability as well as improve the return on capital employed. In addition to the opportunity within the domestic market, we remain committed to increase our global footprint as well as increase our export in both the Telecom and Power Products business. Finally, on the Power Transmission business, the first three projects are nearing completion, and as I mentioned earlier, we should see revenue increase quarter-on-quarter with the full revenue stream accruing from all these projects by 1<sup>st</sup> June 2015, that is the Q2 of next year.

Anupam and I would now be glad to take any questions that you have. Thank you.

**Moderator:** Thank you. Participants, we will now begin with the question-and-answer session. The first question is from Prashant Kanuru of Karvy Stock Broking. Please go ahead.

**Prashant Kanuru:** First of all, just wanted to understand the Telecom business margin improvement. Is there improvement in the realization front because going by the previous concalls, you said that like the margins in OFC is half of what it is in Optic Fiber say approximately. So is it because of

increased OF volumes as compared to previous quarter that there is an improvement in EBITDA or is there an increase in pricing which has helped us, just some light?

**Dr. Anand Agarwal:** On the absolute side, the margin improvement is just happening because we are doing more volumes. You are asking for the percentage which is 26% this quarter, it has happened because it is more tilted towards optical fiber, we did almost 4.3 million kilometers of Fiber versus 1.4 million kilometers of Cables. It is more a mix issue, the percentage is a mix issue, but the absolute profitability is improving just because our operating capacities being utilized better.

**Prashant Kanuru:** So what proportion of that would be because of higher volumes, just to understand the increase in operating efficiency because of the volume push and not just a product mix?

**Dr. Anand Agarwal:** Our normalized profitability for the business would be say 22-23%, because of the mix it has gone up to 26%; one business is at about 30-32%, other one is at 12-13%.

**Prashant Kanuru:** Overseas volumes what do you think would be like for the full year, like this year around 7-8 million approximately...?

**Anupam Jindal:** It will be close to that; plus 7 million as we are expecting right now.

**Prashant Kanuru:** Realizations are stable around \$6-7 for OF and around \$20 for OFC?

**Dr. Anand Agarwal:** It is stable; between \$7-8 for OF and close to \$20 for OFC.

**Prashant Kanuru:** Coming to the balance sheet, there is a huge jump in the short term borrowings. So is it because we are covering up for the long-term borrowings to short-term borrowings or some requirements being met through short-term borrowings, so we would see some increase in the long-term borrowings by the end of the year, how do you explain this increase in short-term borrowings which has significantly moved in that of long-term borrowings, long-term borrowings actually there is a drop?

**Anupam Jindal:** Basically, Prashant, the long-term borrowings has dropped because of the payment happening as per the quarterly schedule and the increase in long-term will over next six months we will try to balance it with long-term, because we cannot continue the short-term borrowings as such and overall increase is primarily because as per this transaction, we had taken out a loan which was there in the Grid business and taken it at STL level.

**Prashant Kanuru:** You said net debt on consolidated basis is Rs.4,260 crores or Rs.4,620 crores?

**Anupam Jindal:** Rs.4,260 crores.

**Prashant Kanuru:** What is the contribution from EHV and OPGW in this quarter?

- Anupam Jindal:** That is pretty less.
- Dr. Anand Agarwal:** Close to about Rs.40 crores or so.
- Prashant Kanuru:** And about Structured Cables, that was Cat5?
- Anupam Jindal:** Right now we do not have the number. Maybe about Rs.50 odd crores.
- Prashant Kanuru:** So 50 plus 40, 90 crores is remaining from PGCIL or all other conductors taken together?
- Anupam Jindal:** This Data Cable comes in Telecom.
- Prashant Kanuru:** Sorry, OPGW would come under – okay.
- Moderator:** Thank you. The next question is from Renu Baid of B&K Securities. Please go ahead.
- Renu Baid:** Sir, a couple of questions on the Power Products and Conductors side of the business. First, with respect to the joint venture which we have announced recently with the Japanese company. So, if you can elaborate a little more with respect to how would be the Products offerings and what ranges would it be, what is the kind of CAPEX it is targeted through the JV, and by when are we looking that this JV will be operational and probably start contributing to our numbers?
- Dr. Anand Agarwal:** Renu, this joint venture is for existing Power Cable plant that we have in Haridwar. The range of the products that we currently do is from 11kV to 132 kV and with this partnership coming in it will add 220Kv as well as 400 kV to the joint venture. The JV currently is well capitalized. So whatever say fund comes due to the infusion will help reducing the overall company's debt. And we do not foresee any further capital expansion immediately required. In terms of revenues, as we just mentioned earlier that current run rate is about say Rs.30-35 crores a quarter, this should move up to Rs.75-80 crores a quarter. This business should generate with the capacity level about Rs.300 odd crores annually.
- Renu Baid:** By when are we expecting the scale up to happen?
- Dr. Anand Agarwal:** This should take another 4-5 quarters.
- Renu Baid:** Is there any particular royalty arrangement for this higher voltage?
- Dr. Anand Agarwal:** No, it is the partnership and you asked about the JV being functional, so we believe it should start being functional from early January next year.
- Renu Baid:** But there would be no one-time or recurring revenue-based royalty charges which would be payable to the partner in that case?

- Dr. Anand Agarwal:** No.
- Renu Baid:** Second question, I just wanted to understand a bit more with respect to the domestic Power Conductor business. You mentioned that ordering started to look up. So what is the outlook in terms of both the ordering pipeline from Power Grid and the SEB, which markets are we seeing the orders picking up? Also, on the financial performance, the first half we have been into losses. So how is the outlook in terms of turnaround in this segment with the volumes and execution picking up?
- Dr. Anand Agarwal:** In terms of the PGCIL ordering, we have started seeing at least the approvals in the RFQs starting to come through on a quarter-on-quarter basis and we think some definitive orders should start happening in Q4 of the current quarter, something should happen in the current quarter as well. On the SEB side, the volumes never really dried down. We consciously and cautiously take SEB orders and we will continue doing that. The volume that we did in the last quarter was close to about 15,000 tonnes which is almost half of our normalized rate. We would see this quarter-on-quarter improving. So the current quarter should be better than that and in Q4 or Q1 we should be coming back to normalized rate of 30,000-33,000 tonnes.
- Renu Baid:** And then we expect the EBIT numbers back to single digit levels?
- Dr. Anand Agarwal:** Yeah.
- Renu Baid:** What is the kind of market size in terms of crores if you can put across with respect to the order pipeline that we are seeing for the next 6 to 12 months?
- Dr. Anand Agarwal:** The pipeline that we have on the domestic side would be very different from what we see on a total basis. Right now, out of our Rs.2,200-2,300 crores of Power order books, almost half of that is exports, Rs.1,100-1,200 crores is exports. So, on the pipeline side, we believe it will start getting healthy as soon as power grid starts coming in full foray. On the domestic side, we still do not see a very strong pipeline.
- Renu Baid:** Any number which you would like to ascribe to this market over the next 6 months, the kind of order of pipeline finalization that we are expecting?
- Dr. Anand Agarwal:** We will feel more comfortable once we start seeing the PGCIL more RFQs coming into place, than trying to give a 12-month perspective without PGCIL.
- Renu Baid:** On the SEB side just a bit more specific with respect to sector rather than a particular SEB, are we seeing overall ordering trend from SEBs improving – are there much wider number of SEBs who are coming up with orders funded by the JICA or other World Bank funded?
- Dr. Anand Agarwal:** Definitely, a few of the SEBs really we are seeing pretty large requirement, a few of the SEBs we are seeing pretty special requirements for the high capacity kind of projects where they

want to use the same right-of-way to use Conductors which will double the amount of Power Transmission. So, we are seeing two different trends; we are seeing a few very specific SEBs coming up with very large requirements and a few of them moving on to more technological solutions. As I said earlier that, we do it more cautiously going with the ones that we have done business with and we feel comfortable doing business.

- Renu Baid** So, essentially you are saying both volume-driven growth and specialized Conductors business volumes also improving there?
- Dr. Anand Agarwal** Yes.
- Moderator** Thank you. Our next question is from Ravindranath Naik of SBICAP Securities. Please go ahead.
- Ravindranath Naik** Sir, one thing I want to know, what is the volume of Optical Fiber Cable in terms of kms you are looking at in the domestic market for this year and what is the market share or size you are looking at for your side?
- Dr. Anand Agarwal** Ravindranath, we believe the market this year would be about 17 to 18 million in kms of Fiber and normally, we have on the Fiber and Cable together close to about 35% to 40% market share.
- Ravindranath Naik** That means last year we did the total volume of Optical Fiber in India is 19.8. So you mean to say there is de-growth of Optical Fiber?
- Dr. Anand Agarwal** Last year volume in India was about 14 million kms, this year would be about 17 to 18 million kms.
- Ravindranath Naik** Sir, what is the export of Conductors you did this quarter?
- Anupam Jindal** About 41% in the current quarter.
- Ravindranath Naik** Regarding this OPGW Cable, you did perhaps last quarter around Rs.50 crores of revenue, right?
- Dr. Anand Agarwal** We are not sure of at a product level each.
- Anupam Jindal** Currently, we do not have that information, maybe, you can get that information separately.
- Ravindranath Naik** You mentioned that you did around Rs.30 to Rs.40 crores of revenue for OPGW in this quarter?
- Dr. Anand Agarwal** OPGW plus extra High Voltage Power Cable.



- Ravindranath Naik** Because, why I am asking this, your realization last quarter was very high in the Power in terms of tonnage if I am calculating, so it is not a right calculation, but if I calculate the tonnage basis, it is coming to be more than Rs.2 lakhs per ton and this quarter there is a decline. So, I am just trying to reconcile how the things have happened. Can you please explain a bit in this?
- Dr. Anand Agarwal** Last quarter, there was a large OPGW shipment, but we cannot reconcile the numbers upfront right now.
- Anupam Jindal** You will appreciate, Ravindranath, Conductor business is more driven by margin per ton, because realization in sector of Aluminum and... So, we really do not see that way.
- Ravindranath Naik** Regarding this VISCAS partnership, you mentioned that to Renu's question there is no royalty, you have a plant in Haridwar that is perhaps 1 to 2-year old plant. Is it correct?
- Dr. Anand Agarwal** Yeah, that is correct.
- Ravindranath Naik** Will you be a majority partner in the joint venture or a minority partner?
- Anupam Jindal** Will be a minority partner.
- Dr. Anand Agarwal:** This is 51-49 JV.
- Ravindranath Naik** Whether for this you expect any sort of consideration to be paid from the party from VISCAS or that possibility is not there?
- Anupam Jindal:** They will bear the 51% for a consideration once the final documents are in place.
- Ravindranath Naik** For your information, VISCAS were selling OPGW Cables, right now, they are not selling. Do you think there will be some sort of agreement extended for VISCAS going ahead or you will be concentrating only on the EHV cables in the Haridwar plant?
- Dr. Anand Agarwal** The focus is on EHV Cables. OPGW, we make it in Silvassa and we do it pretty well there.
- Ravindranath Naik** Who are the other players who can do the OPGW cables in the country according to your understanding?
- Dr. Anand Agarwal** Currently, what we believe LS has some facility doing that at Korea. But, other than that there is nobody else who does it in India.
- Moderator** Thank you. We will take the next question from Saurabh Patwa of HDFC Mutual Fund. Please go ahead.
- Saurabh Patwa** I just want like you to give a quick comment on the working capital situation, with the inventories increased and the creditors have come down sharply. Another question which I

would like to know is the other income has also increased sharply in this quarter, in fact it is more than what it was in consolidated for FY'14. Can you just give some quick comment on that?

**Anupam Jindal:** So, working capital has indeed gone up in the current quarter, inventory and these things, essentially because we are expecting the orders in the Power Conductor to increase, and Telecom also, we are seeing higher volume, so, in line with that. And as far as other income is concerned, it is basically P&L neutral item wherein the income is shown in other income whereas the expenditure has gone to the other expenditure on account of a contract closer, where the customer deducted some money which has been recovered from a supplier, which is contractually recoverable from him, so it was recovered.

**Moderator:** We will take a next question from Kamna Motwani from CRISIL. Please go ahead.

**Kamna Motwani** I would just like to understand this equity contribution towards the projects has gone up to about 1,650 while the debt has not increased as much on the consolidated side. So, just trying to reconcile the debt-equity mix that has gone into these projects. It seems to be on a lower side than what we had expected.

**Anupam Jindal:** This Rs.450 crores which has come from SCPE, that is the money which was there, that is where the debt drawdown has been reduced.

**Kamna Motwani** So, against this equity that has been infused, we plan to take more debt as the project executes?

**Anupam Jindal:** Yes, over a period of time, the debt component will continue to increase.

**Kamna Motwani** Also, the interest cost has increased, that is because of the loans and advances you start accruing interest on that, is that the reason?

**Anupam Jindal:** Absolutely, post this transaction, the interest accrual has stopped.

**Kamna Motwani** I see tax was a negative item in the P&L. What was the reason for that?

**Anupam Jindal:** Basically, there are certain tax credits which got materialized in the current quarter, was about Rs.4.5 crores. So, that resulted into negative tax in the current quarter.

**Moderator** Thank you. Our next question is from Alok Ramchandran of SBICAP Securities. Please go ahead.

**Alok Ramchandran** You mentioned during the initial remarks of the call that you have started booking revenues from the Bhopal-Dhule transmission line as well as the ENICL line. If I am not mistaken, I was looking at the tariff quotation for the first year, you would actually look at around 100, can you bifurcate the revenue segment profile from the lines that you are actually getting for the...?

- Dr. Anand Agarwal:** As I said, ENICL, we are getting from the first line, Purnea-Bihar Sharif line about Rs.16 crores a quarter. Bhopal-Dhule has just started it; just accrued only Rs.2 crores, because it started towards the end of quarter itself, and the full quarter revenues for Bhopal-Dhule as well as ENICL will start coming in from Q3.
- Alok Ramchandran** So, what is the top line that you are looking at from these 2 lines in this year?
- Dr. Anand Agarwal:** Overall, we believe from all the 3 projects, the revenue this year should be of the order of between Rs.160 crores to Rs.200 crores.
- Alok Ramchandran** All the lines will be commissioned this year itself?
- Dr. Anand Agarwal** All the 3 lines will get commissioned by June of next year.
- Moderator** Our next question is a follow-up from Prashant Kanuru of Karvy Stock Broking. Please go ahead.
- Prashant Kanuru** Sir, just wanted to understand what is the receivables position for the Optic Fibers and Cables because the capital employed in that particular segment is after the transmission business though, because the revenue has gone up, so it is that we are giving a more credit period than what we usually give or?
- Dr. Anand Agarwal** Capital deployment for Telecom is at similar levels, Prashant, it is Rs.1,063 crores, being Rs.1,159 crores last year. There is absolutely no change in terms of any receivables or any ways to do business, but the capital deployed has come down.
- Prashant Kanuru** What are the usual receivable day sales outstanding?
- Dr. Anand Agarwal** About 52 to 55 days.
- Prashant Kanuru** What is it for PGCIL usually?
- Dr. Anand Agarwal** PGCIL typically 45 to 60 days.
- Prashant Kanuru** For EHV, OPGW and other businesses?
- Anupam Jindal** They are also about 60 to 90 days. Typically, if it is export it might take bit longer because of the supply time.
- Prashant Kanuru** Sir, coming back to your Transmission business, wherein the total CAPEX the first 3 projects would be Rs.5,500 odd crores, if I am not wrong approximately. So, what are the...?
- Anupam Jindal** Prashant, it is a wrong number. Overall it will be closer to Rs.4,600 crores.

- Prashant Kanuru** What will be the exact principal redemption that will be falling due in FY'16?
- Anupam Jindal** Prashant, those details are not immediately available because that schedule is not available with us.
- Prashant Kanuru** Just wanted to know if that is going to put some pressure on the finances?
- Anupam Jindal:** Because, whatever repayment will happen, that will be basically coming in from the project cash flow only.
- Prashant Kanuru** You are sure that would be sufficient for...?
- Anupam Jindal** Absolutely.
- Prashant Kanuru** Sir, when you said you have EHV present run rate of around Rs.32 to 35 crores per quarter, and you said EHV plus OPGW this quarter is Rs.40 crores. OPGW contribution is close to, if I am right, just around Rs.5 odd crores?
- Anupam Jindal** We said, we do not have specific detail, but we said about Rs.40 odd crores is the combined number.
- Prashant Kanuru** And the structure pattern?
- Dr. Anand Agarwal** It is not material, we did not keep that information.
- Prashant Kanuru** Sir, this structured data cables, you said it is around Rs.50 crores for the quarter or...?
- Anupam Jindal:** Roughly, I am just estimating it.
- Prashant Kanuru** That would be reflecting in the Telecom segment?
- Anupam Jindal:** Yeah.
- Moderator** Thank you. We will take our next question from Sitaram Aggarwal of Treeline. Please go ahead.
- Sitaram Agarwal** Hi Anand, I just had one question which pertains to realizations on the Optical Fiber and the Fiber Optic business. Wanted to get some sense from you that would be helpful as to how realizations have moved, not on the last 2 or 3 quarters basis, but let us see where it was like 5 years back what has been the trend in the industry and what has been the repercussions for your realizations in the domestic markets?
- Dr. Anand Agarwal** Sitaram, broadly, for the Optical Fiber, the realization has over the last several years been in the range of \$7 to \$8, it reaches \$8 dollars or so whenever there is a more demand and it has never

fallen broadly below \$7 on average. For us the margin improvement which has happened has essentially come from better operating leverage Y-o-Y, for instance, say, 5 years ago, we may be doing 4-5 million kms of Fiber, last year we did 14 kms, this year we will do close to 17 odd million kms. So, it is operating leverage, it is more vertical integration, the fact that we do it from Silica all the way to Fiber. On the Cables side, it is a pretty much engineered product. So the realization essentially we look at this more from a perspective of more value addition on the Fiber that we sell and on an EBITDA margin, we ensure that Cables that we sell earn an extra 13% odd of EBITDA over and above what we make on Fiber.

- Moderator** Our next question is a follow-up from Ravindranath Naik of SBICAP Securities. Please go ahead.
- Ravindranath Naik** Regarding this tax credit that you got in this quarter, what will this pertaining to, can you please explain, what is the tax incidence you are looking at the end of this year?
- Anupam Jindal:** Basically, we have effective tax rate of about 30% or 31% overall. We do not have any material operations which have any tax benefits. So, effective tax rate is about 31%. Last quarter, we were at 36% because of certain charges. This quarter because of certain credits, worth about Rs.4.5 crores coming in, we are negative. These are pertaining to some of the prior year periods and some of them are for current optimization also.
- Ravindranath Naik** It is a refund you got from the...?
- Anupam Jindal:** No, it is not refund, it is basically the credit you get in the assessments and some of the disputed things which settle in your favor.
- Ravindranath Naik** One question, as far as the duty appearing in the notes every year, regarding past dues, regarding 2001 and 2002 when we started operation and it is going every year, can you please give your perspective on when this is going to be concretized and also final decision on this is expected? What is the outlook and what is the thought process on this particular duty that is appearing in every year in your balance sheet and the financials?
- Anupam Jindal:** Ravindranath, on this detail note is there in the annual report. Basically, this is a sub judice matter currently pending at Supreme Court. As you know we cannot really do anything to expedite that. So, as and when it gets heard, it will be taken care of.
- Ravindranath Naik** We do not actually provide adequate provision, so you mean to say that your understanding would be, it would not be that much material so that it will hurt you badly in a particular quarter or a financial year?
- Anupam Jindal:** This entire matter is being litigated with the belief that it is not liability, that is the thinking at the moment and it is up to the court to decide.



*Sterlite Technologies Limited  
October 31, 2014*

**Moderator** Thank you. As there are no further questions from the participants, I now hand the floor back to the management for closing comments.

**Dr. Anand Agarwal** I would again like to thank everyone for attending this call and we hope we were able to address and clarify all your queries and comments. For any further clarifications and discussions, you can feel free to contact the IR team including myself and Anupam and we will be happy to interact with you and share our plans and insights for these businesses in the industry.

**Anupam Jindal:** Thank you.

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