

**Sterlite Technologies Limited**

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

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The background is a complex, abstract pattern of thin black lines and dots. The dots are primarily red and blue, with some black ones. The lines are mostly black, with some red and blue segments. The overall effect is a dense, interconnected network, reminiscent of a telecommunications or data network map. The colors are vibrant against the yellow background.

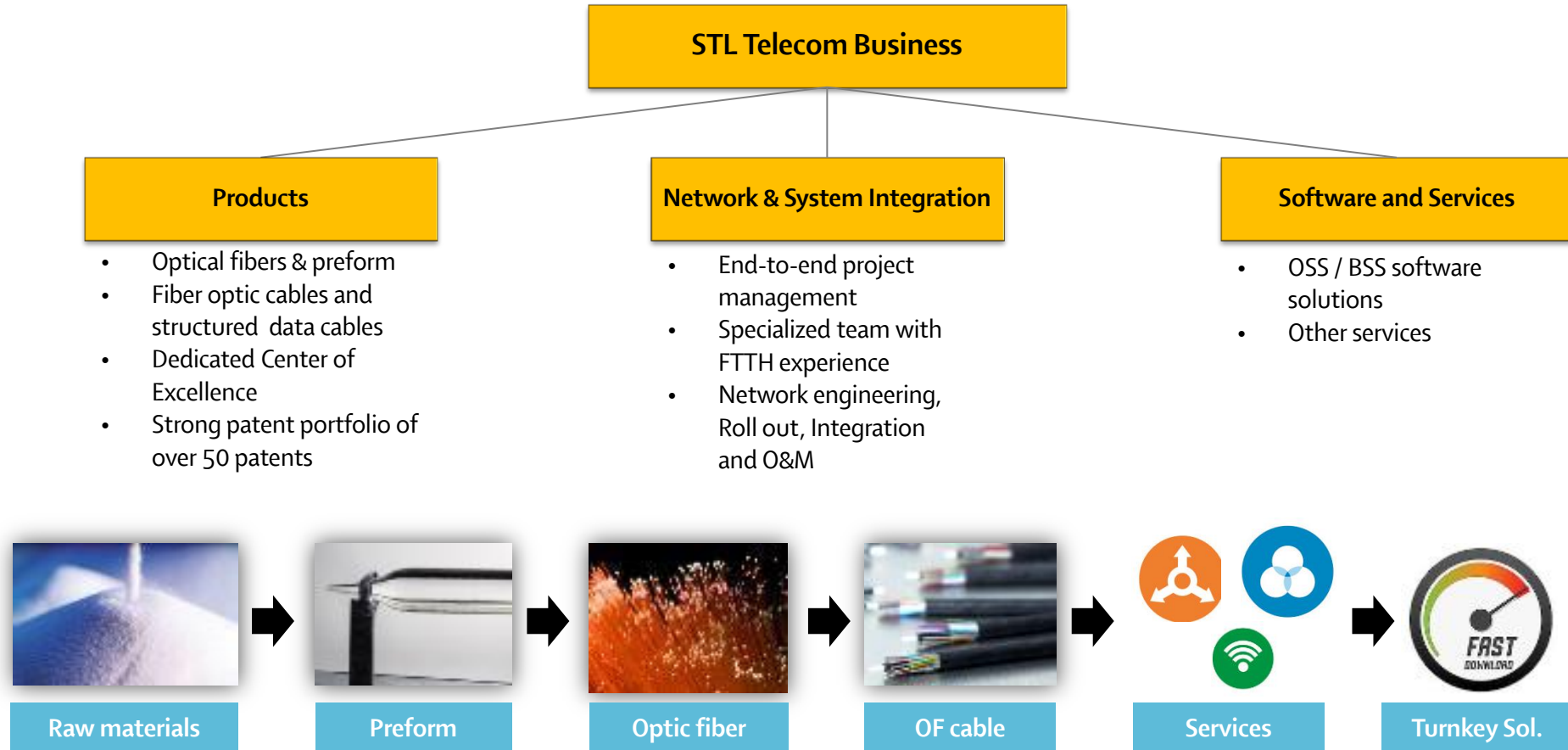
# Telecom business

# Value proposition for the telecom business





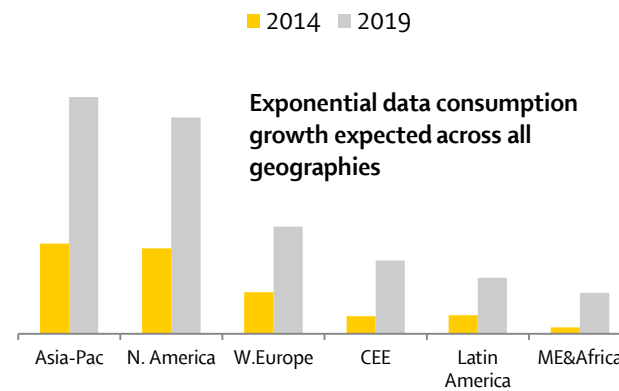
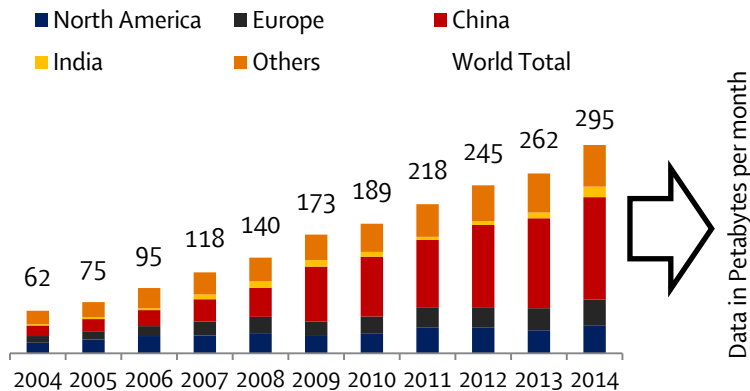
# Wide footprint within the telecom sector



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

# Forefront of emerging data opportunity

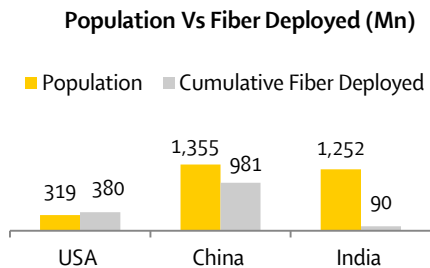
## Data consumption continues to grow fiber demand



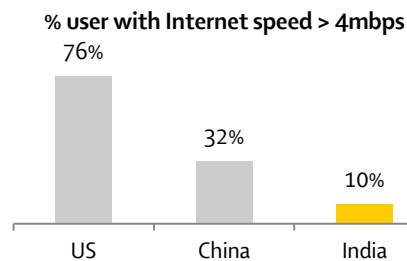
By 2019, there will be nearly 3.9 billion global Internet users (more than 51 percent of the world's population), up from 2.8 billion in 2014 and they all will need reliable high speed broadband

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

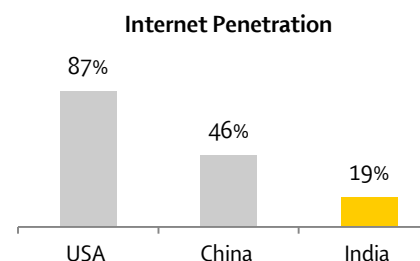
## India's digital infrastructure needs to catch up



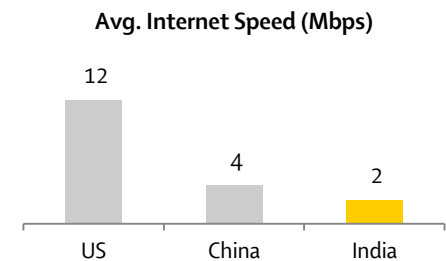
- India is highly under Fiberized, compared to US & China
- Total Cumulative Fiber Deployed to Population Ratio in US is 1.2x, China is 0.7x while India is just 0.1x



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



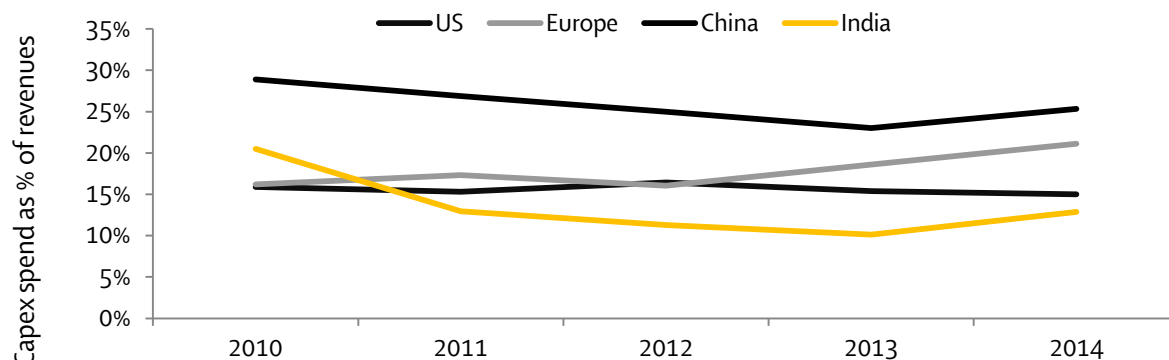
- Internet penetration in India is significantly low compared to other countries and compared to voice Teledensity in India which is nearly 80%



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

# Forefront of emerging data opportunity

## Beneficiary of the global telecom capex spend



**Average capex spend / year**

**China \$50bn**

**Europe \$50bn**

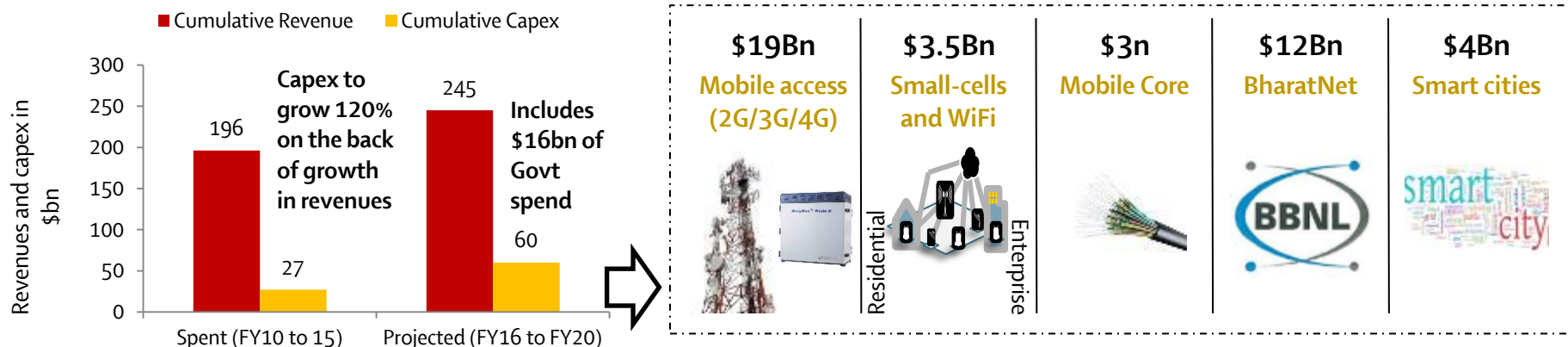
**US \$45bn**

**India \$5bn**

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

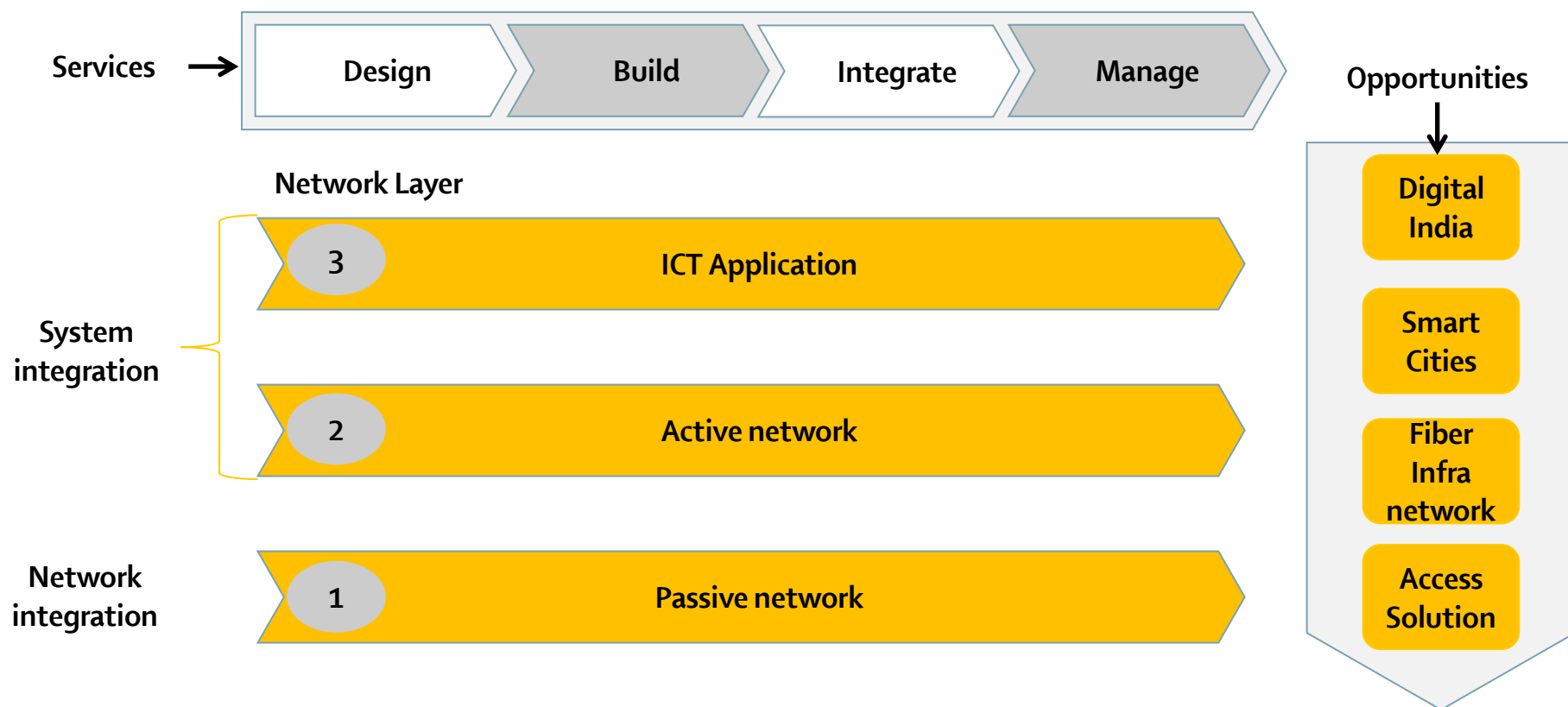
The rate of such investment will continue to rise to keep pace with growth in data traffic

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



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

# Telecom services business – System and network integration



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



# Capabilities acquired through Elitecore

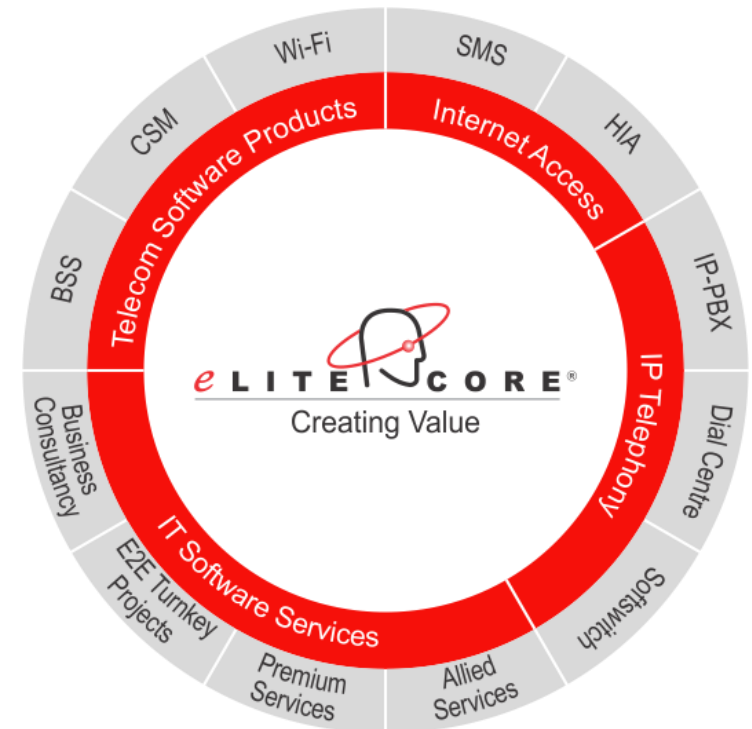
- Elitecore is a **Telecom Software Product and Services** company having **global presence** in providing **monetizing and customer experience** solution to CSPs.
- **Indigenously developed** end to end BSS and packet core solutions
- **150+** network deployments in **40+ countries**
- **2 Billion CDRs**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

## Core competencies

Monetization of Next Generation Networks

Real Time Analytics

Real Time Customer Experience management



**Gartner**

Fastest growing  
IRCM companies in  
Gartner MQ IRCM  
2014

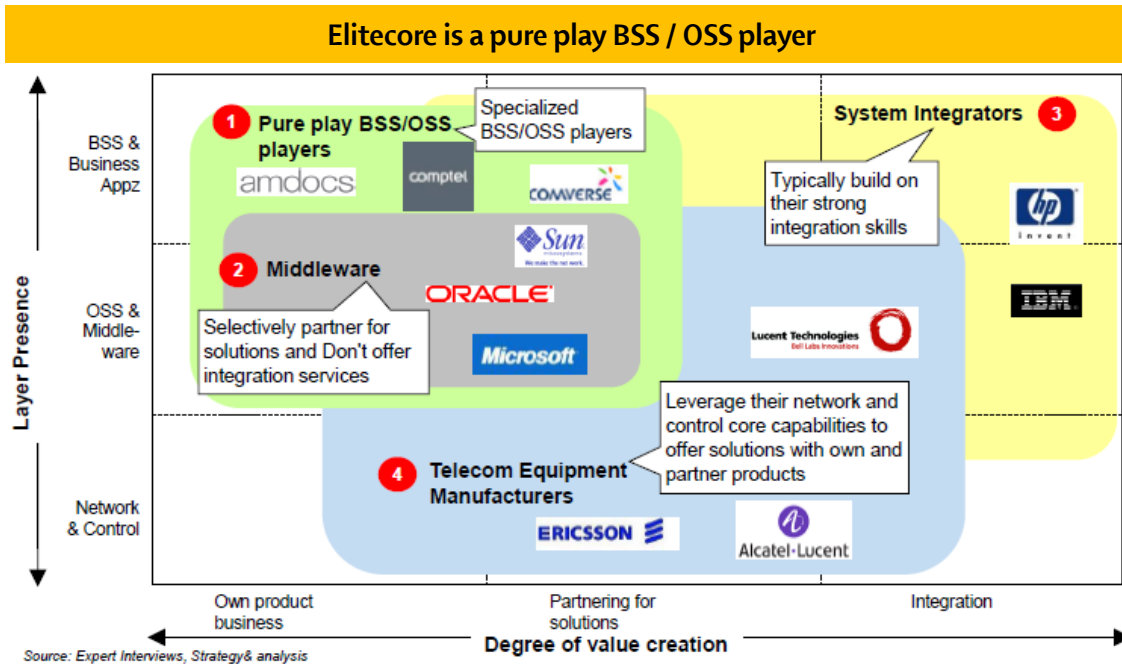
**Deloitte**

Fastest growing  
IRCM companies in  
Gartner MQ IRCM  
2014



Global Top 16 BSS  
vendors

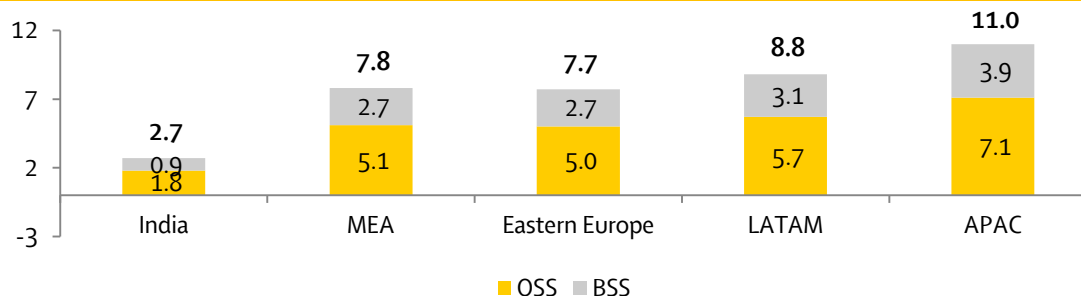
# Elitecore is a profitable niche player with strong growth prospects



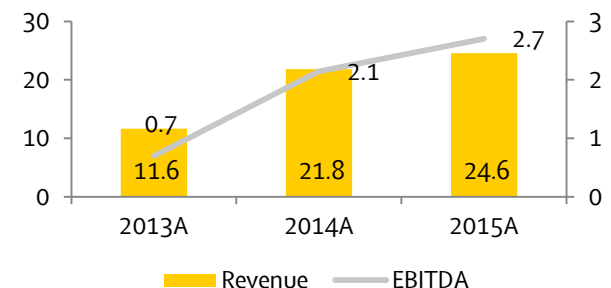
## With strong partner relationships



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



## Financial performance



# Sterlite + Elitecore : a win- win outcome



Very strong economic and strategic rationale for the transaction



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

# Leader in developing broadband solutions for converged communication networks



# Power business

# Our power business

## Products

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

## Solutions

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

## Infrastructure

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

## Key Customers

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

## Full control over the entire value chain



### Raw materials

- Aluminium
- Other alloys



### Products

- HV and EHV product line



### Engineering

- Heli stringing and live line reconductoring



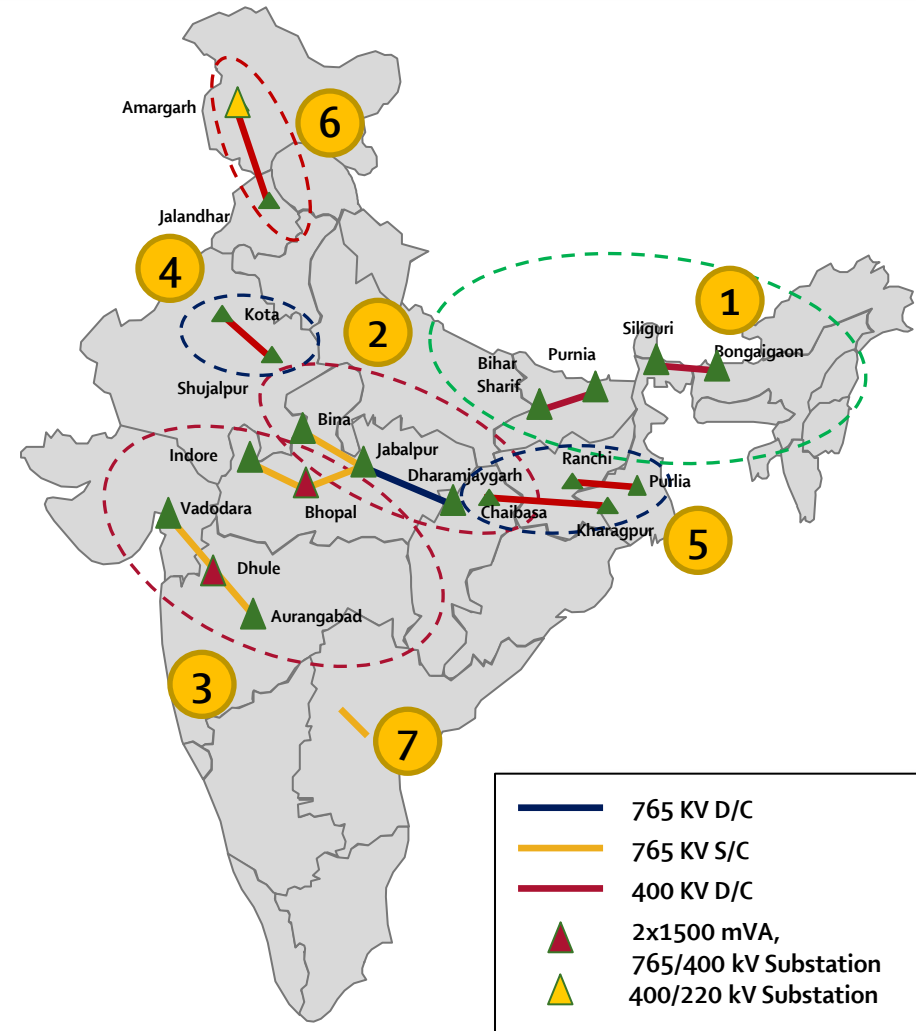
### Power Grids

- Inter State Transmission networks



# Connecting key generating centers with load centers

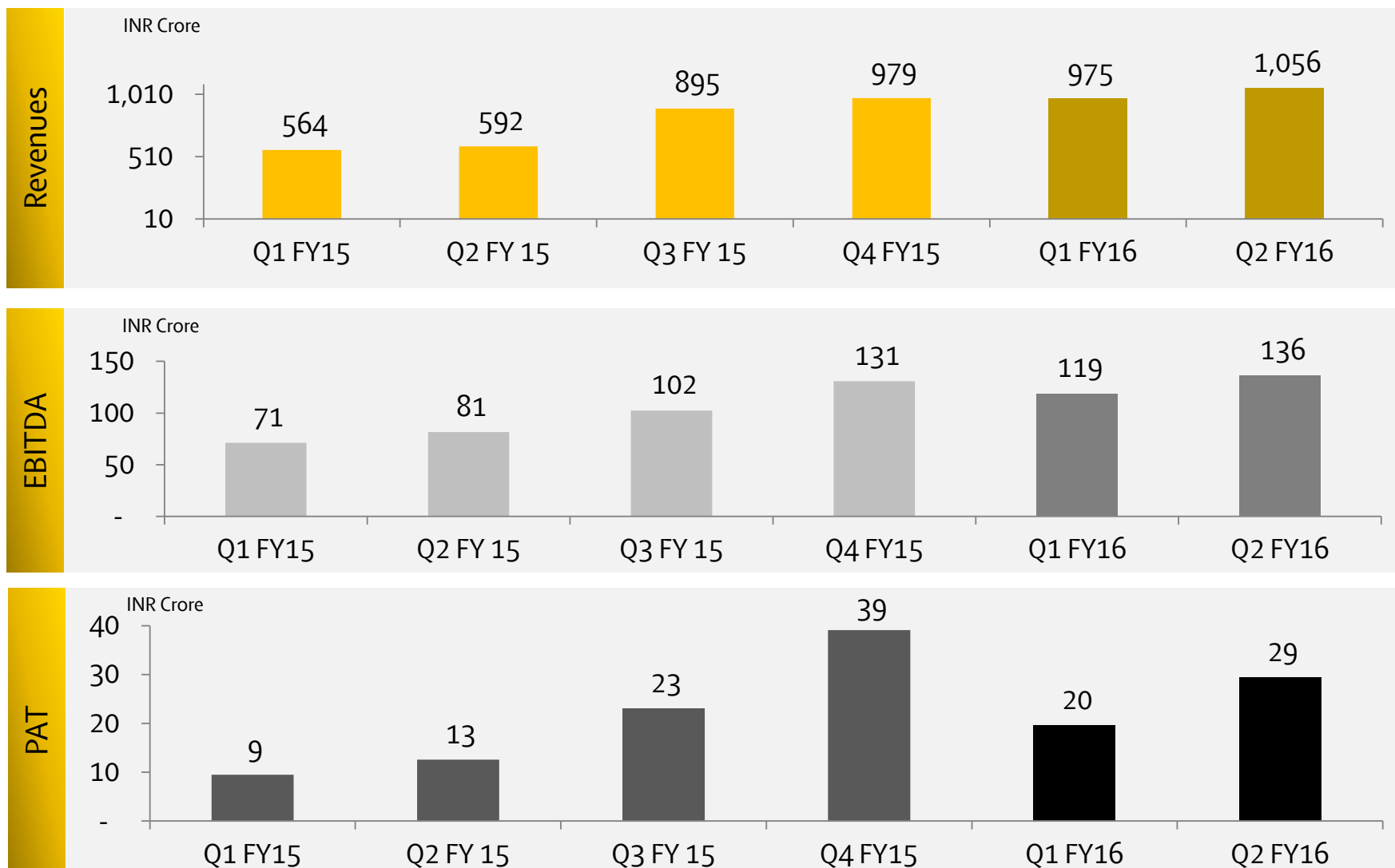
- Build-Own-Operate-Maintain (BOOM) Model with 7 Projects in Portfolio
  - 5000 Km circuit transmission lines & 3 substations across 12 states
  - Estimated capital expenditure of US \$ 1.3bn
  - Three project fully commissioned, all 7 to be commissioned by FY20
- One of the lowest risk profiles as compared to other segments within the Infrastructure segment
  - Fixed annuity model (35 years) with high quality of receivables that is not dependent on power flow
  - Perpetual assets with minimum maintenance capex
  - Assets have opportunity for additional revenue generation
- SCPE has invested US\$83m equity investment - the first foreign investment into India's power transmission sector



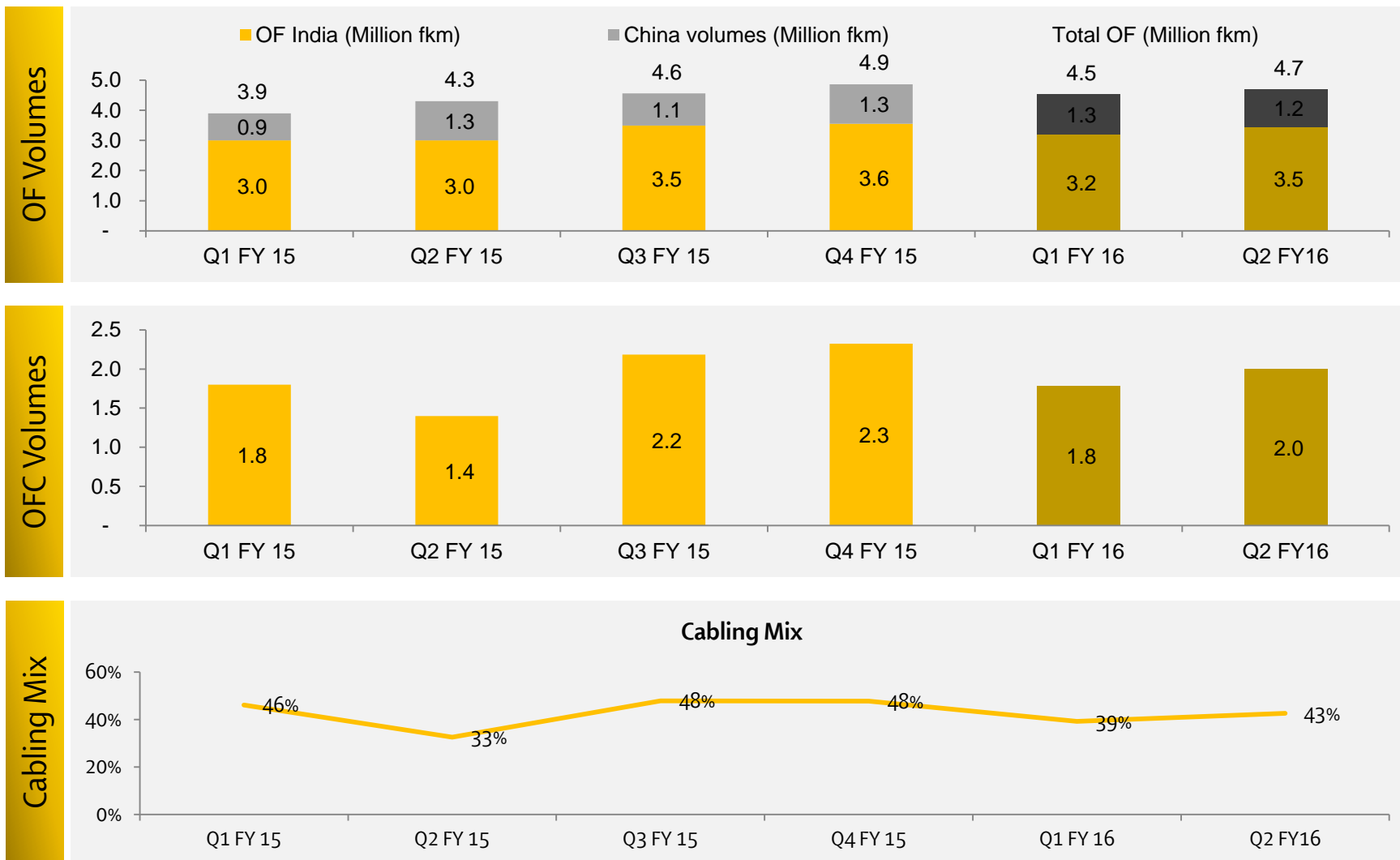
Note: Map is representative of project locations and transmission lines not to scale

# Financials

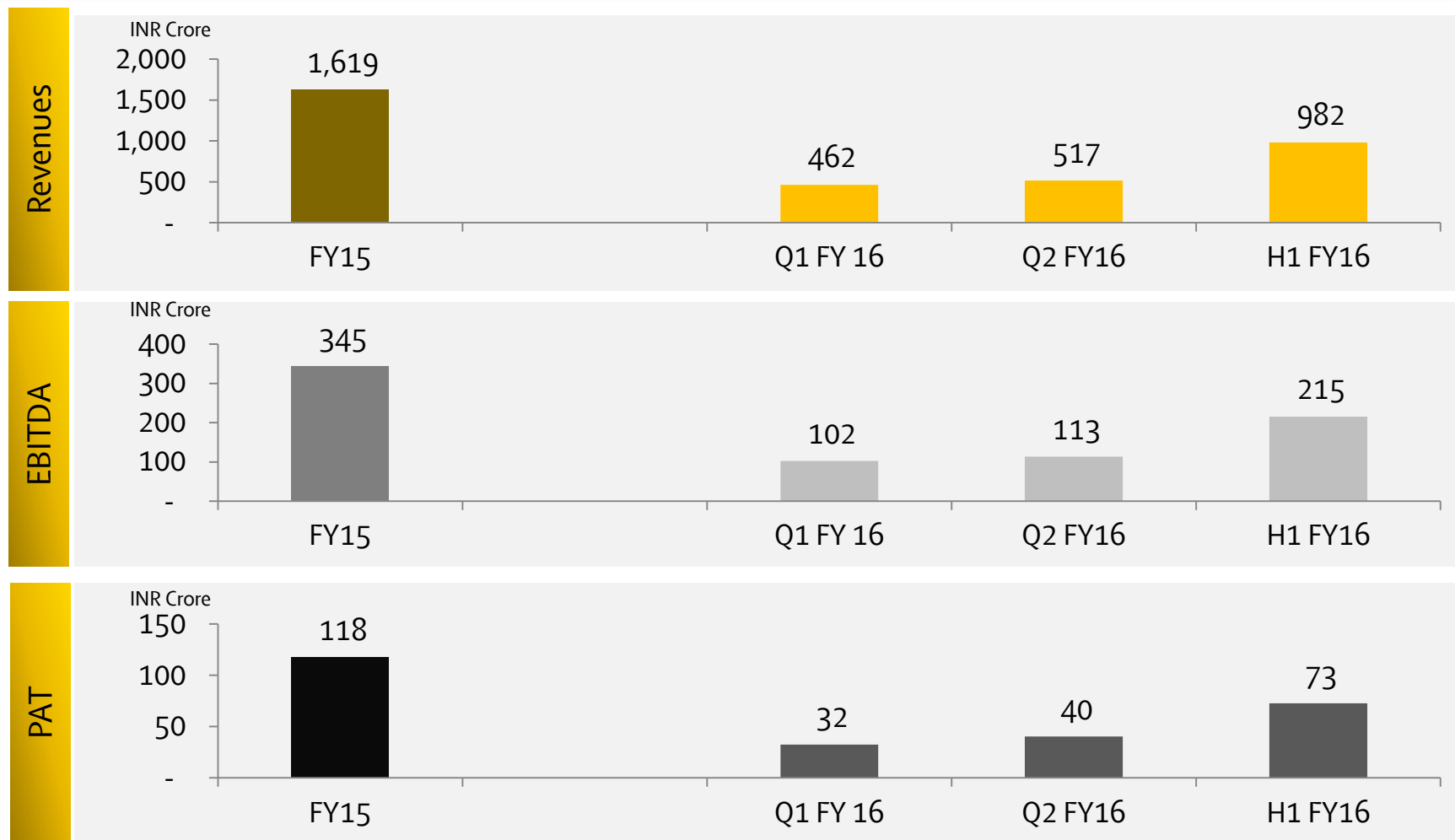
## Quarterly standalone financials



## Volume analysis for the Telecom business



## Financial Performance of the Telecom business



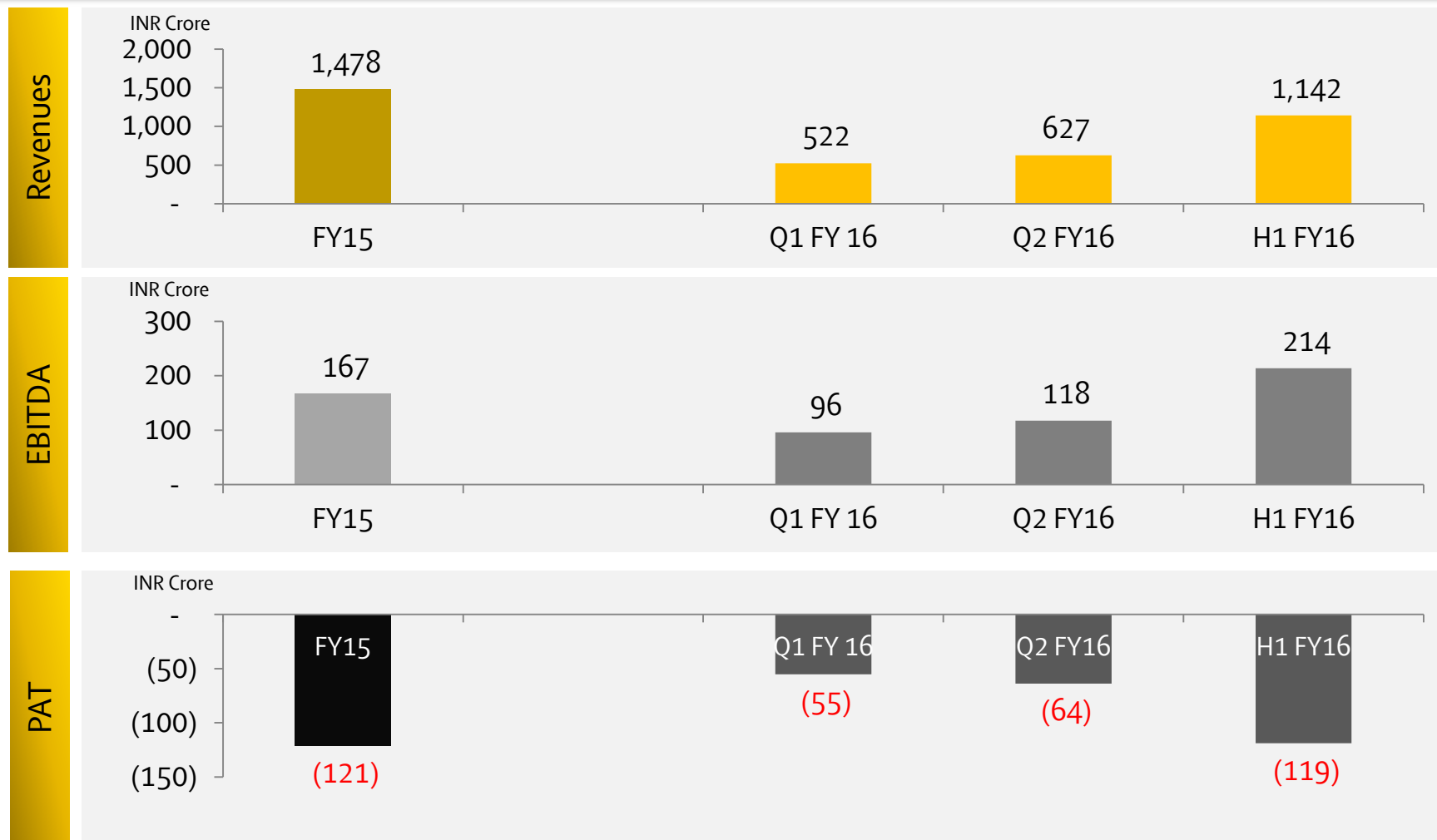
NOTE: The performance is based on the consolidated numbers for the telecom business. This includes performance of our China and Brazil JV and other telecom related subsidiaries. It does not include performance of Elitecore which was acquired on 30<sup>th</sup> September

## Operating highlights for the Telecom business

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

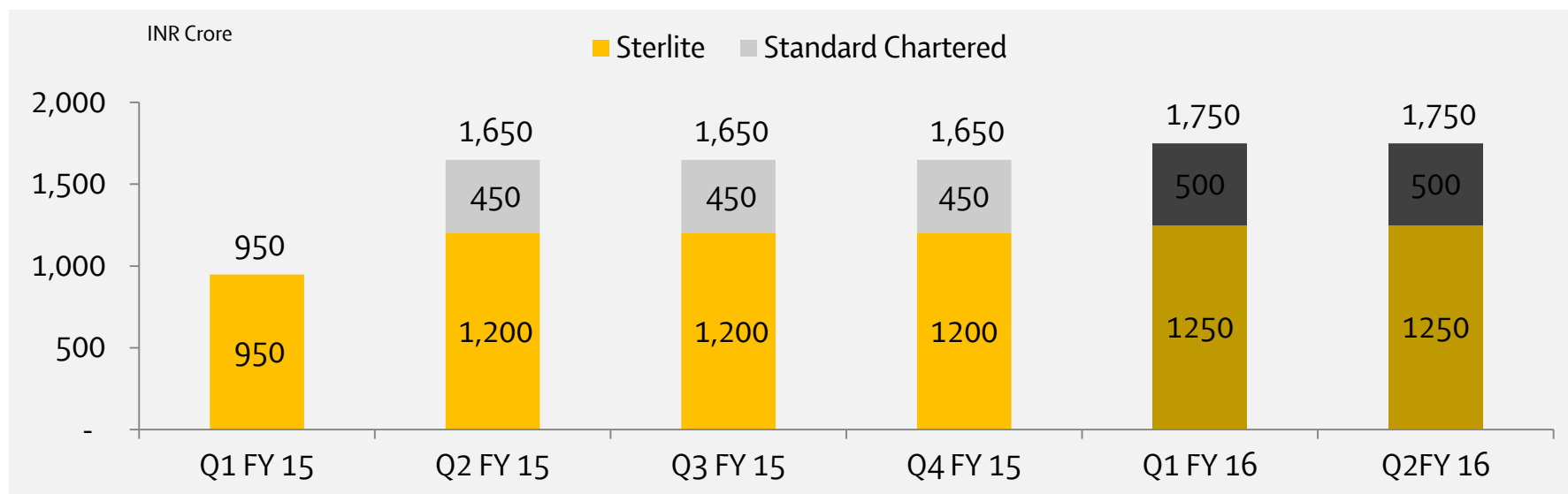
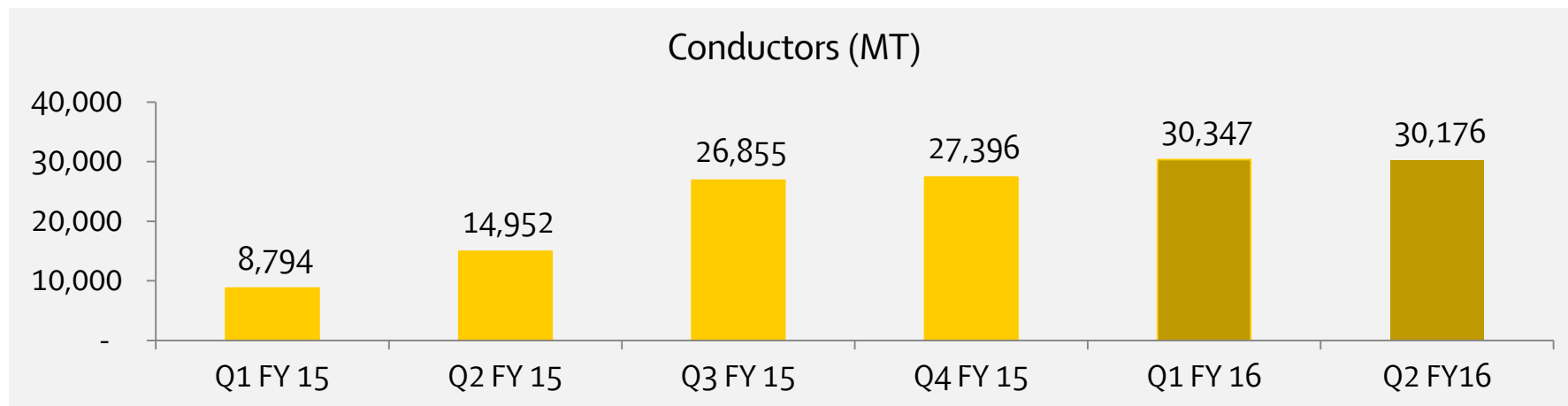


## Financial performance of the Power business



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

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



## Proforma financials for Telecom and Power

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

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

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

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LATEST NEWS AND NOTIFICATIONS.**



## Additional financial information

## Additional financial information – Standalone financials

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



## Additional financial information – Standalone financials

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

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

## Additional financial information – Consolidated financials

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

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

## Additional financial information – Consolidated financials

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

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

The background is a vibrant yellow field filled with a complex network of thin black lines. These lines are interspersed with numerous small red and blue dots, some of which are larger and more prominent. The overall effect is one of dynamic movement and interconnectedness, resembling a stylized orbital system or a data network.

**Thank you**