

Sterlite Technologies Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 500.00 crore reduced from Rs. 550.00 crore	[ICRA]AA- reaffirmed; Stable outlook assigned; Rating Watch with Developing Implications removed
Cash Credit	Rs. 805.00 crore reduced from Rs. 845.00 crore	[ICRA]AA- reaffirmed; Stable outlook assigned; Rating Watch with Developing Implications removed
Long term / short term Non Fund Based Limits	Rs. 3195.00 crore reduced from Rs. 5185.00 crore	[ICRA]AA- and [ICRA]A1+ reaffirmed; Stable outlook assigned; Rating Watch with Developing Implications removed
Non Convertible Debentures	Rs. 150.00 crore	Rating withdrawn
Commercial Paper	Rs. 350.00 crore	[ICRA]A1+ reaffirmed; Rating Watch with Developing Implications removed

ICRA has reaffirmed the [ICRA]AA- (pronounced ICRA double A minus) rating assigned to the Rs. 500.00 crore¹ (reduced from Rs. 550.00 crore) Term Loan facilities and Rs. 805.00 crore (reduced from Rs. 845.00 crore) Cash Credit facilities of Sterlite Technologies Limited (STL)[†]. ICRA has also reaffirmed the [ICRA]AA- (pronounced ICRA double A minus) and [ICRA]A1+ (pronounced ICRA A one plus) ratings assigned to the Rs. 3195.00 crore (reduced from Rs. 5185.00 crore) Non Fund Based limits STL. The non fund based limits are interchangeable between long term and short term. Further, ICRA has reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to the Commercial Paper facility of STL. ICRA has assigned Stable outlook to the long term ratings. The Rating Watch with Developing Implications has been removed reflecting completion of demerger of the company into two entities as well as completion of acquisition of Elitecore Technologies Private Limited (ETPL) by STL. ICRA has withdrawn the [ICRA]AA- (pronounced ICRA double A minus) rating assigned to the Non Convertible Debentures of STL.

The ratings continue to factor in leading position of STL in Optical Fiber (OF) and Optical Fiber Cable (OFC) industry in the domestic market as well as geographically diversified presence in export markets. The company is one of the few fully backward integrated OFC manufacturers globally, which makes STL a cost competitive player translating into robust profitability. ICRA notes that the near to medium term demand prospects for OF and OFC continue to remain healthy considering sizeable planned investments by the public and private sectors in the domestic market. The same is reflected in comfortable order backlog providing revenue visibility in the near term. Increasing share of revenue from system integration services as well as software business is helping the company in diversification of revenue streams. Further, due to modest capital intensity of the services business, overall returns on capital are expected to improve going forward.

The financial risk profile of the company has improved, in line with ICRA expectations, post demerger of the power business. The company reported improved profitability and return indicators as well as capital structure and coverage indicators as compared to the previous fiscal (which includes the power business financials). However, with increasing share of services revenue, primarily for the network-for-spectrum (NFS) project, the working capital cycle of the company deteriorated considerably in FY16 and the same is likely to persist in the near term, given expected high revenue booking from the NFS project in the current fiscal. Increased working capital requirements coupled with planned acceleration of the capex programme (from ~Rs. 130 crore to ~Rs. 210 crore in FY17) for enhancing OF capacity would result in higher funding requirements for the company in the current fiscal.

The demand drivers for the company remain exposed to capex cycle of the telecom industry with sizeable exposure to regulatory framework. Additionally, timeliness of investments by the public sector remains crucial for stability of revenue. ICRA notes that the global OF and OFC market remains competitive with presence of

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



entrenched players having larger scale and diversified manufacturing base, which limits pricing flexibility for STL in the export markets.

Going forward, improvement in working capital profile and limiting reliance on external funding would remain key rating sensitivities for the company.

Company Profile

Sterlite Technologies Limited (STL), formerly Sterlite Optical Technologies Limited (SOTL), was established in July 2001 after the demerger of the telecom division of Sterlite Industries Ltd (SIL). In July 2006, STL acquired the transmission line business of SIL to foray into the power transmission cables business.

STL has grown over the years to become largest OF and OFC manufacturer in the country. The company has sizeable presence in export markets as well with ~25% of standalone sales being derived from exports. STL also has an established presence in global optical fiber business, which is dominated by international majors like Corning Inc, Prysmian group, Yangtze Optical Fibre & Cable, Fujikura Limited and Furukawa Electric Company.

In May 2015, the management announced demerger of Telecom and Power businesses of the company to create two separate pure-play telecom and power entities which was completed in May 2016. After the demerger, STL continues to operate as a telecom player offering products and solutions for optical fibers, fiber optic cables, data cables, system integration, FTTH and telecom softwares.

September 2016

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Anand Kulkarni (Tel. No. +91 20 2556 0195)
anand.kulkarni@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500