

Sterlite Technologies Limited

Instrument	Amount	Rating Action
Commercial Paper	Rs. 450.00 crore enhanced from Rs. 350.00 crore	[ICRA]A1+ assigned for the enhanced limit
Non Convertible Debentures	Rs. 150.00 crore	[ICRA]AA- (Stable) outstanding
Term Loans	Rs. 500.00 crore	[ICRA]AA- (Stable) outstanding
Cash Credit	Rs. 805.00 crore	[ICRA]AA- (Stable) outstanding
Long term / short term Non Fund Based Limits	Rs. 3195.00 crore	[ICRA]AA- (Stable) and [ICRA]A1+ outstanding

ICRA has assigned an [ICRA]A1+ (pronounced ICRA A one plus) rating to the enhanced amount of Rs. 450.00 crore¹ (enhanced from Rs. 350.00 crore) Commercial Paper of Sterlite Technologies Limited (STL)[†].

ICRA has rating outstanding of [ICRA]AA- (pronounced ICRA double A minus) for the Rs. 500.00 crore Term Loan facilities and Rs. 805.00 crore Cash Credit facilities of STL. ICRA also has ratings outstanding of [ICRA]AA- (pronounced ICRA double A minus) and [ICRA]A1+ (pronounced ICRA A one plus) for the Rs. 3195.00 crore Non Fund Based limits STL. The non fund based limits are interchangeable between long term and short term. Further, ICRA has rating outstanding of [ICRA]AA- (pronounced ICRA double A minus) for the Rs. 150.00 crore Non Convertible Debentures of STL. The outlook on the long term ratings is Stable.

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 it 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 FY2016 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 acceleration of the capex programme (from earlier estimates of ~Rs. 130 crore to ~Rs. 225 crore in FY2017) 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. Further, the system integration services business remains susceptible to force majeure events and timeliness of investments by the public sector. ICRA notes that the global OF and OFC market remains competitive with presence of entrenched players having larger scale and diversified manufacturing base, which limits pricing flexibility for STL in the export markets.

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 the largest OF and OFC manufacturer in the country. The company has sizeable presence in export markets as well with an established presence in global optical fiber market.

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.



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

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