

## Sterlite Technologies Limited

May 03, 2019

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Non-Convertible Debentures	300.00	300.00	[ICRA]AA (Stable)
Commercial Paper	450.00	450.00	[ICRA]A1+
Fund Based – Term Loans	300.00	300.00	[ICRA]AA (Stable)
Fund Based – Working Capital Facilities	790.00	790.00	[ICRA]AA (Stable)
Non-Fund Based Facilities	2,885.00	2,885.00	[ICRA]A1+
Interchangeable Facilities	(2,885.00)	(2,885.00)	[ICRA]AA (Stable)/[ICRA]A1+
<b>Total</b>	<b>4,725.00</b>	<b>4,725.00</b>	

### Material Event

**Update on Q4 FY2019 and FY2019 results:** On April 23, 2019, Q4FY2019 results for Sterlite Technologies limited (STL) were declared wherein, STL's operating revenue witnessed stellar 111.6% YoY growth during the quarter supported by new order wins across segments and strong order execution. Due to change in revenue mix (increasing share of revenue from services business), the EBIDTA margin guidance by management has been revised to 18-20% from earlier 22-23%. However, the return on capital employed (RoCE) is expected to remain healthy going forward because of asset light nature of services business segment.

### Impact of the Material Event

Increasing share of services business could result in elongation of working capital cycle, though overall return indicators are likely to remain at comfortable level. There could be short term pricing pressure in product (optical fiber) segment due to global supply demand mismatch; however, STL's long term contract with its customer and healthy order book of over Rs 10,000 crore as on March 2019 provides adequate visibility. Going forward, company's ability to withstand pricing pressure, especially in the backdrop of its upcoming large capacity remains to be seen.

ICRA takes the note of the recent update and would continue to monitor the developments regarding the same going forward.

The previous detailed rating rationale is available on the following link: [Click here](#)

### Company Profile

Sterlite Technologies Limited, 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. STL is listed on national stock exchange (NSE) and bombay stock exchange (BSE). As on March 2019, promoters hold 53.8% stake in the entity. ICRA notes that 96.7% of the promoter's shareholding in the entity has been pledged.

---

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. In September 2015, STL acquired Elitecore Technologies Private Limited which was a telecom billing software company. 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, telecom billing software and FTTH services.

The company has a 75:25 joint venture with Jiangsu Tongguang Communication Co Ltd in China for manufacturing of OF and another 58:42 joint venture with Condu spar Condutores Eletricos Limitada fir manufacturing of OFC in Brazil. Also, in July 2018, the company acquired an Italian OFC manufacturer, Metallurgica Bresciana S.p.A., for a consideration of Euro 47 million which was primarily funded by Euro debt.

ICRA has consolidated the operational and the financial profiles of the two joint ventures for the analysis. The company on a consolidated basis has an OF manufacturing capacity of 37 mn fkm and an OFC capacity of 18 mn fkm.

## ANALYST CONTACTS

**Subrata Ray**

+91 22 2433 1086  
subrata@icraindia.com

**Ashish Modani**

+91 20 6606 9912  
ashish.modani@icraindia.com

**Pavan Rajkumar Agrawal**

+91 20 6606 9916  
pavan.agrawal@icraindia.com

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6169 3300  
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

### About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 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](http://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