



“Discussion on the Business Outlook and COVID-19 Disruptions with Sterlite Technologies Limited”

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ANALYST: MR. PRANAV KSHATRIYA – EDELWEISS SECURITIES LIMITED

**MANAGEMENT: DR. ANAND AGARWAL- CHIEF EXECUTIVE OFFICER - STERLITE TECHNOLOGIES LIMITED
MR. ANUPAM JINDAL – CHIEF FINANCIAL OFFICER – STERLITE TECHNOLOGIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Conference Call with Dr. Anand Agarwal, CEO and Mr. Anupam Jindal, CFO of Sterlite Technologies Limited to discuss the business outlook and COVID-19 disruptions hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Kshatriya from Edelweiss Securities Limited. Thank you and over to you Sir!

Pranav Kshatriya: Good afternoon everyone. It is a pleasure to host the management of Sterlite Technologies Limited today to discuss the impact of COVID-19 on the business and their response in the current situation. We have with us Dr. Anand Agarwal, CEO of Sterlite Technologies Limited and Mr. Anupam Jindal CFO of Sterlite Technologies Limited. I am sure the participants would appreciate that this call is organized to communicate the short-term and long-term impact of COVID-19 and hence they must avoid questions relating to particular reporting period such as Q4 FY2020 and Q1 FY2021 as the company has not yet announced its quarterly earnings for Q4 FY2020. For opening remarks I hand over the call to Dr. Anand Agarwal. Over to you Sir!

Anand Agarwal: Thank you Pranav and good afternoon everyone and thank you for joining us today. First of all I hope that you and your family members are all safe, healthy, and doing well. As all of us know, Coronavirus has been declared a global pandemic and as we speak the number of infected cases are rising every day and in this unprecedented situation, the governments across the world are leading the response in their respective countries and we at STL are also working in line with the regulatory directions.

Also as a socially conscious organization, we are doing our best for local community. There are multiple initiatives that we are working out at our local operational sites and we have also created something called a project Savdhaan which is a special initiative which has trained over 1 lakhs youth on COVID-19 awareness through STL Academy in an online mode.

For us at STL, as we saw this scenario unfolding in China, we formed a cross functional business continuity planning team in early February itself. This team essentially has been focusing on four three aspects during this period. The first aspect has been clearly our employee and ecosystem health and safety. The second aspect has essentially been in terms of meeting the customer commitment or fulfilling the customer commitment and wherever they are getting impacted advising and informing the customers well in advance. The third has been the clear cash flow and liquidity planning based on different scenario analysis and

the fourth factor which this team has focused on is our planning and readiness for a quick restart as the situation starts normalizing.

This team has been working almost round the clock for since then it is across functional, across location team, across almost 27 sites at global level, and I personally interact with the team twice a week making sure that we are taking all actions for all the four aspects. In terms of our employees both on rolls, off rolls, contract, manpower safety, we were one of the first few companies to advise all employees to work from home in line with the regulatory and WHO guidelines, we have issued travel advisories, secured both physical and digital access as well as reviewed the health insurance and hospital tie ups in cases of emergency. We have a very strong digital capability to ensure full level virtual collaboration, communication as well as secured data transmission while working from home.

In these times, we are also continuously in communication with our customers and our customers have appreciated our efforts to maintain both our deliveries wherever we have been in terms of on time as well as in terms of information wherever there has been disruption of deliveries. In terms of our operations across the world, our power optical fiber plant in China has started for the last two weeks and is now operating at the pre virus-pre-utilization levels and we are essentially also making plans towards ramping this up further. Our employees have rejoined this facility and we are planning to fulfill more of our global customer requirements from this plant in the interim.

Our plant in Brazil is also fully operational which is our optical fiber cable plant and in Italy the plant will start. It has been shut down for the last 10 days and it will start operation from the following Monday, which is April 6, 2020 starting with the dispatches and then with some operations and gradually getting back towards maybe a more normalized operation towards the end of April. In India also, we are the plants both the fiber and cable plant currently are in shutdown.

We are receiving several inquiries from our customers both India and abroad towards maintaining their networks and increasing the capacity with what we are seeing this tremendous added load on the data networks. We have approached relevant authorities in India, wherever our plants are located for allowing the dispatches wherever we had to stop to maintain and manage essential services as well as in a limited form allowing some amount of plant restart with the regulations both on essential services telecom and internet being essential services as well as continuous manufacturing wherever applicable.

Our services projects in India also on temporary pause and while we have submitted force majeure letters to our customers there is an attempt to restart again some of the critical

projects here also an account of essential services, especially in areas of defense as well as some key telcos required to maintain and manage communication.

In terms of cash flow our receivables are not very significantly affected. Telecom and Cloud company's services have been declared as part of essential services and they are continuing. In the services business though our collections have gotten temporarily delayed due to unavailability of full manpower in our customers offices, but we saw some money come in the last days of March as well as we expect to get most of our due payments in the month of April and we are seeing extremely, extremely strong kind of a network being built up with our sales teams, with the customers teams and making sure that the liquidity across the ecosystem is maintained.

We are maintaining a comfortable balance of cash and cash equivalents and in the event that the lockdown situation persists longer than anticipated we have more than sufficient liquidity to manage all over fixed costs as well as cash outflows. We are very closely monitoring the situation with our business continuity planning team and we are preparing ourselves for a quick restart on plant operations and to depute employees at the project site as soon as the situation normalizes or we get the requisite approvals. Our supply chain and vendor partners are also in state of readiness for a quick restart.

In terms of business implications of COVID-19 we shall see some negative short-term financial impact. The global fiber demand is expected to remain weak as we have maintained earlier as well in the first half of calendar 2020 and should come back in the second half. Overall we see the demand for the whole year being flat in the current calendar year and will rebound in calendar year 2021. This has been sort of purview which was provided by the CRU also during the pre-COVID scenario. We at the same time for our services business the demand is expected to remain strong as we expected earlier and we had reported an additional order book of about Rs.1500 Crores during mid-February from a variety of clients and we will also report the overall order book position with our full year results later in the month of April.

In terms of the midterm business implications though we see that the world is moving much faster towards digitization, we are clearly seeing at least five macro shifts in the current environment of network usage and traffic which we strongly believe this will continue even the post the current situation. The first macro shift that we are seeing is as all of you would be aware is just the increase in traffic itself. In terms of data usage most regions in the world are seeing between 30% to 100% increase in the traffic on their network. A significant amount of this traffic is coming from work from home and stay-at-home kind of regulations from enterprise used cases, like video conferencing like collaboration tools, like slack and increase of web-based applications on the cloud that is one shift. The second shift that we

are seeing macro shift is a traffic shifting more and more towards enterprise as well as Cloud. Enterprise data consumption, which we had been anticipating would be gradually growing, has tremendously grown in this period of lockdown at a global level. Microsoft has announced that there has been almost a 7x increase of cloud services in the regions which have enforced social distancing measures for its Azure based cloud services. With more employees operating outside the office, more and more workload has migrated to the cloud to ensure that work can be completed.

The third shift that we are seeing which is essentially that the traffic is becoming more and more symmetric. Earlier the data usage was essentially mostly asymmetric when people used to use data towards more downloading of videos etc., and the networks were designed also towards this asymmetric traffic usage. We are now seeing that the network is becoming more and more symmetric and most of the user traffic is both upstream and downstream.

The fourth shift we are seeing is towards the network requiring more and more low-latency applications so with more and more enterprise applications moving to Cloud the demand is towards low latency from the network's. The networks have started responding by looking at having some sort of data centers and moving closer to the customer and we think that we are having increased discussions with our customers on how these data centers towards the edge can be looked at as we move towards the future and the fifth macro shift that we are seeing is that the usage patterns have shifted so the data consumption patterns, which used to be in one part of the network in one part of the locality within cities or towns has moved to a different location amidst an upsurge of both home internet as well as video streaming services and to tackle this network congestion, which are happening at different parts of the network geographically telco's have started rolling out what they are calling a tower on wheels or sell on you so sell on the wheel site is a piece of passive infrastructure on which base station and antenna are mounting and they quickly increase the capacity in a local area while this is a temporary solution we are already in discussions with telcos towards establishing a more permanent capacity.

As a result of these five macro shifts, which we spoke about the increase in traffic, the traffic shifting towards enterprises and Cloud, the traffic becoming more and more symmetric, the network requiring lesser latency and faster response and the shift in geographical user patterns, we have noticed that an increase in our customers discussing with us on preponing some of their network rollout. Over the last two or three weeks as well we have had discussions with customers in Middle East, in Europe as well as Asia Pac in newer kind of requirements towards both establishing a newer network capacity as well as preponing the rollout.

As we are seeing the data network choking across the world we are getting increased queries on network requirements of the future and we are also seeing our customers planning for a much higher redundancy in the network for the future thereby increasing both the network capacity as well as the amount of fiber count and capacity as they look forward. Also what we are seeing on the government side that the government across the world are looking at stimulating the economy by increasing investments in creating digital infrastructure.

For instance, China already the Ministry of Industry, and IT has published a document calling on their telecom companies as well as localities to accelerate the 5G network build up as well as applications to minimize the impact of Coronavirus. The country had installed about 130,000 base stations 5G base stations in 2019 and the plan is to install 550,000 base stations in 2020 almost like four times of the installation. What was done in 2019 to China is talking that they almost now have close to 15 million subscribers on 5G and before the end of this year, they plan to take almost a hundred million subscribers on 5G and these new base stations, this new construction is fully with a fiber backbone. In Europe we are seeing strong momentum by UK and Germany on creating broadband networks. The government in UK, the newer government has announced almost \$6.5 billion investment in creating a fiber to the home and rural gigabit broadband network, the plans which was towards spending this money till 2013 have now been accelerated to spend this till 2025 and what was to be spent till 2025 is now being accelerated to spend till 2021-2022 so we are seeing this acceleration of rollout which we believe is going to post this scenario will start a series of activities across the entire network.

In India also, we are expecting and seeing that the government to continue spending in critical digital infrastructure so we are extremely positive on the midterm positive implications on our business in the post corona world; looking at both the future potential on the businesses as well as returning cash to the shareholders we had announced our plan of buyback which has been approved by our Board of Directors on March 24, 2020. The buyback shall be carried via open market group and up to a maximum market price of Rs.150 and this buyback shall be done over a period of the next six months.

In the end, I would like to say that though there are short term global challenges across the world, but we are extremely confident that this challenge will usher in a new era of global digitization as well as virtual connectivity making the world much more connected, much more borderless and much more efficient and we at STL would have a large opportunity to contribute to make this happen at a faster pace. With this we come to the end of our opening remarks, and we are happy to take that question.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sonashish Chatterjee, an Individual Investor. Please go ahead.

Sonashish Chatterjee: Sir, I have two questions. First one is why do you see that demand in say calendar year 2022 it was around 484 million kilometers for fiber optics and what is the current installed capacity and do you see any incremental supplies coming and my second question is for your future orders say for FY2021, what is your optic fiber initial price as its fallen below \$6? That is all from my side.

Anand Agarwal: Thanks for the questions. For calendar year 2022 again what CRU had predicted I think the numbers were going up to I do not have exact numbers, but it was between 550 and 600 million sorts of usage. The installed capacity as we understand right now is closer to 600 million kilometers at a global level and we believe currently that the current utilization at a global level is of the order of about 80% to 82%, but post this situation as I talked about some acceleration of the networks, the numbers might see a different shift and we will be able to provide better numbers on that maybe in the next couple of months as the start we as well as CRU get a better color on that. In terms of realization that realization has been pretty flat over the last four five months, most of the inventories which were there in the ecosystem have been consumed and we have not seen any realization pressure since then.

Sonashish Chatterjee: Thank you Sir that is all from my side.

Moderator: Thank you. The next question is from the line of Anand Trivedi from Nepean Capital. Please go ahead.

Anand Trivedi: Thank you for the opportunity. Just follow up on the earlier question was asked given the current overcapacity in the fiber-optic market my understanding correctly if I am wrong is the price of the fiber optic is around Rs.4 and Rs.4.5 just wanted to see if that is correct number one, number two is what is the realization are you still getting over \$6 and how do you see this panning out over the next one year from a pricing standpoint?

Anand Agarwal: The numbers that you are quoting about \$4 and \$4.5 is something that is quoted for spot markets is largely in China and most of the time we are neither in that market nor do we participate. We never took or to the benefit of the spot markets in the pricing was at \$11, \$12 also, for us the pricing currently continues to be at similar level for the reported in Q3 and it has been largely flat closer to between \$6 and \$7. Overall, during the year as we have said that a lot of the inventories which were there in the ecosystem in 2019 there was inventory with the with the Telco China mobile company, there was inventory in the overall ecosystem that has now been finished, so we do not logically see any reason for a price drop and we think the prices should be either be stable or should strengthen from here, but we will get to know a situation better as the year progresses up.

- Anand Trivedi:** Okay. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Abhinav Ganeshan from SBI Pension Fund. Please go ahead.
- Abhinav Ganeshan:** Good afternoon Sir. Thank you for taking my question. I have two broader questions the first point is I just wanted to understand how much was happened in our legacy networks specifically I would want a perspective on Indian telcos and the second question is now with all this network congestion happening so how are we addressing the problem as Sterlite whether we have developed any software defined networks, how are we helping the telecom play right now?
- Anand Agarwal:** Sure both very relevant questions. In the legacy networks we have two different kinds of networks, which are in the country largely. There is incumbent network which is say pre-Jio sort of network with the fiberization is very low. It is of the order of one tower site out of 6 is connected so it is about 16%-17%. For Jio that number is almost close to 80% to 85% of their tower sites are connected so we believe that and we have been in discussion with the incumbents and they are extremely in the phase of rolling out rapid fibrization of their tower sites, which is clearly now required for their 4G services. In terms of the congestion that is happening on the network one clear solution has been just mechanically rolling out more BTS and more local site but as I said we are now think activity across the board, we are seeing activity coming in for people who want to strengthen the rollout of fiber-to-the-home, we have signed up one major rate contract with work with a large telco in India towards rolling out the fiber-to-the-home at a rapid pace this year. We are seeing people, the ISPs looking again at inquiring with us towards strengthening the last mile fiber network. We are seeing rapid increase activity for two fronts one is for fiberization on towers and the second is towards both fiber-to-the-home and enterprise and as far as what you talked about software-defined network we have this solution through our investments in software as well as this wireless company that we invested in earlier this year and we have those in under trials right now so I would not say that those in any quantitative manner would reduce immediate congestion, but wherever we are doing trials with a customer we are very bullish that these are technologies which we are investing in which would within the next few months and quarter would help him releasing the overall network congestion.
- Abhinav Ganeshan:** One final followup if I may be that just wanted to understand. Can you just give some more color on how the 4G network has more advanced compared to the legacy network in case like I can adjust antenna or the angle of antenna and all that so it is clearer, what are the operating contours if you could just give some color that would be really helpful because we had a technical person would be better able to address this? Thanks.

Anand Agarwal: 4G especially network just has shared more capacity more spectrum what they call in the spectrum efficiency so within the same amount of megahertz, you can push in much more data, so I do not think by maybe for the legacy if we do not have at the location 4G is not there, you cannot get the same speeds on a 2G or 3G so wherever 4G applicable requisite speed is higher by virtue of the technology itself but what we are seeing at several places in a localized environment where there are multiple users on the same 4G network those speeds are getting lower because of tremendous sharing of the same spectrum and there we are working with customers towards having alternate technologies like Wi-Fi etc., both for front haul as well as for backhaul so we have technology which in the backhaul offloads the spectrum on Wi-Fi and that is deployed with one of the telcos in the country.

Abhinav Ganeshan: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI mutual fund. Please go ahead.

Deepesh Agarwal: Good afternoon. I have just one question in this scenario where next one year industry demand is likely to be flat what gives you confidence of increasing the utilization because I understand our fiber utilization would be somewhere around 55%-odd and we were talking about 70% possible utilization we can go in a year but in this scenario, is it possible and what gives you confidence?

Anand Agarwal: Deepesh, some of the discussions that we had were the pre-COVID situation and when we said that we will increase the utilization even today I am more bullish from that perspective that as we start seeing this year pan out and from the discussions that we are having with this entire situation we have had several customers discover across the globe preponing the network design, preponing the network rollout and having discussions with us to work towards what can we do in making the network's stronger so I am pretty bullish while there is overall report that overall yes, maybe flat the calendar area just by virtue of the fact that a large part of February, March and April is getting lost but I see a lot of activity happening post during the summer in this year. Just by virtue of the fact two issues are coming out very clearly all the side macro shifts that I described in terms of the increasing capacity, the capacity being at different places and people just not having enough redundancy. We are now seeing across Europe as well as US people have asked all the streaming services to go from 4K to HD to standard definition. Just imagine that people are unable to stream because all our videoconferencing apps are now seeing major dip in quality and these shifts that we are seeing now happening of people using digitization of enterprises going to Cloud of more collaboration over video, of more collaboration over a Cloud, whoever we are speaking to as well as the ultimate consumer they are saying a large part of the shift is going to be permanent. Now that we are seeing a very high degree of efficiency of us talking to

customers over video, talking to analysts over video this shift towards video has the separation over video is very permanent.

Deepesh Agarwal: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss Securities. Please go ahead.

Pranav Kshatriya: Thanks for the opportunity. I got two questions, firstly can you throw some light on how exactly things are panning out in China given you already have a facility there. Specifically I want to understand that our telcos looking at adding more capacity there and what sort of conversation you are having with telecom operators in China? This is just to get a perspective on how after COVID things change? That is my first question and second question will be on working capital side, do you expect certain dealer in receivables especially from the project business given and our government seems to be a bit stressed on the finances and hence might delay certain payment do you see a risk there? Thank you.

Anand Agarwal: Sure Pranav on the China side, I will talk about both things on the demand side as well as in the supply side so on the demand side we spoke about what we saw in early March already on the three telcos coming together and working in a combined manner, two issues standard for interoperability between them for the 5G standard. So we saw that as a major thing and another move this we saw just a few days last week was this announcement that against 130,000 base stations last year, they will deploy 550,000 base stations of 5G in the current year so that gives the tremendous amount of confidence and then there have been slew of announcements from the government towards talk about stimulus, talking about technology, talking about digital investments so we get a high-degree of confidence that this 2020 especially now China is getting extremely ready to kind of get ahead in the overall race for 5G and doing that investment as both as a part of stimulus as well as a part to take a strong lead in this side. On the supply side what we saw was that some like second week of March itself we saw the local governments starting to consult our facilities etc., and helping on the front of getting it back towards resumption in operation. We had them give out some incentives etc., in cash terms also towards facilitating the restart up. We saw an extremely proactive government there towards making sure and within less than a week we were back to pre-COVID employees utilization levels etc., and now we are discussing that can we take that facility to 100% utilization to serve our more global leads there. That is on the China front we are seeing both on the demand side as well as on the supply side, a full stream getting established. On the working capital side, we are starting to see that while the government might be stressed in finances, there is a very high degree of awareness for them towards making sure that wherever amounts and payments are due they are working extra hard towards making releasing the payments so I spoke about some of the payments that we

got literally on April 30 and April 31 by people working from home and offices and finding new ways to do their approvals, normally they have all these stamps and approvals which are required to be done physically but they created VPNs and all towards making these payments. We have finding that there is a sincere effort by the government at one level to make payments wherever the things are due and especially for our sector, which is to do with telecommunications which is coming clearly under them and their duties also helping us significantly in issuing the right notifications in facilitating the fund flow, because it is clearly an essential service and we are working across the ecosystem with our customers, customers in making sure that this money flow continues and as I said our liquidity we have maintained between what we are receiving, what is due to our vendors towards making sure that we are comfortable with the liquidity.

Pranav Kshatriya: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital, please go ahead.

Agastya Dave: Thank you for everyone for hosting the call and for detailed explanation Sir. Sir, I had three questions, did I hear you right that the Italian plants will start from next week?

Anand Agarwal: Yes that is right so from Monday we are starting dispatches and we have gotten the permission towards making dispatches and then we will go towards a gradual ramp up of operations.

Agastya Dave: Great, Sir another question so I understand that the commentary on the yearly demand number and how that would be flat because we have basically losing two months globally, but could you break it up further into what you see in terms of individual quarter so my guess would be that we will start ramping up fairly sharply so what would be your sense, how the ramp up will look by December quarter?

Anand Agarwal: Agastya are you talking about us or the global demand?

Agastya Dave: Both if you could give some indication because this commentary on China that you have given there has been a significant shift right? So could you give some number on the exit for this calendar year? How will exit look like for the company as well as the industry?

Anand Agarwal: Give us a couple of weeks towards giving exact, because see we are seeing all these pointers right now, we have this customer in UK who has postponed, we have this customer in Middle East who has postponed, we are seeing China, how this works in terms of exact number for the industry as well as for us. We will come in our Q4 call later in April and we

will give you a better color there. We are seeing a positive move but to translate into numbers let us give us those couple of weeks.

Agastya Dave: Perfect Sir and Sir my final question was on this particular point only. Can we expect some delays in the quarterly filings this time or the AGM or the annual report filing or you guys are comfortable enough to do everything online because government has given that leeway so on the corporate announcement side could you give some clarity, if you have any?

Anupam Jindal: Let us say we are looking at specifically we come out with a quarterly earnings on in the third week of the COVID so depending on how situation unfolds we are currently positioning ourselves to be ready with our numbers as soon as lockdown is removed, maybe week four and we will see how situation evolves and accordingly but we are prepared and I do not see AGM or other things getting deferred because those are generally in the month of July or so, so I do not see any situation be deferring in those things.

Agastya Dave: Perfect Sir, all the best Sir. Thank you very much.

Anand Agarwal: Thank you. The next question is from the line of Rueben from RN Associates. Please go ahead.

Rueben: Good afternoon. Thanks for the opportunity. I have a couple of questions. First is as you highlighted in your opening remarks like many countries across the globe, they are preponing their network rollout and this COVID-19, it has structurally changed the outlook for the sector so in the light of this scenario where do you see, the overall global addressable opportunity size of Rs.75 billion, you all were anticipating it to happen by 2025 so in the light of changed scenario do you see if gets preponed?

Anand Agarwal: Rueben, good question, we are doing everything so that our addressable market continues to grow so if you have seen the structural changes that we have done in the company we have added full-fledged system integration, we added Cloud capability, we added wireless, we are taking services to a global level this year. So for us the clear focus is towards accelerating our addressable market, can it happen faster, hopefully may be, but as I said earlier, everything to do with numbers and timing of the numbers give us a couple of weeks, but you are absolutely right, the structural shift is all towards faster digitization and faster spend.

Ruben: Okay and Sir second question is regarding the customer mix in terms of telcos, governments, Cloud service providers, independent software vendors, so going forward what sort of mix you see in the medium to long term for the company is the consolidated entity and may be within India if you can throw some light on this?

Anand Agarwal: Over the last say three years or so telcos were about 85% for us, now they are 65% and we did not have any presence of enterprise and Cloud, now they are almost 17% as a company, we believe as we keep moving forward at a global level it might be 50% telcos and 50% between Cloud, enterprise and the citizen networks that we essentially talk about and towards India also our services business also is getting more and more broad based so we now have order books from like enterprises like defense, we have order book from rural rollout, we have order books of fiber-to-the-home rollout from telcos, we have orders from fiberization the tower fiberization from telcos and globally through the data center company that we acquired we have global data center services order book so directionally we are doing everything to make it broad based both in terms of customer categories as well as more geographic presence.

Rueben: Thank you. That is from my side and all the very best for future Sir.

Moderator: Thank you. The next question is from the line of Anand Trivedi from Nepean Capital. Please go ahead.

Anand Trivedi: One more question from my side. From a technology standpoint I wanted to understand as the world moves from 4G to 5G I believe there is a fair bit of dark fiber already in the ground so does that fiber have to be replaced or can you just electronics on either side?

Anand Agarwal: Anand that is a great question, typically what happens 4G to 5G there are two aspects of it, 4G to 5G the big network shift is what is going to happen is that the network will be all based on small cells. 5G is a high capacity network but the range of this network is very small. So if you have say for instance a tower which is a two kilometers away from the user today it cannot be more than 200 meters so every tower sites will have about 10 small cell site and those connections will be all new connections to be made over new fibers and that is bulk of requirement, the old fiber which is stay old tower to tower, typically the way we have seen is that people have continued to let the old electronics run the old network and they have deployed new fiber and new electronics to run the new network so as we are seeing given today, 3G networks are running while 4G is deployed parallel to that and then over a period of three, four years they switch off the old one and then run the new one. So we are seeing both for capacity requirements as well as not to cause any disruption people do not disrupt the old network and run it parallely and overlay the two networks for three to four years before they switch off the old one.

Anand Trivedi: Sir just to clarify then the fiber-optic which is required for 5G is not different than what is required for 4G, is that correct?

Anand Agarwal: Actually from estimate it is actually going to be six to seven times in a consolidated manner of what was deployed on 4G because this is a distribution network, 5G you can almost say

4G you could think in parlance that it was a transmission network. 5G is a distribution network it is going to every single street, it is going, we have done some estimates and we have had discussions, right now what Verizon has deployed in US in few of the cities, they have deployed fiber in every single street in those cities and one city has typically required between three to four million kilometers of fiber for a 5G requirement.

Anand Trivedi: Sir just to clarify the quality of the fiber is the same?

Anand Agarwal: Quality is some continuing to shifts all the announcements that we did towards value added product which is our bend and sensitive fibers so as you go more and more towards closer to the user, the fiber has to be more rugged, the fiber has to be ready to take more abuse and at the same time continue to do more capacity, so our range of products that we have introduced over the last few months bend in sensitive fiber, high density ribbon cable is all towards that.

Anand Trivedi: Okay but in that case is it fair to say that the excess capacities currently in the system, can that be used for the 5G or that is not redundant for 5G?

Anand Agarwal: The excess capacity what you are talking about the dark fibers etc. right? The issue about excess capacity is all getting currently exposed. If there was excess capacity there will be no network choking. Today people not have gone to say that reduce the speed of Netflix, people would not have poor quality videoconferencing call so all this theory about high network is true for a few locations for some backhaul network but largely the network require strengthening across the world.

Anand Trivedi: Thank you so much.

Moderator: Thank you. The next question is from the line of Sambhaav M, an Individual Investor. Please go ahead.

Sambhaav M: Thank you for taking my question. I wanted to ask what is current debt level of the company and how much of it comes due by March 2021?

Anand Agarwal: The current debt level Sambhaav as we had reported at the end of Q3 was about Rs.2000 Crores, we are at similar levels and we will come with exact numbers in our Q4 call and in terms of FY2021 as you are saying the FY2020 was our peak of investments so 2021 the capex investments are whatever where there it is like currently in the phase of getting paid off some capex investments for cables we have sort of extended for a few quarters, so the debt levels as we foresee for 2021 will be lower than what we are.

- Sambhaav M:** Okay what I meant to ask was I mean given the commercial papers and the term loans that we have, what percent of it would be coming due in this coming financial year, I mean by 2020-2021 March?
- Anupam Jindal:** I can talk about so we do not have any major commitments on the loan side which are getting to you and from funding side we have adequate lines and now the major debts are due in the current year, so we are well positioned from liquidity point of view.
- Sambhaav M:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Aditya Birla Sun Life, please go ahead.
- Jayesh Gandhi:** Good afternoon gentlemen. Thank you for the call. I joined a bit late so may be this is a repeat, but just thought I will ask you. You were discussing about China and how things are coming back in terms of manufacturing setup there, some broad indication that you can give us on the pricing there, what my understanding is that the pricing worldwide got disrupted because of pricing declines and disruptions in China? How do you see that panning out in the 12 to 18 months pricing for fiber and cable?
- Anand Agarwal:** Jayesh, we briefly talked about at China you are right, the price got disrupted in 2019, largely due to the fact that China Mobile had not issued one major tender and that created a large supply in the ecosystem with them, with their supplier base and with the fiber base, most of the inventory levels in the ecosystem is now out. The three mobile companies together have announced that against 130 base stations which they deployed in 2019 for 5G, they are going to deploy 550 base stations so we foresee that overall the demand for infrastructure and thereby fiber is going to be strong in China this year. We were discussing in terms of the increase in the discussions for preponement of network and fiber demand that we are seeing logically there does not seem to be any reason for try to fall any further. It should be either stable or may be strengthened in the next few months and quarters.
- Jayesh Gandhi:** Wonderful, good to hear that. Also a Chinese facility it is not a very big one and it is barely made great profits for us in the past. How do you see that changing in the next few years?
- Anand Agarwal:** So China Jayesh our facility did very well in 2016, 2017, 2018 in terms of profits, operation, the only the year in 2019 it was, so the capacity in China is almost it is a downstream facility where we take the preform and rather and it is almost 14 million kilometers of facility and that is what we are currently bringing on ramping it up so we see that that facility which we had created largely for catering to Chinese demand now under the current situation we have now opened up and it is catering to global requirements fiber

is going from China to different parts of the world so we think that it will be a global manufacturing facility for us and it has decent capacity.

Jayesh Gandhi: Wonderful, and preform would be supplied from India or was also locally.

Anand Agarwal: No preform we supply from India and we have the sufficient stock in China.

Jayesh Gandhi: Okay, wonderful, great, great. My other question was regarding the services business, we had order book and we had a good ramp up plan this year of course some bit of that might have got impacted because of lockdown in the last two weeks, how do you see that execution next 12 to 18 months or is it too early to ask you that question?

Anand Agarwal: Jayesh, again from a macro perspective the order book is great. During January, February we announce our addition of about Rs.1500 Crores of order book which was both in services as well as international orders for product so that is good. You are right, over the last couple of weeks the project sites have been largely shut down. So couple of things we are doing, one, clearly is some of these sites have gotten essential services permission and they are now getting back to normal. The people who are they are continuing to be there and we should get back faster as soon as the situation normalizes and then the discussions that we have got one major rate contract order from one of the telcos in India towards fiber-to-home rollout, we see all these have times of us the services, the growth continuing in the current year and beyond that from broad basing of the customer base in India as well as the global positioning that we are doing through the IDS positioning in data center in Europe as well as additional opportunities we are seeing both in Middle East and Europe. So we are extremely bullish on the services growth to continue.

Jayesh Gandhi: Wonderful, great to hear that. Final question on the buyback I think it is great concern building measure that the promoter and management team has it is going to implement, any timeframe that you can indicate or too early?

Anand Agarwal: The timeframe overall, Jayesh is over a period of six months. This allows us to do that and we will take that much time to do over this, we will get permission to start that hopefully by next week to start the buyback and it gives a window of six months and we are going to use this window judiciously, this is just a confidence building measure in the market.

Jayesh Gandhi: Thank you very much for the call again and all the very best in the future.

Moderator: Thank you. We take the last question from the line of Tejas Mehta from Old Bridge Capital, please go ahead.

- Tejas Mehta:** Thanks for taking my question. Sir I just wanted to understand when China goes from 130000 base stations to 580000 base stations how much of fiber demand does that imply?
- Anand Agarwal:** Tejas, we are calculating those numbers in terms of what it translates to for a fiber demand. It all depends on the network configuration that they have. Typically, what we are seeing that every base station would require between 1.5 and 2 kilometers of cable so that would translate into about a million kilometers of cable and then it would be depend upon that fiber count that they use, so clearly from a directional perspective it is a macro shift exactly in terms of fiber demand what this implies because it is not only an access network which requires to do it, it requires a full strengthening of end to end network which will deploy.
- Tejas Mehta:** Right, and would you have any idea on the number of fiber customers already there in China, I was reading somewhere that they have about 200 million of the months already. Is that a correct number?
- Anupam Jindal:** Tejas can you repeat, this is Anupam here, I can respond to your question again.
- Tejas Mehta:** What I was asking is that in China some people are reporting that they already have 200 million IT customers, is that a reliable number or the number should be much smaller in that as of now?
- Anupam Jindal:** I will get back to you. I mean the numbers which you have talking about what Anand had said in his comments that currently 15 million users are there for 5G and they are expecting to bring 100 million customers on 5G network and that is he was talking and that would mean higher sort of demand coming in next few quarters or so, those are the things but what he said, he will get back to you on that.
- Anand Agarwal:** So Tejas this will mean a higher requirement, the exact numbers, we are seeing these are very positive signs and coming together and agreeing on a common standard. March end they are announcing this new investment and continuing on this 100 million, what it translates exactly to fiber demand I mean they themselves today it did not clear and it will pan out over the next couple of weeks for us, trend wise this is very positive.
- Tejas Mehta:** Okay and one question on balance sheet, so if I am not mistaken, up till the reported balance, you had Rs.400 Crores of cash? I do not know what the number is in December but I am just trying to understand that given the current disruption, you would have to maintain, and you need cash to run your operation, your fixed cost and you are also trying to do a buyback of close to Rs.150 Crores, will there be a near term debt increase on your balance sheet and then it will come off?

- Anupam Jindal:** As we have spoken at the time of discussion on buyback program this has been very well discussed by the board, thought through and we remain very, very confident on the cash balance side, we typically maintain 3% to 4% of revenue as cash reserve so that when we will come out with our annual end Q4 results, we will talk about in more detail, but the only thing I can about it that we are having sufficient liquidity to go through next couple of months or even quarters without any stress on the cash position or liquidity or even debt. As far as just buyback program is concerned as Jayesh asked and Anand responded it will be done over a period of six months so it would not create any extra measures on the cash flow.
- Tejas Mehta:** Okay, alright. Thanks that is all from my side.
- Moderator:** Thank you. I now hand the conference over to Mr. Pranav Kshatriya for closing comments.
- Pranav Kshatriya:** I thank management on behalf of all the participants for participating in this call. Thank you very much. Back to Anupam and Anand if they have any closing comments.
- Anand Agarwal:** Thank you for all of you to continue to show interest in our company and your time and very relevant and good questions during the call. We would look at continued support and we are available for any queries that you may have and please stay safe and healthy during these times.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.