"Sterlite Technologies Limited Q3 FY2019 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good day and welcome to the Sterlite Technologies Limited Q3 FY19 earnings conference call. 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 telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Vishal Aggarwal – Head of Investor Relations, Sterlite Technologies. Thank-you and over to you, Vishal.

Vishal Aggarwal: Good afternoon everyone and thanks for standing by. Welcome to the Q3 FY19 earnings conference call of Sterlite Technologies Limited. I have the pleasure to introduce Dr. Anand Agarwal-CEO and Anupam Jindal – CFO of Sterlite Tech. who are joining us today for this call.

The agenda for the session is as follows. Anand will take us through his insights on the evolving industry dynamics and our strategic focus followed by the business highlights for the quarter. Anupam will then talk about the performance and results for the quarter after which we will open the floor for Q&A session.

Before we proceed with this call, I would like to add that some elements for this presentation may be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. The safe-harbor clause indicated in our presentation also applies to this conference call.

With this, I would now like to pass it on to Anand.

Anand Agarwal: Thank you, Vishal. and Good afternoon, ladies and gentlemen. It has been yet another stellar quarter for us. We are seeing great growth on the operational as well as financial numbers and at the same time we had key strategic developments during the quarter including the launch of our new solution called 'FTTx Mantra' which is a programmable network solution that converges deep fiberization, swift rollout as well as virtualization. We also had opening of our Specialty Products Experience lab in Silvassa which focuses on physical layer of the connectivity architecture for different kinds of solutions like small sized data centers as well as IOT.

I would first start by giving you a perspective on our strategy within the overall context of our industry and then close off with a few 'Key Business Update' for the quarter. We have uploaded the presentation on our website for those who cannot access it live.

<u>Slide 4:</u>

As network generation is moving from 4G to 5G, the internet usage strengths are alluding to a sharp increase in per capita usage of data. The global data growth continues unabated with global IT traffic as per the latest Cisco VNI Index project to reach around 5-gigabyte by 2022 which represents almost the 11x growth from 2012 levels. This surge in data is leading to expanding CAPEX investments by telecom companies globally and it is complemented by a new pool of investment by the cloud companies like Amazon, Google, Microsoft for creating massive hyper scale data centers. All in all, while there is an expanding CAPEX pool of around $300 billion on an annual basis, on the other hand what we see is that the ARPUs of the telecom companies remain flattish. This strength of providing higher gigabits per user at optimized CAPEX per gigabyte are making the industry ripe for a disruptive change.

Slide 5:

So principally there are two underlying connected themes which Sterlite is uniquely positioned to leverage upon. One is undoubtedly the increase in data consumption across the consumer and enterprise customer segment and in our viewpoint; we are just at the start of a utilitarian consumption demand. Right now, the demand that we are seeing is the demand which mostly essentially come from individuals largely led by video consumption. We are yet to see the full advent of the connected enterprises and cloud and that is the next phase which will happen and then the way beyond that is the wave of machine to machine, artificial intelligence, autonomous vehicles. All this is going to drive massive demand for data consumption and the corresponding IT traffic which is calling for significant change in network architecture, which I will touch upon in the next few slides.

Slide 6:

So earlier network used to be only for transportation and now network is for transportation, storage, computing and everything. So, the distinction between what used to be called IT and what used to be called telecom is all converging. It is becoming all one. The new data network is becoming very agile because you cannot have a hard coated complex multi layered network for something which is growing 30% to 40% year-on-year. It has to flow like water.

Slide 7:

So, you now have networks which was essentially seven layers earlier getting collapsed to three layers. And proprietary hardware has become generic hardware and proprietary embedded software has become software in the cloud. This transition is leading to emergence of new class of players like us, who are singularly focused on data network creation in the most agile and open architecture mode.

Slide 8:

All these strengths are also backed by an underlying growth in fiber which is used for network densification. The 20 year CAGR of the fiber industry has outpaced the growth of the world economy by almost five times. As you can see on the right side of the slide, the cumulative deployment of 1 billion of fiber kilometers has drastically shrunk from 38 years to 2 years.

This augurs well for us who have been leaders in optical fiber manufacturing space and with customer presence in more than 100 countries globally.

Slide 9:

At Sterlite, we continue to evolve with changing industry dynamics to transform ourselves from a telecom product to a Design-Build-Manage and now turning into a global data network solution provider which is opening both new markets as well as new opportunities for us.

Slide 10:

And essentially our play in the digital ecosystem is twofold. One is to participate in the data network creation capex through the fiber, server and software offering and the second is to focus on offering of the application-based solution so as to leverage our strong position in core optical products business and capitalize on disruptive trends through new network software products as well as offer integrated network Design and Build services. The strong foundation of these strategies is reflected in our accelerating revenue trajectory and the enhanced long-term visibility through multiple order wins which have elevated the order backlog at an all-time high of more than Rs.10,000 crore. With the order book visibility of more than two, two-and-a-half years we are now geared towards the next leg of growth beyond 2021.

Slide 11:

The key differentiation that Sterlite Tech. offers which becomes our unique selling proposition is our capability to provide integrated solution across the layers of the network to a chosen four customer segments.

Slide 12:

And what we offer is that we bring together the best in class offerings right from integrated silicon to fiber, modular customized kit, innovative cable design in the passive layer to end-to-end designing and building network within the services layer and the next gen OSS/BSS and open sourced-virtualized access within the software layer thereby creating a unique Company in the world which provides the end-to-end data network solutions.

Slide 13:

We have built the Company over the years on the solid foundation of four pillars of deep customer engagement, technology, talent and global delivery and supply chain model which have truly become the strong enablers of our success.

Slide 14:

And our continued investment in R&D and technology has led to a serving and offering customers with more and more value added and customized solution. Today our new product revenue stands at more than 20% and patents have increased to 234 from 212 in the last quarter along with an addition of our specialty product experience lab to our innovation sector.

Slide 15:

And this one is my personal favorite. In fact, if you ask any employee on what is the talk at Sterlite, they will invariably say 'Power of One'. So 'power of one' for us means the value that we bring to our customers by bringing together the end-to-end data network expertise, working in a very consultative manner assisting all our customers with all their data network needs across our bouquet of integrated offerings. This is leading to a much higher degree of customers stickiness and long-term engagement.

Slide 16:

And we believe that our strategy of 'Power of one' built on the thesis of global data network solution provider would enable us to tap an increasing size of the overall market making us more and more customer relevant. With this we believe our total addressable market is going to increase to about $75 billion by FY2023.

Slide 17:

And the increasing total addressable market would be borne by four growth engines. So it is like an orchestrator of data network solutions and each of the layers have to individually excel to make the orchestration a majestic event. Perhaps our breadth of offerings and width of access to new customers and geographies would be the key levers for this growth beyond FY19.

Slide 18:

Now coming to the previous quarter which we just finished. We have continued our growth momentum on both business and financial parameters. Our key business highlights across all the pillars includes key order wins in Europe, launch of FTTx mantra. On technology front, our patent count increased to 234 and partnership with Red Hat to develop open and agile solutions that helped us accelerate telecos digital transformation. On the delivery and supply chain side both the expansion of 50 million fiber kilometer and 33 million cable expansion are well on track. We also initiated execution on the Navy project which we had acquired in the previous quarter.

Slide 19:

And here is a current view of our new state of the art manufacturing facility at Aurangabad whose expansion of upto 50 million kilometers is expected to be on board by June of 2019. It has best in the class IT and OT infrastructure with fully automated machines with robotic operations in an Industry 4.0 environment.

Slide 20:

In July of 2017 we had shared with you our aspiration to be a $100 million PAT Company by FY20. I want to apprise you that we are well on track for it and key strategic initiatives across the four pillars that we are undertaken have been instrumental in taking us to our desired target.

With this I now hand it over to Anupam for his comments.

Anupam Jindal: **Slide 22:**

Thank you, Anand. Good afternoon everyone. Sterlite Tech perceives good corporate governance practices as a key to sustainable corporate growth and long-term shareholder value creation. The Company has kept its financial strategies well in tact under its strong governance. Sterlite's approach towards factors such as growth, earnings and capital allocations are well chartered to help it grow in a value accretive manner for all its stakeholders. The Company's success will continue to be backed by strong foundation that will enable its sustainable growth going ahead.

Slide 23:

Coming to the performance for the quarter this has been yet another record-breaking quarter for us with the highest ever Revenue, EBITDA and PAT registering a Year-on-Year growth of 60%, 46% and 62% respectively.

Slide 24:

For the reference we have captured a brief version of the profit and loss statement. Our nine months performance for FY19 has surpassed the full year number of FY18. The PAT on nine months basis recorded a growth of 79% maintaining healthy ROCE of more than 25%.

Slide 25:

A strong foundation and positioning is getting reflected in our accelerating revenue trajectory. Multiple order wins have elevated our order book backlog at an all-time high of more than Rs. 10,000 crore. With almost 2.5x revenue to the order book ratio and visibility at the current revenue run rate, the Company is now geared towards the next leg of growth beyond FY2020.

With this we come to end of our opening commentary and we would be happy to take questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Mukul Garg from Haitong Securities.

Mukul Garg: Congratulations to the management on very good growth. Anupamji, first question was on the pulls and pushes on the margin side, there was a bit of a drop in EBITDA margin this quarter and it seems like most of it coming from the cost of material consumed side. So was that due to a ramp up in Indian Navy order or what was the reason behind this margin correction?

Anupam Jindal: Yes Mukul, you are right since you have seen this significant growth in revenue which has largely come from the Services business. So I would say, this quarter our services business, the integrated offerings which includes the Navy order has contributed, and therefore the margin you can see at a Company level coming down to about 23% right now. So that is the main reason I would say.

Mukul Garg: Understood, but just to probe a bit on the Indian Navy order; our understanding was that it would probably start more in Q4 rather than in Q3. So (a) was there any other factor also which came in there, or it was predominantly Indian Navy? and (b) if you can give the breakup of Services versus Product business this quarter?

Anupam Jindal: So this is, as I said that the Services business have contributed higher which not just includes the Navy but other telecom operators we are working on and that our revenue is also increasing quarter-on-quarter. Then the revenue split is around 30% plus is on Services side this quarter, and slightly lower than 70% from our Products businesses.

Mukul Garg: The other question was on if you can provide the detailed breakup of a few items, the order book breakup between Product and Services and the utilization rate for both fiber and cable business?

Anupam Jindal: Let me take the second part. The utilization rate of the facility continues both on fiber and cable closer to 100%. So that is a very positive thing and on the order book split largely it remains at 50% - 50% ratio and there are reasons. We are avoiding now giving detailed breakup for the commercial business reasons otherwise these are the details which we can share.

Mukul Garg: The final question Anand was on the news which came in a couple of months back on the price correction which has happened on the optical fiber industry due to the China Mobile issue. What is the visibility you guys are seeing in the market, any change which is happening or is the market still a little bit damp from a pricing point of view?

Anand Agarwal: So clearly Mukul this China Mobile postponement of the tender has created some market situation mainly in China. However, we as a Company continue to be largely insulated from it in all our other markets essentially because we have participated in just long-term contracts and as we had been maintaining even in the past that when the volume demand supply mismatch as well as the pricing etc. were going up, our focus was more with large marquee clients and longer-term contracts. So we are seeing that definitely currently there is some increased volume availability in markets like China, but for us in a macro sense, our journey continues in the same way that we had planned out.

Moderator: Thank you very much. Next question is from the line of Pranav Kshatriya from Edelweiss.

Pranav Kshatriya : Congratulations to the management on a great set of numbers. My first question again relating to the same China Mobile question. Can you throw some light that you know what exactly is leading through slowdown in Chine Mobiles order? Has China Mobile placed the order or it is still in the discussion. That is my first question. And if you can also highlight that how it is impacting the spot prices and how do you see in the medium-term implications of that? My second question is on, you did allude to the capacity expansion being on track. If I am not wrong, the expectation was 40 million fkm would be achieved in December 2018. So just wanted to check whether that has been achieved or not?

Anand Agarwal: So first the China question. I think my answer would be largely the same what I talked about earlier. See China Mobile is one of the largest consumers of optical fiber and I mean they essentially issue two tenders in a year and for the last year their tender which they typically issue in November they are going to issue it probably in this quarter. So I see this as a bit of an over play kind of over discussion on the marketplace rather than where at a macro sense where the demand is moving forward. Regarding the spot prices, we have never participated in the spot prices going up or down, so we do not keep a very good track of it. We are focused on our contracted volumes with our customers which continue to be largely intact. On the second part of the capacity expansion, of us having a capacity of 40 million by December you are absolutely right. And that commissioning is currently under play and large part of machine and capacity has started operating. Over the next few months we will be taking that capacity to the full extent and by June or so the capacity and installation of 50 million will also start happening.

Pranav Kshatriya : If I can just follow up on my first question, I understand that you are not exposed to China but I am just trying to get a sense that you know how the market demand-supply would be. I mean do you see China Mobile keeping orders slow for a year, I mean, will be there, since it contributes almost 30% of the demand, is there a chance that this year that 30% might not see any growth because China has been one of the largest driver of fiber growth?

Anand Agarwal: Not from what we understand China Mobile is supposed to come up with a revised tender or whatever their normal tendering in the current quarter and you are right, they are one of the largest users globally, but at the same time they have not come out or spoken or talked about any way or any reason for which their fiber bind is going to be delayed or changed. In fact, their CAPEX growth continues unabated, and they have talked about their increase in 5G investments, which is all going to be based on fiber. So, there is absolutely no reason or indication for us to feel that there is going to be any overall shift in their strategy.

Moderator: Thank you. Next question is from the line of Varun Arora from Auroville Investments.

Varun Arora: My question is related to the China business. The joint venture we had, could you talk about the utilization level in that region and within that region are we seeing customers renegotiating on the orders part in terms of pricing or delay in delivery of orders?

Anand Agarwal: Varun, at the overall level our capacity utilization as we have said continues to run at full capacity. Our existing capacity is fully running, our new capacity of 40 million we are moving forward with the installation commissioning and the trial of the 40 million capacity. As far as new contracts, we have these long-term contracts which have these provisions of plus minus 5%, and for some of the customers that is a normal and regular discussion which is happening at the beginning of the year. We can provide a better flavor in the next few months but for us at a macro level there is no cause for change or concern.

Varun Arora: Got it. and the second question is related to the optical fiber cable, you mentioned the utilization for optical fiber is close to 100%, so just tell us what is the utilization for the OFC and also in rough when we acquired Metallurgica at that point the utilization there was lower. Have we seen a pickup in utilization levels in that region?

Anand Agarwal: So yes, our optical fiber cable facility as in there is a current capacity of 18 million kilometers and we ran almost close to 95% in the current quarter. There is an expansion of taking this 18 million to 33 million in phases over the next year and a half and that expansion will keep coming in phases as we move forward. And the Italian facility both in terms of efficiency and OE improvement is continuing for the current facility as well as the CAPEX that we are going to incur to add more machines there, that is continuing to go as per plan.

Moderator: Thank you. Next question is from the line of Neerav Dalal from Maybank.

Neerav Dalal: A couple of questions. One is when would this 40 million start generating revenue? I guess we are under trial runs at the moment. So when would we be able to see revenues coming out from this additional capacity?

Anand Agarwal: Neerav, we will start seeing some amount of it in the current quarter itself Q4, then I think fully it will start generating revenue in the second half of this calendar year but in progressively we will start off in the current quarter, ramp it up in the next quarter and take it to full capacity by the end of this year.

Neerav Dalal: Correct and could we get a split of revenues into International and Domestic for the quarter?

Anand Agarwal: It was about 60% Domestic and 40% International.

Neerav Dalal: Right. And very quickly one more. In terms of the optical fiber prices, though we have long-term contracts there would be as you said renegotiation clause in it every six months or every year. So what have you seen at the moment? Has there been any minus 5% or what?

Anand Agarwal: Yes see, the pricing we have always seen has been between that $7 to $8 range. We were operating for the last couple of years closer to the $8 level. Currently there are discussions of coming closer to the $7.5 level, but nothing has been frozen right now, because we see this as a temporary situation in China, and neither us nor our customers globally are reacting to a short term development and taking any calls in a short-term manner.

Moderator: Thank you. Next question is from the line of Suryanarayanan from DSP Mutual Fund.

Suryanarayanan Manian: Great performance. I had just one question related to the margins. So I can see that your EBITDA margins you explained is because of the mix between services and products. But when I look at it in terms of let us say gross margins, that is down almost 700 bps YoY. Is that also linked to this mix of revenues between services and products?

Anand Agarwal: Yes, that is right Surya. The Services business which we have always talked about is 11% - 12% EBITDA business. The cost of goods sold is higher on the services business because there is a component of bought-out material as well and as compared to our Products and manufacturing business.

Suryanarayanan Mania: Okay, so on a go forward basis or more from a slightly medium-term basis, I mean forgetting these quarterly volatilities aside, you will still be able to maintain your broad EBITDA margin trend that you have spoken out, right around that 22% to 23% range? That is the range at which you operate typically.

Anupam Jindal: So Surya just to give more color on this, we have maintained that in Sterlite the EBITDA is a mix of Products and Services. So this is the precise situation here and that will always be the case and the individual businesses will continue to see that we maintain the numbers, EBITDA percentage margin. So on a long-term basis last few years we have been able to maintain it at that 22% - 23% and we believe that with the given mix we will be able to maintain that.

Suryanarayanan Mania: And lastly just this expanded Service offerings that you are getting into, do you have any sort of case studies that you can present or talk about briefly, I mean, in those areas where you have been engaging with clients and what has been the sort of conversations you are having or the successes that you are seeing there?

Anand Agarwal: Yes sure, this expanded offering this end-to-end offering I mean the first and foremost success towards this is the Navy order itself which is an end-to-end offering from a very big passive to an IT layer and software layer at with 33 data centers across the country. So that itself is a success of our integrated offering. This FTTx mantra that we have also launched, we are doing proofs of concepts with a couple of telecom providers one in India and one globally, and this entire concept is accepted really well by them of having someone who can design the entire network for a part of the solution end-to-end and then deploy and manage it for them as well.

Moderator: Thank you. Next question is from the line of Alok Deora from Yes Securities.

Alok Deora: Congratulations on a great set of numbers. So I just had a couple of questions. One was on the margin front. So we have seen the margins sort of coming down little bit primarily because of the higher contribution from the Services segment. But just wanted to get a feel of how it would be going forward because the contribution from the Navy order would start increasing from here on. So could we see margin going even lower than what we have now maybe towards the 20% sort of number?

Anand Agarwal: Alok, we have always maintained that as a Company we focus on EBITDA margins of each of our parts of the offering. So the Products business has been higher margin percentage business. The Services business is slightly lower margin percentage, but higher return on capital deployed and the Services and Software part of it. So as the mix changes, the absolute EBITDAs will keep going up. The margin percentage will be up or down based on what the mix percentage has been for the particular period that we are discussing about and we focus on the absolute EBITDA growth and we focus on the return on capital deployed growth. We are not as a Company and as management focused on how the margin percentage changes quarter-on-quarter.

Alok Deora: Right, and one more question was on the prices of fiber. So we have discussed a little bit on the call, but just wanted to understand like you know when these contracts will come up for renewal, when these long-term contracts, so that time even if the spot prices are near $7.5 or, so then the new contracts might be set at near those levels, right as against you might have set some older contracts at around $10 or something. So would that impact the margins going forward?

Anand Agarwal: Alok, we never have any contract at $10 or so, we never do any spot contracts and we have always maintained that neither do we indulge in spot contracts nor do we indulge with customers who want us to bill. So we never got the advantage of $10 and we will never get the downside of whatever the spot prices are. Our contracts are within that 5% range and some of the contracts, and these are annual negotiations with our range price. Some of them we are currently negotiating, some of them we will be negotiating at the end of this calendar year.

Alok Deora: Just one last question, just wanted to get some update on the pledge share which we are having. Any update on that, I mean when we can look at that getting released?

Anupam Jindal: So on that, there was an announcement we had done that it was done by the promoter group for de-listing of their Company from London Stock Exchange. So that was the last update we had. I think that is a long range thing and we do not have any recent update on that side, but I do not think that has any beating on the concern as far as the holding is concerned.

Moderator: Thank you. We take the next question from the line of Sandip Sabharwal from Asksandipsabharwal.com.

Sandip Sabharwal: My question was also on the promoter share pledging because that is having a negative impact on the perception of the stock in the markets because people are generally vary of Companies which have very high promoter pledge share proportion. So if some clarity comes on that, then it will be very good.

Anand Agarwal: Yes Sandip, currently as a Company what we have as a information, the promoter book has done some level of disclosures, maybe we can provide a link and access to that. But beyond that at least in what we have in the current domain, we cannot provide any visibility or exact timeline because we do not possess that.

Anupam Jindal: At the same time, I would like to add that we do not see any concern of these pledge getting invoked or any other great concern on that side. So I understand the larger concern the shareholders may have on the pledge, but coming from the Group I do not think that has any bearing.

Moderator: Thank you. We take the next question from the line of Aniket Pande from IDFC Securities.

Aniket Pande: So basically, my question was a bit broad based question; so you know as we are seeing your revenue contribution increasing from Services platform also. So going forward, post FY20 and as we are seeing an increasing trend, so I mean so what can be your growth prospect post FY20 then?

Anand Agarwal: Yes, Aniket, clearly our current order book itself which is for Rs. 10,000 crore provides us a great level of visibility beyond FY20. Our new capacity which is coming on board for 50 million and 35 million for cables provides us the growth option. And this entire offering that we have for end-to-end which we talked about there are various options being tried out with telecom providers globally. I mean right now, our each individual businesses we continue to grow that and we took decisions for each of them. At the same time, the total offerings, the end-to-end offerings provides us superlative access which is beyond the growth that we have been seeing for each of the individual businesses over the years.

Aniket Pande: And sir as you have mentioned in your Slide 9 that from 2019 to 2024 you are going to platform yourself as a global data network solution and there would be a huge opportunity in that segment. So can we get a bit sense on the total addressable market of that field and how Sterlite Tech. is planning to get market share in it?

Anand Agarwal: Yes, so Aniket that is the direction that we are talking about. The addressable market is moving towards by FY23 to be at $75 million for us at a global level. Our focus on how we are going to address it is coming more clearly on slide 17 . We will continue to grow in each of the layers the passive layer, the network layer and the software layer and we will continue to integrate the three as a solution with this increase in total addressable market. The validation of this has happened with the current defense order, validation of it has happened with the smart city orders where we combine end-to-end, and validation of it is happening with the FTTx Mantra which we are engaging with a couple of telecom providers.

Aniket Pande: Thank you and one last question. Can we get a sense of a demand from geography per se from US, China and from Europe?

Anand Agarwal: You mean the fiber demand?

Aniket Pande: Right.

Anand Agarwal: So there is a report which comes and if you get in touch separately with our IR, we can provide you the global demand market wise.

Anupam Jindal: The overall demand continues to be upward of 500 million with a strong growth coming in from all these markets which you talked about, so Europe, US and rest of the world.

Moderator: Thank you. Next question is from the line of Rihan Mehta from Anand Rathi.

Rihan Mehta: Sir, congratulations on a good set of numbers, I would like to ask the first question regarding the current order book. So, current order book is at the highest level. Looking at the end clause it seems that the future, could you give us a guidance about the order inflows in future, the pipeline or how is it?

Anand Agarwal: Rihan, if you see the order book growth over the last three years itself we have seen a very strong growth from 2,000 to 3,000 to 5,000 and 10,000. I think we will continue to participate in opportunities which we have strongly with our customers and which we have great level of capability. But it is difficult for us to provide any sort of guidance on future order book. A great part is our current order book gives us the visibility of almost 2.5 years of our current run rate of revenue and we will continue to use the same strategy same approach towards building the order book.

Rihan Mehta: And I wanted to ask like the order book which we have currently, do you foresee this having a growth at the same rate?

Anand Agarwal: The growth rates have been more focused on how we are executing. The order book gives us more visibility into the future. We are focusing on getting the good degree of order book to provide us a good predictability into the future. However, the revenue growth rate depends upon our execution on the product side, our execution on the services side which is depending more on the customer demands and their own acceptability for the risk. Our order books as we have talked about in the past exclude orders which go for three to five years for certain product supplies as well.

Rihan Mehta: What will be the major part of your order book excluding navy?

Anupam Jindal: It is a mix of both products and the services, end-to-end solutions which we have started couple of years back. So the larger point Anand was making and I would reiterate is that we have seen a significant transformation in the Company with the shift in the mix of the business. Forex business continues to be the core from a capability perspective, technology differentiation perspective, this business and new business is actually expanding the market which we can address, increase the larger market share, have a larger, greater and deeper connect with the customer. And there is no specific number we can talk about, but as we have been talking this long-term order visibility which we are getting is actually helping us plan our future much more in a controlled manner that we can actually work on a long-term growth.

Rihan Mehta: Even excluding the navy project our visibility of say 3 to 5 years excluding the navy project, right?

Anupam Jindal: Yes so the rest of the things are also product and there also we have said that it is actually falling or going beyond even 2021.

Moderator: Thank you. Next question is from the line of Harshit Patel from Equirus Securities.

Harshit Patel: Sir, I just wanted to check on the Rs. 15 million order that we had received from the Maharashtra Government for implementing the Bharat Net Phase II program in the state. So sir by when can we expect the execution to start for that project?

Anand Agarwal: Harshit, this orders part we are already in a phase right now where the survey etc has started for this project. And we are doing this execution in three phases over the next 18 months. So some small revenue will come in the current quarter. This project will peak over the three other quarters of this calendar year and then phase out in the first half of 2020 calendar year.

Harshit Patel: Okay sure. And sir, do you have any visibility of getting similar orders from other states as well?

Anand Agarwal: So there are certain other opportunities and bids where we are bidding. We have being very, very selective in terms of choosing the customers and the states in which we are bidding. So over the next few quarters there may be certain other bids that we will be bidding and then seeing the response.

Moderator: Thank you. We take the next question from the line of Sameer Pardikar from ICICI Securities.

Bhupendra: Yes this is Bhupendra. A few basic questions, what is the debt level and what has been the CAPEX so far for the year?

Anupam Jindal: So current debt level are about Rs. 1,800 crore as on end of the calendar year December. In terms of the CAPEX overall we have done close to about Rs. 750 odd crore until nine months.

Bhupendra: And, how much of the expansion capex is left if you can share?

Anupam Jindal: It is overall capex on both these things, the fiber as well as cable which we have announced, is roughly about Rs. 1,550 crore, Rs. 1,600 crore total plus there are sustainable CAPEX and I do not have exact number in terms of how much of that is left but given that these numbers which I talked about there is some part which we will still have in rest of the year as well as next year.

Bhupendra: And then what would be the sustainable CAPEX that we do normally annually?

Anupam Jindal: About Rs. 80 crore to Rs. 100 crore.

Moderator: Thank you. Next question is from the line of Jignesh Kamani from GMO.

Jignesh Kamani: Just follow up to that question on the CAPEX and the debt level. By March you will be done with our entire CAPEX on the optical fiber side. At the same time, we will be at the peak end-to-end service execution segment which will be dealt with higher working capital compared to product. So what would be the peak target by probably June or September level?

Anupam Jindal: We have not done the maths around that but we have also said that we would limit ourselves to debt equity of 1 and I see that is happening by that time. So I do not see that as a concern while absolute number of debt maybe around this or slightly higher given our services business will increase. At the same time, we are finding that our operating cash flow continues to be very strong. So we have been able to fund a large part of the CAPEX in the current year also if you look at through our internal cash accruals the incremental debt which we see is largely one acquisition which we did in July and a mix of the revenue growth which we are seeing in the corresponding impact of that on working capital.

Moderator: Thank you. Next question is from the line of Amit Kumar Singh from IISL Securities Limited.

Amit Kumar Singh: Congratulations on an excellent set of numbers. My first question is regarding the realizations from the cable business and what are the normal margins that we witness in this segment?

Anupam Jindal: Yes, so I think these are the things I will ask Vishal to share. We have stopped giving usual realization numbers again for the competitive reasons. You would appreciate that but we continue to remain the best in terms of both the market product side giving us better realization as well as our cost. So, we have one of the best margins in the industry.

Amit Kumar Singh: One strategic question, we have observed that some of your competitors are now maybe they are small competitors but they are now ramping up their fiber capacities and they are incrementally doing CAPEX to increase that. So it looks like going forward maybe in a year or two, the optical fiber market may become more competitive. So how are we placed to defend our market share and the margin?

Anupam Jindal: So if you are talking about India market, then I think we just need to appreciate that in India Sterlite continues to be the only player with integrated manufacturing capability that includes preform manufacturing which has a specialized technology which we still do not see anyone having that. And we compete at the global level so none of these things are actually having either bearing on us. So I do not see that as a concern.

We have seen other players increasing capacity, demand has been increasing globally. Globally also people have started, people have increased their capacity. That has been moving in tandem, so I do not see that challenge.

Amit Kumar Singh: Sir, one last question on the domestic front again. So considering the current scenario of the Indian telecom sector, it looks like the CAPEX is still some months away from here, because the Telecom balance sheet still continues to be stressed. So are we experiencing a good demand from the domestic telecom companies?

Anupam Jindal: If you have been tracking our Company you will see that we have reasonably expanded our footprints beyond India and that has really helped us scale the growth which we have shown and continue to show. At the same time India continues to be our home market while you are right in terms of the local operators not really expanding their CAPEX, but we see good movement happening on the public network which is basically citizens network as well as defense network coming in supported by a continued investment back on the last telecom companies in the country. So we are participating that we continue to maintain our market share. So we do not really see the numbers we have shown both in revenue and profit are the outcome of our sustained and conscious actions taken on domestic as well as international fronts.

Moderator: Thank you. Next question is from the line of Darshan Deora from Indus Capital.

Darshan Deora: I have a question regarding working capital. Given that we are executing orders in the Services side you know for Government entities like the Navy or you know the Smart City networks, do you see any pressure in the future coming in terms of working capital, in terms of days receivables and any steps that the Company can take you know in order to mitigate some of that risk?

Anupam Jindal: So inherently this business will have slightly higher working capital than our products businesses, so we are conscious. At the same time Anand during the call mentioned that when we look at the customer and opportunity, we look at very carefully the kind of opportunity and the kind of customers we want to participate. And so far we have done great execution on this side in last few years and we continue to receive money for the work done, so we have not seen that. And going forward also we believe with the kind of internal processes and risk management we have, we do not see that challenge both on the private as well as defense or any other particular products or any other particular projects we are doing. So we are not looking or we are not seeing any delayed payments because of the customer.

Moderator: Thank you. Well ladies and gentlemen, that was the last question for today. I would now like to hand the conference.

Anand Agarwal: Thank you. Thank you very much for your interest and your questions and we really appreciate it. At this point I would also like to bring out the key contributions for our employees as well as the leadership team in the Company and I am extremely thankful to them for their contribution to the strong results as well as the momentum in growth that we are all witnessing. I would once again like to thank everyone for attending this call and for showing interest in our Company.

I sincerely hope that we were able to address and clarify all your queries and comments and for any further clarifications and discussions you can feel free to contact our investor relations team including myself and Anupam. And we really hope to continue our association and dialogue in the future. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Sterlite Technologies Limited, we conclude today's conference. Thank you for joining. You may disconnect your lines now.