Sterlite Technologies Limited Q1 FY22

Earnings Conference Call Transcript

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Pankaj Dhawan: Ladies and gentlemen, good day and welcome to the STL Q1 FY22 earnings conference call. I am Pankaj Dhawan – Head, Investor Relations at STL.

To take us through the Q1 FY22 results and to answer your questions, we have with us Dr. Anand Agarwal – CEO, STL and Mr. Mihir Modi – CFO, STL.

Please note, all participant lines are in the listen-only mode as of now. There will be an opportunity for you to ask questions after the presentation concludes. Please note that this call is being recorded. You can also download a copy of the presentation from our website at www.stl.tech

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

For opening remarks, I now hand over the call to Dr. Anand Agarwal. Over to you, Anand.

Anand Agarwal: Thank you, Pankaj. Good day everyone and thank you for joining us for our Q1 FY22 earnings conference call. I will just take you forward from the previous interaction that we had during our analysts day, the STLescope 2021.

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In STLescope 2021, we broadly discussed the following points.

First of all, we talked about the fact that almost a decade long digital network creation cycle has started, which is driven essentially by 5G, Fibre to the x as well as rural connectivity programs throughout the world.

Second, we talked about the fact that we are well poised to leverage this opportunity with our total addressable market now increasing to almost $ 40 billion. Our total addressable market has grown almost 5x in the last 5 years on the back of both new capability additions, new portfolio additions as well as global markets in which we operate now.

And the third part that we talked about was the focus clearly is towards gaining higher market share in this increased addressable market of $ 40 billion with our three growth levers.

And we will discuss each of these points a bit briefly as we move forward.

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On the decade long network creation cycle we are clearly seeing that as we said 5G, FTTx where x can be home, x can be enterprise, small cells or data centres as well as rural connectivity programs are powering this digital network creation cycle.

And 5G is clearly the fastest growing technology in terms of progression and adoption globally. There are more than 170 5G commercial networks running across the globe now and the subscriber pace is increasing at a fast pace and will almost be close to 2 billion subscribers by 2023 and more than 4.5 billion by 2025 - 2026.

The FTTx is becoming all pervasive and fibre is connecting home, businesses, data centres as well as small cells across the globe. In Europe, fibre to the home and business subscribers are expected to more than double in the next 5 years and to reach to almost 208 million. Closer home in India, fibre broadband subscribers are expected to reach more than 10 million pretty shortly.

If we are looking the focus that rural connectivity is taking, we are seeing many programs being announced towards that. We saw recently the US president announcing large infrastructure fund and almost $ 65 billion out of that is focused on rural broadband. We saw the Indian Government also announcing almost Rs. 20,000 crore as viability gap funding for the ongoing Bharatnet program.

So going forward, we are clearly expecting the network build cycle to pick up pace driven by these 3 coinciding drivers. And as a result, the optical fibre cable demand is expected to increase what we saw from 470 million last year to more than 610 million by 2025 or so.

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In terms of the TAM in the last 5 years, our clear focus was both in increasing the portfolio as well as in terms of increasing the geographical area presence for us. If you see our optical connectivity solution now with the addition of full optical interconnect portfolio the addressable market has now increased to almost $ 18 -20 billion which is split almost evenly between optical fibre cables and optical interconnect kits. With the addition of Optotec in our portfolio our addressable market with these customers has more than doubled in this segment.

On the System Integration Front, our current market is about $ 14 billion. This includes all the customer segments in India of Telcos, enterprises, Citizen networks as well as cloud companies. We also cater to the Cloud segment in Europe through our data-centre interconnect offerings. In addition to that we are also now moving into Europe to address the FTTx and wireless integration opportunities.

Coming to virtualised access as well as network software products market opportunity, it stands cumulative at $ 8 billion. If we look at the sub-segments, Open RAN as well as small cell current global market size is close to about $ 5 billion.

Our focus clearly moving forward is to increase market share in this increase TAM, and we have outlined clear 3 growth levers towards achieve that.

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The three focused levers for our growth are; - First one is to clearly grow the optical business. Second one is towards globalizing the System Integration business as well as scaling it in India. And the third one is towards building a strong wireless and access solutions business for us.

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We will talk about how we progressed on each of the growth levers in the current quarter.

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So on the Optical Business front; what we are seeing is both the optical volume is increasing as well as the interconnect business is also scaling.

Our optical market share, fiber market share grew to almost 6.5% globally in the preceding quarter as compared to ~4.5% in Q1 FY21. Also what we saw, the Industry optical fibre volume grew to 131 million km, which is about 6% growth on a year on year basis during the current quarter.

In the interconnect business, we clearly recorded more than double digit growth in revenues on a Q-o-Q basis. Our focus is to continue to increase the penetration of our– opticonn which is an end-to-end optical solutions, with all our customers.

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On the system integration front, as we have informed in the last couple of quarters, we have entered the UK market at a time when the market is at a 10 year FTTx build cycle with various operators planning multimillion passes towards home, enterprises, cell sites etc. The UK Prime Minister has launched a £ 5 billion investment in Project Gigabit, which plans to connect rural areas with fast broadband.

And we are starting to capitalize on this opportunity. We are very pleased to announce our first win. We have partnered with a leading provider of telecom solutions in the UK and we are planning to deploy our FTTx mantra solution to connect homes with broadband. It is an initial £ 12 million project, put it provides us the impetus and we expected to be completed in within the current fiscal.

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In order to further accelerate our System Integration Business in Europe, we have just announced the acquisition of Clearcomm which is a provider of end to end optical network integration services in the UK. The Company Clearcomm has a long standing relationship with its customers and suppliers and has a strong reputation as a reliable as well as an agile partner.

Clearcomm had revenues of about approx. £ 20 million in FY20. It has grown almost at a CAGR of 26% in the last 3 years and has a healthy working capital cycle of approximately 15 days. The Company has close to 50 employees.

In terms of deal contours, the enterprise value of the deal is £ 15.5 million. We will be acquiring 80% in the first tranche and balance 20% shall be acquired in 2023. And the deal shall be financed by mix of internal accruals as well as debt.

With this acquisition, we create a strong platform to grow the system integration business in the UK and then take it to other geographies in Europe as part of our growth strategy.

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In the access solutions business this has been a busy quarter for us. We have successfully completed a proof-of-concept for the programmable FTTx software solutions with Chunghwa Telecom's open broadband access network. So what this software essentially does for us is the fact that along with Opticonn which is a solution which is a cable plus internet solution, this provides the end equipment, this provides the provisioning, the active provisioning for the end equipment. And we are able to create a full end to end FTTx solution which includes cable, interconnect, fibre as well as the end equipment's. So this POC that we collaborated demonstrated how our fully virtualized optical line termination (OLT) software stack will enables Chunghwa to upgrade its Gigabit Passive Optical Network (GPON) to a 10 Gig Symmetric PON network; this is a fibre access technology for symmetric broadband speeds for up to 10 Gbps. And this has been deployed for enterprises in Taiwan and very soon it will be deployed for home usage as well.

We have also entered in a strategic collaboration with Facebook Connectivity to co-develop general purpose radio under the Evenstar program. The Evenstar program is a collaborative effort by Facebook as well as global partners to accelerate the adoption of open RAN technology. And with this collaboration the product development, promotion and supply chain would be partly funded and promoted through this collaboration.

As we plan to develop manufacturing ecosystem for Radio Units in India, we are participating in the PLI scheme announced earlier this year by the Indian Government.

And the efforts that we have put in have started yielding results, we recorded a small revenues this quarter in our access solutions business after delivering the new standard WiFi6 hardware to our key account customer in Asia Pac.

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Now to talk bit about our Foundational Capabilities, the update on that which we provide on a Q-o-Q basis.

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We have strengthened each of our four foundational capabilities, which are Technology led end-to-end solutions, key account management, Ecosystem alliances and investments as well as building top talent and culture within the organization. And we will discuss the update on each of them, starting with Technology led, end-to-end solutions.

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As we had discussed at STLescope 2021, we have established ourselves as an end -to-end solution provider for fibre to the home, FTTx as well as 5G networks. We have recently launched Accellus which is a wireless solution that brings together both micro and macro radio, RAN intelligent controller as well as with an ecosystem of the orchestrator across the various parts of the network, to lead this transition towards 5G, WiFi 6, and open source technologies

What is extremely heartening to note is that in a very short time span, we have been recognized by Gartner as a key 5G RAN vendor and among top 10 vendors to watch out for by STL partners for this open RAN technology.

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On the key account focus is also working towards multi portfolio engagement. We have been enhancing our customer engagements both with current and new accounts, while we have nurtured existing key accounts such as BT Openreach and Airtel to drive their multi-year strategic network build plan. We have also opened doors to new accounts – such as a 5 year contract for radio units in the USA as well as our digital transformation contract in Africa’s multi-country Telco.

Also, as we participate in multiple geographies, our key account focus is leading towards multi portfolio engagements with our key customers. We now have a diversified participation funnel across the globe with more than 60% towards our key accounts, in which we are engaging in to multi-portfolio engagement across our optical business access as well as system integration solutions.

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In terms of investments, as we announced, we are also going closer to the customer by setting up solution centres both at US and UK with an enhanced capacity for cable in these markets. This investment of about Rs. 2 billion is going to increase the OFC capacity from 33 to 42 million km, which will make us one of the largest in terms of optical fibre cable globally.

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Our technology focus is towards clearly developing a comprehensive product portfolio for Accellus which I just talked about. We are also continuing to do annual investment of 3 to 4% of our revenue in developing this portfolio as well as the other portfolio for the FTTx.

If you look at our portfolio, we have successfully launched WiFi 6, 5G multi band radio as well as our indoor small cell Garuda in last couple of quarters. We have also successfully piloted for programmable FTTx software solution in this quarter. And we are in the developmental phase for RAN intelligent controller, which we shall be launching in the upcoming quarters. So the portfolio is fully building up both at our end as well as in collaboration with our ecosystem open RAN partners. We are clearly positioning ourselves as someone who can offer end-to-end networking solution.

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Coming towards talent and culture, we have now built a clear global leadership team and we continue to strengthen that team globally. In newer areas of growth like optical interconnect system in UK as well as access solutions we are continuing to strengthen the team. Along with the leadership team, we are also strengthening the overall team strength in these areas both with experienced people as well as very great talent coming out of the best schools globally.

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Coming towards the pandemic which we saw especially in India at a very major scale in the current quarter. It has been an extremely challenging time for all of us. During these times, we clearly stood by each other and extended the best possible support to our employees, our communities in which we operate as well as the larger ecosystem. We extended complete support in terms of any case, few cases of loss of life that we had for the ecosystem, we extended full support in terms of employment, medical cover, education as well as skill building to the family members.

We created a STL family team of employees, which acted as a nodal body and co-ordinated support to all employees from symptom stage towards post treatment stage. We conducted vaccinations drives as well as continue to provide full vaccinations at various STL locations in which we operate. Clearly this is fully not over but we have a very vigilant team towards providing support at physical level, at medical care as well as counselling services.

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With these foundational capabilities, we are confident that we are on our path to deliver our financial targets. I would now hand over to Mihir to discuss these financials.

Mihir Modi: Thank you Anand and very good day to all.

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Indeed with the foundational capabilities that Anand just discussed and our focus on specific growth levers which are on the back of the industry opportunity of this network creation cycle, we indeed are looking at translating that into financial performance. This quarters result is also a small step in that direction. I will quickly take you through the key aspects of this quarters results. As you see on the screen our order book grew from Rs. 103 billion same time last quarter to Rs. 112 billion by end of Q1 FY22. Out of this Rs. 42 billion is executable in this fiscal itself. We also have a substantial about 23% of O&M revenues which will start kicking in, in FY23 and that will be a non-trivial contribution to the revenues as we go ahead from FY23 onwards.

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Our revenue mix is again moving in the direction that we intend it to move, from a customer segment standpoint it is moving towards a TELCO heavy side from geographies, EMEA and Americas markets, those markets are contributing heavier to our mix.

In is on the back of some notable wins that we have had, large multi-million-dollar deal with a large European telco for our Opticonn solution, so on and so forth. We clearly want to make sure that we expand and serve the growing European markets, the US investments that are happening as we go ahead. This mix of our revenues in this quarter is a small indicator of the direction we are intending to take and are able to take.

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On the execution side, well there was a bit of a hiccup again in Q1 on the execution side because of the pandemic's second wave in India but post that our execution is running at full speed. Some of our key projects which all of you all are aware off are either towards the end of completion or chugging along very well. Project Varun (at 95% and Mahanet about 90%. The fibre roll out with a large Indian telco is inching at a halfway mark. So on and so forth. Of course we have an addition now the UK network which we will kick start. Of course we are close to completing more than 80% completed on data centre hyperscale project in the India market as well. So overall we continue to expand with the geographies. The kind of projects that we are doing and we are taking steps ahead in this direction.

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Moving to the specific numbers of the P&L very happy despite as I mentioned the little hiccup of on the pandemic side, overall happy. Despite the pandemic we locked Rs. 13.09 billion of revenue at an EBITDA of Rs. 2.38 billion that's an 18.2% EBITDA margin. We did a PAT of Rs. 1.16 billion. Revenue is a growth of 49% over the same quarter last year. Overall we expect the underlined momentum to continue. The Q-o-Q dip is primarily because of some pandemic impact in Q1. But we would aspire to get back into the quarter growth momentum that you have seen over the last four quarters. We certainly aspire to get back on track and there is no reason we should not be able to.

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As we had shared with most of you who had joined us at STLescope earlier this month, we plan to reach Rs. 100 billion annualised run rate by Q4 FY23. This will be on the back off a very focused strategy in translating in the form of growth levers that Anand also laid out earlier in the presentation. Our growth will come from optical connectivity business through globalization of system integration and our access solution business. We are confident of reaching this number and we are taking steps ahead as we go on.

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Just laid out the abridged version of financials here. As I mentioned the first column Rs. 13 billion at 18.2% EBITDA. And a PAT of Rs. 1.16 billion.

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Overall we are committed to what we have on our minds, every single day. Revenue run rate of Rs. 100 billion by Q4 FY23. We are watching the net debt very closely to make sure that we get to a 0.5 net debt equity ratio by again Q4 FY23. An ROCE objective remains at 20%. I think, we are very comfortable that we are moving towards these objectives. We will continue to communicate to you of our progress towards this.

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One more piece which we would want to now share with you all as we have shared in the past as well is our commitment to our ESG targets. We have been endeavouring to be a responsible leader and not just to make the world connected but also inclusive and responsible. It results in actions such as how we source what goes into our products, how we design the material so that there is minimal impact on the environment. How our partners develop those materials and other disposal methods. Just to share some examples, we have diverted 135 thousand metric tonnes of waste away from land fields and not just diverted away from land but also reduced it at source to recycled and reuse them as inputs. So we plan to grow in an environmentally responsible manner.

On the sustainability part we are fully aligned with the UN sustainability development goals. We make efforts to reduce our waste, 100% of all manufacturing locations are Zero Waste to Landfill certified. We have reduced our carbon footprint by 50% over the last few years and recycled over 1.15 million cubic meters of water. We are actively and continuously working on reducing and minimizing emissions at our manufacturing and other facilities. Overall again to make sure that we create a connected but sustainable world.

On the governance side, and this is something which is very close to my heart. We are very focused on the best board governance and internal practices at multiple levels. We have built an advisory council with about 60% of our advisors with global experience of building technology led businesses. Our Independent directors come in with repute with stature and bring lot of new thinking, in terms of global experience diversity as well as gender diversity. We have 2 of the big 4 auditors who are looking at our statutory and internal audits and we are committed to very-very high level of external inputs and validation to what we are doing. On an operating level we have built a very focused system of executive committees, business level management committees to make sure that we drive the business goals in a very structured manner at the same time adherence to our code of conduct.

I think, while we continue to do all of this our ESG goals are even more ambitious. Our goals include impacting 5 million lives by about 2025, undertaking 5 million plantations while reducing our carbon footprint by 50% by 2030. We are looking at replenishing 5 million cubic meters of water again by 2025 and all of these efforts we will need your support and help. But we continue to keep this as an important target for the organization and are fully committed to achieving these targets.

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In summary, from an industry tailwind perspective we are indeed on a decade long network creation cycle driven by 5G, FTTx, there is rural connectivity programs. All of these are being rolled out as we speak and we see a good 10 years ahead of this activity and growth that we need to contribute to and as a company we will benefit from. Of course to be able to do that we have worked in a very focused manner for the last 5 years, by building geographical capabilities and product portfolio capabilities thereby increasing our TAM by 5x to now $ 40 billion. We have to focus on playing well in this and increase our market share. Of course very-very structurally 3 growth levers, to grow the optical business, we are growing capacities there, globalize the system integration business and entry into UK is one such step and then on the access solutions side, we have started to build at an accelerated level not just with our R & D spends but with going out now into getting customer validation and eventually revenues. I think, here as Anand briefly mentioned we are strengthening our foundational capabilities through our E2E solutions, very-very focused approach on key accounts and the relationships there making sure we have the right ecosystem investments. Very-very proud to be now be able to acquire top talent from the world and all that we hope that will take us to our plan of a Rs. 100 billion revenue run rate by Q4 FY23 along with net debt/equity less than 0.5 and RoCE north of 20%.

So with this we come to the end of our opening commentary and we can move to Q&A now.

Pankaj Dhawan: Ladies and gentlemen, please note that if you want to ask a question you can click on the "raise hand" and we shall take your questions one by one.

First question we are taking from the line of Pranav Kshatriya from Edelweiss.

Pranav Kshatriya: Thanks for the opportunity. I have three questions. Firstly, can you tell us how much is the OF, OFC capacity utilization for this quarter and what are the trends you are seeing for the OF pricing across the globe?

Anand Agarwal: Sure Pranav, on a capacity front, our new capacity for cables is now coming up fully on shape. I would say if I take a full capacity of 33 million we are now running at about 70% - 75% of the capacity. In terms of the pricing, the pricing for us is largely through long term contracts so it has been more stable, we are seeing the demand outlook as well as the supply demand constrain now, the delivery times are getting tighter. So clearly the new contracts we entered in are at slightly better pricing than what we had in the previous year.

Pranav Shatrya: My second question is on this Prysmian law suit, today we had this news of Prysmian has launched a lawsuit regarding patent impeachment on couple of your products. Can you just highlight us you know exactly what this is about and what would be the contribution of products under litigation?

Anand Agarwal: This is very recent right now. It is related to our increasing and strengthening our presence in the European market and UK and it is normally done by competition as a sort of competitive tactic. We are pretty clear that there are no IP issues that we have and it has just come and is sub judice so we cannot provide more information. We are confident that all our products and capabilities, we have our own strong portfolio and more competitive measures will be taken in a few markets.

Pranav Kshatriya: My last question is I need a book keeping answer for this. What is the current net debt for the Company and what was the capex for this quarter?

Mihir Modi: So current new debt for the quarter is north of Rs. 26 billion and the capex outflow was in double digits. We also had an inflow of capex through sale of land which we had reported in this exceptional item. So the net capex was quite low.

Pankaj Dhawan: The next question is from the line of Neerav Dalal from Maybank Kim Eng.

Neerav Dalal: Thank you for the opportunity. I have three questions. First is on the recent announcement by Bharat Broadband, they have come out with the tenders for nine packages. How do you see us playing in this option? What do you expect to be the timeline for this going ahead? When do you see the tendering to happen and implementation to start?

Anand Agarwal: Sure Neerav, current information which has come through, the response has to go by end of August or so. As we have participated in the previous opportunity, we will look at each opportunity for providing our end to end capabilities which will include cables, interconnect as well as now the FTTx solutions at the edge also. So our participation will be as a provider as well as a full end to end system integration in select opportunities. We believe that the whole process should take a good part of this quarter and maybe something in next quarter and whatever orders come in part of it will kind of accrue in H2 of the current year and bulk of that will be towards FY 2023.

Neerav Dalal: And my next question is regarding the recent acquisition that we announced today. What are the margins of the business and how should one look at this business in the next 3-5 years?

Anand Agarwal: Sure so this is a relatively Company which has grown in the last 5-6 years. The margin is between 13-15% during these years and it has grown at about 25-26% Y-o-Y over the last three years. Our focus clearly is to kind of leverage this platform along with the team that we had showcased that we have built up in UK as well and with the combined capabilities strengthened that growth. So definitely with us coming along with Clearcomm the overall both the opportunity as well as the growth ought to be faster than the 26% that the Company has shown.

Neerav Dalal: Lastly, just in terms of the extraordinary items that are there in this quarter. There was a sale of land and there was certain provision charge and impairment charge. If you could just explain in terms of what are these impairment charge and the lease cancellation?

Mihir Modi: Sure so we have three of these, so there is one lease which we had to cancel and therefore that came in as an extraordinary or exceptional item because we had to settle that and pay certain amount as part of the cancellation terms. So that was one. Second we had a certain case and we have made provision for that. Its more conservative decision to make provisions for that case that has been filed against us. And the last is the regular reassessment of certain assets and an impairment that we felt appropriate to take based on the revised value of assets assessed.

Neerav Dalal: Is it something recent? In terms of the impairment charge how should one look at it? Going ahead what is it regarding?

Mihir Modi: So the first part, no its not recent, the assessment and the conservative approach on the provision is something that we decided. We have spoken about some of these and disclosed some of these cases in the past as well and we have made provisions against that in the past as well. But like I said as a conservative assessment I would rather make a provision than be surprised. I think again the impairment is a part of a regular clean up understanding of which asset is performing how and this is just a part of that. It's a conservative approach to how we would like to keep our balance sheet. There is no substantial risk around that.

Pankaj Dhawan: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal.

Mukul Garg: Thanks. Anand, I first wanted to kind of inquire on the gross margin, the gross margins this quarter was one of the highest I think in 8 to 10 quarters. Was this primarily because of lower share of services or was there any impact you had because of price increases or increase in the share of product business. How sustainable is this gross margin going forward?

Anand Agarwal: You are right Mukul. It was largely due to the fact that portion of services was slightly lower in the current quarter. Our GM and EBITDA numbers that we have guided will largely be in the range of 17-18% and the current GM in this quarter is just a reflection of the mix.

Mukul Garg: On the order book, there is a decent pick up in the order book this quarter. Is the incremental order flow coming in on the network services or access side, or have you actually started seeing an increase in the duration of the fibre business, I think you alluded partially to that earlier on the call when you said like you have started seeing some tightening. So has that started leading to some long duration orders coming into system?

Anand Agarwal: Yes absolutely, during the quarter large part it has been European telco and multi opticonn sort of engagements which has included both the fibre cable as well as the interconnect orders. We got some orders for system integration as well as the access part also but the larger portion has been the optical business largely through European telcos.

Mukul Garg: And the last one was on the regional mix, it was really interesting to see US now contributing 11% of your revenues this quarter. That was a major jump. Is this something which you see as sustainable or will this remain a lumpy factor and the second part of this was on the China side. The China JV is not contributing anything to revenues now. Have you exited it or is there some sort of pause there?

Anand Agarwal: So couple of points. So what we report in America is both US as well as Latin America. The jump that we saw from 5% last year to about 11% this year is clearly on account of growth that we are seeing in North America more. In terms of the China facility, what we report is in terms of the revenues, from a sales perspective so China facility whatever usage that we have is more towards production rather than towards sale in the market. So in terms of market place we are not selling much or hardly anything in China anymore.

Mukul Garg: Just to clarify, the North American business, do you expect that to remain sustainable or will it be a volatile based on order flow?

Anand Agarwal: We believe so, we are seeing a great traction. That's what led us to decide to have a point of presence also, if you would have noticed Mukul first we enter a market through sales than through distribution and then manufacturing. The fact that we believe it is now sustainable has led us to decide on this investment in the US market as well.

Pankaj Dhawan: Thank you. The next question is from the line of Ravi Mehta.

Ravi Mehta: Thanks for the opportunity. With the uptick in fibre prices as you mentioned the new orders coming at higher price, is there a case where we can see some improvement in margins despite the mix reverting back to the expected?

Anand Agarwal: Ravi as mentioned we take more longer term sort of orders, so there is clearly an expectation that the orders in future that we get as well as maybe the profile mix starts moving should improve some margins. At the same time the mix towards systematic integration business is also increasing with the global presence. And our R&D spend consciously that we are making in between 3-4%. So at the current level, we will continue to guide at the company level to be between 17-18%. However, all endeavors are towards making sure that we take every opportunity to make it better.

Ravi Mehta: One book keeping question. What was the inflow from the sale of land?

Mihir Modi: The inflow this quarter was Rs. 67 crore.

Ravi Mehta: I believe, that was the gain?

Mihir Modi: Yes, incidentally we got the first tranche a small amount last quarter in terms of cash flow, which was equivalent to the cost. This quarter we booked the whole gain which was incidentally the same amount.

Pankaj Dhawan: Thank you. The next question is from the line of Mangesh Kulkarni from Almondz Global Securities.

Mangesh Kulkarni: I wanted to know the organizational restructuring what has been planned, so just more details on that. Secondly the Rs. 1,000 crore (inaudible), so what is the thought process? Can you throw some light on it?

Mihir Modi: Let me answer both. The Rs. 1,000 crore fund raising resolution is an enabling resolution. We have been taking that from the board in the past except for the last one and that to because of the buyback we could not. So this is something that we have always done in the past to make sure that we have an enabling resolution in place. On the other question relating to reorganization, we have multiple entities across the world, and it was felt that we need to make sure that we clean up and optimize the corporate structure. So that is the effort we are going to make. The item is on that account.

Pankaj Dhawan: Thank you. The next question is from the line of Vipul Kumar Shah.

Vipul Kumar Shah: Hi Sir, Congratulations on a good set of numbers. My question is regarding our order book. Although our addressable market has grown in 5x, why the order book has not kept pace with our addressable market? I missed the comment regarding this exceptional item. What is the profit from land sale this quarter, can you quantify?

Anand Agarwal: The addressable market growth that we have seen over a 5 year period and clearly our order book over this period has grown significantly. So the order book that we are now talking about is on a Q-o-Q basis which has grown I think by about 5-6% from 107 billion to 112 billion on a Q-o-Q basis. And the clear focus moving forward is towards taking both bigger market share of it and you'll see this order book growing on a Q-o-Q basis as we will move forward.

Mihir Modi: Regarding the land sale, the total cash inflow across 2 quarters, large chunk coming in this quarter was approximately Rs. 75 crore. The profit on that was Rs. 67 crore. Of course, we had some other exceptional items which were negative items in the form of provisions and therefore the net exceptional items upside in the financials is approximately Rs. 16 crore.

Pankaj Dhawan: Thank you. In the mean-time Anand and Mihir let us take one question that has come through the chat. The question is from Anil Tomidi. He wants to understand that if we are participating in BBNL's Bharatnet PPP and also are we are participating in the PLI scheme.

Anand Agarwal: For Bharatnet we just talked about the part that we will be participating as system integrators and as a cable provider for the opportunities which are coming in. For PLI also we have made an application under the PLI scheme for the radio hardware. There is a participation on the PLI as well.

Pankaj Dhawan: And we can take one more question that has come through the chat. The question is from Neeraj Dhan who was not able to ask earlier. How does western world apprehensions regarding China affect you? How would you score against the likes of Huawei and ZTE?

Anand Agarwal: We do not actually directly compete with the likes of Huawei and ZTE but at the same time I get the perspective of the question. Clearly the fact that we are now both in the markets where we operate in as a local provider whether it is UK, Europe, US. Being a local provider as well as coming in from Indian origin is really helping us create a better visibility, better reliability in these market place. So it helps being both local and Indian for us.

Pankaj Dhawan: Next question is from the line of Anurag Jain.

Anurag Jain: Thanks for the opportunity. I have two questions. One was on the manufacturing set up that we plan to establish in UK and US. While I understand the logic that business will be more sustainable there so we want to have more prominent presence but the logic of setting up manufacturing businesses in terms of cost competitiveness and the India advantage, how does that stack up?

Anand Agarwal: We take this call based on multiple factors based on sustainability of the business on the sustainability of the margin in these markets. Clearly its going to be a mix of capabilities what we do locally as well as what sort of comes in from the India facility. Both these decisions we took after weighing in all these perspectives of local capacity, local margins and cost as well as sustainability of business in these markets. The fact that we have been operating the European facility Metallurgica now almost for four years and increase the capacity there, we have a very good outlook in terms of how to get that balance between keeping the global capacities running while maintaining the margins locally.

Anurag Jain: My last question from my side is on acquisitions. So we have done a reasonable bit of acquisitions over the last quite a few number of years. So my question was how has our experience been on that front? Have we been able to successfully integrate? Have those acquisitions actually delivered what the intent was? So if you can please share some of your experience with that?

Anand Agarwal: Sure. I would say it has been largely positive, slightly some set of learnings that we have had with each acquisition but through these acquisitions what we have done is more smaller ticket acquisitions which are more focused towards capability or a market presence. So whether it was Metallurgica in Italy and Optotec recently or IDS for the data centre part as well as the ASOCS investment. Each of them have added capabilities for us. And I would say overall we are extremely happy with all the acquisitions we have done as well as the approach we have taken. And our post-merger integration activities have also gotten more robust with every single acquisition. It has now become an extremely strong play book from identification to post merger integration which keeps getting better with every acquisition.

Anurag Jain: So just to dig in a little deeper here, so we have been able to retain the people or able to have knowledge transfers. All that was possible and was done adequately?

Anand Agarwal: Absolutely. Both from construct of the acquisition itself key people are part of the approach but I am extremely happy to mention that we haven't lost any key person which were part of the acquisitions that we did especially the key people that we identified in each of these acquisitions.

Pankaj Dhawan: One last question through chat from Rajesh Shah. The question is, has the business normalized in the services after a slowdown in Q1?

Anand Agarwal: Yes, currently from the middle of June onwards coming back to normalcy. We are clearly hoping and wishing that this normalcy is sustained as we move forward in the current quarter on the services side.

Pankaj Dhawan: Ladies and gentlemen. With this we come to the end of the Q&A session and I now hand it over back to Dr Agarwal for closing remarks.

Anand Agarwal: Thanks Pankaj. I would like to thank everyone for attending this call and for showing interest in our Company. I hope that you were able to address and clarify all your queries and comments. For any further questions, discussions, please you can feel free to contact the Investor Relations team, which includes myself and Mihir and we really look forward to continuing the conversation with you in the future. Thank you and have a great day.