

Bloomberg Code	SOTL IN
No of share O/S (in crs)	39.66
Market Cap (in Rs. crs)	9,130
Face Value (in Rs)	2.00
Dividend Yield (%)	1.48
52 Wk High/Low (in Rs)	249/87

**Shareholding (%)**

Promoters	54.46
Institutional	13.74
Public	31.80
Total	100.00

**Key Highlights**

Sterlite Technologies (STL) reported net revenue of Rs. 1,475 cr during the quarter, registering an increase of 12.2%/27.1% on a QoQ/YoY basis, respectively, on the back of key order wins during the quarter. For the full year FY21, the revenue de-grew by 6.4% to Rs. 4,825 cr.

EBITDA for Q4FY21 came in at Rs. 256 cr up by 11.5%/18.7% respectively QoQ/YoY. EBITDA growth was less than revenue growth as operating expenses increased on a QoQ/YoY basis, offsetting the gains from higher revenue. EBITDA margin contracted by 11 bps on a QoQ basis and by 123 bps on a YoY basis. EBITDA for FY21 was reported at Rs. 811 cr a decline of 24.2%, which was in line with revenue de-growth and further impacted by increase in employee cost. EBITDA margin declined by a steep 395 bps during FY21 to 16.8%.

Net profit for the quarter came in at Rs. 125 cr, an increase of 43.8% and 49.7% on a QoQ and YoY basis respectively due to improved business efficiency. Net profit margin improved from 6.6% in Q3FY21 and 7.2% in Q4FY20 to 8.5% in Q4FY21. For the full year FY21, net profit declined by 36.9% to Rs. 279 cr, which was in line with EBITDA de-growth and further impacted by the higher tax rate for the period. Net margin contracted by 280 bps during the year to 5.8%.

**Concall Highlights**

- STL won few key orders during the period such as: 1) A three-year strategic collaboration with Openreach to provide millions of kms of optical fibre cable to help connect UK with a full-fibre network. 2) ~\$100Mn deals in the MEA region - for building future-ready digital networks. 3) Partnership with Airtel to build optical network across 10 circles.

- Q4FY21 witnessed continued investments in digital network by telecom operators, cloud companies, large enterprises and citizen networks and PE investments.
- STL grew its OFC volume by more than 35% in FY'21 and the demand for optical fibre cable is sustained long term growth over the next few years with countries all over the world adopting the technology.
- The OFC expansion project is on track and the company expects to increase the OFC plant capacity to 33 mn fkm by June'21.
- STL filed 191 patents during FY21 thereby growing its patent portfolio by 105%. STL's global patents reached 569 at end of FY21. R&D spends for FY21 were at 3.1% of the revenues.
- Among the key projects of the company, Project Varun (Indian Navy project) is at 91% completion, Mahanet (A) is 98% completed, Mahanet (B) is 61% completed, the T-Fibre Project (A) is at 26% completion, T-Fibre Project (B) is at 18% completion and FTTH rollout project is completed to the extent of 41%.
- At the end of Q4 FY21, the company has an order book of Rs. 10,754 cr up from Rs. 10,037 in Q4FY20 out of which, the company expects to execute orders worth ~Rs. 5,470 cr in FY22 and the remaining ~Rs. 5,284 cr in FY23 and beyond.
- The 3 levers that the company expects to derive its growth from include 1) Growing optical fibre cable volume and optical interconnect business 2) Taking System Integration business global and scale in India 3) Building a strong Access Solutions business, based on disruptive open-source products.

### ***Valuation***

At the current price of Rs. 230 STL is trading at a P/E of 13.8 with an estimated FY23 adjusted EPS of Rs. 16.7.

## Financial Summary

For the full year FY21, the revenue de-grew by 6.4% to Rs. 4,825 cr.

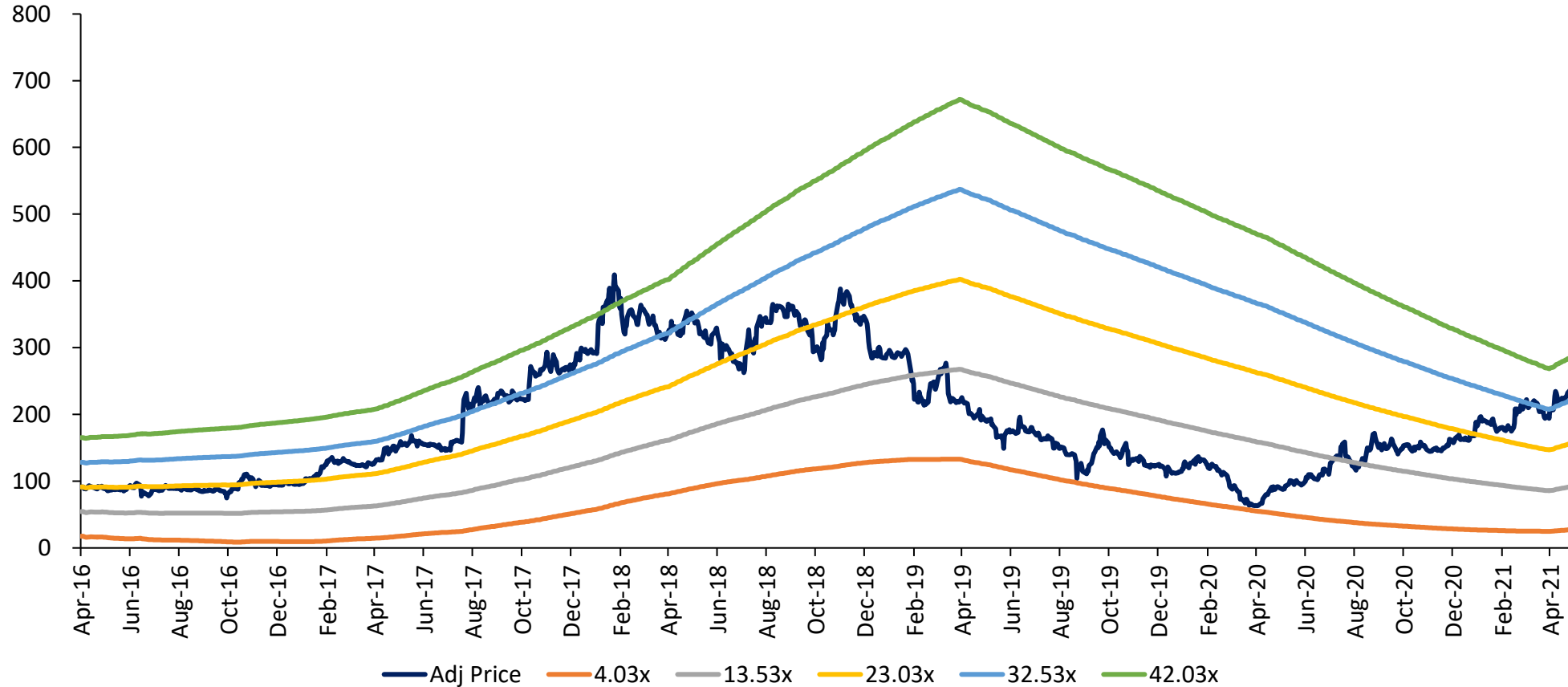
EBITDA for FY21 was reported at Rs. 811 cr a decline of 24.2% which was in line with revenue de-growth and further impacted by increase in employee cost.

For full year FY21, net profit declined by 36.9% to Rs. 279 cr which was in line with EBITDA de-growth further impacted by higher tax rate for the period.

Figures are in Rs Cr	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY20	FY21	YoY (%)
Revenue from operations	1,475	1,160	27.1	1,314	12.2	5,154	4,825	-6.4
Raw Material Cost	736	539	36.6	663	11.1	2,467	2,395	-2.9
<b>RM Cost to Sales (%)</b>	<b>49.9</b>	<b>46.5</b>		<b>50.4</b>		<b>47.9</b>	<b>49.6</b>	
Employee Cost	179	152	17.8	164	9.0	630	647	2.8
<b>Employee Cost to Sales (%)</b>	<b>12.1</b>	<b>13.1</b>		<b>12.5</b>		<b>12.2</b>	<b>13.4</b>	
Other Expenses	303	253	19.9	257	17.9	988	972	-1.6
<b>Other expenses to Sales (%)</b>	<b>20.6</b>	<b>21.8</b>		<b>19.6</b>		<b>19.2</b>	<b>20.1</b>	
<b>EBITDA</b>	<b>256</b>	<b>216</b>	<b>18.7</b>	<b>230</b>	<b>11.5</b>	<b>1,069</b>	<b>811</b>	<b>-24.2</b>
<b>EBITDA Margin (%)</b>	<b>17.4</b>	<b>18.6</b>		<b>17.5</b>		<b>20.7</b>	<b>16.8</b>	
Depreciation	61	77	-20.3	68	-10.2	290	285	-1.7
Interest	53	59	-10.0	50	7.2	221	203	-8.2
Exceptional Items	-	-		-		51	-	
Other Income	16	10	58.2	8	115.0	34	43	25.3
<b>Other Income to Sales (%)</b>	<b>1.1</b>	<b>0.9</b>		<b>0.6</b>		<b>0.7</b>	<b>0.9</b>	
<b>Profit Before Tax</b>	<b>158</b>	<b>90</b>	<b>75.3</b>	<b>120</b>	<b>32.2</b>	<b>542</b>	<b>365</b>	<b>-32.5</b>
<b>Tax Rate (%)</b>	<b>31.8</b>	<b>14.5</b>		<b>27.8</b>		<b>20.1</b>	<b>30.5</b>	
<b>Profit After Tax</b>	<b>108</b>	<b>77</b>	<b>39.9</b>	<b>86</b>	<b>24.9</b>	<b>433</b>	<b>254</b>	<b>-41.3</b>
<b>PAT Margin (%)</b>	<b>7.3</b>	<b>6.7</b>		<b>6.6</b>		<b>8.4</b>	<b>5.3</b>	
Minority Int/Share of Associates	17	7		1		9	25	
<b>Net Profit</b>	<b>125</b>	<b>84</b>	<b>49.7</b>	<b>87</b>	<b>43.8</b>	<b>442</b>	<b>279</b>	<b>-36.9</b>
<b>Net Profit Margin (%)</b>	<b>8.5</b>	<b>7.2</b>		<b>6.6</b>		<b>8.6</b>	<b>5.8</b>	
Adjusted EPS (Rs.)	3.2	2.1	49.7	2.2	43.8	11.1	7.0	-36.9
Net Worth						1,920	1,987	
Adjusted BVPS (Rs.)						48.4	50.1	
Net Debt						1,504	1,615	
Net Debt to Equity (x)						0.8	0.8	
Net Debt to EBITDA (x)						1.4	2.0	
RoE (%)						23.0	14.0	
P/E (x)						20.6	32.7	
P/B (x)						4.8	4.6	

# 1 year forward valuation band chart

## 1 year forward P/E band chart



Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is a member of BSE and NSE. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Guaranty Limited is the holding Company of VSL; Ventura Commodities Limited and Ventura Allied Services Private Limited are subsidiaries of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL, disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking, merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for products or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future, reports on the companies covered herein with recommendations/ information inconsistent or different than those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently for the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL and the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public /used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as a part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion, estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimates or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. Neither the company nor its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Securities Market.

### **Ventura Securities Limited**

Corporate Office: 8th Floor, 'B' Wing, I Think Techno Campus, Pokhran Road no. 02, Off Eastern Express Highway, Thane (West) 400 607

**SEBI Registration No.: INH00001634**