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# CONNECTING

Volume - 10

EVERY HOME ON THE PLANET

## Building data and power transmission highways

FEATURE STORY:  
**PROFIT BY  
NUMBERS**

COLUMN:  
**HUMAN CAPITAL: THE NEW  
CORPORATE WEALTH STANDARD**

Sterlite ECO.101  
**Go Green**

LEADER SPEAK:  
**FROM THE  
CHAIRMAN'S DESK**



Asia Pacific  
Entrepreneurship  
Award India  
2009





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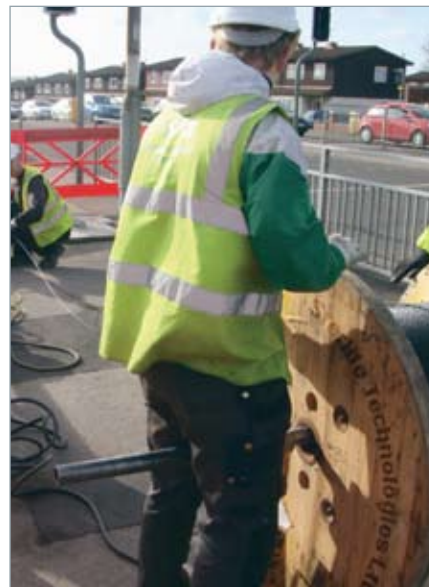
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## STERLITE TECHNOLOGIES LIMITED ANNUAL REPORT 2009-2010 [www.sterlitetechnologies.com](http://www.sterlitetechnologies.com)

### REGISTERED OFFICE:

E1, MIDC Waluj, Aurangabad 431136,  
Maharashtra, India.

### LOCATIONS:

China, Denmark, India, Netherlands, Russia,  
Saudi Arabia, South Africa, Taiwan, Turkey,  
United Arab Emirates, United Kingdom, United  
States of America

### BOARD OF DIRECTORS:

Anil Agarwal, Arun Tadarwal, A R Narayanaswamy,  
Haigreve Khaitan, Pravin Agarwal, Anand Agarwal

**CHIEF FINANCIAL OFFICER:** Anupam Jindal

**COMPANY SECRETARY:** Sandeep Deshmukh

### MANAGEMENT COMMITTEE:

Pravin Agarwal (Whole-time Director), Anand  
Agarwal (CEO & Whole-time Director), Anupam  
Jindal (CFO), Anuraag Rai (VP-Human Resources),  
Rajendra Mishra (COO – Power), K S Rao (COO –  
Telecom), Prasanth Puliakottu (CIO), Dharmendra  
Jain (AVP – Finance).

**AUDITORS:** S R Batliboi & Co.

### BANKERS:

Axis Bank, Bank of Baroda, Bank of India, Bank  
of Maharashtra, Barclays Bank PLC, Citi Bank,  
Corporation Bank, Exim Bank, HDFC Bank Ltd,  
ICICI Bank Ltd, Kotak Mahindra Bank, Oriental  
Bank of Commerce, Punjab National Bank, State  
Bank of India, Union Bank of India, Yes Bank

### REGISTRAR & TRANSFER AGENTS:

Karvy Compushare Private Limited, Unit – Sterlite  
Technologies Limited, Plot No 17 to 24, Vittalrao  
Nagar, Madhapur, Hyderabad – 500081, Andhra  
Pradesh, India. Phone: +91.40.23420818/828.  
Fax: +91.40.23420814.  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

### FORWARD-LOOKING STATEMENT:

In this Annual Report, we have disclosed forward-looking  
information to enable investors to comprehend our  
prospects and take informed investment decisions.  
This report and other statements that we periodically  
make contain forward-looking statements that set out  
anticipated results based on the managements plans and  
assumptions. We have tried wherever possible to identify  
such statements by using words such as 'anticipate',  
'estimate', 'expects', 'projects', 'intends', 'plans', 'believes'  
and words of similar substance in connection with any  
discussion of future performance. We cannot guarantee that  
these forward-looking statements will be realized, although  
we believe that we have been prudent in our assumptions.  
The achievement of results is subject to risks, uncertainties  
and estimates taken as assumptions. Should known or  
unknown risks or uncertainties materialize, or should  
underlying assumptions prove inaccurate, actual results  
could vary materially from those anticipated, estimated or  
projected. Readers should bear this in mind.



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with recycled FSC certified materials.





## From the Chairman's desk



Sterlite's success comes from recognising and capitalising on market transitions before they occur.



I am delighted to report another excellent set of results in a challenging year of unprecedented global market transitions.

As we enter FY11, I am heartened by resilience shown in the power and telecommunication sectors, fuelled by large and coordinated stimulus from federal governments globally. I am very confident about the robustness of our business strategy to address the market opportunities and the success of our sustained growth programme.

### Business Strategy

I believe that Sterlite's success comes from recognising and capitalising on market transitions before they occur. Our goal is to capture these market transitions as per applications desired by our customers, and by recognising major technologies and markets, that would play a crucial role in the future of power and telecommunications.

We continue to drive our business through scaling of volume, enhancement of our global client footprint, stringent focus on costs and advances in technology. We also ensure a strong connection with the needs of our stakeholders, which enables us to make strategic decisions, investments, and organisational moves to support the future.

### Sustainable Development

Sterlite has a long-standing commitment to sustainable development, and we believe that business today has greater responsibility than ever before to

enhance society's overall well-being. We continue to proactively foresee social and environmental factors that would influence our businesses in the long-term and proactively prepare for those changes.

We believe that we can impact the environment in a positive way through the use of technology. We live by our organisational belief to conduct our operations in a responsible way, with a minimal impact on the environment, through the simple mantra of 'reduce, reuse and recycle.' We endeavour to build products that are more efficient and which would help to reduce the global carbon footprint.

Ensuring the safety of all our employees is also key priority for us, and the Board remains committed on continuously focussing on this crucial area. We remain focussed on active engagement with our key stakeholders, increasing transparency and building a strong legacy in the sustainability space.

### Leadership & People

Our able leadership team has been instrumental in delivering unrivalled growth at global benchmark standards. I am confident that this will help us maintain sustainable growth and maximise shareholder value.

I am proud of the knowledge and intellectual capital that our young professional workforce brings to the organisation. The successes that I have been able to report are due to their outstanding commitment.

On behalf of the Board I would like to thank our employees for their contribution to the excellent performance during the year.

### Outlook

As a Company, our vision is to 'Connect every home on the planet'. Through this vision we do not literally mean that we will go into every home and wire it with data connectivity cables or electrical wires. What we mean is that Sterlite would make it easier, faster and more cost-effective for service providers to build telecom and power infrastructures.

As leaders, it is our responsibility to lead by inclusion and collaboration. Sterlite would continue to innovate, capture market transitions and address the needs of every stakeholder.

The robust demand in the telecom and power industries appears well entrenched and the medium and long-term outlook for our products remains strong. Our priorities remain focussed on delivering a significant growth across our businesses and strengthening our global leadership position.

We are optimistic and I believe, well placed for the future. I look forward to sharing this journey with you.

**Anil Agarwal**

Chairman, Board of Directors  
Sterlite Technologies Limited

# The year that was

A closer look at some of the milestones that Sterlite achieved this year.

## Business Highlights

>> **Net Revenues of Rs. 2,432 Crores**, EBITDA of Rs. 404 Crores and PAT of Rs. 246 Crores

>> **Net Profit up by 173%** over the last fiscal

>> **Diluted EPS** of Rs. 7.34

>> **ROCE of 26.6% against 16.9%** over the last fiscal

>> **Healthy cash flow** from operations – debt decreases from Rs. 497 Crores to Rs. 358 Crores



- Highest ever sales & production volumes for power conductors, optical fiber, data cables.

- Good Tier-1 clients added for all businesses, across geographies. Power business made a strong entry into the Indian private sector.

- Client footprint in 55 countries. International revenues are 23% of net revenues.

- Strategic developments in FTTx, IPTC, OPGW, Defense sectors.

- Capacity expansions on track for optical fiber, fiber optic cables, power conductors.

- Awards: Asia Pacific Entrepreneurship Award, Deloitte Technology Fast 500 Asia Pacific Award, 4th Employer Branding Award, V&D 100 Telecom Cables Award, BSNL Preferred Supplier Award, WebAward.

▲ 8 patents granted. 10 new products introduced

▲ Among Top 3 outperforming stocks of 2009

## **Sterlite Technologies announces aggressive plan to catapult into global top three manufacturers of optical fiber**

*June 26, 2009:* Sterlite Technologies Limited announced the enhancement of the Company's optical fiber annual manufacturing capacity to 20 million-km, which would position Sterlite amongst the Top 3 manufacturers globally.

Sterlite's current facility of 6 million-km is already under expansion to 12 million-km, which would get established in the current fiscal. The enhanced capacity of 20 million-km that would be functional by 2011, would require a capex outlay of Rs. 250 Crores (US\$ 52 million).

The expanded facility would be capable of manufacturing the Company's existing range of optical fiber products, as well as have the intrinsic capability to manufacture new products that would cater to high bandwidth applications required by global markets. The expansion would be done by through a combination of brown-field expansion at its existing facility in Aurangabad, and a green-field setup at a location that would soon be finalised.

## **Sterlite Technologies wins BSNL's 'Best Telecom Equipment Manufacturer Award'**

*October 26, 2009:* Sterlite Technologies Limited has won BSNL's award for 'Best Telecom Equipment Manufacturer (fiber optic cables)' for the year 2008-09. Sterlite topped evaluation by BSNL's Telecom Quality Assurance Circle on multiple business performance metrics including product quality, manufacturing infrastructure and field performance reliability.

This award strongly reinforces Sterlite's position as among the most integrated optical fiber companies in the world. Sterlite currently holds a 45% market share in India for optical fiber and cables. The Company has established a broadband solutions business that complements its fiber optic business and is currently executing a contract for BSNL, to supply NGN equipment for a GPON-FTTH network.

## **Sterlite Technologies partners with BSNL for India's first commercial scale GPON FTTH network**

*July 13, 2009:* Sterlite Technologies Limited has won a contract from BSNL, valued at Rs. 372 Crores (US\$ 77 Million), for enabling a Fiber-to-the-Home (FTTH) Network based on Gigabit Passive Optical Network (GPON) technology. Sterlite was awarded a major share of the total outlay of project, amongst competition from global players.

BSNL plans to implement similar FTTH networks at 25 cities across India by Year 2012, which would impact 2 million subscribers. This would provide subscribers access to never-experienced bandwidth and speeds (in excess of 100 Mb/s) as well as multitude of applications ranging from utility applications such as High-Definition Video Conferencing or entertainment applications as High-Speed Gaming.

The current phase of the FTTH network would be capable of providing high-speed internet, IPTV solutions, VoIP, and other Value Added Services to about 500,000 subscribers. BSNL, one of the largest telecom service providers globally, will be the first telco in the country to deploy commercial scale Fiber-to-the-Home network.

## **MTNL launches prepaid broadband service in Mumbai in association with Sterlite Technologies**

*November 13, 2009:* Mahanagar Telephone Nigam Limited ("MTNL"), the largest broadband service provider of Mumbai in association with Sterlite Technologies Limited ("Sterlite"), a leading global provider of transmission solutions for the telecom and power industries, launched its Prepaid Broadband Services for residential and enterprise customers in Mumbai. This unique service would give MTNL clients the flexibility to instantly customise their broadband subscription plans, based on their self-estimated bandwidth usage.

Sterlite's deployment of the Prepaid Broadband Solution for MTNL supports the operator's leadership in the competitive

market of Mumbai. It leverages common network hardware and software assets to provide MTNL with network scalability.

The prepaid solution deployment is part of a broadband project by MTNL in Mumbai, under which Sterlite Technologies is providing an end-to-end solution that includes OSS/BSS. Sterlite's scope of services for this project includes project management, installation and deployment, network operations, network maintenance, integration and testing.

Sterlite has also partnered with MTNL in implementation of several key technology platforms in Mumbai and New Delhi, that include MPLS Core Network, Metro-Ethernet Broadband + OSS/BSS.

## **Sterlite Technologies bags East-North interconnection mega transmission project**

*February 18, 2010:* Sterlite Technologies Limited has been awarded a contract by Power Finance Corporation Limited (PFC) for its East-North interconnection mega transmission project.

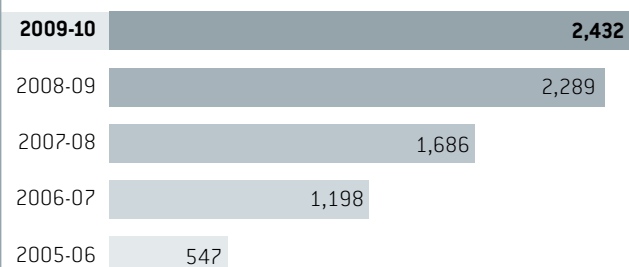
The Ministry of Power, Government of India, through PFC, has initiated a scheme for development of Independent Transmission projects through private sector participation, for evacuation of power from the generation stations, strengthening of the grid and transmission of power from pooling stations to the other grid stations, to load centers.

PFC's East-North interconnection mega transmission project aims to evacuate power from the North-East and Eastern states to the Northern region of India. The project involves establishment of two 400KV Double Circuit transmission lines that would respectively connect the Indian states of Assam, West Bengal and Bihar.

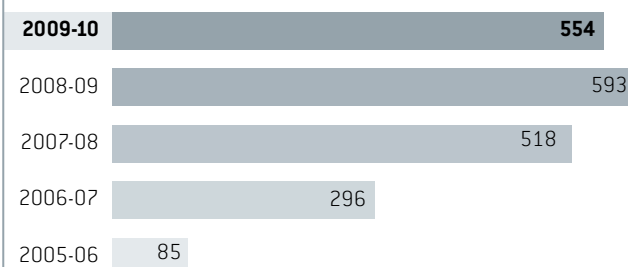
The project has been awarded to Sterlite Technologies on a 'Build, Own, Operate and Maintain' (BOOM) basis, wherein the transmission lines would be commissioned within 3 years and the Company would operate and maintain the same for a minimum tenure of 22 years thereafter.

# Powered by growth. Driven by performance.

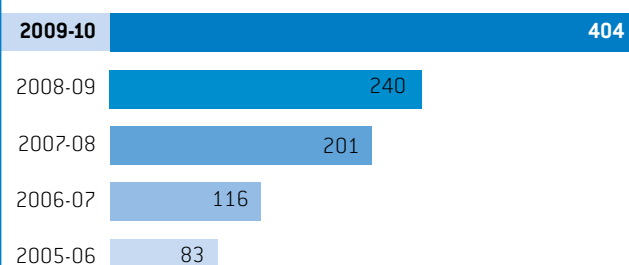
## NET REVENUES (Rs. In Crores)



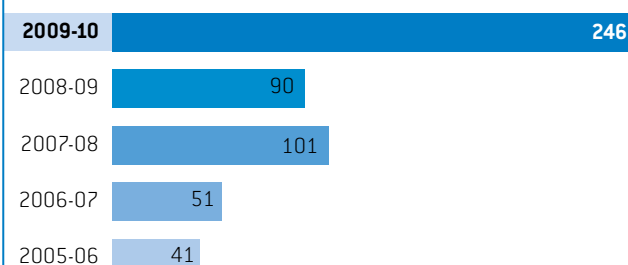
## EXPORTS (Rs. In Crores)



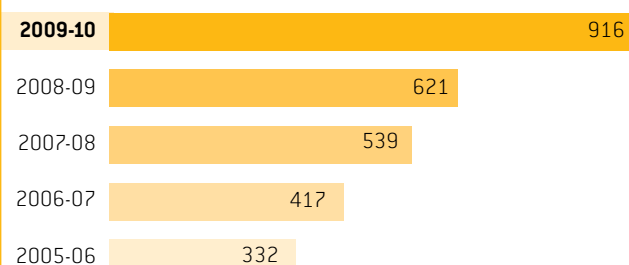
## EBITDA (Rs. In Crores)



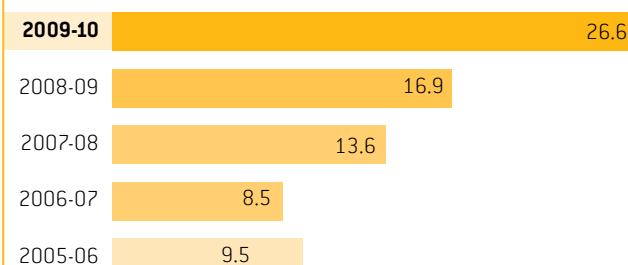
## PAT (Rs. In Crores)



## NET WORTH (Rs. In Crores)



## ROCE (%)



	2005-06	2006-07	2007-08	2008-09	2009-10
<b>RS. IN CRORES</b> <i>{Except earning per share}</i>					
Net Revenues	547	1,198	1,686	2,289	2,432
Growth (%)	68	119	41	36	6
EBITDA	83	116	201	240	404
EBIT	54	85	164	198	356
PAT	41	51	101	90	246
Diluted EPS	1.45	1.57	3.09	2.78	7.34
<b>US\$ IN MILLION</b> * <i>{Except earning per share}</i>					
Net Revenues	122	266	375	509	540
EBITDA	19	26	45	53	90
EBIT	12	19	36	44	79
PAT	9	11	22	20	55
Diluted EPS	0.3	0.3	0.7	0.6	1.6
<b>RATIOS</b>					
EBITDA Margin (%)	15.2	9.7	11.9	10.4	16.6
EBIT Margin (%)	9.9	7.1	9.7	8.6	14.6
PAT Margin (%)	7.5	4.2	6.0	3.9	10.1
Effective Tax Rate (%)	(6.8)	4.2	22.8	18.0	22.5
Capital Employed (Rs. in Crores)	570	1,001	1,203	1,173	1,334
ROCE (%)	9.5	8.5	13.6	16.9	26.6
Interest Coverage Ratio	5.2	3.7	5.7	2.7	9.3
Working Capital Ratio	2.9	3.2	3.1	1.8	1.9
Debt Equity Ratio	0.7	1.4	1.2	0.8	0.4

\* Conversion rate 1 US\$ = Rs. 45



# 173%

**Growth in net profit (PAT) to Rs. 246 Crores, from Rs. 90 Crores in the last fiscal.**



# Letter to shareholders



“

Both our core business segments of power transmission conductors and optical fibers have shown significant volume growth this year and this has resulted in much better improved margins for the Company.

”

We are glad to present the Annual Report for FY10. Just going by the key numerical metrics, the achievements in FY10 mark a key milestone in the long-term growth plans of our company.

We closed FY10 with revenues of Rs. 2,432 Crores, which is a growth of 6% over the last year's revenue of Rs. 2,289 Crores. EBITDA and net profit for the year were Rs. 404 Crores and Rs. 246 Crores respectively. This translated into an EBITDA growth of 68% and net profit growth of 173% for this year against the last year.

The growth in revenues appears flat, which is on account of the changing mix of the business and lower realisations in power business prompted by lower metal prices last year. However, both our core business segments of power transmission conductors and optical fibers have shown significant volume growth this year and this has resulted in much better improved margins for the Company. The EBITDA margins have shown a marked improvement from 10.4% last year to 16.6% this year.

Revenue from international sales to over 55 countries in FY10 accounts for Rs. 554 Crores, which is 23% of net revenues in FY10 and this has been achieved with a right mix of repeat orders from current customers and an addition of new eminent global customers.

Our international sales were a right mix of growing economies and the more developed economies. Our major exports were in China, Africa, Middle East and, for the first time, Europe established a significant contribution of our export revenues.

We are also pleased to report that our debt position as at 31st March 2010 stood at approximately Rs. 358 Crores with cash and cash equivalents of Rs. 210 Crores. Return on capital employed has improved to 27% on account of higher profitability as better utilisation of capital employed.

We had announced a stock split and bonus this year, and consequently our diluted EPS for the full year stands at Rs. 7.3 against Rs 2.8 in the last year. We are also pleased to announce that the

Board has recommended a dividend of 25% for the year, subject to approval from shareholders.

As a Company, we have achieved several noteworthy milestones during FY10. To list just a few:

- Despite the turbulent global economic situation through the year, we have achieved the highest sales volumes historically for all our businesses – Power conductors, Optical Fibers & Communication Cables and Telecom Solutions.
- Good Tier-1 clients were added for all businesses, across geographies and we made a strong entry into the Indian private sector for our power business.
- We start the financial year FY11 with a strong order book of almost Rs. 2,400 Crores, as compared to Rs. 1,400 Crores at the beginning of the previous fiscal. A bulk of this order book would be executed during FY11. The most significant aspect of this order book is the contribution by the government utilities like Power Grid Corporation

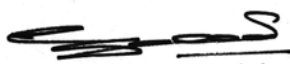


and State transcos. Additionally, with the ramp-up of our optical fiber manufacturing capacities, we have also entered into strategic long-term supply agreements and frame contracts with global clients.

- We have enhanced our intellectual property portfolio with 8 more patents granted, taking our total up to 23. Anticipating our customers future needs, we have further enhanced our product portfolio, with the introduction of unique application-focussed products like Optical Ground Wire (OPGW) Cables, High Ampacity Conductors, specialised data cables and Optical fiber products that are optimised for FTTx applications.
- Sterlite also won a number of awards during the year – The Asia Pacific Entrepreneurship Award, Deloitte Technology Fast 500 Asia Pacific, 4th Employer Branding, V&D100 Telecom Cables, BSNL Preferred Supplier and the WebAward.
- Among other noteworthy milestones achieved, our market capitalisation has increased by over 500% in the past year. Sterlite's stock has been considered as one of the Top 3 outperforming stocks of India in 2009.

We have had some good successes with strategic initiatives that have paved the way for our future growth:

- Sterlite has won a contract for the country's first ultra mega power transmission project, on a model similar to the PowerGrid Corporation of India. Sterlite would build, own and operate a transmission network of two 400kV double circuit lines of approximately 430 km in the Indian states of Bihar, Assam and West Bengal.



**Pravin Agarwal**  
Whole-time Director

- With our balanced approach to reduce dependence on a single customer segment, we are pleased to inform you that FY10 saw a good share of business from the non-government/private segment. We believe that with a strong growth momentum in both the telecom and power sectors, the private sector is poised to play a significant role in the investment and expansion of the networks in commitment to invest and expand their networks on both the telecom and power verticals.

We would also like to update you on our ongoing capacity expansion projects:

- The Company's capacity expansion projects for optical fibers, cables and power conductors are well on track.
- Our latest expansion in the Power conductors segment has taken our conductor capacity from 115,000 tonnes to 160,000 Metric Tonnes and with the prospect of further expansion, at 200,000 MT Sterlite would be the largest manufacturer of power conductors in the world by FY11.
- The optical fiber project is currently on to increase capacity from 12 million kms to 20 million kms. At this capacity Sterlite would be amongst the largest global manufacturers of optical fibers by FY12.

We have had several good achievements in FY10 that have paved the path for our future growth. We are confident that FY11 will bring in lots of positive news and the momentum that we have set in the last few quarters will continue.

We take this opportunity to thank you, our shareholders, for your confidence in the Company and we look forward to continuing our service on you.



**Anand Agarwal**  
Chief Executive Officer



Despite the turbulent global economic situation through the year, we have achieved the highest sales volumes historically for all our businesses. Sterlite's stock has been considered as one of the Top 3 outperforming stocks of India in 2009.



# BUILDING DATA AND POWER TRANSMISSION HIGHWAYS

