



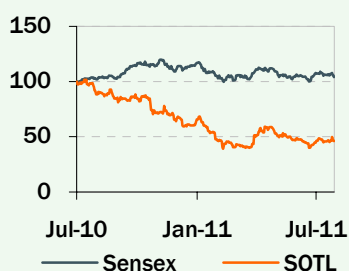
Sterlite Technologies

 Relative to sector: **Underperformer**
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Relative Performance


Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 392 mn#
Market cap	: Rs 19.6 bn#
52 week high/low	: Rs 110/ Rs 45
Avg. daily vol. (6mth)	: 1.2 mn shares
Bloomberg code	: SOTL IB
Reuters code	: STTE.BO

Shareholding (%)# Jun-11 QoQ chg

Promoters	: 58.9	4.2
FIs	: 2.0	(0.8)
MFs / UTI	: 5.3	(0.2)
Banks / FIs	: 5.2	(0.5)
Others	: 28.6	(2.7)

diluted equity, post promoter warrant conversion

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	P/BV (x)
2010	24,316	2,467	-	6.3	101	-	32.1	27.5	-	0.5	-
2011 AE	22,625	1,405	-	3.6	(43)	-	14.4	14.7	-	2.3	-
2012E	26,098	1,633	5.6	4.2	16	12.0	15.2	16.1	7.2	2.3	1.9
2013E	28,483	1,767	6.6	4.5	8	11.1	15.3	16.3	6.6	2.3	1.8

Source: *Consensus broker estimates, Company, ENAM estimates; AE: Annual report awaited

RESULTS DISAPPOINT - LOOKING TO 2HFY12 FOR A FRESH UPTICK

Sterlite Technologies' (STL) PAT came in below expectations at Rs 16 mn vs. Rs 423 mn expected, primarily on account of disappointing performance of Power vertical (segment EBITDA de-grew ~80% YoY). EBITDA / t of power conductor segment came in at ~Rs 2,600 (vs. Rs 17,000 in 1Q11). While over the first half of FY12 one should see bottoming out of STL's margins in both segments, 2HFY12E brings some ray of hope. This will be driven by stabilization of telecom expansion and improving performance of power conductor segment led by an expected uptick in Power Grid's award process.

Q1FY12 conference call highlights

- **Revenue growth aided by Power segment:** STL's revenue rose by 11% YoY to Rs 5.5 bn. Muted growth (of just 1% YoY) in the telecom vertical was offset by the 16% YoY rise in Power revenues. Going forward in FY12E, we anticipate revenues to rise by ~15% YoY.
- **Margins bottomed out:** STL's margins have dropped by ~1,000 bps YoY to 5.5% in 1QFY12, mainly on account of Power conductor vertical (margin dip of 1,100 bps YoY). As ordering activity from Power Grid sees gradual pick-up, downward margin pressure is expected to be stemmed. Additionally, as the telecom capex stabilizes, margins on a blended basis should witness an improvement for the company in FY12E.

Valuations

Management has indicated that growth will be more back-ended in nature for FY12E. We have factored in lower margins in power segment, and have reduced our EPS estimates for FY12E-13E by ~9% each. We maintain our **HOLD** rating on the stock with a revised TP of Rs 54 (vs. Rs 60 earlier), based on PE of 12x FY13E.

Results update

(Rs mn)	Quarter ended					12 months ended		
	Jun-11	Jun-10	% Chg	Mar-11	% Chg	Mar-12E	Mar-11AE	% Chg
Net Sales	5,473	4,918	11.3	6,822	(19.8)	26,098	22,625	15.4
EBITDA	302	830	(63.6)	490	(38.4)	3,421	2,656	28.8
Other income	86	55	56.3	1	12,114.3	152	160	(5.0)
PBIDT	387	885	(56.2)	491	(21.0)	3,573	2,816	26.9
Depreciation	146	131	11.9	158	(7.1)	655	560	17.0
Interest	219	71	206.9	182	19.9	665	474	40.2
PBT	23	683	(96.7)	151	(85.0)	2,253	1,782	26.4
Tax	7	127	(94.6)	48	(85.6)	619	377	64.5
Adjusted PAT	16	556	(97.2)	103	(84.7)	1,633	1,405	16.2
Extra ordinary income/ (exp.)	37	0	-	0	-	0	0	-
Reported PAT	52	556	(90.6)	103	(49.2)	1,633	1,405	16.2
Diluted No. of shares (mn)	392	392	-	392	0	392	392	-
EBITDA margin (%)	5.5	16.9	-	7.2	-	13.1	11.7	-
PBIDT margin (%)	7.1	18.0	-	7.2	-	13.7	12.4	-
EPS - annualized (Rs.)	0.2	5.7	(97.2)	1.1	(84.7)	4.2	3.6	16.2

Source: Company, ENAM Research , AE: Annual report awaited

Segmental Results

(Rs mn)	Jun-11	Jun-10	% Chg	Mar-11	% Chg
Sales					
- Telecom	1,531	1,522	0.6	1,681	(8.9)
- Power	3,942	3,395	16.1	5,141	(23.3)
EBITDA					
- Telecom	357	438	(18.4)	347	3.1
- Margin (%)	23	29	-	21	-
- Power	83	447	(81.5)	144	(42.6)
- Margin (%)	2	13	-	3	-

Source: Company, ENAM Research

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