

The market for optic fibre continues to witness strong demand, especially in Asian markets like China, which has recorded optic fibre-based broadband user additions of about 17 million since the second quarter of 2010.

The optic fibre market is likely to continue growing at a rapid rate with the number of fibre-to-the-home subscribers expected to cross 100 million by end-2012. Also, low service penetration in countries like India and China will ensure growth of the Asia-Pacific broadband market in the medium term.

This spells good news for companies like Sterlite Technologies Limited (STL), a key player in the optic fibre space. To capitalise on this potential, the company has, over the past year, been busy expanding its footprint in the international market, signing contracts and alliances, expanding its product portfolio as well as consolidating its position in the Indian market.

## Background

The company was incorporated in 1988. It steadily created a niche for itself in the optic fibre business and today has an extensive basket of offerings that includes optic fibre, optic fibre cables, structured data cables, bare overhead conductors and solutions for telecom system integration and fibre connectivity.

It is also involved in manufacturing and supplying power transmission conductors as well as aluminium and alloy rods. Its client base includes operators such as Bharat Sanchar Nigam Limited (BSNL), Tata Teleservices Limited, Bharti Airtel, Reliance Communications and Mahanagar Telephone Nigam Limited (MTNL), apart from Indian Railways and various utilities in the power, and oil and gas sectors.

According to industry estimates, the company currently holds about 25 per cent share of the optic fibre market in India. Its competitors in this space include Aksh Optifibre, Tulip Telecom, Radium Infratel, BSNL and MTNL.

STL has sales and representative offices in China, Denmark, the Netherlands, Russia, Taiwan, Turkey, the UAE, the UK, the US, Thailand and South Africa. International sales account for 28 per cent of the company's net revenue.

STL is listed on the National Stock Exchange and the Bombay Stock Exchange. The company has been granted 30 patents in the US, Europe, India and China.

### Recent initiatives

Over the past year, STL has been focusing on expanding its global presence, leveraging its operational strengths and developing new products.

During the second quarter of financial year 2012, STL received orders worth about Rs 7 billion for its telecom and power product portfolios. Its current order book stands at about Rs 24 billion.

STL has completed the first phase of its capacity expansion project of 20 million km of optic fibre cables, achieving a capacity of 12 million km in this phase. Besides, it recently won a contract from BSNL to deploy a central office broadband system on a pan-Indian basis. This contract is valued at about Rs 1.14 billion and is part of a total bank of new orders, valued at about Rs 5.6 billion which the company has received since July 2011.

According to the terms of the contract, STL is to install and commission the system within financial year 2013 and manage the network for seven years thereafter. The system, once completed, will be capable of handling about 1.6 million broadband connections.

The company is also undertaking an education-based project for BSNL, and is responsible for enhancing the operator's network for the promotion of higher education in the country. The scope of the project includes connecting 120 universities across the country. The infrastructure is expected to act as an information backbone, enabling every university in the network to function as an e-university. This platform will facilitate high bandwidth data transmission that supports e-learning and video-based education modules. STL will connect 30 universities to this backbone during financial year 2012 and the remaining 90 by financial year 2014. It will be

responsible for managing the network for five years thereafter.

## Key financials

STL is on a strong financial footing. For the second quarter of financial year 2012, its net revenue stood at Rs 7.07 billion, with an earnings before interest, taxes, depreciation and amortisation of Rs 540 million and a profit after tax of Rs 130 million. Its telecom business revenue stood at Rs 1.93 billion.

According to the company, this growth was driven by customer investments and was aimed at increasing bandwidth applications. Thus, this translated into a strong demand for broadband and telecom infrastructure systems in the quarter under consideration.

## Future plans

As part of its growth strategy, the company has identified four core areas – operations (attaining full control over the value chain and stringent focus on the cost of production); products and solutions (developing customised products and solutions with a focus on product innovation and the creation of intellectual property); ensuring global scale (maintaining leadership in and growing the size of the home market, and increasing the global client footprint); and new businesses (exploring new businesses that are technology intensive and have high entry barriers).

With significant medium-term demand opportunities in India and abroad, STL is confident of maintaining its lead position in the Indian market as well as increasing its global footprint.

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