

Earnings Presentation

Earnings Call Q3 FY23

27th Jan 2023



Safe Harbour



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Ankit Agarwal

Managing Director

A deep believer in innovation and customer-first approach Ankit is focused on developing next-gen solutions to address the evolving network and communication opportunities in the telecommunications landscape. He has played a crucial role in STL's global expansion and helped establish STL's presence in over 100 countries and executed joint ventures, mergers & acquisitions and Greenfield projects across Brazil, China and Italy. Ankit is committed to environmental sustainability. Under his stewardship, STL became the first optical fibre and cable producer globally, to be Zero Waste to Landfill certified.

Strong Industry Tailwinds



1

**Strong Industry
tailwinds continue**

2

STL strategy
on track

3

Financials continue
to improve

4

Q&A
session

Strong investment momentum in 5G, FTTH, Datacenter and citizen networks



5G

- 5G Investments expected to be **\$500 Bn.** from 2022 to 2025
- As per Ericsson, **228** service providers have launched commercial 5G services globally & **700** 5G smart phone models are available
- **870 Mn.** 5G subscriptions as of Q3 2022, expected to reach to **5 Bn.** by 2028
- **2.22 Mn.** 5G base stations in China, to reach **3.65 Mn.** by 2025

FTTH

- Frontier reached half way of **10 Mn.** FTTH target locations
- Windstream targets **3Mn.** homes by 2030
- UK's BT Openreach plans to reach **25 Mn.** FTTH locations by 2026
- Deutsche Telekom to pass **2.5 to 3.0 Mn.** premises in 2023
- Open Fibre targets to reach **24 Mn.** homes by 2031

Data centres

- Data center CAPEX to increase from **\$263 Bn.** to **\$377 Bn.** by 2026
- Cloud and colocation data center capex expected to reach **\$125 Bn.** by 2023
- Data center investments in India expected to surpass **\$20 Bn.** by 2025
- NTT India has earmarked **\$2 Bn.** for next 3 to 5 years for IT & communication infrastructure

Citizen Networks

- US investing **\$97 bn.** in broadband through RDOF, BEAD (\$42.5bn.), Mid mile program, etc.
- Europe investing big. UK, **\$8 Bn.** in project Gigabit. Germany, **\$14 Bn.** in BVMI. France, **\$24 Bn.** in Tres haut Debit. Austria, **\$2 Bn.** in Symmetric Gigabit.
- Indian Govt. planning for Bharat net phase 3 to connect all villages

“ Industry to spend \$400 to \$500 bn. in the coming years to connect the world with 5G.”

Sunil Mittal, Chairman, Bharti Enterprises

Fibre investments remain at the heart of digital networks creation



AT&T to form JV with Blackrock

- JV to operate commercial fibre platform
- Plans to deploy multigig fibre network to an initial 1.5 mn. customer locations
- This is in addition to AT&T's 30 mn. home pass target by 2025



“Let’s **focus the company on wireless and fibre**. That’s going to be the future of AT&T. Relative to prior builds, the build over the last couple of years is penetrating at 2 times the level of historical build in the first year. So it’s really -- we have been surprised just how favorably fiber has been received. **The long pole tent is getting fiber to the home**. Once it’s there, it’s a product that sells itself. And I think back, I think, forward five years, what do you think consumers are going to demand. **Fiber is going to be the only solution that is acceptable to consumers.**”

Pascal Desroches, CFO, AT&T

“Our fibre optic engine is running. **We have built more fibre this year than all other competitors combined**. In the second phase, we will bring even more fibre even faster to our customers. **The increase we have set ourselves for fibre optic expansion in 2023 is enormous.**”

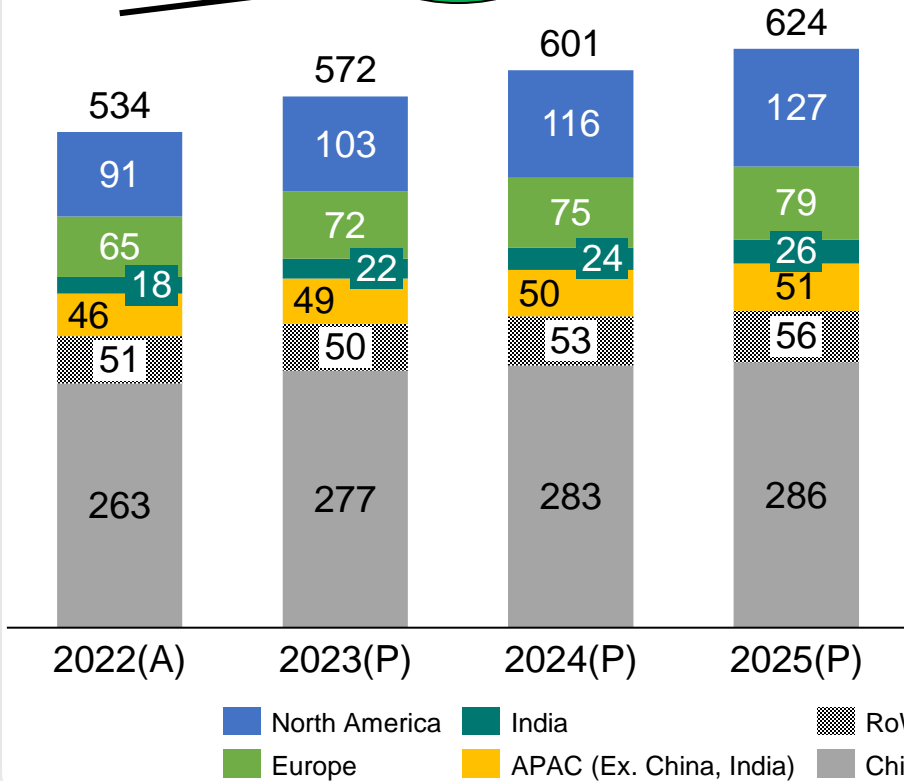
Srini Gopalan, Deutsche Telekom

Steady growth in demand for optical fibre cable & optical interconnect



OFC Demand region wise (Mn Fkm)

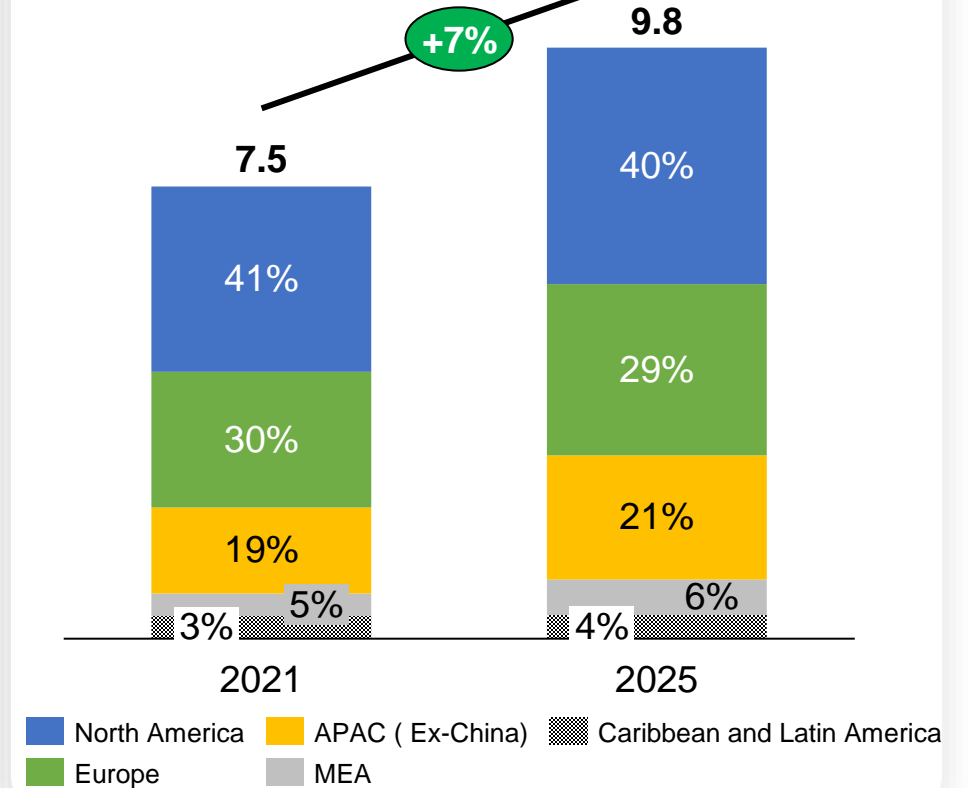
7.6%*



Region	CAGR 2022-25
North America	12%
Europe	7%
India	13%
China	3%

Global Ex-China Optical Interconnect Demand (\$ Bn.)

+7%



STL has strong presence across its key focus markets - North America, Europe & India

5G deployments in India picking pace



5G deployments picking up pace

- Bharti Airtel launched 5G services in more than 30 cities; Plan to cover India by march 2024
- Jio launched 5G services in more than 100 cities; To cover India by end of 2023
- Top 2 telcos rolling out approx. 3,500 5G sites per week cumulatively.

Telco fibre deployment picks up

- Telcos are expected to deploy approx. 200,000 cable kms. across National long distance network, Access network and FTTH roll out in next 18 months to 24 months.
- Telcos expected to spend approx. \$1.5 bn. to \$2.5 bn. for fibre roll out for next 2 to 3 years

With 5G deployments picking up in India, Telcos set to strengthen optical fibre networks

STL Strategy on Track



1	2	3	4
Strong industry tailwinds continue	STL strategy on track	Financials continue to improve	Q&A session

1

Grow

Optical Business



- Increase global OFC **market share**
- Increase **OI attach rate**
- Develop industry leading **new products**

2

Consolidate

Services Business



- Focus only on **strategic segment** & execute projects with **low working capital** investment
- Build **sustainable revenue** with Operations and maintenance contracts

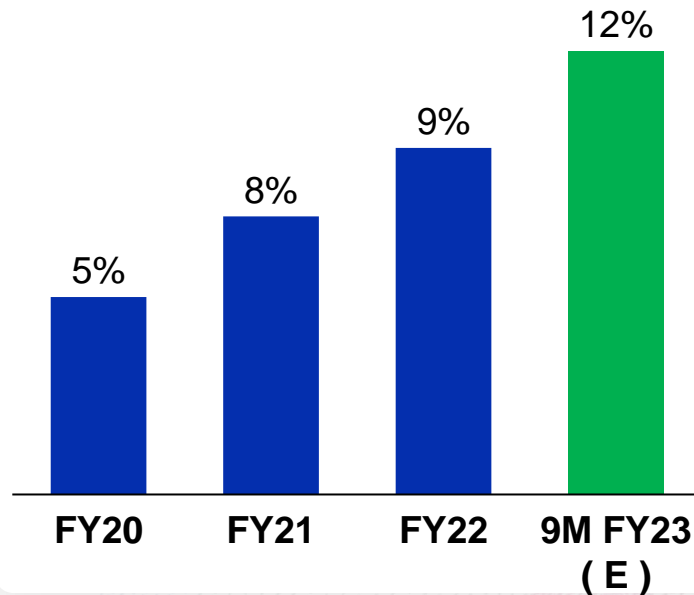
Focus on strategic growth opportunities through a prudent capital allocation framework

1 Grow Optical Business

Increase OFC market Share ; Focus on long term contracts



**Global ex-China OFC
Market share**



Secured

*Additional orders in
multi - million dollar,
multi - year contract
with*

*a leading
North American
broadband connectivity
company*

Gaining market share through long term contracts in focus markets

Market Share = $\frac{\text{STL Sales Volume}}{\text{Total Market Demand}}$
Total Market Demand - CRU
STL Sales Volume - Company Data

1 Grow Optical Business

Target full capacity utilisation for new plants by H1 FY24



Optical Fibre Facility, China



Optical Fibre Cable Facility, USA



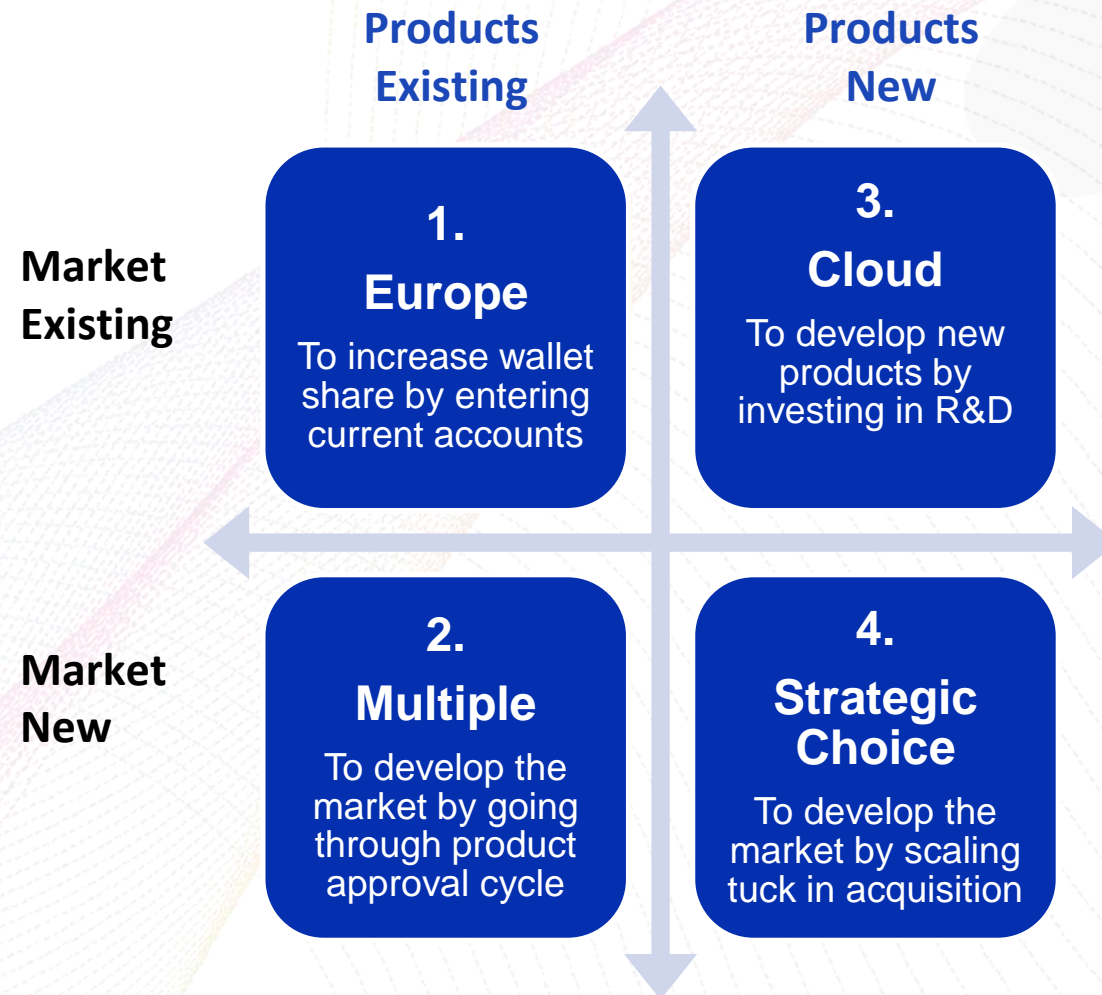
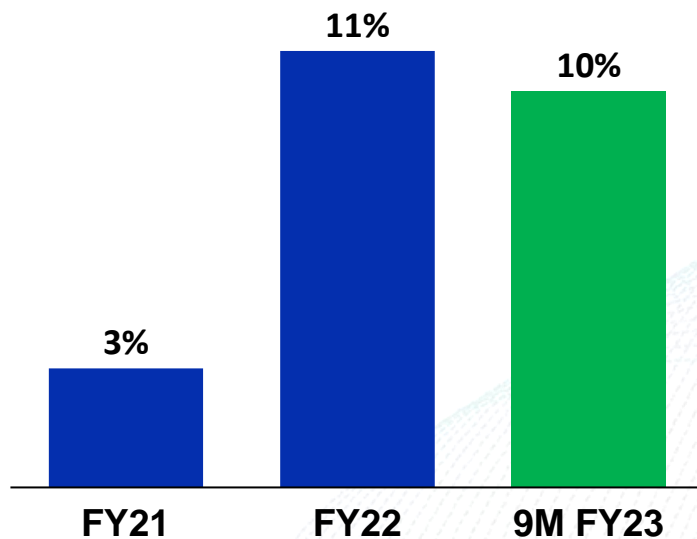
Commercial production starts at China OF & US OFC facility

1 Grow Optical Business

Increase Optical Interconnect attach rate ; Develop new products & new markets



Optical Interconnect attach rate



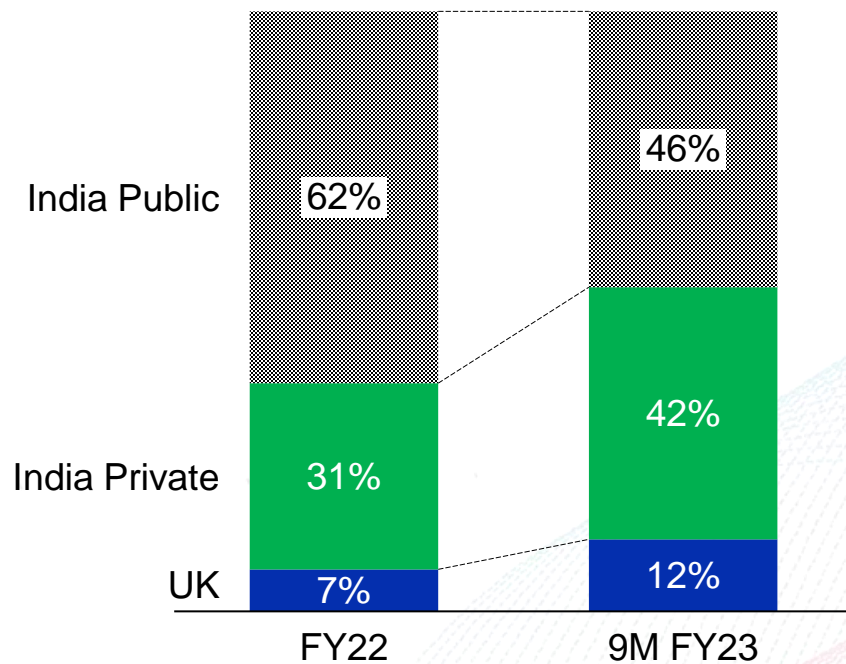
Plan to reach attach rate of 40% by Q4 FY25

2 Consolidate in strategic segments in Global Services business

Focus on profitable projects at favourable payment terms in India Private



Global Services Revenue Split



Building order book by selectively targeting profitable projects at favorable payment terms

- Targeting selective order intake in India in India private segment
- India private revenue split gone up from 31% to 42% in 9MFY23 as compared to FY22
- Building sustainable revenue streams with operations and maintenance contracts

Prioritising **cash & profitability** over revenue growth

2 Consolidate in strategic segments in Global Services business

Project execution on track



India - Public

Transformative Rural digital inclusion

Telangana

61%
Completed



Bharatnet Project in

Network Modernisation

PSU

63%
Completed



India - Private

Modern Optical Network

Fibre roll out

(Large Indian telco)

Phase - 1

100% Completed



Phase - 2

99% Completed



Phase - 3

0% Completed



Modern Optical Network

Fibre Roll out

29% Completed



UK

Gigabit Networks



FTTH , UK

All Projects

6%

Completed



Digital & Technology Solutions

Reallocating capital & management bandwidth



Pivoting to Digital business

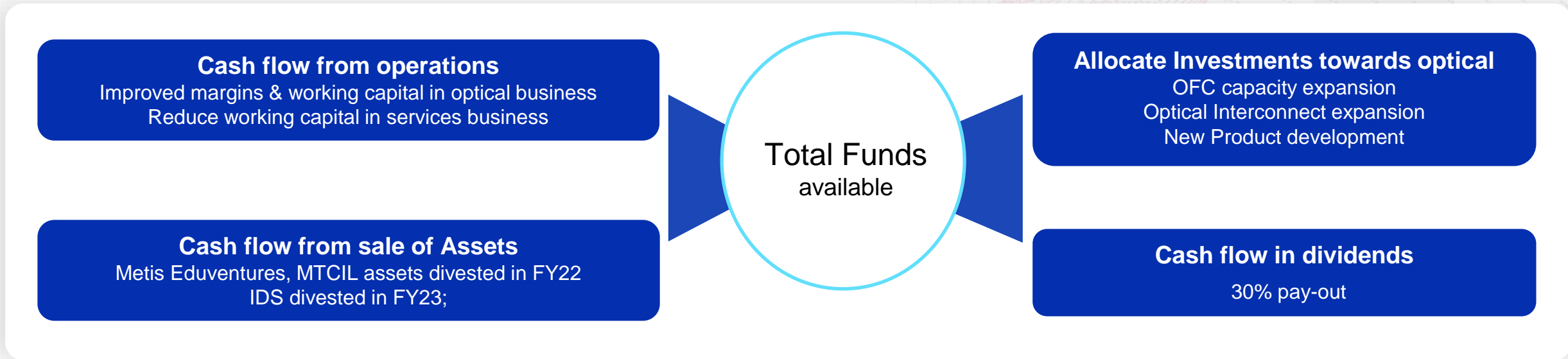
- Building new capability to pivot from Telecom software to digital business

Ramp down completed for Wireless business

- Ramp down of wireless business complete with no further investments in capital & manpower from Q4 FY23.
- STL enabled specialized engineering talent to move to relevant organizations

STL EBITDA to improve on account of ramp down of wireless business from Q4 FY24 onwards

Focus on strategic growth through capital allocation framework



- Improve cash flow from operations by margin expansion & improvement in working capital cycle
- Allocate capital expenditure towards optical business
- Continue to divest subscale businesses
- Reduce Net Debt

Committed to Net-Zero Emissions by 2030



ENVIRONMENTALLY SUSTAINABLE

Zero Waste to Landfill Certified¹

200,000+ MT

Waste diverted from landfills (FY19 – Nov'22)

21,000+ tCO₂e

Reduced through energy efficiency initiatives (FY21 – Q3 FY23)

600,000+ m³

of water recycled (FY19 - Nov'22)

50%

Procurement (by value) done locally (FY 22)



SOCIALLY RESPONSIBLE

Committed to the UN SDGs²

16

Aligned with 15 of the 17 SDGs

790,000+

Lives benefitted through STL's ed-tech & women empowerment programmes (FY19 – Q3FY 23)

2.15 mn.+

Lives benefitted through STL's healthcare programmes (FY19 – Q3 FY23)



GOVERNED WITH CARE

Strong Internal Governance

Two of the Big Four

as statutory & internal auditors

Executive and Management committees in place

84 ESG awards won (FY20 – Q3 FY23)

STL becomes world's first optical fibre manufacturer to be ZERO LIQUID DISCHARGE CERTIFIED

Source : ESG report for which independent assurance has been provided by DQS (Statement in FY 21 Annual report)

¹ Certified by Intertek, a U.S. Quality Assurance provider

² Cumulative till FY 21, SDG – Sustainable Development Goals



Tushar Shroff

Group CFO

Tushar Shroff is a qualified Chartered Accountant and Cost Accountant with an experience of close to three decades in fundraising, capital structuring, merger & acquisition, treasury management, taxation, financial accounting and planning, Investor Relations, and Business partnering.

As the Chief Financial Officer at STL, he will bolster the company's strategy to deliver consistent shareholder value and profitable growth. During his career, he has managed several multi-billion dollar companies and has been instrumental in creating shareholder value through various initiatives.

Robust Financials



1

Strong industry tailwinds continue

2

STL strategy on track

3

Financials continue to improve

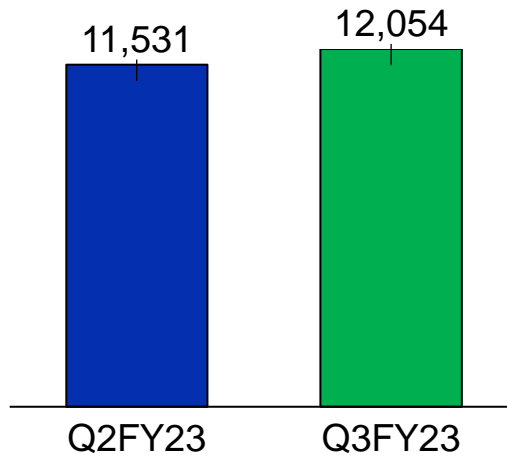
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Q&A session

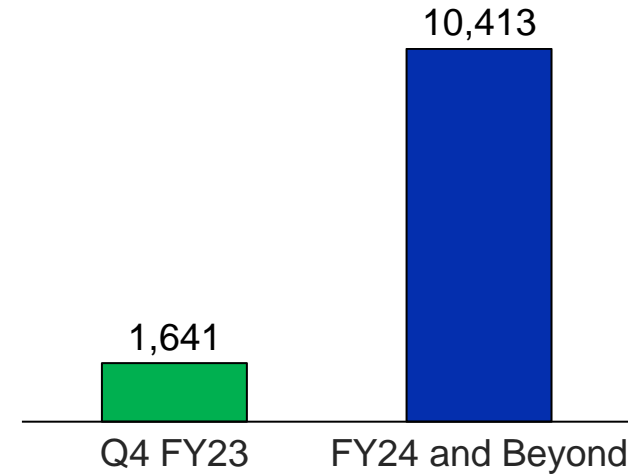
Stable order book



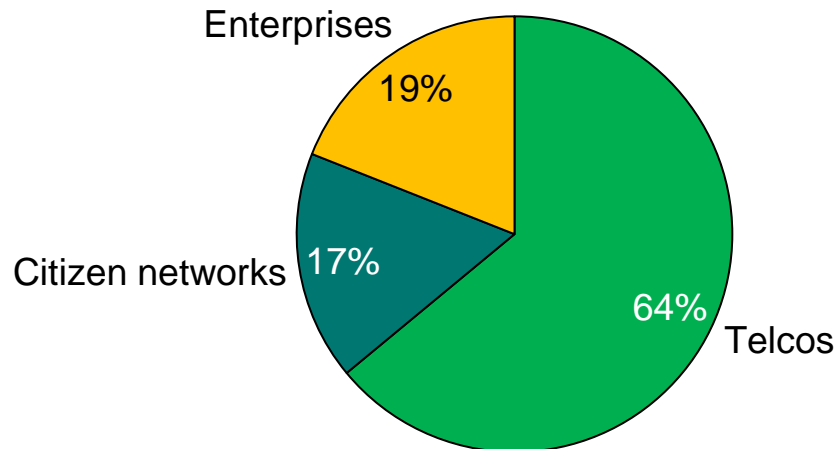
Open Order Book (INR Cr.)



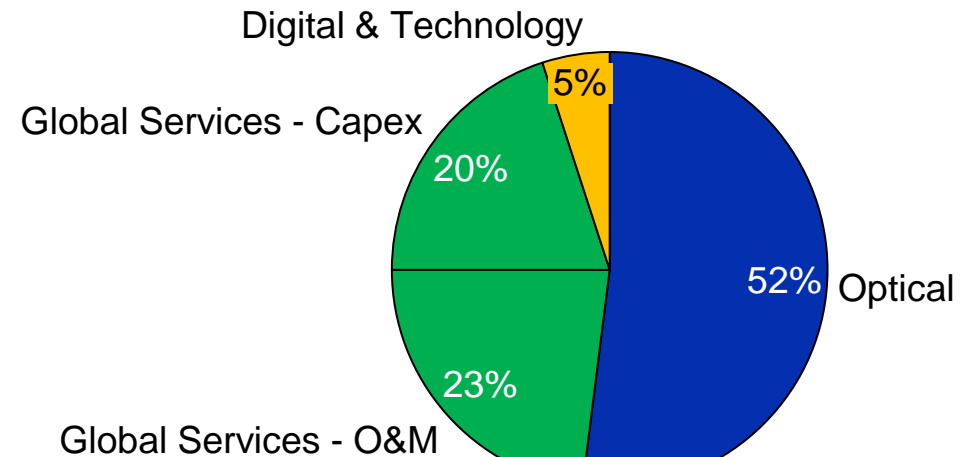
Order Book Spread (INR Cr.)



Open Order Book Customer wise



Open Order Book BU wise



* In accordance with IND-AS 105 "Non current assets held for sale & discontinued operations" - IDS, Wireless business and Telecom software business are reported as discontinued operations. Accordingly, for like to like comparison, prior period financials are also restated. For further details, Please refer to Note 4 in the result sheet.

Revenue mix is moving to segments and geographies of choice

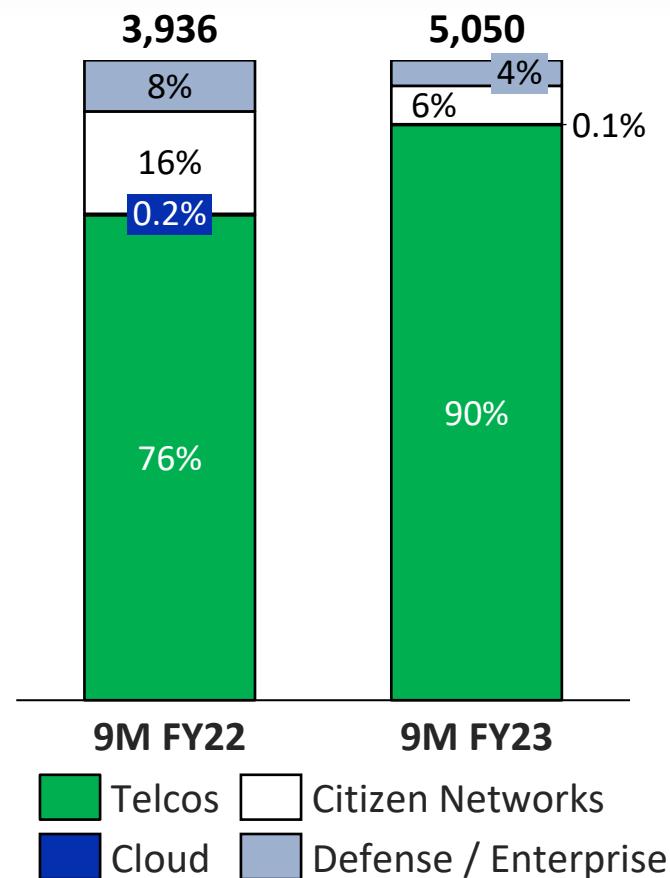


Key Order Wins Q3 FY23

- Additional orders in **multi million dollar, multi year contract with a leading North American broadband connectivity** player for optical fibre cable
- **Multi million-dollar orders with a European telecom player** for optical fibre cable
- **Multi million-dollar orders** for optical interconnect from **European Telco**
- Pan India fibre roll out in multiple states for **leading Indian telcos**

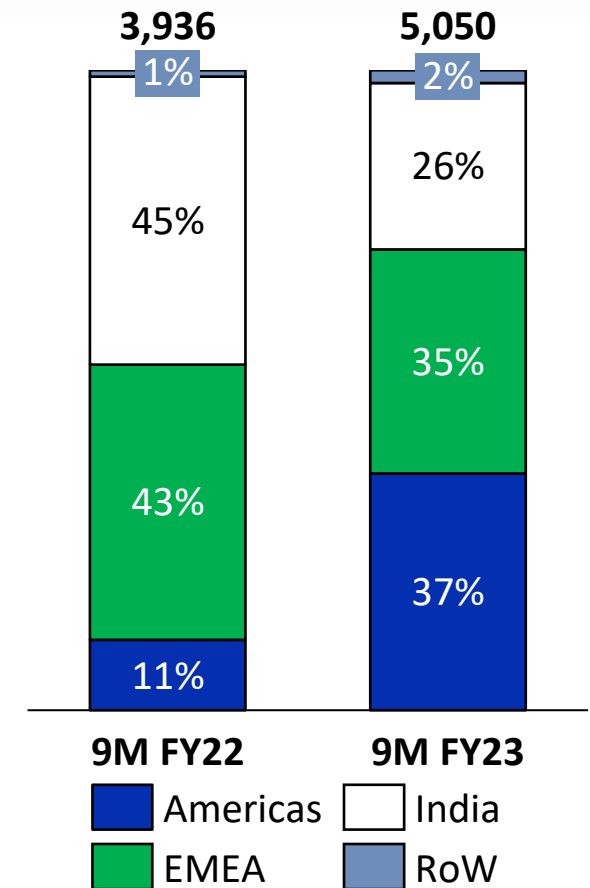
Customer Segments

Revenues from continued operations
(INR Cr.)



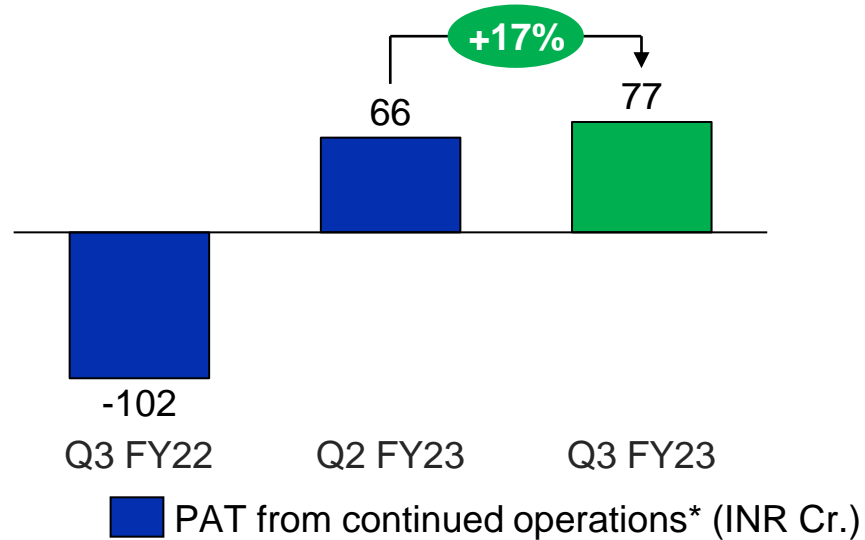
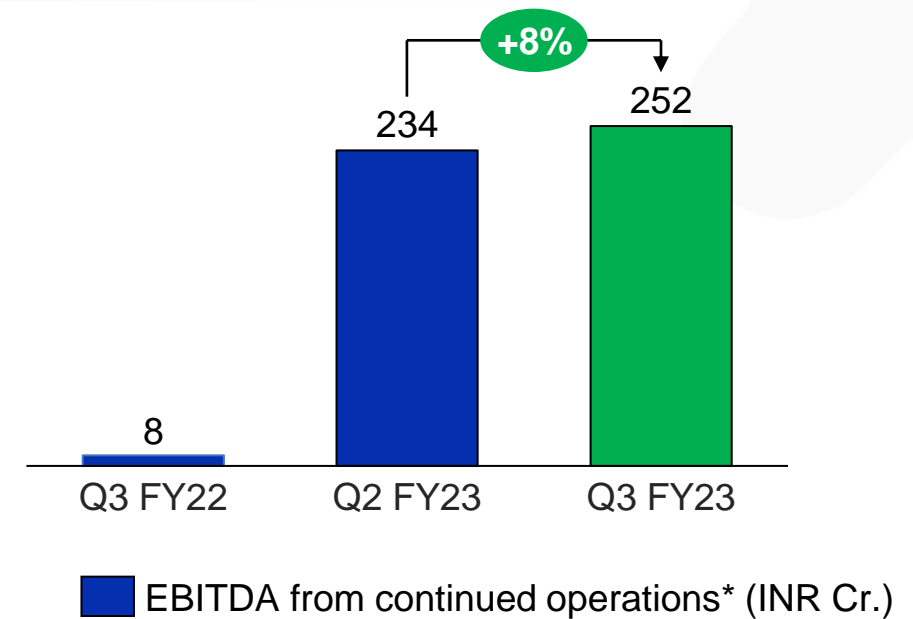
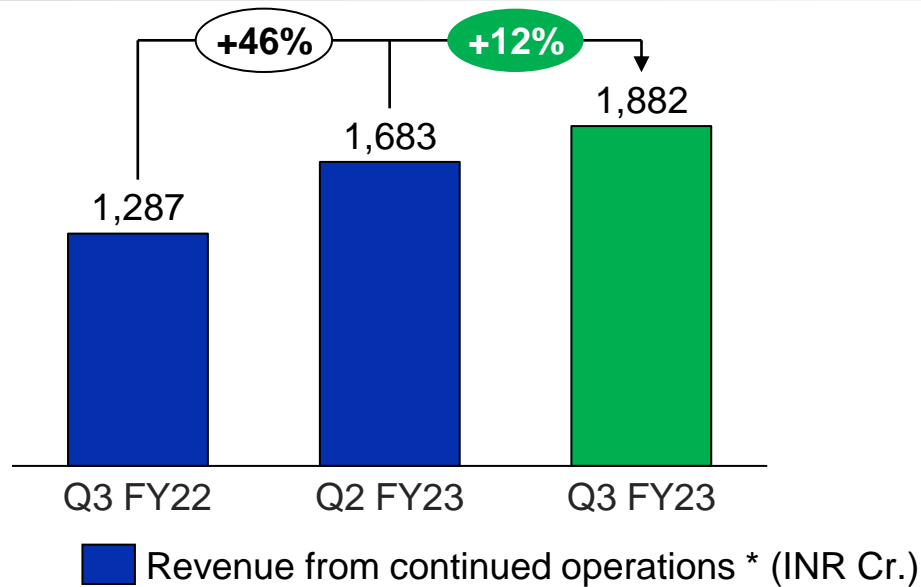
Geographical Distribution

Revenues from continued operations
(INR Cr.)



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Q3 FY23 Revenue and EBITDA up by 12% & 8% QoQ respectively



Revenue from cont. operations grew by 12% QoQ

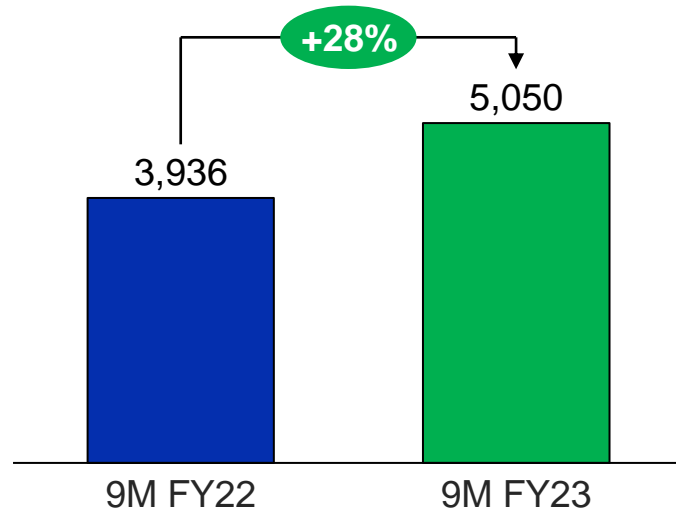
- Strong optical revenue growth

EBITDA from cont. operations up by 8% QoQ

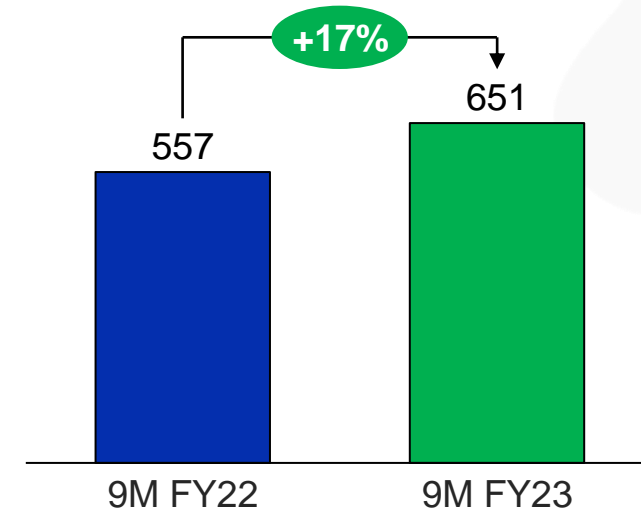
- Margin strengthening in optical business

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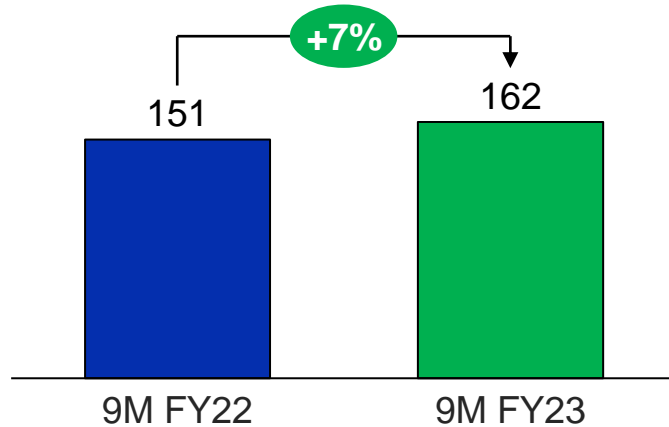
9M FY23 Revenue and EBITDA up by 28% & 17% YoY respectively



Revenue from continued operations* (INR Cr.)



EBITDA from continued operations* (INR Cr.)



PAT from continued operations* (INR Cr.)

Revenue from cont. operations grew by 28%

- Strong optical revenue growth

EBITDA from cont. operations up by 17%

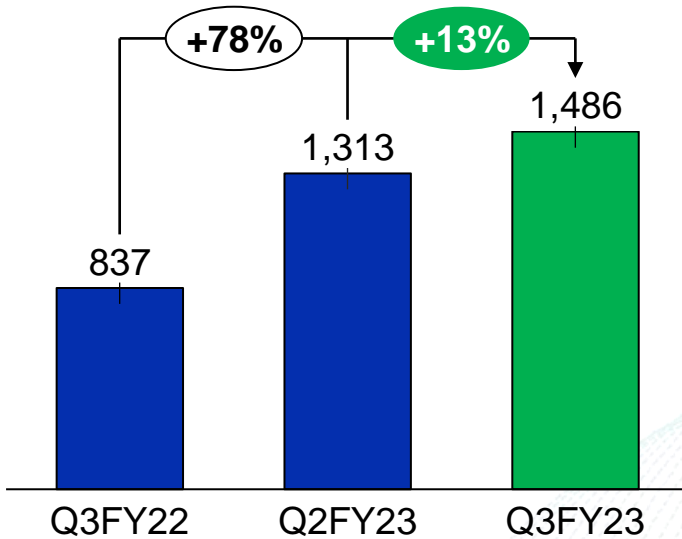
- Margin strengthening in optical business

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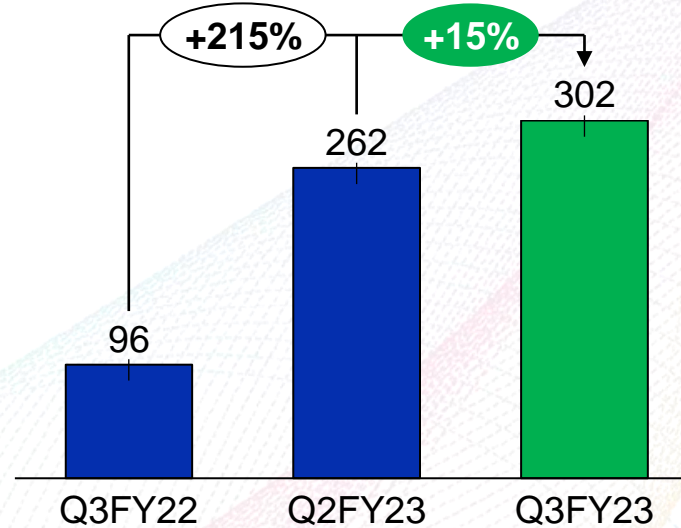
Profitable growth in Optical business



Revenue from continued Operations (INR Cr.)



EBITDA from continued operations (INR Cr.)



Revenue up 13% QoQ

- OFC volume up
- Improved OFC realization

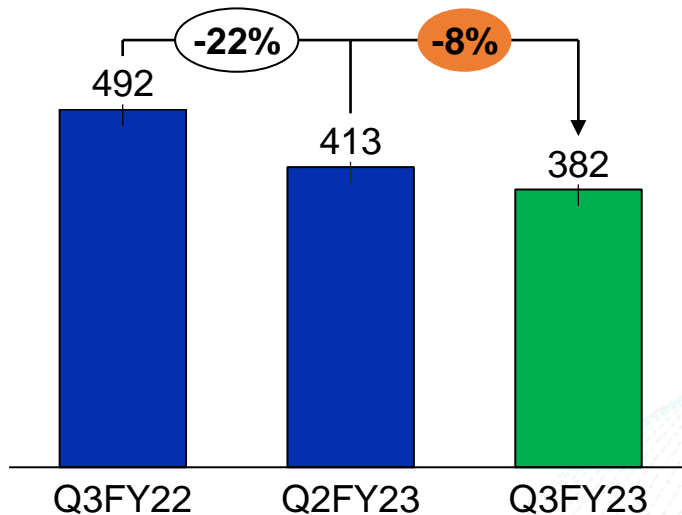
EBITDA up 15% QoQ

- Product mix shift towards higher margin products
- Reduction in logistics cost
- Increase in raw material cost particularly helium

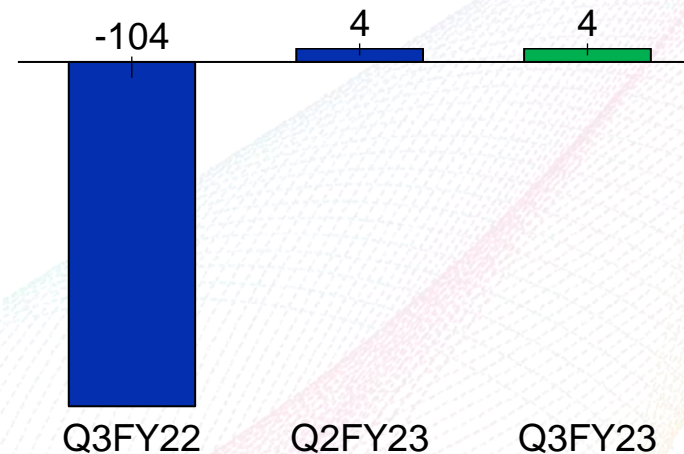
Consolidation towards strategic segments in Global Services



Revenue from continued Operations* (INR Cr.)



EBITDA from continued operations* (INR Cr.)



Revenue down by 8% QoQ

- Consciously selective order intake & execution

EBITDA flat QoQ

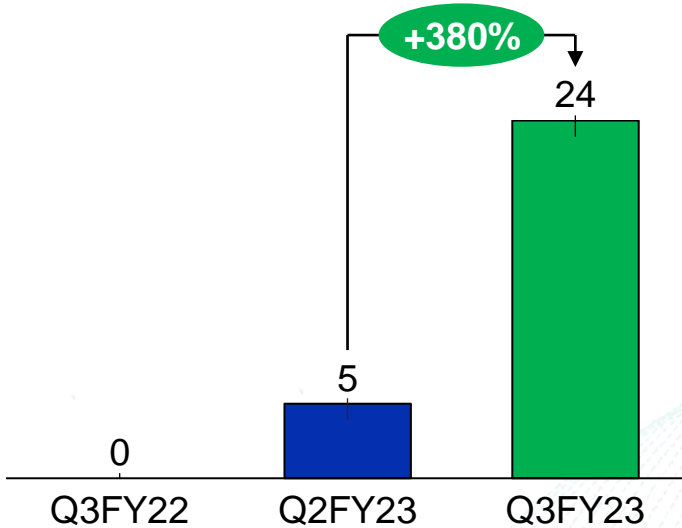
- Improved Project management & focused execution
- Target to be profitable in UK with execution ramp up by H1 FY24

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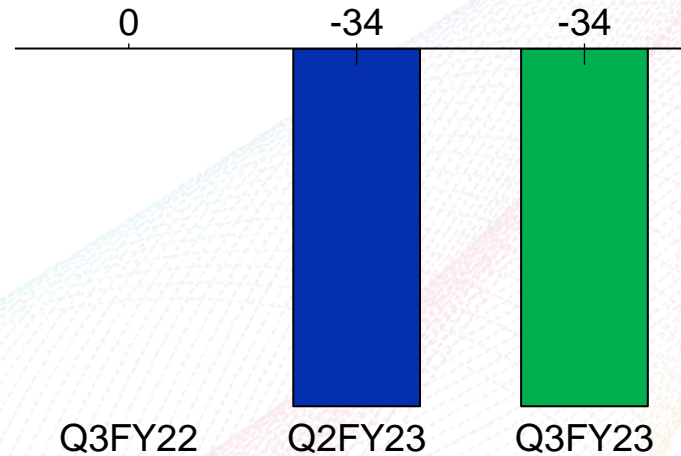
Digital & Technology solutions



Revenue from continued Operations* (INR Cr.)



EBITDA from continued operations* (INR Cr.)



Revenue up by 380% QoQ

- Building new business in digital & technology solutions
- Currently in the capability building phase

* In accordance with IND-AS 105 "Non current assets held for sale & discontinued operations" - Wireless business and Telecom software business in the Digital & technology Solutions Business unit are reported as discontinued operations. Accordingly, for like to like comparison, prior period financials are also restated. For further details, Please refer to Note 4 in the result sheet.

Consolidated Financials: Abridged Version



P&L (INR Cr.)	Q3 FY22	Q2 FY23	Q3 FY23		9M FY22	9M FY23	YoY
Revenue	1,287	1,683	1,882		3,936	5,050	28%
EBITDA	8	234	252		557	651	17%
EBITDA %	1%	14%	13%		14%	13%	
Depreciation	86	76	78		221	231	
EBIT	(78)	158	174		336	420	
Interest	64	77	78		169	222	
PBT from continued operations* (Before share of Associates and JV)	(142)	81	96		167	198	
Exceptional Items	0	0	0		16	0	
Tax	(37)	21	23		51	50	
Net Profit from continued operations * (After minority Interest)	(102)	66	77		151	162	7%
Profit (loss) from discontinued operations	(37)	(22)	(27)		(68)	(88)	
Net Profit	(138)	44	50		83	74	

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Summary



Profitable growth in Optical business: Continue to gain market share in our focus markets, Increase optical interconnect attach rate & improve margins

Consolidation towards strategic segments in Global services: Focussing on projects from Indian Telcos. Aim to reduce capital deployed in this segment

Progress on exiting subscale or loss making businesses: Ramped down wireless business and pivoting from telecom software to digital business

Aim to reduce debt as we move forward: The debt has peaked and going forward, it shall progressively reduce as the operating performance improves

Lets answer your questions



1

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**Q&A
session**



beyond tomorrow

Annexure : Key Business risks



S.No.	Risk	Risk Definition	Comment Q3 FY23
1	Geo Political & Economic Risk	Uncertainty in economic (Inflation, increase in interest rate, etc), political conditions may lead to adverse effects.	Focus on cash generation ; Review and divestments of sub scale assets
2	Customer & Industry Demand	Reduction in Capex done by communication industry may dampen demand, Inflation, rising deployment & energy cost, delay in govt. funding programs, etc.	Focus on selling end to end optical solutions through long term contracts, geographic diversification
3	Competition & Product Pricing	Competitive bidding on long term contracts may adversely affect pricing	Focus on reducing product cost & improving product mix
4	Product Portfolio & innovation	Inability to innovate, adapt new technology may negatively impact business	Focus on R&D spends for new product development
5	Service Delivery Risk	Delay in ROW permission, covid lockdowns can delay project timelines	Project execution is as per planned schedule; No significant delays
6	Supply Chain Risk	shortage of containers and supply chain disruptions. Inflationary cost pressure	Helium prices has gone up multifold & availability is also tight. Logistics cost has eased and timely delivery has improved
7	Talent Management Risk	Inability to attract and retain best professional talent may adversely impact	Attrition levels are well within industry norms
8	Commodity Risk	Inflationary pressure can negatively impact profitability	Price increase to offset the impact of higher input cost.
9	Liquidity Risk	Inability to raise capital, manage indebtedness can negatively affect investments	Credit rating AA by CRISIL and ICRA
10	Litigation & Dispute	Disputes with customers, vendors, partners, competition may adversely impact	Robust contract governance system in place. Adequate provision in books based on risk assessment
11	Cyber Security Risk	Ransomware, malware, phishing, data privacy breaches may adversely impact	Adequate IT systems protection in place
12	Business Continuity Risk	Continued wave of Covid19 can directly or indirectly impact global supply chain, continuity of business operations, etc.	Robust business continuity management process in place