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Earnings Call Q4 FY'20

12th May 2020

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Anand Agarwal

CEO



Accelerating the transformation



₹10,037 Cr

Stable Order Book



₹ 5,154 Cr

Revenue

Highest ever



₹ 1,104 Cr

EBITDA



₹ 472 Cr

PAT *



Next Generation

Solutions Launched



Partnerships

for ecosystem creation



Acquisition

IDS



Investment

ASOCS



World's 1st OF & OFC

**Manufacturer to receive
ZWL certification**



Key Account Mgmt.

**Reorganised to get
closer to customer**



358

Patents



22%

ROCE

By continuously developing new products in our offerings



STL Portfolio of Offerings



Optical Interconnect Products

Glass Preform, Optical
Fibre, Cable & Interconnect
systems



System Integration Services

End to End network
design and deployment



Virtualised Access Products

vOLT & ONT, 4G/5G vRAN
and Orchestration



Network Software Products

Analytic, Billing and
Engagement Software

New Launches in FY20



through investment in technology & capabilities

STL



Strategic investment



virtualised radio
access solutions company



capability acquisition
for cloud customer segment

Strategic collaboration

vmware

develop 5G access solutions for
large enterprises and telcos

IIT Madras

for 5G advancement in India

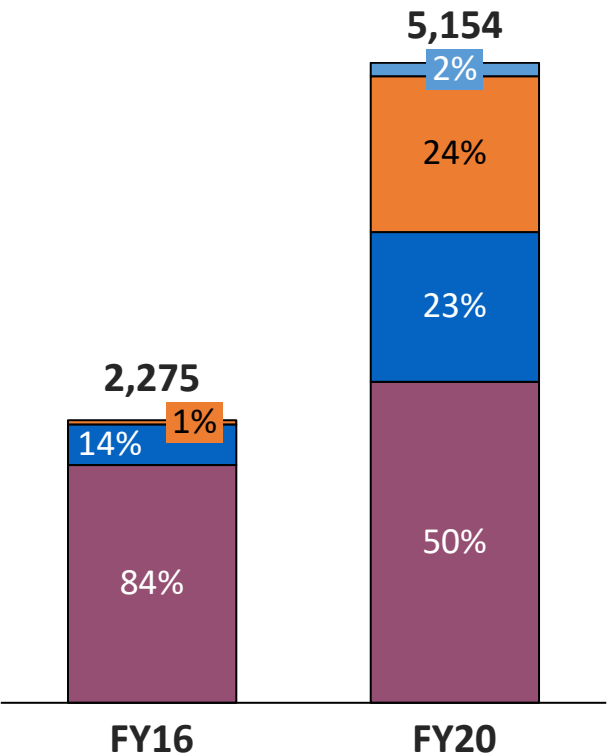
358 Patents

4 innovation centres

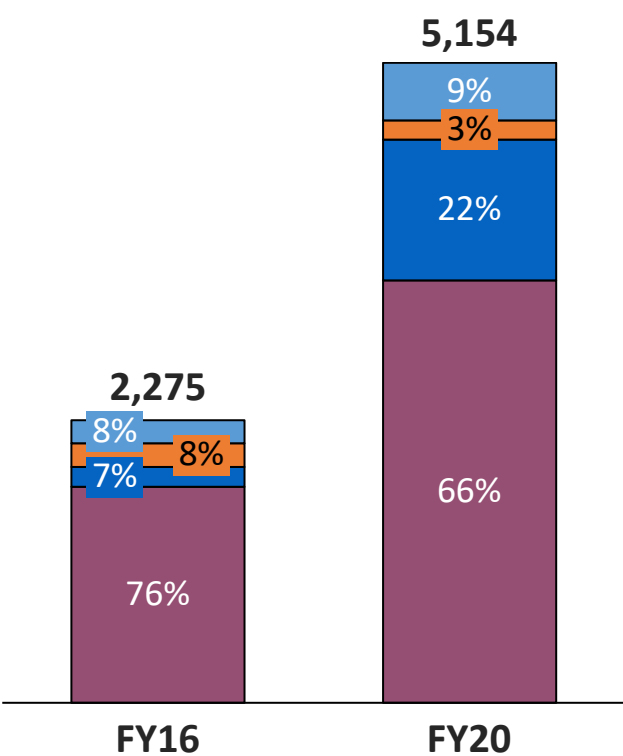
Resulting in growth & diversification in a year of industry decline



Customer Segments
Revenues (Rs. Cr.)



Geographical Distribution
Revenues (Rs. Cr.)

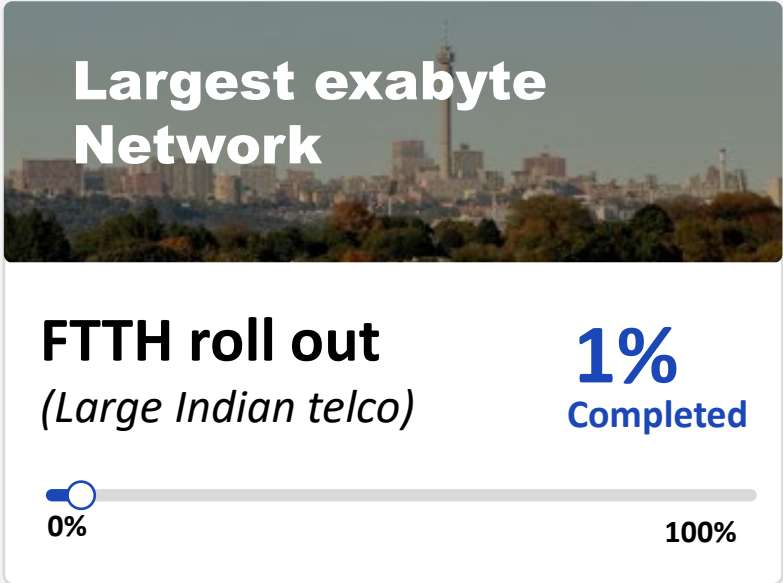
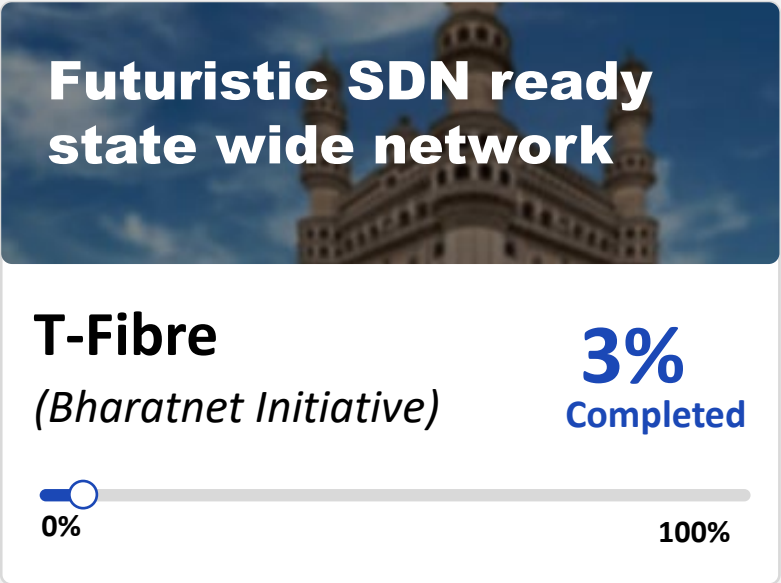
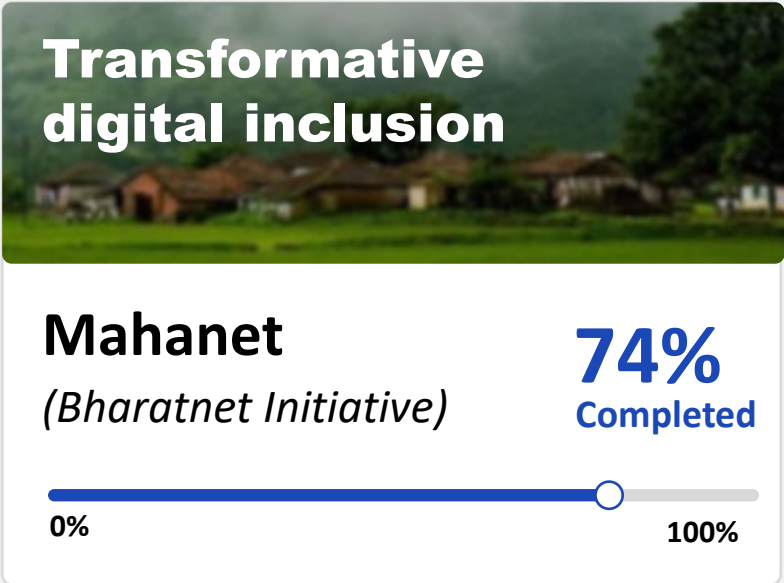


Major Developments (FY'20)

- ❖ Large order for **FTTH roll out** from an Indian telco
- ❖ **Multi year contract for optical fibre** in Africa
- ❖ Entry **in to one of the top 4 global cloud** companies.
- ❖ Awarded **T-fibre** project in Telangana
- ❖ Partnered Telekom Albania for digital transformation
- ❖ Top **20 customers** accounting for more than **70% of revenues**

Telcos Enterprises Citizen Networks Cloud India Europe China RoW

We continue to deliver data networks in record time



Our strategic focus areas



Key Accounts Management

**Increase funnel
&
win-ratio in top 20 accounts**



Technology-led E2E Solutions

**Increase win-ability
&
total addressable market**



Ecosystem Partnerships and Investments

**Enhance capabilities with M&A
&
organic investments**

Positively impacting lives & environment | Sustainability & Governance



Overall impact till date



418,500+

Lives through Health initiatives



64,600+ MT

Waste diverted away from Landfills



World's 1st

Integrated OF & OFC manufacturer to receive ZWL certification



64,000+

Lives through Water Conservation initiatives



832,100+

Lives through Education & Rural development initiatives



Over 13,27,000

Lives impacted



12,800+

Lives through Women Empowerment initiatives



COVID-19 **an inflection point for** Data Networks Industry

STL priorities in response



Employee and
ecosystem
safety

Customer
commitment
fulfillment

Cash Flow
planning for all
scenarios

Preparedness
for quick restart



All facilities in India, China, Brazil & Italy are operational



Network & System integration services are also partially operational



STL respond to help communities



100,000+
Lives impacted



18
Locations covered



20,000
Cotton masks made by Jeewan
Jyoti beneficiaries

30,000+
Individuals reached out
through awareness

HOLISTIC COMMUNITY RELIEF PLAN IMPLEMENTED



Food distribution to over 1800+ migrants and contract laborers



12 MT+ of sodium hypochlorite donated



PPE supplies to over 5000 frontline health workers at Pune & Aurangabad, Beed, Latur hospitals



Essential supplies to remote locations like Gadchiroli, Andaman, Lakshadweep, etc.

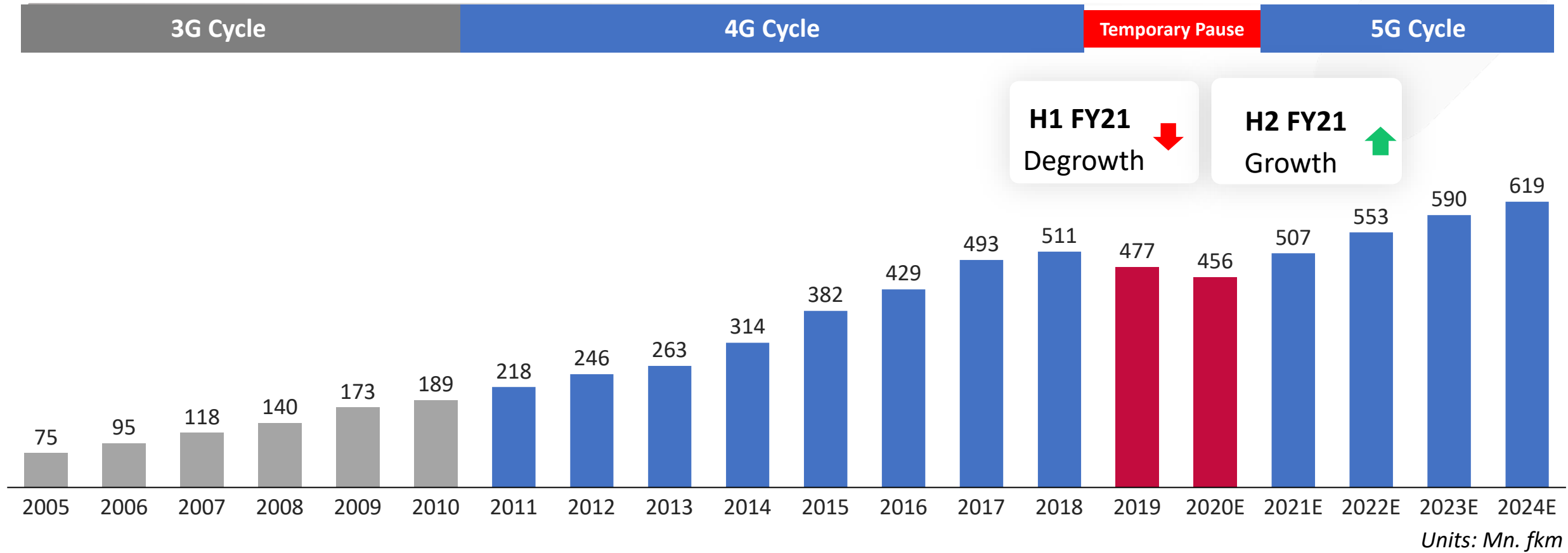


20 ventilators donated to Aurangabad District Hospital



Employee donation drive - Contributions to go towards additional relief work

In short term, there could be a delay in demand recovery



- The fibre demand is currently in temporary pause at the end of 4G and at the start of 5G network deployment.
- After the pause in 2019 & 2020, the fibre demand will start to grow from 2021, much faster than currently anticipated.
- The 5G deployment cycle is expected to be a 8 to 10 year cycle.

In the medium term, this will be the inflection point for data networks industry

Surge in traffic
by 30% to 100%
& decrease in
internet speed

Surge in cloud
demand from
enterprise segment

Enterprise
applications
demanding low
latency shall push
edge datacenters

Work from Home
leading to higher
traffic from
residential localities
which shall push
FTTH penetration

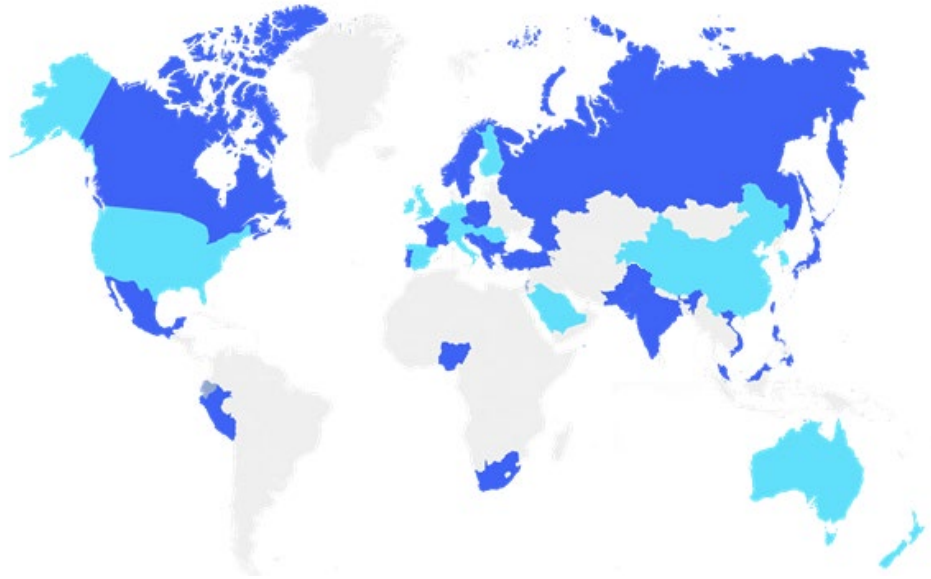
Data traffic is
becoming more
symmetric



*Working from home is a necessity (to be compared to water or electricity).
Government will mandate 5G and super fast fibre universal roll out*

- Credit Suisse

Telcos: 5G Investments to continue



*As of January 2020

Live Commercial
5G Network

Planned
Commercial

- ❖ **Mobile 5G is now commercially available from 46 operators across 24 markets worldwide.**
- ❖ 76 operators have announced their plans to further roll it out in 39 markets worldwide. It is estimated that by 2025, 20% of connections will be 5G.
- ❖ The current **5G subscriber base in China** as reported by 2 of its large carriers, China mobile & China telecom is **48.3 million at March 2020**.
- ❖ Operators will invest **\$1.1 trillion** in their networks globally in the **next five years** and almost 80% (~\$800bn) will be in 5G.



Telcos

- Chinese telcos put together plan to spend **\$25 bn. on 5G**
- AT&T sets aside **\$4bn for network investments**
- Verizon boosts **capex by \$400mn**

Investments by citizen networks, enterprises & cloud companies to also continue



Citizen Networks

“ We think the massive and widespread dependence on broadband during the crisis will lead regulators to believe that their highest priority, post the crisis, will be to accelerate efforts to complete universal broadband coverage..

- New Street Research



Enterprises

“ Many companies are looking at long-term investments in their networks, and in some cases, pulling forward investment in 5G because of its increased reliability and speeds

- Deloitte



Cloud

“ As COVID-19 impacts every aspect of our work and life, we have seen two years' worth of digital transformation in two months.

- Microsoft



The future is even more exciting

The investments by our customers are leading to creation of newer generation of networks which is unlike any past network



4G Data Network

Less end points & wireless last mile connectivity

Telco Use cases only

Hardware packed together with closed-source software

5G Data Network

SIGNIFICANT NETWORK CREATION BY TELCOS

Data Growth (5G, Edge Network creation, FTTH Rollouts and Rural Connectivity) will drive dense and deep fibre networks with multiple end points and low latency

LARGE-SCALE NETWORK CREATION BY NON-TELCOS

Hyperscale and Edge data centre build by Cloud companies
Government and Private Enterprises – *campus connectivity, 4G/5G Intelligent mobility, data centres, IoT, Industry 4.0, Smart grid, E-health, etc.*
Fibre infra companies and DC colocation companies

OPEN DISAGGREGATED VIRTUALIZED NETWORKS

Open and Software defined networks need
Next generation innovation that will enable the entry of new players

STL reorganized to take advantage of this opportunity by providing end to end solutions for our customers



Trends

SIGNIFICANT
NETWORK CREATION
BY TELCOS

LARGE-SCALE
NETWORK CREATION
BY NON-TELCOs

OPEN
DISAGGREGATED
VIRTUALIZED
NETWORKS

4 Customer Segments



Telcos



Citizen
Networks



Cloud
Companies



Enterprises

4 End-to-end Solutions

opticonn
Optical
Connectivity

- Product suite design
 - Fibre and cables
 - interconnect
 - logistics
- for all network topologies*



Fibre
Deployment

- Large scale design
 - Fibre rollout
 - Activation
 - Management
- for core networks*

FTTx
mantra
One Solution. Countless Opportunities

FTTx Access
Network

- Design for scale, latency, agility
 - Rollout, activation
 - programmable open orchestration
- for fibre access network*

netmode

Network
Modernization

- Comprehensive network redesign
 - Future readiness
 - Transport, compute, security
- for enterprise networks*

4 Portfolio Offerings



Optical
Interconnect
Products



System
Integration
Services



Access
Network
Products



Network
Software
Products

An example of Solution: FTTx mantra



Customer Problem Statement

To connect Fibre to the premises



In least time



At lowest cost



Having a long network life



Delivering data at high speed regardless of accessibility issues



Network Software Products



Virtualised Access Products



Optical Interconnect Products



System Integration Services

FTTx
mantra

BSS

dTelco

P
O
D
S

OSS (MANO)

ONT (CPE)

Virtualised OLT

White Box

OFC with Micromodule

Stellar Fibre

Design Deploy Manage

These E2E Solutions are delivering results



Faster Fibre provisioning for a leading French Carrier

30%

Time saving faster installation

5x

More storage space utilisation

1.5 dB

Improved signal strength

opticonn

Optical
Connectivity



Fibre
Deployment

Transformative digital inclusion connecting 4,045 village in Maharashtra

2x

Deployment speed

Future ready

IP MPLS architecture

Robotics, big data & analytics

Full-stack solution for world's first Exabyte network

2x

Faster speed of activation

FTR

Better network life and TCO

FTTx
mantra
One Solution. Countless Opportunities

FTTx Access
Network

netmode

Network
Modernization

\$500 mn. multiyear project for Indian Naval Digital Network

12

Data centres

1500

Sites with 44 network locations

30,000

Network elements



Telcos



Citizen
Networks



Cloud
Companies



Enterprises

To become the default
partner to our customers for
all their data & IT networking
requirements

With our unique integrated
end to end solutions
combined from our offerings

opticonn
Optical Connectivity



Fibre deployment

FTTx
mantra
One Solution. Countless Opportunities

FTTx Access Network

netmode
Network Modernization

Anupam Jindal

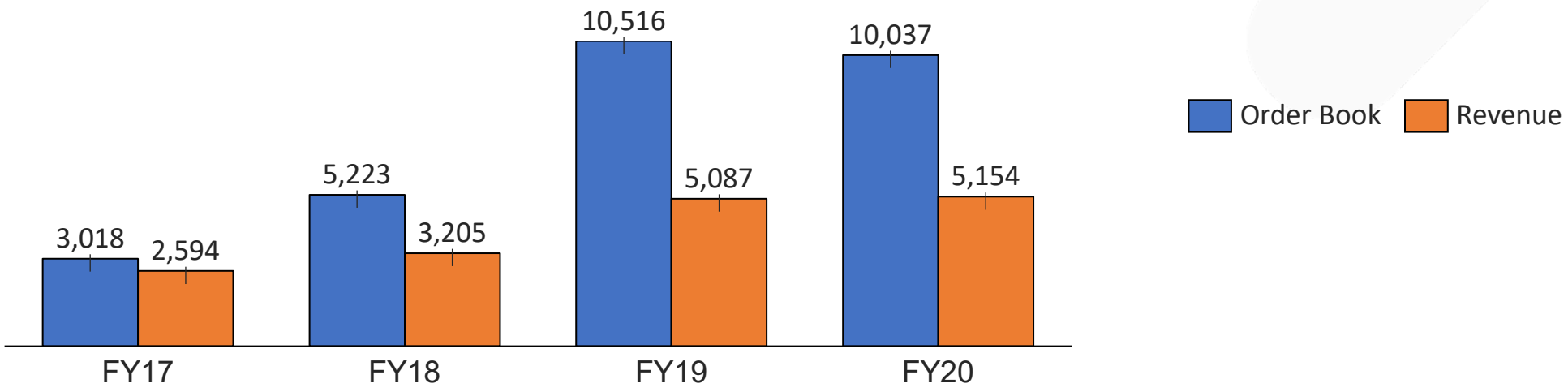
CFO



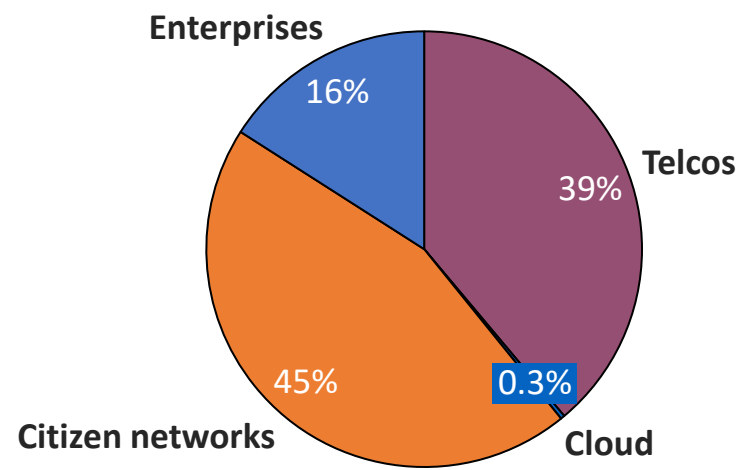
Financials



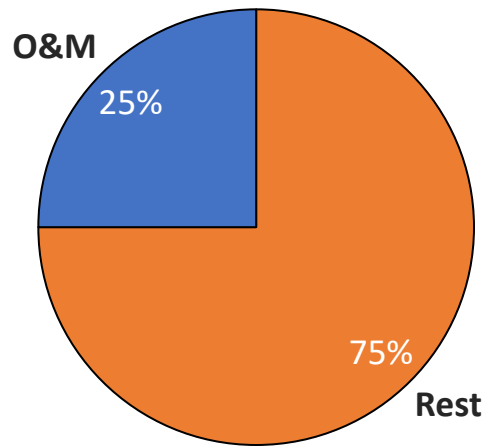
Starting the year with a stable order book



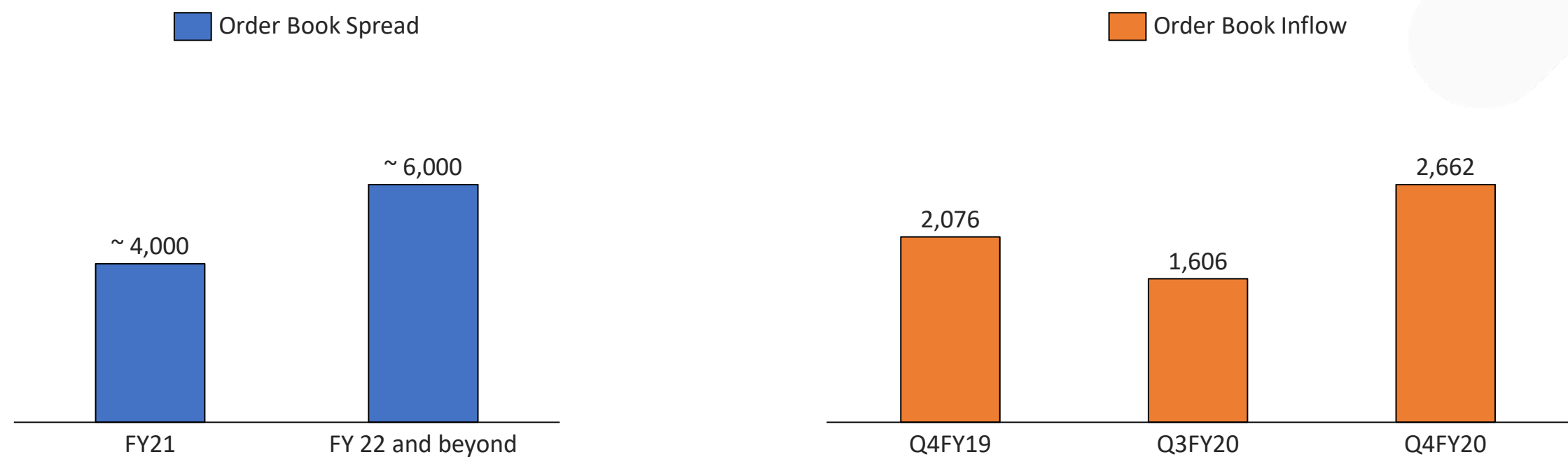
Open Order Book Customer Segment wise



Open Order Book Split

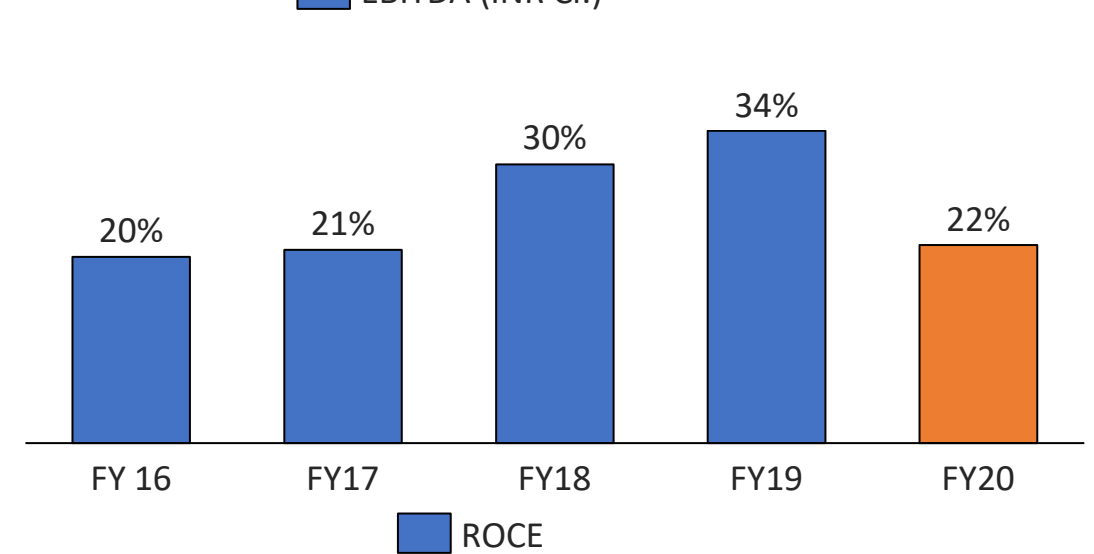
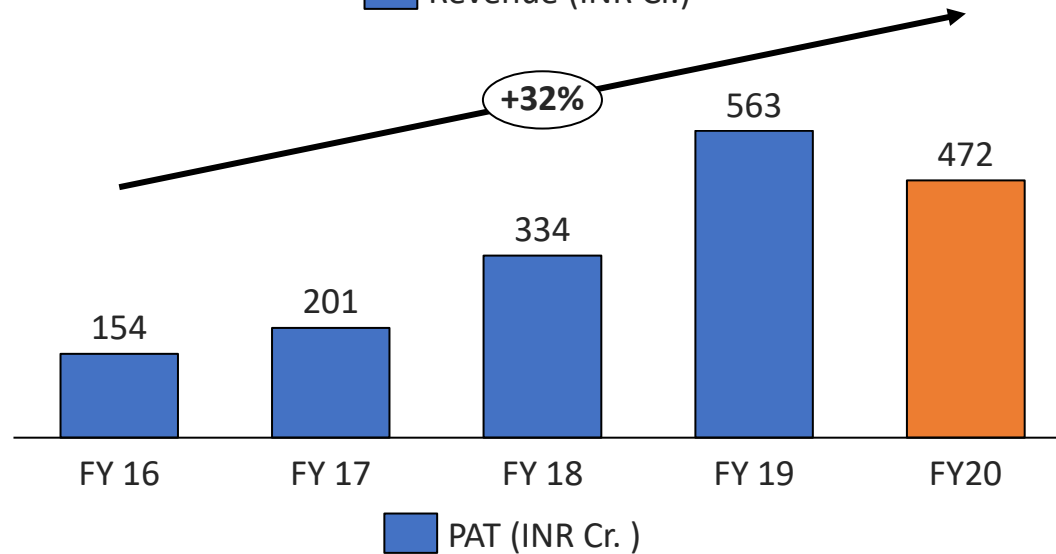
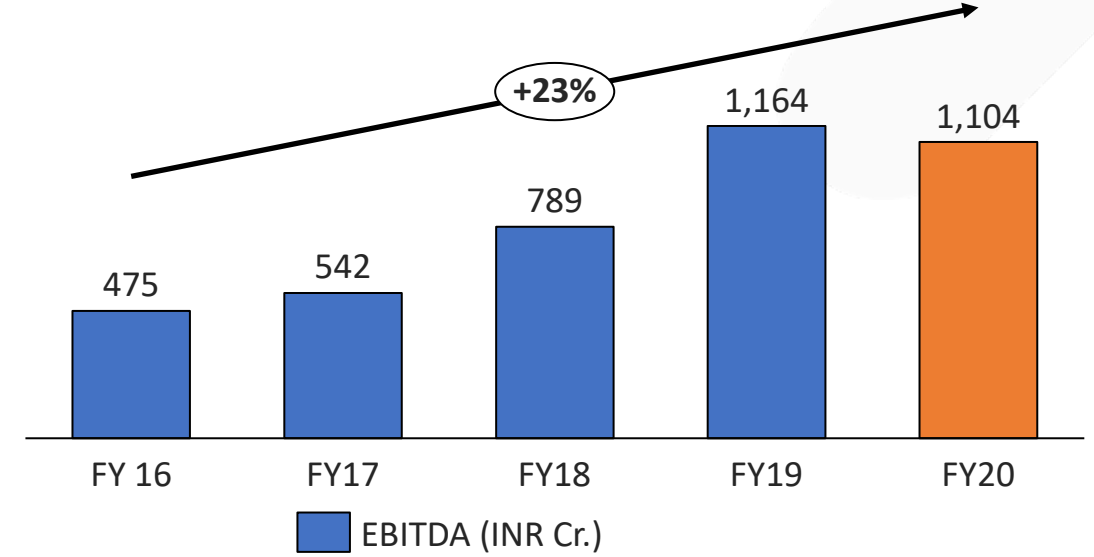
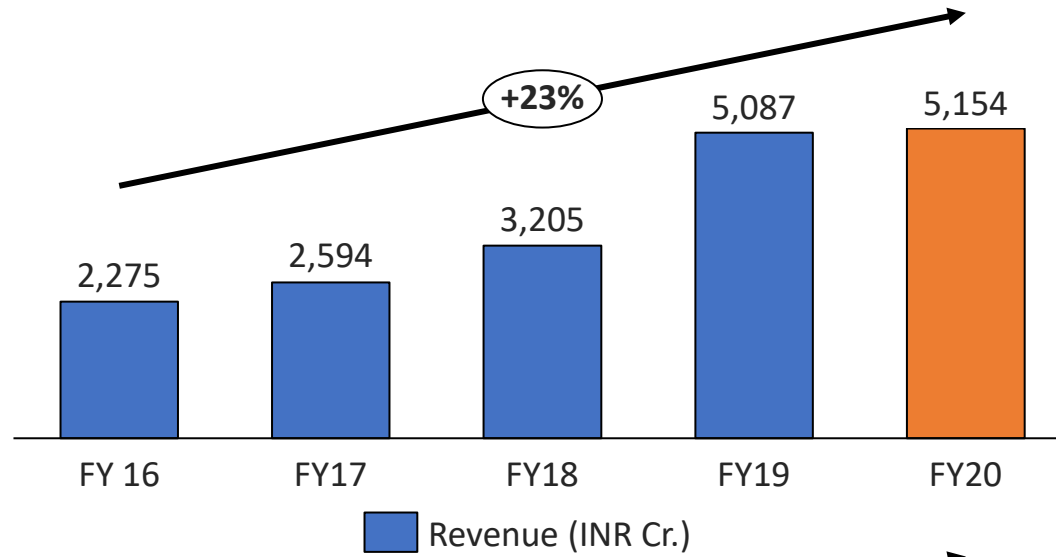


Open Order Book Spread & Order Inflow

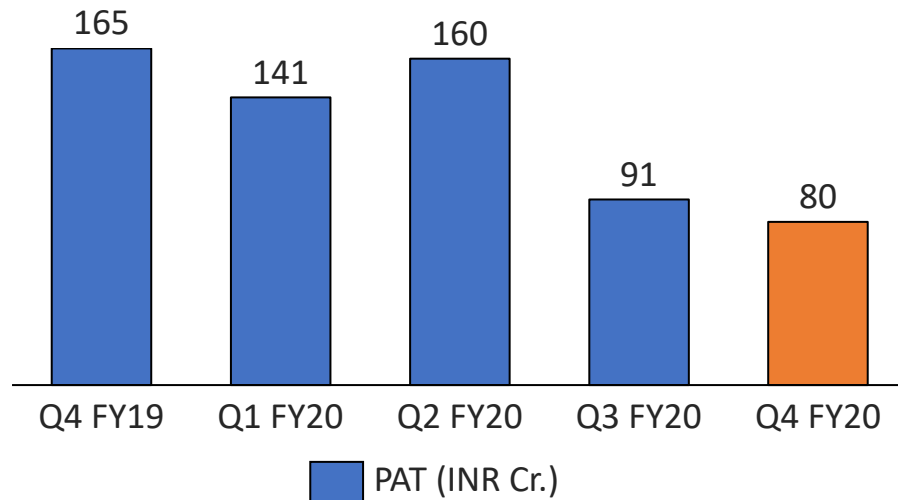
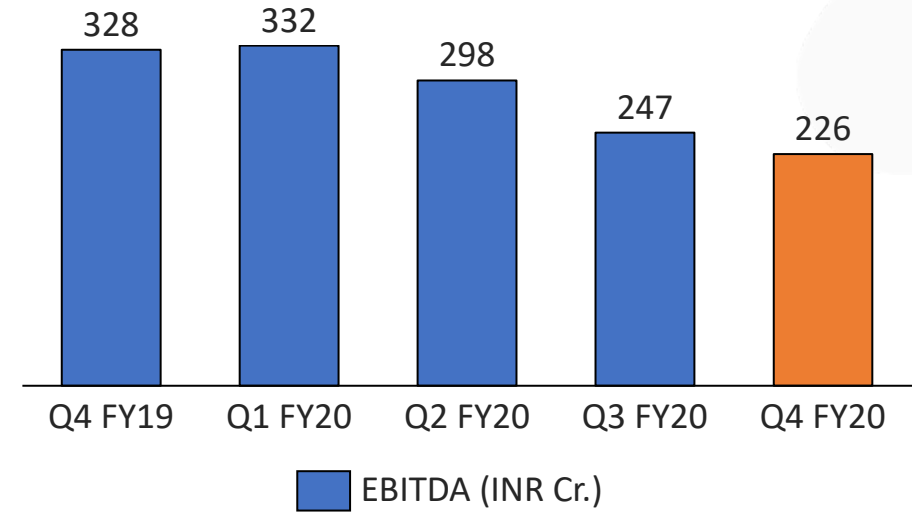
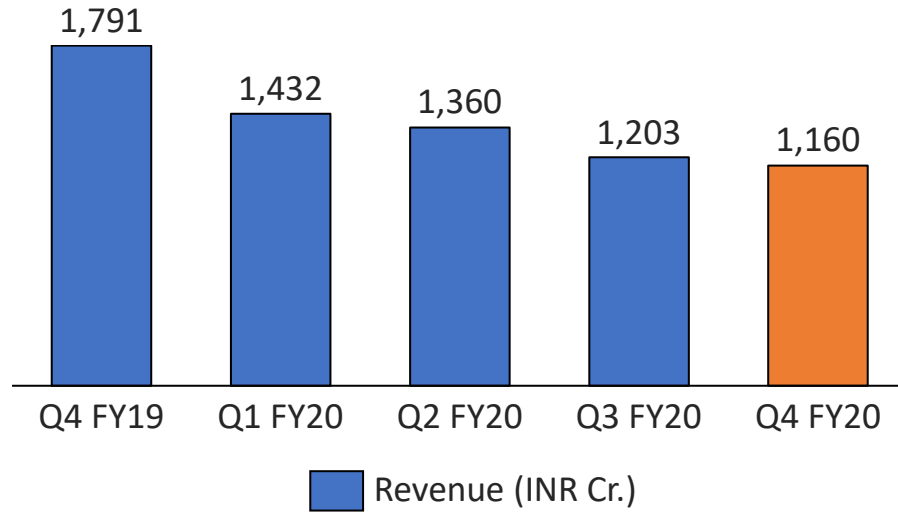


Strong RFQ Participation Funnel ~ Rs. 8,500 Cr

Creating sustainable value for shareholders in the long term

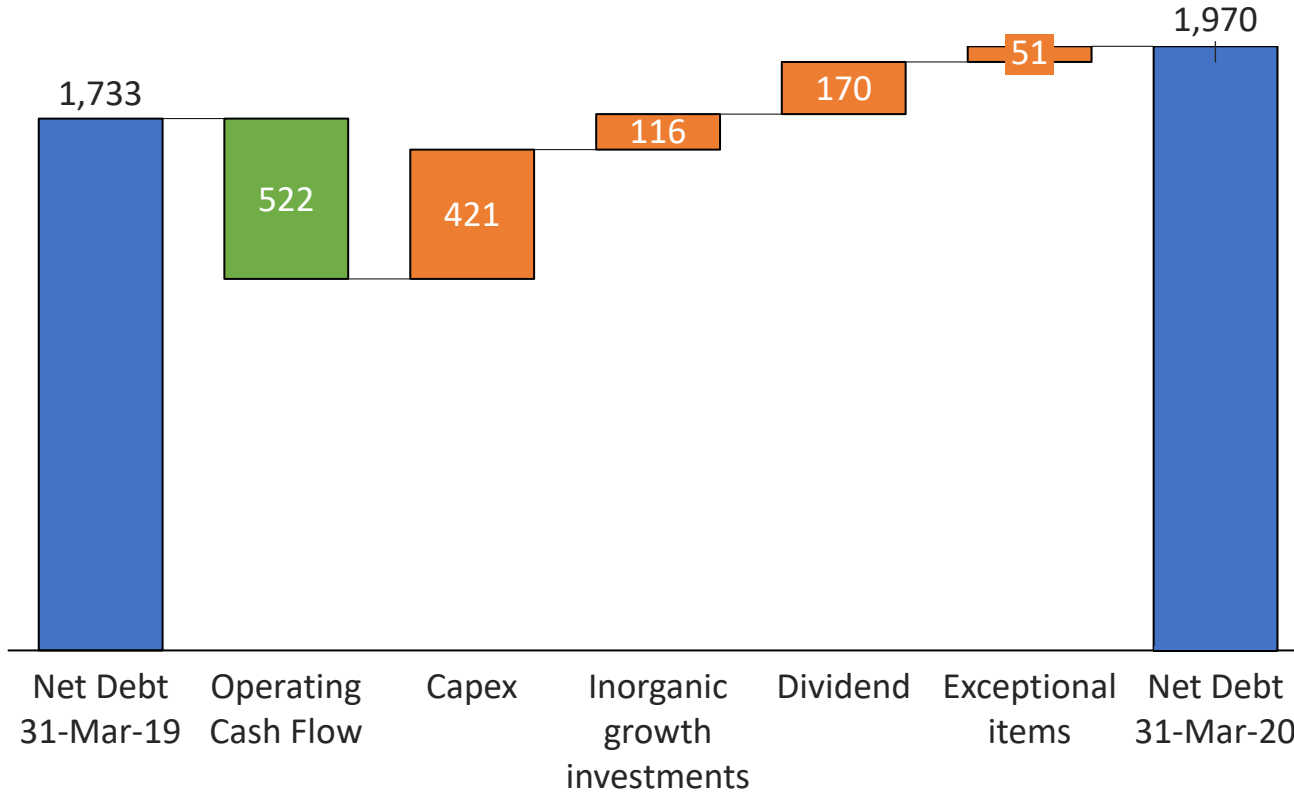


Quarterly financials



- Revenue at Rs. 1,160 Cr
- EBITDA at Rs. 226 Cr
- PAT at Rs. 80 Cr

with prudent cash management



Free Cash Flow @ consolidated level	Rs. Cr.
Cash Profit after Tax	774
(Increase) / Decrease in working Capital	(252)
Operating Cash Flow	522
CAPEX	(421)
Free Cash Flow	100

The business generated **free cash flow in FY20**

The business is carrying **cash & cash equivalents of Rs. 478 Cr.** as on 31st Mar'20
(reflecting preparedness for the current uncertain times)

Financials: Abridged version



P&L (INR Cr.)	FY19	FY20	<i>growth (%)</i>
Revenue	5,087	5,154	1%
EBIDTA	1,164	1,104	-5%
EBITDA %	23%	21%	
Depreciation	195	290	
EBIT	969	813	
Interest	105	221	
Exceptional Item		51	
PBT	864	542	
Tax	278	109	
Net Income (After Minority Interest)	563	434	
Net Income <i>Adjusted for exceptional item net of tax</i>	563	472	-16%

Balance Sheet (INR Cr.)	FY19	FY20
Net Worth	1,815	2,023
Net Debt	1,733	1,970
Total	3,548	3,993
Fixed Assets	2,356	2,536
Goodwill	107	122
Net Working Capital	1,085	1,335
Total	3,548	3,993

BUYBACK 2020: we continue to remain bullish

A vertical line of four white circles with blue outlines is positioned on the left side of the slide. The circles are connected by a blue line that starts at the top, goes down, and then branches out to connect to each circle.

Objective is to *seek fair value of stock price* to improve shareholder return

Buyback from *Open market route* from all shareholders except promoters group

Company having *sufficient liquidity to support* buyback in current uncertain times

Maximum buyback size: **Rs. 145 Cr.** ; Maximum buyback price: **Rs. 150 per share**

Summary



**Key Accounts
Management**



**Technology-led
E2E Solutions**



**Ecosystem
Investments**

STL with its **focus on key account management, technology led E2E solutions, ecosystem partnerships & investments** has led to growth in FY20 when the industry has seen a decline

COVID-19 is an **inflection point for data networks industry** & it shall accelerate our society's digital transition.

STL with its **optical connectivity solution, fibre deployment solution, FTTx access network solution and network modernisation solution** is ready to take advantage of the **mega opportunity** of future network creation.

Thanks