

The STL logo is positioned in the top left corner. It consists of the letters 'STL' in a bold, white, sans-serif font. A small green arrow points to the right from the top of the letter 'L'.

STL

The 'stl.tech' logo is located in the top right corner. It features the text 'stl.tech' in a white, lowercase, sans-serif font.

stl.tech

Mission Mode

Earnings Call Q4 FY22

28th Apr. 2022

Safe Harbour



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Ankit Agarwal

Managing Director



Strong Industry Tailwinds

A woman in a black polo shirt with the STL logo is working in a factory. She is standing next to a large white container with a blue lid. In the background, there are several large spools of material, some blue and some yellow, mounted on a metal frame. The setting appears to be a manufacturing or laboratory environment.

1 Strong Industry Tailwinds

2. STL growth strategy on track

3. Financials

4. Q&A

Network creators and Governments continue to invest heavily in digital infrastructure

ENHANCED SPENDING BY NETWORK CREATORS



AT&T Capex set to rise from \$16.5 Bn to \$20 Bn.



Plans to cover 60% of Italy's households by 2026



Ramps up deployment plans from 2.5 Mn. to 12 Mn. end points



Meta allocates \$31.5 Bn capex in 2022



Plans to invest \$15.0 Bn capex through 4 subsidiaries

US CAPEX SURGE

\$275 Bn.

Investment by Telcos, Cable MSO's, Internet content providers along with Govt. stimulus in 2022

INCREASE IN GOVERNMENT INCENTIVES & FEDERAL SPENDING

US



Aims to invest \$65 Bn. in broadband as a part of infrastructure act

Italy



Government makes €2 Bn. incentives available for 5G

Germany



Continues to invest €12 Bn. for gigabit fibre connectivity



5G becoming the fastest growing technology

- 5G Investments : **\$500 Bn.** from 2022 to 2025
- 5G subscriptions: **660 Mn.** to **4.4 Bn.** by 2027
- 5G base stations in China: **1.4 Mn.** to **3.7 Mn.** by 2025



FTTx growing massively in Europe, US, India

- Italy's Open Fiber plans **€11Bn.** investment in new 10-yr strategy
- Altice USA reveals **\$1.8 Bn.** Capex for FTTH
- CityFiber on track to reach **8 Mn.** FTTP homes across UK by 2025

Datacentres

Increasing Capex by datacentres

- Data center CAPEX to **grow by 10%** over the next five years, to **\$350 Bn.**
- Google plans to invest **\$9.5 Bn.** in building offices and data centers in the US in 2022



Large scale deployments on cards from 2023

- Pilot Phase - Industry wide **35 Open RAN** trials, across more than 20 countries
- Deployment Phase - Telefonica ORAN pilot to scale to 800 sites by 2023

The decade long digital network build cycle is here!

UK

- Openreach plans to reach **25 Mn.** homes by 2026
- Netomnia plans **1 Mn.** homes pass by 2023
- Hyperoptic targets **3 Mn.** homes by 2024
- Community fibre plans **1 Mn.** home pass by 2023

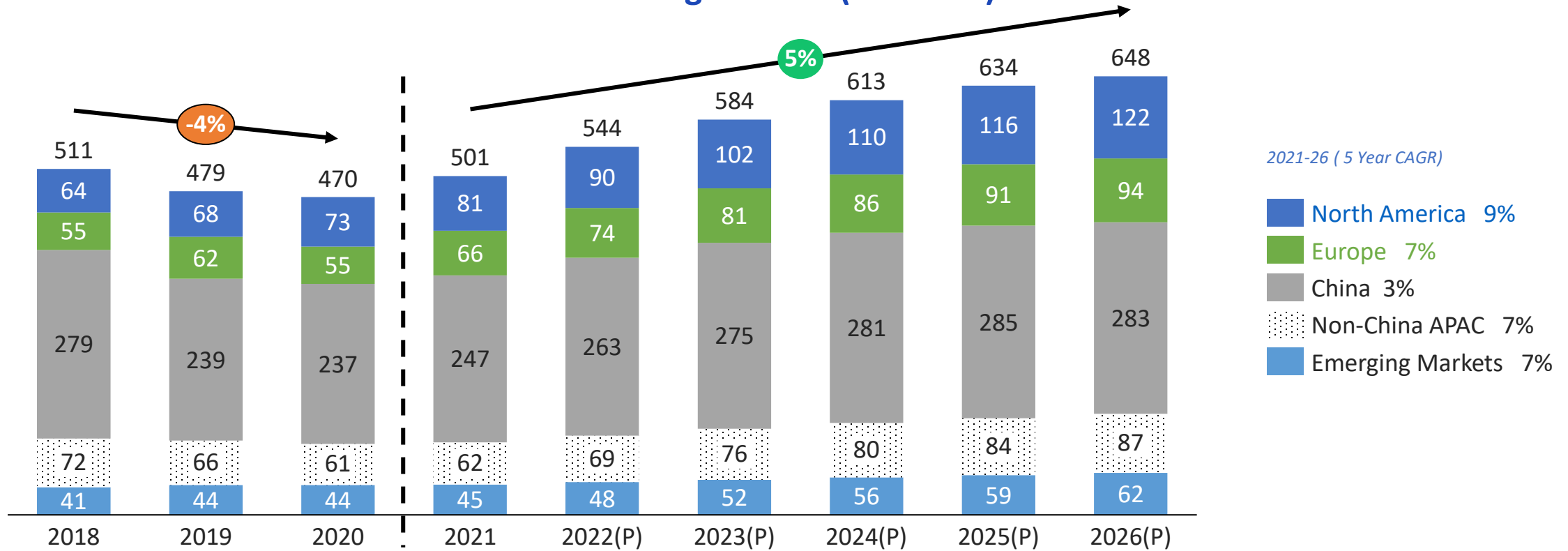
Europe & North America

- Deutsche Telekom targets **2 Mn.** homes in 2022
- Open Fiber targets to reach **24 Mn.** homes by 2031
- AT&T plans to connect **30 Mn.** premises by 2025
- **\$125 Bn. earmarked for** FTTH deployments in the North America for next 5 years

India

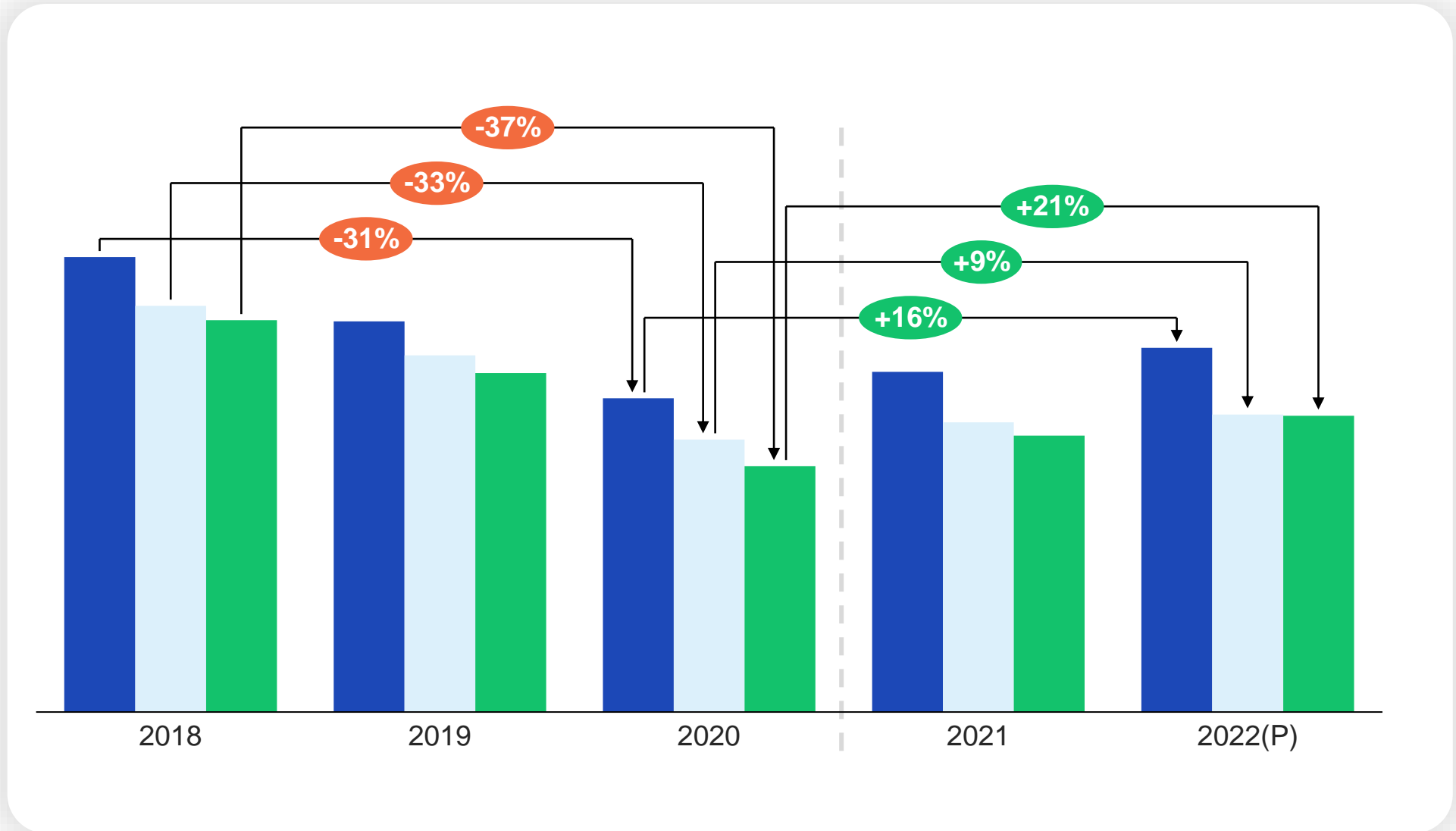
- Govt approves Bharat Net for **360,000 villages**
- Telcos expected to deploy more than **200,000 cable kms** in FY23 including preparation for 5G rollout
- Airtel aiming for **40 Mn. home broadband customers by 2025**

OFC Demand region wise (Mn Fkm)



STL focus markets US & Europe are high potential, fast growing and have the highest realisations

OFC prices are on the rise



- North America
- Europe
- Apac Non China

We are clearly in a multi-year network build cycle across the globe



Multi-year digital network build cycle

1

5G

Increased demand of fibre due to cell densification

2

Increase in FTTx penetration & network modernisation by Govt.

Segment with continued strong demand of fibre

3

Capex by Hyperscalers

Increased demand of fibre particularly for edge datacentres

3 investments cycles are coinciding (7-10 years timeframe)

Covers spend across all areas : OFC & Interconnect, Fiber deployment, O-RAN, programmable networks (pFTTx) and digital transformation of enterprises

STL Growth Strategy Is on track

1. Strong Industry
Tailwinds

2 **STL growth strategy
on track**

3. Financials

4. Q&A

FY 22 – A pivotal year in terms of global expansion, product development and solid leadership



Poised for
Revenue growth



₹ 11,639 Cr
Order Book



₹ 5,754 Cr
Highest ever
Revenue



~ ₹ 1,000 Cr
UK Market OOB
Services Business *

Crossed
Strategic milestones



18 to 33 Mfkm
OFC Capacity
Fully Integrated Player
Glass > fibre > cable > OI



6% market share Americas
OFC foothold
established in US



Clearcomm
Services capability
established in UK

Delivered
Cutting-edge solutions



Next Generation
Wireless Products Launched
Small cell & pFTTx



733
Patents
Continued focus on IP



GARTNER
Recognition for
5G small cells

Moved towards
World-class Standards



Great Place to Work
3rd time in a row



Net Zero by 2030
Commitment and roadmap outlined



BU CEO's
Global Leadership in Place

1

Grow Optical Business



- Scale global OFC **market share**
- Establish presence in the **US**
- Increase **OI attach rate**

2

Globalise System Integration



- Focus on **profitable segments** in India
- Globalise services with **UK** as the base

3

Build Wireless Solutions



- Deliver **5G open RAN radios**
- Disrupt market with **pFTTx solution**
- Develop market leading **Radio intelligent controller**

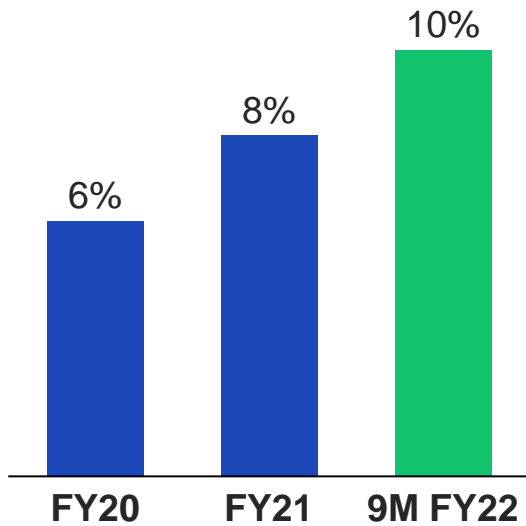
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Grow Optical Business

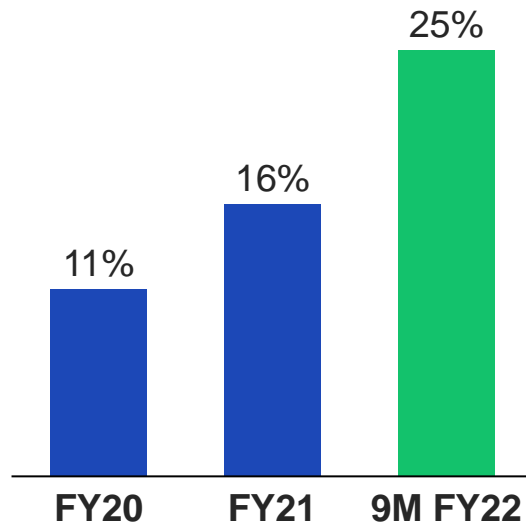
Increased Global OFC Market Share in all focus markets



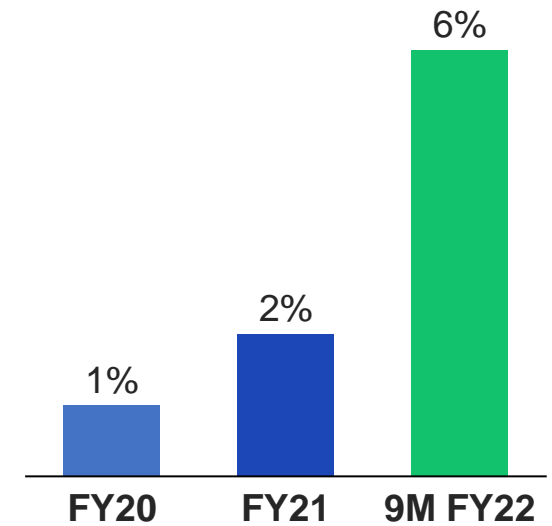
Global ex-China OFC Market share



Europe OFC Market share



North America & LATAM OFC Market share



Target to become **Top 3** global player in medium term
Aiming at **Global Leadership**

1

Grow Optical Business

Established foothold in the US and scaled OI facility



Optical Fibre Cable Facility, USA

Going closer to the customer



Optical Interconnect Facility, India

Scaled to more than 300 resources



US manufacturing to *Go Live* in Q3 FY23

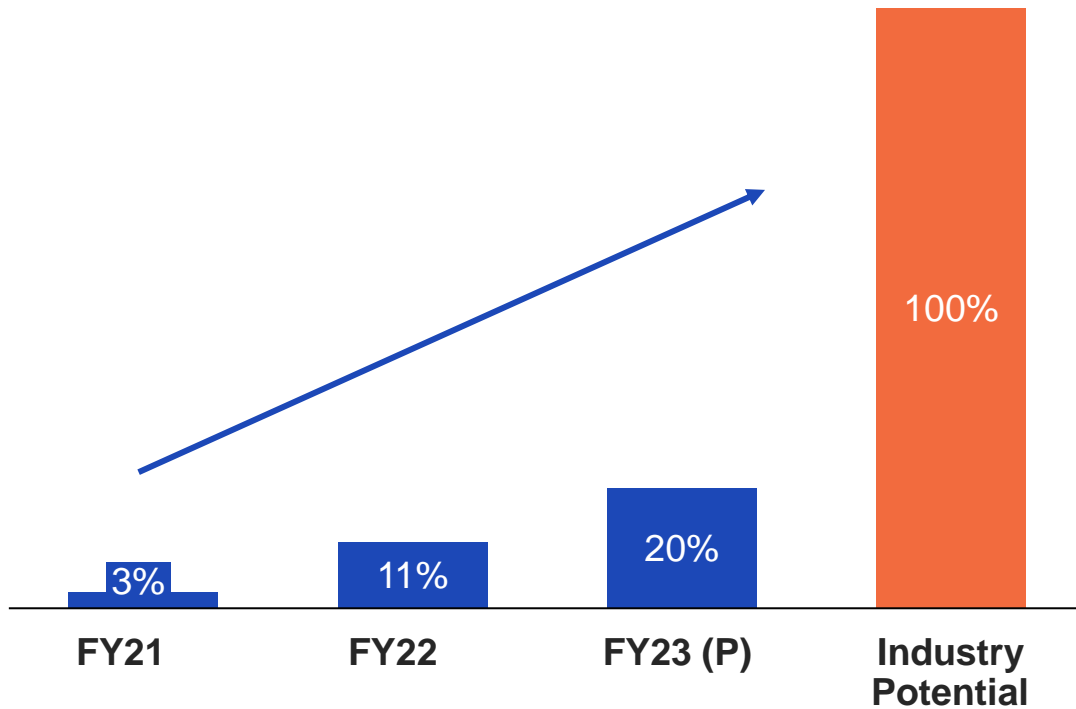
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Grow Optical Business

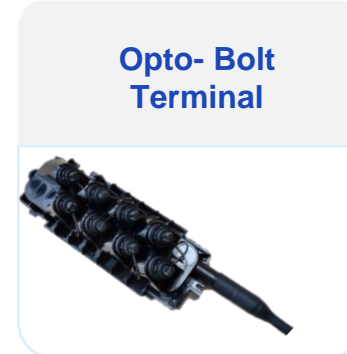
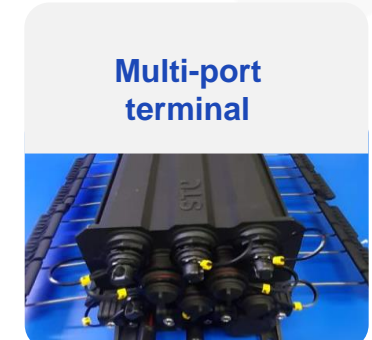
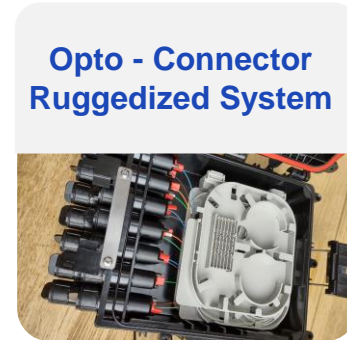
Increased Optical interconnect attach rate to 11%



Optical Interconnect attach rate



Optical Interconnect Product Portfolio



End to end optical solution approach

Target to reach 20% attach rate in FY23

2

Globalise System Integration

Won orders in UK & India in Q4 FY22



Netomnia & STL team up to fiberize UK for ultra fast broadband



“We have an ambitious target for our Ultrafast Full-Fibre broadband and we rely on superfast deployment to reach there by 2023. It is important for us to partner with players who enable us to add advanced capabilities to our rollout and STL, with its innovative and technology-centric approach, brings exactly that to the table”

Jeremy Chelot, CEO, Netomnia

~ ₹ 1,000 Cr open Order Book for Services in the UK with marquee customers

Ramped up talent and execution in the UK market



Building talent pool for network deployment in the UK

- Building **unique competitive advantage** by training engineers at **STL academy** and keeping talent pool deployment ready for UK
- Second batch with more than **100** trained telecom engineers will be deployed in Q1 FY23

UK revenue contribution to reach 25% of Services revenue by FY24

3

Build Wireless Solutions

Garuda, pFTTx and Wi-Fi6 made *Generally Available*



Rapidly growing addressable Market

R&D driven Industry leading **Products**

Traction with marquee **Customers**

STL at MWC 2022

Radio Hardware	pFTTx	RIC
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Telcos & Altnets	Private Enterprises
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~\$4-5B

TAM * (Current)

8

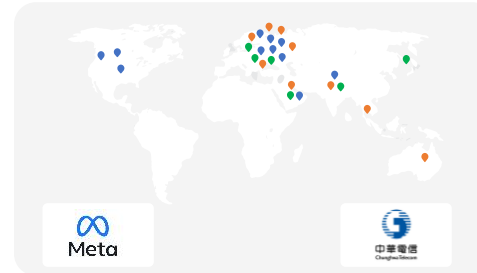
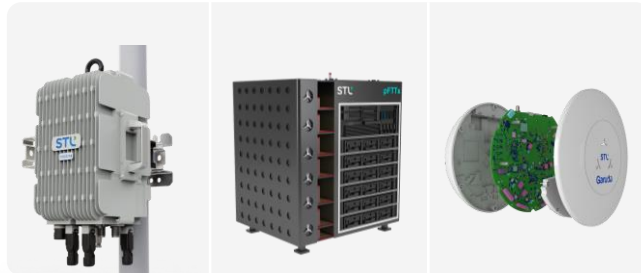
GA ready product SKU's
Full Portfolio GA ready by FY23

10+

Orders, PoC's, and engagement

SHOWCASED

40%
2022 – 2026E CAGR
TAM growth



Focus on **customer acquisition** in FY23

Summary : Business Priorities

1.

Optical Business : To become global Leader

2.

Global Services : Focus on profitable segments in India and UK

3.

Wireless Business: Commercialise products & build order book



Financials : Q4 FY22 & Outlook FY23



1. Strong Industry
tailwinds

2. STL growth strategy
on track

3 Financials

4. Q&A



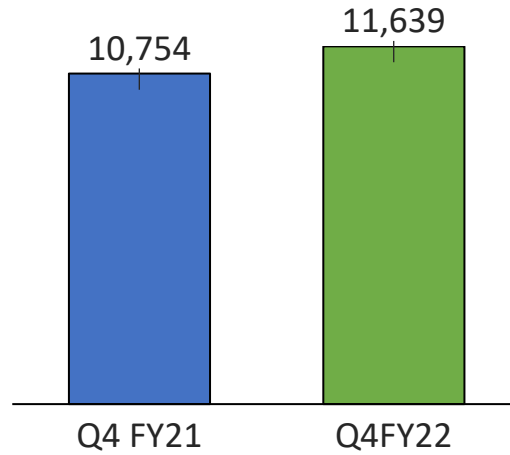
Mihir Modi

Chief Financial Officer

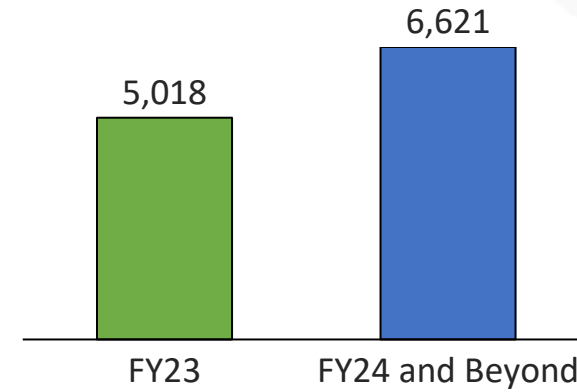
Our order book is stable



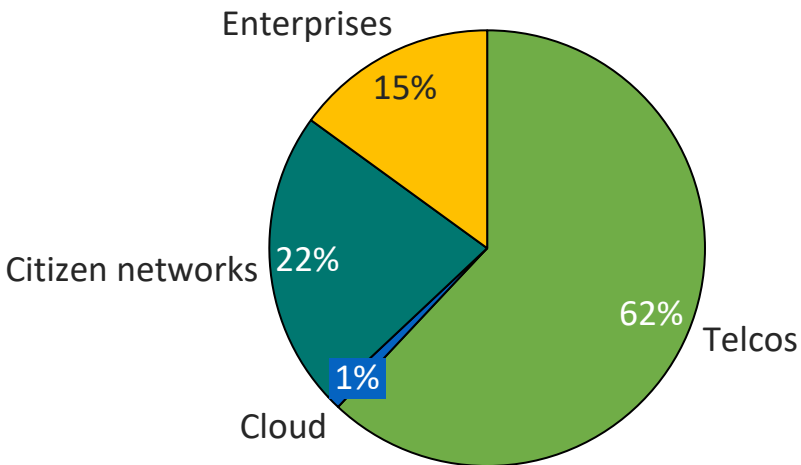
Open Order Book (Rs. Cr.)



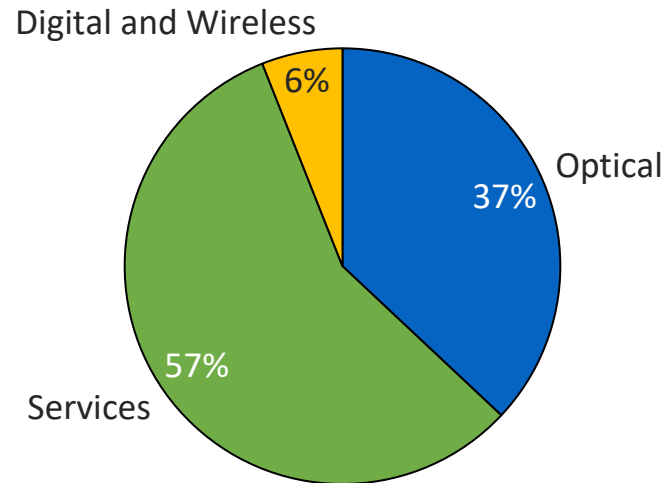
Order Book Spread (Rs. Cr.)



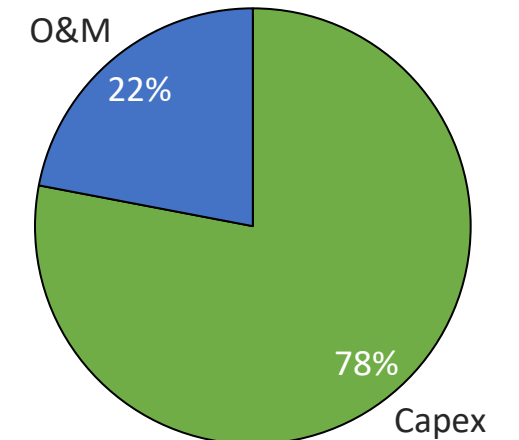
Open Order Book Customer wise



Open Order Book BU wise



Open Order Book Capex vs Opex



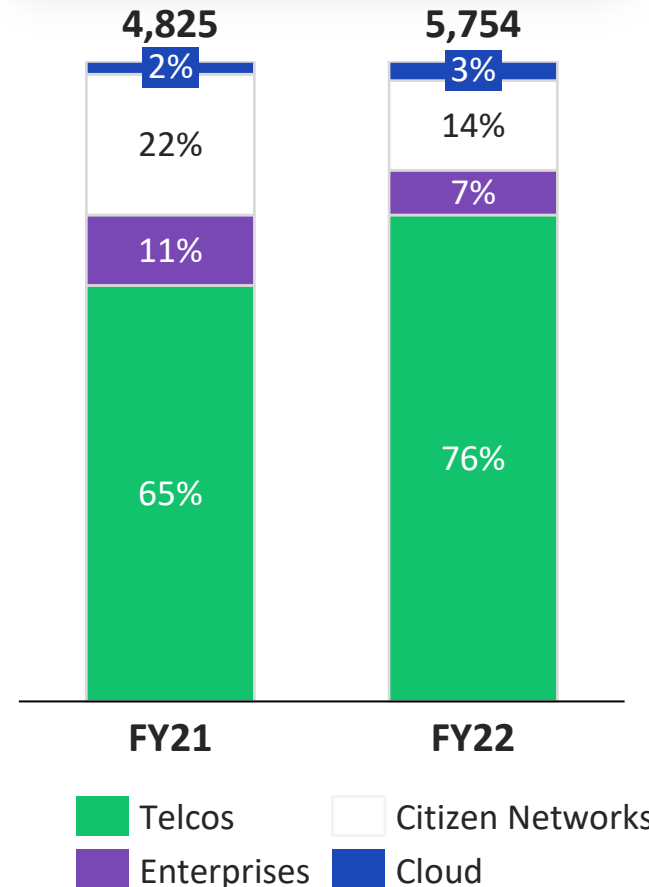
Revenue mix is moving to segments and geographies of choice



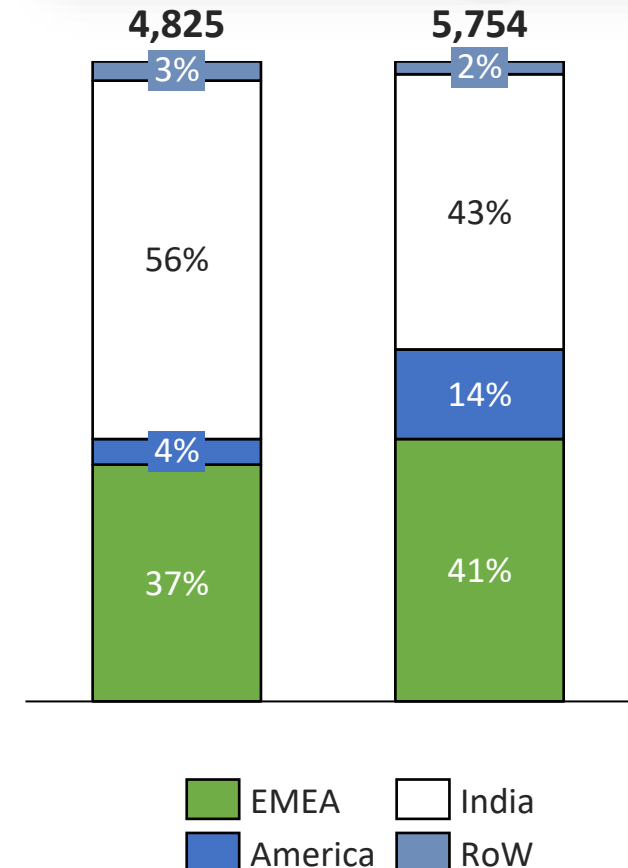
Key Order Wins Q4 FY22

- Enabling **Netomnia** to fiberize multiple cities with ultra fast broadband in UK
- Partnering with **PGCIL** to build unified network management system
- Multi million dollar, multi year optical fibre cable contract with **leading Telco in Italy**
- Multi million dollar order for optical fibre cable in **North American market**

Customer Segments Revenues (Rs. Cr.)



Geographical Distribution Revenues (Rs. Cr.)



Project Execution is on track



India - Public

Transformative Rural digital inclusion

Bharatnet Projects

T-Fibre

50%
Completed



Network Modernisation

PGCIL

47%
Completed



India - Private

Modern Optical Network

Fibre roll out

(Large Indian telco)

88%
Completed

Phase - 1



0%
Completed

Phase - 2



Modern Optical Network

Fibre Roll out

Started



Global

UK Gigabit Networks

FTTH , UK

All Projects

3%
Completed



Hyperscale Data Centers

Data Centre Projects in EMEA

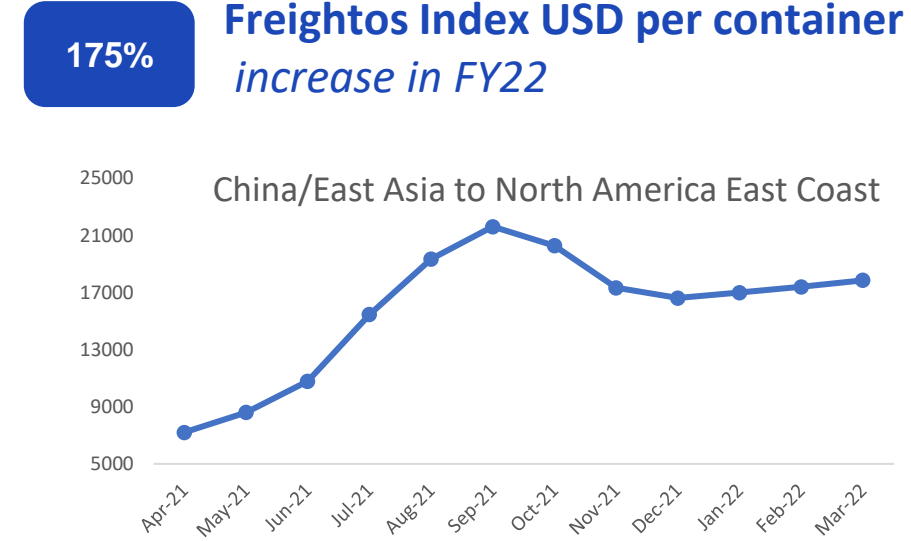
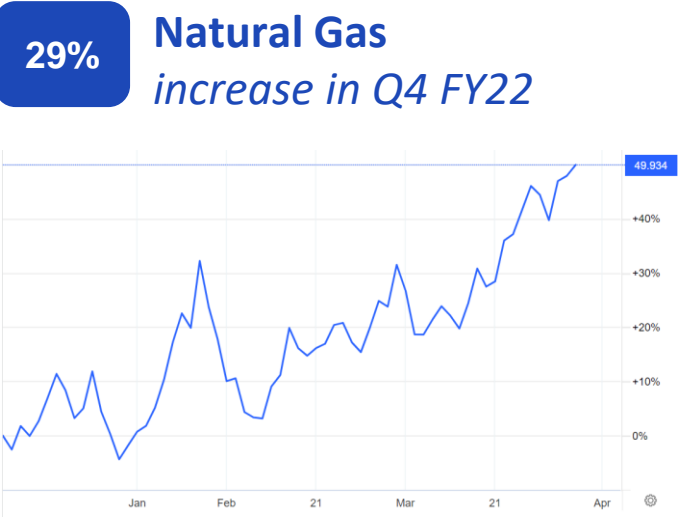
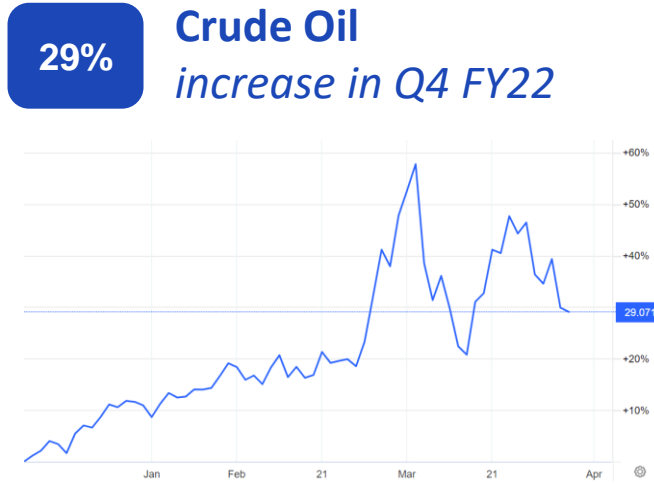
Completed in Nos. Q4 FY22 58



Ongoing in Nos. < CY > 21



Strong Inflation headwinds in raw materials & logistics cost in optical business



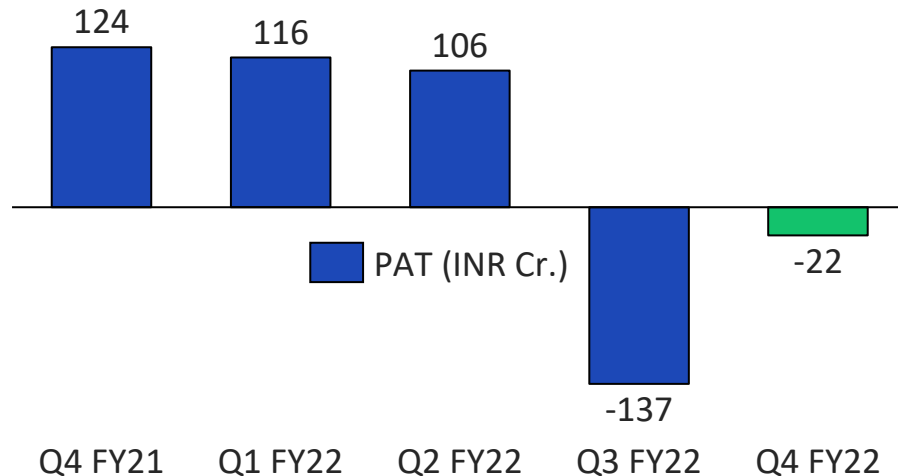
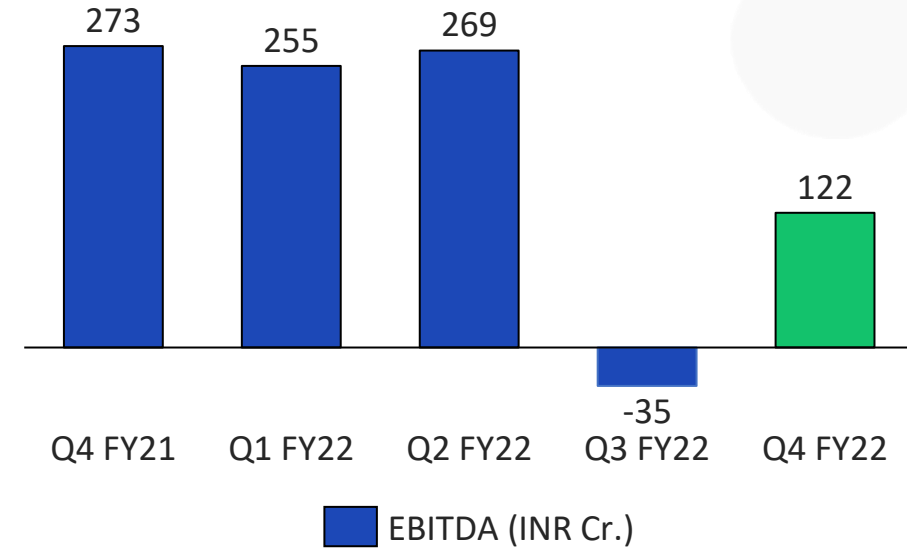
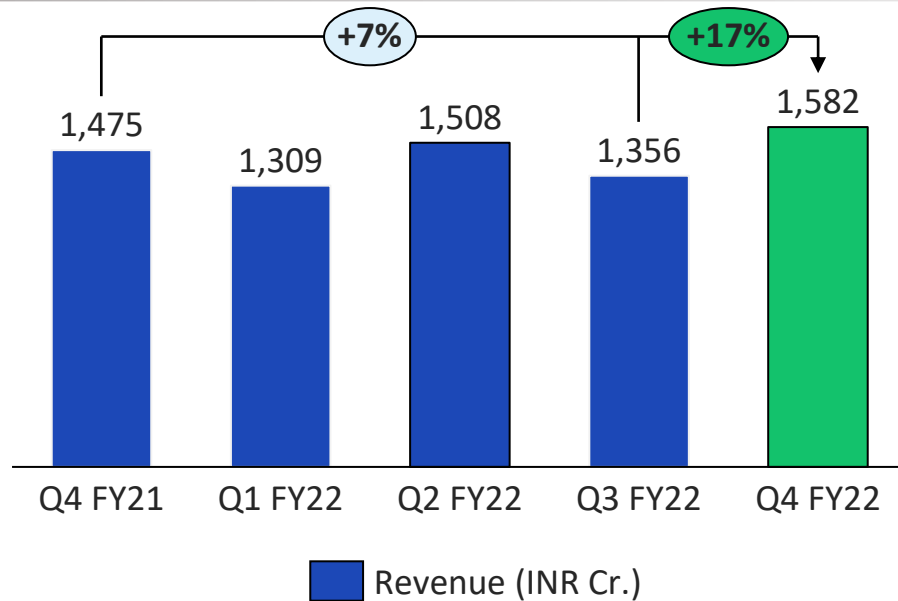
- Key Raw materials exhibiting sharp increase are polymers (**HDPE, PBT**), Metals (**Silicon, Steel tape**), Gases (**Helium, LNG**) and speciality resins (**coatings**)
- Overall **freight cost** remains at **elevated levels** particularly to the US route & also **sales mix tilting towards the US**

8% increase in Q4 FY22

Source: Tradingeconomics.com ; fbx.freightos.com

Back to revenue growth QoQ by 17%; YoY by 7%

Margin pressure due to RM cost & logistics cost inflation



Q4 FY22 EBITDA margins hit by

1. RM inflation & Logistics cost increase due to global supply chain disruption
2. Increased investment in UK services, Digital & Wireless

Measures to increase margins – Expect EBITDA margins to normalise by H2 FY23

1. Increase in OFC realisations to compensate for RM & logistics cost inflation
2. Services revenue ramp up to absorb UK investments
3. Calibrated investment approach in digital and wireless in FY23

Financials: Abridged Version



P&L (INR Cr.)	Q4 FY21	Q4 FY22	FY21	FY22	Balance Sheet (INR Cr.)	FY21	FY22
Revenue	1,475	1,582	4,825	5,754	Net Worth	2,085	2,042
EBIDTA	273	122	854	594	Net Debt	2,410	2,782
<i>EBITDA %</i>	19%	8%	18%	10%	Total	4,495	4,824
Depreciation	61	91	285	326	Fixed Assets	2,664	2,937
EBIT	212	31	568	269	Goodwill	292	296
Interest	53	69	203	241	Net Working Capital	1,540	1,591
Exceptional Item					Total	4,495	4,824
PBT	158	(38)	365	43			
Tax	50	(11)	111	15			
Net Income (After minority Interest)	124	(22)	275	62			

FY23 Outlook :

Chasing profitable & sustainable growth ; Focus on delivering margin expansion



Q4 FY22 Revenue Split

	Optical	Services	Digital & Wireless
Revenue	Rs. 1,070 Cr. 68%	Rs. 502 Cr. 32%	Rs. 54 Cr. 3%

Note : Q4 FY22 Capacity Utilisation OF at 74%, OFC at 81%

Target Revenue Split

	Optical	Services	Digital & Wireless
Revenue	65 ~ 70%	30 ~ 35%	3 ~ 5%

Sustainable Quarterly EBITDA Margin

	Optical	Services
EBITDA	20% ~ 22%	10% ~ 12%

Growth Drivers

OPTICAL BUSINESS

- OFC Volume growth
- OFC Realization growth
- Increase in OI Attach Rate

GLOBAL SERVICES

- Incremental orders in India
- UK execution ramp up

DIGITAL & WIRELESS

- New revenue streams

Margin Expansion Drivers

OPTICAL BUSINESS

- Increase in US revenue share
- Increase in OFC pricing
- Cost savings initiatives
- Increase in margin accretive OI

GLOBAL SERVICES

- Incremental revenue in India
- Increase in UK revenue share

DIGITAL & WIRELESS

- Calibrated investments

In FY23, we plan to grow in excess of **25%** over FY22 & reach sustainable quarterly margins by **H2 FY23**

FY23 Capital Allocation :

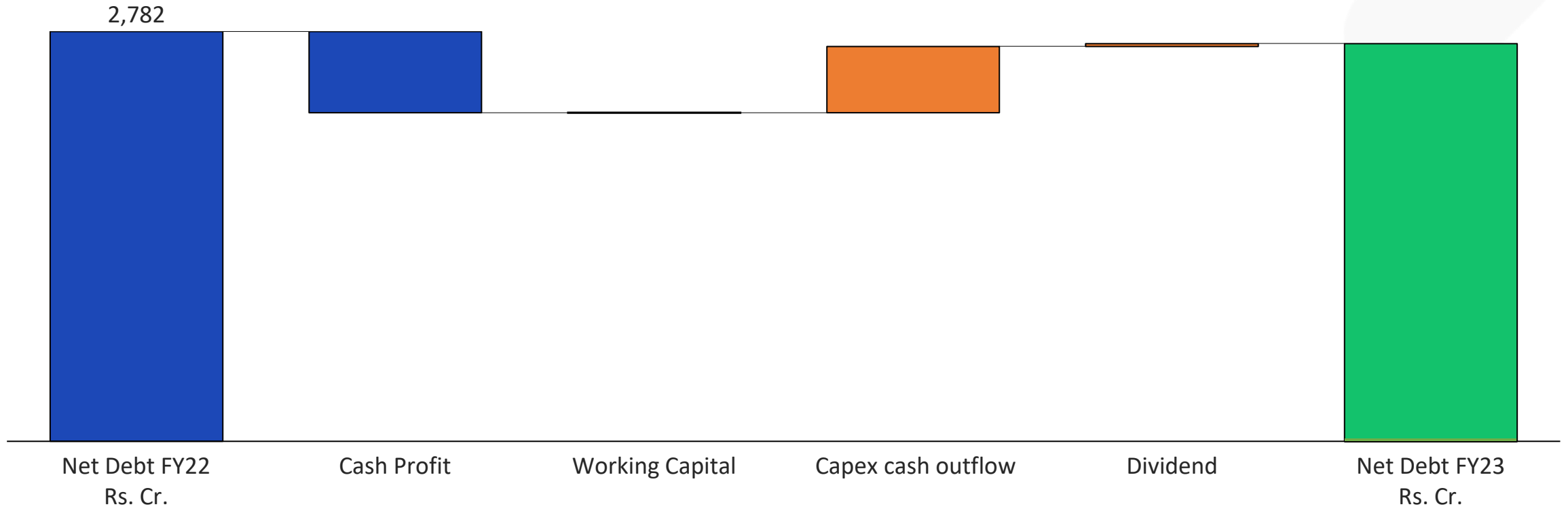
Allocating capital to Optical Business



Timely investments required to capitalise opportunity in optical business
To move towards **RoCE > 20%** at steady state operations post investment phase

FY23 Cash Flow Outlook :

Optimising working capital in services business to fund growth Optical business



Credit Rating : AA by CRISIL and ICRA

Aiming to maintain or marginally reduce **Absolute Debt** by Q4 FY23

Summary : Financial Priorities FY23

**Revenue
Growth
Rate**

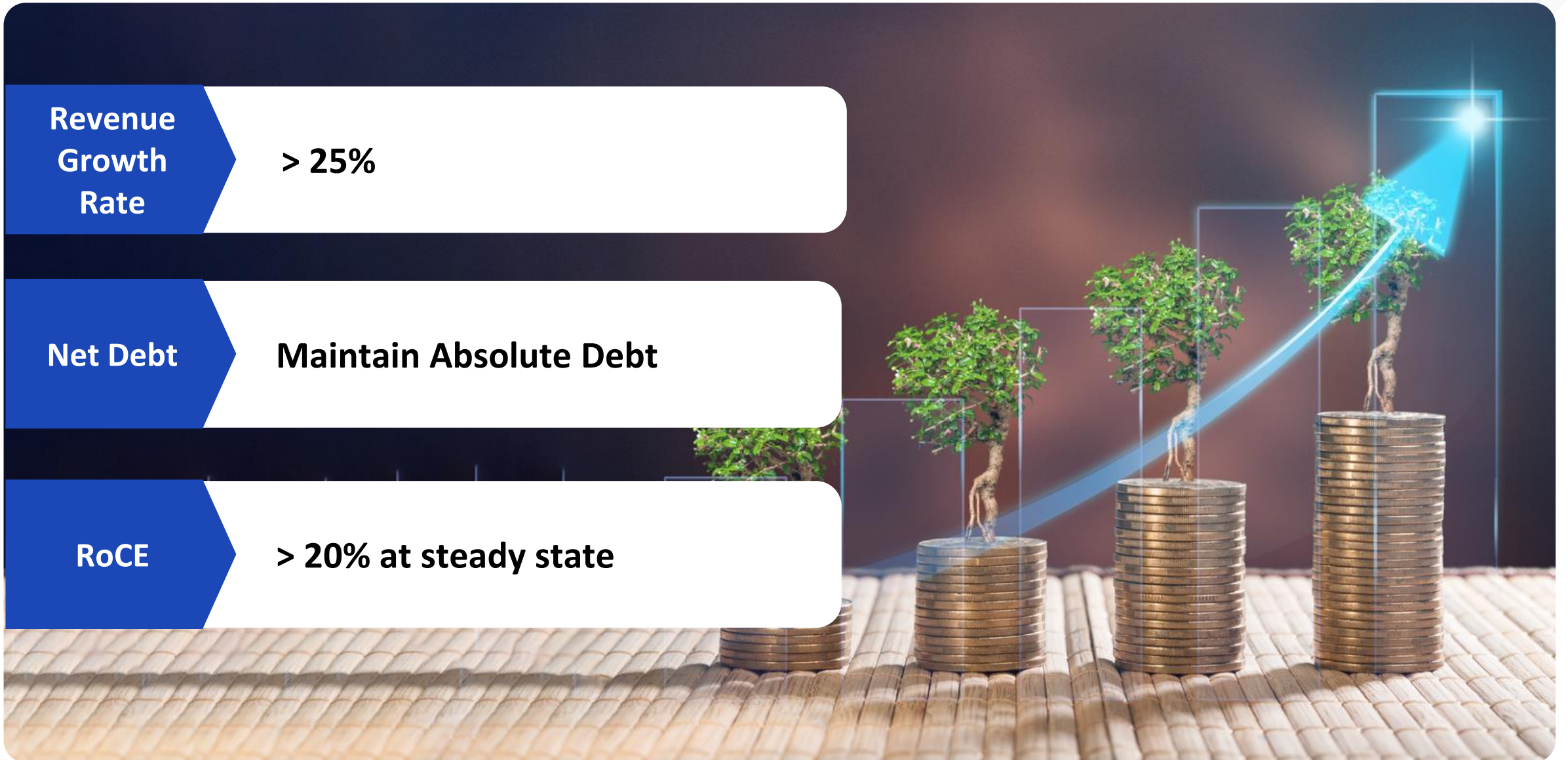
> 25%

Net Debt

Maintain Absolute Debt

RoCE

> 20% at steady state



We are also committed to deliver on our ESG targets



World's 1st ZWL Certified

45,000+ MT

Waste diverted from landfills

7,500+ tCO₂e

Reduced through energy efficiency initiatives

130,000+ m³

of water recycled

50%

Procurement (by value) done locally



Committed to the UN SDGs

15

Aligned with 15 of the 17 SDGs

115,000+

Lives benefitted through STL's ed-tech & women empowerment programmes

237,000+

Lives benefitted through STL's healthcare programmes

1,400+

Villages provided with quality healthcare & education



Strong internal governance

Two of the Big Four

as statutory & internal auditors

Executive and Management committees in place

29 ESG awards won



BIG GOALS: 5 MN. BY 2025

1.47+ Mn. lives benefitted*

0.18 Mn. plantations done*

1.41+ Mn. m³ water replenished*

- Transforming 5 Mn. Lives
- Undertaking 5 Mn. plantations
- Replenishing 5 Mn. m³ of water in communities

Strong demand and pricing outlook for Optical Fibre Cable : Multi-year network build cycle in full swing. The global OFC volume & pricing expected to grow in FY23

Aiming for global leadership in Optical Business: Strong market share gains in Americas and Europe, increasing attach rate in OI. Majority capital allocation towards Optical Business.

Focus on profitable projects and cash generation in Global Services: Secured excellent order book in UK and ramping up execution

Building order book in Wireless Business: Products gaining traction. Investments to be calibrated for wireless and digital businesses.

Targeting to grow revenue by 25%, hold absolute debt and move towards RoCE of 20% post the investment phase in optical business

Lets answer your questions



1. Strong Industry
tailwinds

2. STL growth strategy
is on track

3. Financials

4 Q&A



beyond tomorrow

Annexure : Key Business risks



S.No.	Risk	Risk Definition	Comment
1	Geo Political & Economic Risk	Uncertainty in economic, political conditions may lead to adverse effects	Current Russia Ukraine conflict has no negative impact on revenue ; Significant factor in global supply chain disruption
2	Customer & Industry Demand	Reduction in Capex done by communication industry may dampen demand	Consumer Spend and Industry demand is expected to grow
3	Competition & Product Pricing	Competitive bidding on long term contracts may adversely affect pricing	Product pricing is moving up as a result of improving demand
4	Product Portfolio & innovation	Inability to innovate, adapt new technology may negatively impact business	New products across businesses, particularly wireless business are undergoing field testing
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	Logistics cost has gone up
7	Talent Management Risk	Inability to attract and retain best professional talent may adversely impact	Certified Great place to work 3 rd time in a row
8	Commodity Risk	Inflationary pressure can negatively impact profitability	Strong headwinds in raw materials inflation
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	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