



sti.tech

Advancing on the growth path

Earnings Call Q3 FY22

19th Jan. 2022



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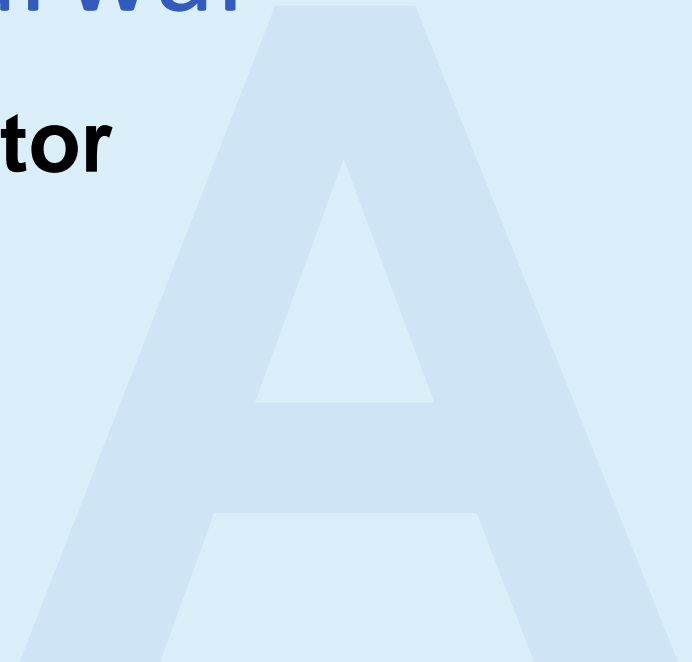
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Ankit Agarwal

Managing Director



Strong Industry Tailwinds

A woman and a man in a server room looking at a laptop. The woman is on the left, wearing a light blue shirt and a dark skirt, holding a laptop. The man is on the right, wearing a light blue shirt and dark pants, pointing at the laptop screen. They are standing in a server room with rows of server racks in the background, illuminated by blue light.

1 Strong Industry Tailwinds

2. STL growth strategy is on track

3. Financials

4. Q&A

Industry poised for rapid growth

01



Strong Tailwinds of Massive Investment Cycle

Network creators and Government / Federal funds investing heavily in digital infrastructure

02



Tech becoming Mainstream

5G, FTTx and ORAN technologies growing at a rapid pace

03



Optical Demand on growth trajectory

Sustainable demand for optical networking

04



Massive fibre deployment globally

Fibre deployment wave across globe. In India, Telco capex revival to enable 5G

* x in the FTTx stands for Home/Building/Premises/DC or Node (Curb, Small Cell, Antenna, etc.)

ENHANCED SPENDING BY NETWORK CREATORS



Multiyear fibre inks connectivity deals with Frontier communications for **25 states**



Deutsche Telekom targets **2 Mn** new FTTH connections in 2022.



Telcos to nearly double fibre footprint by 2027, connect **82 Mn** US homes



Telefonica Germany to invest **EUR 4 bn** to connect 50% people with 5G



Meta to allocate **\$31.5 Bn** to capex in 2022



Indian DC Investments expected to touch **\$4.6 Bn** per annum by 2025

INCREASE IN GOVERNMENT INCENTIVES & FEDERAL SPENDING



Italian government launches **€4 Bn** investment scheme for fibre and 5G



FCC launches **\$14.2 Bn** Affordable Connectivity Program, along with the new Federal Stimulus



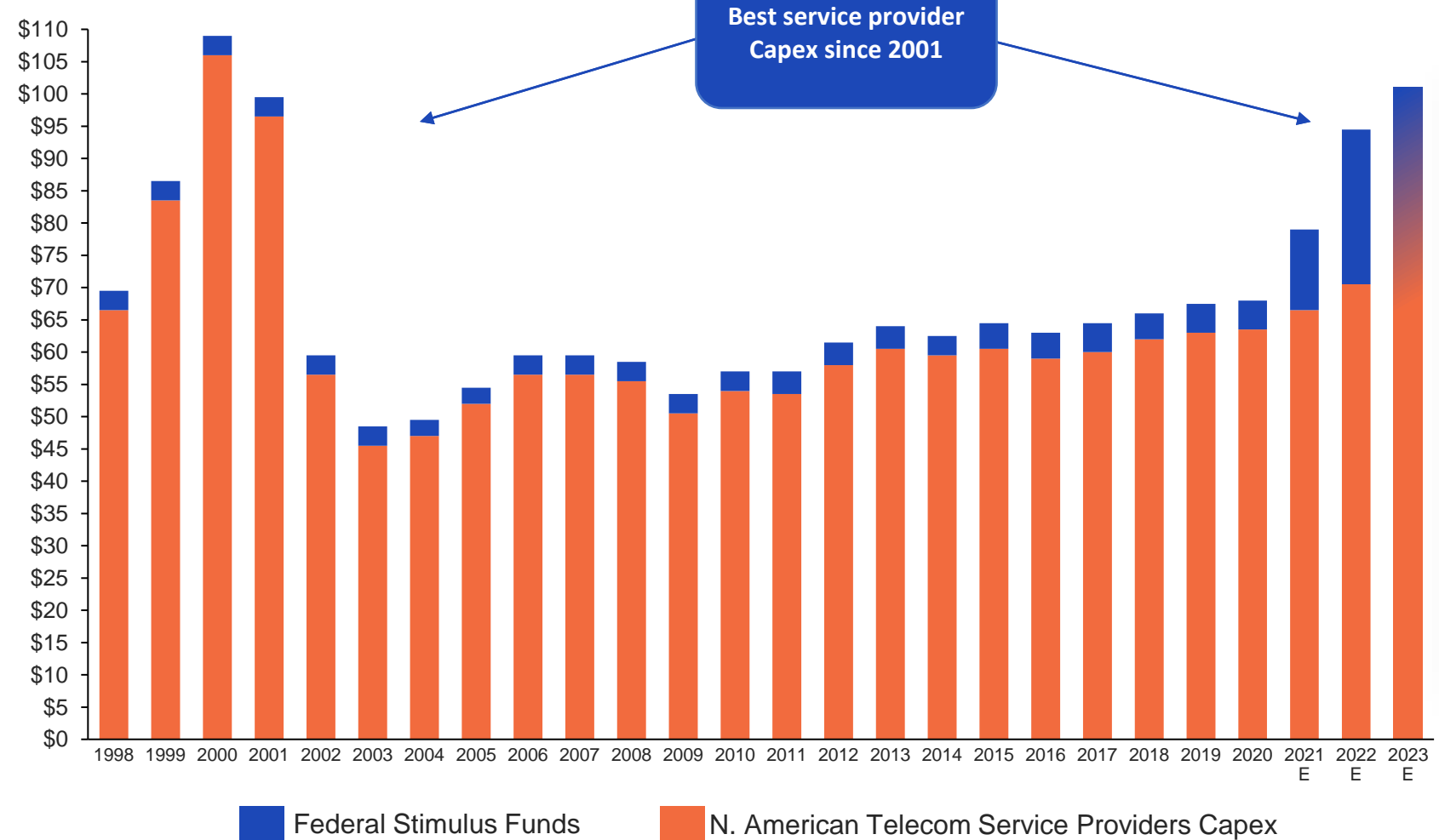
Rwandan govt borrows **USD 100 Mn** from Asian Infrastructure Development Bank for digital acceleration

Network creators & Governments investing heavily in digital infrastructure

Large funding stimulus for broadband programs in the US



\$Bn. Spend



- Rising competitive intensity among broadband and wireless operators
- USD 100 billion in Federal Stimulus over 5-7 years; RDOF, ARPA, and IJA

■ Federal Stimulus Funds
 ■ N. American Telecom Service Providers Capex

RDOF: Rural Digital Opportunity Fund
 ARPA: American Rescue Plan Act
 IJA: Infrastructure and Jobs Act

Source : Jefferies Equity Research, Telecom Operator Financials

5G becoming the fastest growing technology

- Global 5G revenue to exceed \$600 Bn by 2026
- 5G Deployments to reach 2.6 Bn by 2026
- 5G to generate 77% of global operator revenue by 2026
- Number of 5G base stations in China set to grow from 1.4mn to 3.7mn by 2025

FTTx & Enterprise Networking growing massively in Europe, US, India

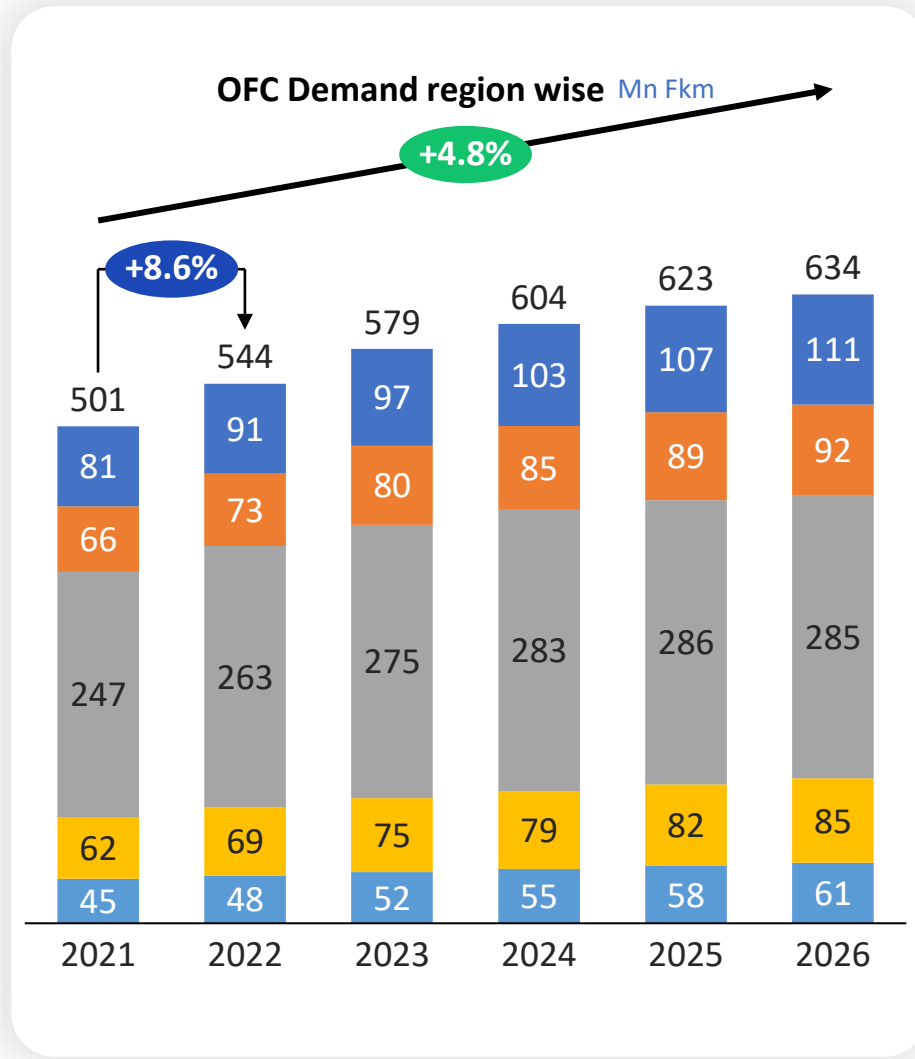
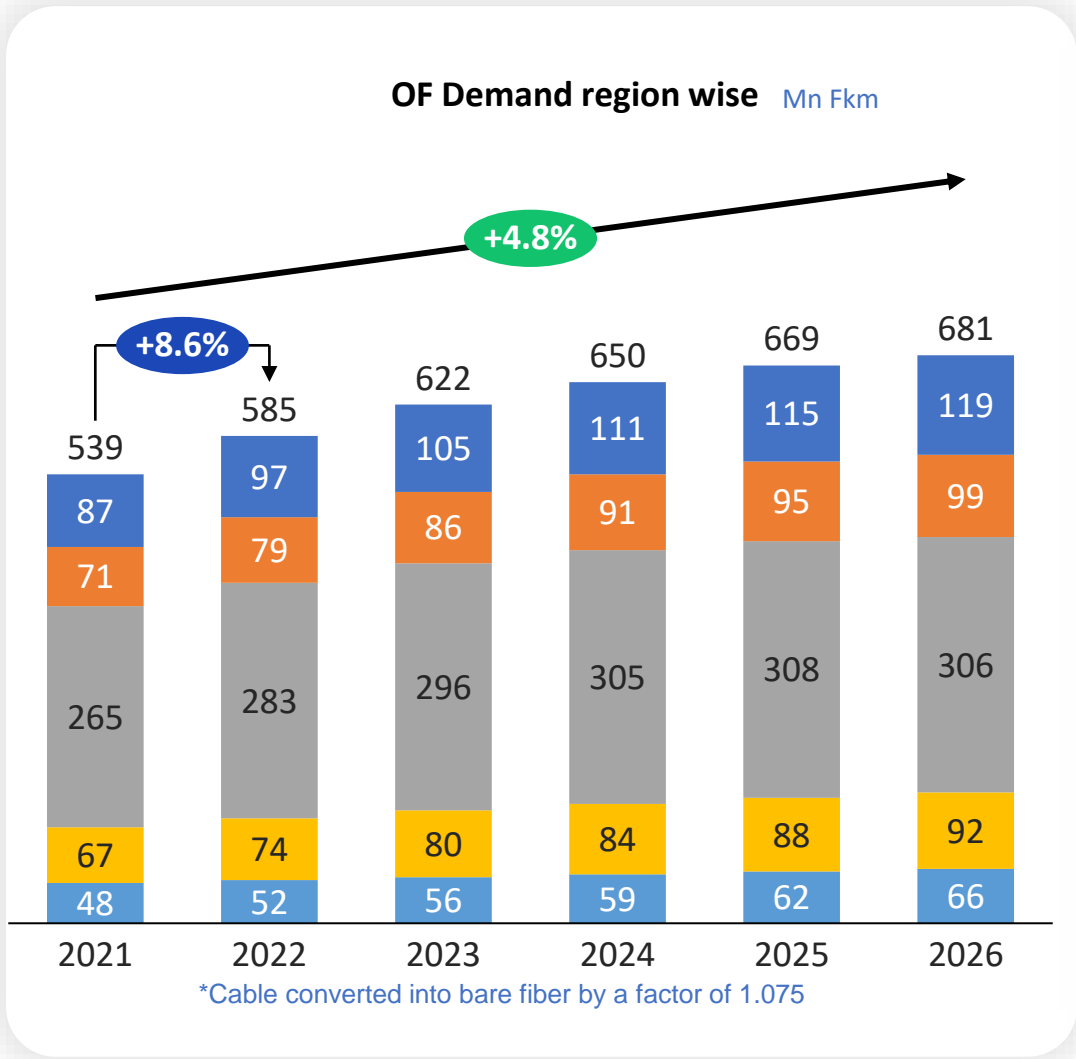
- Italy's Open Fiber plans € 11 Bn investment in new 10-yr strategy
- Altice USA reveals \$1.8 Bn Capex for FTTH
- FTTH/B to be 94.8% of the total fixed broadband revenue in APAC by 2026
- Deutsche Telekom secures €900M for rural fibre JV in Germany

ORAN commitments rising

- Five Middle East operators sign MoU to support Open RAN deployment
- Germany announces \$344 million fund for O-RAN projects
- UK Govt. announced O-RAN acceleration programs
- Airtel commits to O-RAN by supporting a number of innovative partners

The decade long digital network creation cycle is here!

Sustained demand for optical fibre

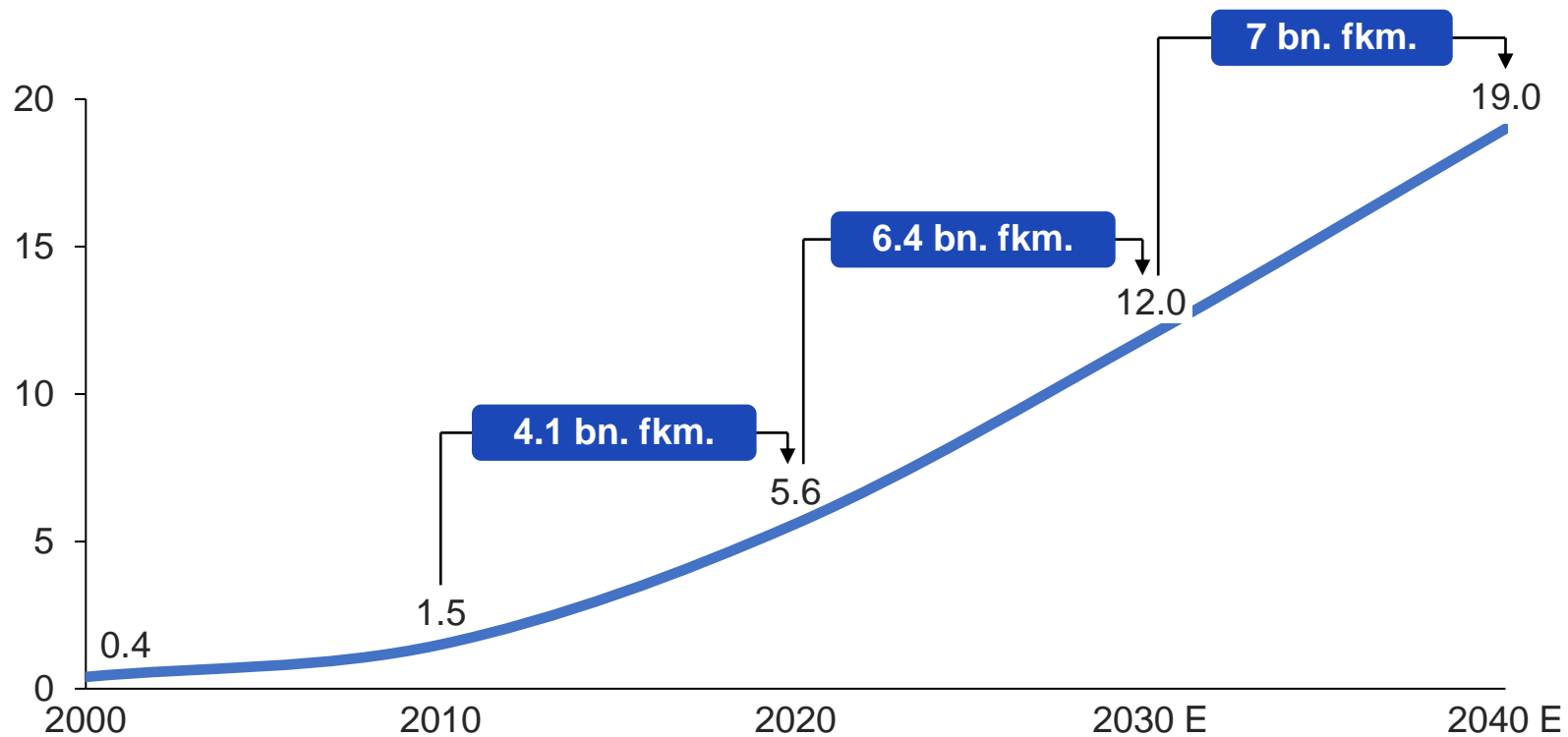


- CAGR**
- North America +6.5%
 - Europe +6.8%
 - China +2.9%
 - Non-China A-P +6.5%
 - Emerging Markets +6.3%

Current decade to see a much higher fibre demand



Cumulative Fibre Count (Bn. fkm.)



- 2020-30 is the best possible decade for fibre demand
- 5G alone will require c. 5 bn. fkm. fibre
- Globally 65% homes yet to be connected with FTTx



India - Public

- Govt approves **Bharat Net under PPP model** for 360,000 villages
- **Rs. 200 bn. as viability gap funding.** Private partner to bring an equity investment
- Tender participation expected by Q4 FY22



India - Private

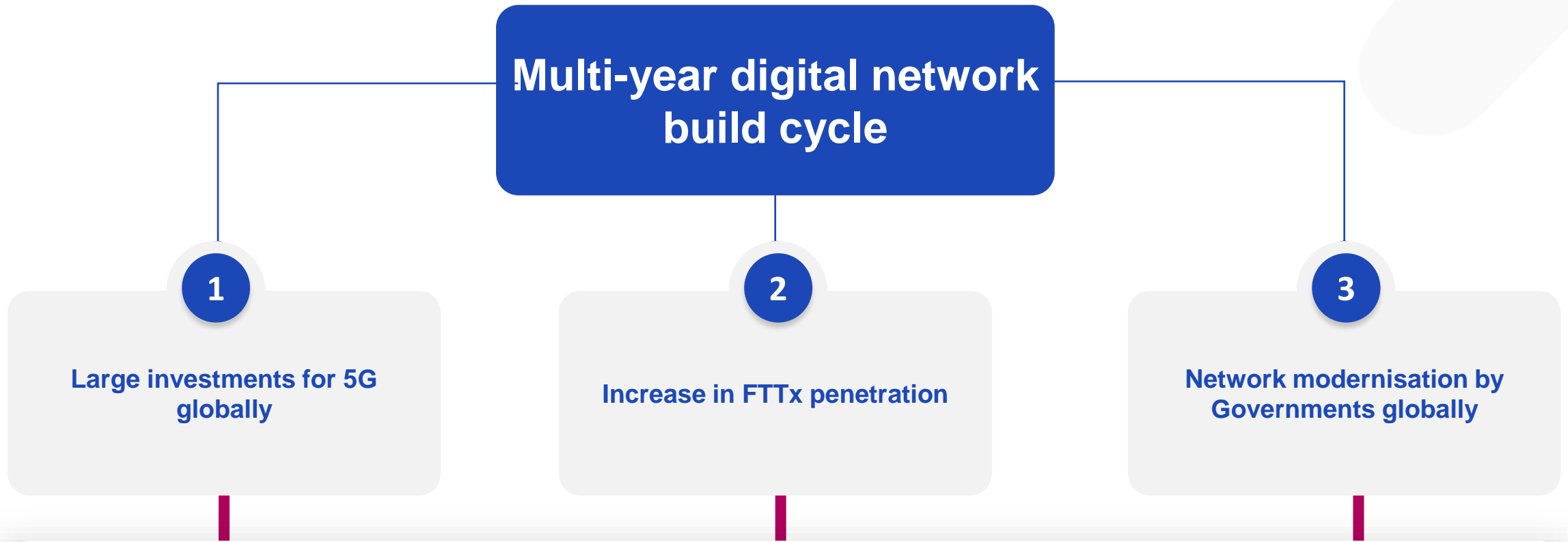
- Increase in ARPU's and profitability for Indian Telcos
- Increase in profits leading to **capex revival**, to enable 5G & strengthen 4G & FTTx
- Telcos expected to deploy more than **200,000 cable kms in FY23**



Global

- **North America** : Rural broadband and telecom capex driving fibre deployment.
- **Europe**: Full fibre homes to double to 200 Mn by 2026
- **UK** : Hyperoptic targeting 3 Mn homes by 2024, Community fibre & Netomna targeting 1 Mn each by 2023

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



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

Covers spend across all areas : OFC , 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
is on track**

3. Financials

4. Q&A

3 focused levers for growth



Services

Software

Hardware

2 Globalise
Take System Integration
global and scale in India



1 Grow
Optical
business



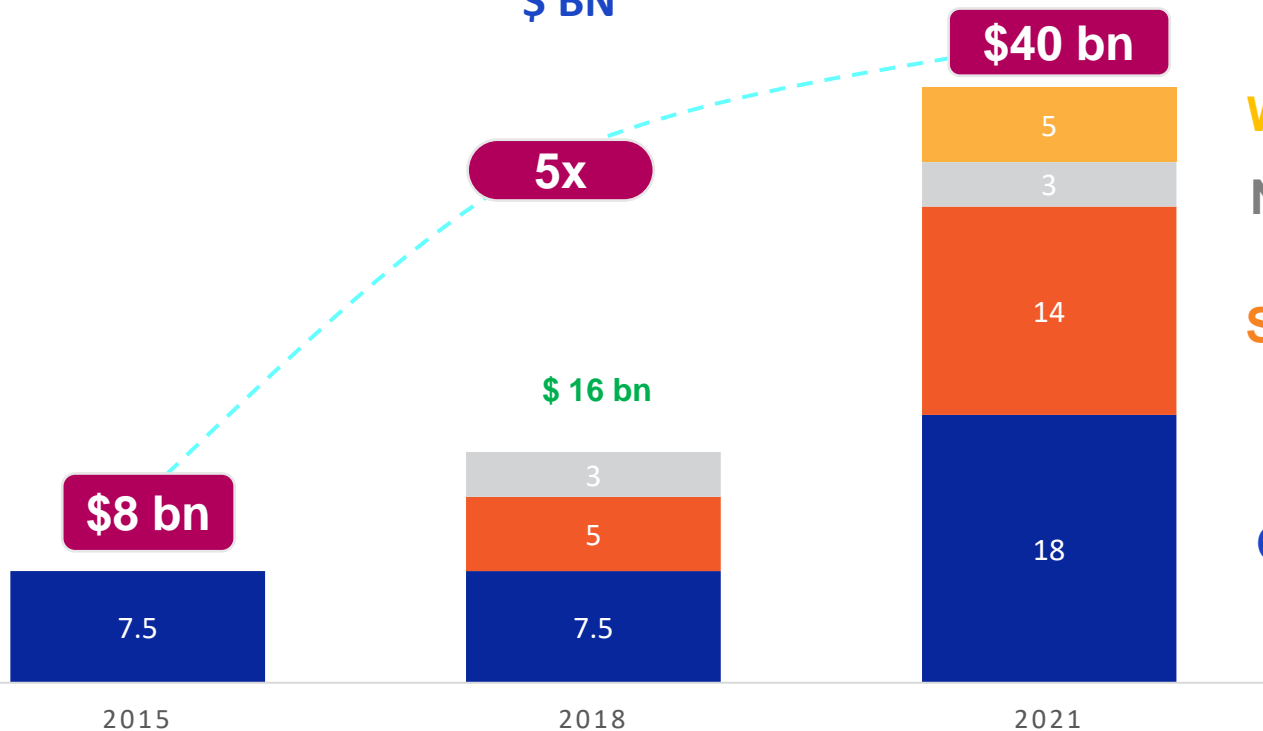
3 Build
Strong wireless
Solutions
business



Growth levers aimed at increasing market share in \$ 40 Bn TAM



Total Addressable Market
\$ BN



Wireless (Open RAN)

Network Software

System Integration

Optical Networking

- 1 **Grow**
Optical business
- 2 **Globalise**
System Integration
- 3 **Build**
Wireless business

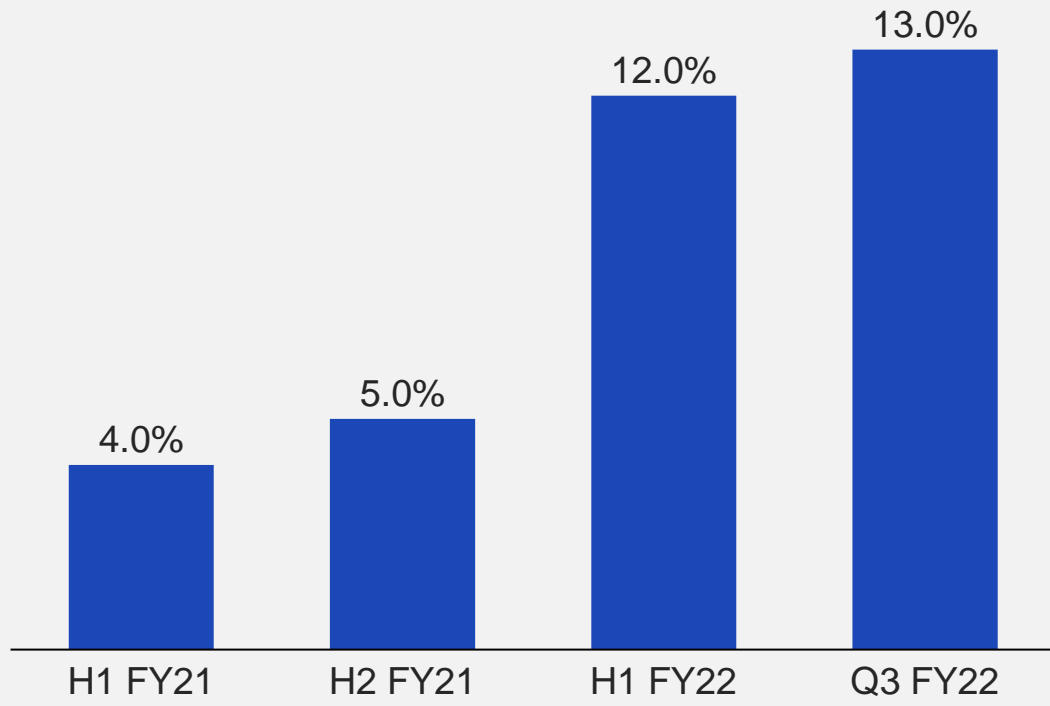
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Grow Optical Networking Business

Step jump in America with large order wins



North American Revenue Share in STL Revenue



- Secured large orders worth **Rs. 3.0 bn.** in the North American market in Q3 FY22
- Investing in OFC capacity in South Carolina; To commence operations by Q2 FY23

Strongly positioned to further increase North American revenue

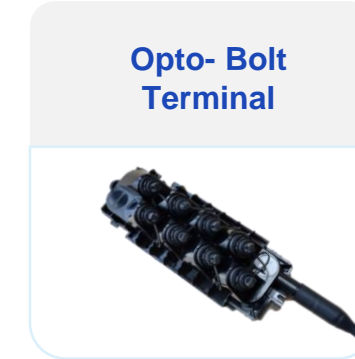
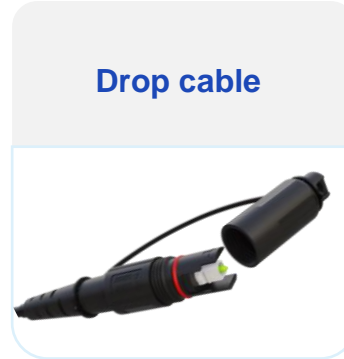
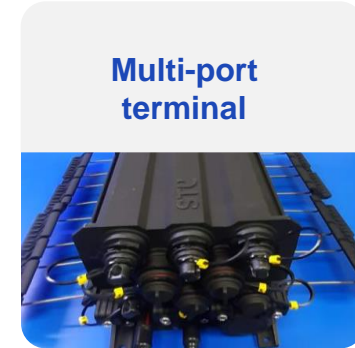
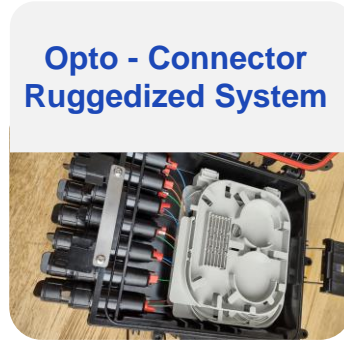
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Grow Optical Networking Business

Significant wins for optical interconnect business in Europe



Optical Interconnect and OFC Products



New Orders **validate** our strategy of **opticonn**

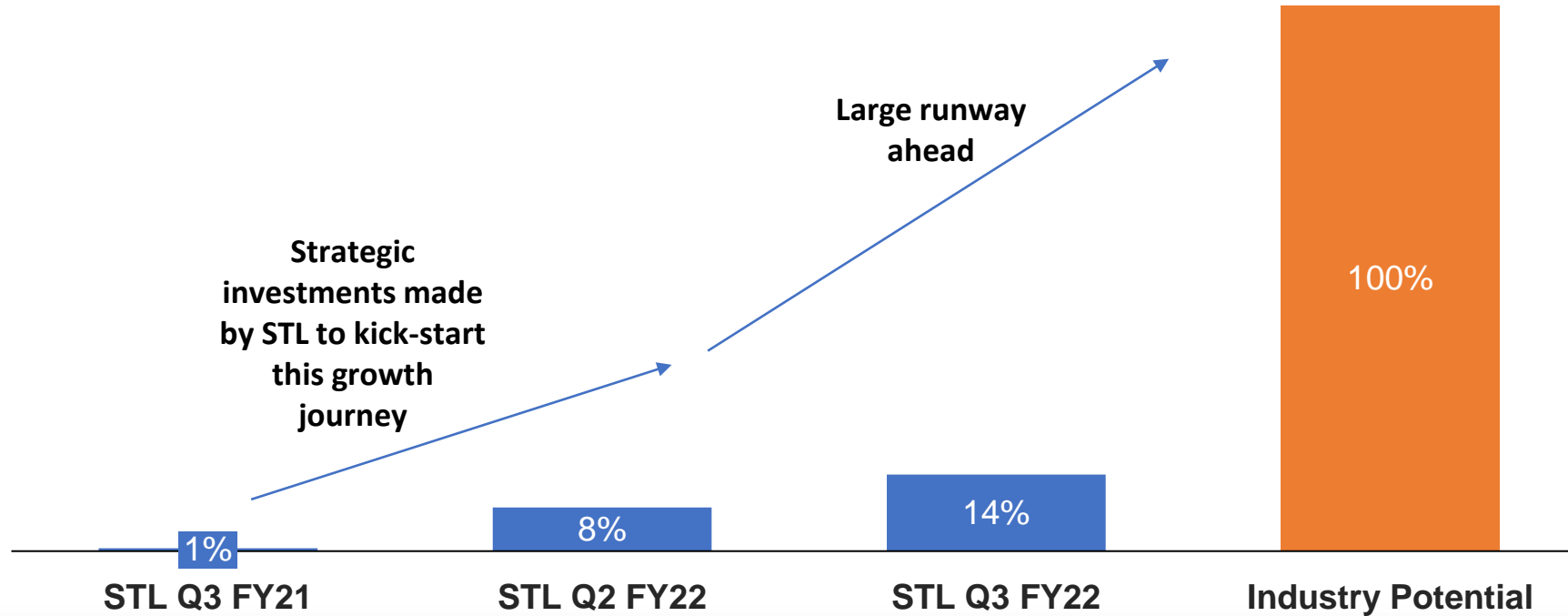
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Grow Optical Networking Business

OI attach rate continues to grow, large runway ahead



Optical Industry OI attach rate – STL and Industry view



STL has a large runway to increase the attach rate from ~14% to 100%

Globalise System Integration

Ramping up talent and execution in UK



- Clearcomm integration completed
- Utilizing Combined team strength of more than **150+ employees & 20+ partners**
- Resource augmentation with **~50** trained telecom engineers from India

UK revenue contribution to reach 25% of Global Business Services in the medium term

Globalise System Integration Business

Project execution on track, tilting towards India Pvt. and Global



India - Public

Transformative Rural digital inclusion

Bharatnet Projects

Mahanet

Completed

T-Fibre

44% Completed

India - Private

Modern Optical Network

Fibre roll out

(Large Indian telco)

83%

Phase - 1

Completed

Phase - 2

0%

Completed

Global

UK Gigabit Networks

FTTH , UK

All Projects

2% Completed

Hyperscale Data Centers

Data Centre Projects in EMEA

Completed in Nos. Q3 FY22 49

Ongoing in Nos. < CY > 13

Build Wireless Solutions

Big strides on 5G product development ; Secured Pilot orders



Product Development on track



Programmable FTTx

Announced General Availability

- 100 patents as of Q3'FY22
- Announced GA for pFTTx and Garuda
- Targeting GA for Macro Radio units & RAN Intelligent Controller (RIC) in FY23



Garuda

Announced General Availability

Deep customer engagements across geographies

- Multiple early stage engagements across the world
- Secured pilot order for Garuda for 5G networks
- Building Telco Cloud Software, Radio hardware & software capability
- Specialised engineering talent of 300 +

RECOGNISED BY **Gartner** 5G RAN VENDOR

4 global business builders driving scale



Paul Atkinson
CEO, Optical Networking
Business

20+ years Prysmian, 2 years IXOM

Led **\$3.2 Bn** org, **14** factories at Prysmian
15% revenue growth despite adverse industry tailwinds at IXOM

Manufacturing excellence across full supply chain

Deep connects with **tier 1 customers and policymakers** in UK, Europe and Australia

VISION Win in the **optical interconnect** space across **Europe and US** for key applications like **FTTx and Data centres** by leveraging **integrated solutions and deep customer relationships**



Praveen Cherian
CEO, Global Business
Services

26+ years IBM

Delivered **\$600 Mn** services revenue. Built **7000** strong delivery organisation

Delivered highest ever NPS of **80**

Well connected with **private enterprises** across verticals in **India and South Asia**

VISION Create a leading services organization for **private enterprises in India and UK** by focusing on **technology-led integration capabilities**



Raman Venkatraman
CEO, Software Business

27+ years TCS

Led **\$1 Bn+** industry verticals with specific focus on Hitech services and with **20000** strong global delivery organisation

Built **industry partnership** ecosystems for Cloud, SaaS, Data & Cybersecurity

Deep Connect with **Enterprise Customers**, Technology Providers and OEMs across **US, UK & Europe**

VISION Setup and scale **Engineering & SaaS based offerings** for industry verticals like **Technology & Manufacturing & Media** across **US, Europe and India** through **capability builds and talent transformation**



Chris Rice
CEO, Wireless Solutions
Business

25+ years AT&T

Led SDN conversion DevOps of **\$1 Bn+** network assets. Ran a team **10000+**

Expertise in intellectual property sales

Deep relationships In Telco, Cloud, open source communities, wireless associations, US semiconductor ecosystem

VISION Build a leadership position in **open source solutions** for fibre and 5G wireless amongst global telcos, by nurturing strategic partnerships and IP-led innovation

Financials

A group of four professionals in a trading room. In the foreground, a woman with curly hair is looking at a monitor. Behind her, a man in a white shirt and tie is wearing a headset and looking at a laptop. To his right, a woman in a dark blazer is also looking at a laptop. In the background, another person is partially visible. The room is filled with multiple monitors displaying various financial charts, graphs, and data tables. The overall atmosphere is professional and focused.

1. Strong Industry
tailwinds

2. STL growth strategy
is on track

3 Financials

4. Q&A



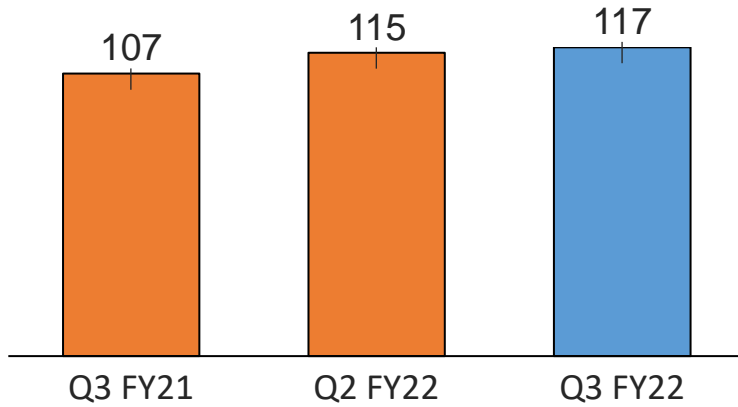
Mihir Modi

Chief Financial Officer

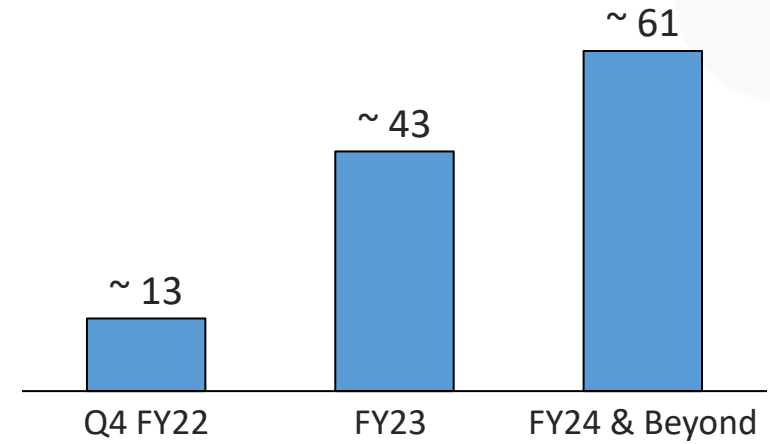
Our order book is growing



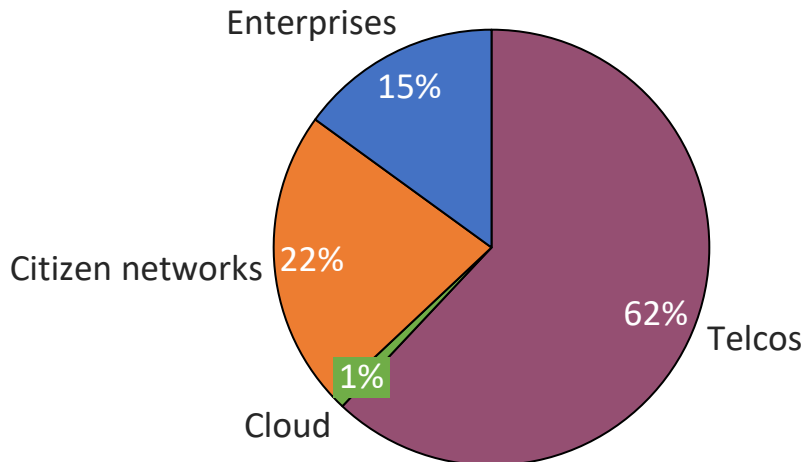
Open Order Book (Rs. Bn.)



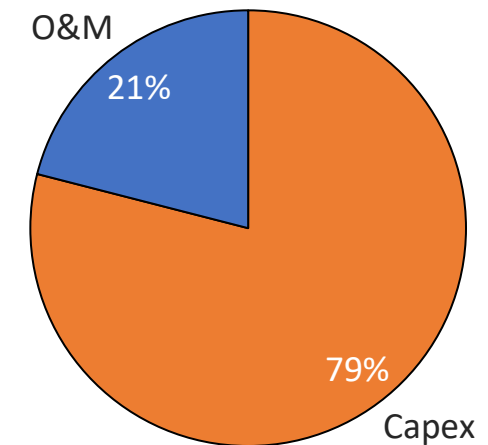
Order Book Spread (Rs. Bn.)



Open Order Book Customer Segment wise



Open Order Book Split



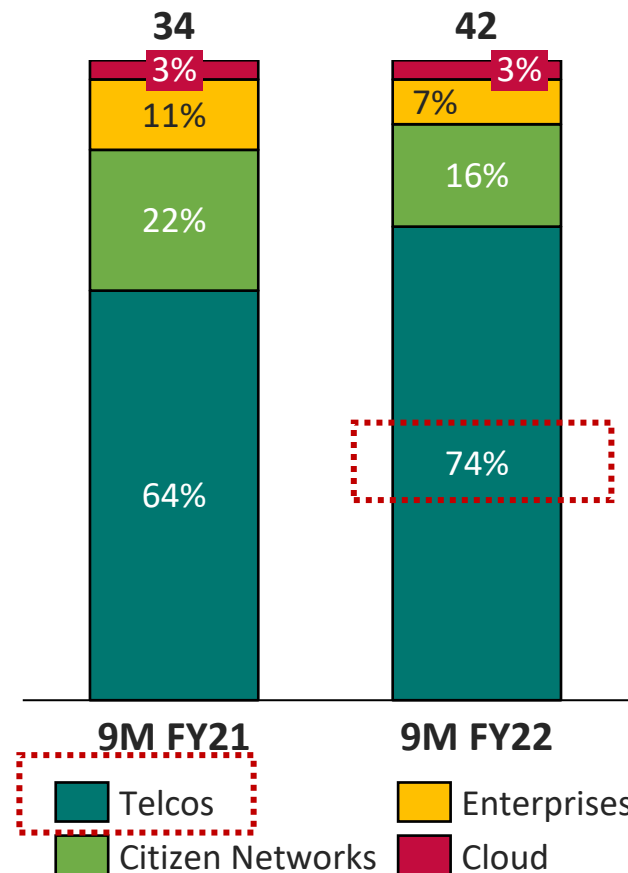
Revenue mix is moving to segments and geographies of choice



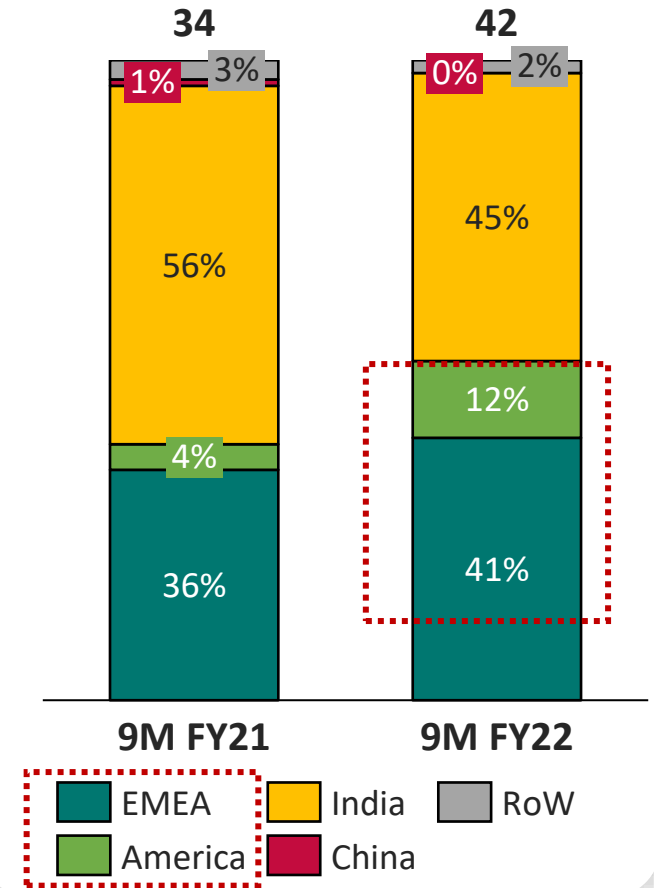
Key Order Wins Q3 FY22

- Multi-million dollar, multi year contracts with large Telcos and Alt- Net players in **Europe** for **Opticonn solution**
- Multi million-dollar orders for **OFC** in the **North American market**
- **FTTH mantra** deployment for an Alt-Net player in UK
- Pilot order for **Garuda** for 5G networks

Customer Segments Revenues (Rs. Bn.)

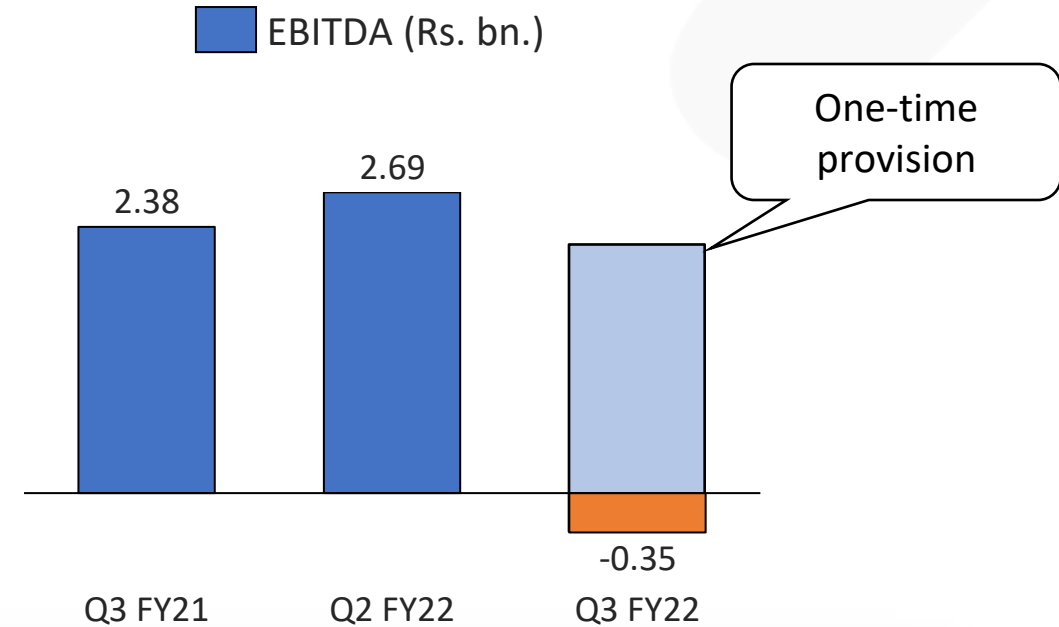
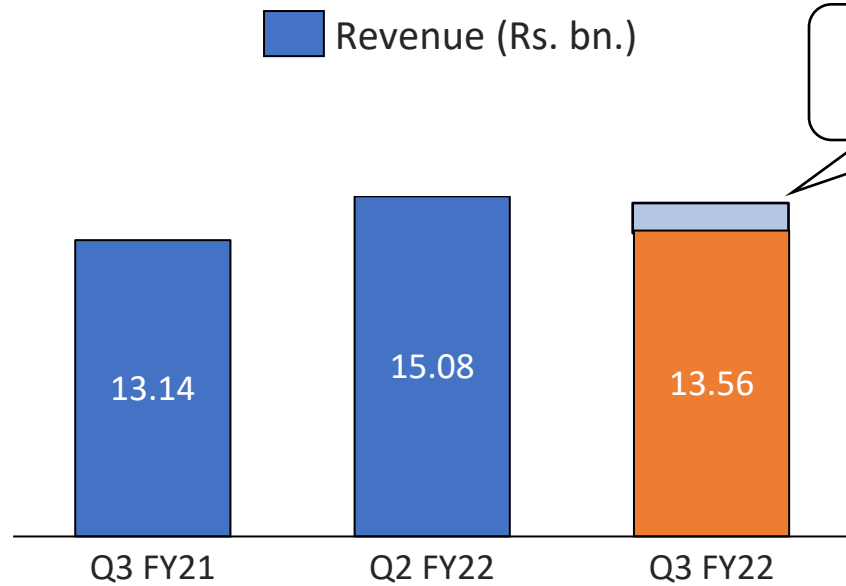


Geographical Distribution Revenues (Rs. Bn.)



We expect strong sustainable QoQ growth from Q4 FY22

One off provision to provide for risk softens EBITDA margins



- Q3 revenue includes a one-time provision
- Optical business remains stable in a favorable demand environment. In system integration, consciously moved revenue mix towards private business in India and the UK

- Q3 EBITDA includes a one-time provision
- Underlying EBITDA slightly softened QoQ due to change in system integration project mix and further investments in growth areas

Financials: Abridged Version



P&L (INR bn.)	Q3 FY22	Q2 FY22	Q3 FY21
Revenue	13.56	15.08	13.14
EBIDTA	(0.35)	2.69	2.38
<i>EBITDA %</i>	-3%	18%	18%
Depreciation	0.90	0.74	0.68
EBIT	(1.25)	1.95	1.70
Interest	0.66	0.57	0.50
PBT	(1.92)	1.38	1.20
Tax	(0.48)	0.36	0.33
Net Income after minority interest	(1.37)	1.06	0.87

Our net Debt is stable as compared to Q2 FY22

We are committed to deliver our financial targets



Growth

Revenue Run rate : Rs. 100 Bn. per annum by Q4 FY23

Capital Structure

Net debt/equity < 0.5 by Q4 FY23

Returns

RoCE >20%



Industry leading commitment to Net-Zero Emissions by 2030



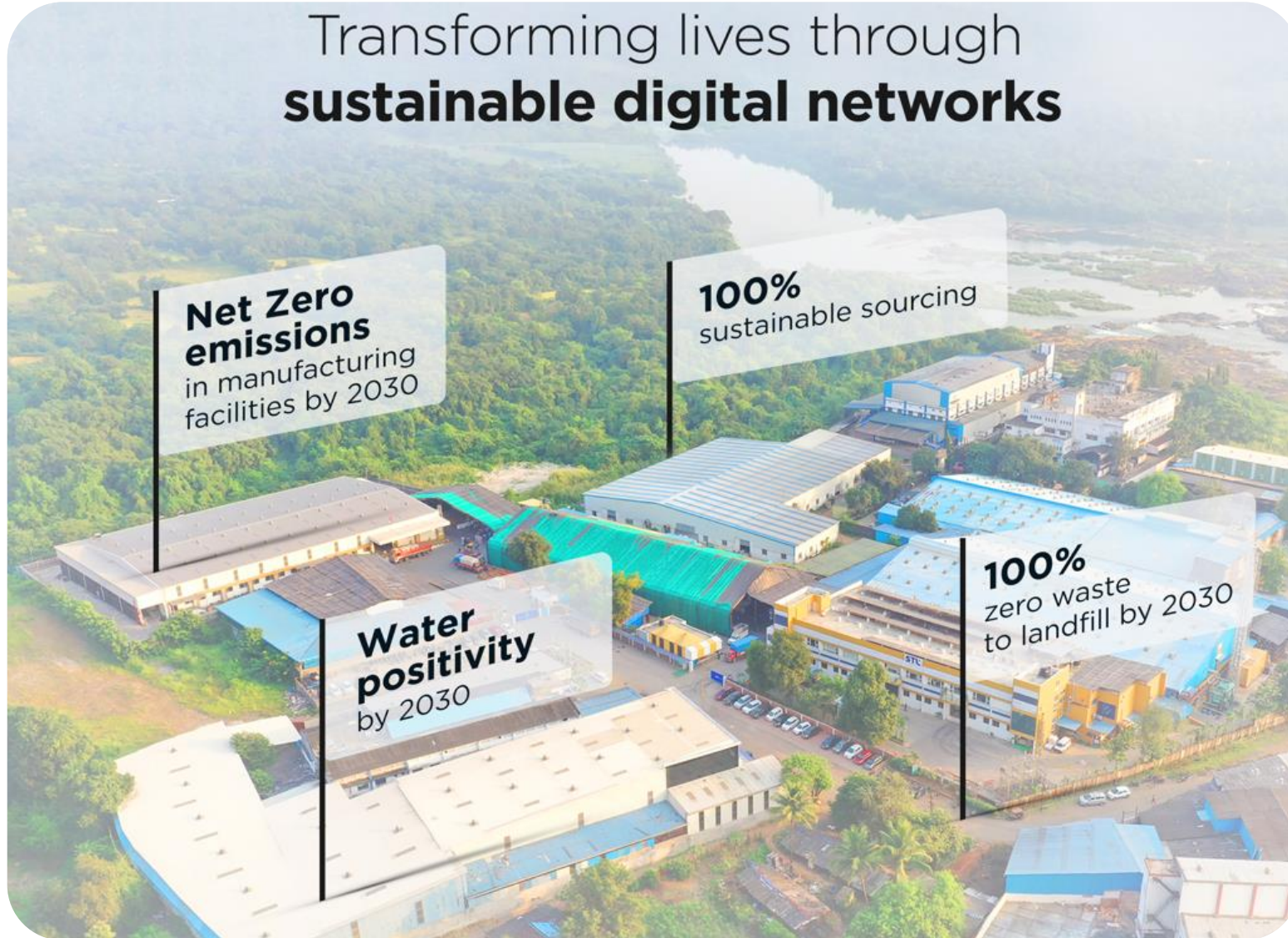
Transforming lives through
sustainable digital networks

Net Zero emissions
in manufacturing facilities by 2030

100%
sustainable sourcing

Water positivity
by 2030

100%
zero waste to landfill by 2030



We are committed to deliver on our ESG targets



World's 1st ZWL Certified

139,000+ MT

Waste diverted from landfills and recycled

7,500+ tCO_{2e}

Reduced through in-plant initiatives



Committed towards UN** Goals

800+ MT

Plastic saved through innovative packaging

2.40+ million m³

of water recycled



Strong internal governance

Two of the Big Four

as statutory & internal auditors

Executive and Management committees in place



BIG GOALS: 5 MN. BY 2025

2.0+ mn. lives impacted

70 ESG awards, 15 global

- Impacting 5 Mn. lives
- Undertaking 5 Mn. plantations
- Replenishing 5 Mn. m³ of water in communities

Our **growth strategy is delivering results**. We have **turbocharged the strategy execution** with the **new leadership at the helm**

In the optical networking business, In OFC, we continue to strengthen our presence in the US market and in Optical interconnect, we continue to win large orders, particularly from Europe

In Global business services, We are ramping up project execution capabilities in the UK and are preparing for an upcoming massive fibre roll out wave across globe

In the wireless solutions business, we announced general availability for our 5G small cell and pFTTx products. Our 5G Macro Radio unit and RIC shall also be ready for GA in FY23

We shall **strengthen our QoQ growth from Q4 FY22** onwards. We are committed to our FY23 financial targets

Lets answer your questions

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beyond tomorrow