

The STL logo is positioned in the top left corner. It features the letters 'STL' in a bold, white, sans-serif font. A small green leaf-like icon is placed above the letter 'L'.

STL

The website address 'stl.tech' is located in the top right corner. It is written in a white, lowercase, sans-serif font.

stl.tech

The main title 'Earnings Presentation' is centered on the left side of the image. It is written in a large, bold, white, sans-serif font.

# Earnings Presentation

The subtitle 'Earnings Call Q1 FY23' is located below the main title. It is written in a green, sans-serif font.

Earnings Call Q1 FY23

The date '25th July 2022' is located in the bottom left corner. It is written in a white, sans-serif font.

25th July 2022

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# Industry Updates



1

**Industry updates**

2

Future growth levers

3

STL financials

4

Q&A session

# The digital infrastructure industry is growing at a rapid pace



01



## Massive investments in network build

Network creators investing heavily in digital infrastructure and deployment of fibre networks (esp. in US & Europe)

02



## Tech becoming mainstream

5G, FTTx technologies and edge datacentres growing at a rapid pace

03



## Optical demand on a growth trajectory

Sustainable demand for Optical networking

# Strong Tailwinds of Massive Investment Cycle

Network creators and Governments plan to invest heavily in digital infrastructure

## ENHANCED SPENDING & DEPLOYMENT BY NETWORK CREATORS

### USA

AT&T Capex set to rise from **\$16.5 Bn to \$20 Bn** in 2022

US to pass 9M households per year with fiber over the coming three years and reach **87 mn fiber connected homes**

### Europe

- **Openreach** plans to reach **25 Mn.** homes by 2026
- **Netomnia** plans **1 Mn.** homes pass by 2023
- **Hyperoptic** targets **3 Mn.** homes by 2024
- **CityFiber** on track to reach **8 Mn.** homes across UK by 2025
- **Open Fiber** targets to reach **24 Mn.** homes by 2031

### India

- **Bharti Airtel** plans to invest **\$15.0 Bn capex** through 4 subsidiaries
- **Bharti Airtel** aiming for **40 Mn. home broadband** customers by 2025

### Data Centers

**Meta** allocates **\$31.5 Bn capex in 2022**

Hyperscale capex in the last 4 quarters, increases by **25% to over \$ 150 bn.**

## 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 Bill**

### UK



Project Gigabit **£5 Bn. for 85% broadband connectivity by 2025**

### India



Bharat Net program being **extended to 360,000 villages**





### 5G becoming the fastest growing technology

- 5G Investments : expected to be **\$500 Bn.** from 2022 to 2025
- 5G subscriptions: **660 Mn.** as of 2021 and expected to reach to **4.4 Bn.** by 2027
- 5G base stations in China: **1.43 Mn.** as of 2021 and expected to reach to **3.65 Mn.** by 2025



### FTTx growing massively in Europe, US, India

- **\$125 Bn.** earmarked for FTTH deployments in the North America for next 5 years
- UK's BT Openreach plans to spend **£15 Bn.** over the next 5-6 years
- Italy's Open Fiber plans **\$11 Bn.** investment in new 10-yr strategy

### Datacentres

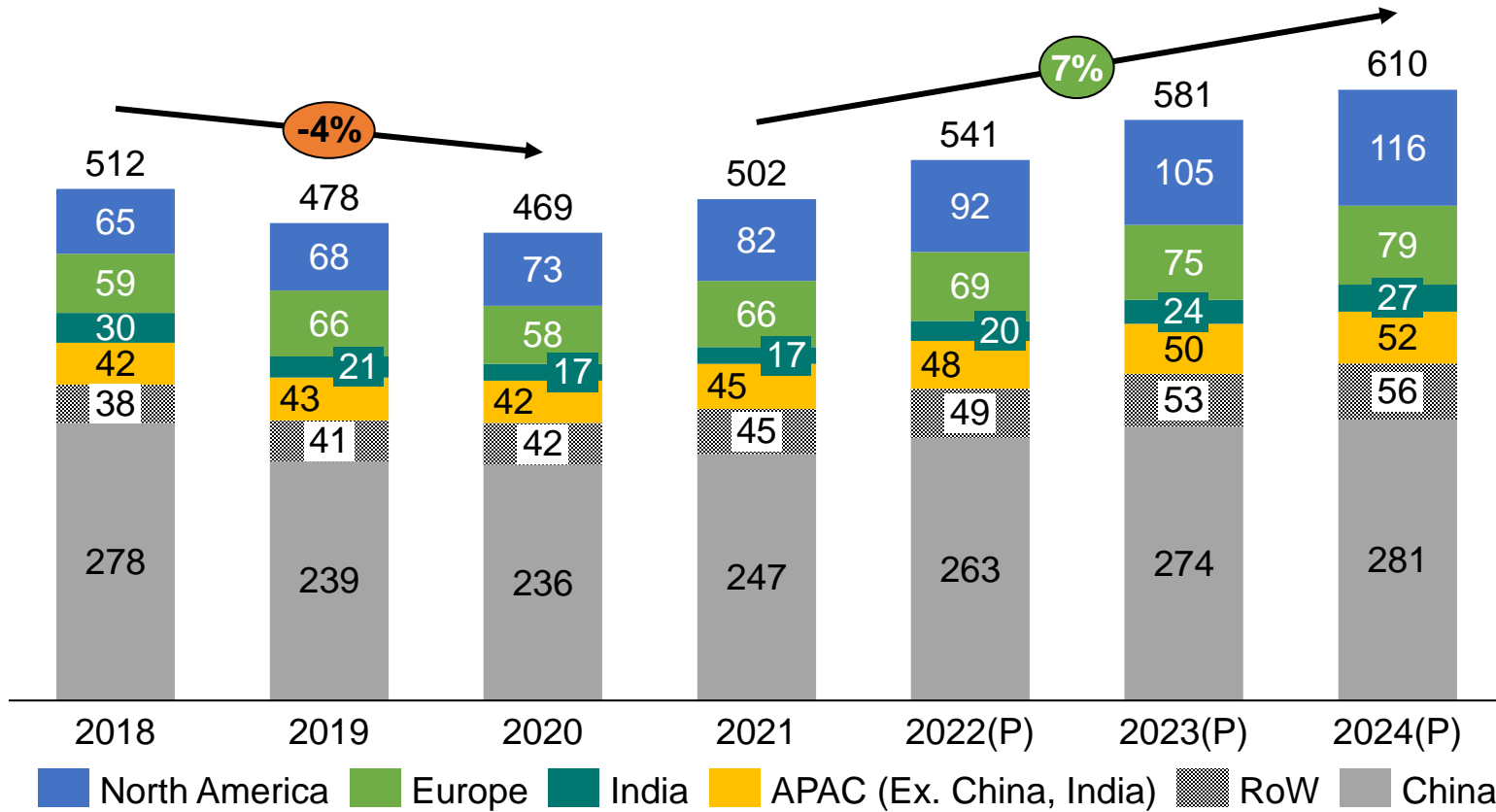
#### Increasing CAPEX by data centers

- Data center CAPEX to **grow by 10% CAGR** over the next five years, to **\$350 Bn.** by 2026
- Google plans to invest **\$9.5 Bn.** in building offices and data centers in the US in 2022
- **1,200 Hyper scale data centers** by 2026; 314 DC currently in pipeline

03 Leading to sustainable growth in global OFC volumes



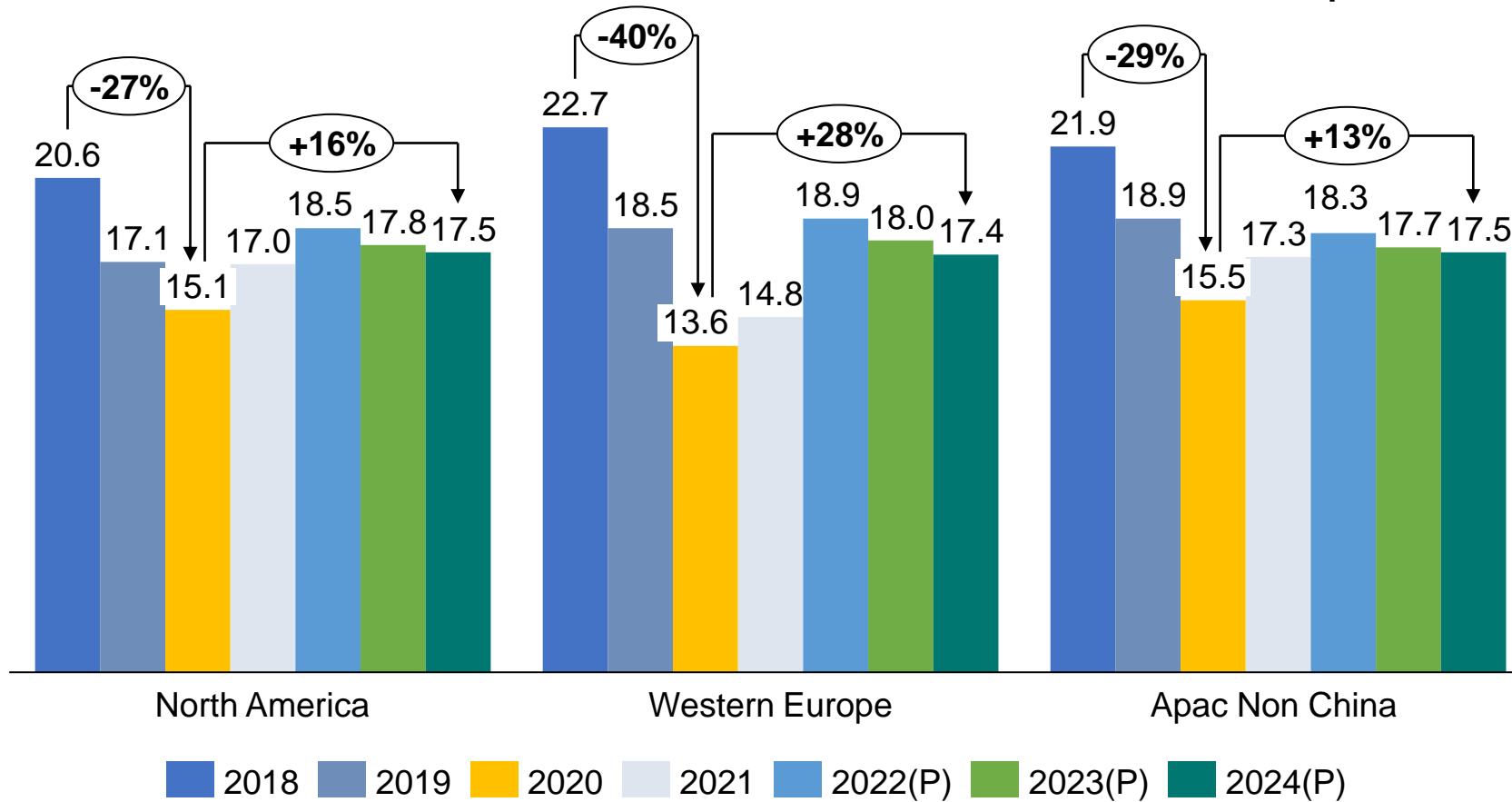
OFC Demand region wise ( Mn Fkm)



Region	CAGR 2021-24
North America	12%
Europe	6%
India	16%
APAC (Ex. China & India)	5%
RoW	7%
China	4%

STL focus markets **North America & Europe are high potential and fast growing**

All values in US\$ per FKM

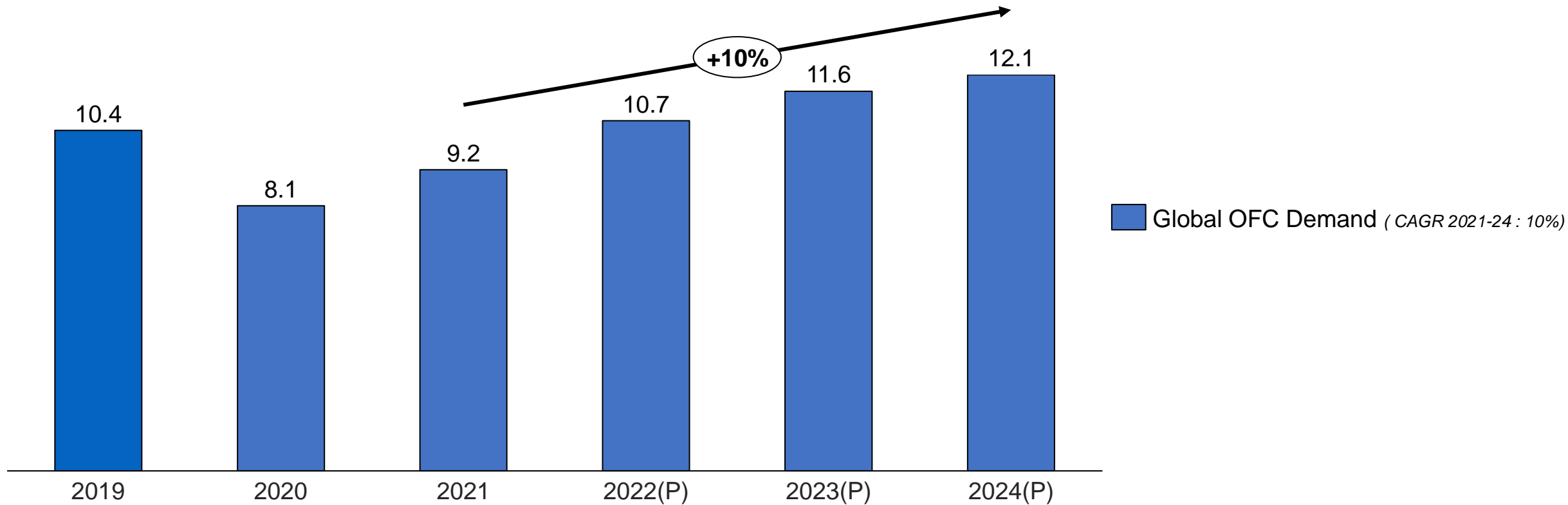


Note: indicative cable prices based on applications within the feeder/local segment

Region	Growth 2020-24
North America	16%
Western Europe	28%
APAC (Ex. China)	13%



## Global OFC Demand ( \$ Bn.)



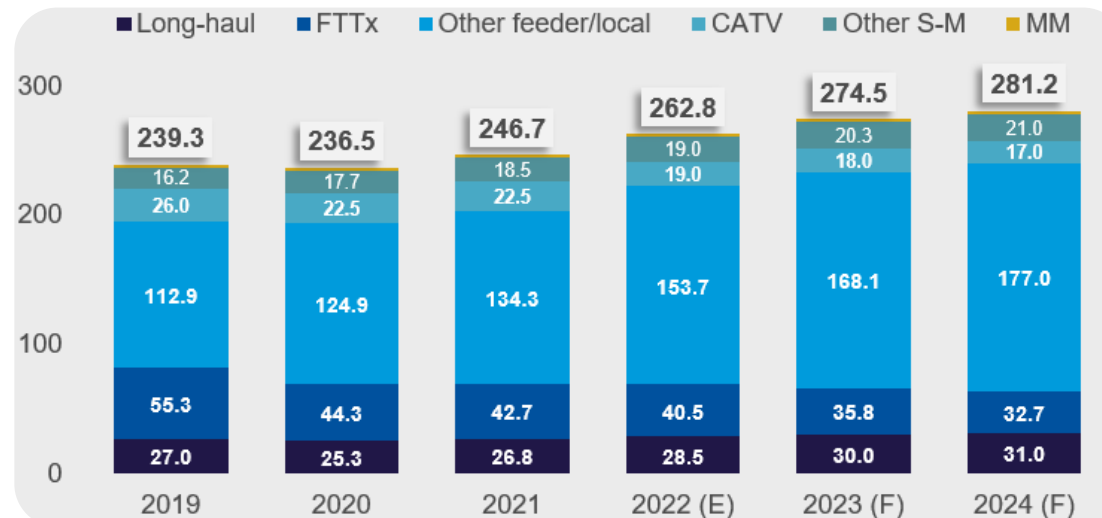
## Demand

- China Carriers combined loose tube tender volumes in 2021-22 reached 235 mn.fkm, which is 17% increase than 2020-21
- 5G continues to drive fibre demand. China expects 5G users to reach 900 mn. by 2025
- FTTH build and connecting last 5% of population can be very fibre intensive due to rural localities

## Supply

- As per CRU, most major fibre and cable suppliers are running at high utilizations for operational capacity in both fibre and cables
- Trade barriers including anti dumping duties posed by EU and US is leading Chinese players to focus away from these markets.
- Growing Protectionism leading to local manufacturing. E.g. IJJA in US requires 55% domestic sourced material

## Chinese cable demand by Application segment



# We are in a decade long investment cycle

## Multi-year network build cycle

1

### 5G

Increased demand of fibre due to cell densification

2

### FTTx

Increase in FTTx penetration & network modernisation by governments leading to increase in fibre demand

3

### Hyperscalers

Increased demand of fibre due to capex increase, particularly for edge datacentres

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

# Future Growth Levers

1

Industry  
updates

2

**Future  
growth levers**

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STL  
financials

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Q&A  
session



# Two Focussed Growth Levers

1

## Scale Optical Business



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

2

## Globalise Services Business



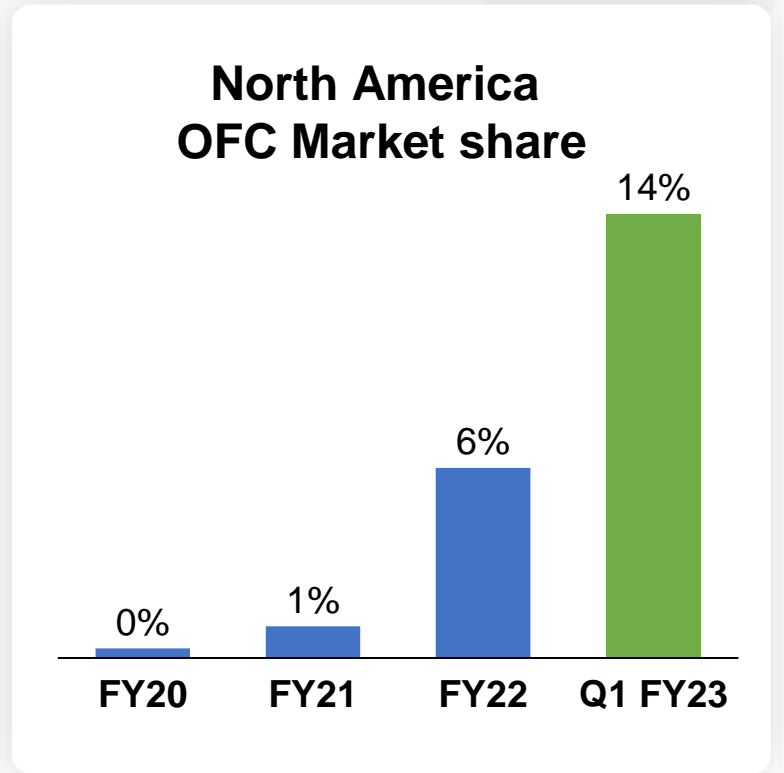
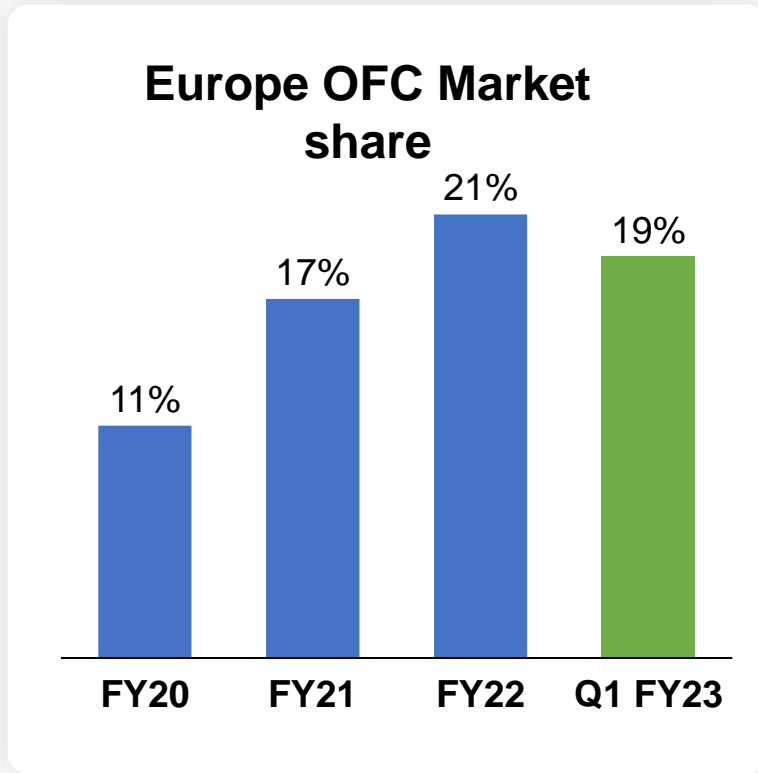
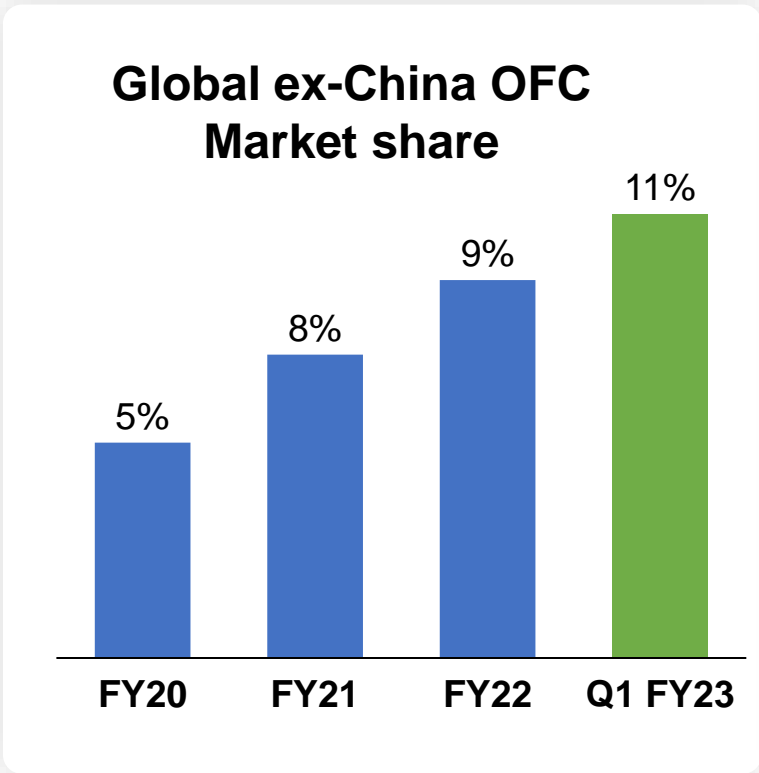
- Focus on **strategic segments** in India
- Globalise services with **UK** as the base by leveraging existing capability & customer relationships

**Focus on strategic growth opportunities through a prudent capital allocation framework**

1

# Grow Optical Business

## Increase Global OFC Market Share in all focus markets



**Gaining market share in all focus markets**

Market Share = STL Sales Volume in the region / Total Market Demand in the region

<sup>1</sup> – CRU

<sup>2</sup> – Company Data

1

# Grow Optical Business Established foothold in the US



FY20

**Entry in US Market**

FY21-22

**Added new Customers**

*45 customers till Q1 FY23*

FY23 onwards

**Partnering top tier telcos  
&**

**Local manufacturing**

Secured  
**multi - million dollar,  
multi - year contract  
with  
North American Telco**

**Optical Fibre Cable  
Facility, USA**



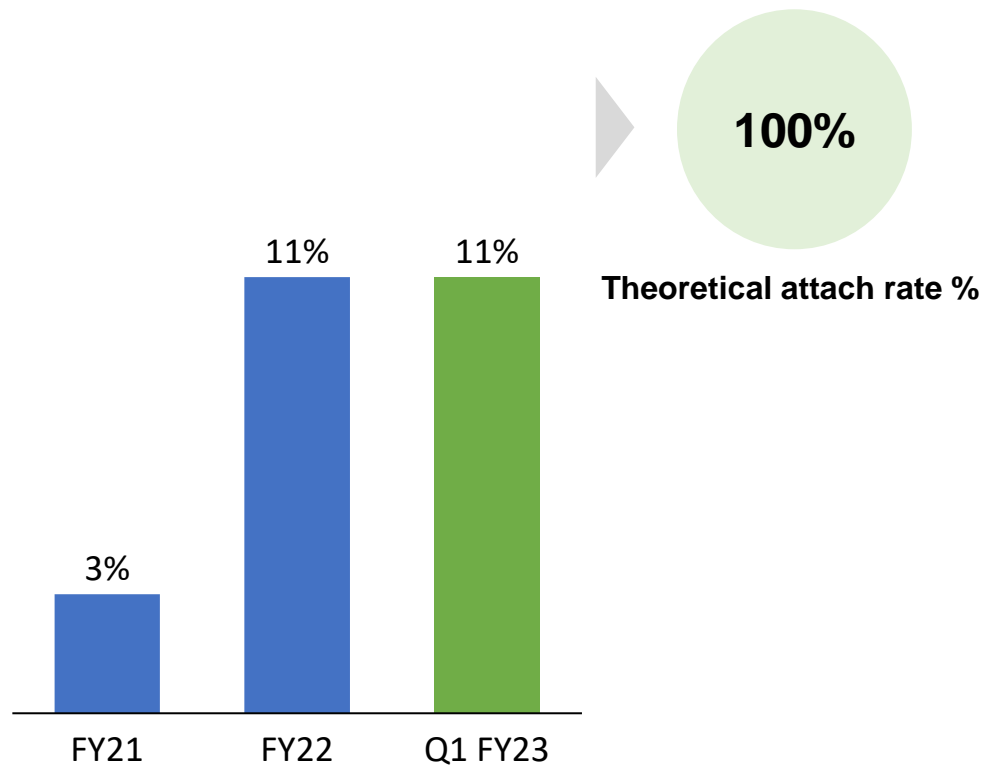
**US manufacturing expected to *start* in Q3 FY23**

1

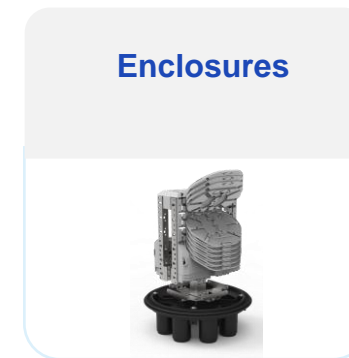
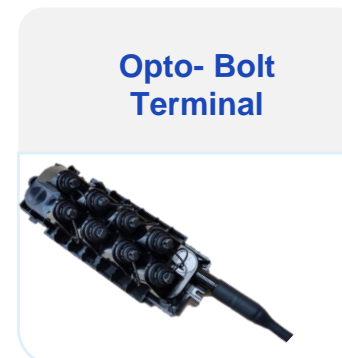
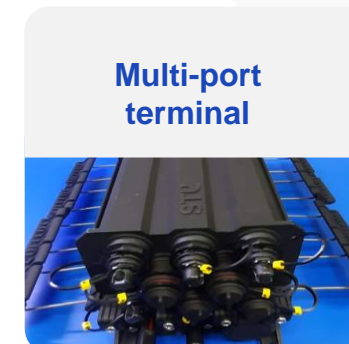
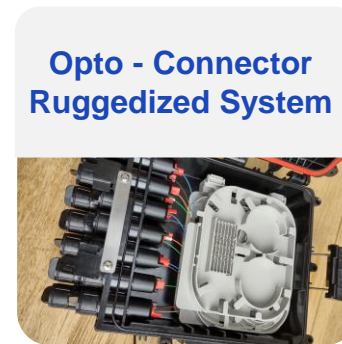
# Grow Optical Business Increase Optical interconnect attach rate %



## Optical Interconnect attach rate



## Optical Interconnect Product Portfolio



Focus on **growing attach rate** to increase customer wallet share



### SCALE GLOBAL MARKETS



- Integrated Clearcomm to complement network deployment capability and expand UK market access
- Robust global resourcing model (through STL Academy)
- Fully integrated solution and delivery engine (focusing on digitization & Automation)

### CORE INDIA MARKET



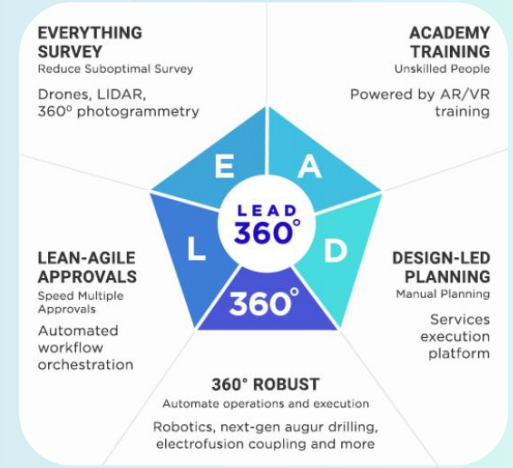
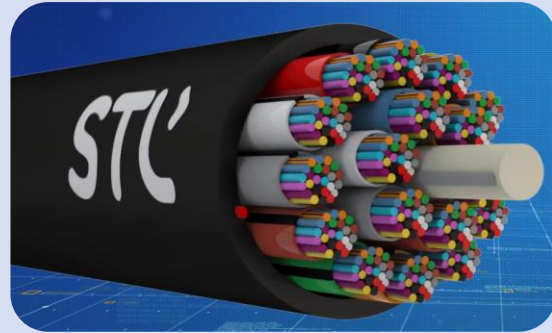
- Expand opportunity pipeline arising from 5G deployment. Increase wallet share of Telco CAPEX spend
- Continued tapping into robust public spending under Bharatnet program
- Continued focus on digital network build-outs



Continue to establish **competitive advantage** by training engineers at **STL academy** and keeping talent pool deployment ready for UK

2

# Globalise Services Business Providing end to end solution to Netomnia



**Backward Compatible Bend Insensitive Fibre**

**World's slimmest 432 F Next Gen Micro cable**

**Drop Cable & Opto-bolt Terminal Optical Interconnect Kits**

**FTTH Network Design & Deployment**



**2x faster deployment  
10x scale**



Bringing it all together as end to end solution

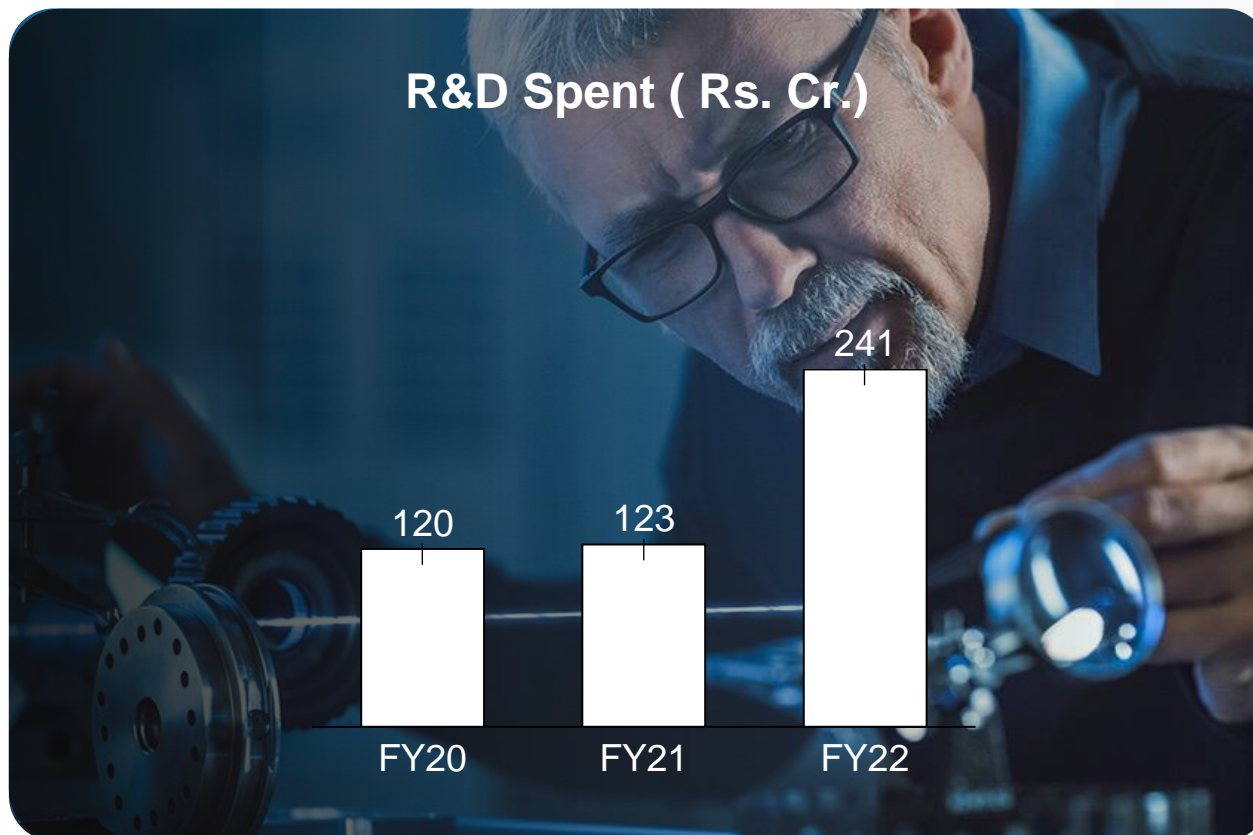


**35% cost saving  
50% manpower saving**

## Consistent investment in R&D



**742<sup>1</sup> Patents**  
*As on end of Q1 FY23*



**R&D spent at Rs. 53 Cr. in Q1 FY23**

# Developing next gen world class products for the last mile access solutions



**STL at  
MWC 2022**

**SHOWCASED**  
5G Solutions

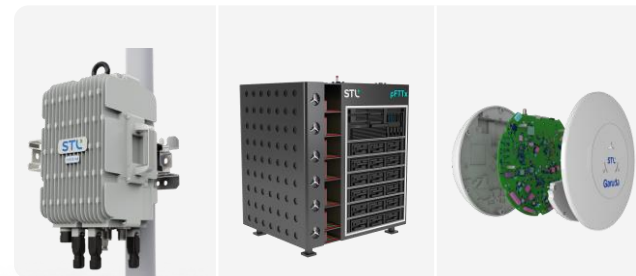


R&D driven  
**Products**

Radio Hardware	pFTTx	RIC
----------------	-------	-----

**8\***

Product SKU's / versions launched



Traction with global  
**Customers**

Telcos & Alternative Network Providers	Private Enterprises
--	---------------------

**5#+**

Orders, PoC's, and engagement



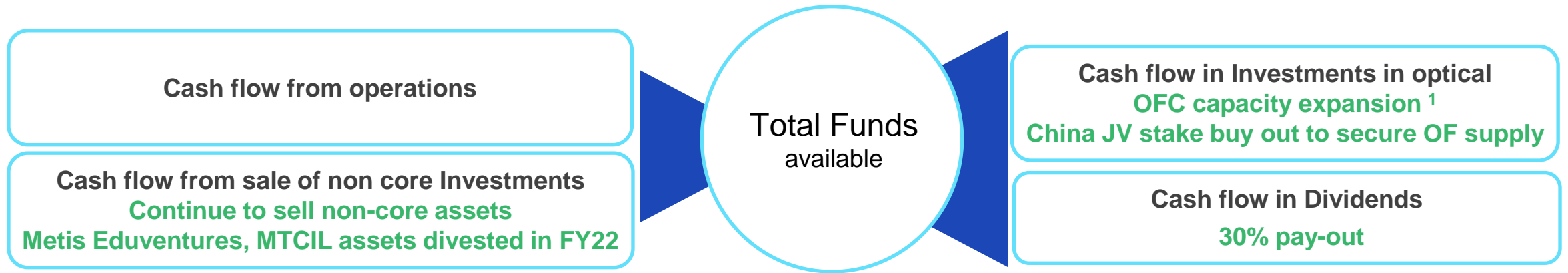
Focus on **customer acquisition** in FY23

Exploring **Strategic partnerships** to invest in the business

- 7 SKUs of Radio, 1 of pFTTx
- # – As on date



# Focus on strategic growth opportunities through a prudent capital allocation framework



- *Allocate our capital expenditure towards our OFC capacity expansion, particularly in US*
- *Post timely allocation of capex investments, optimize debt & capital structure*
- *Continue to divest non core assets*

<sup>1</sup> – Ongoing investments include setting up US facility and other brown field expansions

# STL Financials

STL

1  
Industry  
updates

2  
Future  
growth levers

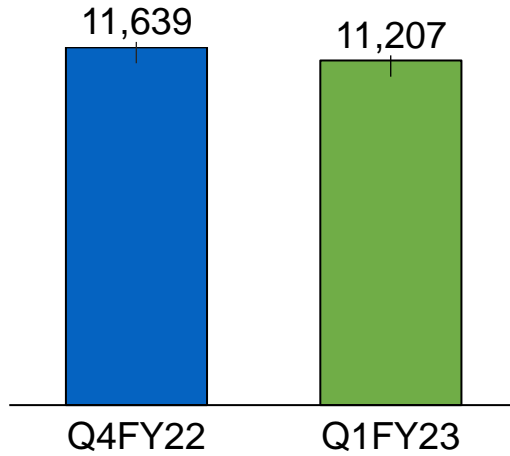
3  
**STL**  
**financials**

4  
Q&A  
session

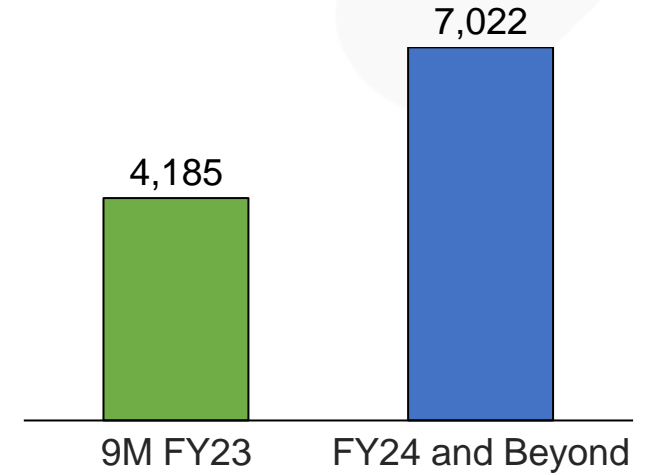
# Our order book is stable



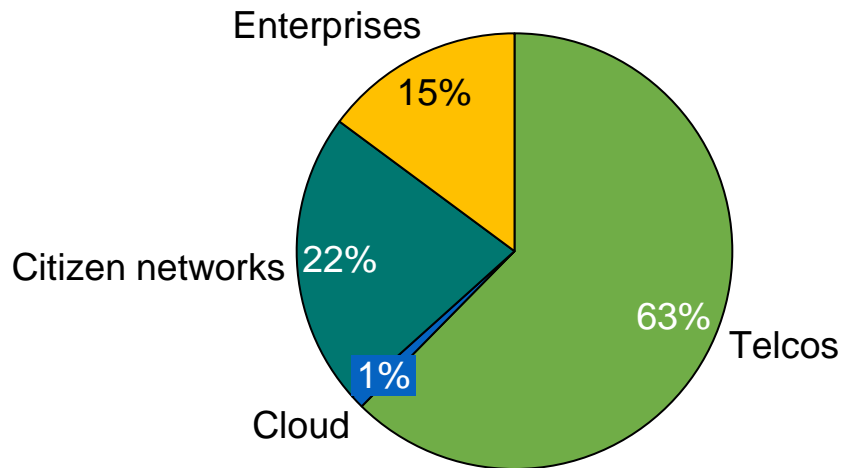
**Open Order Book (Rs. Cr.)**



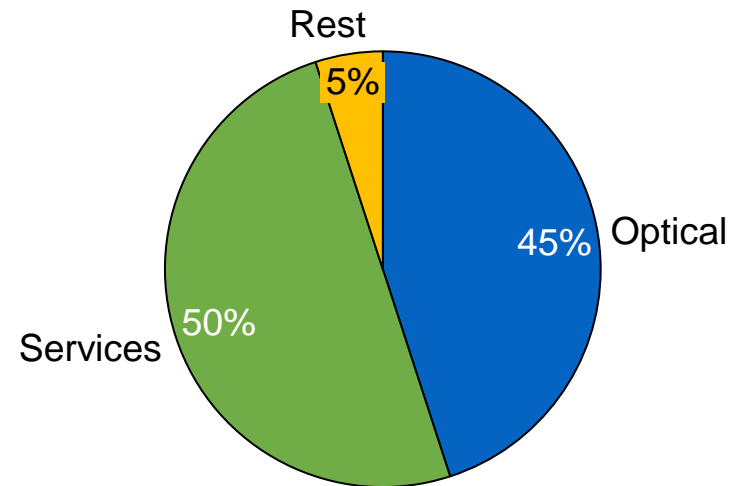
**Order Book Spread (Rs. Cr.)**



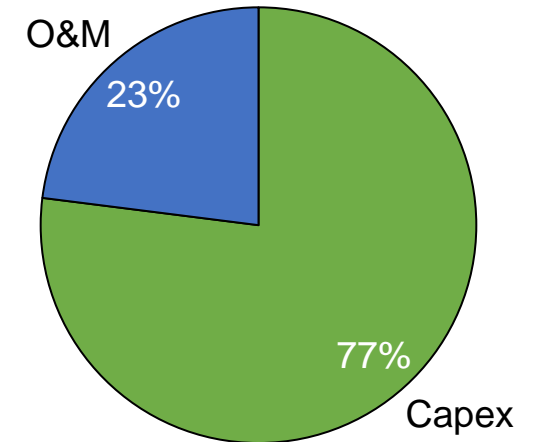
**Open Order Book Customer wise**



**Open Order Book BU wise**



**Open Order Book Capex vs Opex**



Note : Short closed Rs. 1,615 Cr. of open order book in Q1 FY23

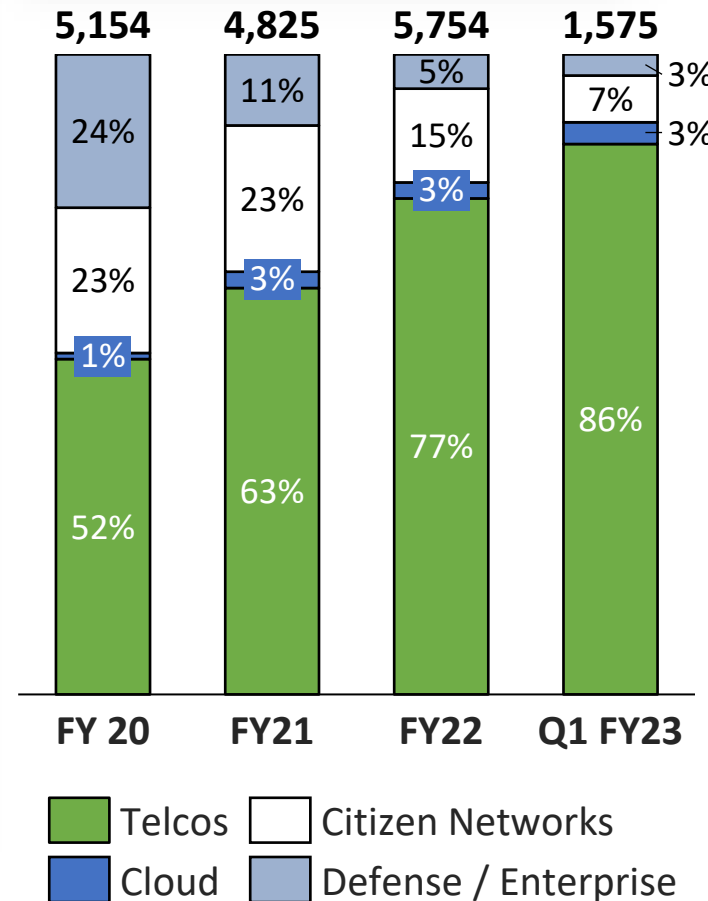
# Revenue mix is moving to segments and geographies of choice



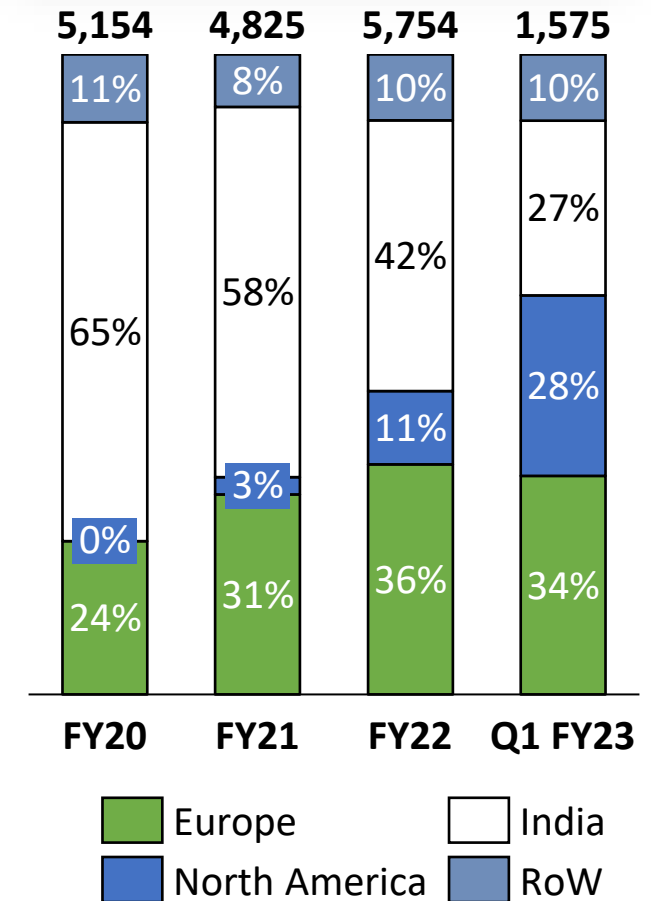
## Key Order Wins Q1 FY23

- **Multi million dollar, multi year contract with a North American telco** for optical fibre cable
- New orders for optical fibre cable in **North American market** from distributor partner
- Optical fibre cable & Optical Interconnect contract with **a European telco**
- Enabling **Netomnia** to fiberize multiple cities with ultra fast broadband in UK
- Fibre roll out for a **leading Indian telco**

### Customer Segments Revenues (Rs. Cr.)



### Geographical Distribution Revenues (Rs. Cr.)





# Project Execution is on track

## India - Public

### Transformative Rural digital inclusion

Bharatnet Project in

Telangana

54%  
Completed



### Network Modernisation

PSU

52%  
Completed



## India - Private

### Modern Optical Network

#### Fibre roll out

(Large Indian telco)

Phase - 1 100% Completed



Phase - 2 5% Completed



Phase - 3 0% Completed



### Modern Optical Network

Fibre Roll out 5% Completed



## Global, UK

### Gigabit Networks



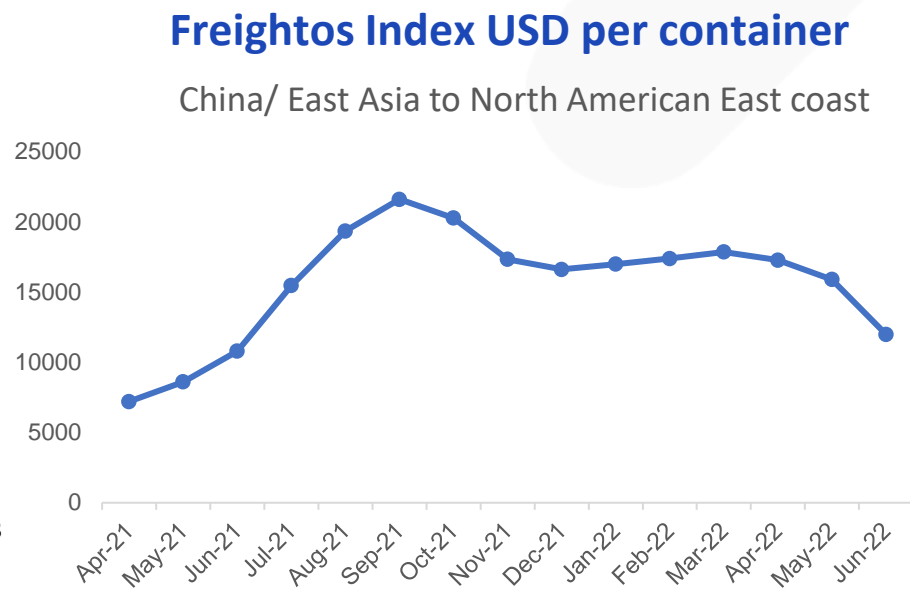
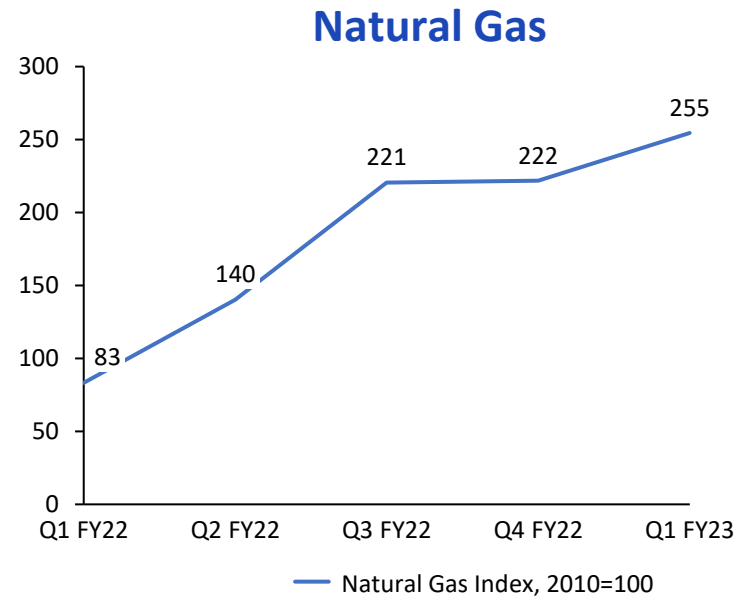
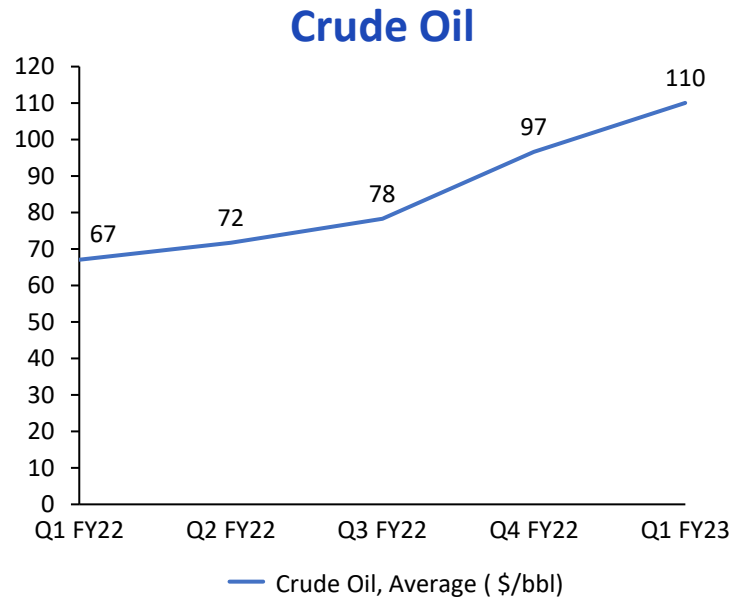
FTTH , UK

All Projects

5%  
Completed

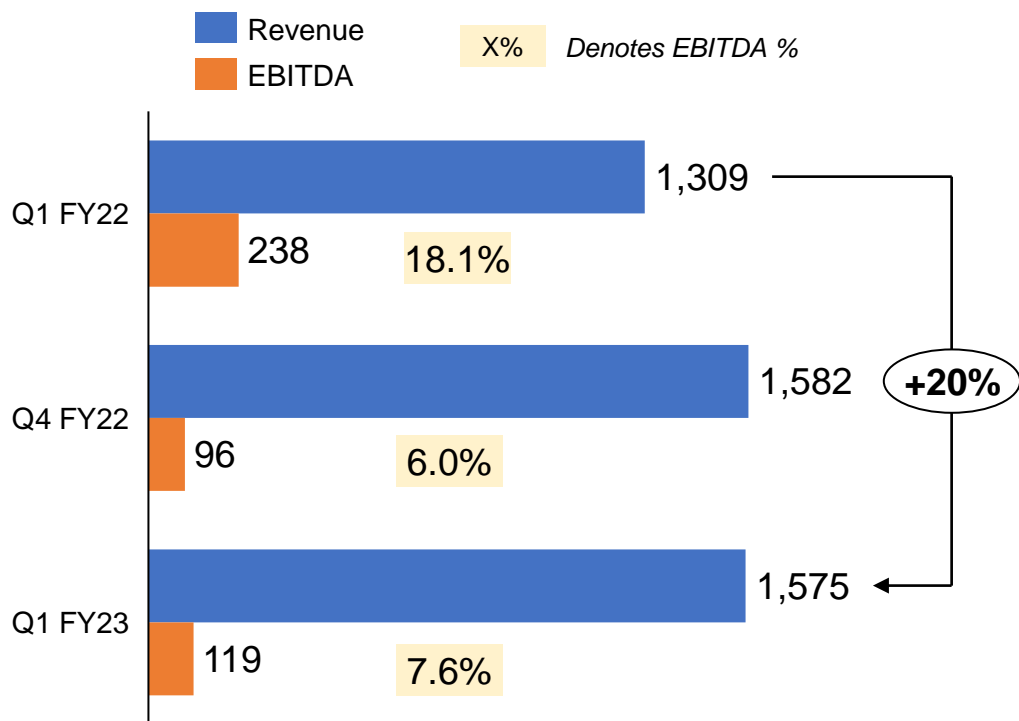


# Q1 FY23 saw inflation headwinds continue in major raw materials, However logistics cost has started to ease;



- Raw material prices particularly polymer prices linked to crude oil have strengthened in Q1 FY23
- Gas (LNG and Helium) prices have also exhibited increases. Helium gas prices have increased sharply in recent quarters due to production problems at major US and Russian suppliers.
- Logistics cost have started to come down towards the end of Q1 FY23

# Revenue grows 20 % y-o-y in Q1 FY23; Operating margins improve QoQ



## Growth Drivers < 20% YoY >

- OFC volume growth
- Realization increase due to mix change
- Increase in UK services revenue

## Margin improvement drivers < 160 bps QoQ >

- Revenue Mix shift towards Optical business
- Revenue Mix shift towards North America
- Increase in OI Margins

All figs in INR Cr

Note: Q4 FY22 EBITDA excludes one time gain of Rs. 25.57 Cr. On sale of MTCIL to compare operational profitability

## Q1 FY23 Revenue Split

	Optical	Services	Digital & Access
Revenue	Rs. 1,137 Cr. 72%	Rs. 419 Cr. 27%	Rs. 41 Cr. 3%

Note : Q1 FY23 Capacity Utilisation for OFC at 88%, calculated on production volume & OFC capacity at 36.8 mn. fkm.

# Consolidated Financials: Abridged Version



P&L (Rs. Cr.)	FY20	FY21	FY22	Q1 FY23
<b>Revenue</b>	<b>5,154</b>	<b>4,825</b>	<b>5,754</b>	<b>1,575</b>
<b>EBITDA</b>	<b>1,104</b>	<b>854</b>	<b>594</b>	<b>119</b>
<b>EBITDA %</b>	<b>21%</b>	<b>18%</b>	<b>10%</b>	<b>8%</b>
Depreciation	290	285	329	82
<b>EBIT</b>	<b>813</b>	<b>568</b>	<b>265</b>	<b>37</b>
Interest	221	203	241	69
Exceptional Gain/(loss)	(51)	-	16	
<b>PBT</b> (Before share of Associates and JV)	<b>542</b>	<b>365</b>	<b>40</b>	<b>(32)</b>
Tax	109	111	14	(8)
<b>Net Profit<sup>1</sup></b> (After minority Interest)	<b>434</b>	<b>275</b>	<b>60</b>	<b>(20)</b>

Balance Sheet (Rs. Cr.)	FY20	FY21	FY22
<i>Net Worth</i> (including minority interest)	2,023	2,085	2,042
<i>Net Debt<sup>2</sup></i>	1,970	2,410	2,782
<b>Total</b>	<b>3,993</b>	<b>4,495</b>	<b>4,824</b>
<i>Fixed Assets<sup>3</sup></i>	2,502	2,664	2,935
<i>Goodwill</i>	122	292	296
<i>Net Working Capital</i>	1,369	1,539	1,593
<b>Total</b>	<b>3,993</b>	<b>4,495</b>	<b>4,824</b>

<sup>1</sup> Profit for the year attributable to owners of the Parent (including share of net Profit of Associate & Joint venture) and Profit (loss) from Discontinued operations

<sup>2</sup> Net debt = Gross borrowing (-) cash and cash equivalents (-) current investments

<sup>3</sup> (PPE + CWIP + Intangibles - Capex creditors - lease liability - redemption liability + advance for FA) and Investment in JV & Associate's.



# Driven by our purpose to transform lives

*Committed to Net-Zero Emissions by 2030*



## Zero Waste to Landfill Certified<sup>1</sup>

**175,000+ MT**

Waste diverted from landfills (FY18-22)

**15,000+ tCO<sub>2</sub>e**

Reduced through energy efficiency initiatives (FY21 – Q1 FY23)

**500,000+ m<sup>3</sup>**

of water recycled (FY19- Q1 FY23)

**56%**

Procurement (by value) done locally (FY 21)



## Committed to the UN SDGs<sup>2</sup>

**15**

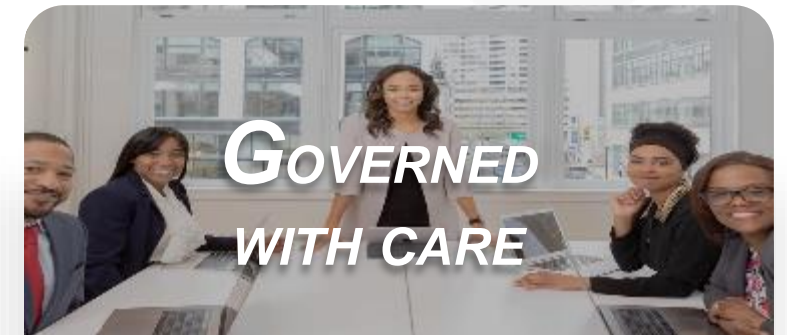
Aligned with 15 of the 17 SDGs

**700,000+**

Lives benefitted through STL's ed-tech & women empowerment programmes (FY19 – Q1 FY 23)

**2 mn.+**

Lives benefitted through STL's healthcare programmes (FY19 – Q1 FY23)



## Strong Internal Governance

**Two of the Big Four**

as statutory & internal auditors

Executive and Management committees in place

**71 ESG awards won (FY20 – Q1 FY23)**

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

<sup>1</sup> Certified by Intertek, a U.S. Quality Assurance provider

<sup>2</sup> Cumulative till FY 21, SDG – Sustainable Development Goals

**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 2022

**Aiming for global leadership in Optical Business:** Look to achieve strong market share gains in North America and Europe, increase attach rate in optical Interconnect

**Focussing on Strategic segments in Global Services:** Look to ramp up execution in UK; Build profitable order book in strategic segments in India

**Focus on strategic growth opportunities through prudent capital allocation framework:** Allocating most capital to optical business ; Divesting non-core assets

# Lets answer your questions

STL



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session**



beyond tomorrow



# Annexure : Key Business risks



S.No.	Risk	Risk Definition	Comment
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
2	Customer & Industry Demand	Reduction in Capex done by communication industry may dampen demand	Focus on selling end to end optical solutions, Geographic diversification particularly growing share in North America
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	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. Inflationary cost pressure	Price increase to offset the impact of higher input cost. Logistic cost is coming down
7	Talent Management Risk	Inability to attract and retain best professional talent may adversely impact	Certified Great place to work 3 <sup>rd</sup> time in a row
8	Commodity Risk	Inflationary pressure can negatively impact profitability	Price increase to offset the impact of higher input cost. Logistic cost is getting stabilized and trending down
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