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Earnings Presentation

Earnings Call Q4 FY23

17th May 2023



Safe Harbour



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Ankit Agarwal

Managing Director



A believer in purpose-led organizations, Ankit has been leading STL's growth journey as it transforms billions of lives by connecting the world. He holds sustainability very close to his heart and is leading the company's ambitious Net-Zero by 2030 target, from the front.

Ankit is extremely passionate about improvement in health, education and the environment through digital inclusion. Recognized as a 40 under 40 leader, Ankit is a strong supporter of young and entrepreneurial talent. He is a fitness enthusiast, an athlete, and a long-distance runner and encourages his teams and young people to work towards solid all-round growth at work and in life.

Delivered on Strategic Priorities in FY23



1

**Delivered
on Strategic
Priorities**

2

Progress towards
becoming top 3 in
Optical

3

Pivot in
Global
Services

4

Entry in multi
trillion dollar IT
Industry

5

Financials
continue
to improve

6

Corporate
Action

Delivered on outlined strategic priorities in FY23



Achieved
Profitable growth in Optical Networking



+ 46%
YoY Revenue growth



> 20%
EBITDA Margin from Q2 onwards



12% Mkt share
gained ~3% global ex-China market share

Crossed
Strategic milestones in Optical Networking



US
Added greenfield OFC Capacity



Record Order book
Won multi year OFC orders



Technology
Launched industry leading - Multiverse & 180 micron fibre

Pivoted **Services Business**
Seeded **Digital Business**



Services Business
Focus on private customer segment



Digital Business
Seeded with more than 900 consultants

Exited
Sub scale businesses



IDS
Divested at GBP 14 mn. consideration



Telecom software
Divested at USD 15 mn. consideration



Wireless Business
Exited from from Q4 FY23 onwards

Increased disclosures with consistent delivery



Revised Guidance

- Revenue Growth : 20% to 25% on full year basis
- EBITDA : To reach 15% by Q4 FY23
- Net Debt : < INR 3,200 Cr. by Q4 FY23

FY23 Actuals

- Revenue Growth : 27% on full year basis
- EBITDA : 15% in Q4 FY23
- Net Debt : INR 3,121 Cr. as of Q4 FY23

Started **Segment reporting** of ONB, GSB and Digital & Technology businesses

Strategic priorities for FY24



01

Grow

Optical Networking



- Increase OFC market share and optical connectivity attach rate
- Optimise raw material & fixed cost

02

Consolidate

Global Services



- Focus on India private
- Build capability for value added services
- Achieve profitability in UK

03

Build

Digital Business



- Consciously invest in building technology and capability

On course to become global top 3 in Optical



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Corporate
Action

Private investment growth moderates, public investment remains strong



Telcos

- Global Telco spend in telecom equipment set to **grow 1% in 2023** despite the decline in overall capex
- Telcos to invest **\$500 Bn.** in 5G from 2022 to 2025
- AT&T Capex in 2023 is consistent with 2022 at **\$24 Bn**
- RJIO cash Capex in **FY23** at **INR 336 Bn.** vs **INR 288 Bn. in FY22**

Data centres

- Data centre capex grew by 15% to **\$241 bn. in 2022**
- Data centre capex to grow by **single digit in 2023**
- ICRA predicts **six fold increase in capacity** in India in next 6 years. **5,000 MW** of capacity to be added
- Data centre investments in India expected to surpass **\$20 Bn.** by 2025

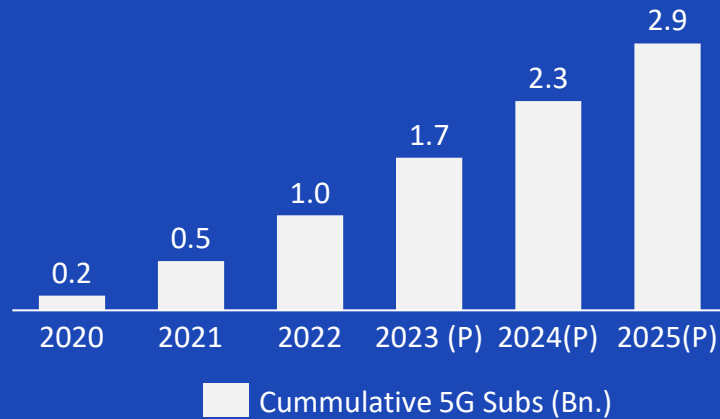
Citizen Networks

- 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 and Egypt **\$32 Bn.** in fibre networks
- Indian Govt. planning **Bharat net phase 3** to connect all villages

Capex for Telcos & Data centre likely to hit \$647 bn. in 2027 from \$536 bn. currently

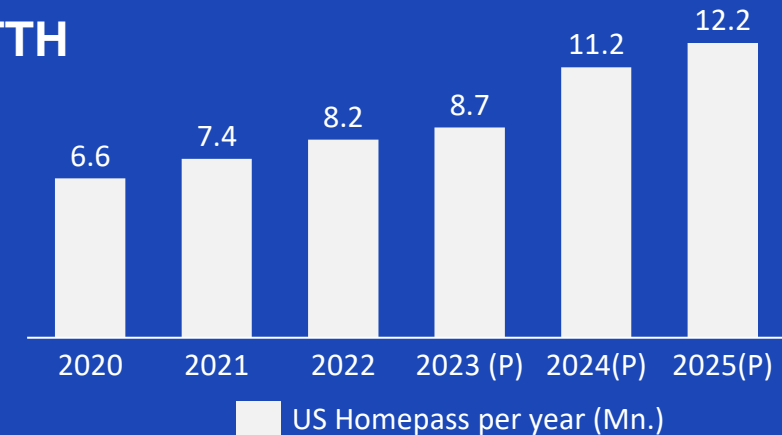
5G & FTTH deployments remain strong, 6G & FTTR will emerge in the future

5G



- 235 service providers have launched commercial 5G services globally with 35 standalone 5G networks
- Approx 1Bn. 5G subscriptions as of Dec 2022, expected to reach to 5 Bn. by 2028
- 2.34 Mn. 5G base stations in China, to reach 2.9 Mn. by end of 2023
- Multiple countries started to develop 6G, which aims at substantially higher speeds & lower latency than 5G

FTTH



- US plans increase home pass every year for the next few years
- UK and Germany also plan to increase home pass in 2023 as compared to 2022
- Chinese telcos have launched Fibre to the room (FTTR) services. In FTTR, the fibre cable network extends to every room in the home, so every room and corner will have gigabit network speed

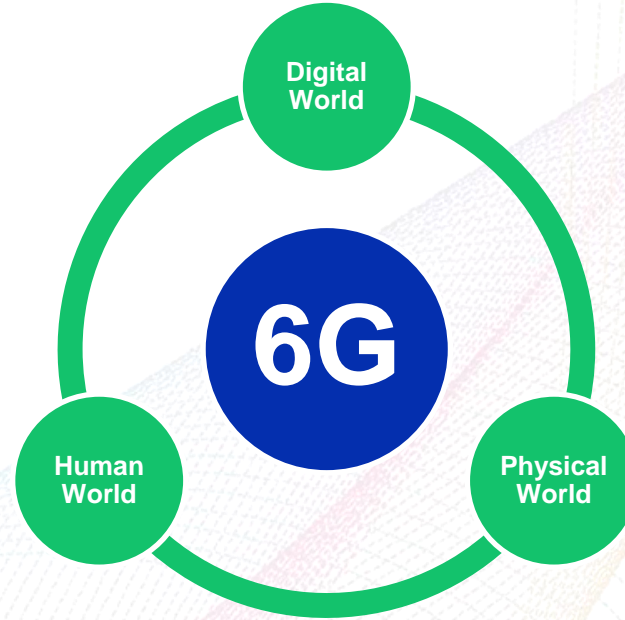
First commercial 6G network to be available by 2030

USE CASES

- Precision Healthcare
- Smart Agriculture
- Digital Twins
- Cobots & Robot Navigation

KPI's

- Minimize TCO
- High data rates (>100 GBPS)
- Low latency (sub millisecond)
- Improved energy efficiency
- High connection density



Seamless communication between
Digital, Physical & Human World

CURRENT PROGRESS

- 2019 FCC, US opened THz for trials
- 2020 China launched first 6G Satellite
- 2021 South Korea published R&D plan
- 2023 India launches Bharat 6G project

FIBRE BACKBONE

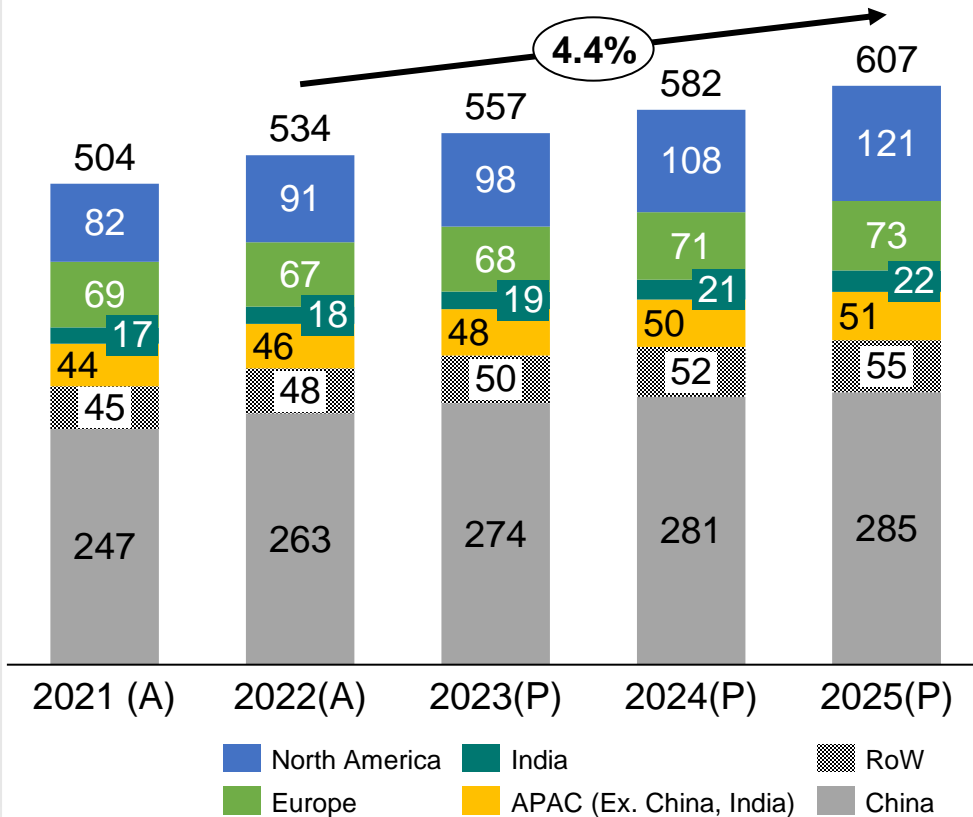
- For 6G mobile operators will need to use higher frequencies and deploy more wireless nodes. All of these nodes will be connected to fibre

China to introduce early 6G applications by 2025
First commercial 6G network would be available by 2030

Medium term outlook remains healthy



OFC Demand region wise (Mn Fkm)



Regional Commentary

- In North America, inventory build ups in Q4 2022 may delay growth as some carriers will draw down their inventories first before new ordering starts again. The other constraint in North America is shortage of trained labor & therefore need for connectorized solutions
- In Europe, Germany and UK continue the robust FTTH deployments
- Indian market has grown in 2022 however significant impact shall come from Bharat net projects
- There is a delay in the China mobile tender

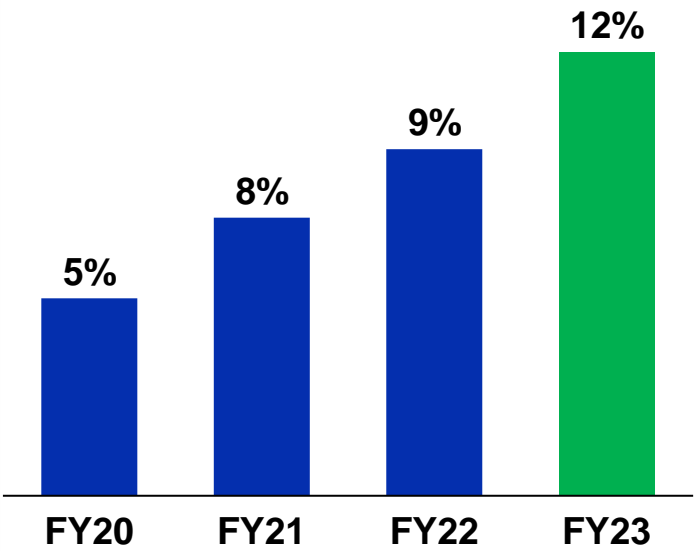
Region	CAGR 2022-25
North America	11%
Europe	3%
India	8%

STL shall focus on North America, Europe & Indian markets

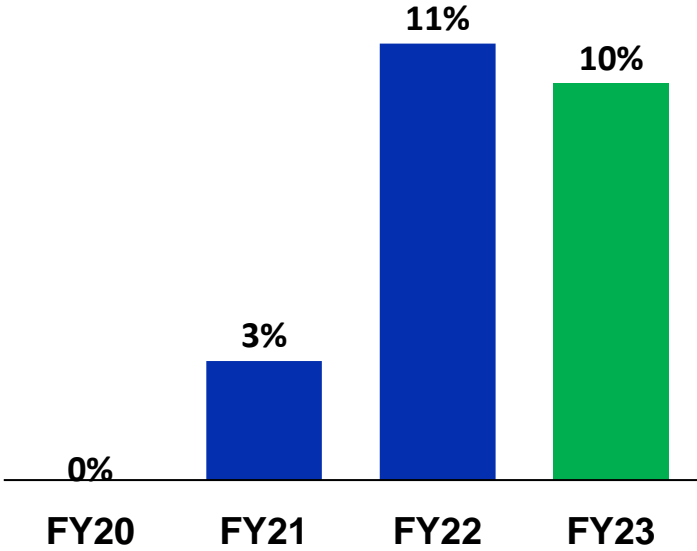
Continued momentum on global OFC market share and optical connectivity attach rate



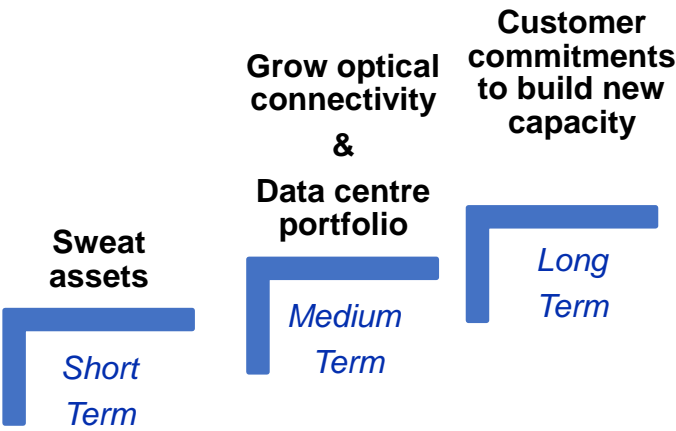
Global ex-China OFC Market share



Optical connectivity attach rate



Optical Networking Growth levers



Focus on long term contracts with top-tier customers

Market Share = STL Sales Volume / Total Market Demand
Total Market Demand - CRU
STL Sales Volume - Company Data

Attach rate = optical connectivity revenue/ OFC revenue

STL continues to scale capacity utilisation in new facilities



Optical Fibre Facility, China



Optical Fibre Cable Facility, USA



Commercial production starts at US OFC facility in Q1 FY24

Launched “Industry first” new products



Multiverse

India's first **multicore fibre** for 4x capacity for 5G networks and Fibre to the x networks



Slimmest fibre & cable

Developed **slimmest fibre and cable** with 180 micron optical fibre & 288 fibres packed in 6.5 mm cable

R&D investments leading to 650* patents till Q4 FY23

Strong pipeline of new products in optical connectivity



Strong new product pipeline for entry in

New markets & New customer segments

Hardened Connectivity **Outside Plant Equipment** **Customer Premises Equipment**

New products commercialisation shall lead to **step jump in attach rate**

Pivot towards private customers in Global Services



1	Delivered on Strategic Priorities	2	Progress towards becoming top 3 in Optical	3	Pivot in Global Services	4	Entry in multi trillion dollar IT Industry	5	Financials continue to improve	6	Corporate Action
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5G deployments in India have picked up pace



5G deployments have picked up pace

- **Airtel launched 5G services in more than 3000 cities / towns;**
Plan to cover India by March 2024
- **Jio launched 5G services in more than 2300 cities / towns;**
To cover India by end of 2023
- Indian 5G subs have reached more than 50 mn.

Telco fibre deployment going strong

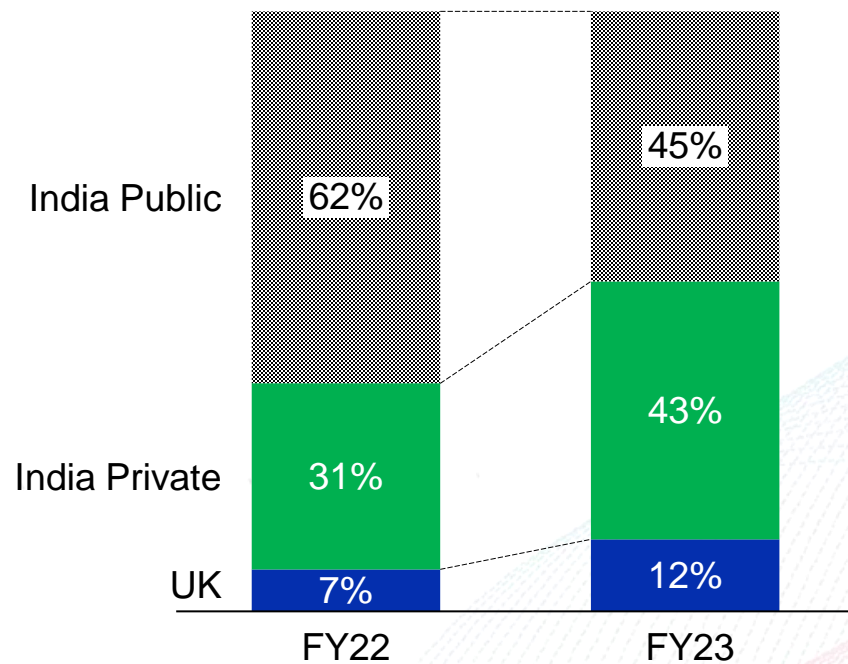
- **Telcos are expected to deploy approx. 200,000 cable kms.**
across National long-distance network, Access network and FTTH roll out in next 18- 24 months
- **Telcos expected to spend approx. \$1.5 bn. to \$2.5 bn. for fibre roll out** for next 2 to 3 years

With 5G deployments in India, Telcos continue to strengthen optical fibre networks

Pivot towards better margin projects with low net fund involvement



Global Services Revenue Split



Target profitable projects with low fund involvement

- **Partnering with leading telcos in India** to deploy 5G networks. STL is one of the preferred partner for Airtel in India
- **India private revenue share has gone up** from 31% to 43% in FY23 as compared to FY22
- **Building capabilities towards value-added services** & pivot the business further towards better margin profile projects
- Global Services India has received **CMMI level 5 certification**

Target to reduce absolute **Net Fund Involvement** by the end of FY24

Achieved operational break even in March'23 in UK operations



UK revenue up & operating losses down on QoQ

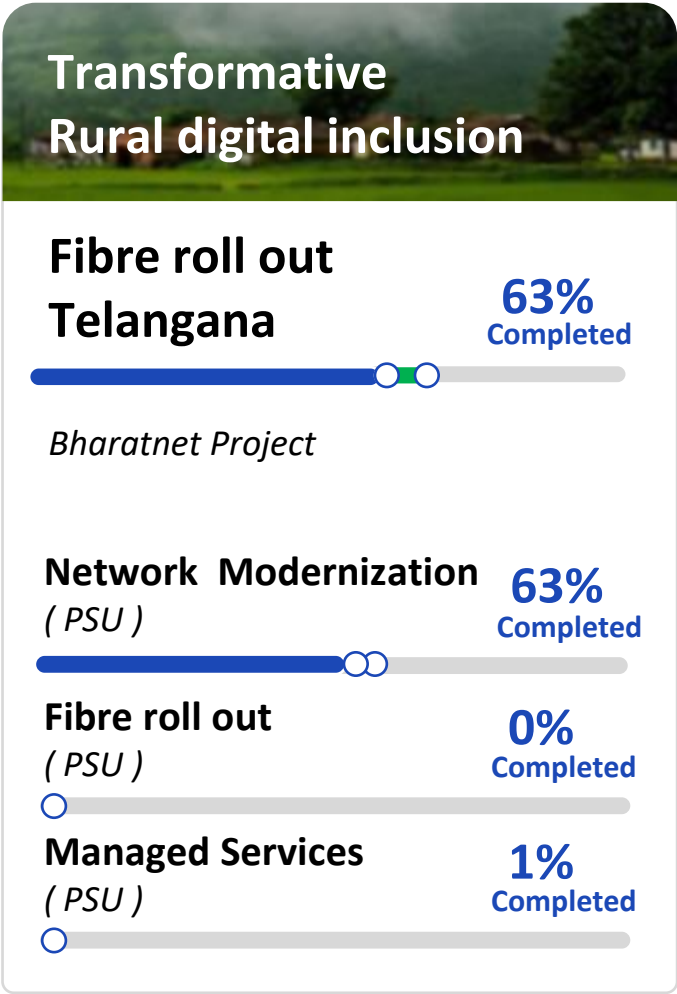
- **STL UK has achieved operational break even in the month of Mar'23**
- Q4 FY23 revenue has gone up and operating losses have come down on QoQ basis
- Sales engine is focused on increasing share of wallet from existing customers
- **Delivery engine continues to improve** as our efforts to send trained engineers from India has started to pay off

Aiming to be **profitable from H1 FY24** in UK operations

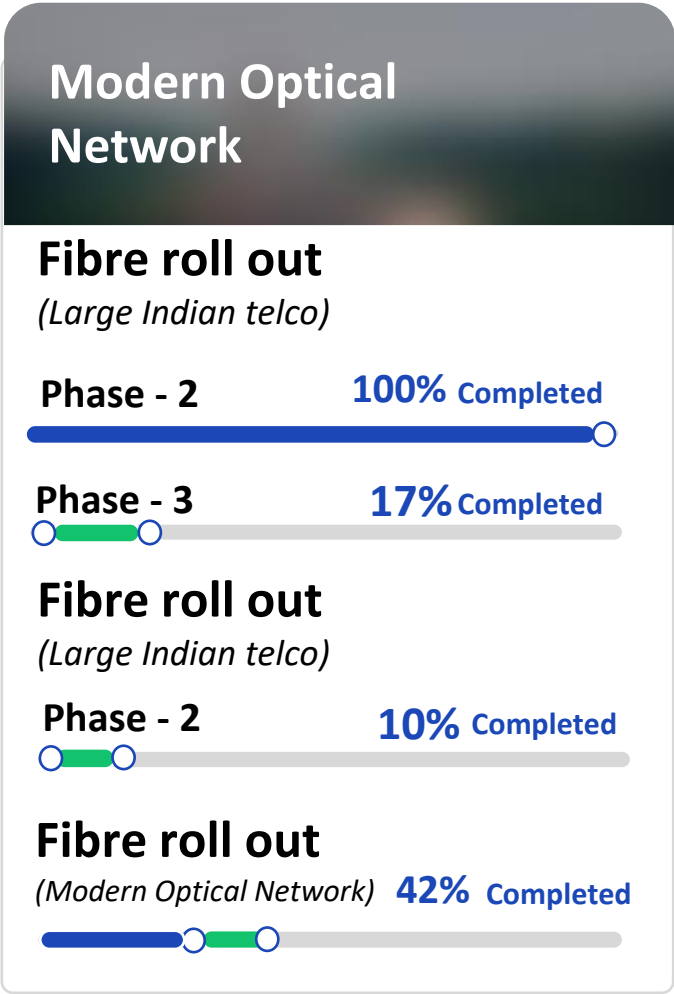
Project execution on track



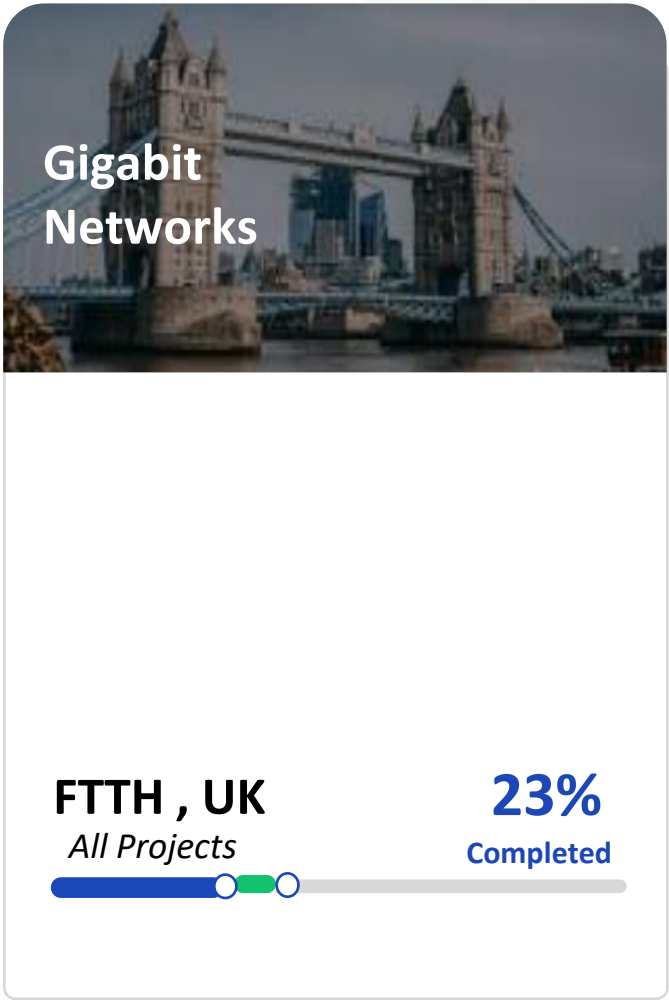
India - Public



India - Private



UK



Entry in multi trillion dollar IT Industry to build Digital business



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Action

Raman Venkatraman

CEO, STL Digital

A strong believer in the power of high-performing teams, Raman has ~30 years of experience spanning multiple leadership roles across geographies.

Prior to STL, he was associated with TCS as the Senior VP and Global Head of Hitech and Professional Services vertical and the Global Head of Alliances and Partnerships.

As, CEO of STL Digital, Raman's vision is to deliver unprecedented value and shape the transformation journey of customers. As a leader, Raman focuses on cultivating trust and empowerment in his teams. And lives by his mantra "Failure is success in progress".



Industry Tailwinds

- Global IT spending to exceed \$4 trillion in 2023, growth of single digit over 2022
- Businesses across industries are **accelerating their digital transformation journey**. Focus on new areas like Data Analytics & AI, Cloud & Cyber Security provide an opportunity for new players to enter the industry



STL Capabilities

- Through our **ability to attract the talent**, we onboarded experienced leadership to explore the full potential of the business
- Built a core team of Industry thought leaders along with domain experts and technology experts
- Our growth is driven by our **Agility** & our **ability to provide differentiated customer experience** to our clients

900+

Consultants

Identity



- Delivery Centre in Bangalore
- Offices in India, US & UK

Service Offerings

- Cloud & Cyber Security
- Data Analytics & AI
- Enterprise SaaS Services
- Product Engineering

Industry Vertical

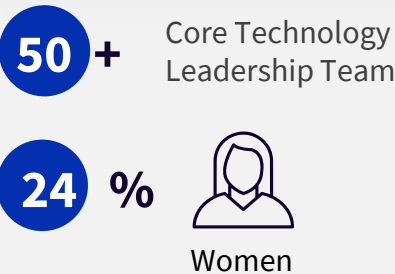
- Technology
- Life Sciences, Healthcare & Manufacturing
- Communication, Media & Services
- Consumer
- Energy, Resources & Utilities

Customers



Global Customers

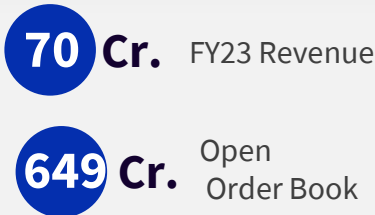
People



Core Technology Leadership Team

Women

Financials



FY23 Revenue

Open Order Book

STL Digital | DIFFERENTIATORS



Domain & Technology



Leadership Strength



Agile and Nimble Organization



Ecosystem Alliances and Investments

Years of Experience in multi-industry domain

Strong domain experience in multiple industry verticals with proven business outcomes for Customers

Core leadership team with 200+ person years experience

Experienced leadership team with Strong customer connects & CXO relationships

Seasoned teams

Strong Technology & Engineering team, **advanced capability & certified in Cloud, Data, SaaS & Cyber Security** supported by world class team on Delivery, Quality Assurance & Compliance

Strategic investments & developing partner ecosystems

Solutions aligning with independent software vendor partners, investments and new innovations

P&L reaches normalised profitability To Strengthen Balance sheet in FY24

STL



1 Delivered on Strategic Priorities

2 Progress towards becoming top 3 in Optical

3 Pivot in Global Services

4 Entry in multi trillion dollar IT Industry

5 **Financials continue to improve**

6 Corporate Action

Tushar Shroff

Group CFO

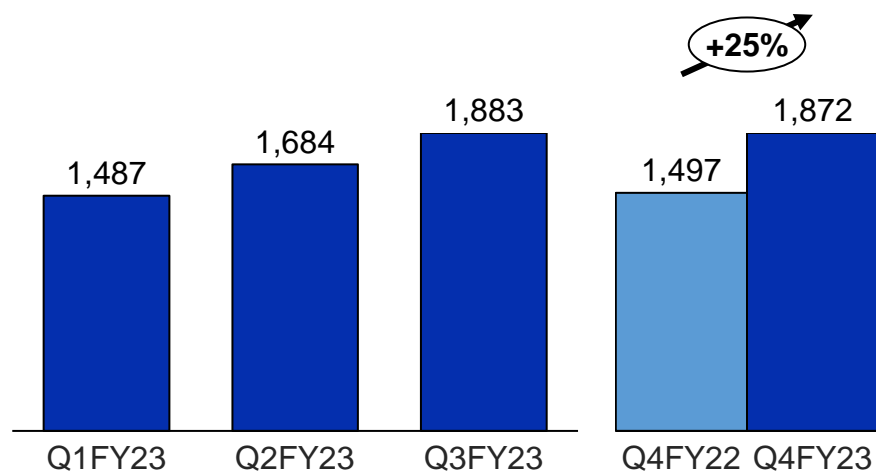


Tushar has a rich experience of nearly three decades and is highly focused on building resilient and value-creating organizations. Tushar has deep expertise in the areas of fundraising, capital structuring, merger & acquisition, treasury management, taxation, financial accounting and planning, Investor Relations, and Business partnering. He has served as the Finance committee member of GCCI (Gujarat Chamber of Commerce & Industry).

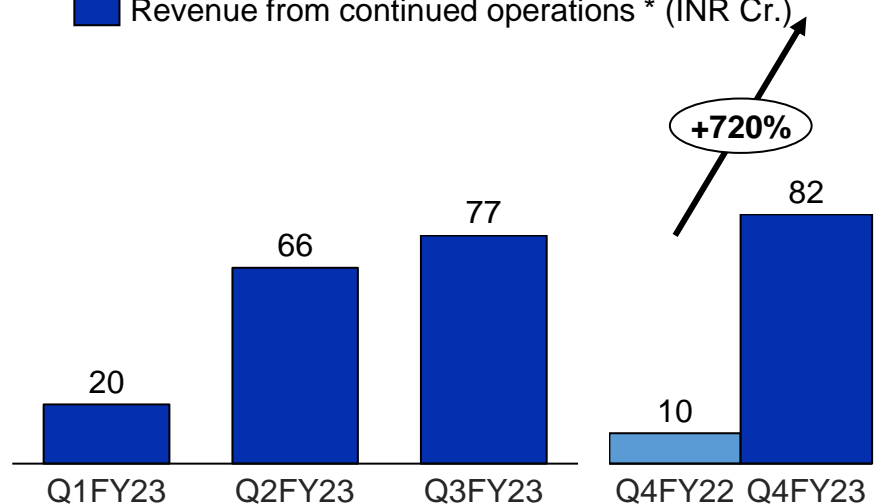
As the Chief Financial Officer at STL, his vision is to bolster the company's strategy to deliver consistent shareholder value and profitable growth.

He holds the cause of all-round development and well-being of specially-abled children, close to his heart and actively dedicates his time and energy towards this.

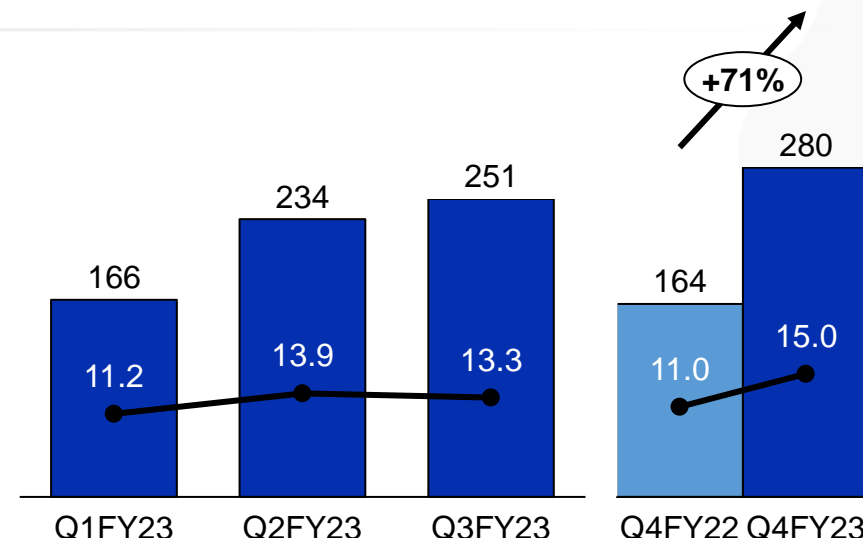
Q4 FY23 Revenue and EBITDA up by 25% & 71% YoY respectively



Revenue from continued operations * (INR Cr.)



PAT from continued operations * (INR Cr.)



EBITDA %

EBITDA from continued operations* (INR Cr.)

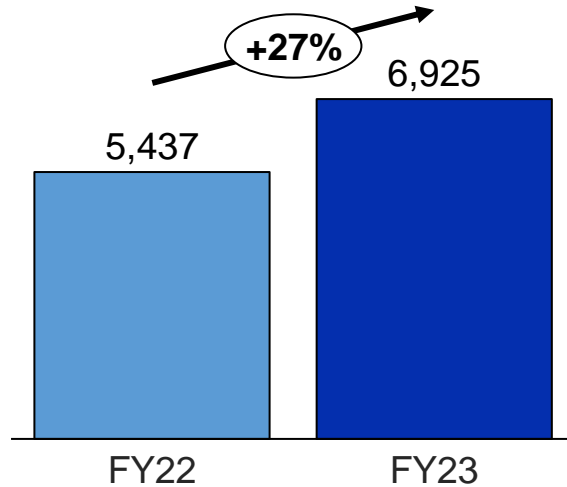
Revenue from cont. operations grew by 25% YoY

- Strong optical revenue growth

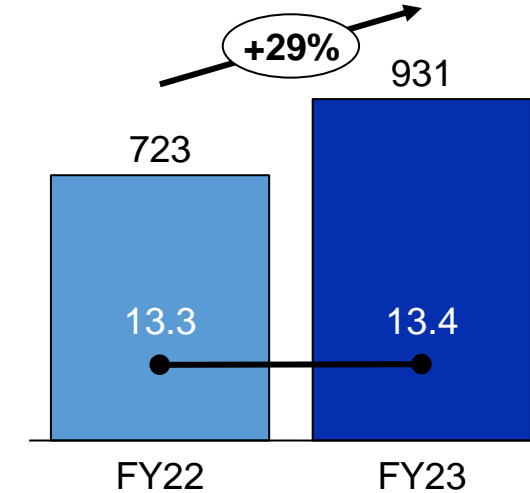
EBITDA from cont. operations up by 71% YoY

- Margin strengthening in optical business

FY23 Revenue and EBITDA up by 27% & 29% YoY respectively

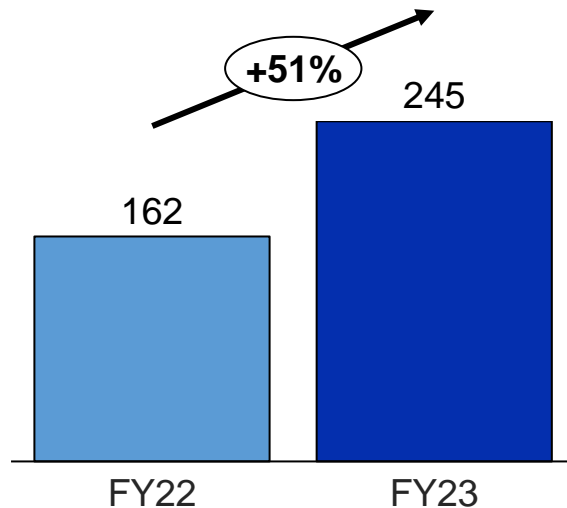


■ Revenue from continued operations * (INR Cr.)



● EBITDA %

■ EBITDA from continued operations* (INR Cr.)



■ PAT from continued operations * (INR Cr.)

Revenue from cont. operations grew by 27% YoY

- Strong optical revenue growth

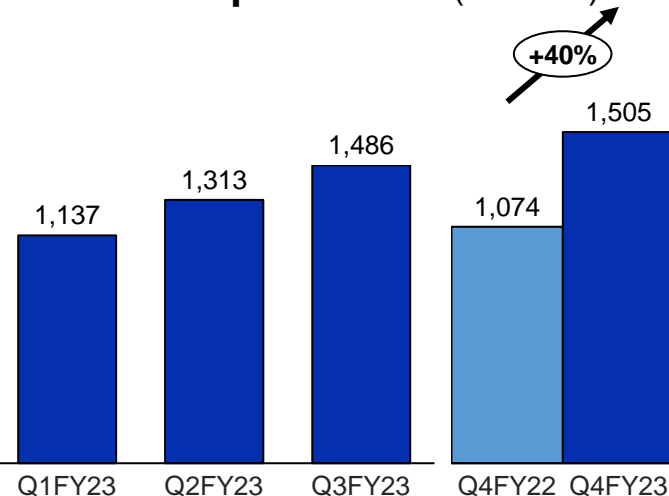
EBITDA from cont. operations up by 29% YoY

- Margin strengthening in optical business

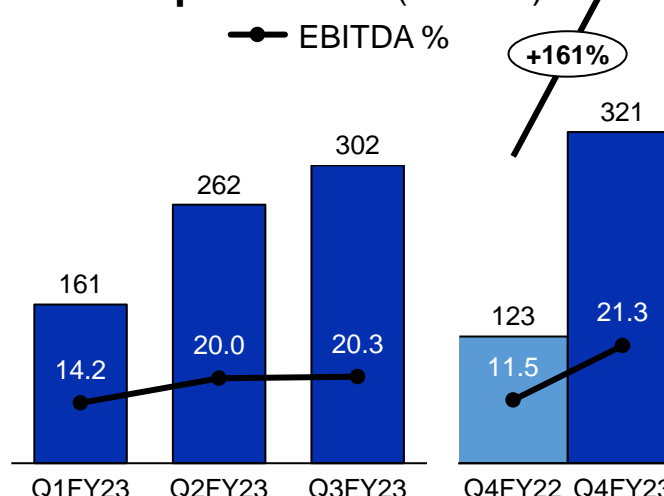
Grew 46% YoY in Optical Networking business in FY23



Revenue from continued Operations* (INR Cr.)



EBITDA from continued operations* (INR Cr.)

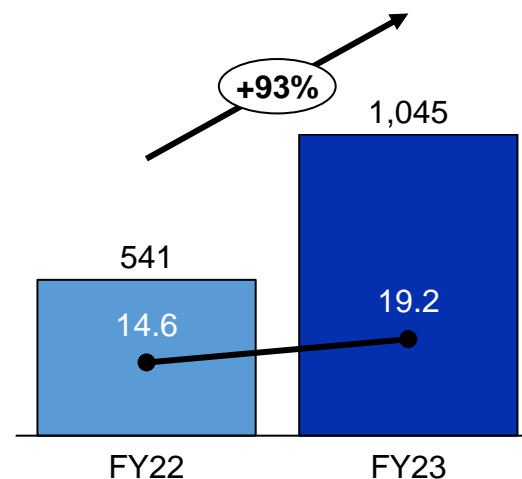
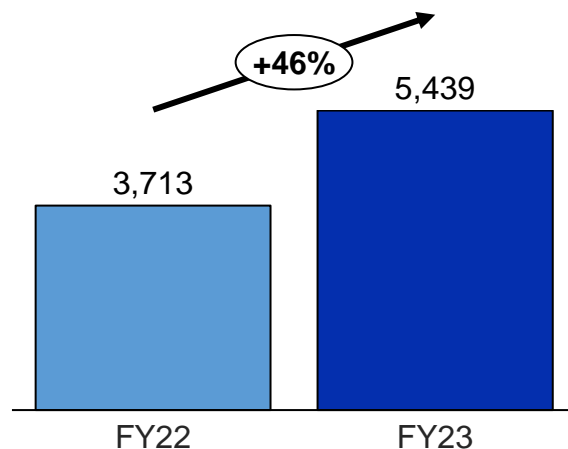


Q4 FY23 Revenue up 40% YoY

- OFC volume up
- Improved OFC realization

Q4 FY23 EBITDA up 161% YoY

- Product mix shift towards higher margin products
- Reduction in logistics cost



FY23 Revenue up 46%

- OFC volume up
- Improved OFC realization

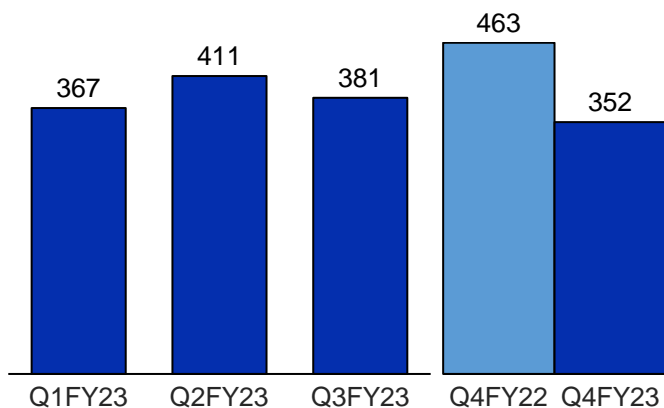
FY23 EBITDA up 93%

- Product mix shift towards higher margin products
- Increase in optical connectivity
- Operating leverage benefit played out

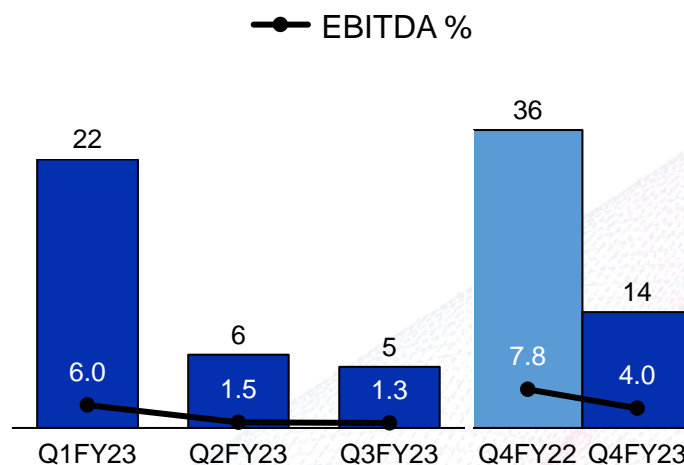
Consolidated towards strategic segments in Global Services



Revenue from continued Operations* (INR Cr.)



EBITDA from continued operations* (INR Cr.)

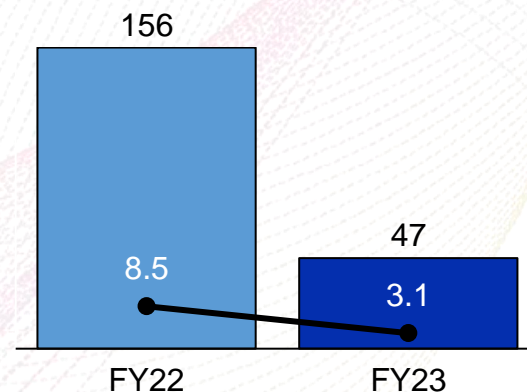
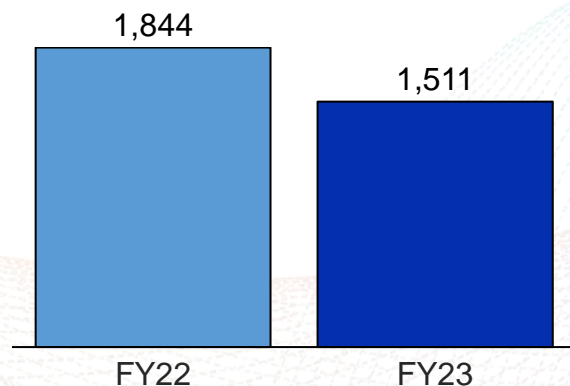


Q4 FY23 Revenue at INR 352 Cr.

- Consciously selective order intake & execution

Q4 FY23 EBITDA at INR 14 Cr.

- Improving profitability from UK operations



FY23 Revenue at INR 1,511 Cr.

- Consciously selective order intake & execution

FY23 EBITDA at INR 47 Cr.

- Prioritizing cash flows in Indian market
- UK business dragged profitability

Revenue mix is moving to segments and geographies of choice

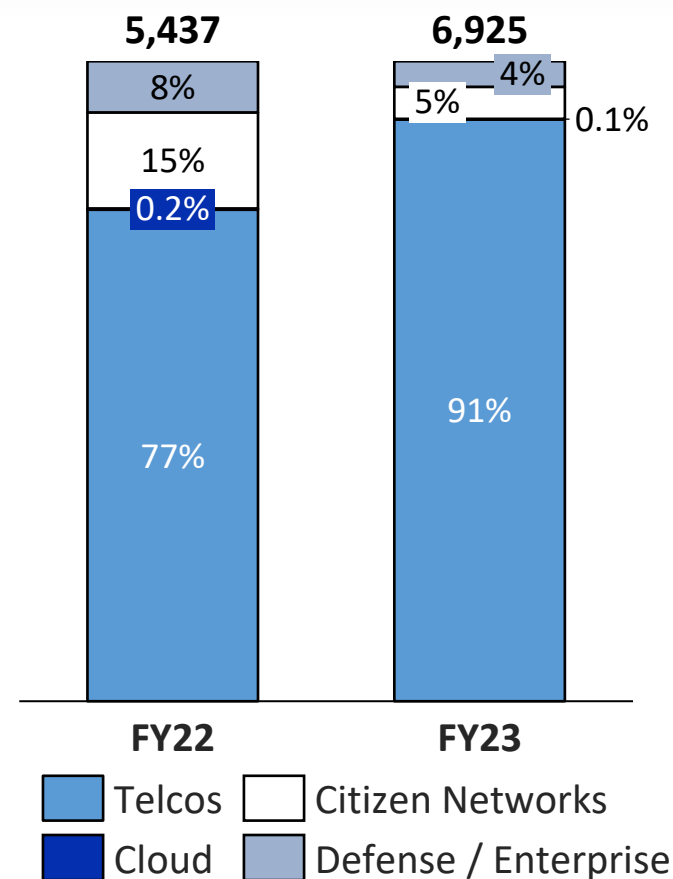


Key Order Wins Q4 FY23

- **Long distance & Intracity fibre roll out** for one of the leading Indian Telco
- **Long distance fibre roll out** along with **optical fibre cables and optical connectivity solutions** for one of the leading Indian Telco
- **Multi million-dollar orders with a European telecom player** for optical fibre cable
- **Multi million-dollar orders** for optical fibre cable from **North America**
- **Multi million-dollar orders** for optical fibre cable & Optical connectivity from **APAC**

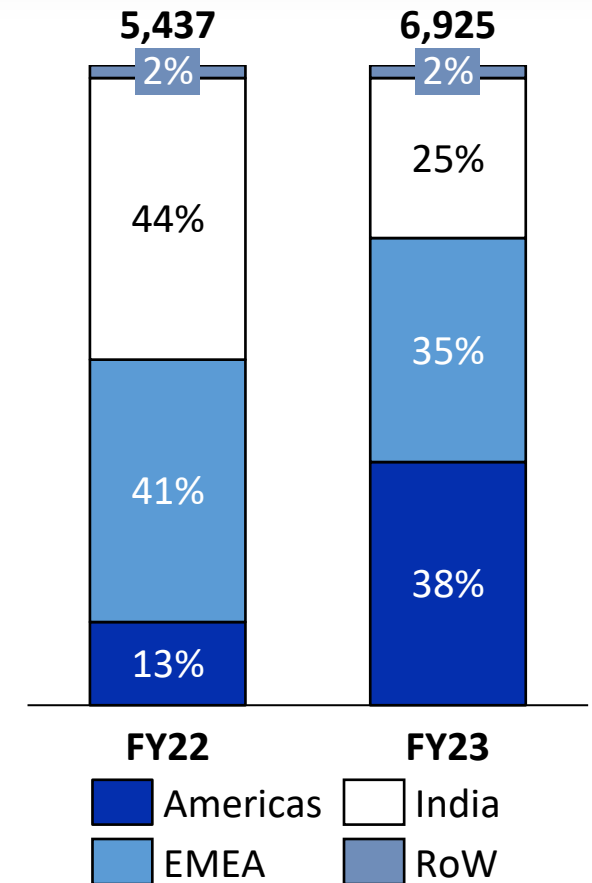
Customer Segments

Revenues from continued operations
(INR Cr.)

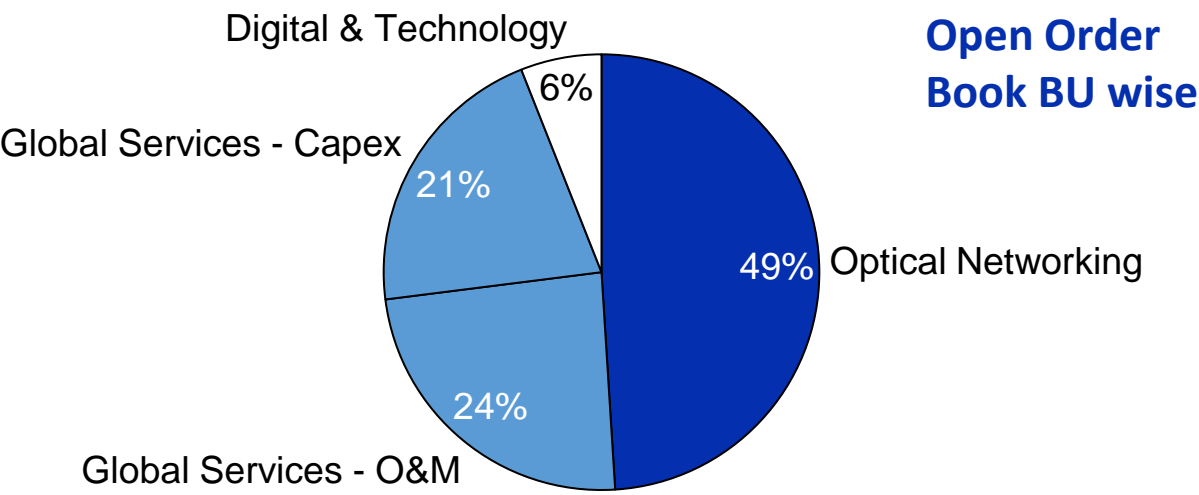
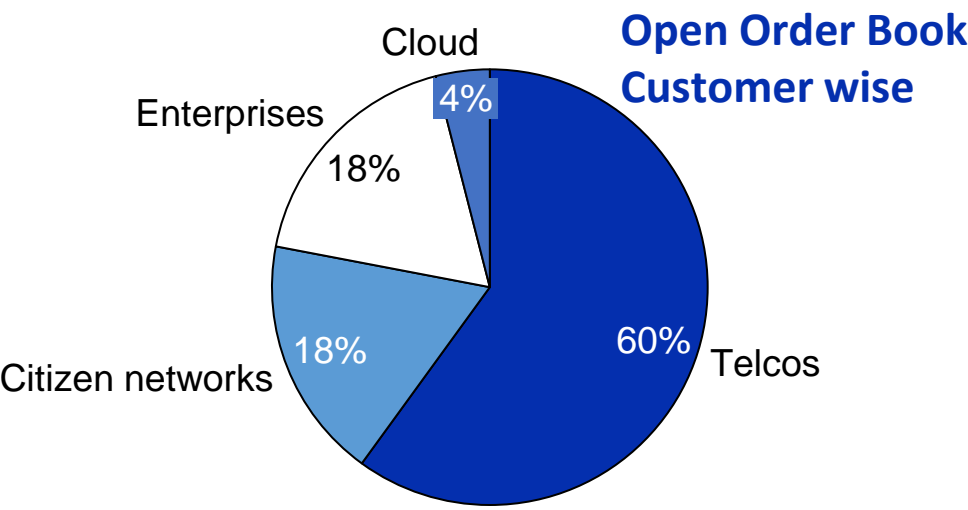
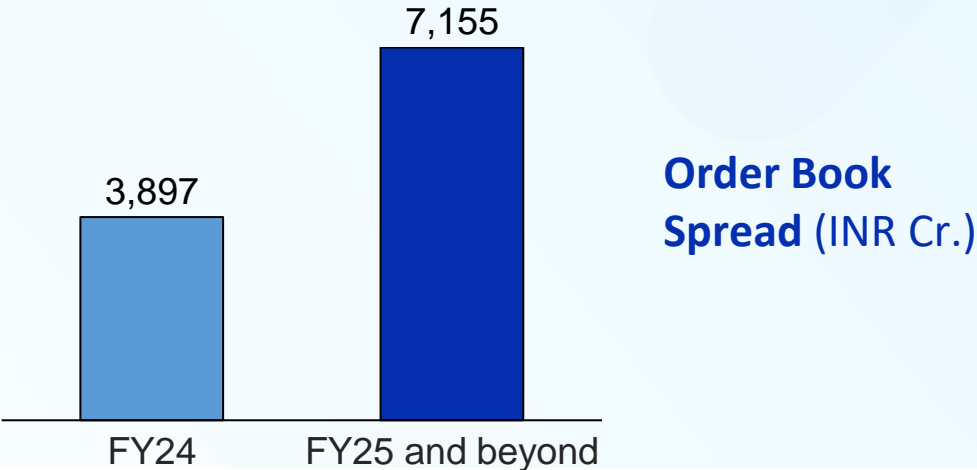
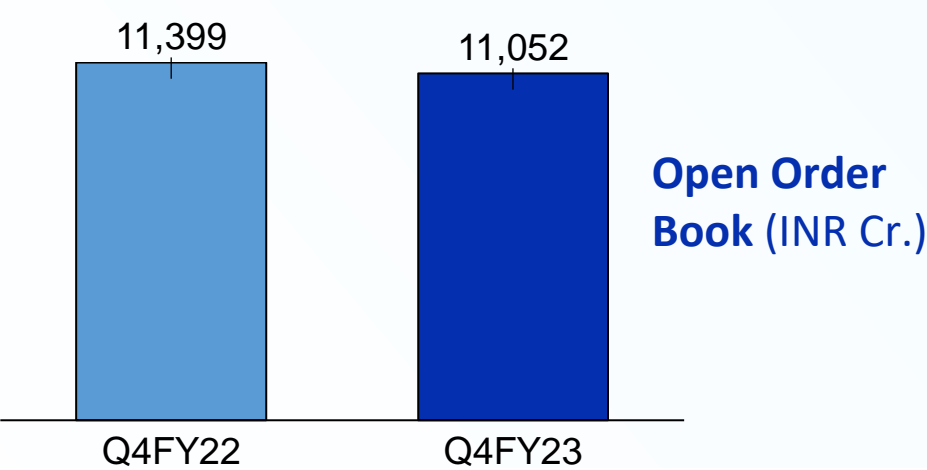


Geographical Distribution

Revenues from continued operations
(INR Cr.)



Stable order book to execute in FY24



Consolidated Financials: Abridged Version



P&L (INR Cr.)	Q4 FY22	Q4 FY23		FY22	FY23
Revenue	1,497	1,872		5,437	6,925
EBITDA	164	280		723	931
EBITDA %	11.0%	15.0%		13.3%	13.4%
Depreciation	87	78		308	309
EBIT	78	202		415	622
Interest	68	89		238	311
PBT from continued operations* (Before share of Associates and JV)	9	113		178	311
Exceptional Items	0	0		16	0
Tax	0	34		52	84
Net Profit from continued operations * (After minority Interest & share of JV)	10	82		162	245
Profit (loss) from discontinued operations	(32)	(17)		(102)	(104)
Net Profit	(22)	65		60	141

Balance Sheet (INR Cr.)	FY22	H1 FY23	FY23
Net Worth (incl. minority Interest)	2,047	2,006	2,095
Net Debt	2,782	3,239	3,121
Total	4,829	5,245	5,215
Fixed Assets	3,034	3,085	3,006
Goodwill	270	200	225
Net Working Capital	1,525	1,959	1,985
Total	4,829	5,245	5,215

Summary : Financial Priorities FY24; To revisit periodically



**Revenue
Growth Rate**

10 ~ 12%



**Net
Debt/EBITDA**

Move to less than 2.5x



Committed to Net-Zero Emissions by 2030



ENVIRONMENTALLY SUSTAINABLE

Zero Waste to Landfill Certified¹
Zero Liquid Discharge Certified

225,000+ MT

Waste diverted from landfills (FY19 – FY23)

23,000+ tCO₂e

Reduced through energy efficiency initiatives
(FY21 - FY23)

675,000+ m3

of water recycled (FY19 – FY23)



SOCIALLY RESPONSIBLE

Committed to the UN SDGs²

16

Aligned with 15 of the 17 SDGs

815,000+

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

2.20 mn.+

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



GOVERNED WITH CARE

Strong Internal Governance

Two of the Big Four

as statutory & internal auditors

Executive and Management committees in place

90+ ESG awards won
(FY20 – FY23)

STL has committed to **Science Based Target Initiatives**

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



1

Delivered on
Strategic
Priorities

2

Progress towards
becoming top 3 in
Optical

3

Pivot in
Global
Services

4

Entry in multi
trillion dollar
IT Industry

5

Financials
continue
to improve

6

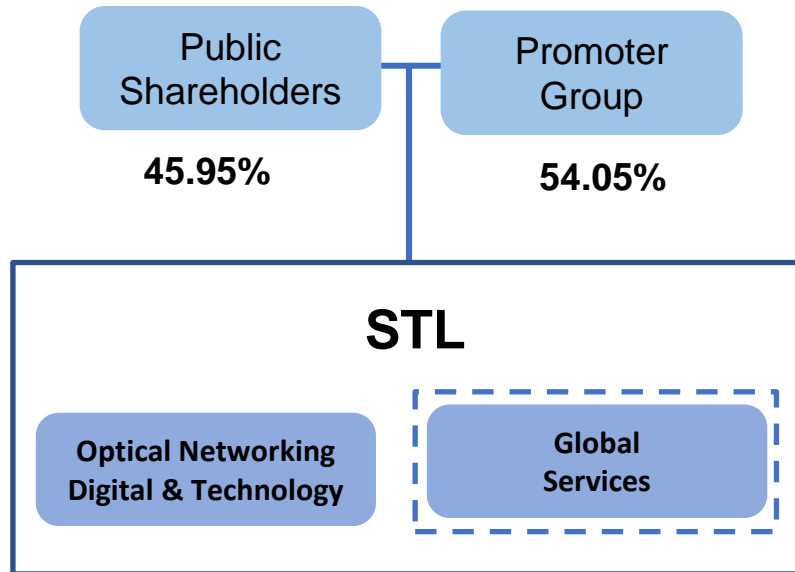
**Corporate
Action**

Proposed scheme to demerge Global Services business

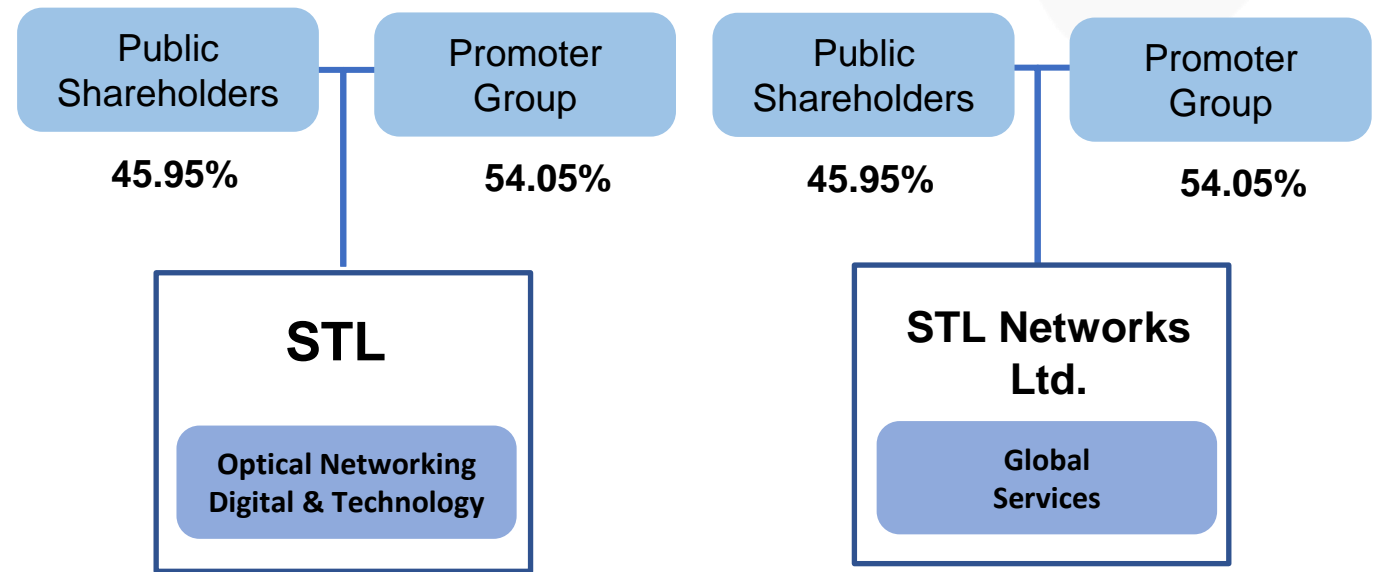


Current Structure

Shareholding as on March 31st, 2023



Proposed Structure



- Global Services Business to be demerged to “STL Networks Limited” (a WOS of STL) on a going concern basis
- Demerger to be taken as a scheme of arrangement U/s 230-232 of companies Act 2013, under supervision of NCLT
- Pursuant to Demerger, STL Networks Limited shareholding will mirror STL and its shares will be publicly listed
- The demerger is intended to meet the requisite conditions under the IT Act to be tax neutral

Rationale for Demerger



Business

**SIMPLIFIED BUSINESS
STRUCTURE**



Pursue growth opportunities without capital constraint



Customers

**CLEAR & WELL DEFINED
POSITIONING**



Exceed customer expectations through closer collaboration



Employees

**STRONG EMPLOYEE
PROPOSITION**



Create more opportunities for the existing & new talent



Shareholders

**UNLOCK
SHAREHOLDER VALUE**



Attract wider and distinct set of investors for both entities

Summary



1	Delivered on Strategic Priorities	2	Progress towards becoming top 3 in Optical	3	Pivot in Global Services	4	Entry in multi trillion dollar IT Industry	5	Financials continue to improve	6	Corporate Action
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Summary



Profitable growth in Optical business: Continue to gain market share in optical fibre cable in our focus markets & Increase optical connectivity attach rate. Continue to optimise cost simultaneously

Consolidation towards strategic segments in Global services: Focus on India Private, Move towards value added services with better margin profile & low fund involvement

Build world class digital businesses: Consciously invest to grow digital business on QoQ basis. Increase utilisation simultaneously to move towards profitability

Generate Free cash to reduce net Debt: Target to generate free cash & reduce net debt to EBITDA to less than 2.5

Lets answer your queries



- | | | | | | | | | | | | |
|---|-----------------------------------|---|--|---|--------------------------|---|--|---|--------------------------------|---|------------------|
| 1 | Delivered on Strategic Priorities | 2 | Progress towards becoming top 3 in Optical | 3 | Pivot in Global Services | 4 | Entry in multi trillion dollar IT Industry | 5 | Financials continue to improve | 6 | Corporate Action |
|---|-----------------------------------|---|--|---|--------------------------|---|--|---|--------------------------------|---|------------------|



beyond tomorrow