

Earnings Presentation

Earnings Call Q1 FY24

27th July 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 to work towards solid all-round growth at work and in life.

Strategic Priorities for FY24



1 Strategic Priorities for FY24

2 Optical deployment remains strong; STL's focus on profitability

3 Profitable order wins in Global Services

4 Strong growth in STL Digital

5 Robust Financials

01

Grow

Optical Networking



- Increase OFC market share and Optical Connectivity attach rate
- Optimise raw material & fixed costs

02

Consolidate

Global Services



- Build capability for value added services
- Achieve profitability in the UK
- Demerge Services Business

03

Build

STL Digital



- Consciously invest in building technology and capability

Optical Deployment remains strong; STL's focus on profitability



1 Strategic
Priorities for
FY24

**2 Optical deployment
remains strong; STL's
focus on profitability**

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in Global Services

4 Strong growth
in STL Digital

5 Robust
Financials

5G & FTTH deployments continue

5G

- **532 operators** have invested in 5G as of June'23
- **254 operators** have already launched commercial 5G services.
- **Global 5G subscribers at 1.1 bn.** as of Q1 2023, expect to reach 1.5 bn. by the end of the year
- China to deploy **600,000 5G** base stations in 2023.

FTTH

- No. of new home passes in the **US likely to remain the same** in 2023 as compared to 2022
- **In the UK**, 4.7 mn. new home passes expected in 2023
- **In Germany**, Deutsche telecom plans to pass 3 mn. homes in 2023
- **China continues to deploy** fibre to the room to prepare for AI & IoT

Mid to long term demand outlook for the US market remains positive



STL deepens partnership with Windstream, US

“STL and Windstream are extremely well positioned to take advantage of future market opportunities such as the \$42 billion Broadband Equity, Access, and Deployment (BEAD) Program”

Jeff Small, President of Kinetic by Windstream

- Biden administration **announced the distribution of funding** under \$42.5 bn. BEAD Program
- **Funding to be primarily used to deploy last mile fibre networks**, boost US optical cable demand
- **Funds expected to start flowing** to states early next year
- **Excess inventory correction** expected by the end of year followed by **strong recovery** in the optical demand

STL remains committed to the US market and continues to broaden its customer base

China Mobile tender awarded



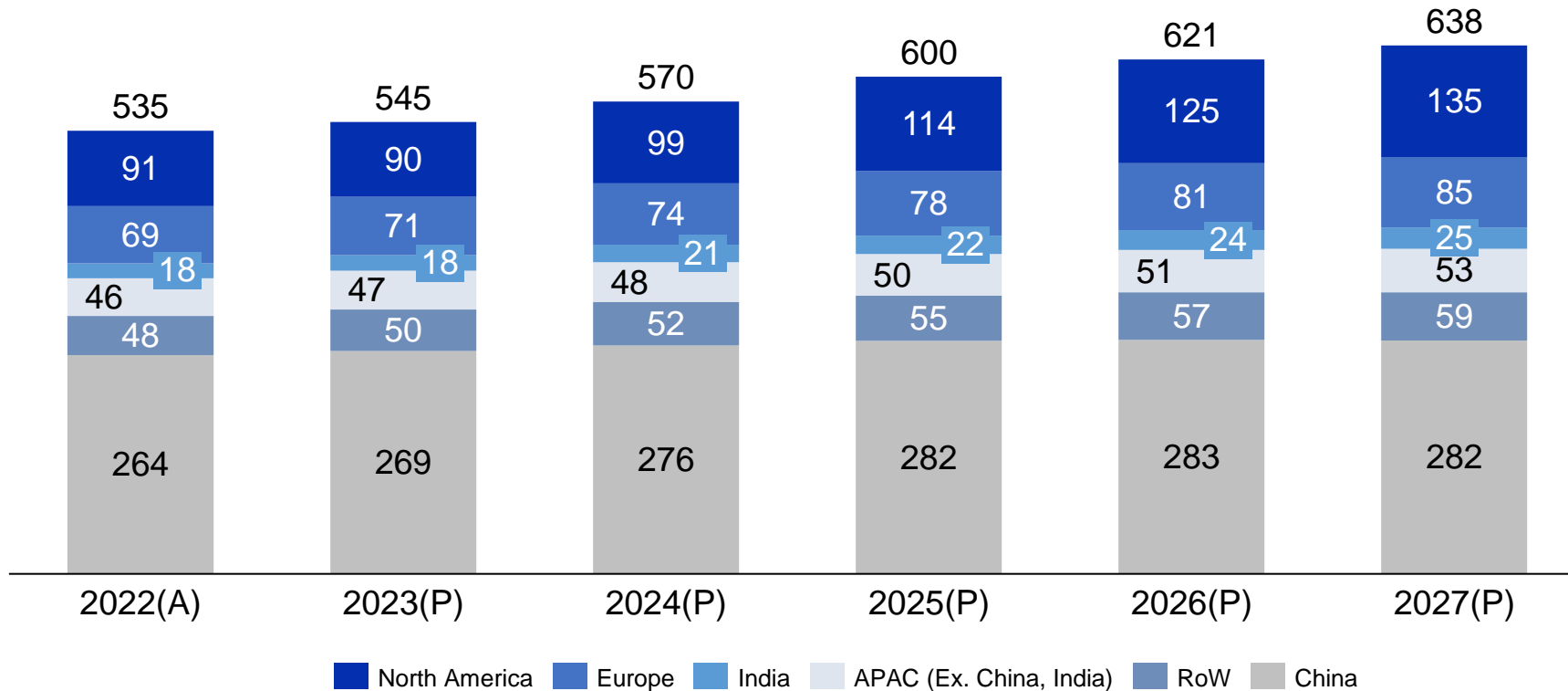
- China Mobile tender awarded for 108 mn. fkm.
- Average cable price in RMB remains unchanged vs previous year
- The share is well distributed between key players
- China Telecom tender also announced for 50 mn. fkm volume

These tender awards will mitigate any price risk emanating from China in the short term

OFC medium term outlook remains healthy



OFC Demand region wise (Mn. Fkm)



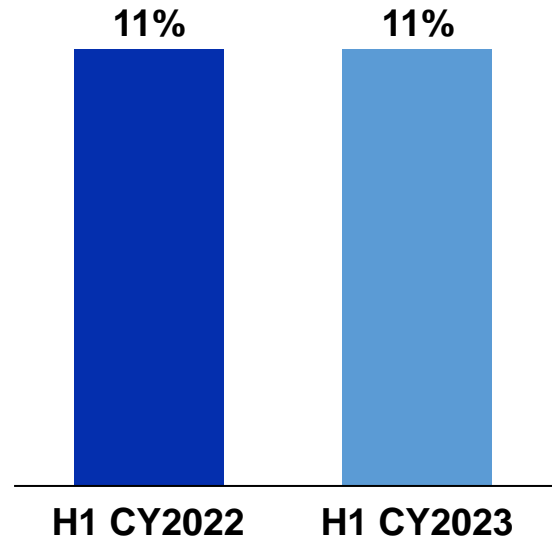
Focus Regions	CAGR 2023-27
North America	11%
Europe	5%
India	9%

Global OFC demand decreased 3.4% in H1 2023, led by a drop in North America at ~ 11%

STL OFC market share and connectivity attach rate is stable



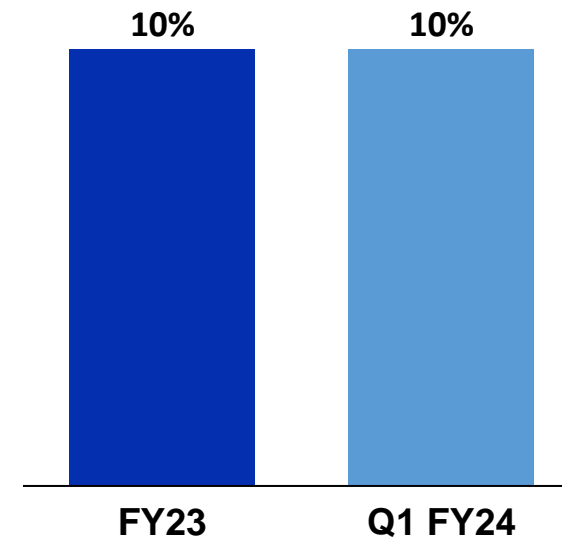
Global (ex-China) OFC Market share



Market Share = STL Sales Volume / Total Market Demand

OFC market share expected to increase from H2FY24 onwards

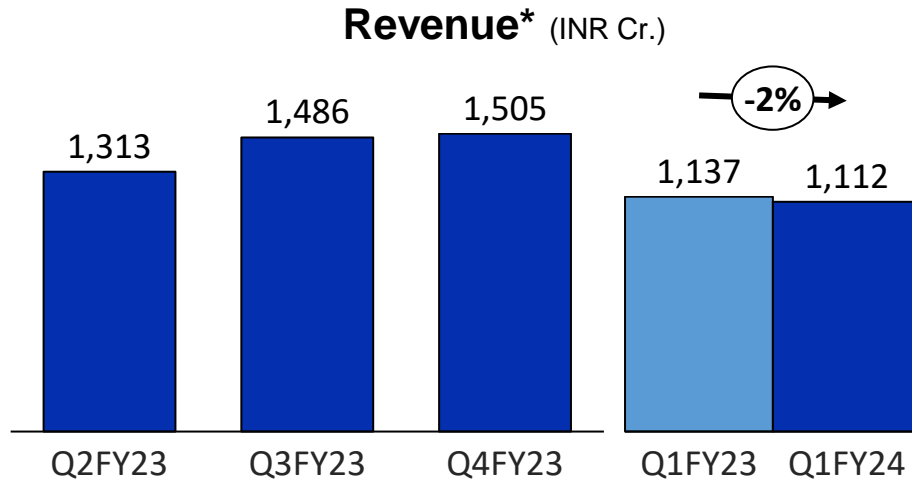
Optical Connectivity Attach rate



Attach rate = Optical connectivity revenue / OFC revenue

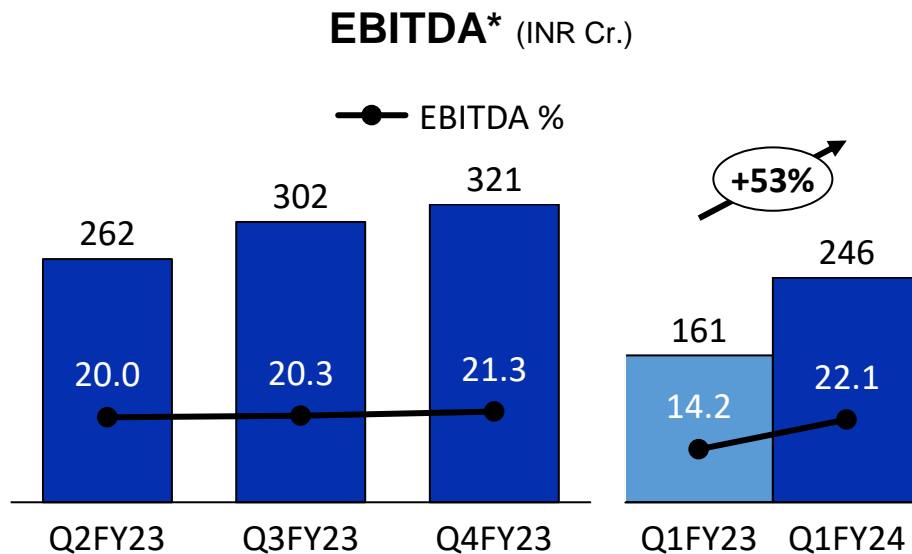
New products commercialisation to increase attach rate from H2FY24 onwards

Optical Business EBITDA margins stable at 20%+



Q1 FY24 Revenue at INR 1,112 Cr.

- OFC volume lower on QoQ basis
- OFC realisation lower on QoQ basis due to change in geographical revenue mix



Q1 FY24 EBITDA at 22.1%

- Reduction in operating costs mitigated the QoQ realisation impact

Taking actions to grow revenue and maintain operating profitability



- **Increase share in EMEA, India and APAC** markets to fill the volume gap from US market
- **Drive new product development**, approval and commercialization in Optical Connectivity
- Engaged a tier-1 management consulting firm to **optimise operating costs**

Results from these actions expected from H2 FY24 onwards

Profitable order wins in Global Services



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4 Strong growth in STL Digital

5 Robust Financials

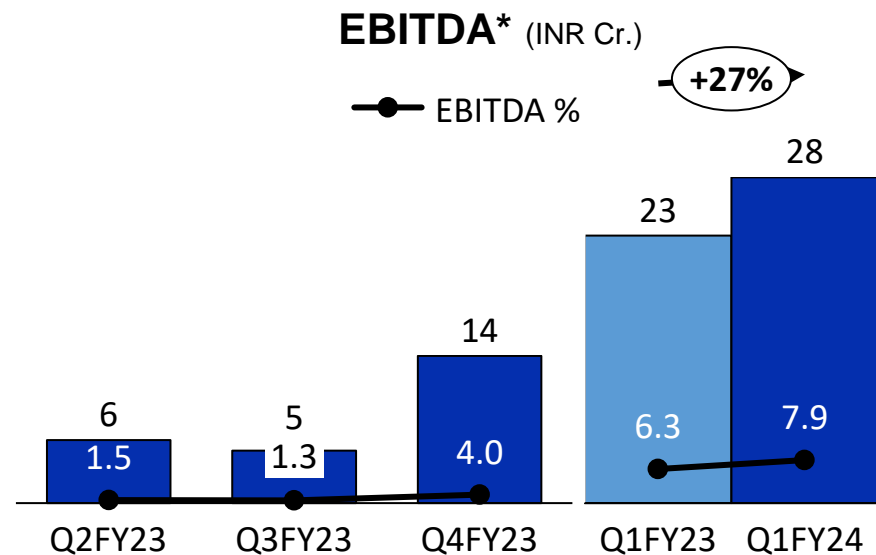
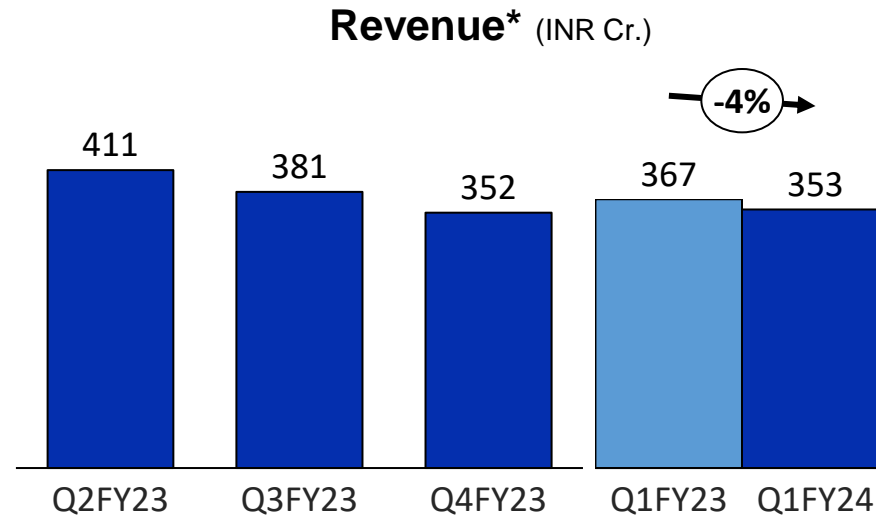
Securing profitable projects with optimal fund involvement



- **Public sector customer** : System Integrator for supply and setting up ICT Infrastructure for Data centers and remote sites along with O&M
- **Private sector customer** : Fibre roll out for 5G deployment

Bharat Net Phase 3 tenders expected by H2FY24

Continue to improve profitability in Global Services



Q1 FY24 Revenue at INR 353 Cr.

- Selective order intake & execution

Q1 FY24 EBITDA at INR 28 Cr.

- Favourable project mix

Project execution on track



India - Public

India - Private

UK

Transformative Rural digital inclusion

Fibre roll out Telangana

65%
Completed



Bharatnet Project

Network Modernization (PSU)

68%
Completed



Fibre roll out (PSU)

3%
Completed



Managed Services (PSU)

12%
Completed



Data Centre (PSU)

0%
Completed



Modern Optical Network

Fibre roll out (Large Indian telco)

Phase - 3 20% Completed



Fibre roll out (Large Indian telco)

Phase - 2 28% Completed



Fibre roll out (Modern Optical Network) 58% Completed



Gigabit Networks

FTTH , UK

31%
Completed



Progress till previous Qtr.



Progress in current Qtr.

Strong Growth in STL Digital



1

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**Strong growth
in STL Digital**

5

Robust
Financials

Continued growth momentum in STL Digital



950+

Consultants

900 Cr.+

Open Order Book

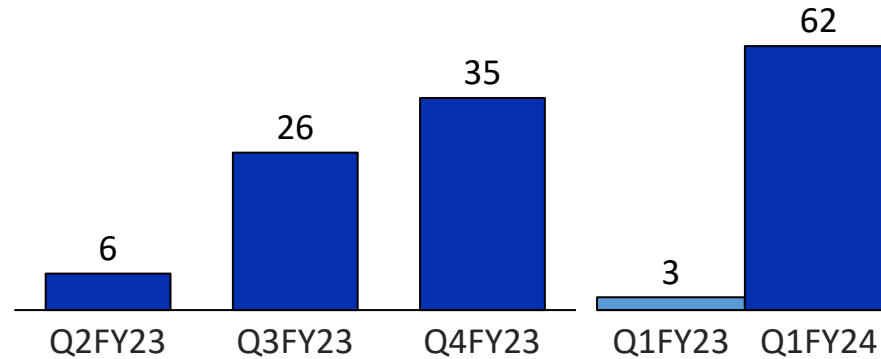
- **New customer acquisitions** in US and India across Technology & Services Industry verticals
 - Active customers : **20+**
 - Strong Deal flow in Q1 FY24
- **Strengthening partnership ecosystem**
 - Strategic partnerships signed with SAP & Google
 - Active technology partners : **30+**

Strong start to FY24

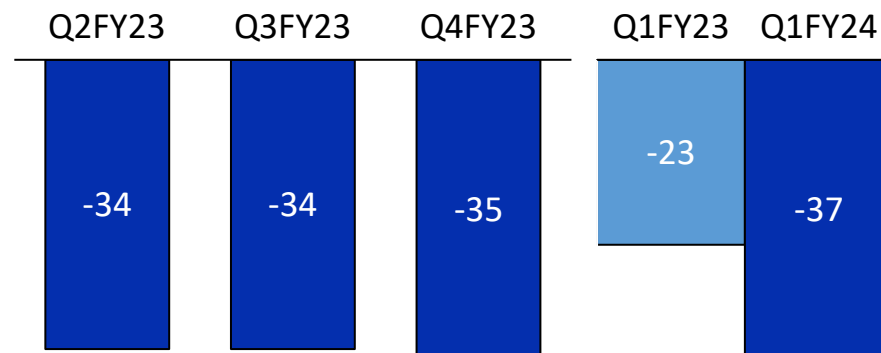
Strong growth in STL Digital on QoQ basis



Revenue* (INR Cr.)



EBITDA* (INR Cr.)



Q1 FY24 Revenue up at INR 62 Cr.

- Strong QoQ growth
- No of consultants up at 950+

Q1 FY24 EBITDA loss at INR 37 Cr.

- Expect losses to reduce as revenue goes up

Focus on maintaining operating profitability & reducing debt



1

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**Robust
Financials**

Tushar Shroff

Group CFO

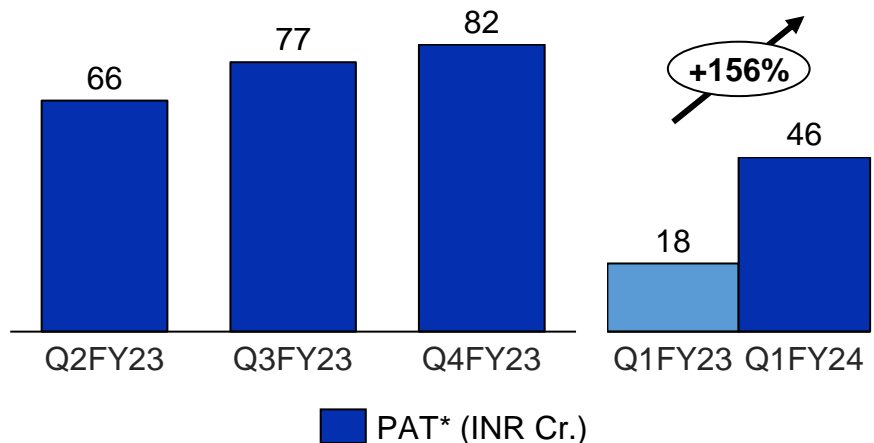
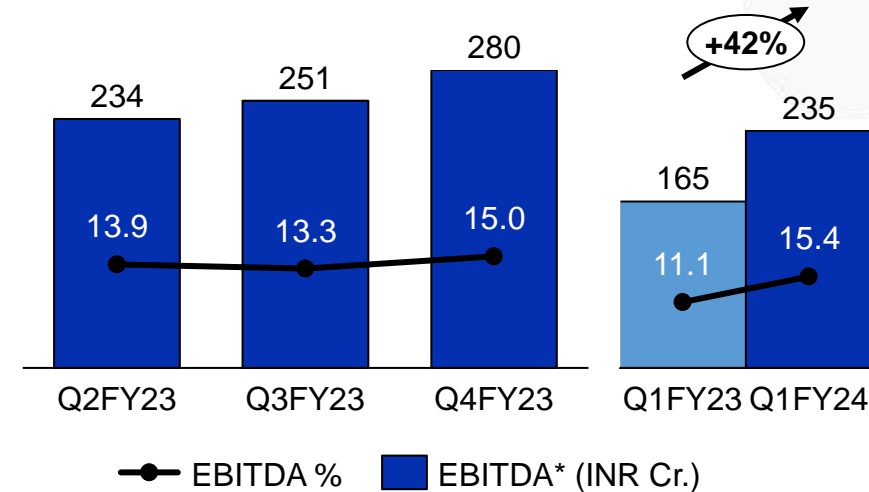
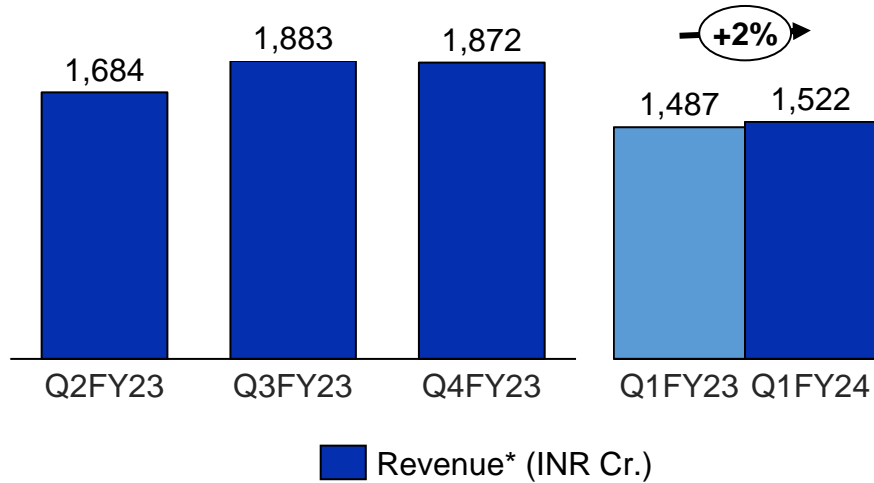


Tushar has a rich experience of nearly three decades and is highly focused on building resilient and value-creating organizations. Tushar has deep expertise in the areas of fundraising, capital structuring, merger & acquisition, treasury management, taxation, financial accounting and planning, Investor 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.

Q1 FY24 Revenue, EBITDA and PAT up by 2%, 42% and 156% YoY



Revenue up by 2% YoY

- OFC realisation up YoY

EBITDA up by 42% YoY

- Margin strengthening in Optical business YoY

PAT up by 156% YoY

- Margin strengthening in Optical business YoY

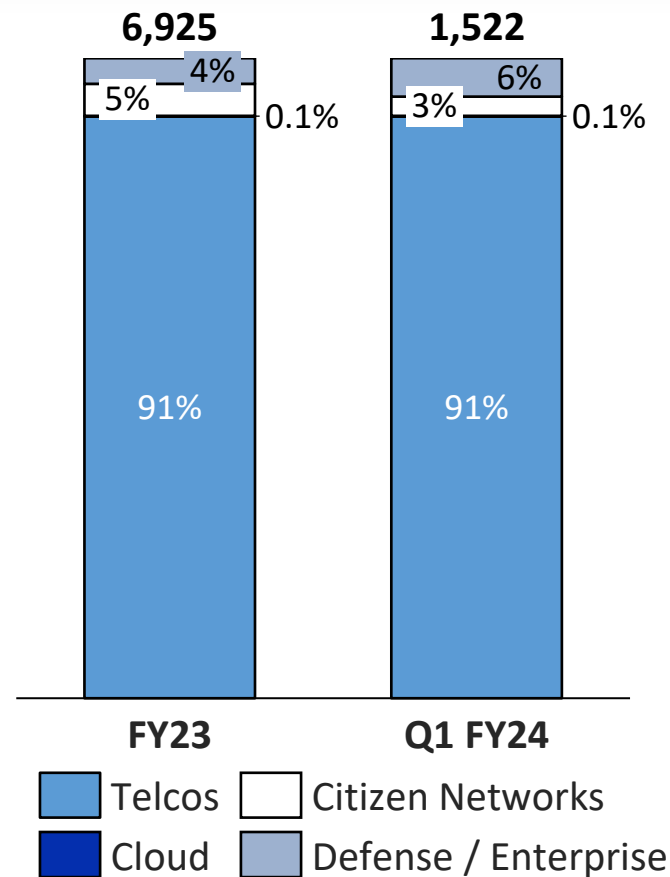
Revenue mix has moved towards EMEA and India



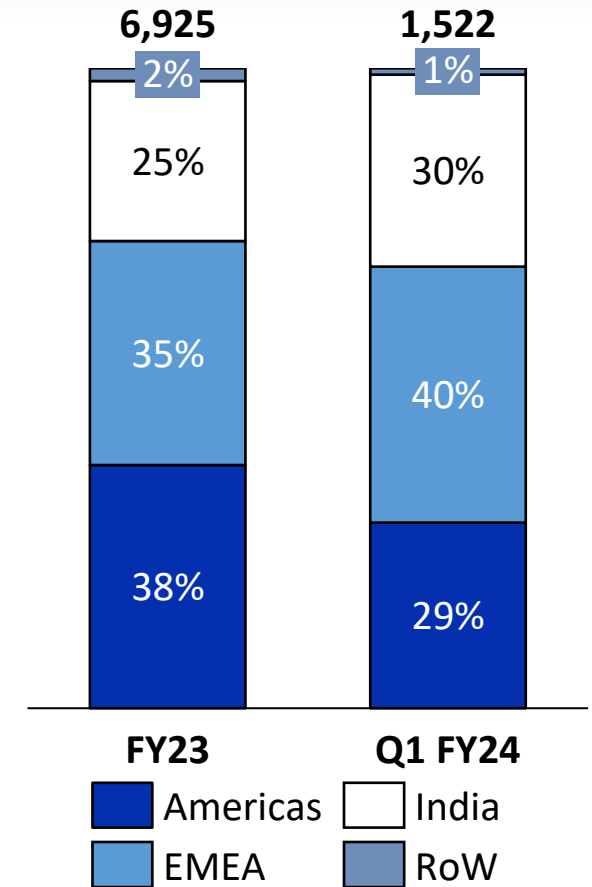
Key Order Wins Q1 FY24

- **Multi million-dollar orders from a European telecom player** for optical fibre cable
- **Multiple Multi million-dollar orders** for optical fibre cable from **North America**
- **System Integrator for supply and setting up ICT infrastructure** in Data centres & remote sites for a public account
- **Fibre roll out for 5G deployment** for a large Indian private Telco

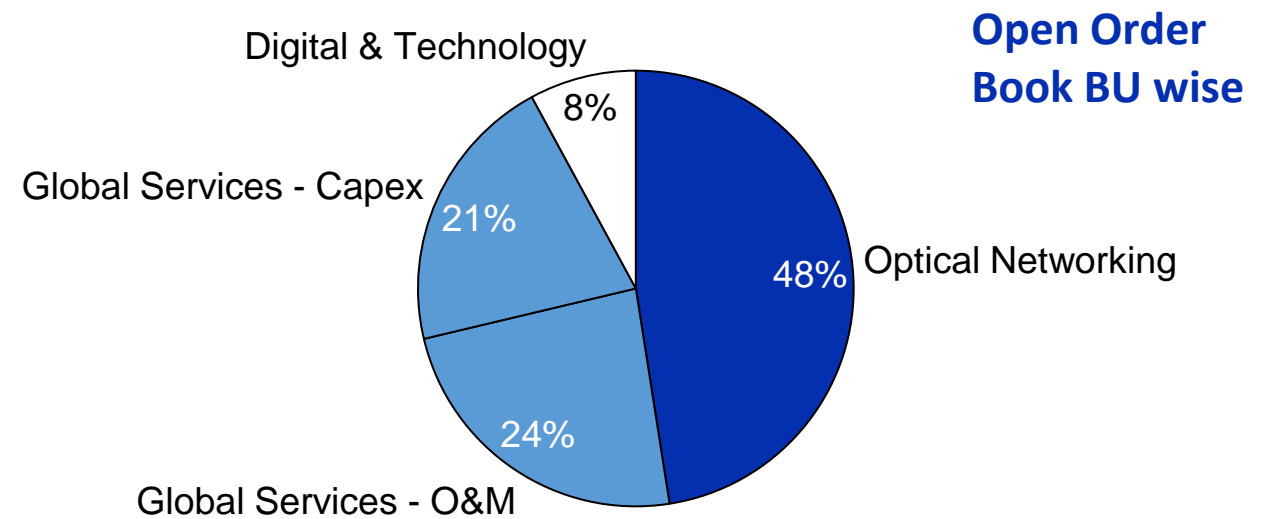
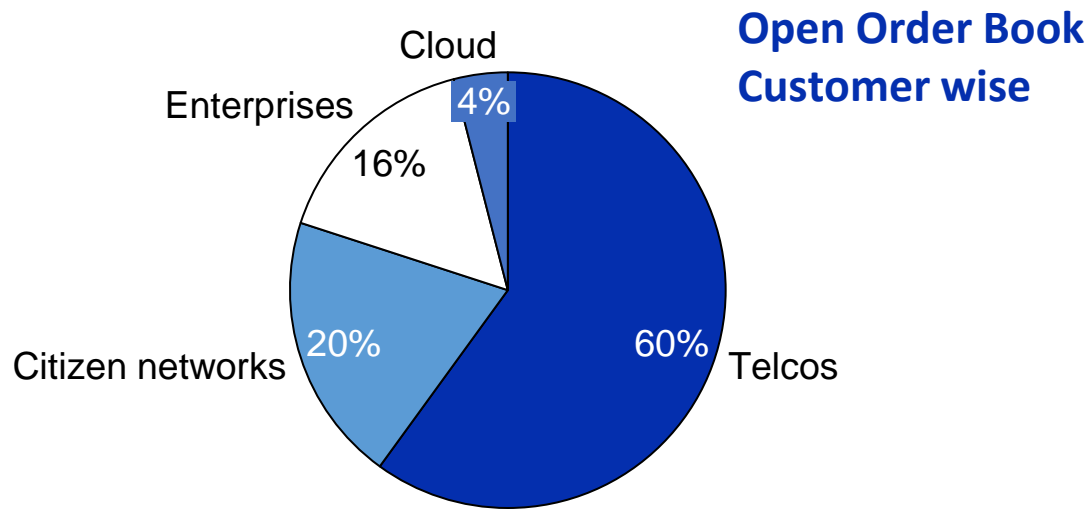
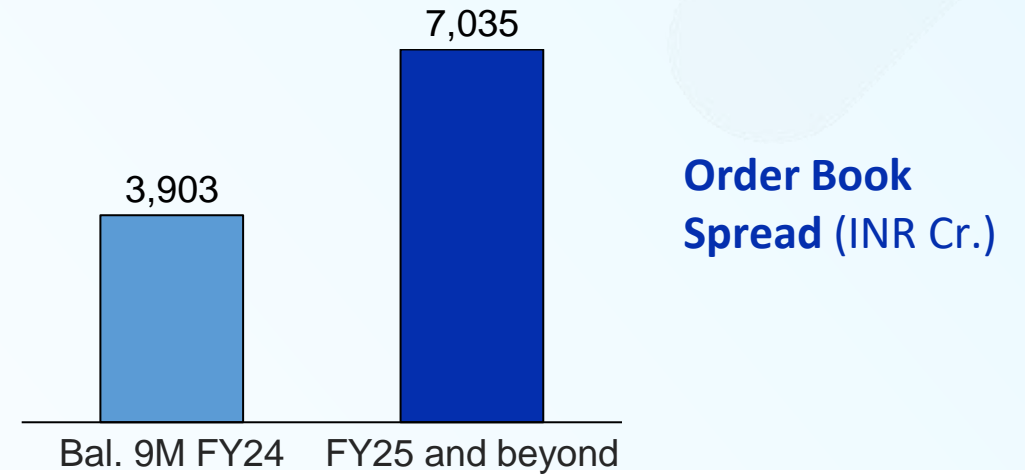
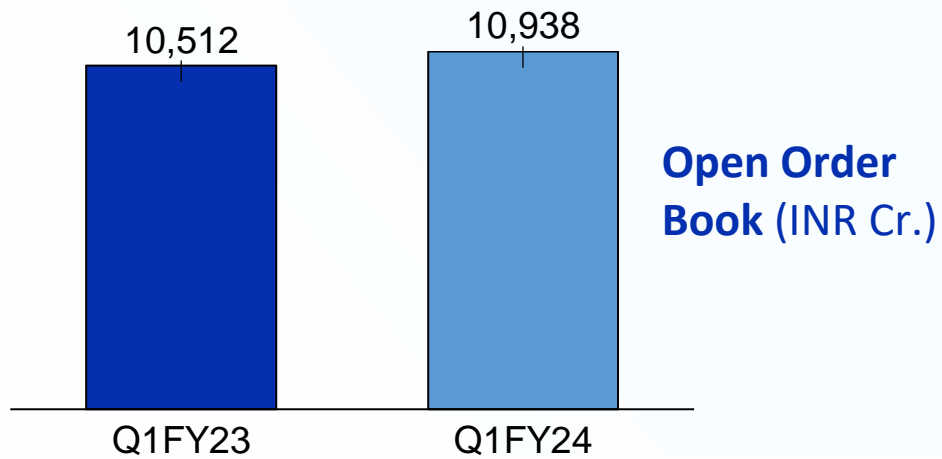
Customer Segments Revenues* (INR Cr.)



Geographical Distribution Revenues* (INR Cr.)



Order Inflow is stable



Consolidated Financials: Abridged Version



P&L (INR Cr.)	Q4 FY23	Q1 FY23	Q1 FY24	YoY
Revenue*	1,872	1,487	1,522	2%
EBITDA*	280	165	235	
EBITDA %	15.0%	11.1%	15.4%	42%
Depreciation	78	76	81	
EBIT*	202	89	154	
Interest	89	68	92	
PBT* (Before share of Associates and JV)	113	21	62	
Exceptional Items	0	0	0	
Tax	34	6	19	
Net Profit* (After minority Interest & share of JV)	82	18	46	156%
Profit (loss) from discontinued operations**	(17)	(40)	8	
Net Profit	65	(22)	54	

Key Updates

- Net Debt is stable on QoQ basis
- Company has filed the Services business demerger scheme with the exchanges. Expect to complete the demerger by Q1 FY25.

Committed to financial priorities for FY24



**Revenue
Growth Rate**

7 - 9 % for full year



**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

800,000+

Lives benefitted through STL's ed-tech & women empowerment programmes (FY19 – Q1 FY24)

2.5 mn.+

Lives benefitted through STL's healthcare programmes (FY19 – Q1 FY24)



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 – Q1 FY24)**

Significant improvement in STL ESG rating by **Morgan Stanley Capital International** from **BBB** score to **A**

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

Summary



Grow Optical business: Increase share in the EMEA, India and APAC markets to fill the volume gap from the US market. Optimise operating costs to maintain operating profitability

Consolidation towards strategic segments in Global services: Focus on select projects to improve profitability and optimise net fund involvement

Build world class Digital business: Continue to grow revenue and reduce EBITDA losses on QoQ basis

Revised FY24 guidance: Revenue growth at 7 to 9% & Net debt to EBITDA at 2.5x

A large, out-of-focus audience of people sitting in rows, with many of their hands raised in the air. The scene is dimly lit with a blue tint, suggesting a conference or seminar setting.

Lets answer your queries!



beyond tomorrow