

STU

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Investor Presentation

Sep'23



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Company Overview



**Company
Overview**

1
Optical
Networking

2
Global
Services

3
STL
Digital

4
STL
financials

Annexure

A leading Optical and Digital Solutions Company **STL**

Core Business

Customer Segments



Telcos



Cloud Companies



Citizen Networks



Large Enterprises

Business Units

Unique Capabilities

Financial Performance



Optical Networking Business

- Glass Preform
- Optical Fibre
- Optical and Specialty Cables
- Optical Connectivity

Q1FY24 Revenue : Rs. 1,112 Cr.



Global Services Business

- Network Modernisation
- Fibre Roll out
- Managed Services
- Data Centre Solutions

Q1FY24 Revenue : Rs. 353 Cr.



STL Digital Business

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

Q1FY24 Revenue : Rs. 62 Cr.



INR 1,522 Cr.
Q1 FY24 - Revenue*
YoY growth - 2%



Americas Rev. share - 29%
EMEA Rev. share - 40%
India Rev. share - 30%



15.4%
Q1FY24 - EBITDA margin*
YoY growth - 42%



Consistent dividend at 30% payout
(FY23 : 50¹%, FY 22 : 25¹%)

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

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 Networking Business



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Industry Outlook - 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.

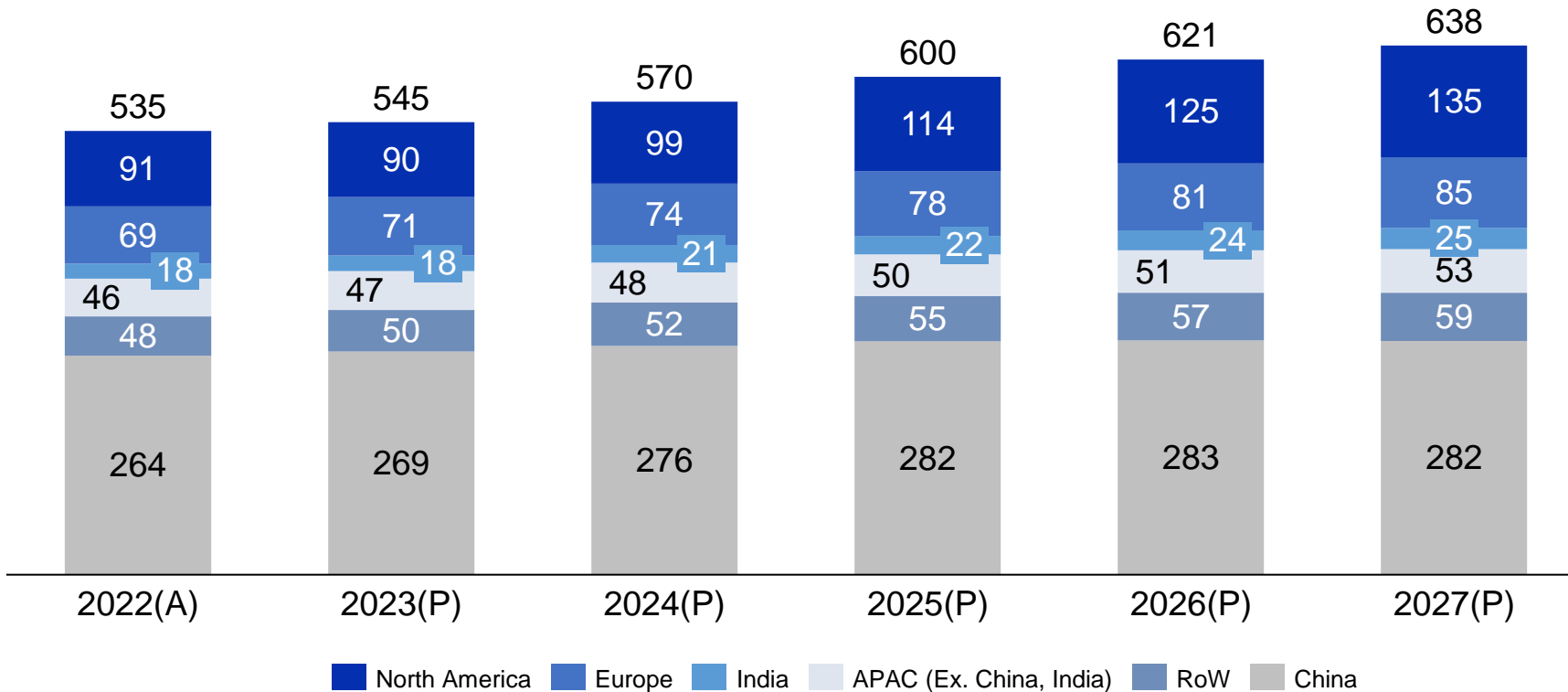
FTTH

- 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

OFC Demand : Short term headwinds, 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%

US Demand outlook remains positive

China Mobile tender awarded

US

- 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
- **Excess inventory correction** expected by the end of year followed by **strong recovery** in the optical demand

We expect US market to strongly recover by the end of 2023

China

- **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

STL has fully vertically integrated world class manufacturing



Optical Fibre (OF)

Optical Fibre Cable (OFC) + Specialty Cable (SCB)

Optical Connectivity



Shendra,
Aurangabad, India



Waluj,
Aurangabad, India



Jiangsu Sterlite
Tongguang Fibre Co.
Limited, Haimen-City, China



Rakholi, Silvassa
India



Metallurgica
Bresciana, Italy



Sterlite Conduspar
Parana, Brazil



South Carolina,
LugOff, USA



Dadra & Nagar
Haveli, India



Optotec
Milan, Italy



- ✓ Shield from Supply Chain vulnerability
- ✓ Wide Product Portfolio

- ✓ Control over Quality
- ✓ Cost Leadership

10

GLOBAL
PRODUCTION
FACILITIES

Vertically Integrated

Industry 4.0 standards

Fully automated machinery with robotic operations

Efficient supply chain

Reduced delivery times and Supply Chain Management cost

STL has Industry leading products with global customer base



Key Products

Advanced Optical Fibre
(Ex: Bend insensitive, Multicore)



Purpose engineered Optical Fibre Cables
(Ex: IBR, Armored, Micromodule)



Optical Connectivity Central Office



Optical Connectivity Outside Plant



Optical Connectivity Access Network



Optical Connectivity Customer Premises



R&D investments leading to 650* patents till FY23

Key customers

8+
Years of relationship

2 - 8
Years of relationship

Recent Wins
Q2 FY23

Top 2 Telcos - India

State telecom operator in Middle East

North American Broadband Player

UK's leading Telecom operator

Leading telecom operator in Italy

Leading Telecom operator - UK

Digital infrastructure provider, Africa

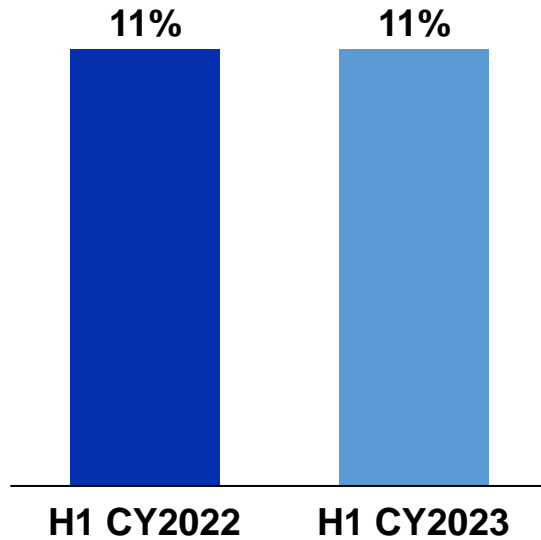
Wholesale fiber operator - Italy

Vocus Group, Australia

STL OFC market share and connectivity attach rate is stable



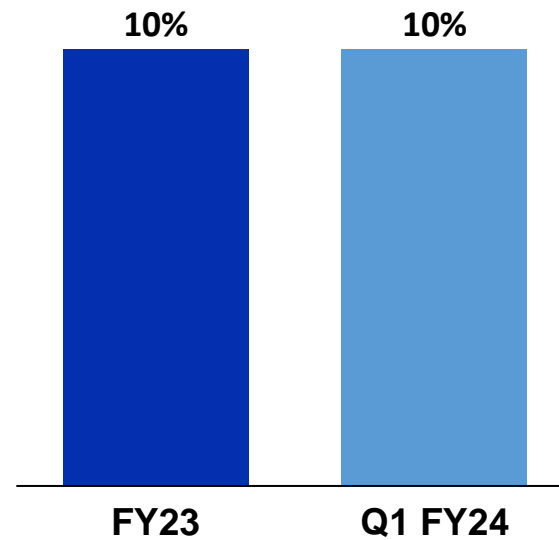
Global (ex-China) OFC Market share



Market Share = $\text{STL Sales Volume} / \text{Total Market Demand}$

OFC market share expected to increase from H2FY24 onwards

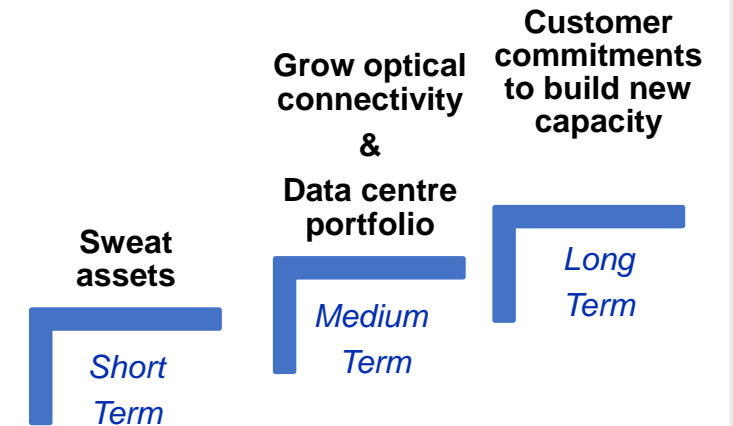
Optical Connectivity Attach rate



Attach rate = $\text{Optical connectivity revenue} / \text{OFC revenue}$

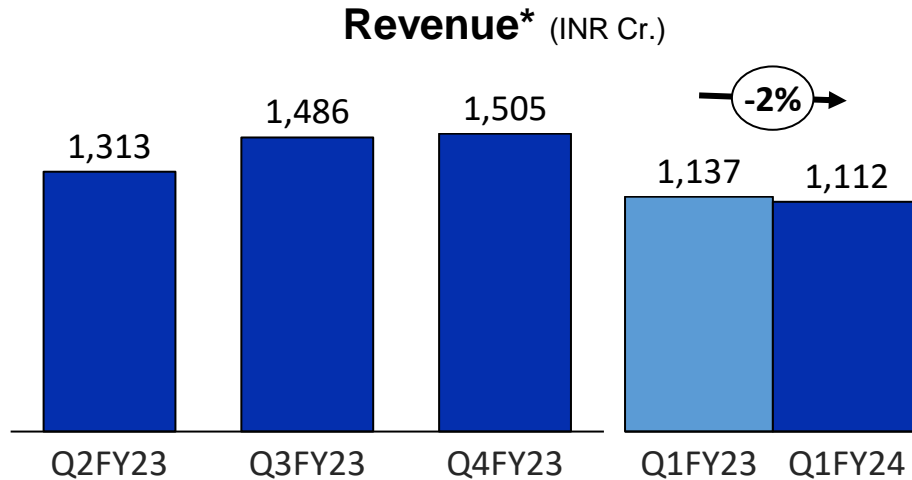
New products commercialisation to increase attach rate from H2FY24

Optical Business Growth levers



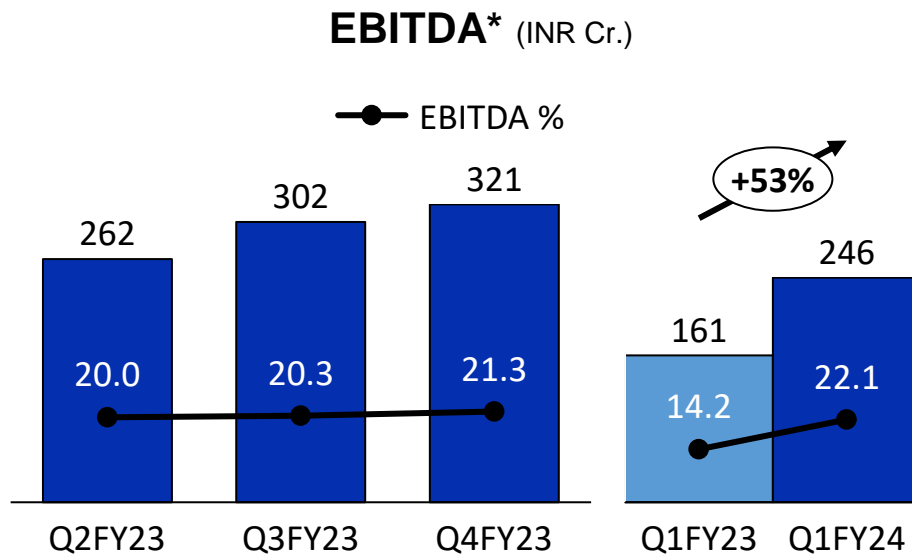
Focus on Step by step approach to grow the business

In Q1 FY24, 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

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

Global Services Business



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Industry Outlook - 5G deployments in India have picked up pace; Govt. to invest Rs. 1.39 lakh Cr. for last mile BharatNet connectivity



5G deployments in full speed

- **Airtel and Jio** Plan to cover India by end of 2023 or early 2024
- **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

Govt. to invest Rs. 1.39 lakh Cr. in BharatNet

- **Cabinet approved** last mile broadband connectivity plan under BharatNet project with an investment of Rs. 1.39 lakh crores
- Govt. has approved an **anti dumping duty** on single mode **optical fibre imports** from China, South Korea and Indonesia to strengthen domestic industry

5G deployment & BharatNet will strengthen optical fibre deployment demand in India

STL has a large scale project execution capability in India and UK



Network Modernization

Design, integrate & deploy end to end modern networks



Fibre Roll out

Design & deployment of long haul & FttH fiber networks



Network Operations and Maintenance

Network management and maintenance with standard SLA's

India - Public

NETWORK MODERNISATION Indian Defense

Connecting ~27K Network elements,
8.8KRKM deployed in harsh terrains



India - Private

LONG HAUL FIBRE NETWORK
for India's leading telco – 14,500+ kms deployed
across 10 circles



UK

RURAL CONNECTIVITY
for states under BharatNet – 25K+ kms
deployed across ~7,000+ locations



FTTX DEPLOYMENT -
for Gigabit connectivity in UK cities



Project execution is 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.

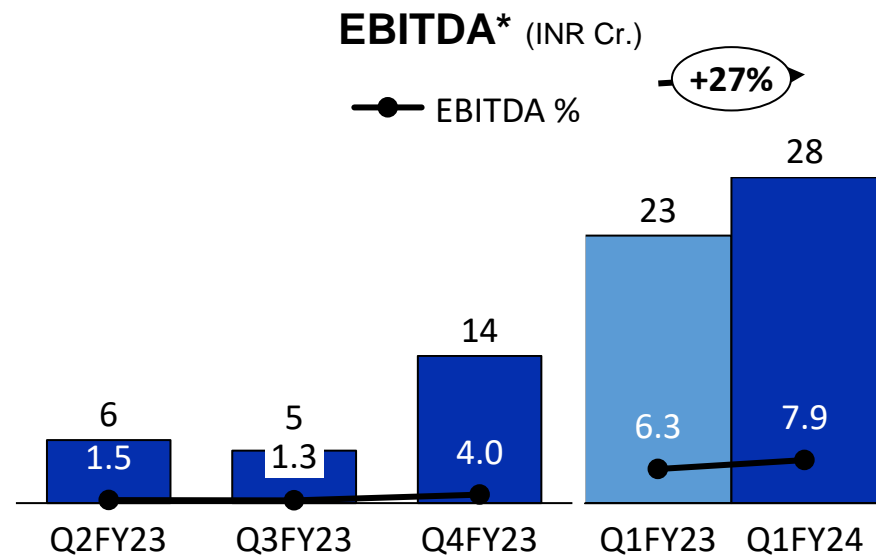
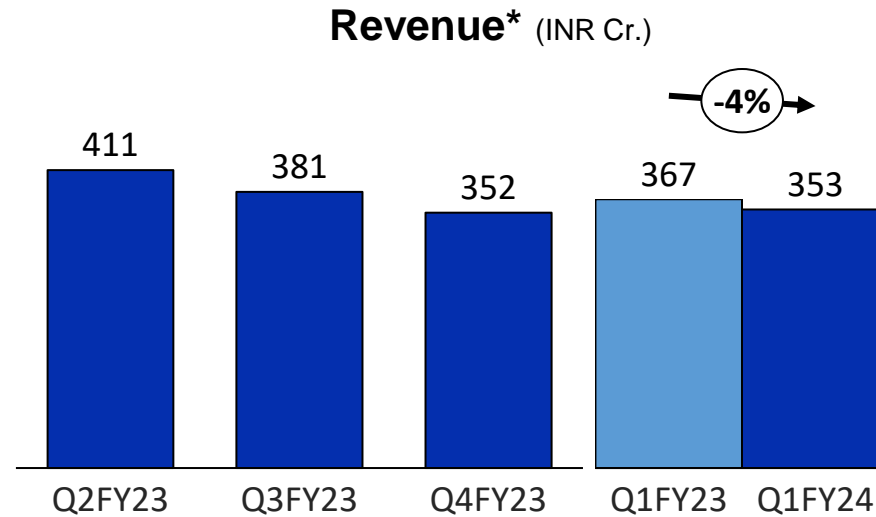
Won new projects in Q1 FY24



- **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.

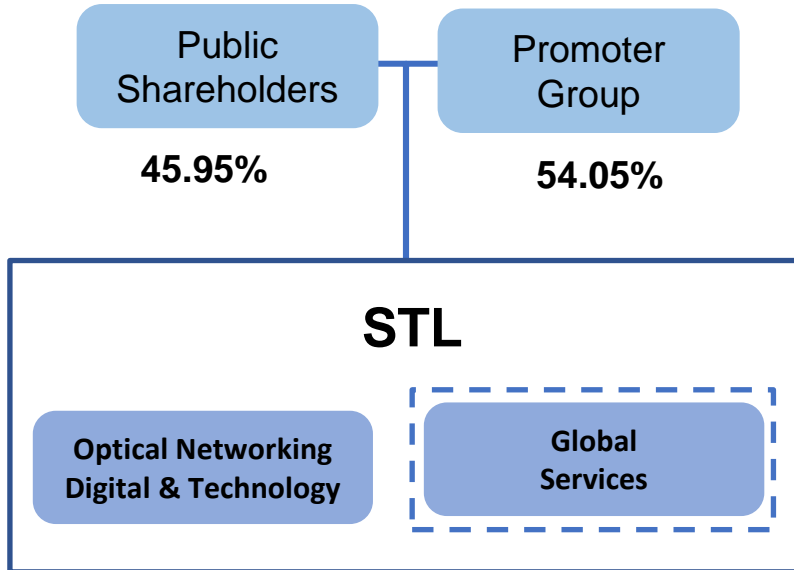
- Favourable project mix

Proposed scheme to demerge Global Services business

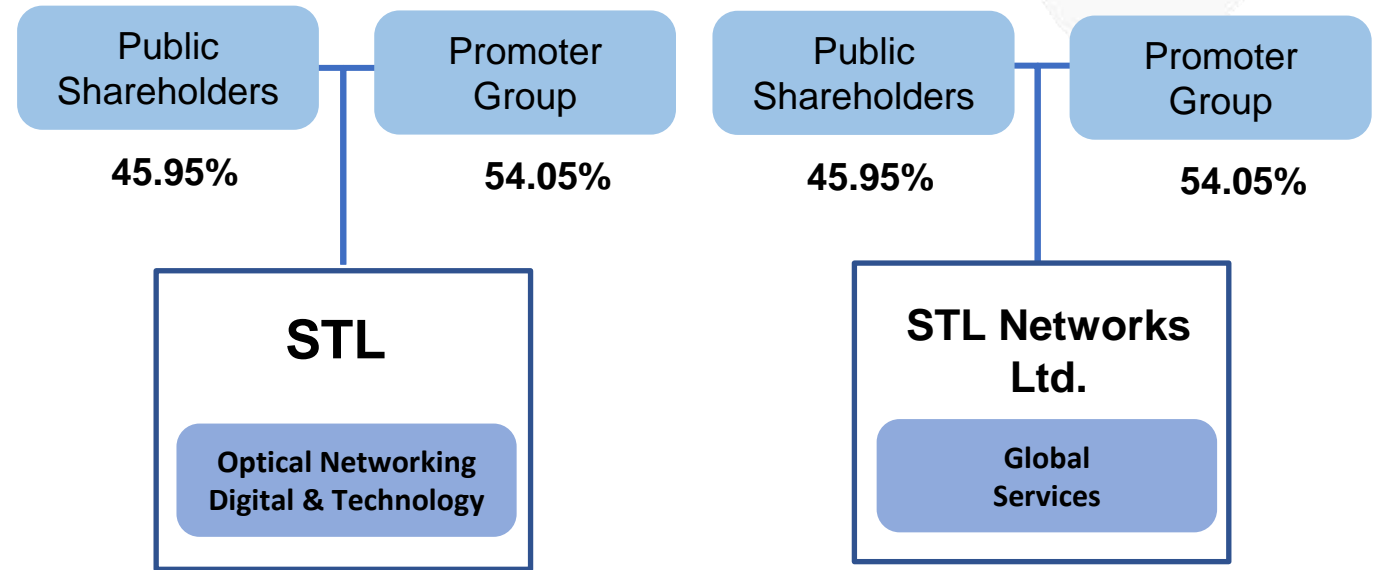


Current Structure

Shareholding as on March 31st, 2023

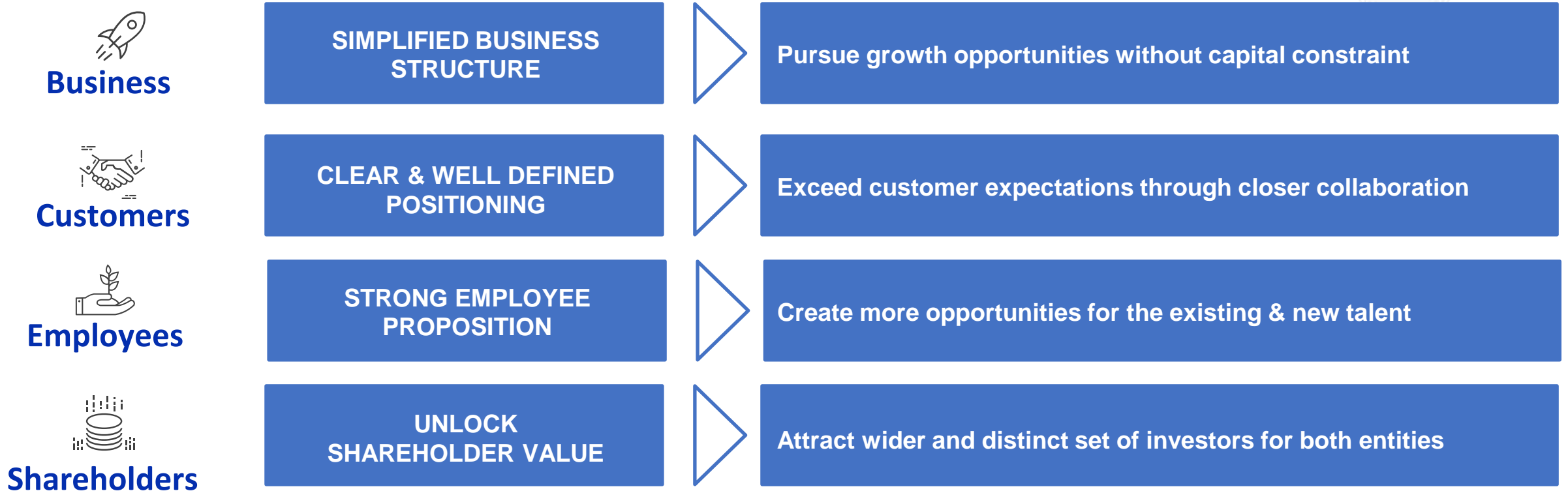


Proposed Structure



- Global Services Business to be demerged to “STL Networks Limited” 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



STL Digital Business



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Business Snapshot



950+
Consultants

Identity

1



- 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

Q1 FY24 updates

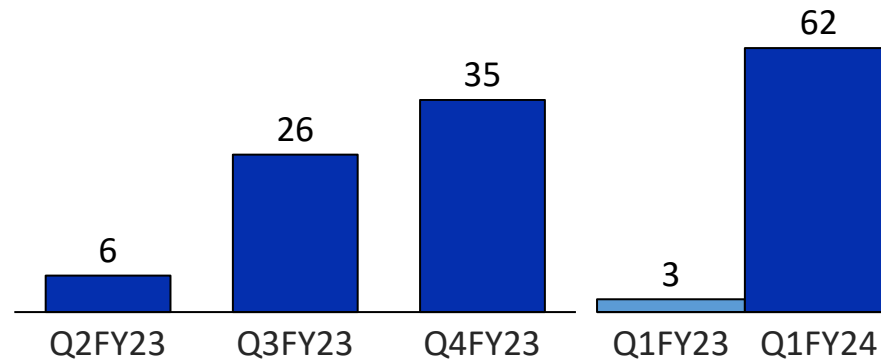
New customer acquisitions in US and India across Technology & Services Industry verticals

- Active Customers : 20+
- Strong Deal flow in Q1 FY24
- Strategic partnerships signed with SAP & Google
- Active technology partners : 30+

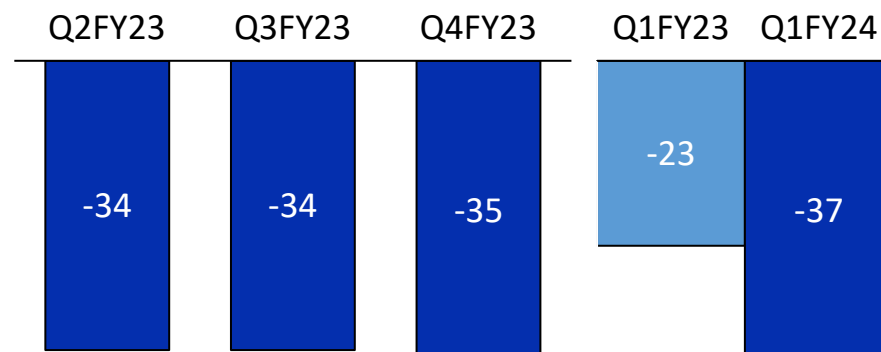
Strong growth in STL Digital on QoQ basis



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

STL Financials

STL



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1
Optical
Networking

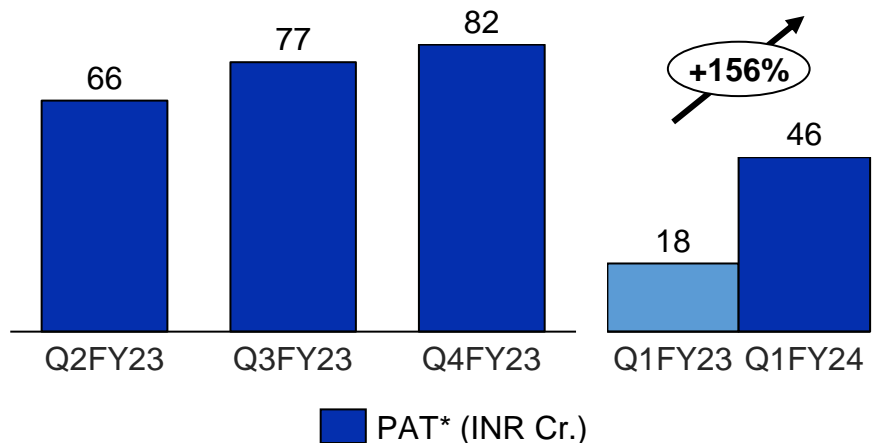
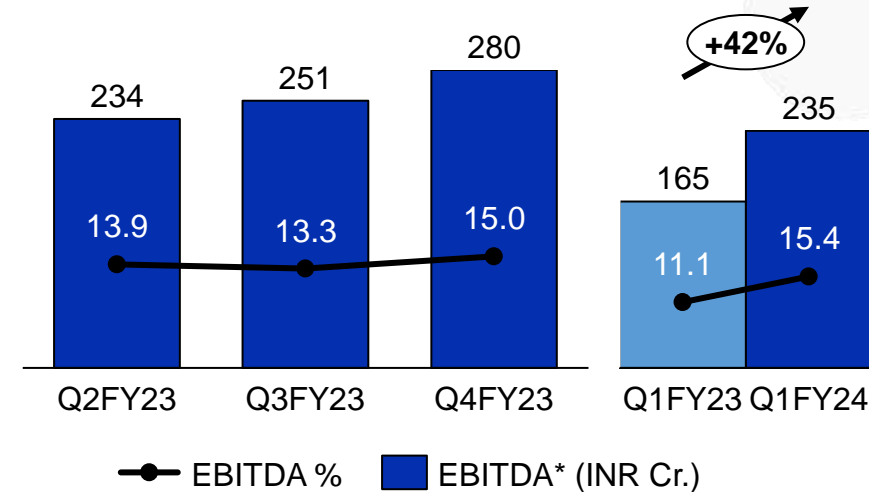
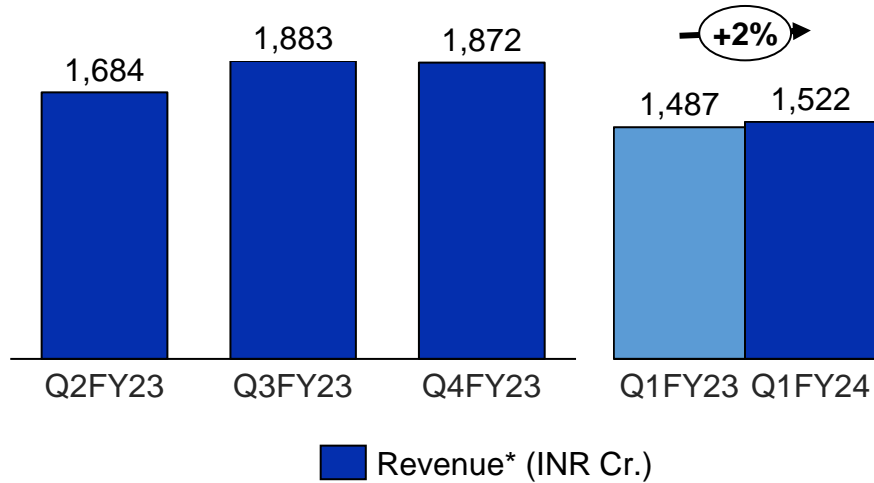
2
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Q1 FY24 Revenue, EBITDA and PAT up by 2%, 42% and 156% YoY



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

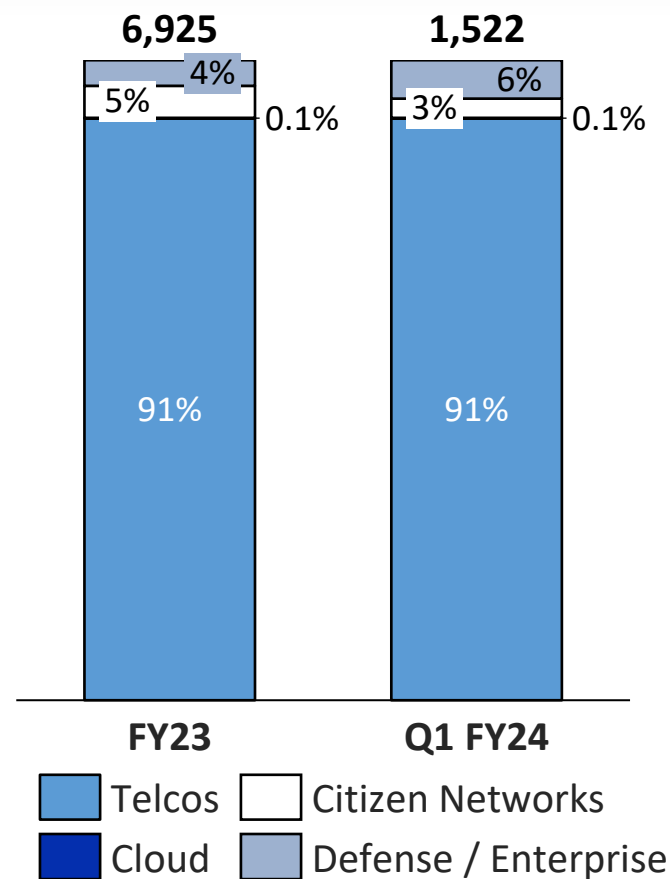


Key Order Wins Q1 FY24

- **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

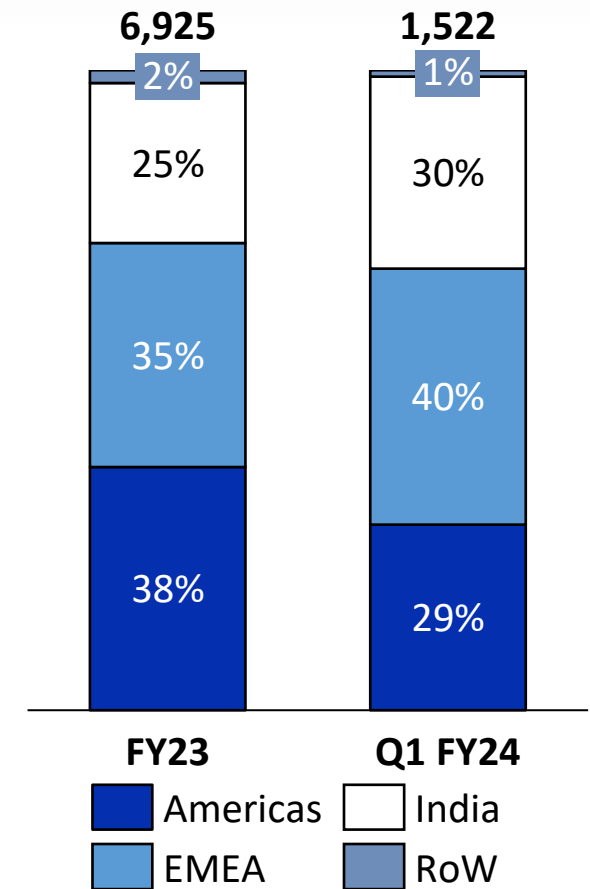
Customer Segments

Revenues* (INR Cr.)

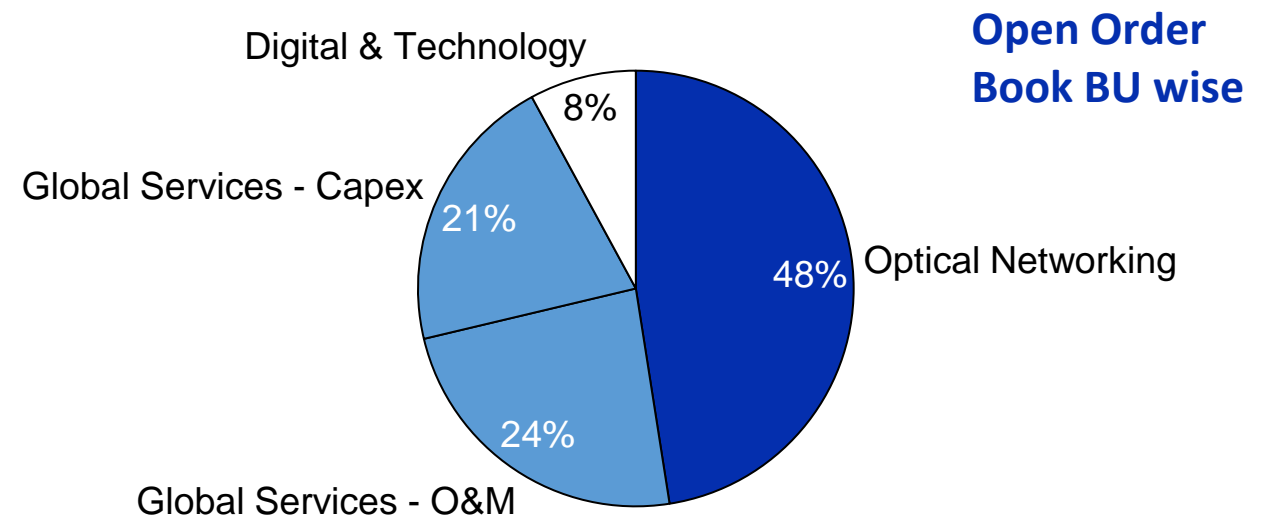
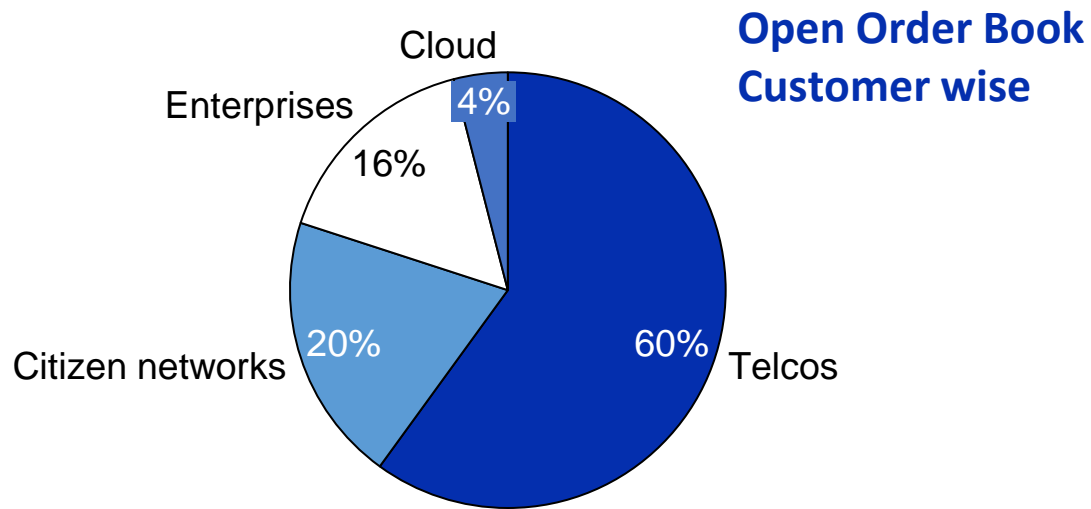
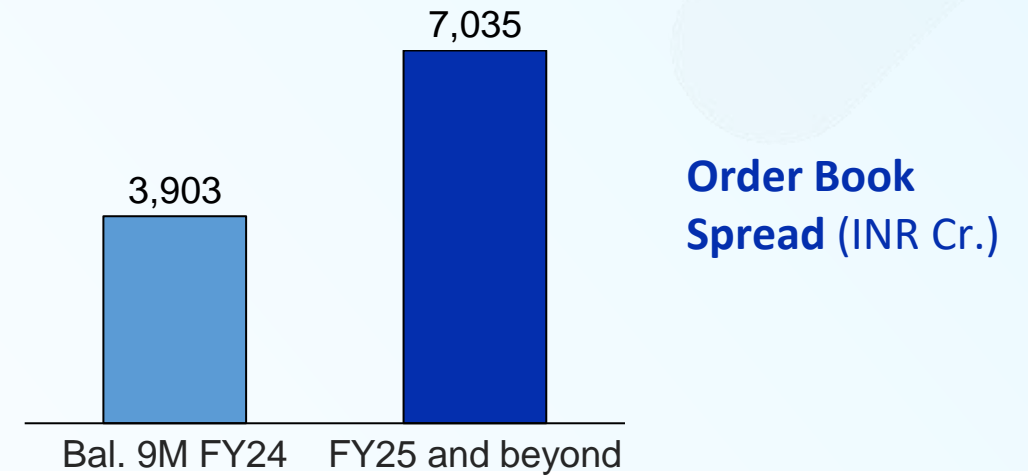
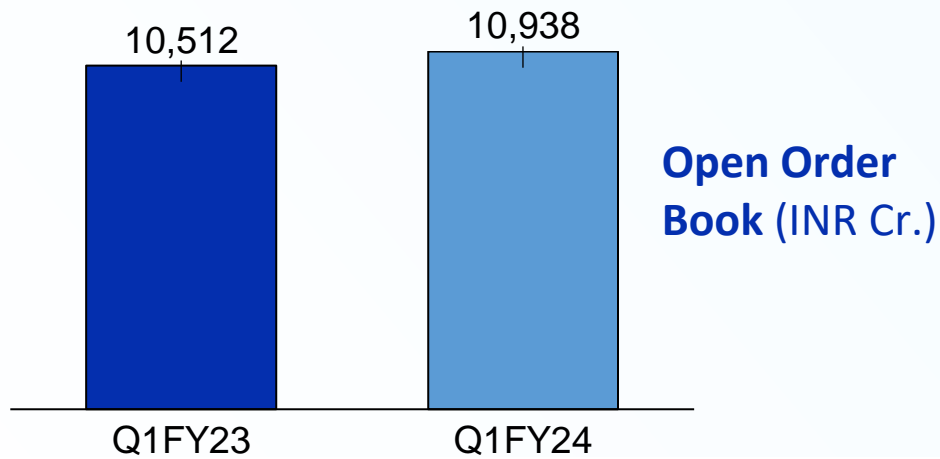


Geographical Distribution

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	42%
<i>EBITDA %</i>	15.0%	11.1%	15.4%	
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



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

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STL



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With a strong board in place



ANKIT AGARWAL

Managing Director and Whole Time Director



ANIL AGARWAL

Non-Executive Chairman



PRAVIN AGARWAL

Vice Chairman And Whole-Time Director



SANDIP DAS

Non-Executive And Independent Director



KUMUD SRINIVASAN

Non-Executive And Independent Director



BJ ARUN

Independent Non-Executive Director



S. MADHAVAN

Independent Non-Executive Director



VENKATESH MURTHY

Director-Operations

Key Management



Pravin Agarwal
Vice Chairman & Whole time Director



Ankit Agarwal
Managing Director & Whole time Director



Paul Atkinson
CEO, Optical Network Business



Praveen Cherian
CEO, Global Services Business



Raman Venkatraman
CEO, STL Digital



Tushar Shroff
Chief Financial Officer



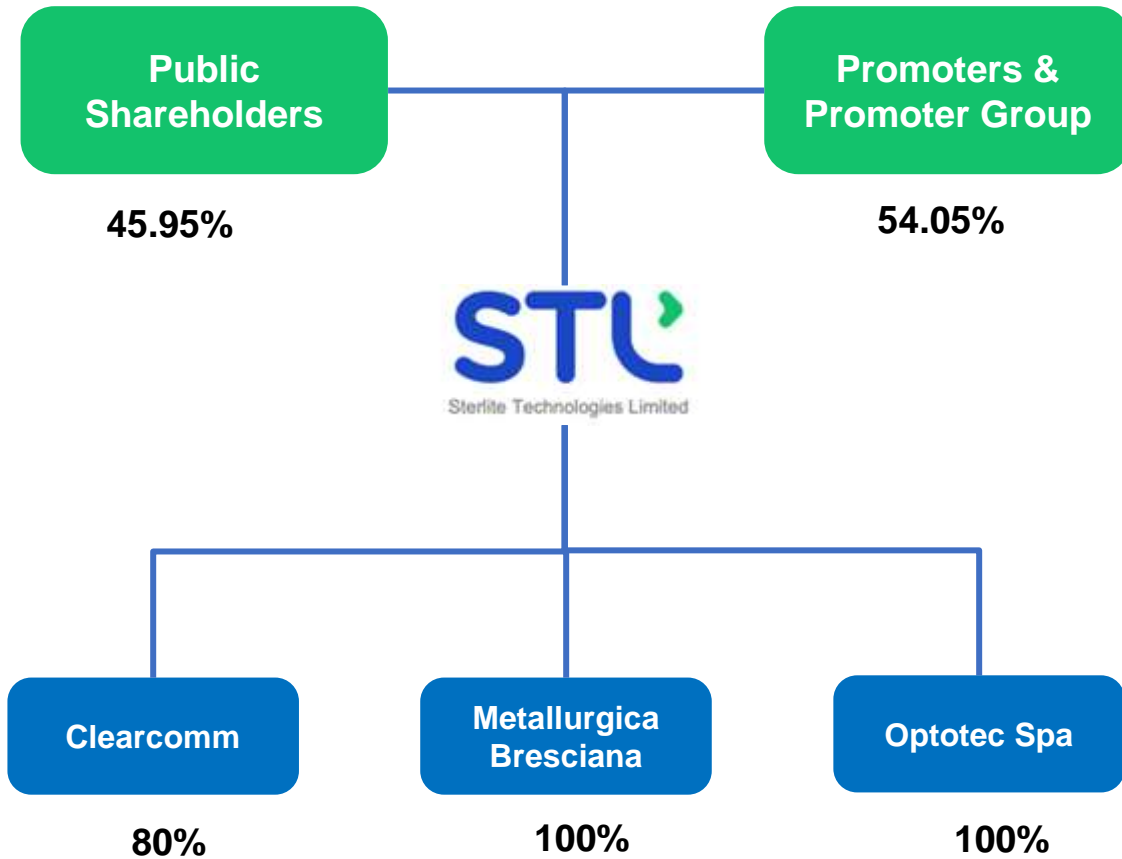
Amit Deshpande
Company Secretary

Corporate structure and shareholding pattern



Corporate structure

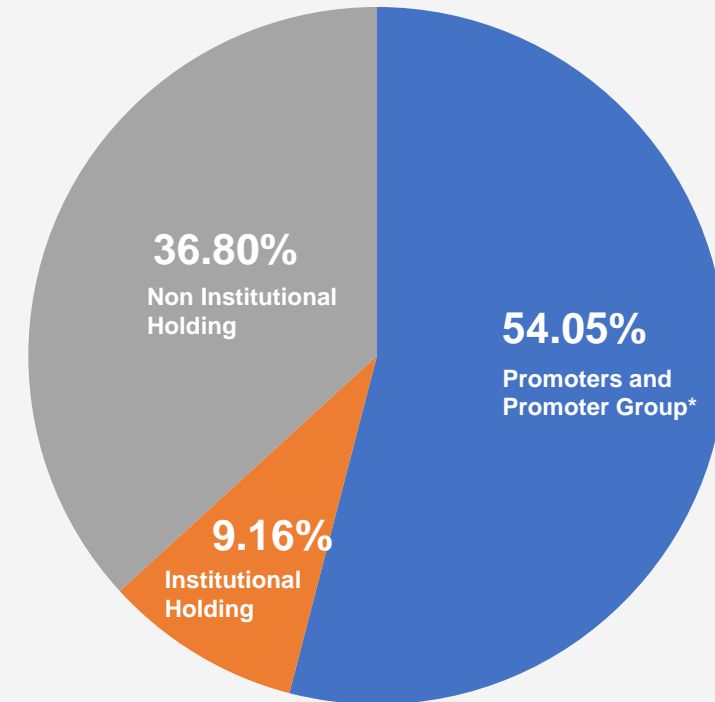
As on June 30th, 2023



Key Acquisitions

Shareholding pattern

As on June 30th, 2023



STL in Numbers



INR 1,522 Cr.

Q1 FY24 Revenue

Americas (29%),
Europe (40%), India (30%), RoW(1%)

Customers in

100+ countries

10

Global production facilities

4

Innovation Centres

Global Services

CoE's in India and UK



650*

PATENTS
as on end of FY23

Zero

WASTE TO LANDFILL

CMMI Level 5

**Certification for process
quality standards**



beyond tomorrow