



stl.tech

Earnings Presentation

Earnings Call Q2 FY24

26th October 2023



Safe Harbour



Certain words and statements in this communication concerning Sterlite Technologies Limited (“the Company”) and its prospects, and other statements relating to the Company’s expected financial position, business strategy, the future development of the Company’s operations and the general economy in India & global markets, are forward looking statements.

Such statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Company, or industry results, to differ materially from those expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

The important factors that could cause actual results, performance or achievements to differ materially from such forward-looking statements include, among others, changes in government policies or regulations of India and, in particular, changes relating to the administration of the Company’s industry, and changes in general economic, business and credit conditions in India.

The information contained in this presentation is only current as of its date and has not been independently verified. No express or implied representation or warranty is made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in this presentation. None of the Company or any of its affiliates, advisers or representatives accepts any liability whatsoever for any loss howsoever arising from any information presented or contained in this presentation. Please note that the past performance of the Company is not, and should not be considered as, indicative of future results. Furthermore, no person is authorized to give any information or make any representation which is not contained in, or is inconsistent with, this presentation. Any such extraneous or inconsistent information or representation, if given or made, should not be relied upon as having been authorized by or on behalf of the Company.

The Company may alter, modify or otherwise change in any manner the contents of this presentation, without obligation to notify any person of such revision or changes.

Persons should consult their own financial or tax adviser if in doubt about the treatment of the transaction for themselves

These materials are confidential, are being given solely for your information and for your use, and may not be copied, reproduced or redistributed to any other person in any manner. The distribution of this presentation in certain jurisdictions may be restricted by law. Accordingly, any persons in possession of this presentation should inform themselves about and observe any such restrictions

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



1 Strategic Priorities

2 Optical deployment remains Steady; STL's focus on Profitability

3 Focus on 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
- Demerge Services Business

03

Build

STL Digital



- Consciously invest in building technology and capability
- Focus on EBITDA breakeven

Optical Business remains Steady STL's focus on Profitability



1 Strategic
Priorities

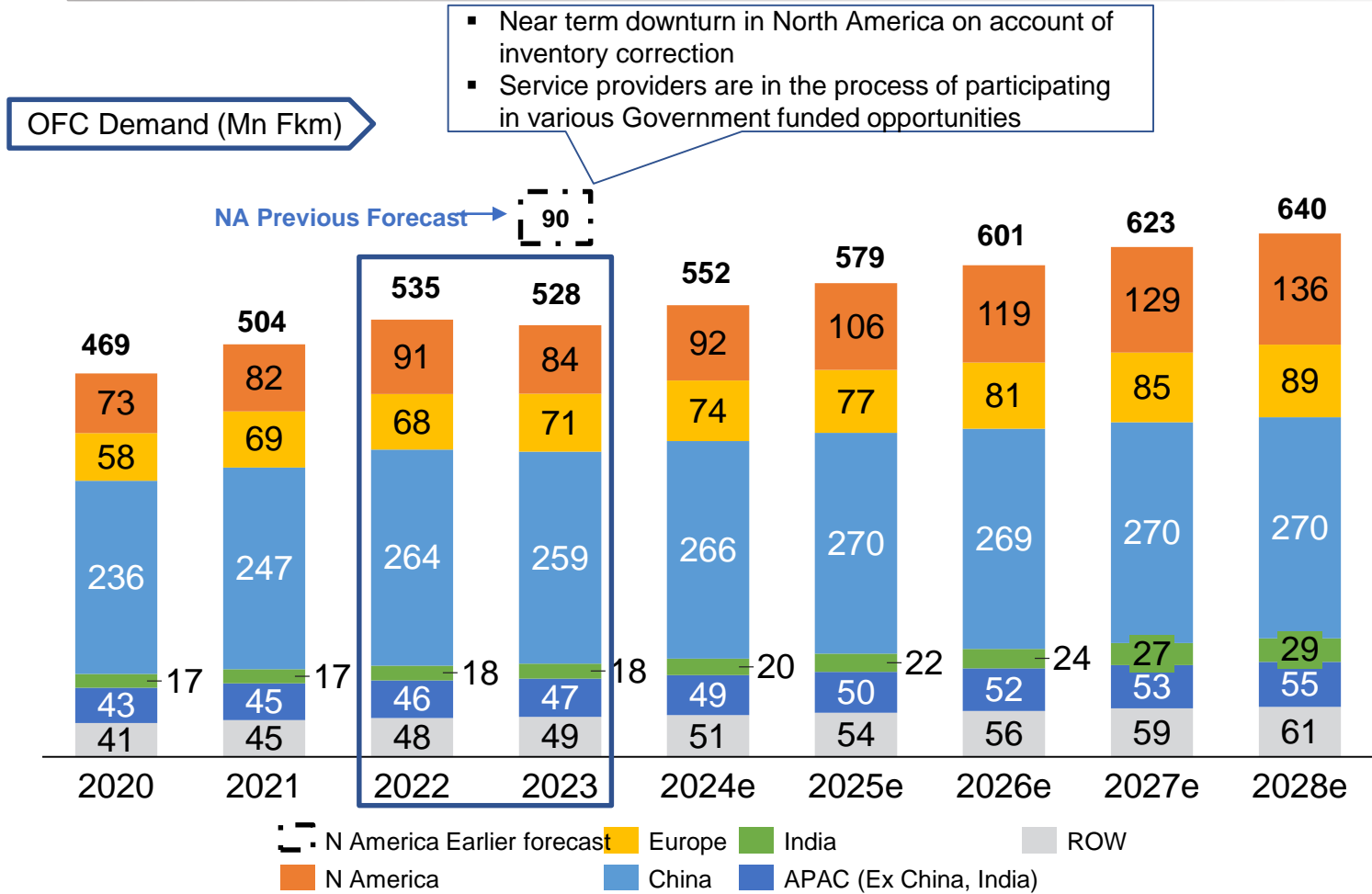
**2 Optical Business
remains Steady; STL's
focus on Profitability**

3 Focus on Profitable
order wins in Global
Services

4 Strong Growth
in STL Digital

5 Robust
Financials

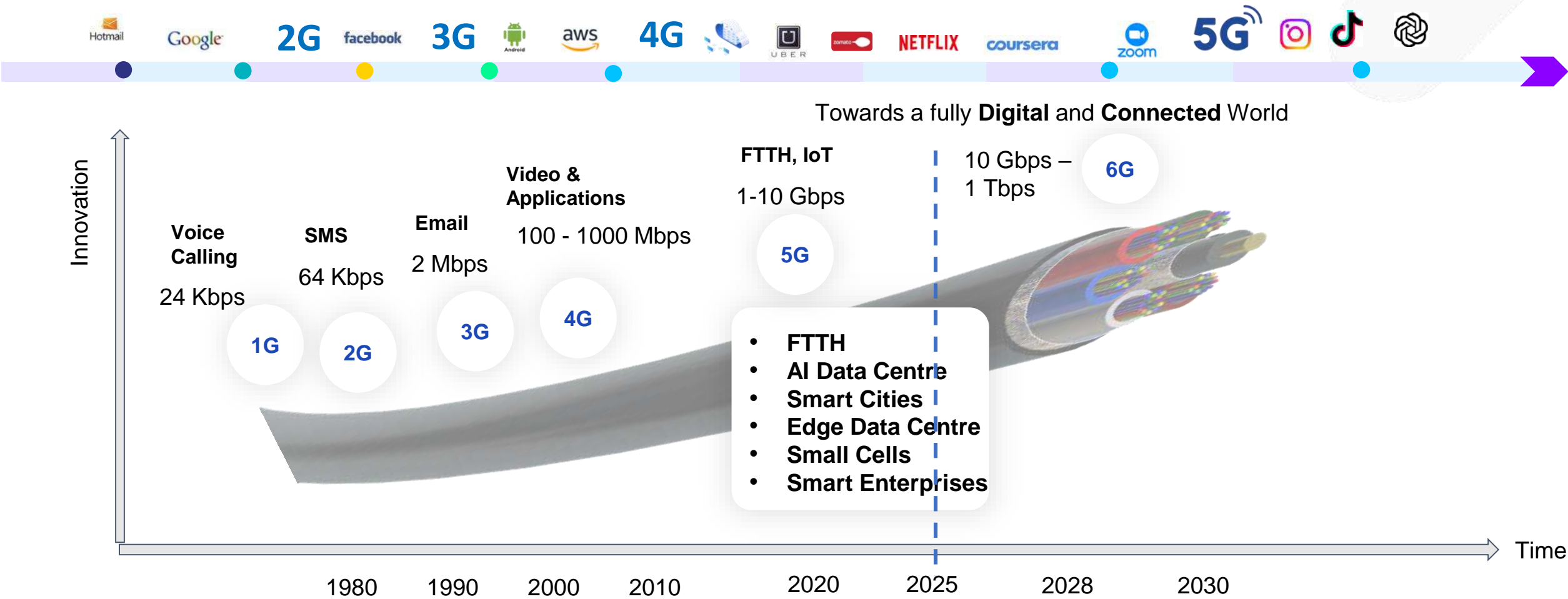
Steady Demand in Near Term, Robust Growth for Medium to Long Term



Region	2022-2023	2023-2024	CAGR 2023-2028	▪ Significant revenues come from these markets
North America	-7.7%	+9.5%	+10.1%	
Europe	+4.2%	+4.5%	+4.7%	
India	+2.2%	+8.7%	+9.5%	
APAC (Ex. China & India)	+1.3%	+5.1%	+3.4%	
RoW	+3.1%	+4.1%	+4.5%	
China	-1.9%	+2.7%	+0.8%	

STL's focus markets *North America, Europe & India* are high potential and fast growing

Carpet Coverage of Fibre



Fibre Densification Leading to Technology Democratisation

Strong demand drivers for High Growth in North America

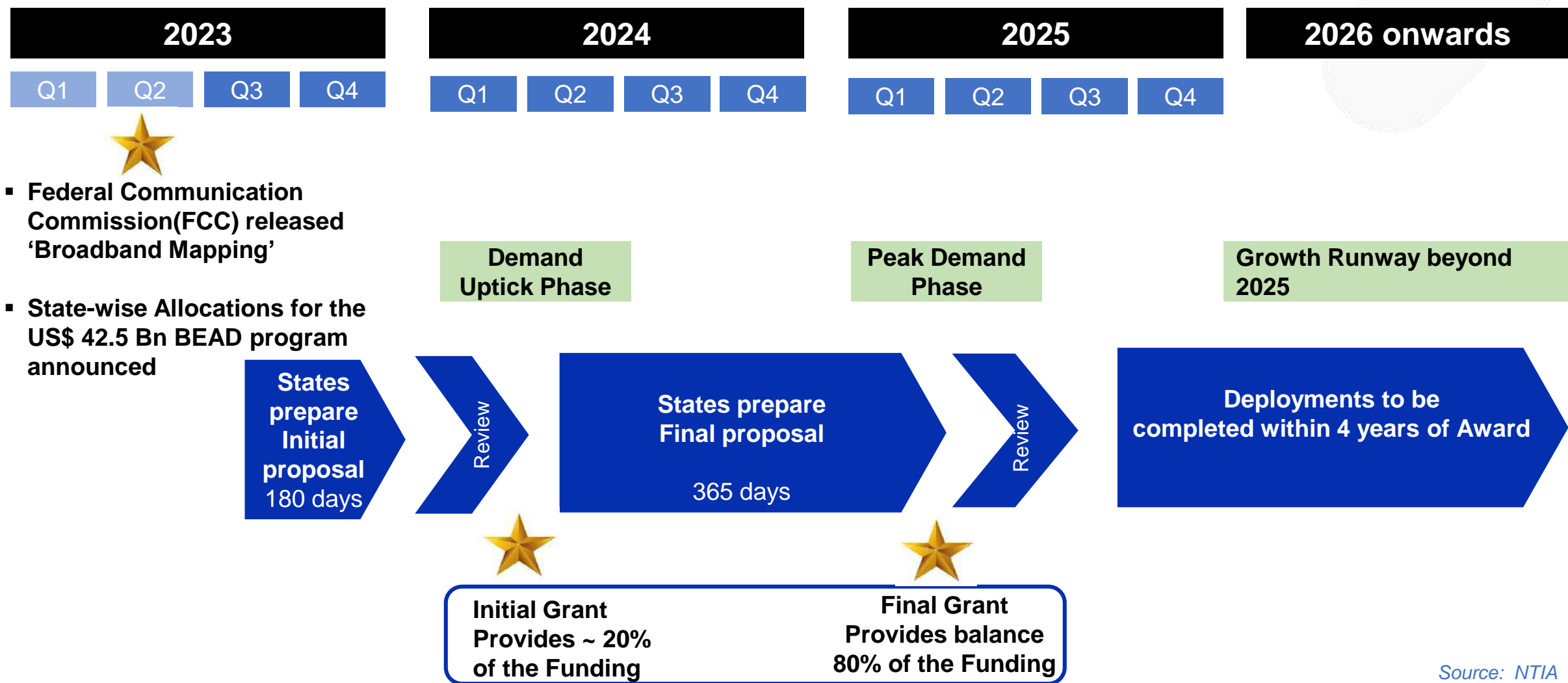
Medium and Long Term



Drivers	Current Scenario	Growth Forecast
5G	<ul style="list-style-type: none">North American 5G connections at 36% population penetration.	<ul style="list-style-type: none">Omdia forecasts 5G in North America will grow 184% from 173 million currently to reach 601 million subscriptions by the end of 2027.
FTTH	<ul style="list-style-type: none">67 million unique homes passed out of ~129 million occupied households<ul style="list-style-type: none">Windstream targets ~3 Mn. homes in 2030Frontier reached halfway to 10M fiber location target.	<ul style="list-style-type: none">CRU Forecasts FTTH HPs will grow in line with BEAD at a CAGR of 18% i.e. from 8.7 Mn/year in 2023 to 12.2Mn/year by 2025.
Data Center	<ul style="list-style-type: none">North America data center capex in 2023 is expected to be between \$50 billion - \$60 billion.	<ul style="list-style-type: none">North America data center capex market is forecasted to reach \$90 billion by 2027.
Federal Programs	<ul style="list-style-type: none">Broadband Mapping has been Completed and State allocations for BEAD funding has been announced.	<ul style="list-style-type: none">Upcoming government initiatives like the \$42.5 bn BEAD program and the \$10 bn Capital Projects Fund (CPF) will drive medium to long term fibre demand.

Source: Omdia, CRU, Statista, NTIA

BEAD Program to Provide Impetus from Early 2024, Extending Beyond 2025



STL's US cable factory is fully compliant with Build America, Buy America ("BABA") regulations

Strong Demand Drivers for Growth in India

Medium and Long Term



Drivers

Current Scenario

Growth forecast

5G

- **Airtel has installed 83K 5G BTS till June and Jio has installed 193K 5G BTS.**
 - Telcos to spend US\$ 1.5 - 2.5bn for 5G fiberization.
 - Airtel aiming for 40 Mn. home broadband customers by 2025

- 5G Subscriptions are expected to **grow at a CAGR of 48% from 100 million currently to 700 million by 2028.**

FTTH

- **India's fiber capita stand at only 0.25 Km compared to China at 2.5 Km and US at 1.8 Km indicating huge potential.**

- The fiber-to-the-home (FTTH) connections in India grew from 0.7 million in 2014 to 4 million in 2020, and **forecasted to reach 10 million by 2025, a CAGR of 20%**

Data Center

- **Data Center Capex in 2023 is US\$ 4 Bn.**
 - Adani Enterprises and EdgeConneX to build 1 GW data center park in Chennai

- **Investment to cross \$20 billion by FY25.**
 - AWS to invest US\$ 12.7 Bn in data centres in India by 2030.

BharatNet

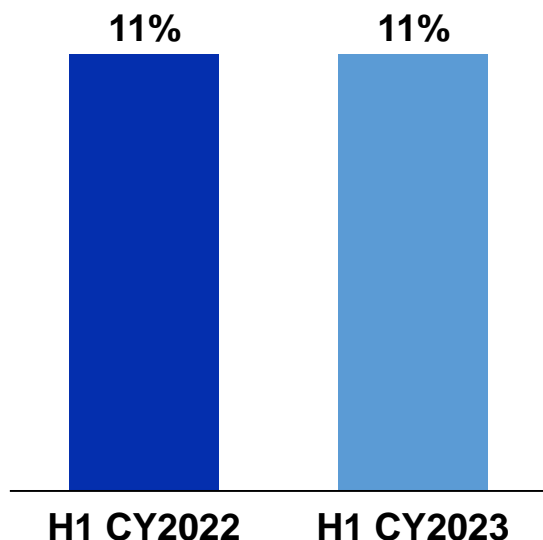
- Government has **approved INR 1.39 lakh crore for the ambitious BharatNet project.**

- Phase III BharatNet is envisaged for **up-gradation of fiber network laid across 2.5 lakh Gram Panchayats**

Well Positioned to Execute Strategy of being 'Global Top 3' in Optical Networking Business



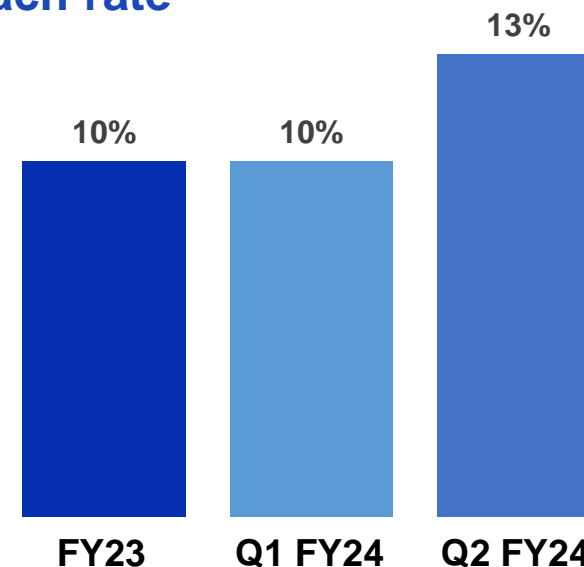
Stable Global (ex-China) OFC Market share



Market Share = STL Sales Volume / Total Market Demand

OFC market share expected to increase from H2FY24 onwards

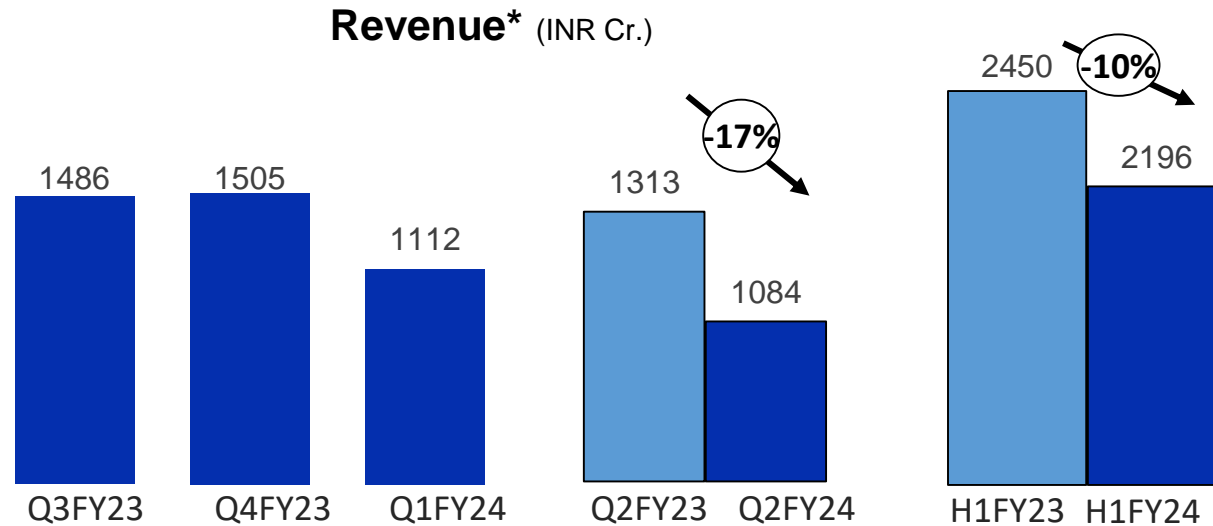
Increasing Optical Connectivity Attach rate



Attach rate = Optical connectivity revenue / OFC revenue

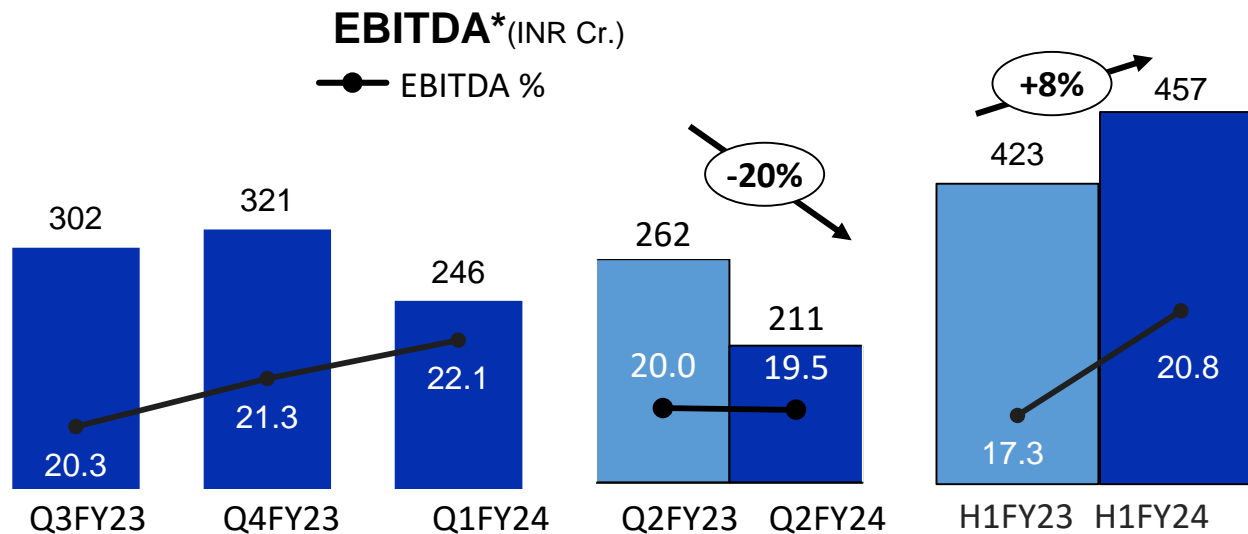
New products commercialisation to further increase attach rate from H2FY24

Optical Business EBITDA Margins remains Stable



H1 FY24 Revenue at INR 2,196 Cr.

- OFC volumes are lower on y-o-y basis, partially offset by improved realization



H1 FY24 EBITDA margin at ~ 21%

- Reduction in operating costs ensured increase in margins on y-o-y basis

Profitable Order Wins in Global Services



1 Strategic
Priorities

2 Optical Business remains
Steady; STL's focus on
profitability

3 **Focus on
Profitable order
wins in Global
Services**

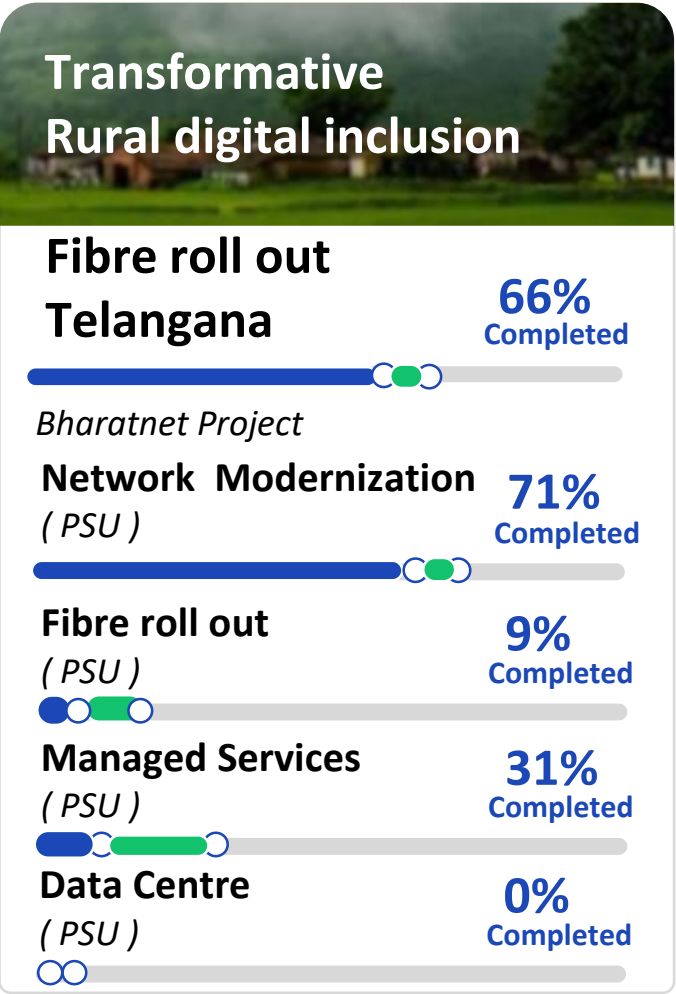
4 Strong Growth
in STL Digital

5 Robust
Financials

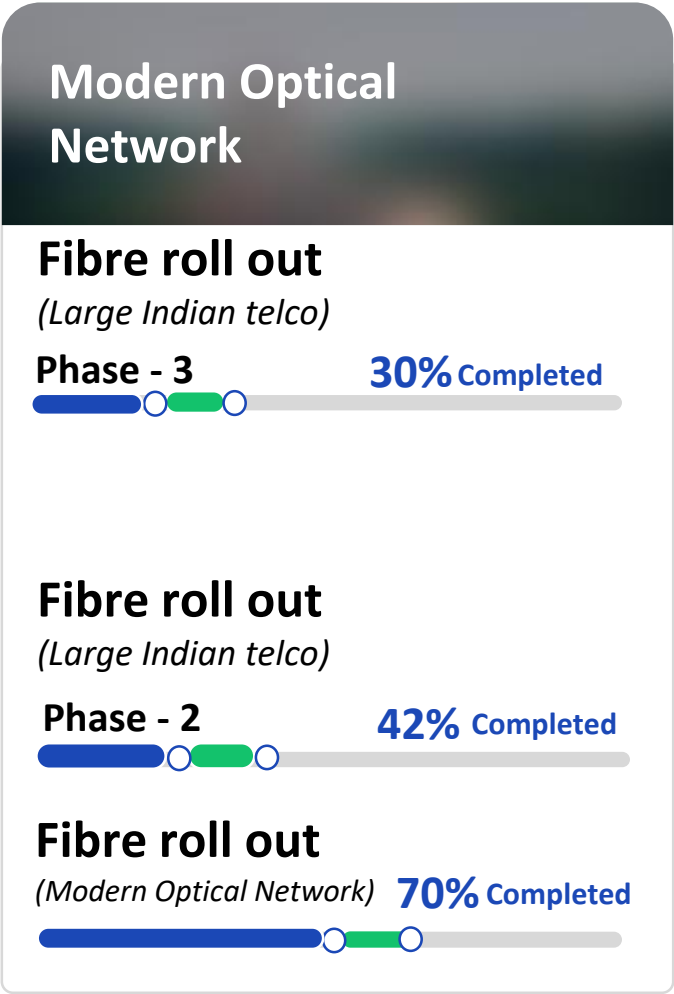
Project Execution on Track



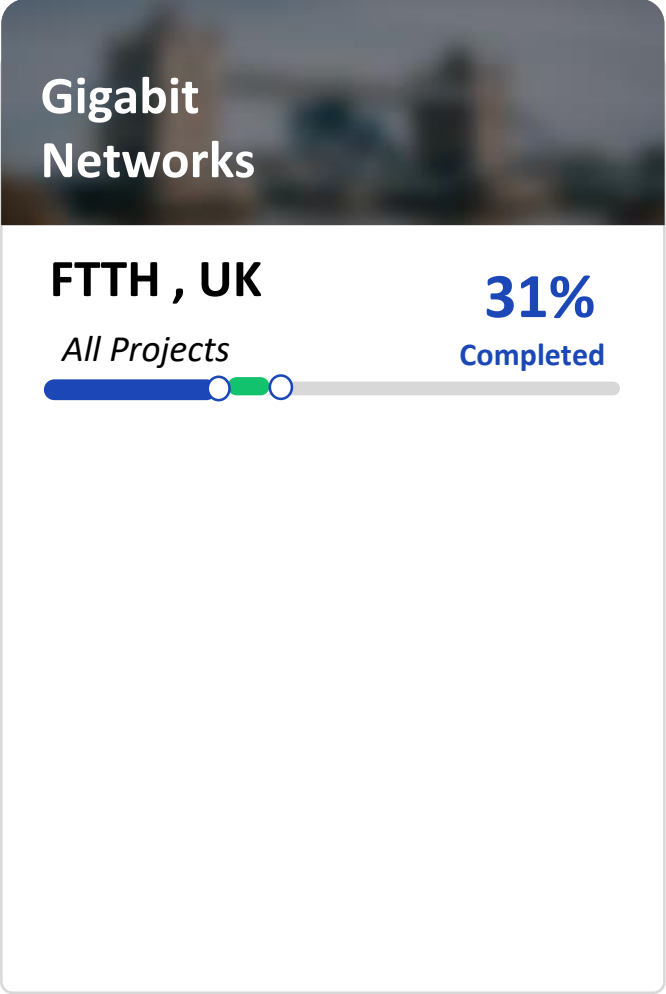
India - Public



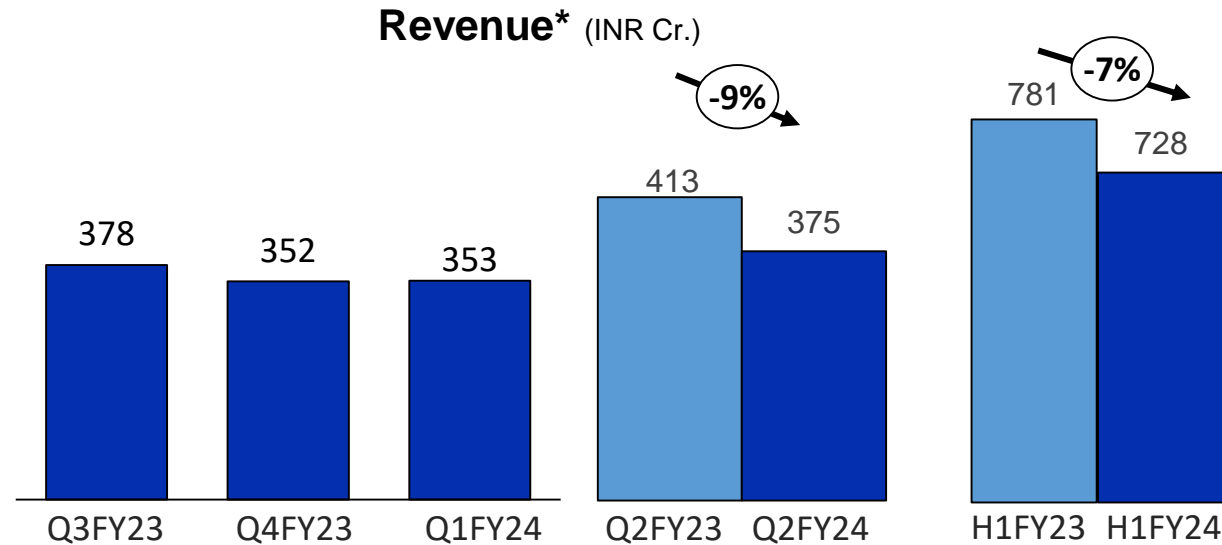
India - Private



UK

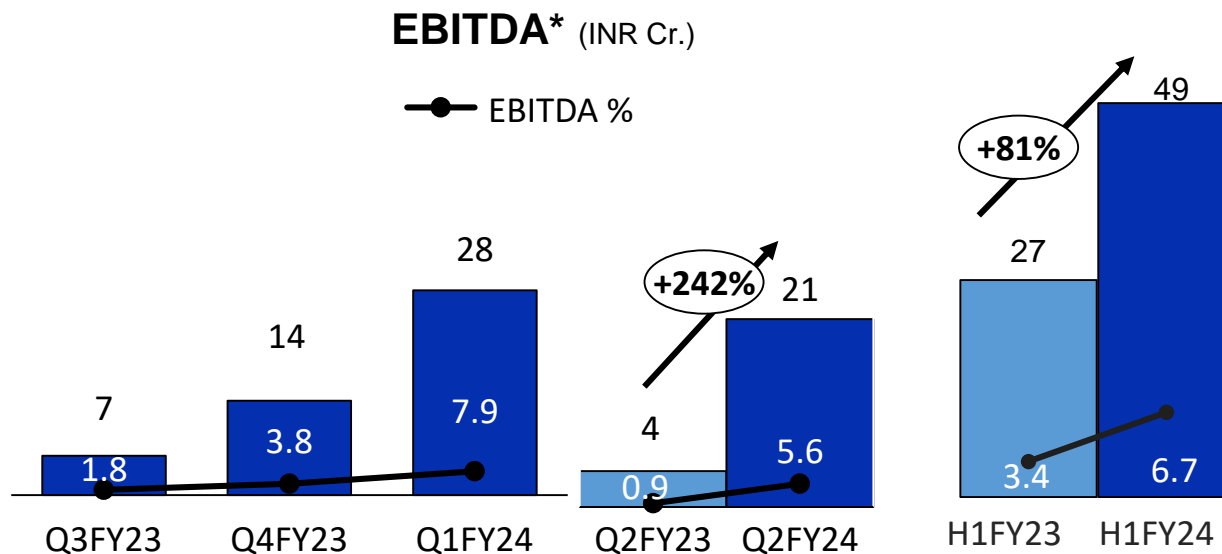


Continue to Improve Profitability in Global Services



H1 FY24 Revenue at INR 728 Cr.

- Selective order intake & execution



H1 FY24 EBITDA at INR 49 Cr.

- Favourable project mix resulting in improved margins on y-o-y basis

Strong Growth in STL Digital



1 Strategic
Priorities

2 Optical Business remains
Steady; STL's focus on
Profitability

3 Focus on Profitable
order wins in Global
Services

**4 Strong Growth
in STL Digital**

5 Robust
Financials

Continued Growth Momentum in STL Digital



Identity



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

Service Offerings

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

Industry Vertical

- Technology
- Life Sciences & Healthcare
- Manufacturing
- Energy, Resources & Utilities

Customers

20

Global Customers



Team



900+ Consultants



23% Women

Financials

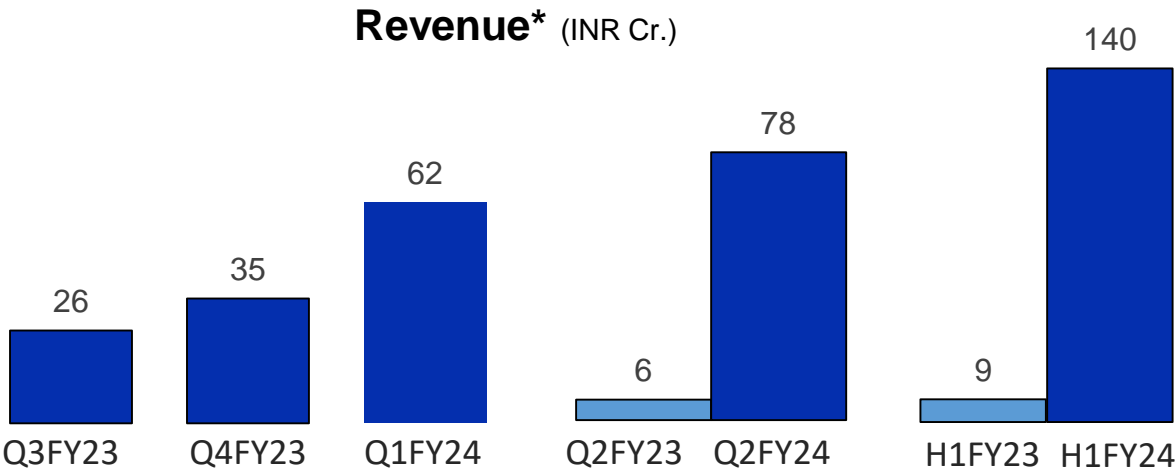
Order Book **INR. 780 Cr+**

H1FY24 Revenue **INR. 140 Cr**

- **New customer acquisitions** in US and India across Technology & Services Industry verticals
 - Strong Deal flow in Q2 FY24
- **Strengthening partnership ecosystem**
 - Strategic partnerships signed with **SAP & Google**
 - Active technology partners : **43+**
- **Announced launch of Alnnov, a pioneering Generative AI solutioning**

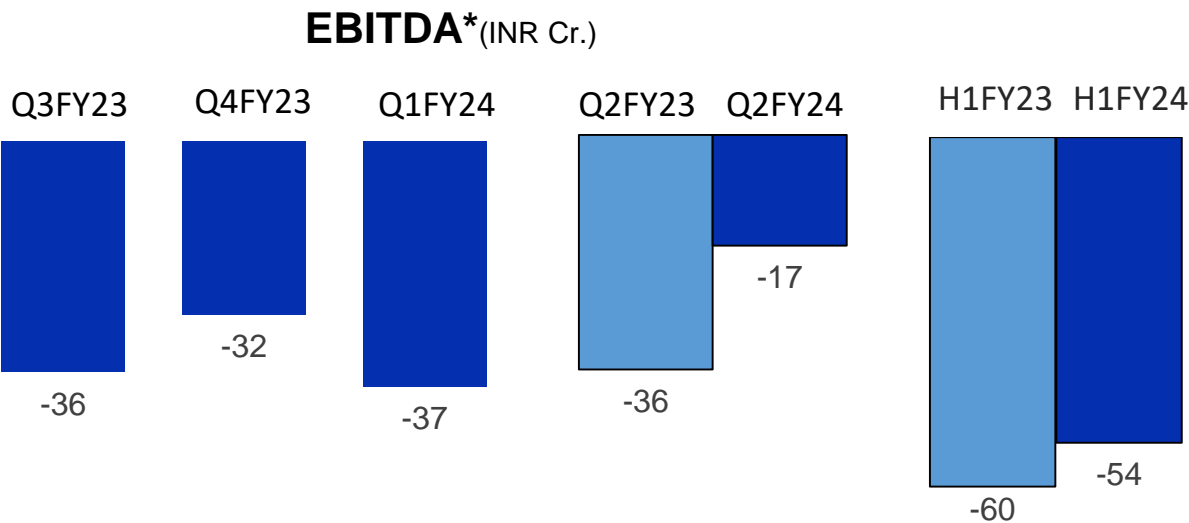
Growth Driven by Robust Order Book and Right Team of Leadership + Consultants

Strong Growth in STL Digital



H1 FY24 Revenue up at INR 140 Cr.

- Revenue has seen 25% growth on q-o-q basis



H1 FY24 EBITDA loss at INR 54 Cr.

- EBITDA losses trending downwards on q-o-q basis
- Expected to further reduce with increase in revenue run rate

Focus on maintaining Operating Profitability & Reducing Debt



1

Strategic
Priorities for
FY24

2

Optical Business remains
strong; STL's focus on
profitability

3

Focus on
Profitable order
wins in Global
Services

4

Strong growth in
STL Digital

5

**Robust
Financials**

Tushar Shroff

Group CFO

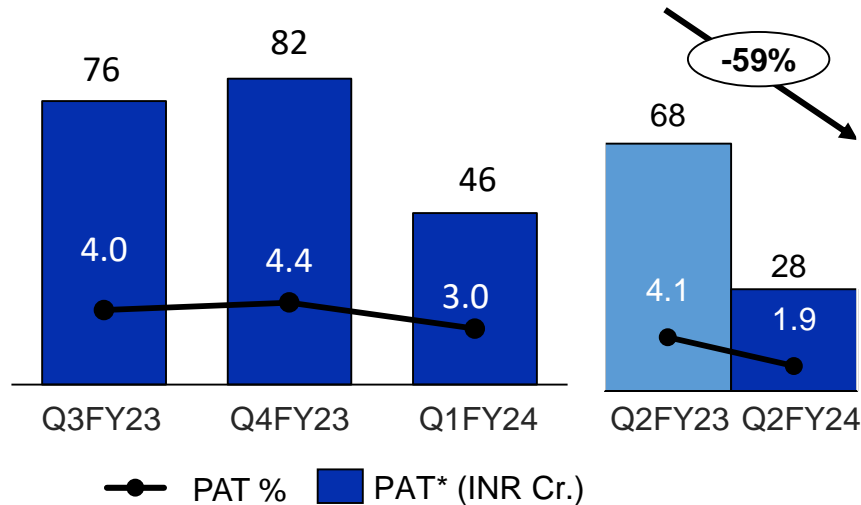
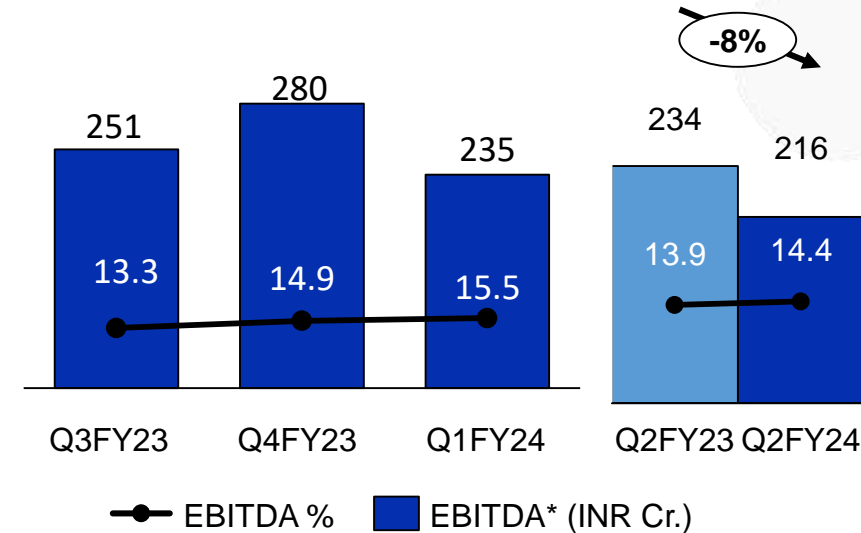
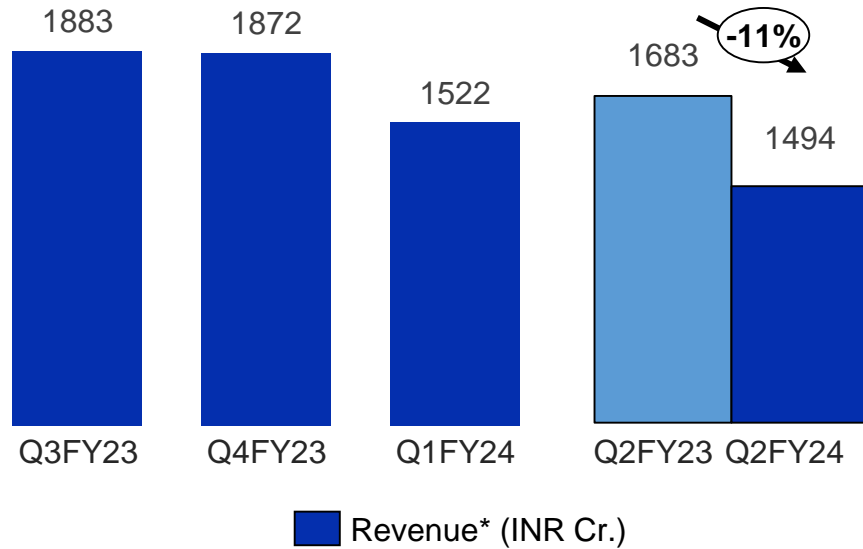


Tushar has a rich experience of nearly three decades and is highly focused on building resilient and value-creating organizations. Tushar has deep expertise in the areas of fundraising, capital structuring, merger & acquisition, treasury management, taxation, financial accounting and planning, Investor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

STL Q2 FY24 Financial Highlights



Q2 FY 24 Revenues at INR 1,494 Cr.

- OFC volume down on y-o-y basis, partially offset by improved realization

Q2 FY 24 EBITDA Margin up at 14.4%

- Increased by 50 bps y-o-y due to improvement in operating costs

Q2 FY 24 PAT at INR 28 Cr.

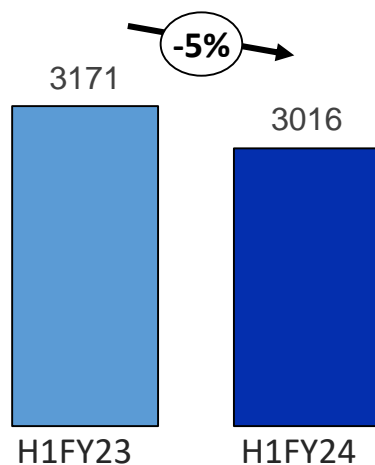
- Higher depreciation on account of the US factory and increase in interest cost led to the decline

STL H1 FY24 Financial Highlights



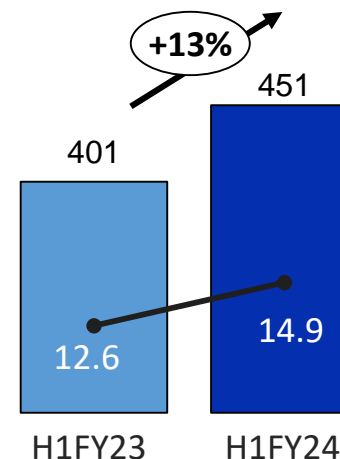
INR Cr.

Revenue



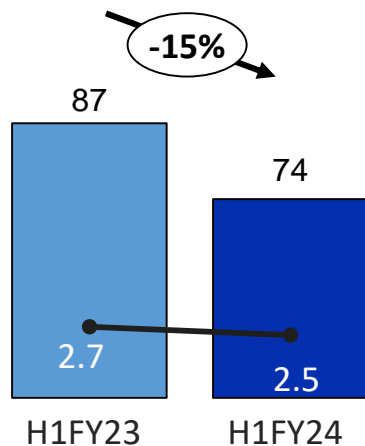
EBITDA

EBITDA %



PAT

PAT %



- H1 FY 24 Revenues at INR 3,016 crores
- H1 FY 24 EBITDA at INR 451 crores, increased by 13 % y-o-y, along with margin expansion by 230 bps
- H1 FY 24 PAT at INR 74 crores

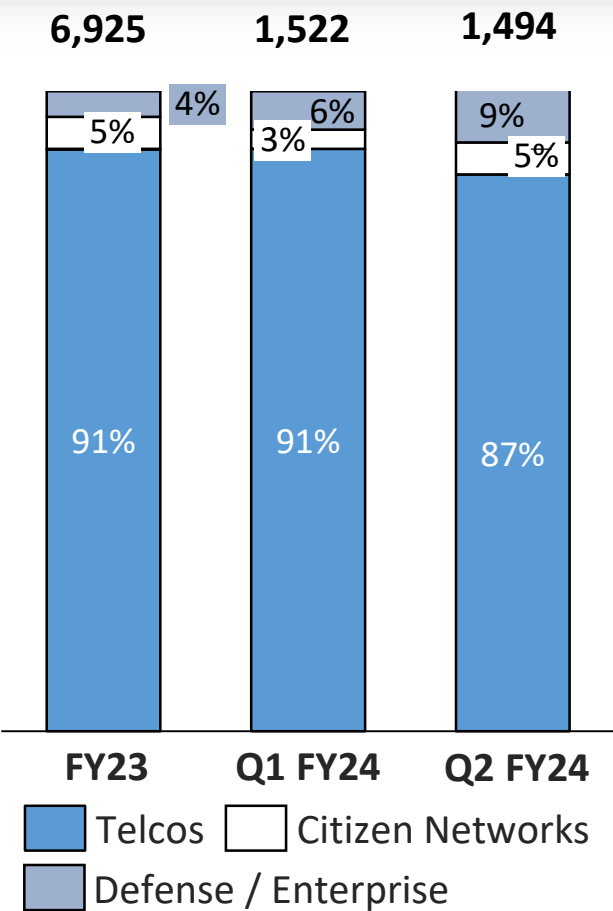
Revenue Mix has moved towards EMEA and India



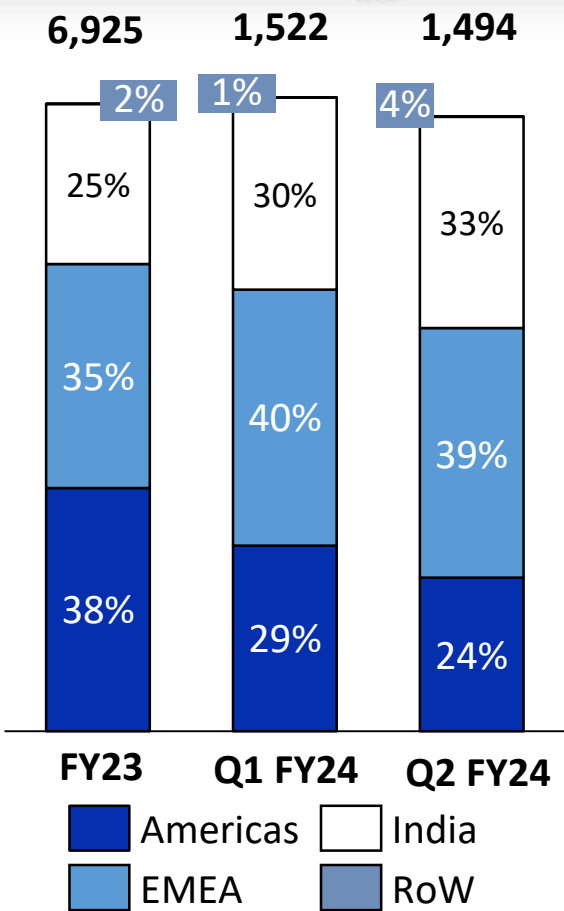
Key Order Wins Q2 FY24

- **Multi million-dollar order from a European telecom player** for advanced cable solutions
- **Multi million-dollar order** 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 and optical products** for a large Indian private Telco

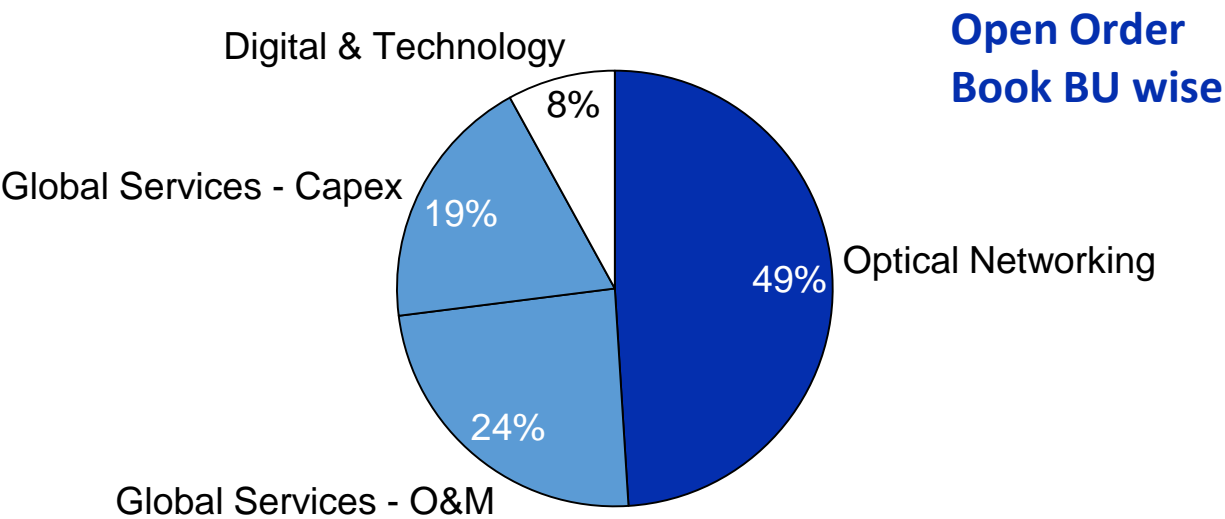
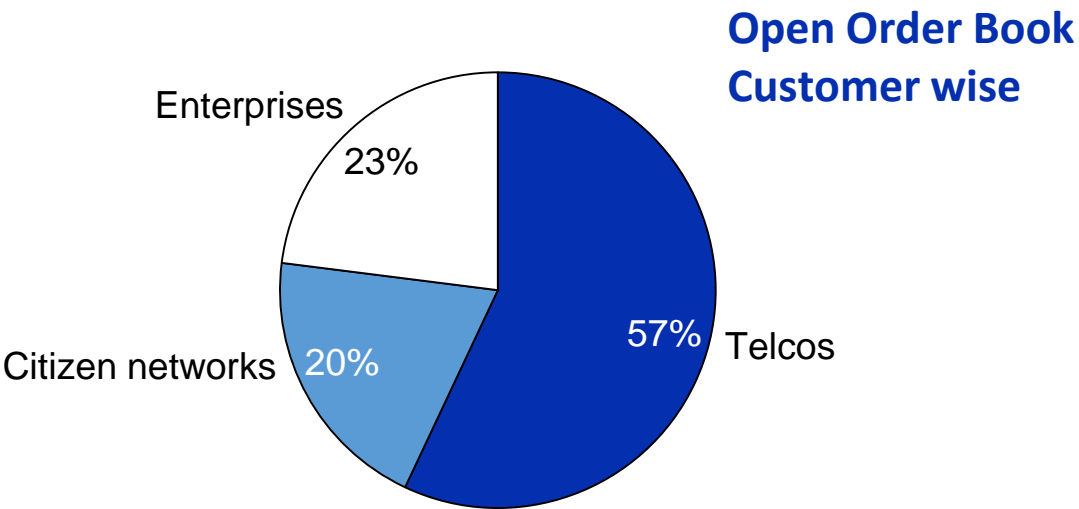
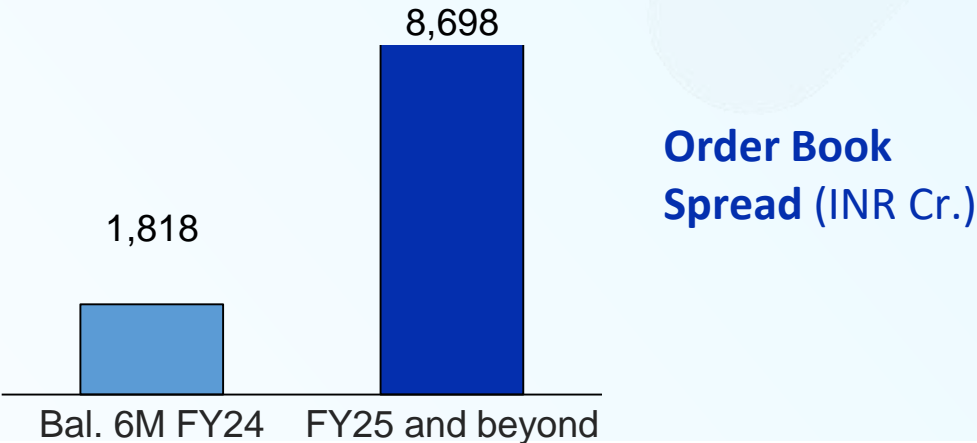
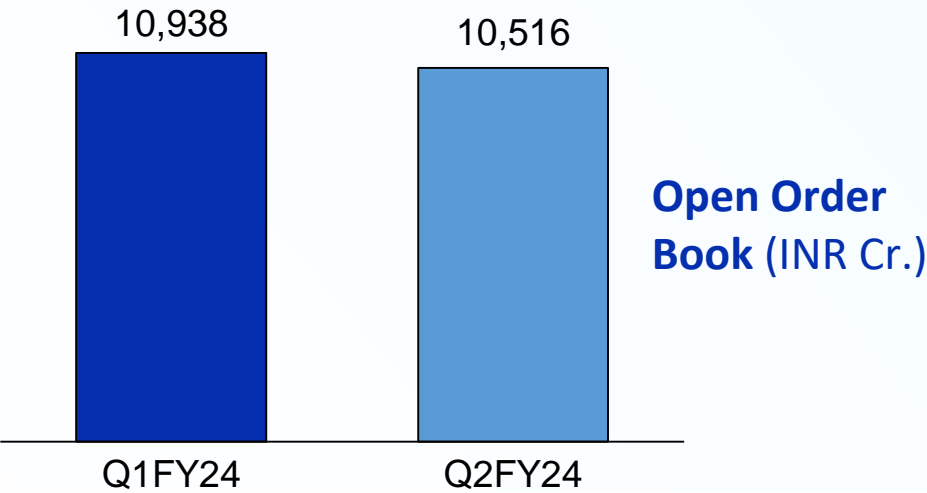
Customer Segments Revenues* (INR Cr.)



Geographical Distribution Revenues* (INR Cr.)



Open Order Book Highlights



Short Closed INR 563 Cr. OB in Q2FY24

Consolidated Financials: Abridged Version



P&L (INR Cr.)	Q2 FY23	Q1 FY24	Q2 FY24
Revenue*	1,683	1,522	1,494
EBITDA*	234	235	216
EBITDA %	13.9%	15.4%	14.4%
Depreciation	76	81	85
EBIT*	158	154	131
Interest	77	92	95
Exceptional Items			
PBT* (Before share of Associates and JV)	81	62	36
Tax	21	19	12
Net Profit* (After minority Interest & share of JV)	67	46	28
Profit (loss) from discontinued operations	-22	8	6
Net Profit	44	54	34

H1 FY23	H1 FY24
3,171	3,016
401	451
12.6%	14.9%
153	166
248	284
144	187
104	98
26	31
87	74
-62	14
25	88

Balance Sheet (INR Cr.)	FY 23	H1 FY24
Net Worth (incl. minority Interest)	2,095	2,136
Net Debt	3,121	3,010
Total	5,215	5,146
Fixed Assets	3,006	2,954
Goodwill	225	223
Net Working Capital	1,985	1,969
Total	5,215	5,146

Key Updates

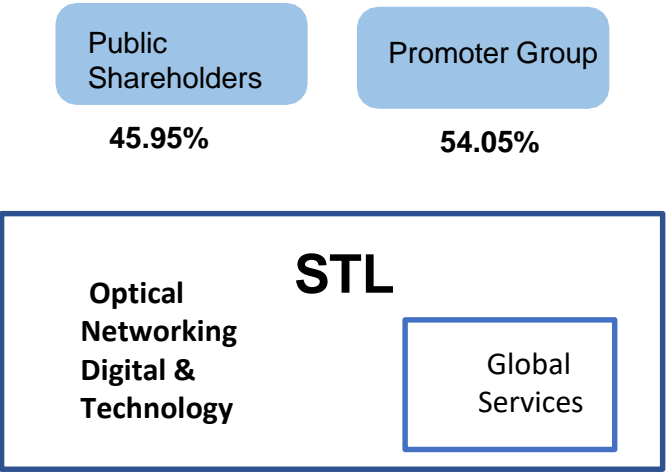
- Net Debt has reduced by INR 111 Cr from FY 2023
- Company has filed the Services business demerger scheme with the exchanges; Expect to complete the demerger by Q1 FY25.

Global Service Demerger Status

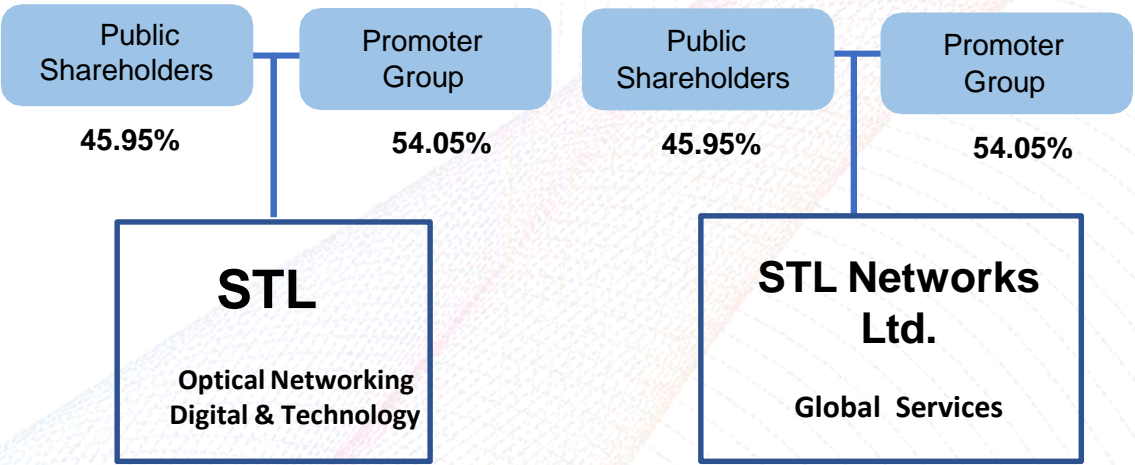


Current Structure

Shareholding as on March 31st, 2023



Proposed Structure



Current Updates

- ✓ Received NOC from Lenders for obtaining 'no objection' from exchanges
- ✓ Received NOC from NSE and BSE

- 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



Business

Simplified Business structure



Customers

Clear & Well-defined positioning



Employees

Strong Employee Proposition



Shareholders

Attract wider and distinct set of investors for both entities

Grow Optical Business

- Increase sales in EMEA, India and APAC markets to fill the short-term volume gap from North America market
- Ramp up of US plant to capitalize on demand surge in North America in 2024/2025
- Increase optical connectivity Growth and Attach Rate

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 achieve EBITDA break even by Q4 FY24

Completion of capex cycle with US plant operationalization; **Capital Allocation priority towards debt reduction**

Revised FY24 guidance: Expect revenue to decline for FY24; Significant focus on Net Debt reduction for FY 24

Committed to Net-Zero Emissions by 2030

MSCI * ESG Rating at A



ENVIRONMENTALLY SUSTAINABLE

Eco-labelled products

241,000+ MT

Waste diverted from landfills (FY19 – Q2 FY24)

27,000+ tCO₂e

Reduced through energy efficiency initiatives
(FY21 – Q2 FY24)

760,000+ m3

of water recycled (FY19 – Q2 FY24)

43%

Procurement (by value) done from MSME (FY23)

**Collaborated with Hygenco for
supply of GREEN HYDROGEN**

SOCIALLY RESPONSIBLE

Committed to the UN SDGs¹

16

Aligned with 16 of the 17 SDGs

870,000+

Lives benefitted through STL's ed-tech & women
empowerment programmes (FY19 – Q2 FY24)

2.6 mn.+

Lives benefitted through STL's healthcare programmes
(FY19 – Q2 FY24)

GOVERNED WITH CARE

Strong Internal Governance

Two of the Big Four

as statutory & internal auditors

Executive and Management committees in place

**91+ ESG awards won
(FY20 – Q2 FY24)**

**STL becomes world's first optical fibre manufacturer to launch
Externally Verified Eco-label Methodology**

* MSCI - Morgan Stanley Capital International

Source : ¹ Cumulative till Q2FY24, SDG – Sustainable Development Goals



beyond tomorrow