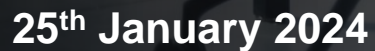


A large, white, sans-serif text overlay that reads 'Earnings Presentation'. The background of the entire image is a photograph of a modern office meeting. A man in a dark suit and glasses stands at the head of a long table, clapping. Five other people are seated around the table, also clapping. The room has large windows, a whiteboard with sticky notes, and a large screen displaying data charts. The lighting is soft and professional.A large, green, sans-serif text overlay that reads 'Earnings Call Q3 FY24'. It is positioned below the main title.A white, sans-serif text overlay that reads '25th January 2024', located in the bottom left corner of the image.

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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 steady; 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
- Achieve profitability in the UK
- Demerge Services Business

03

## Build

### STL Digital



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

# Committed to Net-Zero Emissions by 2030

MSCI \* ESG Rating at A



## ENVIRONMENTALLY SUSTAINABLE

### Eco-labelled products

**244,000+ MT**

Waste diverted from landfills (FY19 – Q3 FY24)

**28,000+ tCO<sub>2</sub>e**

Reduced through energy efficiency initiatives (FY21 – Q3 FY24)

**780,000+ m<sup>3</sup>**

of water recycled (FY19 – Q3 FY24)

**43%**

Procurement (by value) done from MSME (FY23)

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



## SOCIALLY RESPONSIBLE

### Committed to the UN SDGs<sup>1</sup>

**16**

Aligned with 16 of the 17 SDGs

**900,000+**

Lives benefitted through STL's ed-tech & women empowerment programmes (FY19 – Q3 FY24)

**2.6 mn.+**

Lives benefitted through STL's healthcare programmes (FY19 – Q3 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 – Q3 FY24)**

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

\* MSCI - Morgan Stanley Capital International

# Optical Business faces short-term softness; STL's focus on profitability



1 Strategic  
Priorities for  
FY24

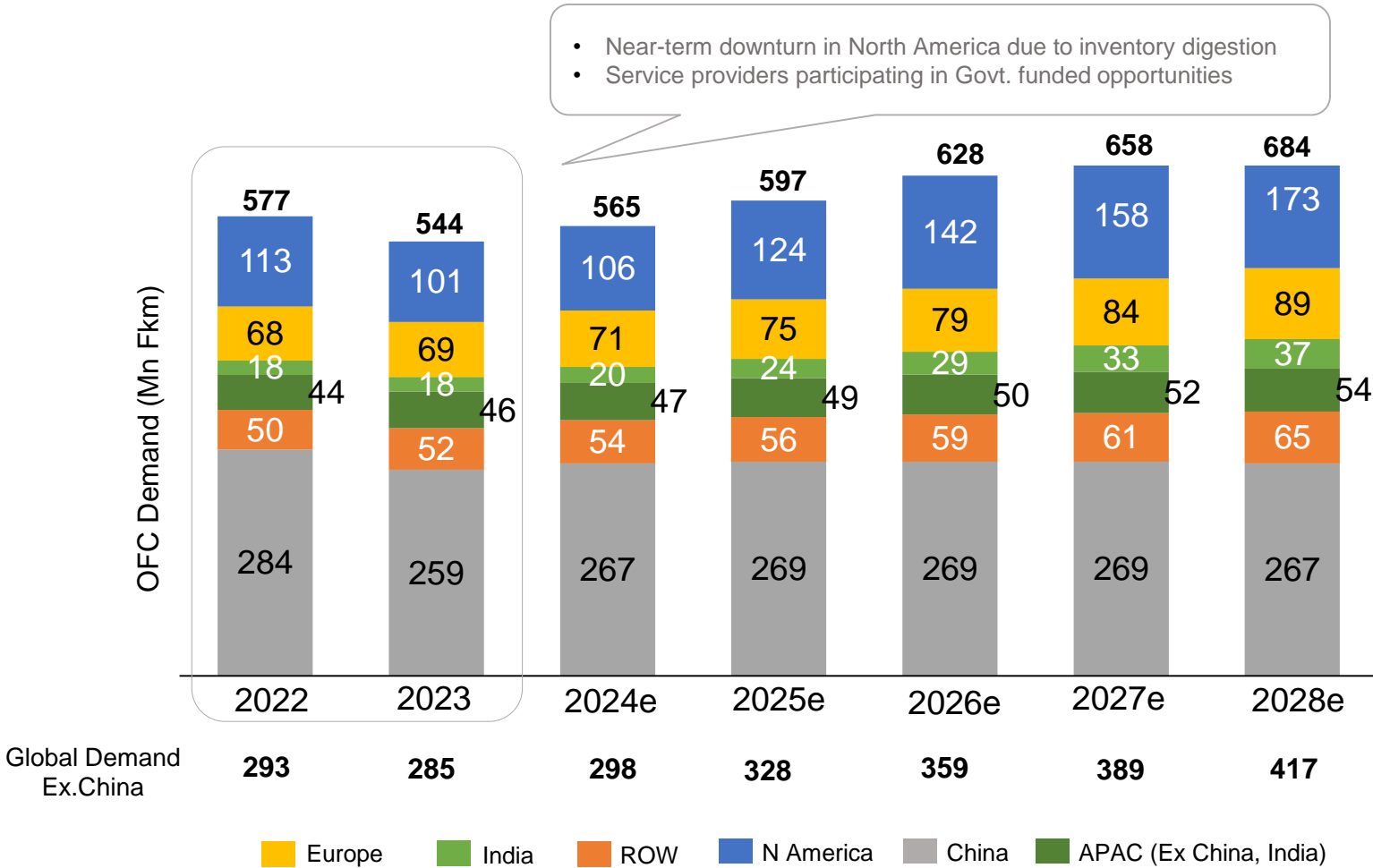
**2 Optical deployment  
remains steady; focus  
on profitability**

3 Profitable order wins  
in Global Services

4 Strong growth  
in STL Digital

5 Robust  
Financials

# Demand softness in near-term, robust growth in medium to long term



Region	2022-2023	2023-2024	CAGR 2023-2028
North America	-10.8%	5.1%	11.4%
Europe	2.1%	3.0%	5.2%
India	-1.7%	13.0%	15.6%

Region	YoY Change (YTD Sep 23)	QoQ Change (Jun 23 – Sep 23)
North America	↓ 12%	↓ 3%
Europe	↑ 2%	↓ 5%
India	↓ 1%	↑ 11%

**STL's focus markets *North America, Europe & India* are projected to grow faster**

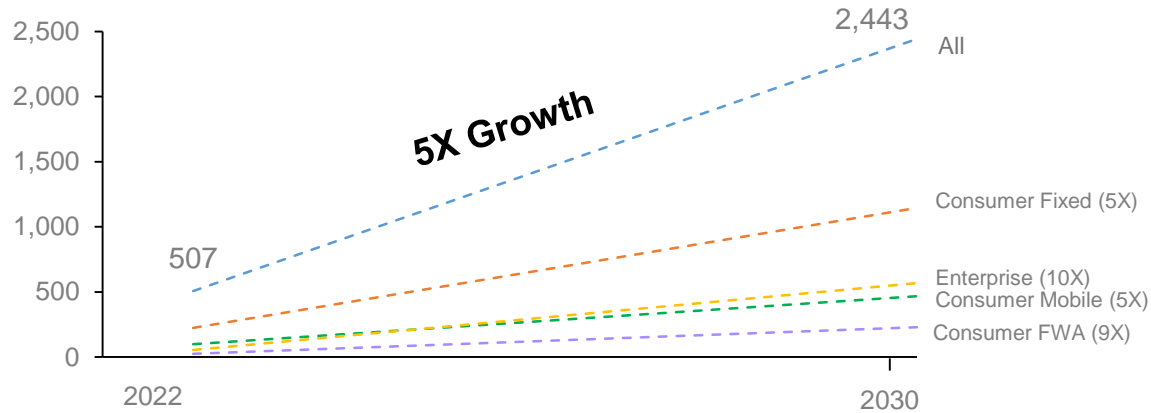


# Global network traffic projected to grow ~5x by 2030

## Fibre for everything



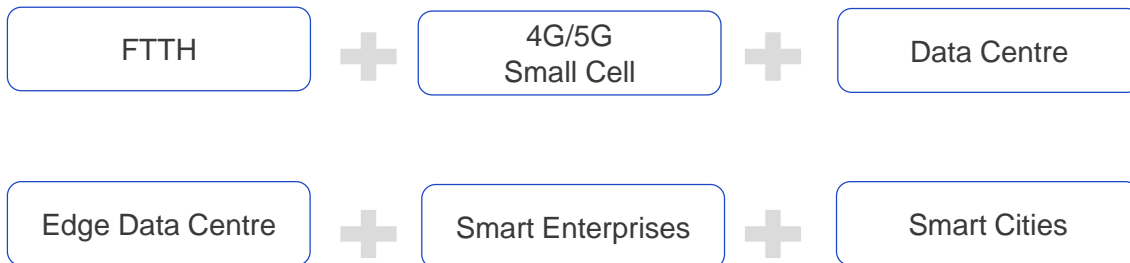
Data consumption (EB/mo.) by Traffic Category



- **Video** (~70%) will be key driver across consumer mobile & fixed categories
- **Metaverse and IOT** (~60%) will lead the growth for Enterprise



### Carpet Coverage of Fibre



### Fibre as the most efficient technology

Parameters	Optical fibre	Others
User experience	●	●
Bandwidth	●	●
Latency	●	●
Data loss	●	●
Energy savings	●	●
Environment Friendly	●	●

*“The most efficient technology will always be fibre. Where we are able to offer fibre, we will always offer fibre because of its significantly superior experience.”*

*Excerpts - Gopal Vittal, MD & CEO Airtel*

*“We are still in very early phases of 5G with probably one in four sites upgraded to mid-band 5G.”*

*Borje Ekholm, President & CEO Ericsson*

*“Satellite is a great solution with no cellular connectivity, but it is not meaningfully competitive with existing terrestrial cellular networks.” - Elon Musk, CEO SpaceX*

# North America - strong demand drivers for sustained growth



## 5G (Fiberisation at heart of 5G)

- 5G in North America to grow from **173 Mn** to **601 Mn** by the end of 2027 (Omdia)
- North America projected to have the highest 5G penetration in 2029 at **92%**
- 5G to become the dominant mobile technology by users by 2028

## FTTH

- **>100 Mn** homes remain to be passed in the US
- FTTH home passes to grow with BEAD at CAGR of **18%** i.e. from **8.7 Mn/yr** in 2023 to **12.2Mn/yr** by 2025
- AT&T eyes additional **10-15 Mn** locations, targets **30+ Mn** consumer and business fibre locations by end of 2025

## Data Centres

- North American Data Centre market to grow to **\$139 Bn** by 2028
- North American Public Cloud Revenue (driver for growth in data centres) is expected to grow to US\$507 bn by 2028 at **CAGR of 9.6%** (2024-2028)

- **BEAD allocation progressing**, Louisiana became the first state to move from planning to execution
- **Accelerated PE funding** and steady Inventory digestion observed across layers

# India - Strong demand drivers for sustained growth



## 5G (Fiberisation at heart of 5G)

- 5G Subs to grow **33%** from **159 Mn** in FY24 to **492 Mn** by FY28
- Tower fiberisation at **~38% vs** Govt. target of **70%** by FY24-25. Developed market benchmark of **80%-90%**
- **>500,000** additional telecom towers require fiberisation to achieve govt. targets

## FTTH

- India expected to become **2<sup>nd</sup> largest fibre broadband market by 2030**.
- India's FTTx installations expected to grow fastest globally at a **26% CAGR** between 2023-28
- 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.

## Data Centres

- India has **15% of global internet users**, whereas **data center is only 6%**;
- **~ INR 45,000 Crs** investments expected till FY26, by CRISIL.
- AWS expected to Invest **INR 1.06 lac Crs** in India by **2030**.

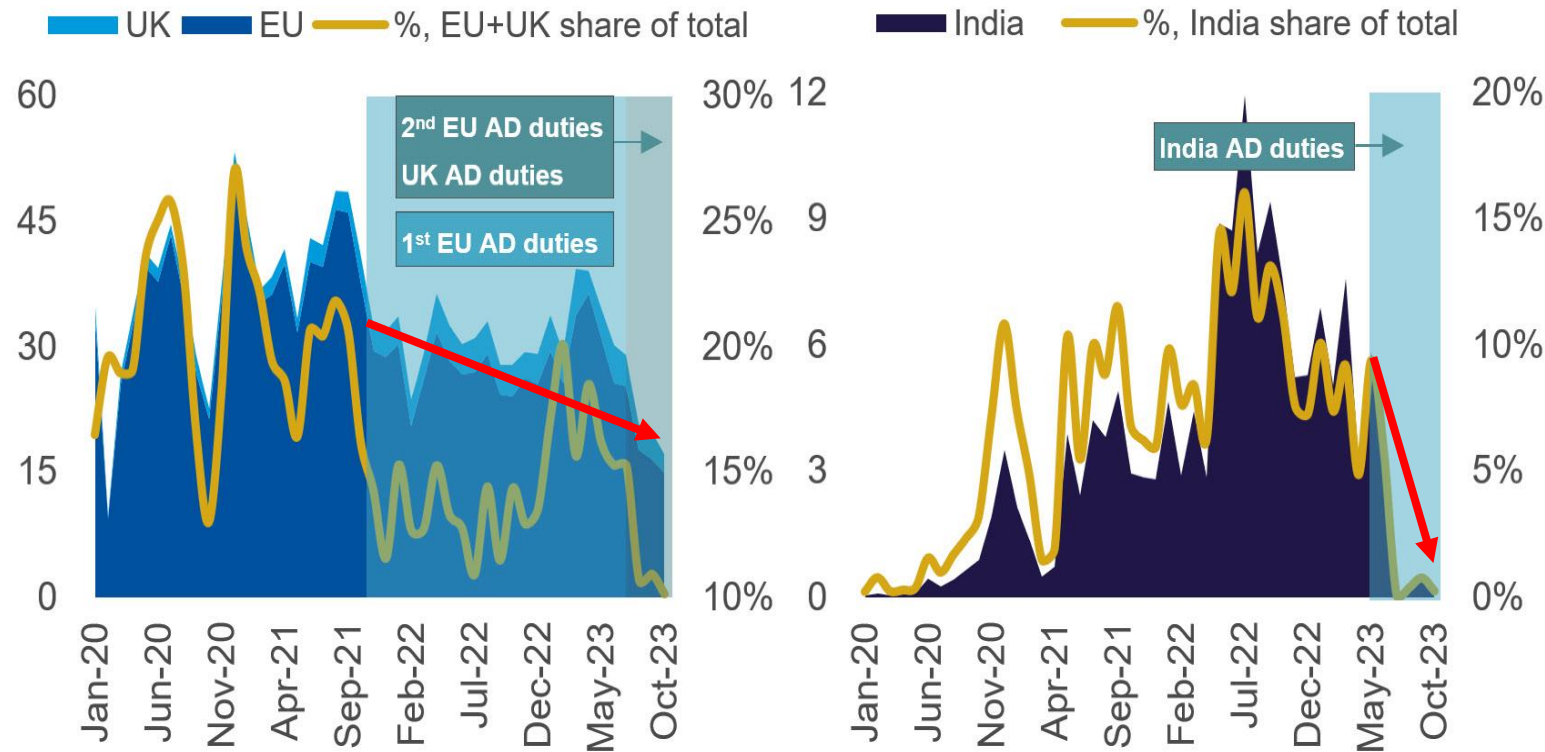
**BharatNet** (1.39 L Cr Program) - Phase III draft RFP released for Industry consultation

# Chinese exports facing trade barriers

Chinese fibre and cable exports to Europe and India dropped sharply after new trade barriers

Chinese optical cable products exports

Chinese optical fibre exports to India,



DATA: CRU, S&P Global

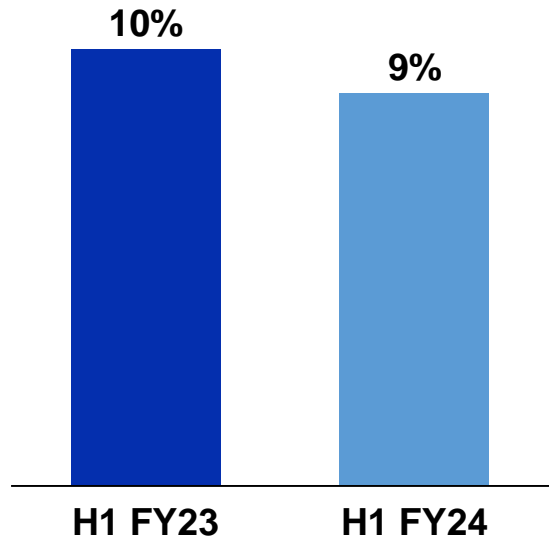
## Impact of anti dumping duties on Chinese exports

- Chinese optical cable export to EU & UK reduced **by ~half** (from ~\$33Mn in Sep 21 to ~\$17Mn in Oct 23)
- Chinese optical fibre export to India **declined to negligible levels** in Oct,23

# Observing minor decline in market share; minor improvement in optical attach rate



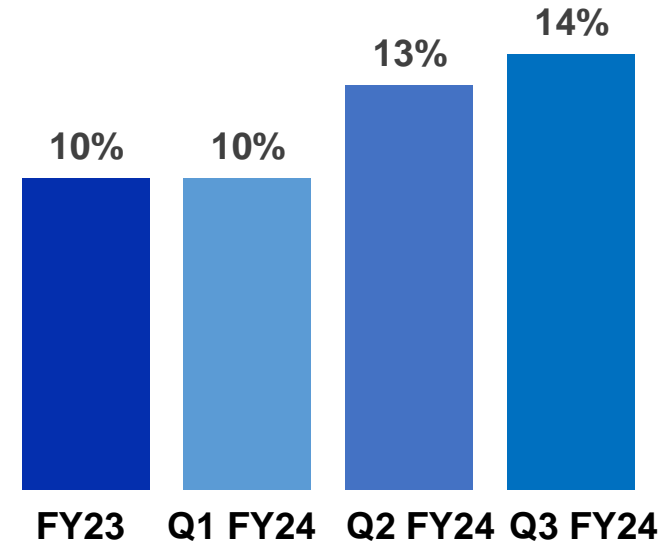
## Global (ex-China) OFC Market share



Market Share = STL Sales Volume / Total Market Demand

Observing OFC market share decline during H1 FY24

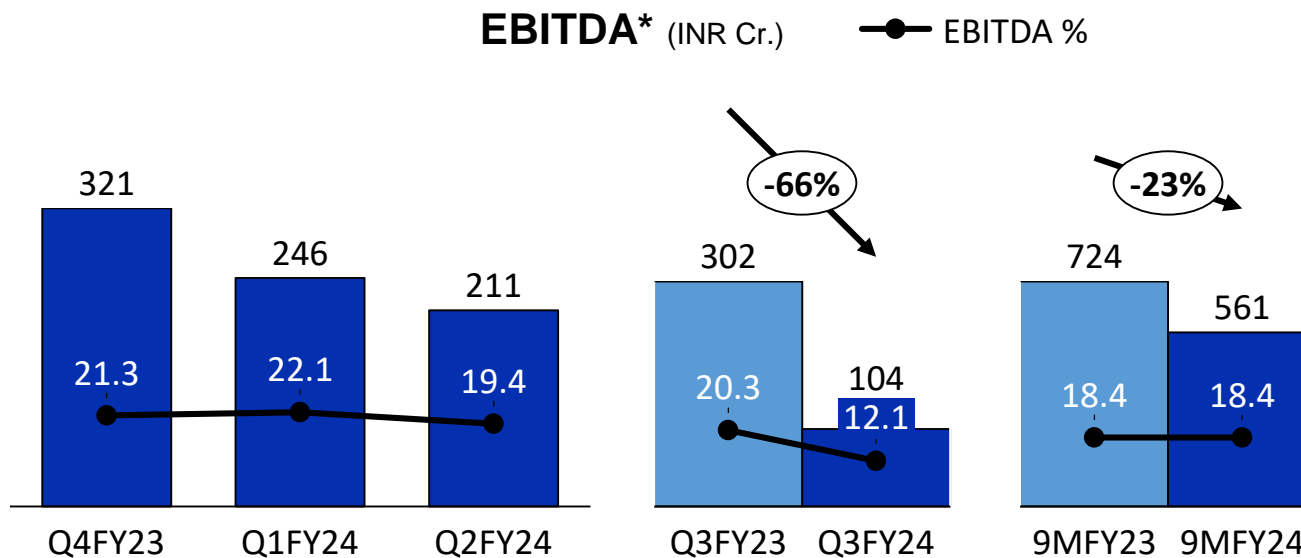
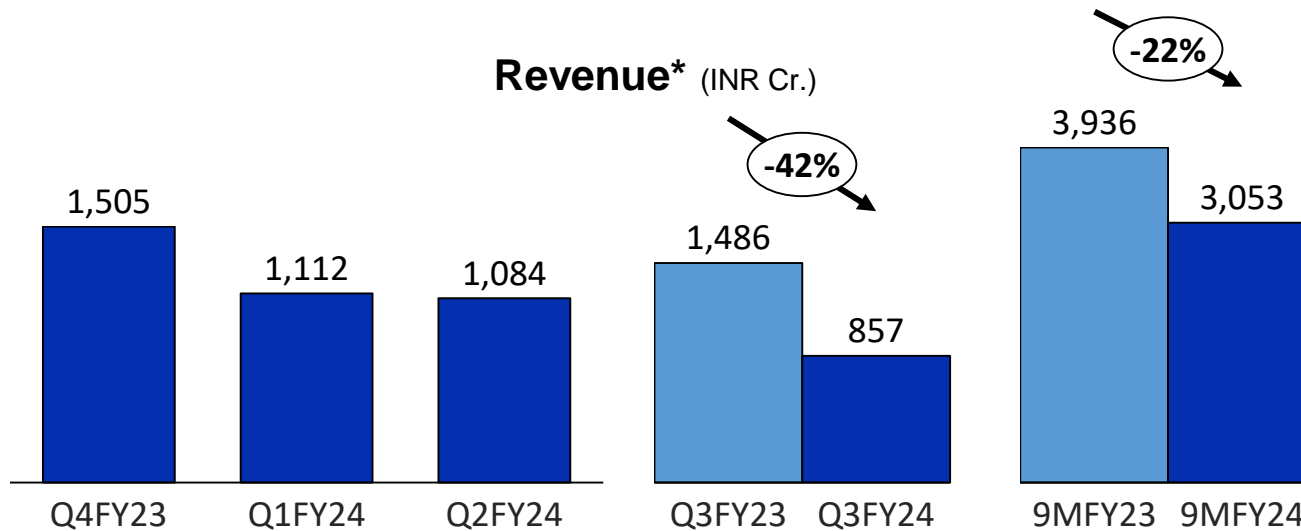
## Optical Connectivity Attach rate



Attach rate = Optical connectivity revenue / OFC revenue

New products commercialisation to further increase attach rates

# Optical networking business financial highlights



**YTD FY24 revenue at INR 3,053 Cr.**

- OFC volume lower on QoQ basis

**YTD FY24 EBITDA margin at 18.4%**

- Reduction in EBITDA on account of lower OFC Volumes

# Well positioned to grow the optical business



## Local Capacities

**Completed capacity expansions**, well placed to win in the market

Capacities, **closer to Focused Markets**



## Cost Structure

**Optimised cost structures** both in terms of variable & fixed costs



## Product Development

Continued focus on **product innovation**

**Launched world's slimmest fiber**



## Customer Focus

**Field testings**

and

**customer approvals**



## Commitment to innovation:

**681<sup>1</sup> patents as of Q3 FY24**  
**World's first eco label optical products**

# Profitable order wins in Global Services



1 Strategic Priorities for FY24

2 Optical deployment remains steady; focus on profitability

**3 Profitable order wins in Global Services**

4 Strong growth in STL Digital

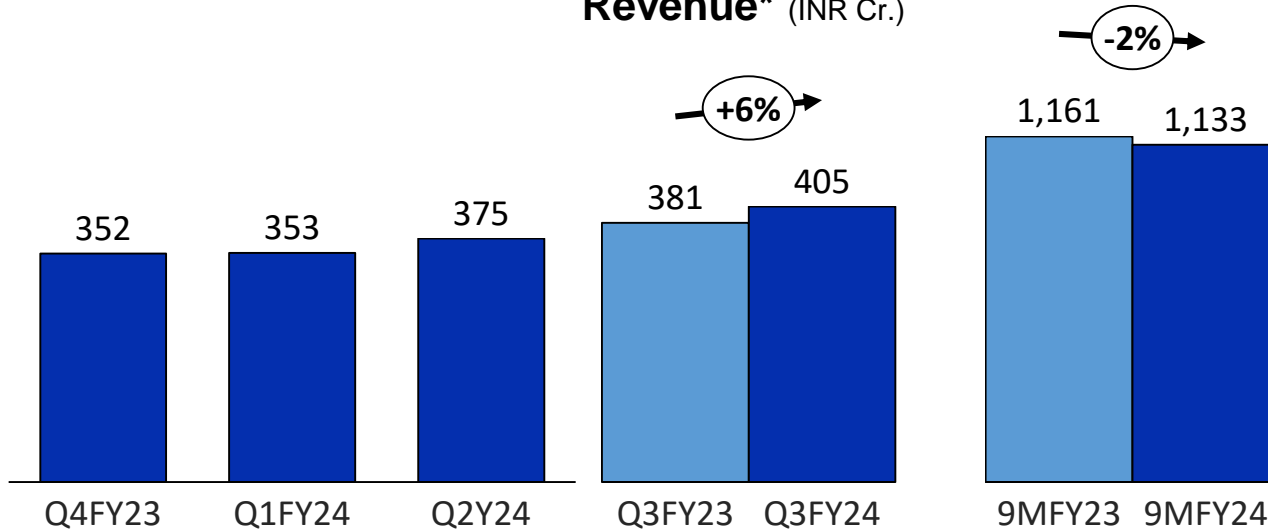
5 Robust Financials



# Global services business financial highlights

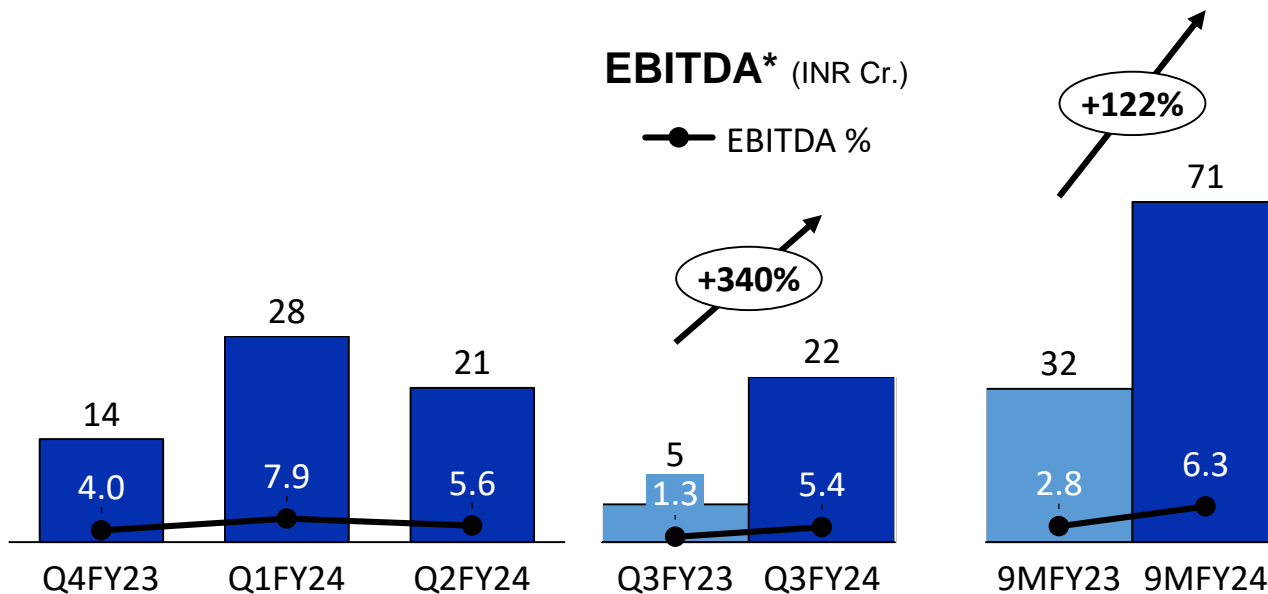


**Revenue\*** (INR Cr.)



**EBITDA\*** (INR Cr.)

● EBITDA %



**YTD FY24 revenue at INR 1,133 Cr.**

- Selective order intake & execution

**YTD FY24 EBITDA at INR 71 Cr.**

- Favourable project mix and improved execution resulting in improved margins on YoY basis

# Project execution on track



## India - Public

## India - Private

## UK

### Transformative Rural digital inclusion

#### Fibre roll out Telangana

67%  
Completed



*Bharatnet Project*

#### Network Modernization (PSU)

71%  
Completed



#### Fibre roll out (PSU)

17%  
Completed



#### Managed Services (PSU)

34%  
Completed



#### Data Centre (PSU)

70%  
Completed



### Modern Optical Network

#### Fibre roll out (Large Indian telco)

Phase - 3 35% Completed



#### Fibre roll out (Large Indian telco)

Phase - 2 51% Completed



#### Fibre roll out

(Modern Optical Network) 78% Completed



### Gigabit Networks

#### FTTH , UK

31%  
Completed



Progress till previous Qtr.



Progress in current Qtr.

# Growth in STL Digital Continues



1

Strategic  
Priorities for  
FY24

2

Optical deployment  
remains steady; focus on  
profitability

3

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

25

Global customers



## Team



900+ Consultants



22% Women

## Financials

Order Book **INR. 780 Cr+**

9MFY24 Revenue **INR. 220 Cr**

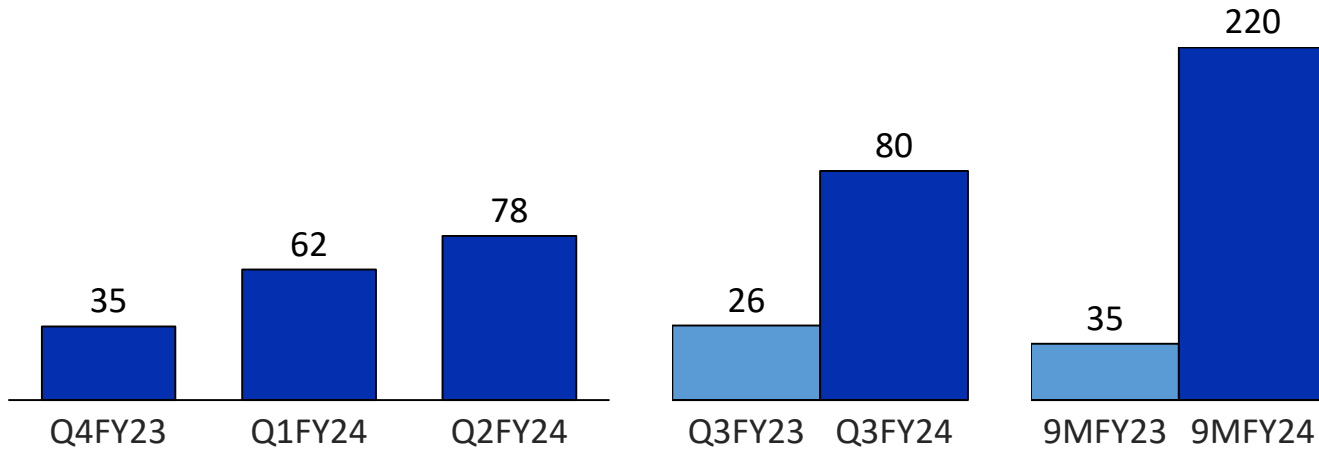
- **Strong deal flow, new customer acquisitions** in US and India across Technology & Services Industry verticals during FY24
- **Robust partnership ecosystem.** Strategic partnerships signed **with SAP & Google** .Active technology partners : **46+**

**Growth driven by robust order book and right team of leadership + consultants**

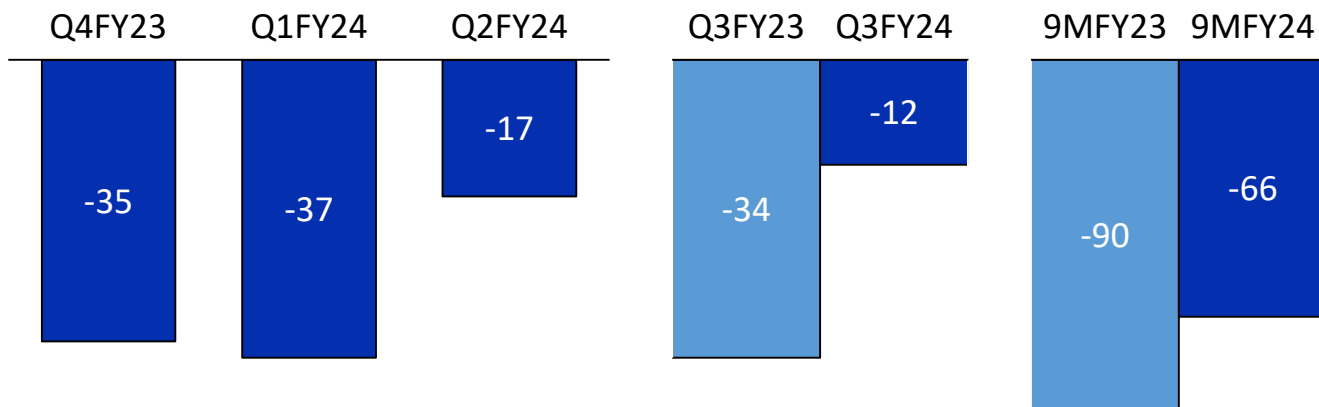
# Digital business financial highlights



**Revenue\*** (INR Cr.)



**EBITDA\*** (INR Cr.)



**YTD FY24 Revenue up at INR 220 Cr.**

- Revenue growth continued

**YTD FY24 EBITDA loss at INR 66 Cr.**

- EBITDA losses trending downwards on QoQ basis

# Focus on maintaining operating profitability & reducing debt

STL



1

Strategic  
Priorities for  
FY24

2

Optical deployment  
remains steady; STL's  
focus on profitability

3

Profitable order wins  
in Global Services

4

Strong growth in  
STL Digital

5

**Robust  
Financials**

# Tushar Shroff

## Group CFO

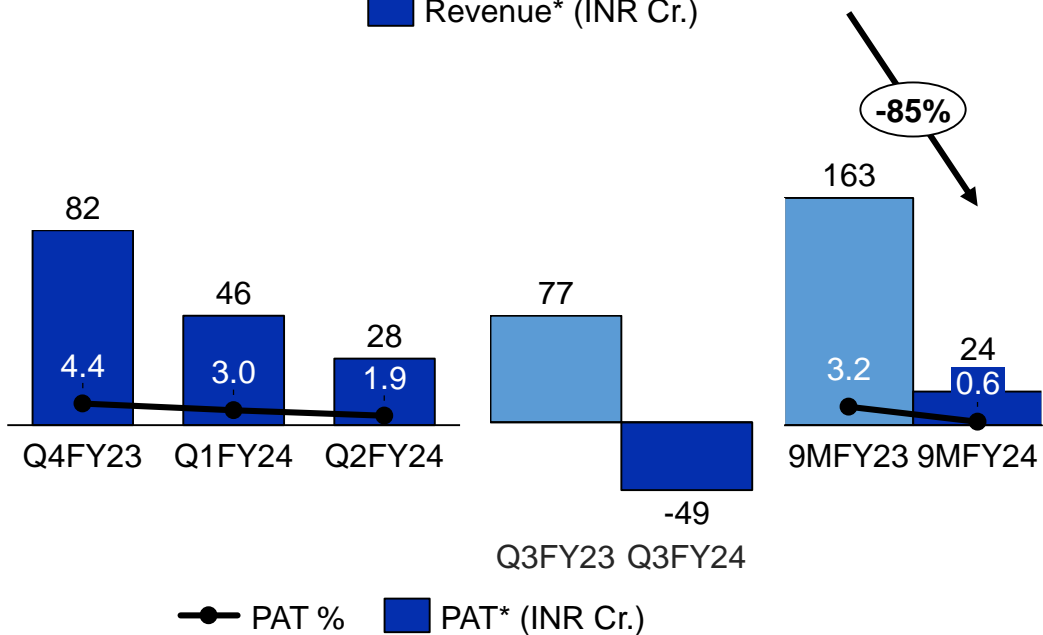
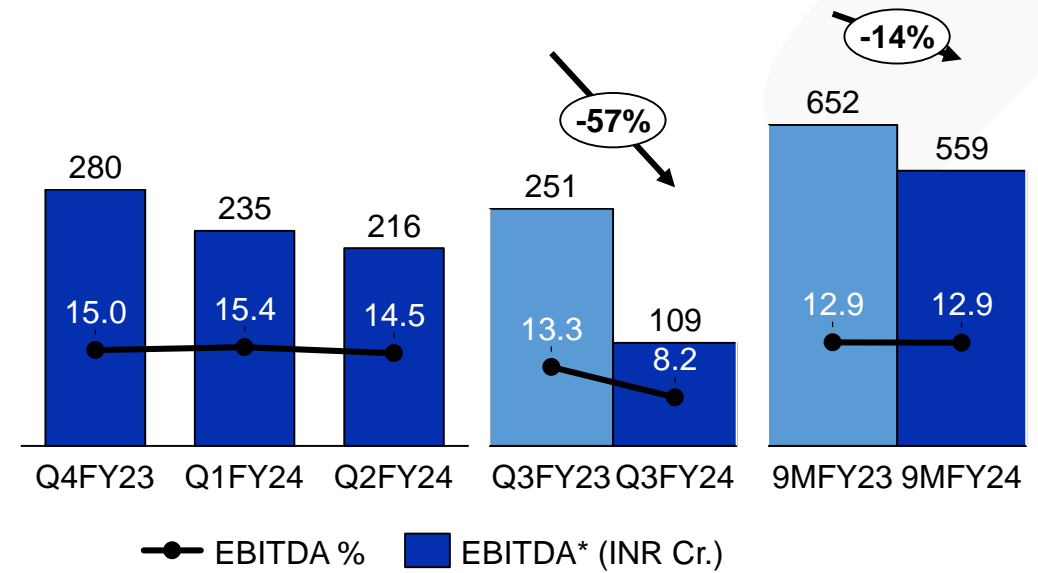
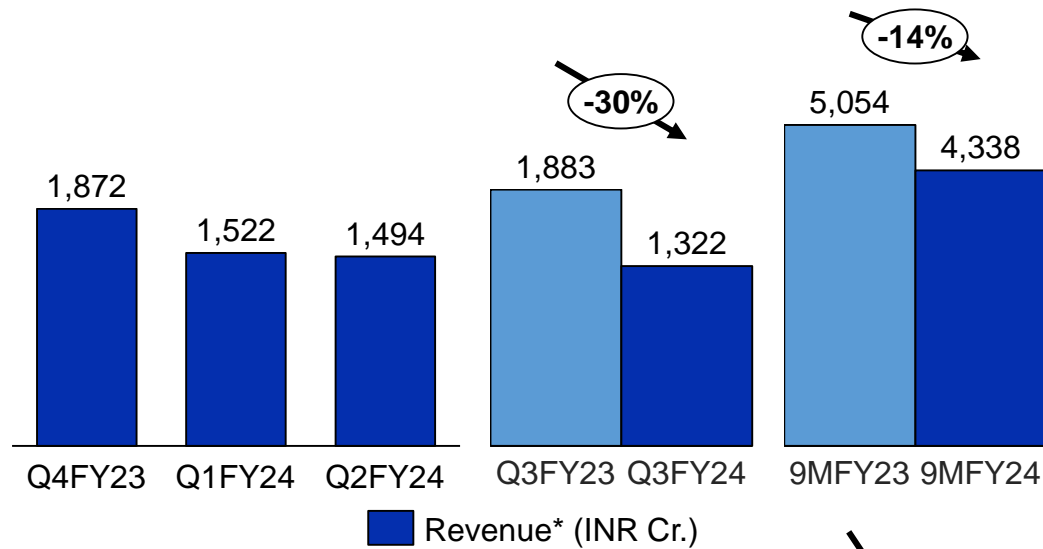


Tushar has a rich experience of nearly three decades and is highly focused on building resilient and value-creating organizations. Tushar has deep expertise in the areas of fundraising, capital structuring, merger & acquisition, treasury management, taxation, financial accounting and planning, Investor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



**YTD Revenue at INR 4,338 Cr**

- OFC volumes lower YoY

**YTD EBITDA margin at 12.9%**

- Margin stable despite lower OFC volumes

**YTD PAT at INR 24 Cr**

- Owing to lower EBITDA, higher Interest & Depreciation



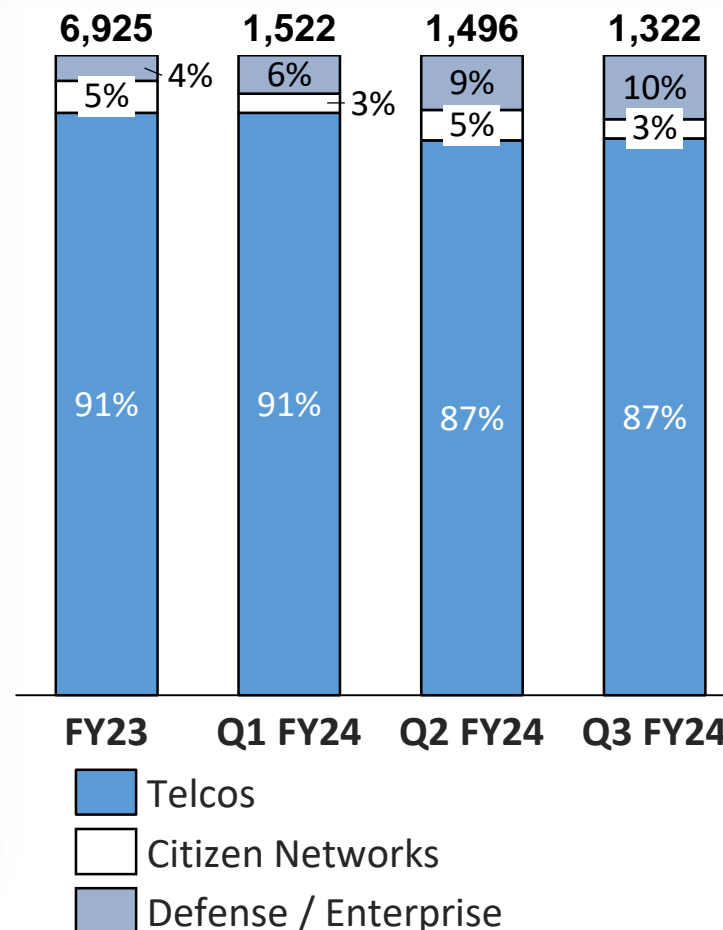
# Revenue mix has moved towards India



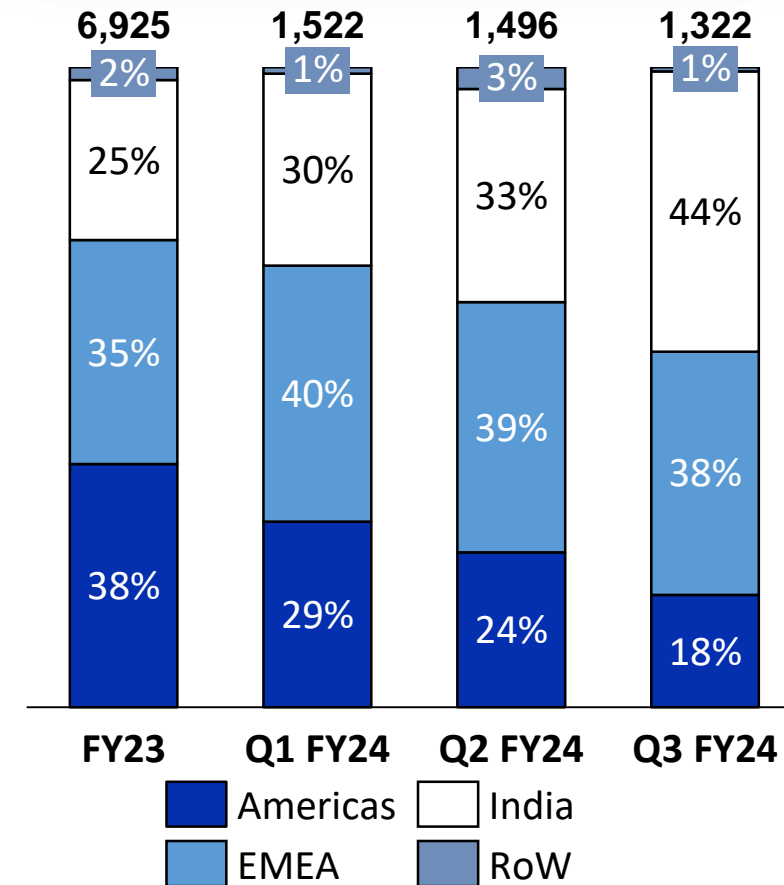
## Multi million dollar order wins in Q3 FY24

- **MEA ISP player** for optical fibre cable
- **Multiple large deals** for optical fibre cable from **North America**
- **Orders from a Taiwanese Network & Connectivity products OEM** for speciality cable
- **Long Term large orders** for fibre cable supply & roll out for a large Indian private telco

**Customer segment split**  
Revenues\* (INR Cr.)



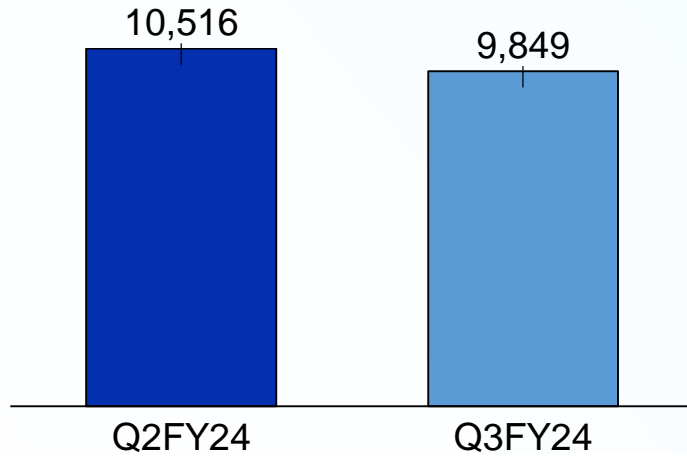
**Geographical distribution**  
Revenues\* (INR Cr.)



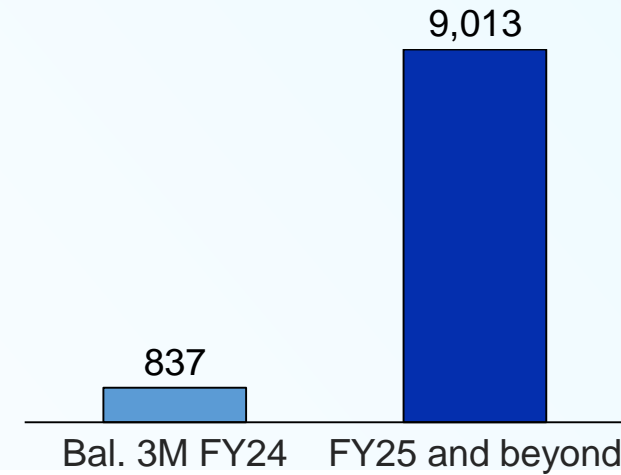
# Order Book Highlights



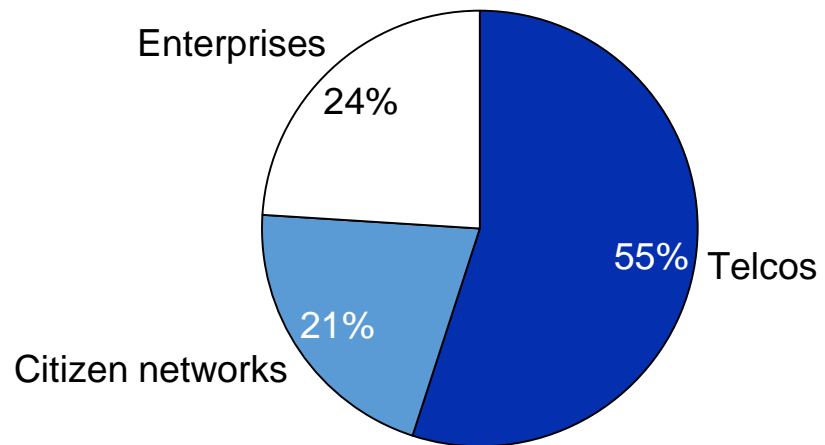
### Open order book (INR Cr.)



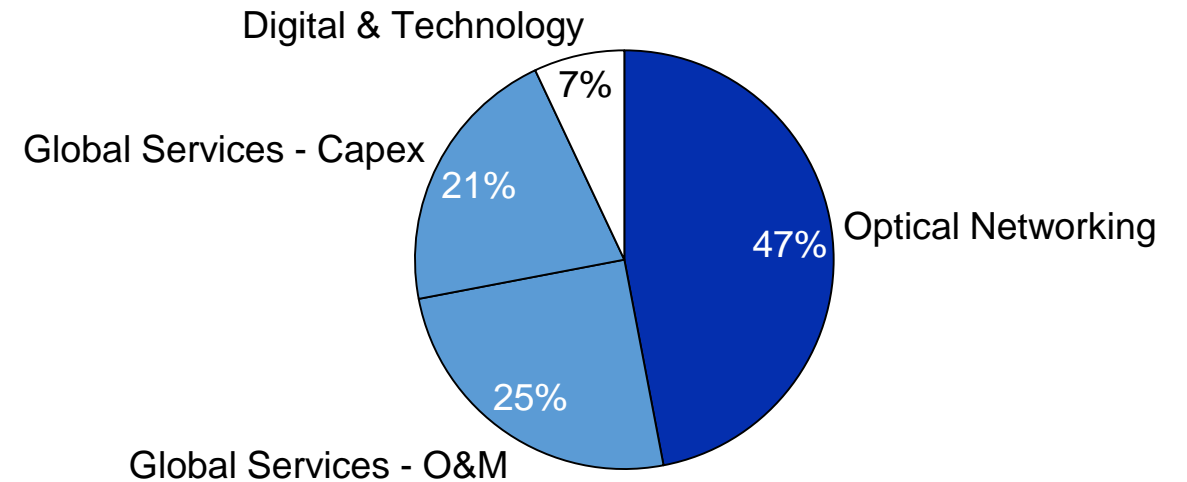
### Order book spread (INR Cr.)



### Customer wise open order book



### Open Order Book BU wise



# Consolidated financials: abridged version



P&L (INR Cr.)	Q3 FY23	Q2 FY24	Q3 FY24	9M FY23	9M FY24
Revenue*	1,883	1,494	1,322	5,054	4,338
EBITDA*	251	216	109	652	559
EBITDA %	13.3%	14.4%	8.2%	12.9%	12.9%
Depreciation	78	85	84	231	250
EBIT*	173	131	25	421	309
Interest	78	95	94	222	281
PBT* (Before share of Associates and JV)	95	36	-69	199	28
Exceptional Items	0	0	0	0	0
Tax	23	12	-17	50	14
Net Profit* (After minority Interest & share of JV)	77	28	-49	163	24
Profit ( loss ) from discontinued operations	-26	6	-8	-89	6
Net Profit	51	34	-57	74	30

## Key Updates

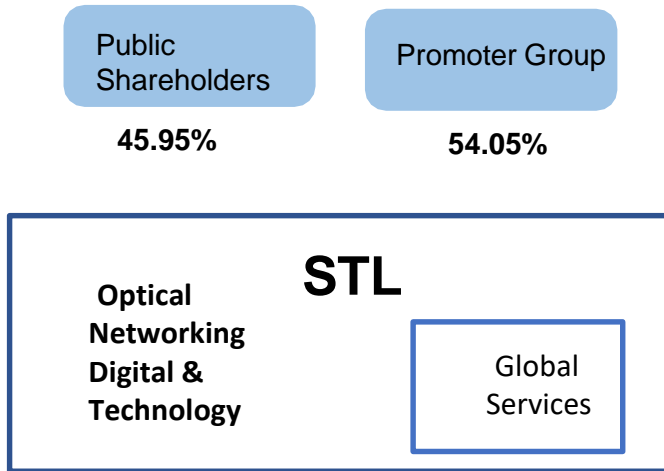
- Net Debt has reduced by INR 174 Cr from FY23
- The company has filed the Services business demerger scheme with the NCLT; awaiting first hearing date

# Global Services demerger status

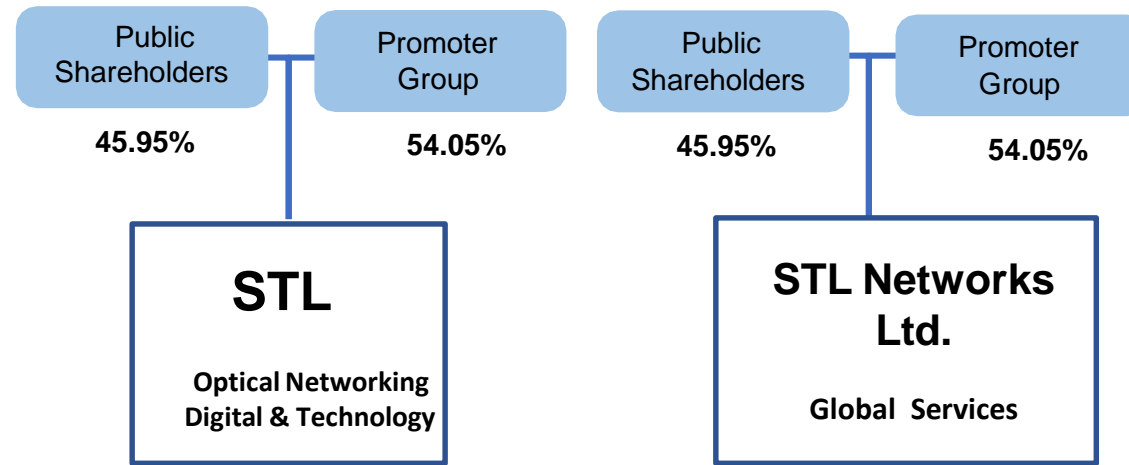


## Current Structure

Shareholding as on March 31st, 2023



## Proposed Structure



### Current Updates

- ✓ Filed application with NCLT and awaiting first hearing date
- ✓ 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

# Summary focus areas



## Optical Business

- Drive **cost leadership** and pursue our ambition to be the '**Global Top 3**'.
- Increase sales in **EMEA, India and APAC** markets to fill the short-term volume gap
- Increase **optical connectivity** growth and attach rate

## Services Business

- Focus on select projects to **improve profitability** and **optimise net fund involvement**

## Digital Business

- Continue to **grow revenue** and **achieve EBITDA break-even**

## Guidance

- Expect revenue to decline for FY24; significant focus on **net debt reduction** for FY24

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 color cast, suggesting a conference or seminar setting.

**Lets answer your queries!**



beyond tomorrow