

# Earnings Presentation

Earnings Call Q1 FY25

30<sup>th</sup> July 2024

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# Ankit Agarwal

## Managing Director and CEO-Optical Networking Business



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 FY25



## 1 Strategic Priorities for FY25

2 Focus on gaining market share in Optical business

3 Focus on Profitable order wins in Global Services

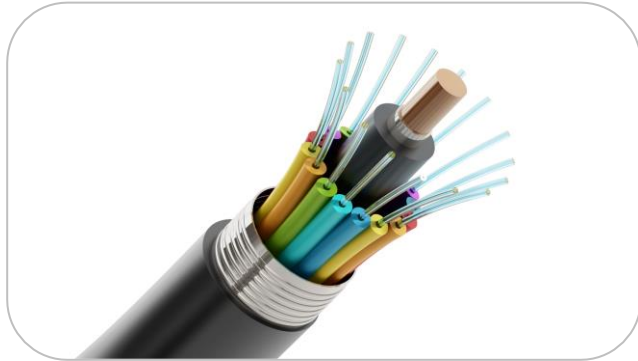
4 Focus on growth in STL Digital

5 Robust Financials

01

## Grow

### Optical Networking



- Increase OFC market share and optical connectivity attach rate
- Rapidly building data center product portfolio
- Drive technology & cost leadership

02

## Consolidate

### Global Services



- Build capability for value added services
- Focus on project mix to improve profitability
- Demerge Services Business

03

## Build

### STL Digital



- Consciously invest in building technology and domain capability
- Focus on profitable growth

# Transforming lives through social responsibility initiatives



**RoboEdge:** Empowering students with NextGen skills & focus on Robotics. Covered 11+ schools and benefitted 3,500+ students



**Jeewan Jyoti:** Empowering underprivileged women by training them in vocational skills. Benefitted 5000+ women.



**Afforestation and water replenishment:** working with 26 Gram panchayats creating 95 water structures , replenishing 2.69 Mn m3 of water in Maharashtra. Planting & maintaining >3 Lakh saplings.



**Heath Camp:** Hybrid healthcare programs across Aurangabad, Gadhchiroli, and Nandurbar districts, impacting >10 Lakh lives.

# Committed to net-zero emissions by 2030

MSCI \* ESG rating at A



## ENVIRONMENTALLY SUSTAINABLE

### Eco-labelled products

**250,000+ MT**

Waste diverted from landfills (FY19 – Q1FY25)

**34,000+ tCO<sub>2</sub>e**

Reduced through energy efficiency initiatives (FY21 – Q1FY25)

**860,000+ m<sup>3</sup>**

of water recycled (FY19 – Q1FY25)

**43.6%**

Procurement (by value) done from MSME (FY24)

**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 – Q1FY25)

**2.7 mn.+**

Lives benefitted through STL's healthcare programmes (FY19 – Q1FY25)



## GOVERNED WITH CARE

### Strong internal governance

**Two of the Big Four**

as statutory & internal auditors

Executive and Management committees in place

**100+ ESG awards won (FY19 – FY24)**

**STL becomes world's first optical player to launch externally verified Eco-label methodology**

\* MSCI - Morgan Stanley Capital International

# Optical Business navigating short-term softness; STL's focus on gaining market share



1 Strategic  
Priorities for  
FY25

**2 Focus on gaining  
market share in Optical  
business**

3 Focus on Profitable  
order wins in Global  
Services

4 Focus on  
growth in STL  
Digital

5 Robust  
Financials



# Near-term demand softness, robust growth in medium to long term

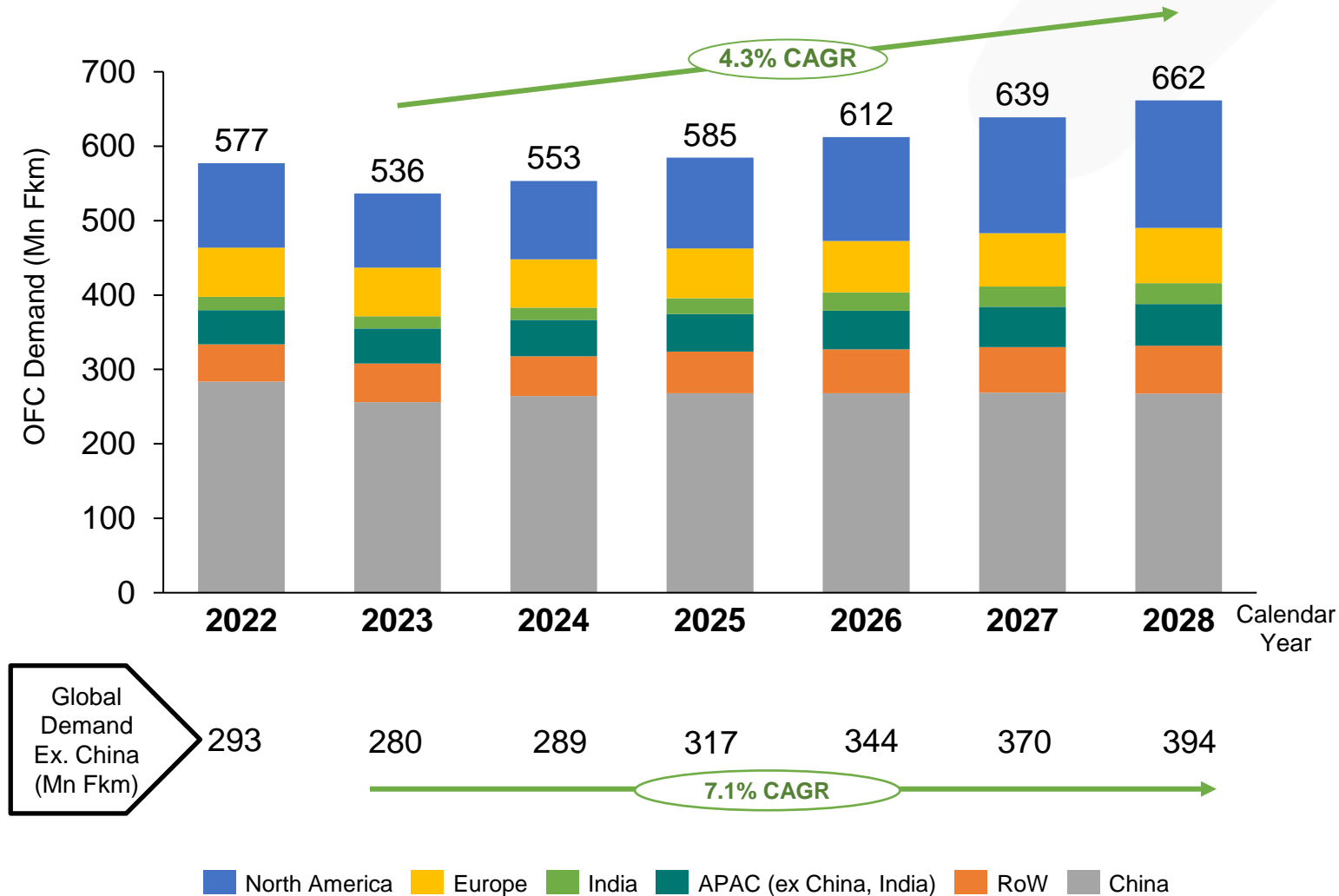


## Reflections:

- OFC consumption for 2023 declined by **7%** globally, led by **~12%** decline in North America
- Inventory played a major role, suboptimal factory utilization was a trend across industry
- Observed similar demand environment during Q1 FY25

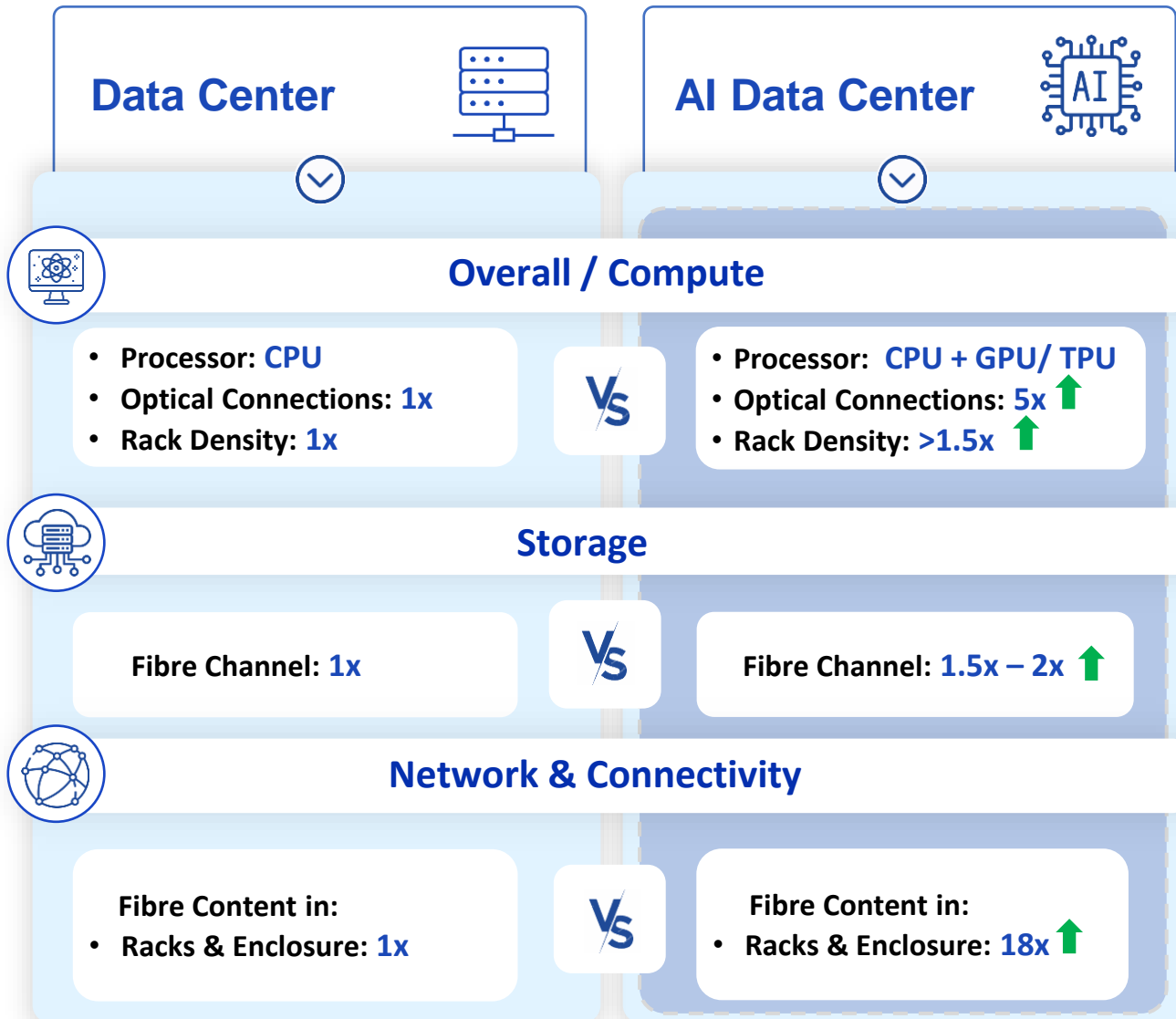
## FY25 & beyond:

- Observing continued deployment and healthy inventory digestion
- Analysts suggest demand improvement and robust demand growth of **7.1%** (Global demand ex-China) in coming years
- Continued client commitments on increasing fibre deployment and steady order book addition indicate recovery



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

# AI revolution powered by fibre rich data centers & fibre led connectivity



GPU market to grow @ **33.3% CAGR**, reaching **USD 477 Bn by 2030**

Storage capacity to grow @ **18.5% CAGR**, reaching **21 ZB by 2027**

## OPPORTUNITY

Fibre explosion in Data centers



Higher Fibre requirement for Data center connectivity

## STL's AMBITION

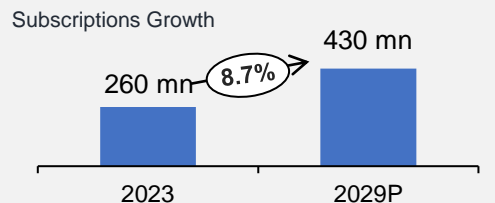
Achieve sizeable revenues (~25%) from Data Centre suit of products in medium term

# Three investments cycles coinciding



Multi-year network build cycle

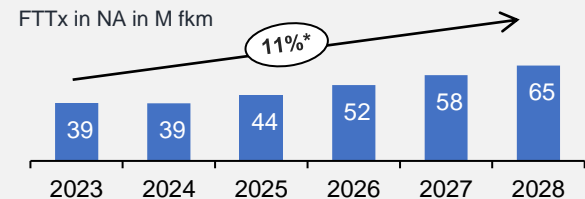
## 5G



Projected penetration for 2029E at **90%**

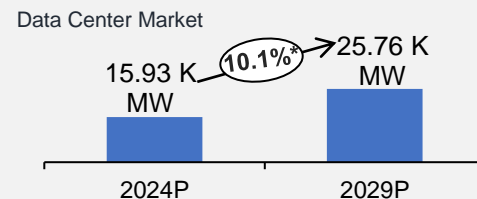
## FTTx

### North America



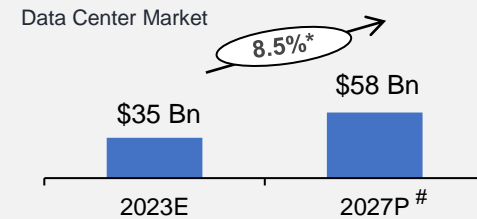
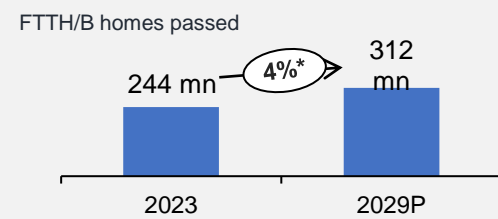
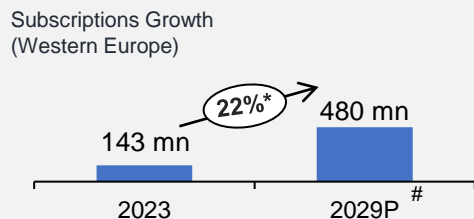
>100 Mn US homes await FTTH, **12 Mn homes** to be deployed in 2024 (FBA)

## Data Centers

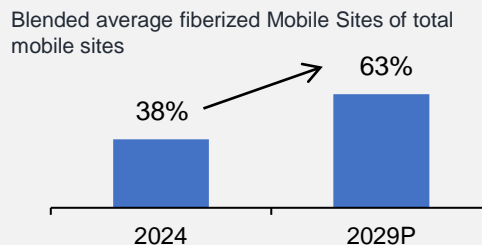


Data Centre market at **\$139 Bn** by 2028

### Europe

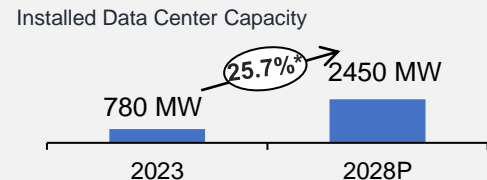


### India



**2nd** largest fibre broadband market by 2030

To lead global growth in installations with **26% CAGR** (2023-28)



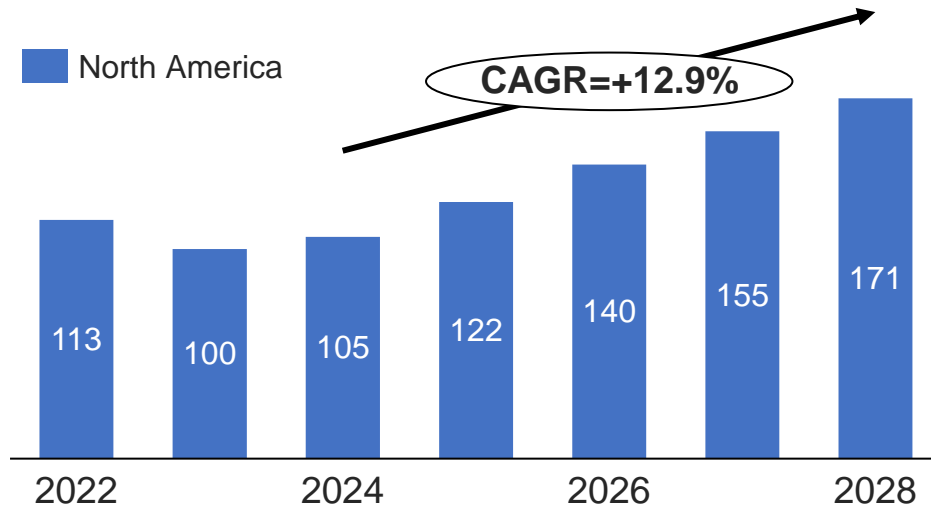
>**INR 45,000 Cr** investments till FY26 (CRISIL)

Additionally supported by;

- **Improved telecom company tariffs in Indian market**
- **Anti dumping duties on Chinese exports in India, EU and UK**
- **Industry shift from copper to fibre**
- **Government programs**
  - USA Govt Funding of **~\$97 bn** for broadband infra (BEAD program \$42.5 Bn)
  - **1.39 L Cr** BharatNet Program. **65k Cr RFP** in progress

# Robust outlook on US optical demand

## North America optical cable demand, mfkkm



### Rapid FTTx deployment in US

9 Mn homes passed in 2023. 9mn to 12mn home passes could be added in 2024

### US government push for Broadband Infrastructure



#### BEAD

- \$ 42.5 Bn Program
- As of July, 2024,
- 24 states completed all 10/10 of NTIA phases, advancing to volume II
  - 32 states completed 9/10 phases of Volume I

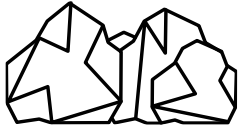
In medium term;

- AT&T plans to deploy **~19 Mn** home passes
- Lumen plans to add **>9 Mn** home passes
- Frontier plans to add **5 Mn** home passes

**Fibre deployment in next 5 years is expected to be nearly as much as it has been deployed throughout history**

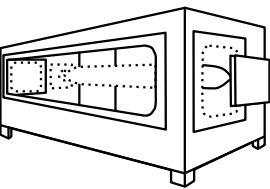
# Hi-Tech manufacturing, leading innovative Next Gen products





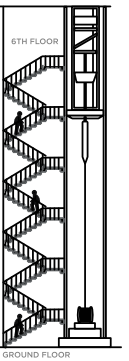
**PUREST GRADE SILICON**

✓



**ULTRA PURE GLASS PREFORM**

✓



**STATE OF THE ART OPTICAL FIBRE DRAWING**

## Industry Challenges



**Attenuation**  
Signal Decay



**Bend Sensitivity**  
Signal Leakage



**Compatibility**  
Legacy and Future Technology



**Duct Space**  
Optimize Limited Space



**Labour Availability**  
Workforce Constraint



**TCO Reduction**

## Our Solution




**Multiverse**  
Multifold increase in capacity




**160 micron fibre**  
Worlds slimmest Optical fibre



**High Density IBR Cable** Introduced  
Intelligently Bonded Ribbon cable technology into mainstream networks



**Stellar**  
One fibre for all Applications



**Underground & Aerial Optical Connectivity Kits**


**‘First in the World / India’ PRODUCTS/INITIATIVES**




- A2 **bend insensitive** fibre
- **Eco-labelled Certified** Optical Products
- **Green Hydrogen** project in Optical industry

**IP Portfolio**

PROGRESS IN Q1 FY25

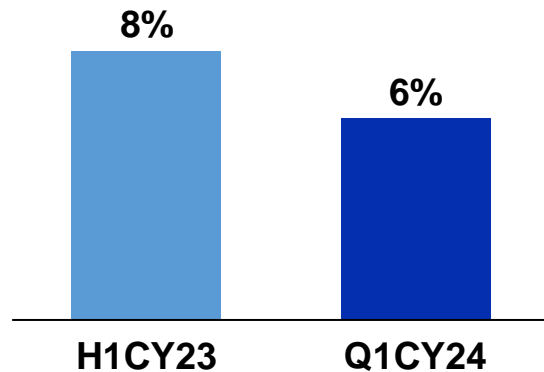


- **715 patents** (filed and granted)
- **32 new patents** filed
- **Record 24 patents awarded** in USA & India

# Market share and optical connectivity attach rate



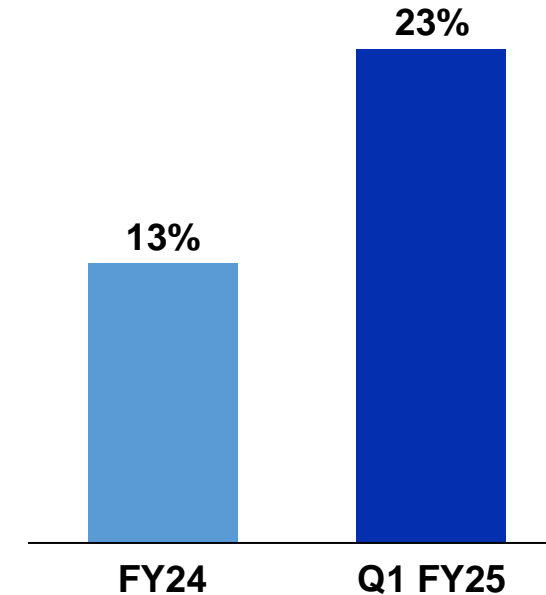
## Global (ex-China) OFC market share



Market Share = STL Sales Volume / Total Market Demand

Observed OFC market share decline.  
Working to re-gain market share in FY25

## Optical connectivity attach rate



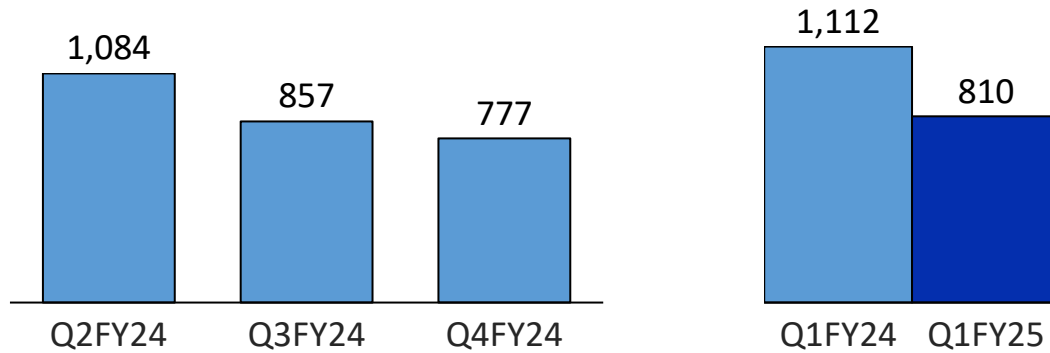
Attach rate = Optical connectivity revenue / OFC revenue

★ Highest ever attach rate in Q1 FY25

# Optical Networking Business financial highlights



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

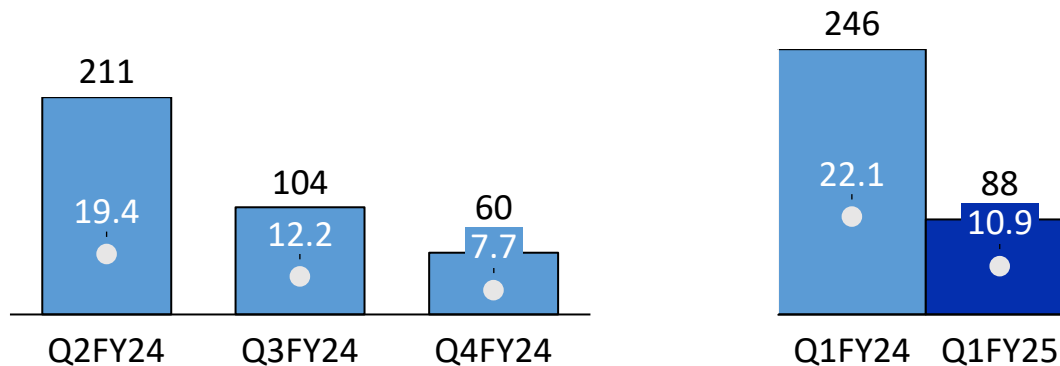


**Q1 FY25 revenue at INR 810 Cr.**

- OFC volume lower on y-o-y basis
- Improved revenues on q-o-q basis

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

● EBITDA %



**Q1 FY25 EBITDA margin at 10.9%**

- Reduction in EBITDA on account of lower OFC volumes
- Improved EBITDA margins on q-o-q basis

# Well positioned to grow the Optical Business



**1 Local capacities: Completed capacity expansions**, positioned **closer to focused markets** and well placed to win in the market



**2 Cost structure:** Continue to **optimize cost structure** both in terms of variable & fixed costs



**3 Product development & innovation: 715 patents<sup>1</sup>** with continued focus on product innovation creating category first products. Focus on **data center product portfolio**



**4 Customer focus:** Co-developing customized products, **diversified customers across geographies & customer segment**



# Focus on Profitable order wins in Global Services



1 Strategic Priorities for FY25

2 Focus on gaining market share in Optical business

**3 Profitable order wins in Global Services**

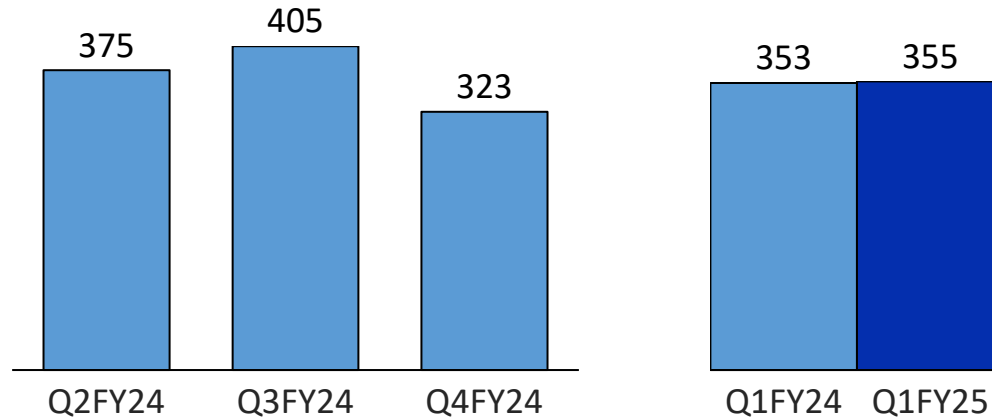
4 Focus on growth in STL Digital

5 Robust Financials

# Global Services Business financial highlights



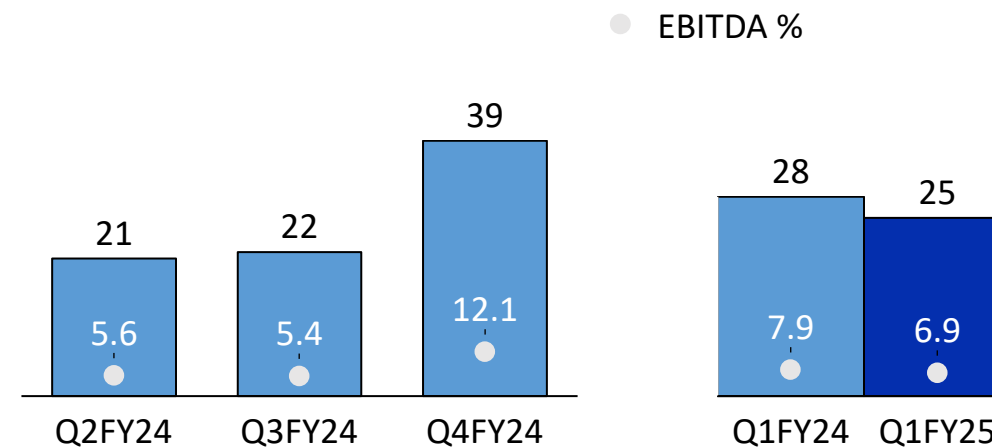
## Revenue\* (INR Cr.)



## Q1 FY25 revenue at INR 355 Cr.

- Selective order intake & execution leading to revenue improvement y-o-y and q-o-q basis

## EBITDA\* (INR Cr.)



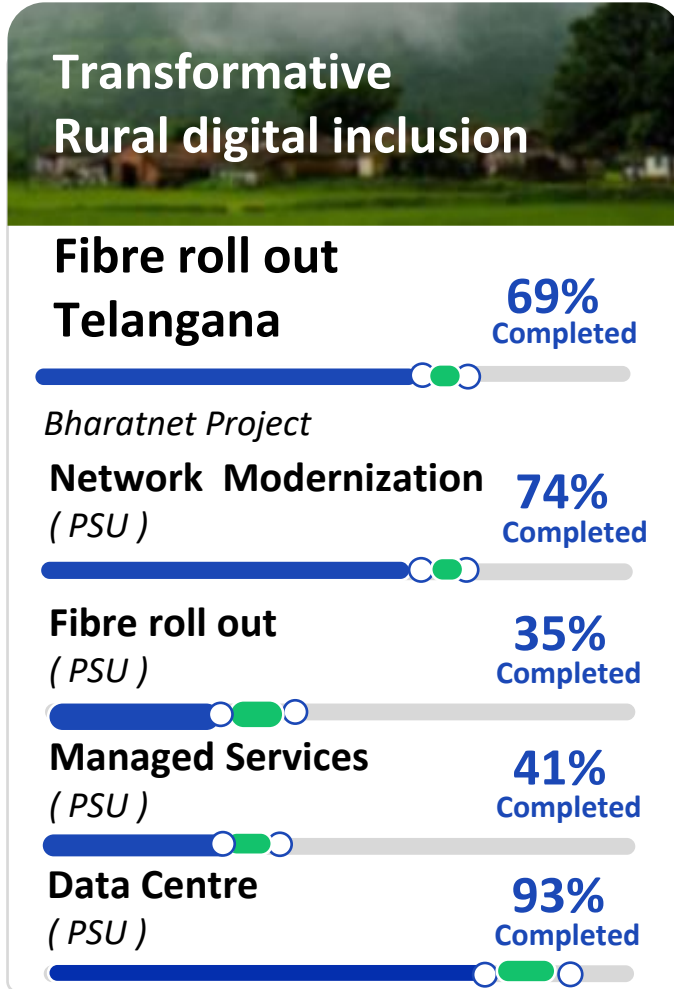
## FY24 EBITDA at INR 25 Cr.

- Maintaining healthy margins based on execution excellence

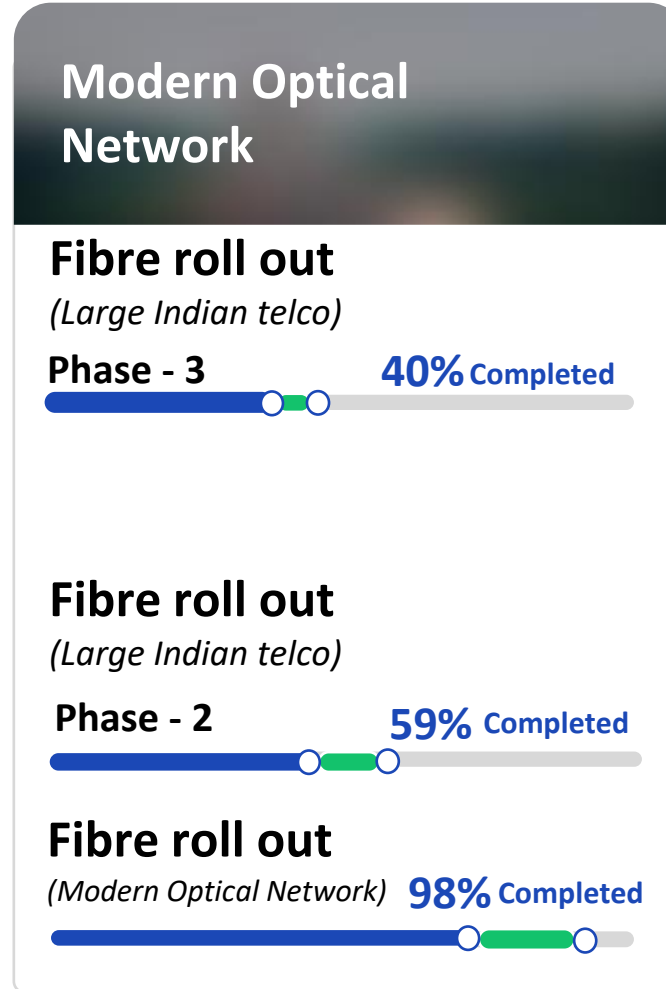
# Project execution on track



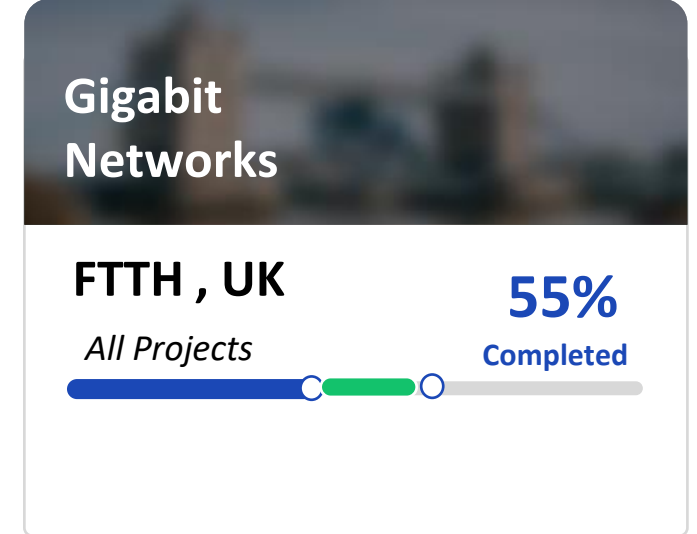
## India - Public



## India - Private



## UK



**BharatNet Phase III:**  
With extensive project experience, STL is well positioned to tap BharatNet in coming quarters

Progress till previous Qtr. Progress in current Qtr.

# Focus on growth in STL Digital



1

Strategic  
Priorities for  
FY25

2

Focus on gaining market  
share in Optical business

3

Focus on Profitable  
order wins in Global  
Services

4

**Focus on  
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



800+ Consultants



25% Women

## Financials

Open Order Book **INR. 377 Cr**  
30th June'24

FY24 Revenue **INR. 298 Cr**

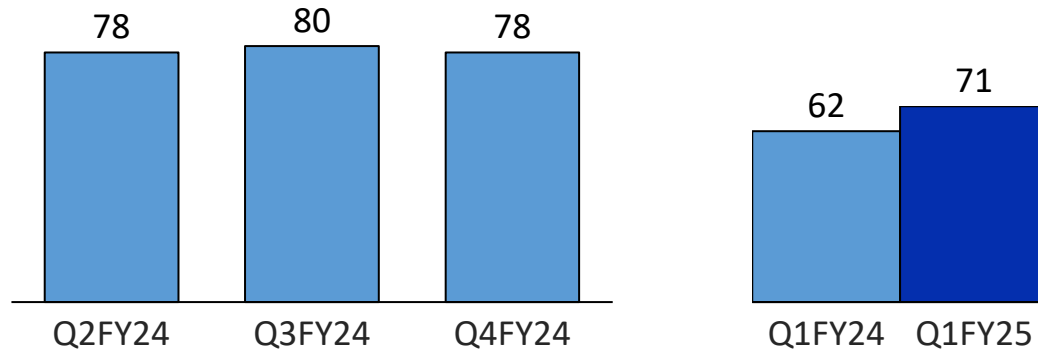
- **Robust deal flow, new customer acquisitions** in US and India across Technology & Services Industry verticals during Q1FY25
- **Strong partnership ecosystem.** Strategic partnerships signed **with SAP & Google** .Active technology partners : **40+**

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

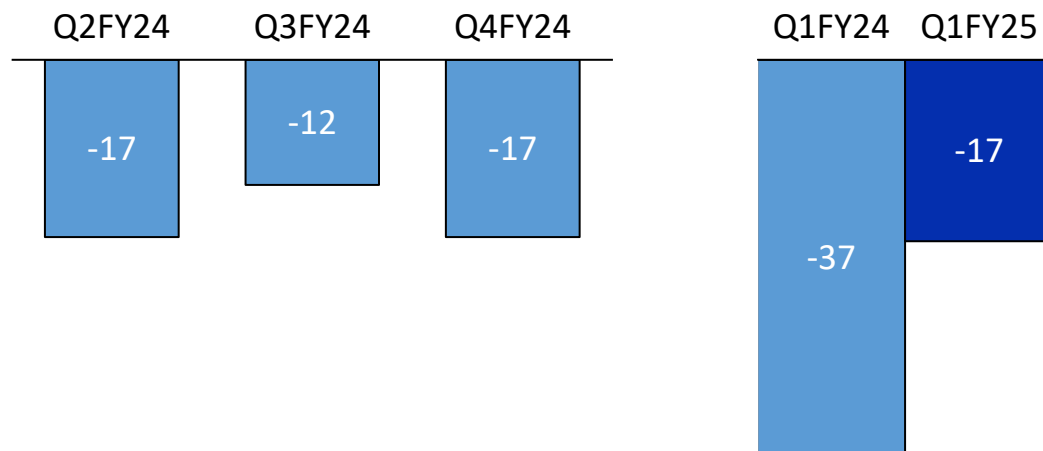
# Digital business financial highlights



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



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



## Q1 FY25 Revenue at INR 71 Cr.

- Revenue growth continued on y-o-y basis

## Q1 FY25 EBITDA loss at INR 17 Cr.

- EBITDA losses trending downwards on y-o-y basis

# 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.

# Focus on maintaining operating profitability & reducing debt

STL



1

Strategic  
Priorities for  
FY25

2

Focus on gaining market  
share in Optical business

3

Profitable order wins  
in Global Services

4

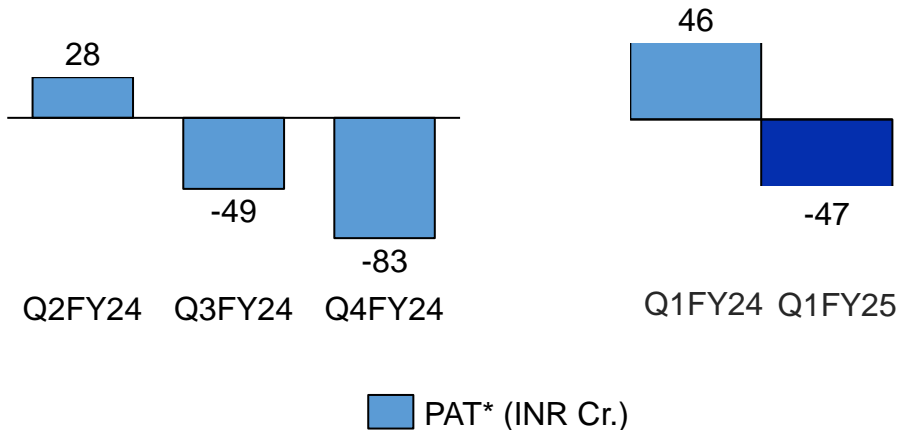
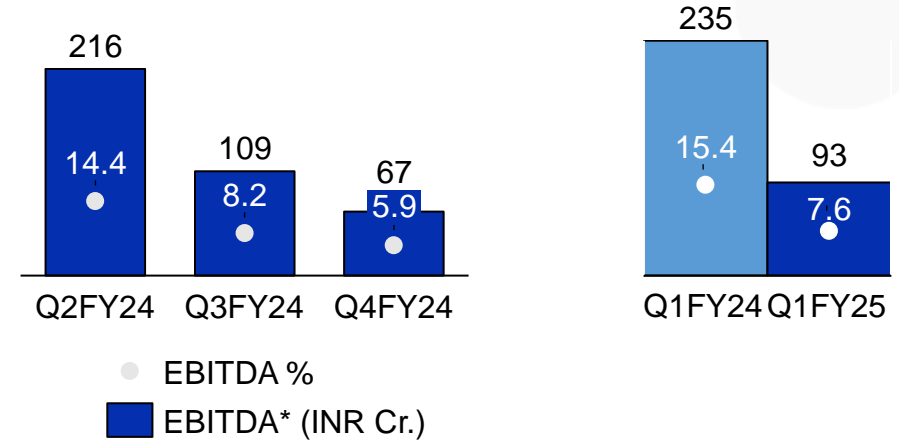
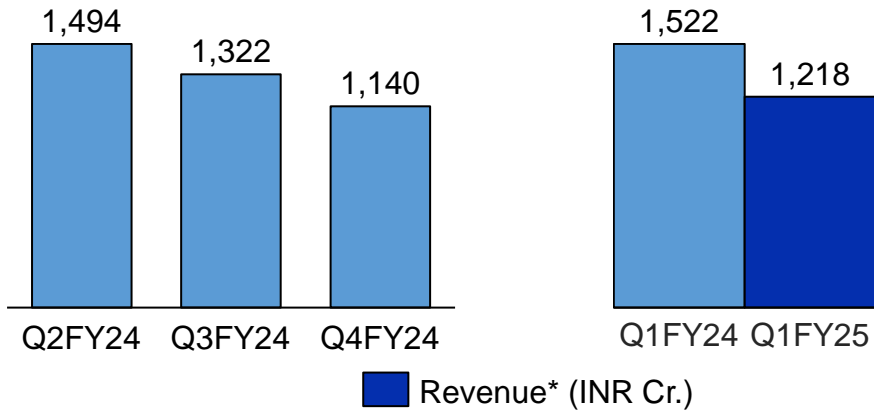
Focus on growth in  
STL Digital

5

**Robust  
Financials**



# STL financial highlights



## Q1 FY25 Revenue at INR 1,218 Cr

- OFC volumes lower on y-o-y basis
- Improved revenues on q-o-q basis

## Q1 FY25 EBITDA margin at 7.6%

- Margins dropped due to lower OFC volumes
- Improved margins on q-o-q basis

## Q1 FY25 PAT loss at INR 47 Cr

- Losses reduced on q-o-q basis

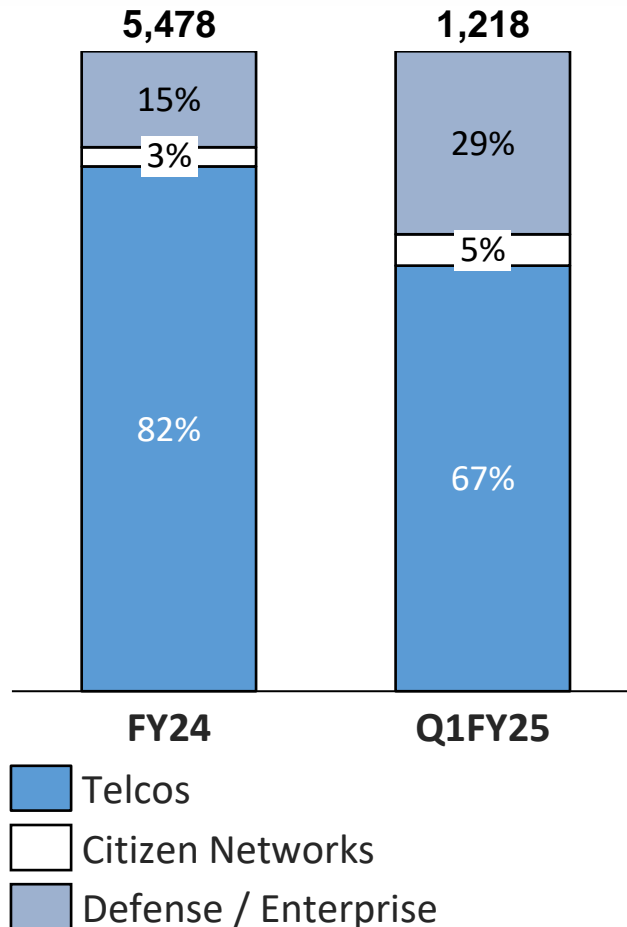
# Diversified revenue mix



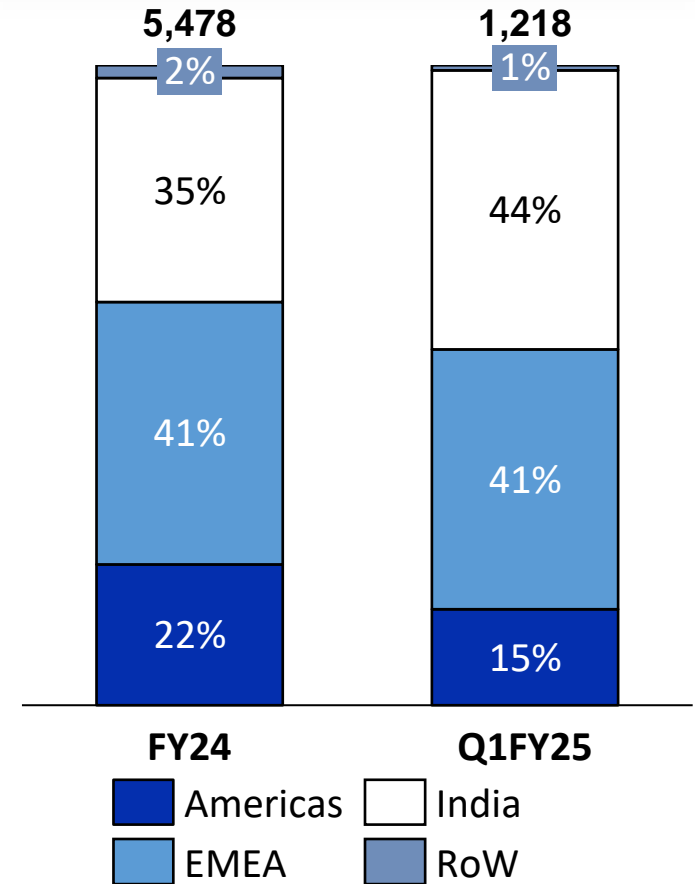
## Large order wins in Q1 FY25

- **Long term** large orders from **leading UK telecom operator** for optical interconnect
- **Leading telecom companies in UK** for connectivity solutions
- Secured **large deals in Italy** for optical fibre cable & speciality cable products
- **Long term** large orders for fibre cable supply & deployment from a **Large Indian private telecom player**
- **Indian public sector enterprise** for services business

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



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

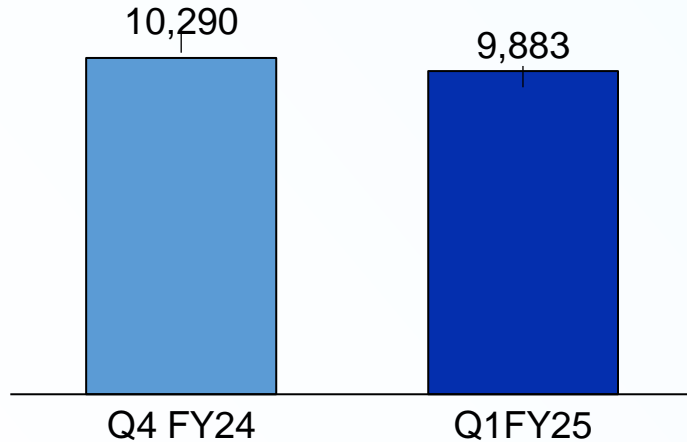


\* from continued operations

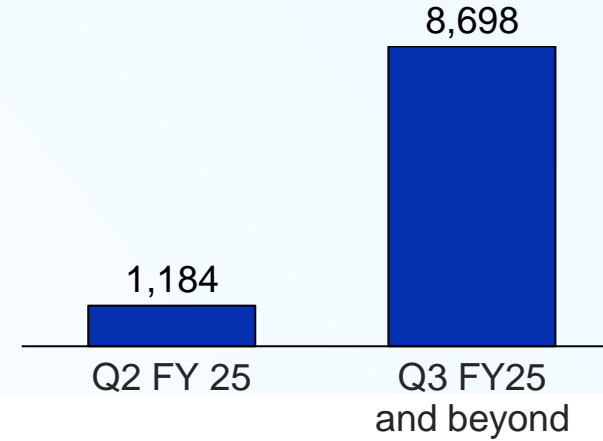
# Order Book Highlights



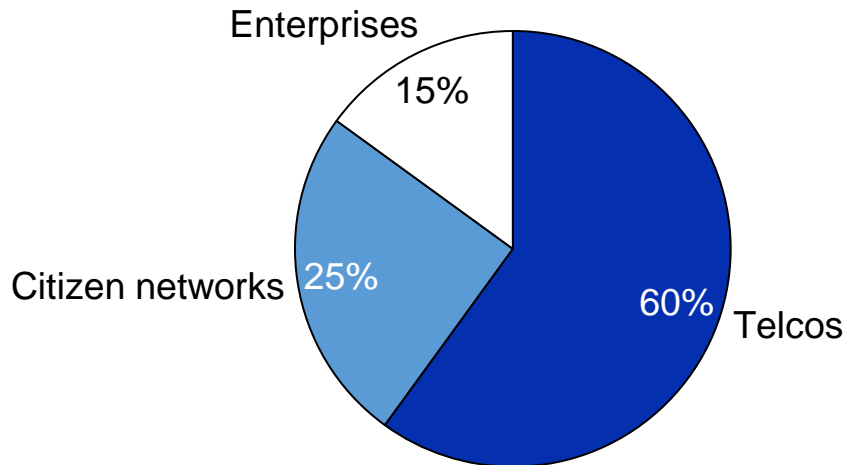
### Open order book (INR Cr.)



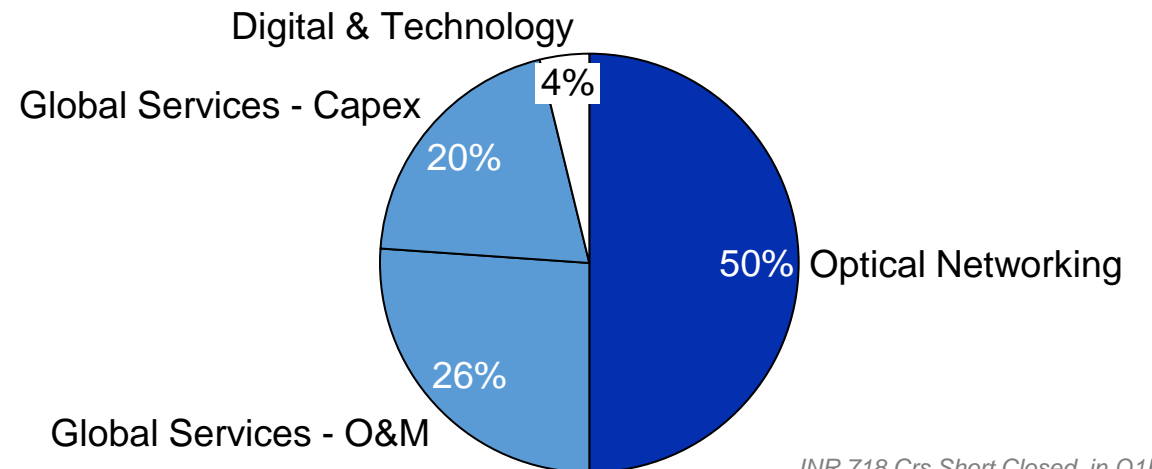
### Order book spread (INR Cr.)



### Customer wise open order book



### Open order book BU wise



# Consolidated financials: abridged version

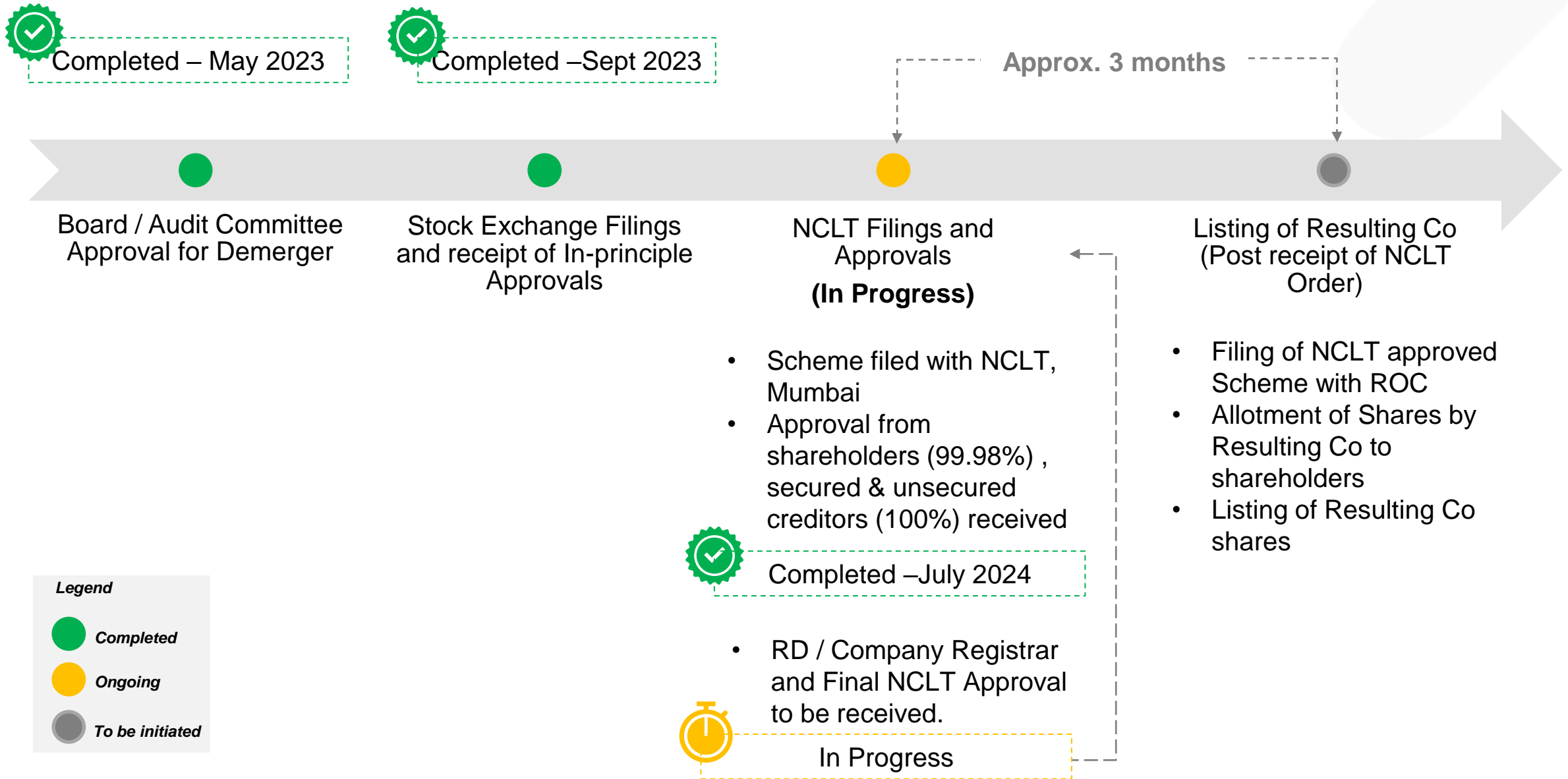


P&L (INR Cr.)	Q4 FY24	Q1 FY24	Q1 FY25
Revenue*	1,140	1,522	1,218
EBITDA*	67	235	93
EBITDA %	5.9%	15.4%	7.6%
Depreciation	85	81	82
EBIT*	-18	154	11
Finance costs	88	92	71
PBT* (Before share of Associates and JV)	-106	62	-60
Exceptional Items	0	0	0
Tax	-23	19	-13
Net Profit* (After minority Interest & share of JV)	-83	46	-47
Profit ( loss ) from discontinued operations	1	8	-1
<b>Net Profit</b>	<b>-82</b>	<b>54</b>	<b>-48</b>

## Key Updates

- Net Debt has reduced by INR 769 Cr from FY24
- Debt to Equity ratio improvement from 1.38 in Q4FY24 to 0.68 in Q1FY25.

# Global Services demerger status



# Summary focus areas



## Optical Business

- Drive **technology and cost leadership** to be in '**Global Top 3**'
- Increase sales in **focused markets** to fill the short-term volume gap
- Increase **optical connectivity** growth and attach rate
- Rapidly building **data center product portfolio**

## Services Business

- Continued focus on select projects intake to **improve profitability** and **optimise net fund involvement**
- Completing **demerger by Q3 FY25**

## Digital Business

- Continue to **grow revenue** with **focus on profitability**

A large, out-of-focus audience of people sitting at tables in a conference room, with many of their hands raised in the air. The scene is dimly lit with a blue color cast.

**Lets answer your queries!**



beyond tomorrow