

# Earnings Presentation

Earnings Call Q2 FY25

5<sup>th</sup> November 2024

# Safe Harbour

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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

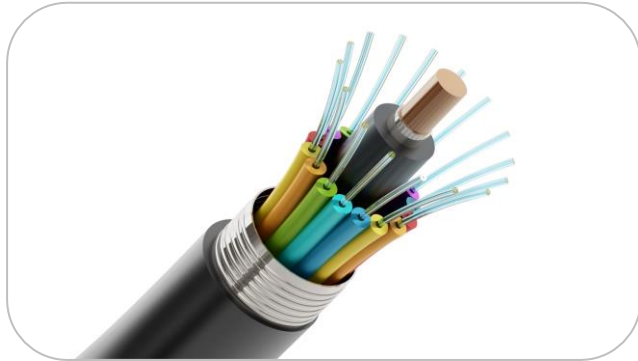
4 Focus on growth in STL Digital

5 Robust Financials

01

## Grow

### Optical Networking



- Increase OFC market share and optical connectivity attach rate
- Rapidly building data centre 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 5,000+ students



**Celebrating 10 Years of Jeewan Jyoti:** Empowering underprivileged women by training them in vocational skills. Benefitted 5,100+ 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 >4 Lakh saplings.



**Swasthya Suraksha:** Hybrid healthcare programs across Aurangabad, Gadchiroli, and Nandurbar districts, impacted >25 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 – Q2FY25)

**35,000+ tCO<sub>2</sub>e**

Reduced through energy efficiency initiatives (FY21 – Q2FY25)

**900,000+ m<sup>3</sup>**

of water recycled (FY19 – Q2FY25)

**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 – Q2FY25)

**2.74 mn.+**

Lives benefitted through STL's healthcare programmes (FY19 – Q2FY25)



## GOVERNED WITH CARE

### Strong internal governance

#### Two of the Big Four

as statutory & internal auditors

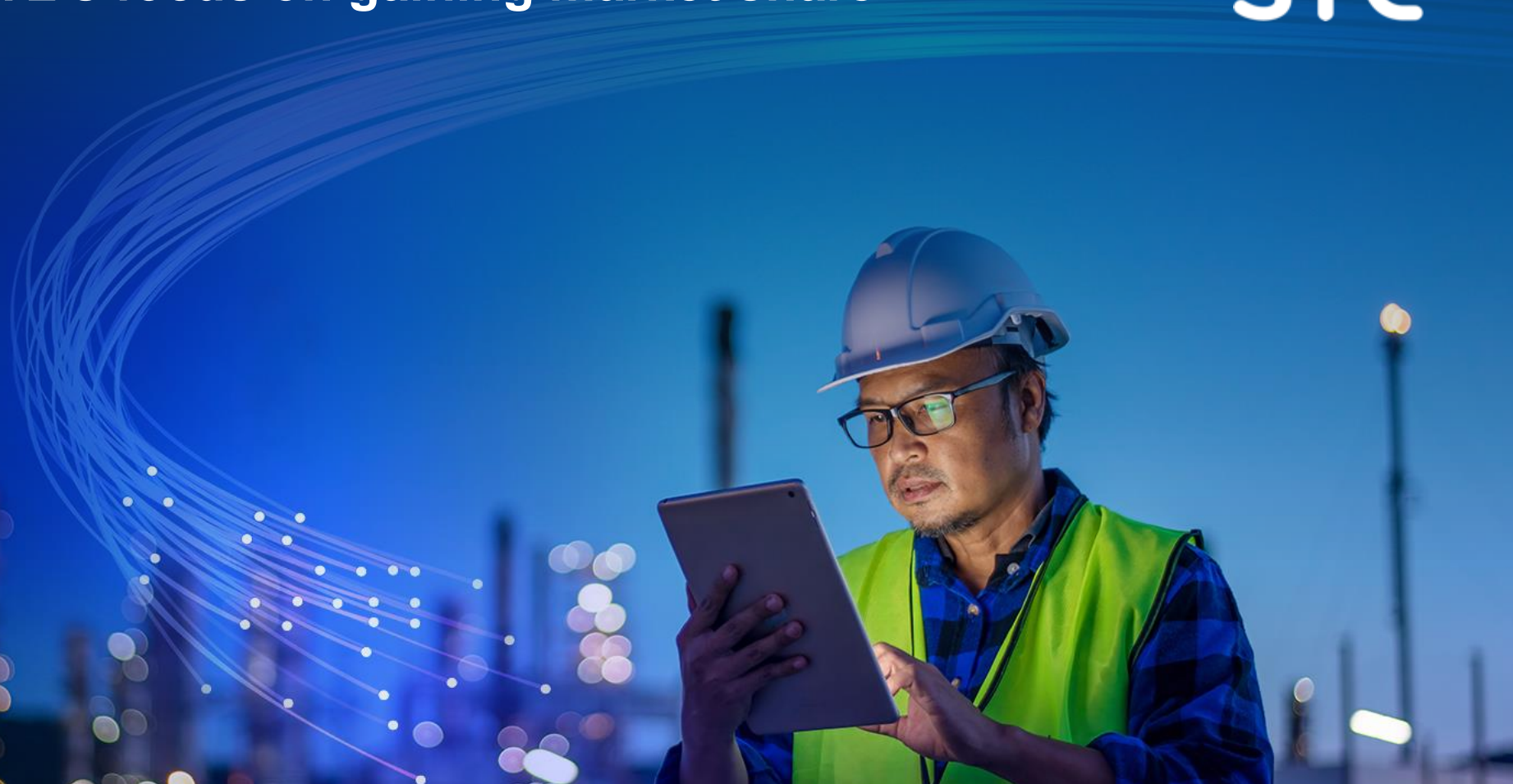
Executive and Management committees in place

**100+ ESG awards won (FY19 – FY24)**

**STL becomes world's first optical manufacturer to be zero liquid discharge certified**

\* MSCI - Morgan Stanley Capital International

# Optical Business; 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



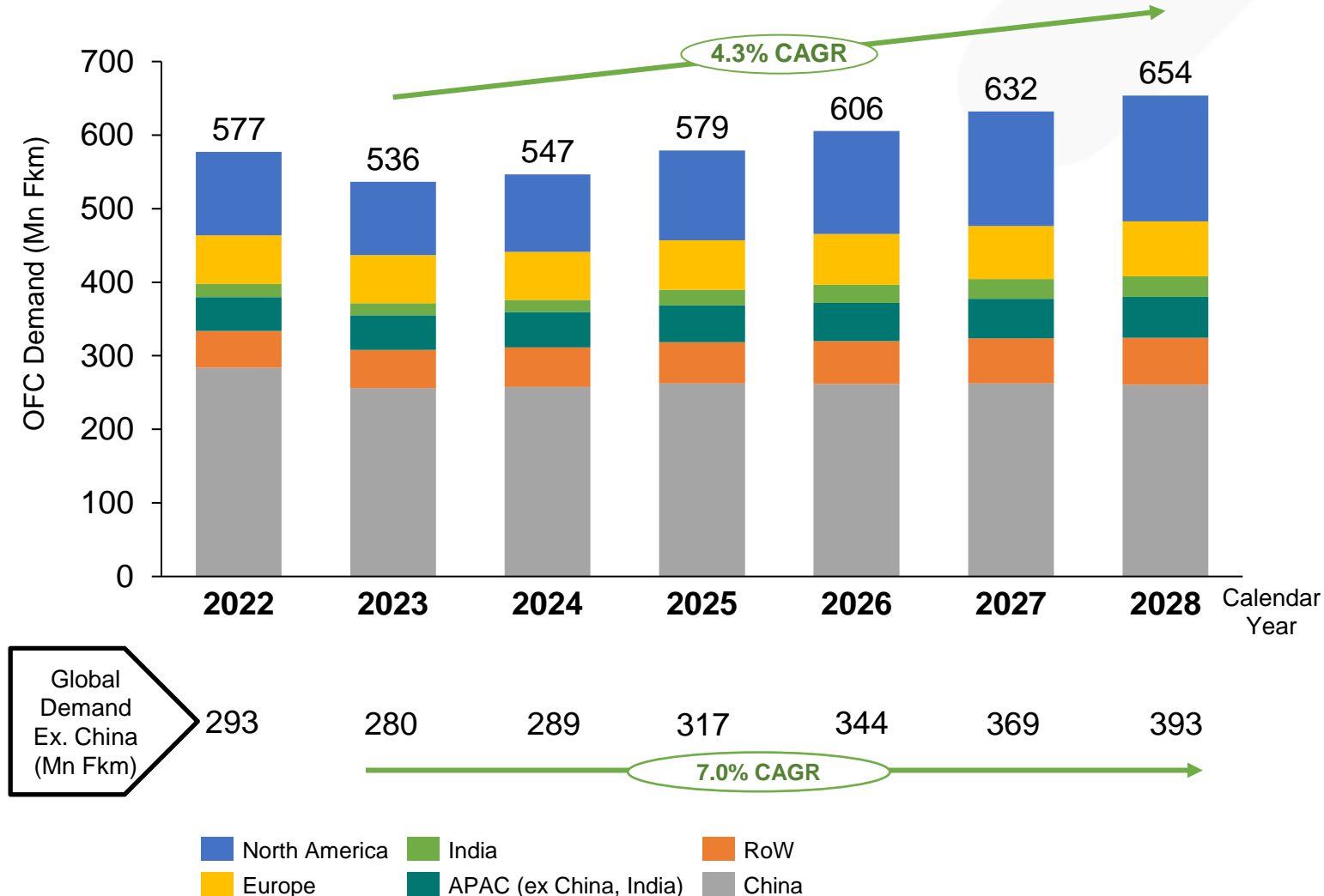
## Reflections

As per CRU;

- Global OFC demand till Sept, 2024 contracted marginally
- 2024 demand expected to contract or stay flat

## Future Outlook

- Observing continued deployment leading to healthy inventory digestion
- Continued client commitments on increasing fibre deployment
- Analysts suggest demand improvement and robust demand growth of **~7.0%** (Global demand ex-China) in coming years



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

# AI revolution and Data Centre expansion presenting unprecedented opportunity



## OPPORTUNITY

### Fibre explosion in Data centres

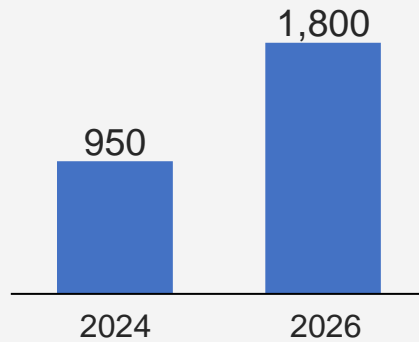


**36x** fibre in GPU dense Data Centres than CPU racks

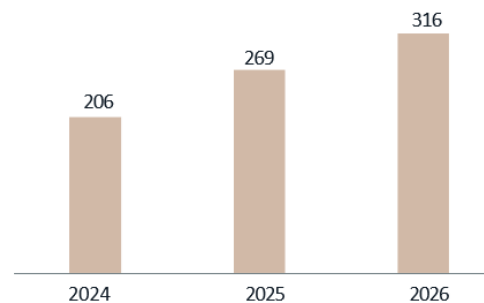
more compact, high-density optical fibre cables (**~70% more fibre**) than traditional data centres



### India DC Capacity in (MW)



### India AI DC Capacity (MW)



**US\$ 5.7 Bn**  
investments expected

## STL's AI-DC Portfolio



**IMC 2024 – STL Launches AI-DC Portfolio**, boost to **Make in India Initiative**



## STL's AMBITION

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

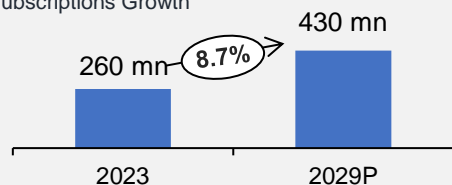
# Three investments cycles coinciding



Multi-year network build cycle

## 5G

Subscriptions Growth

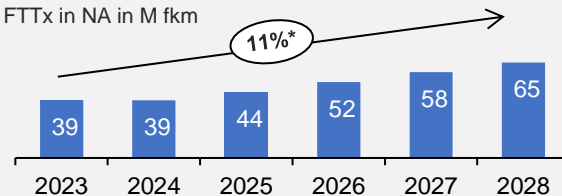


Projected penetration for 2029E at **90%**

## FTTx

North America

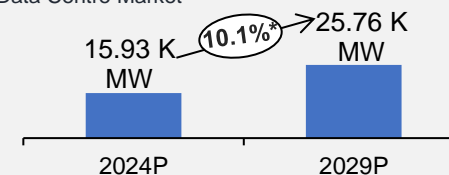
FTTx in NA in M fkm



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

## Data Centres

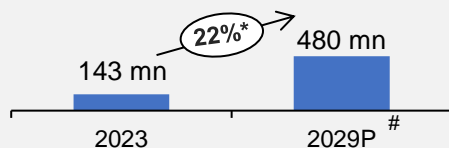
Data Centre Market



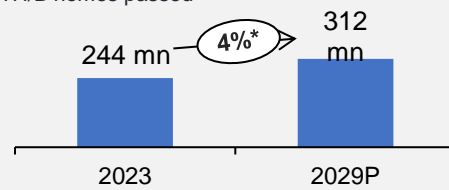
Data Centre market at **\$139 Bn** by 2028

Europe

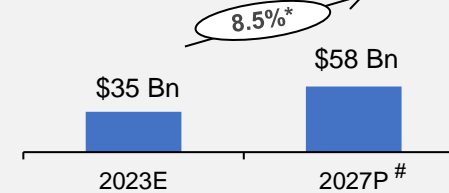
Subscriptions Growth (Western Europe)



FTTH/B homes passed

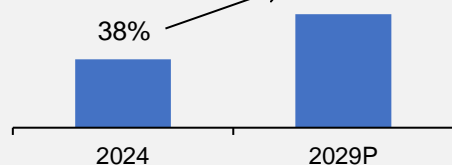


Data Centre Market



India

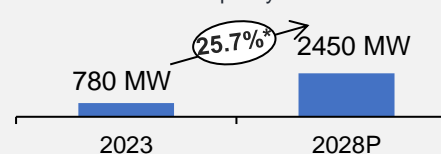
Blended average fiberized Mobile Sites of total mobile sites



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

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

Installed Data Centre Capacity

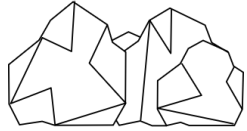


>**INR 45,000 Cr** investments till FY26 (CRISIL)

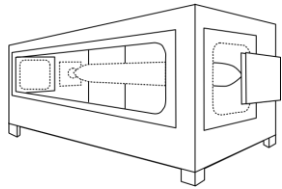
Additionally supported by;

- **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**

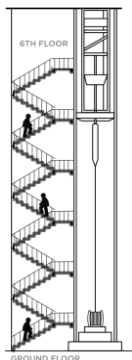
# Hi-Tech manufacturing and Next Gen products



PUREST GRADE SILICON



ULTRA PURE GLASS PREFORM



STATE OF THE ART OPTICAL FIBRE DRAWING

## 'First in the World / India'

PRODUCTS/INITIATIVES



- **160 micron fibre** – worlds slimmest optical fibre
- **Multiverse / MCF** – Revolutionary Multicore fibre
- **Eco-labelled Certified** Optical products
- **Green Hydrogen** project in Optical industry



## IP Portfolio



- **730 patents** (filed and granted)
- **10 new patents** filed in Q2, FY25
- **Record 24 patents awarded** in USA & India in Q1, FY25

## Awarded third time in a row!



IMC

**AI – Data Centre product portfolio launch**

**AI – Fibre Optic Sensing (AI-FOS) solution launch**

**MCF, enabling quantum communications and photonics**

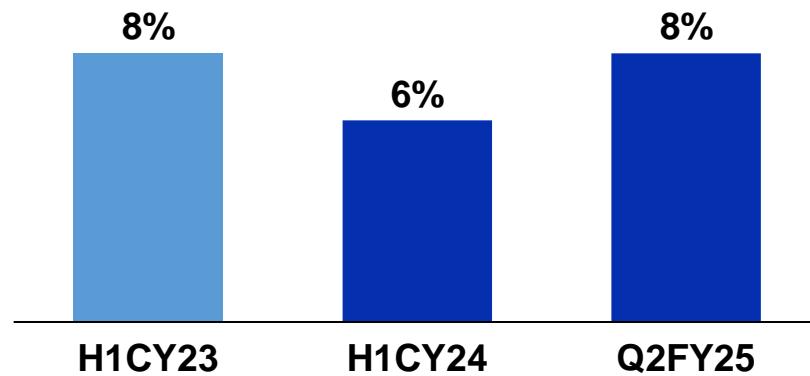
**STL enabling India's Fixed wireless access (FWA) progress**

★ **"STL's AI-led Data Centre portfolio is a significant innovation for the AI ecosystem and will also strengthen India's data centre capabilities." Shri Jyotiraditya Scindia, Indian Telecom Minister.**

# Market share and optical connectivity attach rate



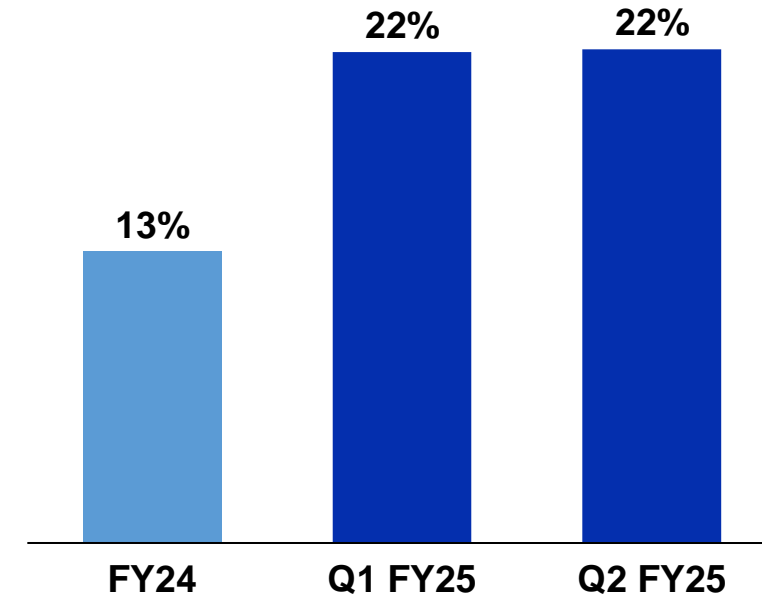
## Global (ex-China) OFC market share



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



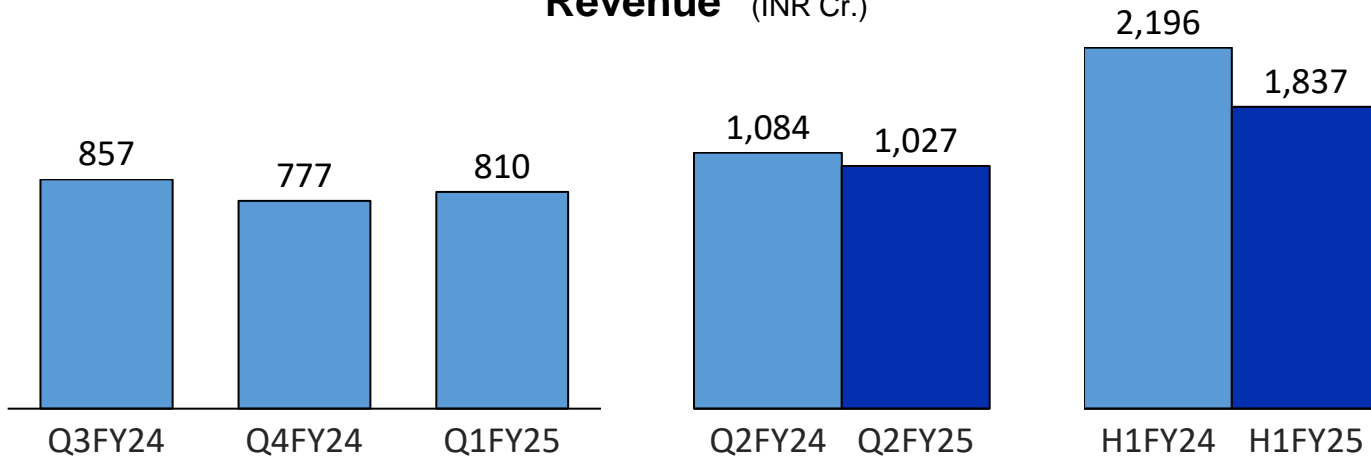
Attach rate = Optical connectivity revenue / OFC revenue

★ Improving attach rate. Highest quarterly revenues in optical connectivity

# Optical Networking Business financial highlights



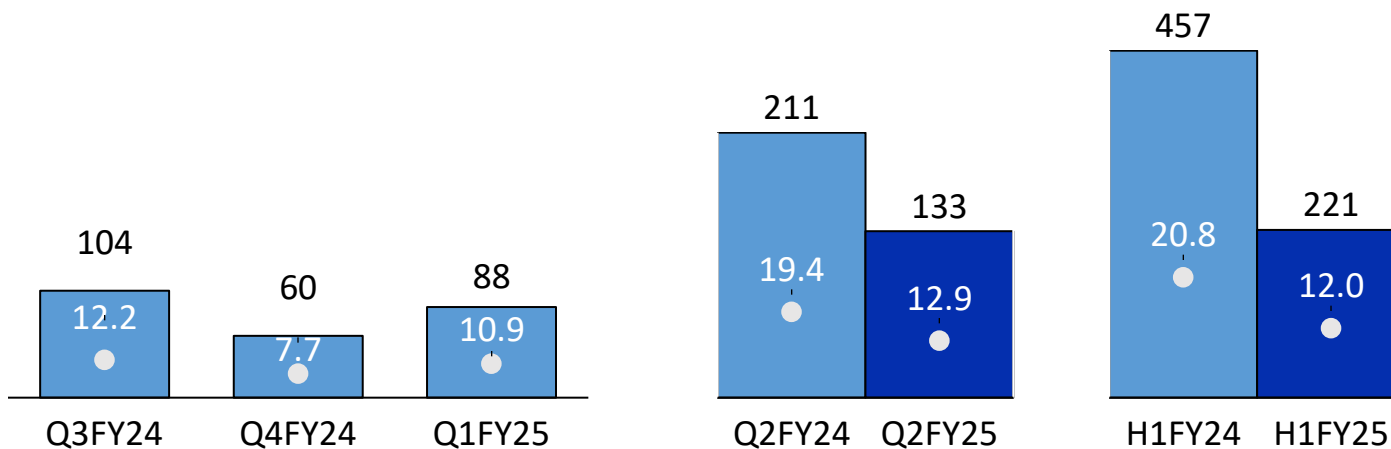
**Revenue\*** (INR Cr.)



## Q2 FY25 revenue at INR 1,027 Cr.

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

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



## Q2 FY25 EBITDA margin at 12.9%

- Reduction in y-o-y EBITDA due to lower OFC volumes and changed mix
- 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: 730 patents<sup>1</sup>** with continued focus on product innovation creating category first products. Focus on **data centre 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

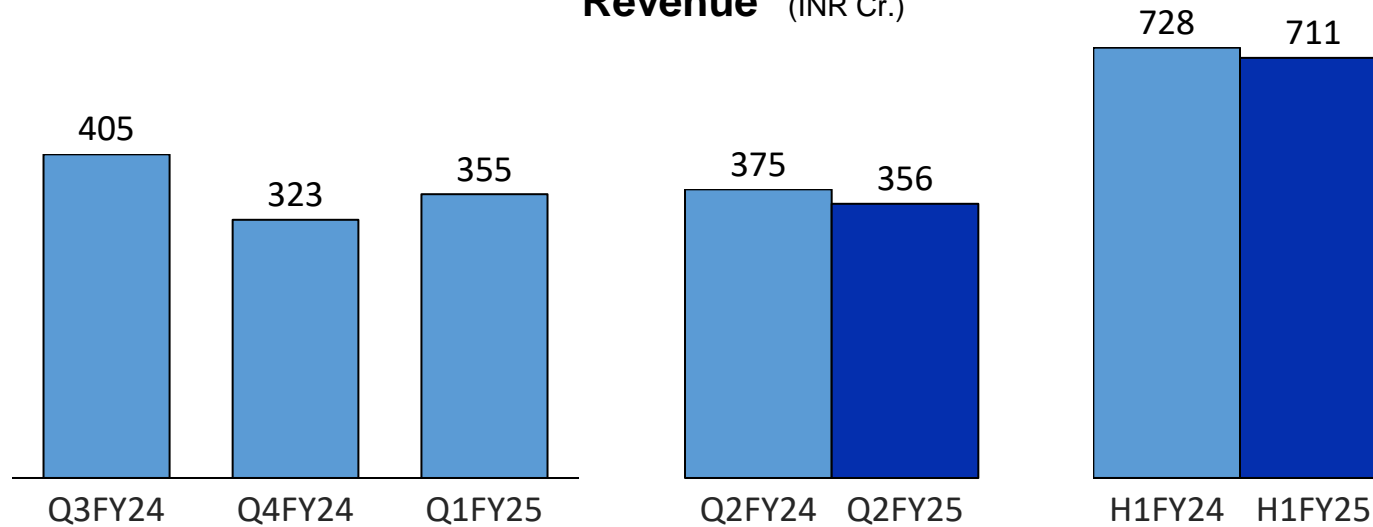
5 Robust Financials



# Global Services Business financial highlights



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

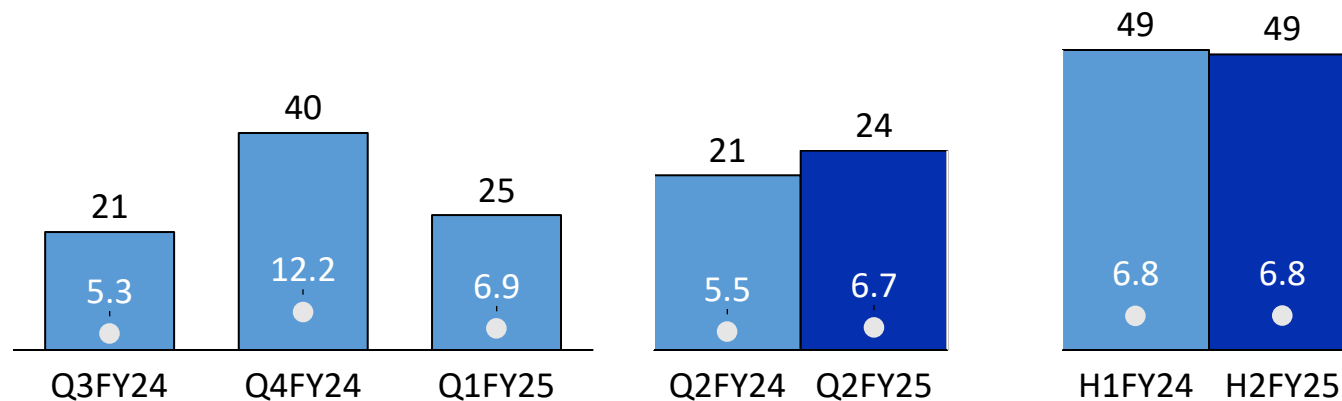


## Q2 FY25 revenue at INR 356 Cr.

- Stable revenues on q-o-q basis
- Continued focus on selective order intake

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

● EBITDA %



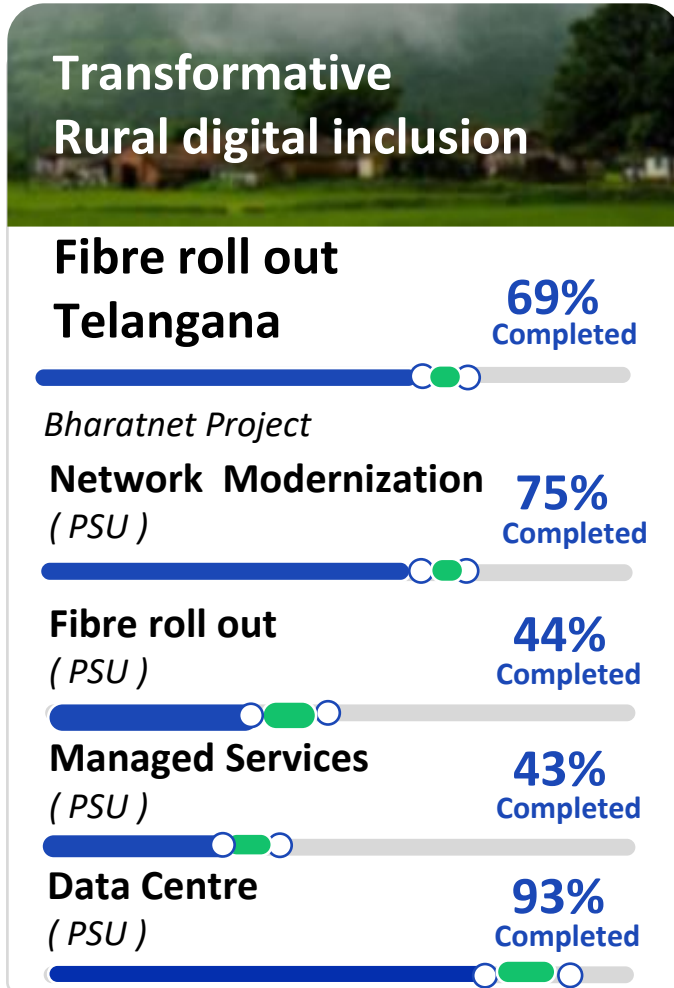
## Q2 FY25 EBITDA at INR 24 Cr.

- Improved margins on y-o-y basis due to execution excellence
- Maintaining healthy margins on q-o-q basis

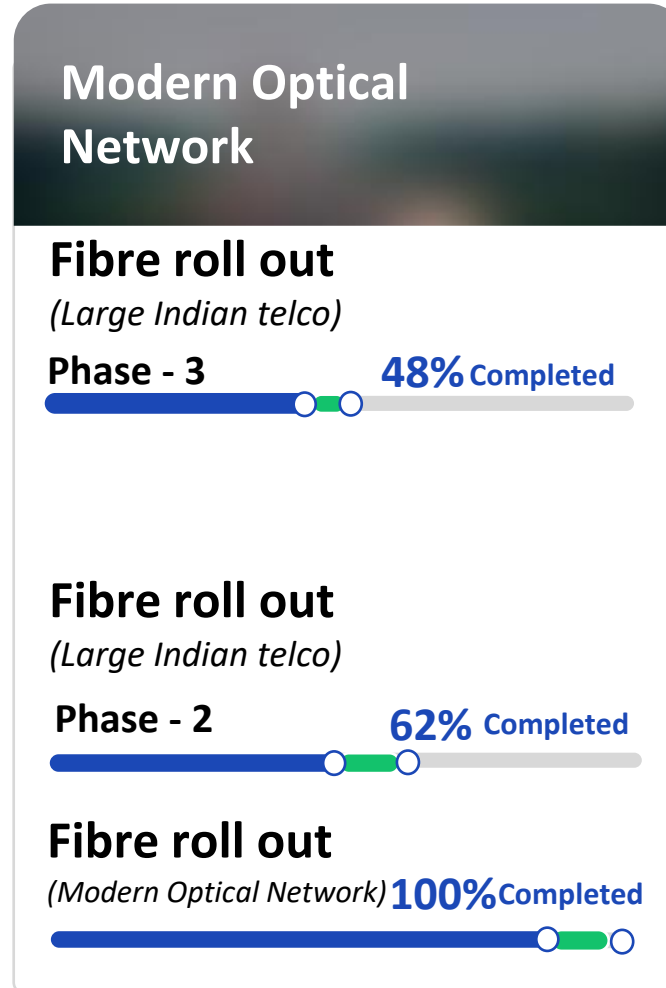
# Project execution on track



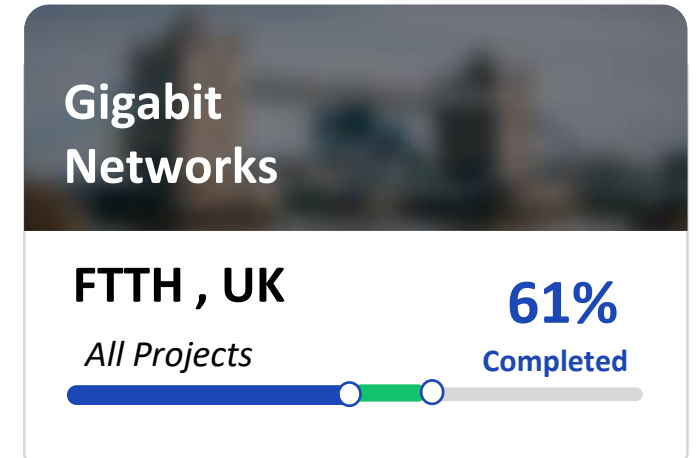
## India - Public



## India - Private



## UK



**Well positioned to tap Large Opportunities**

- BharatNet Phase III
- NHAI nationwide fibre network

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

24

Global customers



## Team



850+ Consultants



24% Women

## Financials

Open Order Book <sup>30th Sept'24</sup> **INR. 336 Cr**

FY24 Revenue **INR. 298 Cr**

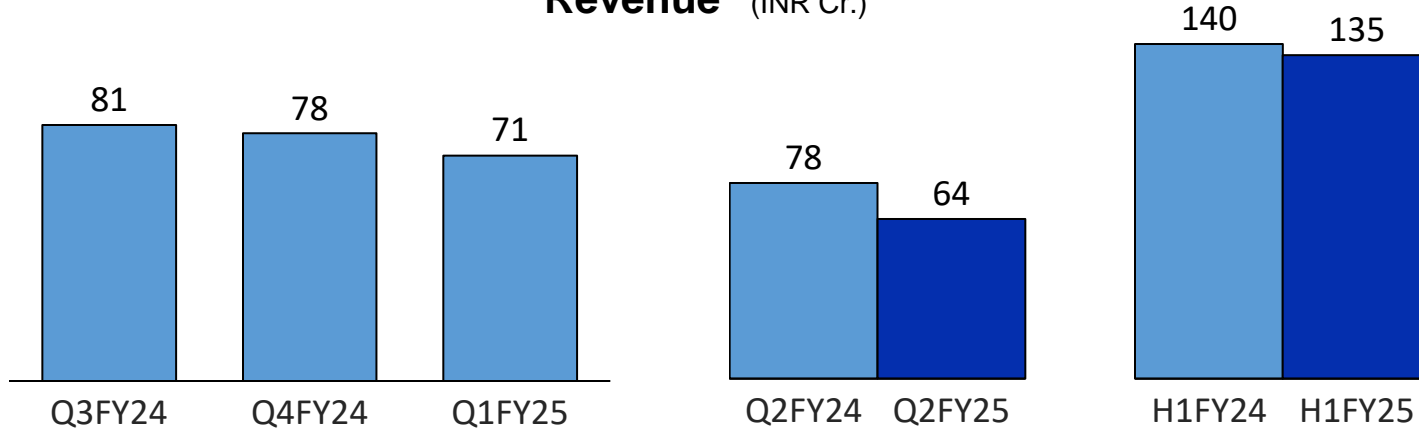
- **Robust deal flow**, in US and India from marquee customers during Q2FY25
- **New customer acquisitions continue**
- **Strong partnership ecosystem.**  
40+ Active technology partners

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

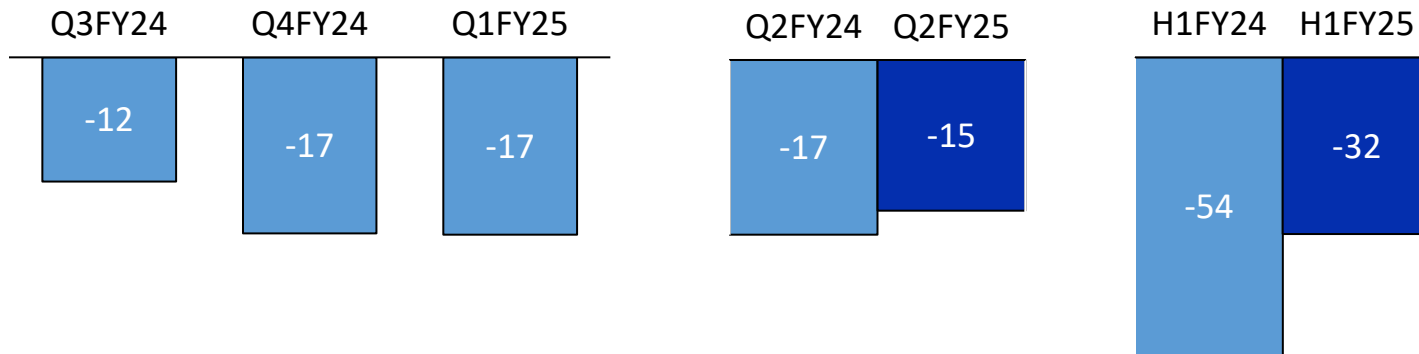
# Digital business financial highlights



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



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



## Q2 FY25 Revenue at INR 64 Cr.

- Revenue declined on y-o-y basis due to focus on profitable growth

## Q2 FY25 EBITDA loss at INR 15 Cr.

- EBITDA losses trending downwards on y-o-y and q-o-q 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

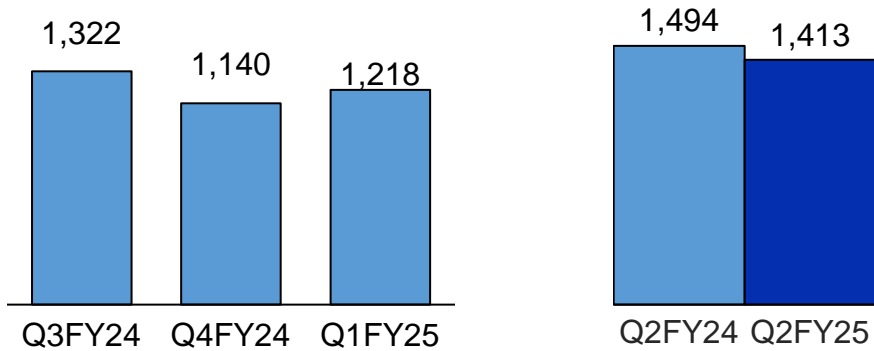
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Focus on growth in  
STL Digital

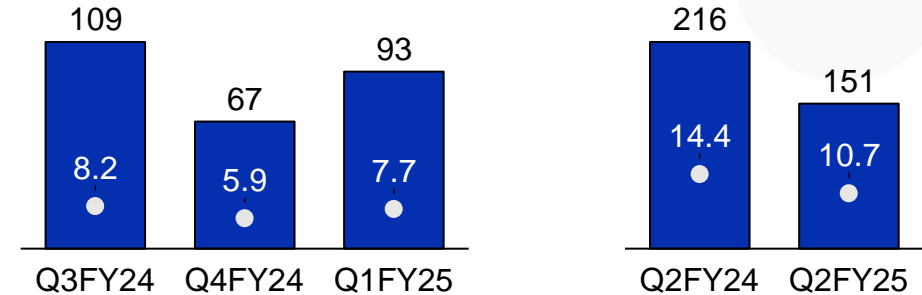
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**Robust  
Financials**

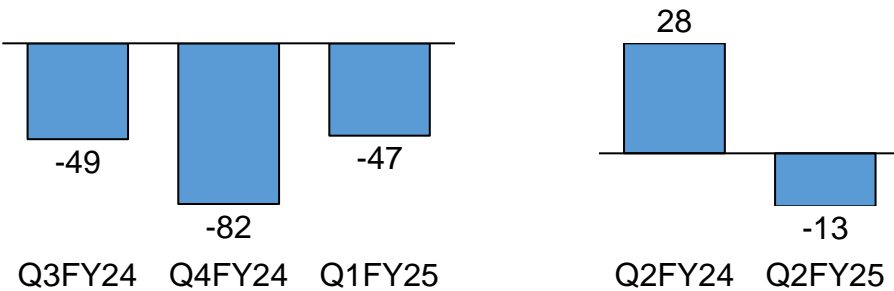
# STL financial highlights



Revenue\* (INR Cr.)



EBITDA\* (INR Cr.)  
EBITDA %



PAT\* (INR Cr.)

## Q2 FY25 Revenue at INR 1,413 Cr

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

## Q2 FY25 EBITDA margin at 10.7%

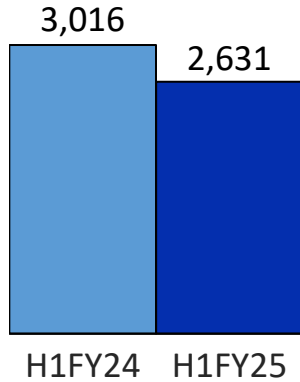
- Lower margins due to lower OFC volume on y-o-y basis
- Improved margins on q-o-q basis

## Q2 FY25 PAT loss at INR 13 Cr

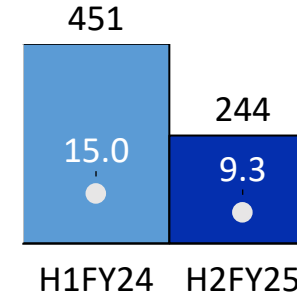
- Losses reduced on q-o-q basis



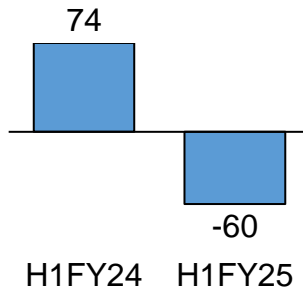
# STL H1 FY25 Financial Highlights



■ Revenue\* (INR Cr.)



● EBITDA %  
■ EBITDA\* (INR cr.)



■ PAT\* (INR Cr.)

- H1 FY 25 Revenues at INR 2,631 crores
- H1 FY 25 EBITDA at INR 244 crores
- H1 FY 25 PAT loss at INR 60 crores

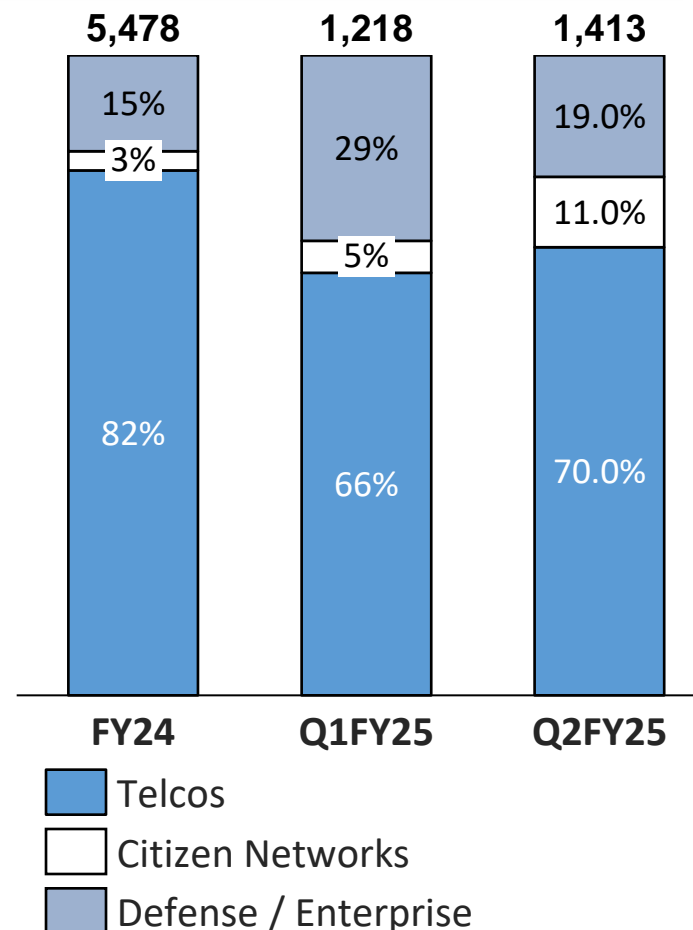
# Diversified revenue mix



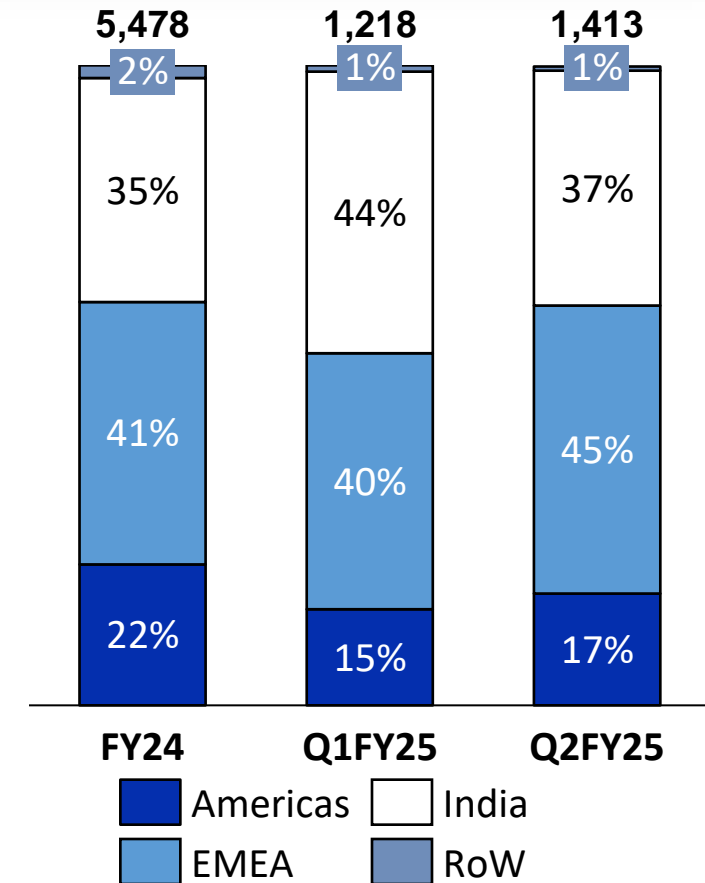
## Large order wins in Q2 FY25

- Secured **Large orders** from a **leading American customer**
- **Large orders** from **leading UK telecom operator** for optical connectivity and fibre solution
- Received **large deals in Italy** for optical fibre cable & speciality cable products
- **Large orders** from an **Indian pvt telecom player** for enabling **FWA** deployment
- **Long term** large orders for fibre cable supply & deployment from a **Large Indian pvt telecom player**

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



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

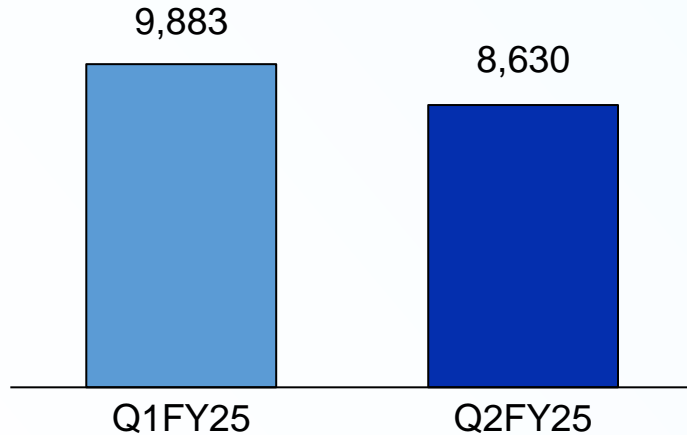


\* from continued operations

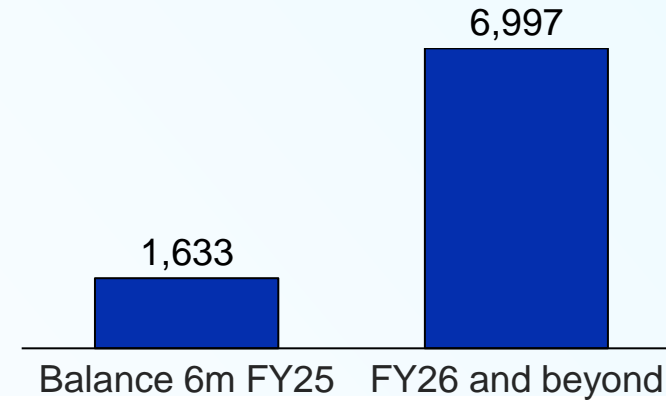
# Order Book Highlights



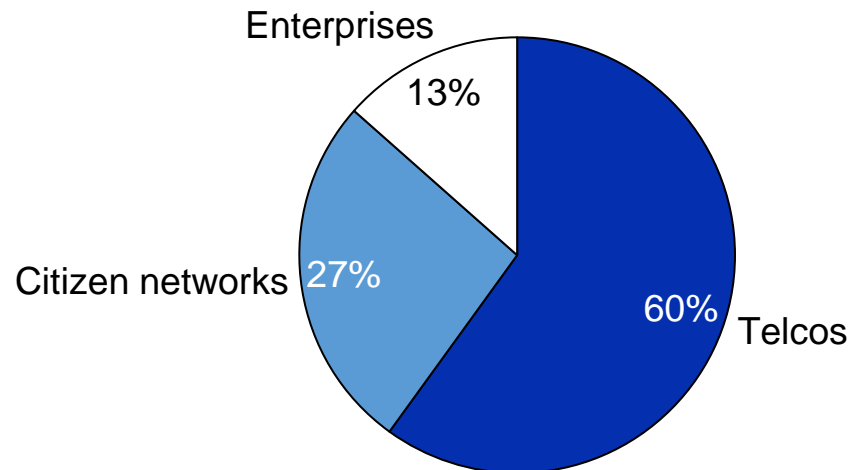
### Open order book (INR Cr.)



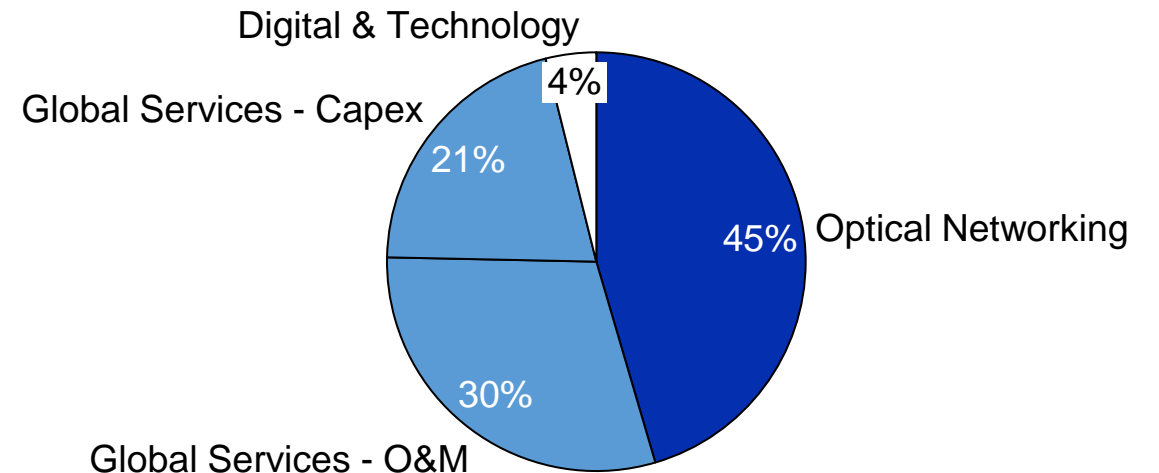
### Order book spread (INR Cr.)



### Customer wise open order book



### Open order book BU wise



# Consolidated Financials: Abridged Version

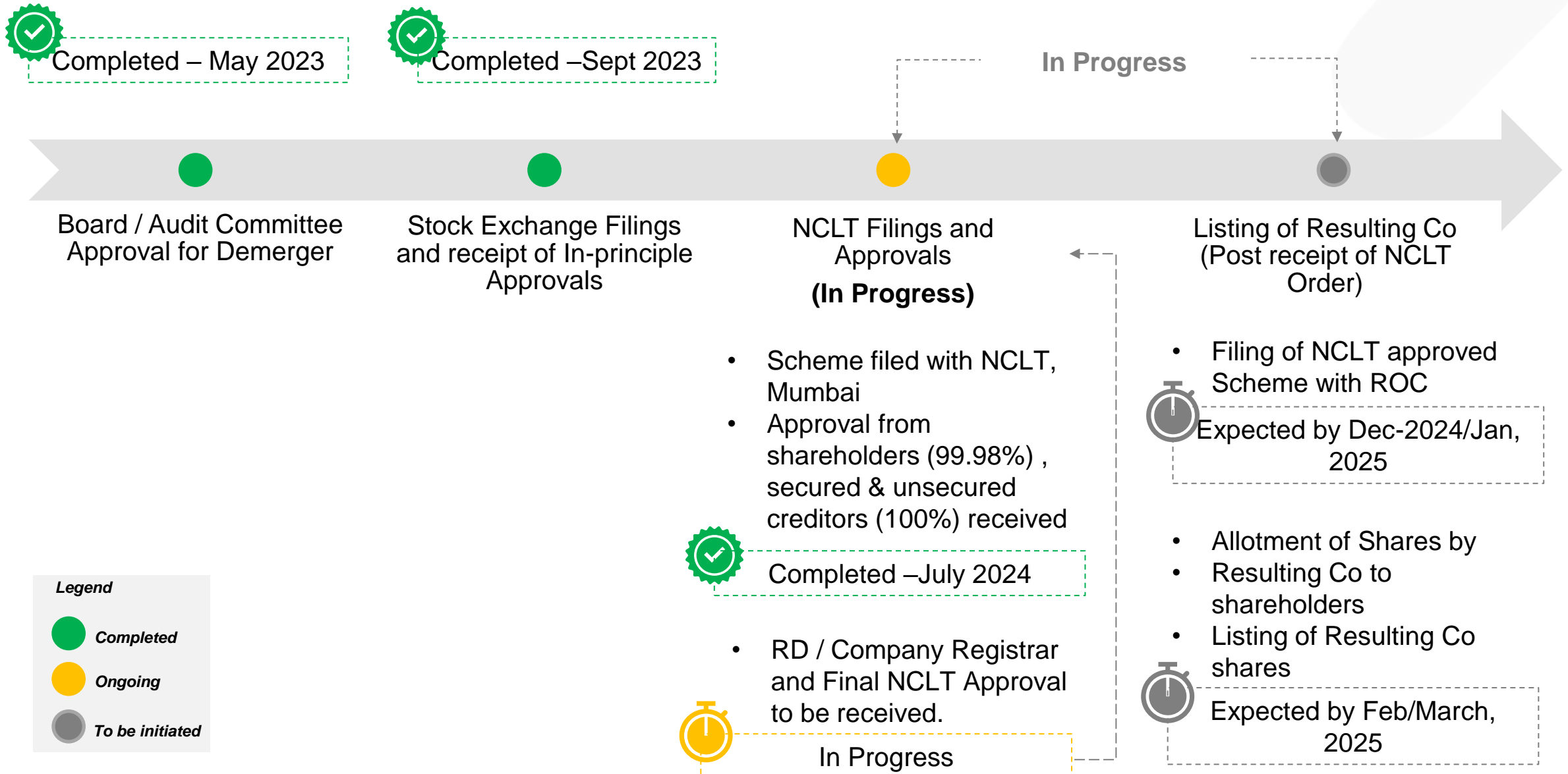


P&L (INR Cr.)	Q1FY25	Q2 FY24	Q2 FY25	H1 FY24	H1 FY25
Revenue*	1,218	1,494	1,413	3,016	2,631
EBITDA*	93	216	151	450	244
EBITDA %	7.7%	14.4%	10.7%	15.0%	9.3%
Depreciation	82	85	83	166	165
EBIT*	11	131	68	284	80
Finance Costs	71	95	84	187	155
Exceptional Items	0	0	0	0	0
PBT* (Before share of Associates and JV)	-60	36	-16	98	-76
Tax	-13	12	-3	31	-16
Net Profit* (After minority Interest & share of JV)	-47	28	-13	74	-60
Profit ( loss ) from discontinued operations	-1	6	-1	14	-2
Net Profit	-48	34	-14	88	-62

## Key Updates

- Net Debt stands at 2,169 Cr at H1 FY25
- Debt to Equity ratio stands at 0.74 at H1FY25

# 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 in rows, with many of their hands raised in the air, suggesting an interactive session or a Q&A period. The image has a blue color overlay.

**Lets answer your queries!**



beyond tomorrow