Sterlite Technologies Limited Q4 FY25

Earnings Conference Call Transcript

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Kunal Bhoite: Good day, ladies and gentlemen and welcome to the STL Q4 FY25 earnings conference call. My name is Kunal Bhoite from EY Investor Relations. We are joined by Ankit Agarwal, Managing Director, STL, and Ajay Jhanjhari CFO, optical networking business at STL, to walk us through the Q4 FY25 results and to answer any questions that you may have.

Please note that all participant lines are in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. You can download a copy of the presentation from the website that is www.stl.tech. Please note that this call is being recorded.

Before we proceed with this call, I would like to add that some elements of today's presentation may be forward looking in nature and must be viewed in relation to the risk pertaining to the business. The Safe Harbor clauses indicated in the presentation also applies to this conference call.

I now hand over the call to Ankit Agarwal for opening remarks. Over to you Sir.

Ankit Agarwal: Thank you, Kunal. Good day everyone. Thank you for joining us for our Q4 FY25 earnings conference call. As we advance to the next fiscal of FY26 directionally, our strategic priorities remain the same in the optical networking business. Some of the key strategic priorities for FY26 - our focus remains on driving growth by increasing market share and optical fiber cables and improving our connectivity attach rates. To achieve our goal of generating significant revenue from data center enterprise segments, we will accelerate the development of comprehensive data center product suites and tap a vast potential in this market. Additionally, we will sustain our efforts to drive technology and cost leadership in the optical domain.

As we build STL digital, our vision is clear - to be consciously investing in both technology and domain capabilities. This means not just keeping pace with the digital world, but thoughtfully choosing where and how we must grow with purpose and precision. At the same time, our focus remains firmly on profitable growth, we are not chasing scale for the sake of it. Instead, we are driving sustainable long-term value for our customers, our partners and our teams. Every step we take is guided by a balance of ambition and responsibility to build a digital business that lasts.

We stand before you with immense pride as we reflect on a moment that went far beyond our routine operations. A moment defined by service, courage and nation building by our STL-ers. During the recent strife in Jammu Kashmir, our STL-ers took on a critical mission to restore the army's fiber communication network. Every team member behind the scenes showed unwavering commitment ensuring seamless connectivity under the toughest conditions and risks rising to the challenge, not just as professionals, but as patriots. And to everyone involved, we thank you and we salute you. Your resilience and dedication makes STL and entire nation proud of you.

At STL, we believe in leading with responsibility, creating more connected and inclusive world. Since FY19, our initiatives in education, women empowerment, healthcare and sustainability have positively impacted millions across India. Through RoboEdge program, we have reached over 6000 students across 11 schools and are proud that 13 of them represented India recently at the International Robotics Championship in Estonia. Our Jeevan Jyoti program, founded by Miss Jyoti Agarwal, has empowered over 5800 women artisans in vocational skills with many now showcasing their work under the Akai brand. In sustainability, we installed 4500 kilowatts of solar capacity, cutting emissions and advancing clean energy across our facilities. We are working with 53 villages on afforestation and water conservation, planting 1000 of trees and rejuvenating ecosystems. And through Swashthya Suraksha, we have delivered healthcare to over 2.6 million underserved individuals in rural Maharashtra.

At STL, sustainability is the heart of everything we do. We are committed to achieving net zero by 2030 which will place us far ahead of our peers in this space. Since FY19, we have diverted over 2.6 lakh metric tons of waste from landfills and recycled over 9.6 lakh cubic meters of water driving through a true resource efficiency. We are proud to be the world's first optical fiber manufacturer certified for zero liquid discharge and zero waste to landfill. And we have also collaborated with Hygenco to supply green hydrogen to our manufacturing facilities. Aligned with 16 out of 17 UN SDGs, we have positively impacted over nine lakh lives and earned over 100 plus ESG awards, a testament of a commitment to a sustainable and inclusive future.

In the following slides, we will showcase our optical networking business and our focused journey towards becoming one of the top three global players in optical connectivity. We are clearly at a pivotal moment in time where three major investment cycles - 5G, FTTx and data centers are coinciding and creating unprecedented opportunities for infrastructure growth across the globe. Starting with FTTx, despite a slight global dip, North America is scaling from 39 million to 65 million kilometers fiber by 2028 over 100 million US homes await fiber. In India, Jio and Airtel are driving growth via 5G fixed wireless and bundle broadband. The revenue potential for the telecom operators is between $11-15 billion annually. In data centers, optical cable demand is set to rise over 26% in five years. The North America DC market itself will hit $139 billion in total DC spend, and India investing close to 65,000 crores with a 25% increase in capacity by 2028. 5G is the real game changer. The target globally is expected to have about 6.3 billion subscriptions by 2030 and cover over 67% of mobile users. 80%

of the mobile data will ride on 5G and you will have over 3.6 billion users with just standalone 5G. The driving forces clearly are, data centers fueling long haul fiber demand. The big tech will invest over $100 billion by 2030 and as the government pushes to connect rural India and rural America, just in India, we expect $2.5 billion of BharatNet phase III, and in the US, there is over a $42 billion program for BEAD.

Further, we will highlight a transformative opportunity that stands before us, the convergence of the AI revolution and the explosive growth of data centers, which is unlocking unprecedented potential across the digital infrastructure space. As we can see, by 2030 the global data center demand will triple to 219 gigawatts, with 70% potential AI triggering a $7 trillion investment wave. India is also rising fast, we are doubling our capacity to 1.8 gigawatts by 2026 becoming a digital powerhouse, the backbone of this shift is fiber. AI workloads need almost 36 times more fiber compared to regular workloads, pushing a 70% higher density and almost a $2 billion opportunity in this decade itself. STL is ready, we have our 'Make in India for the world' AI DC portfolio, which offers scalable, low latency GPU ready solutions and which are built for this AI era, and it's working. As you will see in the numbers, 21% of our growth in DC and enterprise revenue in this quarter.

As the global landscape shifts, demand for optical fiber is set to rebound. After two slow years 2025 marks a turning point with fiber consumption projected to grow at 2.7% YoY, led by strong US momentum, India's BharatNet phase III, as well as some pockets of demand globally. The medium term outlook is even stronger - excluding China, global demand expected to grow at almost 8.2% CAGR, with North America clearly leading the charge driven by AI infrastructure, data centers and the federal programs that I spoke about, like BEAD. CRU, which is a leading agency, forecasts 116 million fiber kilometers of demand in this region alone. With a sharp focus on North America and the global ex China market, we are well positioned to power the next wave of digital infrastructure with future ready fiber and end to end connectivity solutions.

I wanted us to take a moment to recognize that fiber absolutely continues to be the bedrock of digital infrastructure, whether you talk about 5G, whether you talk about fiber to the home, or the AI led data centers, all of them will ultimately rely on a core base and foundation, which is optical fiber. Industry leaders, clearly around the world, are making significant bets on fiber deployment and doubling down on making sure that they stay ahead of the curve with ramping up their fiber deployments. Just some of the examples I can highlight here like AT&T is targeting 50 million fiber connected locations by 2029 and Verizon through its $20 billion play and acquisition of Frontier Communications is pushing forward towards 40 million fiber homes. Back home here in India, Airtel is investing heavily with over 44,000 route kilometers just in one year and is further expanding its data center capacity as well as fixed wireless on the back of optic fiber. Microsoft, one of the large and leading hyper scalers in the world, has already started to innovate with hollow core fiber and is looking at how fiber can play a critical role in driving its latency down across its network. Zayo, a very large fiber infrastructure provider, has noted a major shift. It has clearly talked about its long-haul fibers, which have jumped from 8 to 12 fiber counts in a cable to moving to 144 to 432 fiber counts in just 12-18 months, all of it on the back of demand for AI. There are many such examples. These are not just isolated, and they are part of a global movement where telecom operators, hyperscalers and other companies have realized that fiber is the way forward.

I am also proud to share that STL is pushing the frontiers of technology and innovation. We have achieved many global firsts - from launching India's first quantum secured network with multi core fiber to pioneering green hydrogen and developing the world's slimmest optical fiber at just 116 microns. Our innovation engine is strong, with 740 patents and 76 new filings in just this year alone. We are building the next gen capabilities with Hollow-Core Fiber and AI driven fiber sensing. Our commitment to excellence is recognized with national awards for impactful IoT solutions, social compliance and Health and Safety Excellence. We are making global impact with BABA compliant products for my US facility and Make in India, solutions which are also creating European traction, made in India and made in Europe, for the European markets. From expanding our optical and copper connectivity portfolio, earning praise from India's telecom minister, for our AI led data center innovations, STL is well set up for the future.

As per CRU data, we have maintained our stable 8% market share in the global OFC market outside China, a strong foundation as we work towards regaining more ground. But the real highlight is clearly our optical connectivity attach rate, which is up from 13% to 22% in just one year. That's a significant year on year expansion showing a sharp focus on value added solutions and deeper customer integration.

Now let's look at the optical network business, the financial performance. As we reflect on the financial performance of the optical business, in line with our guidance, Q4 FY25 revenue stands at Rs.979 crores, which shows a healthy improvement YoY basis. EBITDA for the quarter stands at Rs.125 crores at 12.8% of the revenue. EBITDA margin reflects substantial improvement YoY basis, driven by constant focus on the cost leadership. At STL, we are well positioned to accelerate growth in the optical business. We have scaled up local capacities and are now closer to the markets with strong traction in North America. Our cost initiatives are showing results, and we continue to focus on all ways of efficiency. With 740 patents that I mentioned, innovation drives our data center portfolio and customized solutions helping us scale the optical connectivity business going forward. The most recent US China, trade dynamics are also creating new tailwinds for India led manufacturing positioning STL to capture rising global demand, particularly in our enterprise business.

Now, let's discuss our STL digital business and its performance. STL digital continues to bring strong momentum, backed by global presence. A skilled team of over close to 1200 consultants and a robust order book of Rs.451 crores as on 31st March 2025. We serve the 26 global customers across key sectors like technology, healthcare, manufacturing and energy delivering enterprise SaaS, cloud and security, product engineering and AI driven solutions. Our recent highlights include driving Vedanta digital transformation for over 15,000 global users securing repeat wins across industries and building a powerful partner ecosystem with 40 plus tech partners.

Despite the subdued industry environment we delivered a strong performance in Q4 FY25 maintaining revenue of Rs.78 crores. Our sharp focus on profitable growth is paying off. STL digital EBITDA stood at a positive Rs.5 crores in Q4 FY25. We remain committed to this trajectory and are confident of this momentum in coming quarters.

Let me introduce Ajay Jhanjhari, Chief Financial Officer of STL optical networking business. Ajay is a Chartered Accountant with nearly 15 years of experience across fundraising, capital allocation, M&A, treasury management and business partnering. He began his journey at STL as a management trainee and gone through multiple leadership initiatives and heads finance for one of STL's core verticals. As CFO, Ajay is focused on driving shareholder value and profitable growth by aligning financial strategy and business goals. On a personal note, I can vouch that he is a very good singer and dancer as well.

Ajay Jhanjhari: Thanks. Good day, ladies and gentlemen. So I will present the financials of STL for the financial year 2024-25. As you see, the year started on a note wherein we were low on the EBITDA margins, which were around Rs.44 crore, all time low at around 5.2% against our revenues. With the conscious efforts on cost side, because we were aware that there are some tailwinds in terms of the requirement of our products, we focused a lot on our cost and along with slight market improvement, what we can see is our growth to the EBITDA numbers of Rs.146 crore. So, from the 6% EBITDA numbers for the last quarter of the previous financial year, we could grow it up to 14%, so that is commendable and going forward, how we are seeing this is that, it is going to be better than this.

On the continued operations, we have also been at break even, or slightly positive on our

Profit before Tax. In Q4 FY25 we made strong strides with key global wins. We re-entered with a major US customer for high fiber count OFC solutions after a year and secured large orders from a leading OSP in America for OFC and optical interconnect products, boosting regional traction. STL digital also signed a major tech outsourcing deal with a top Indian conglomerate and continued repeat engagements with a leading Indian networking player.

Our revenue mix remains robust, with EMEA rising to 55% of total revenues and India climbing to 20%. Coming to order book, our order book is at a healthy state of around Rs.4,378 crore for the quarter, it is down in comparison to previous quarter because of the less long term orders we were booked for spot. What I can tell you is that, going forward in Q1 we are looking for a very good traction in our order book. Our order book spread is Rs.667 crore for the Q1 because majority in our Italian subsidiary, we always have spot orders. And going forward for the next nine months, it is around Rs.3,710 crores.

We have provided the abridged version of our reported numbers for your review. The net debt for this business stands at around Rs.1,350 crore with a much improved debt to equity ratio of 0.68 times. I would like to tell you that the numbers which we are seeing here, is after the demerger, which has happened on the record date of 31st March. 2025. So all the P&L numbers reflect the numbers of ONB plus digital and services numbers will be reported separately in their board meeting.

Talking about the demerger status, the shareholders and creditors of STL India approved the scheme of arrangement in the meeting held on July 10, 2024. Following this, the demerger petition was filed, admitted with NCLT during October 2024. The final hearing date was January 30, 2025 with NCLT Mumbai branch. The final approval is received, and the resulting company, STL Networks Limited is now a separate entity effective 31st March 2025. We are in the process of listing the resulting company shares. We expect to make it happen by June depending on the approval processes it may likely be extended maximum to July.

Ankit Agarwal: I am happy to share the successful completion of significant milestone of our journey, the strategic demerger of STL Global Services business into STL Networks, effective March 31, 2025. This move aligns with our goal of portfolio simplification and sets the stage for focused growth in each of the businesses. The demerged entity will now operate under a new and powerful brand entity, identity Invenia. With this rebranding Invenia will concentrate on delivering large scale digital infrastructure ecosystems, making a bold step into the future. We are also proud to announce the appointment of Mr. Pankaj Malik, a veteran in industry, as a CEO of STL Networks. His proven leadership and execution expertise positions us strongly to accelerate growth in the next phase. The shareholders of STL networks have received a 1:1 share entitlement based on the holdings as of April 24, 2025. Together, these developments mark a new era of innovation and opportunity under the Invenia banner.

As you move forward in our transformation journey, I would like to highlight the key focus areas across our core business segments. Starting with the optical business, our mission is to achieve technology and cost leadership and secure a spot in the global top three by targeting increased sales in focus markets, boosting optical connectivity attach rates and expanding our data center product portfolio rapidly. In the digital business, our direction is to grow revenue while maintaining a strong focus on profitability in ensuring the sustainable progress. Each of these focus areas align to deliver value innovation and long term success for all our stakeholders.

With this, I now hand over the call back to Kunal.

Kunal Bhoite: Thank you, Ankit, ladies and gentlemen, we have now come to the end of our presentation, and we shall move to the question and answer session. We will take our first question from Nikhil Choudhary from Nuvama.

Nikhil Choudhary: Thanks for the opportunity, and congratulations on completing the merger of global services business. Ankit, first one on the impact of tariff. It has been 1.5 months since US administration imposed tariff globally, even after rolling back, it remains at 10%. We have seen when Europe imposed about 12-13% tariff on Sterlite Tech last year, while we were able to manage our market share, but profitability took some hit and given US itself have some capacity in optical fiber, do you think this 10% incremental tariff on India will have some impact on Sterlite Tech.

Ankit Agarwal: Thank you, Nikhil. So I think you are spot on, we have been working. Let me come to the Europe part, there is an appeal that we have filed as well with the European Commission, so that will take its own due process. It could be a year, two years process, but we definitely believe, on our own merits, that we should not be facing any duty in Europe. So that's something that we will continue to work towards. What we have done, of course and continue to work on is to continue to look at our cost structures, whether it's in India, but especially in Italy and the US, to really make sure that as we are increasing our supply from our local facilities in those geographies, we are making sure that we are more and more cost competitive. So that is going to be ongoing work, even through course of the current year. What we have definitely seen is actually a pretty positive movement. We are continuously seeing interest from our customers in the US, current and new who are interested in both sourcing from our US facility but also are open to sourcing from India. So that balance will continue to happen, and we continue to believe that as demand scenario in North America improves, then also we will be able to pass on some of these costs onwards to our customers. All of this will play out broadly in the next one to two quarters. Of course, 10% itself is there currently for three months, let's see how that gets played out. One thing we have seen, and I called that out earlier, is that especially some US customers who are dependent on certain products on the enterprise side and copper side, etc. who were single source from China, or majority source from China, they are definitely seeing STL as an interesting opportunity to partner with for some of their large requirements.

Nikhil Choudhary: Got it Ankit. Second one on growth recovery, we have lost some market share globally from 11% to 8% now, do you have any timeline in mind where we can get back to that particular market share, especially in context what you have mentioned that we are seeing some demand recovery. Although Ankit, we are yet to see those recovery in order book number. So any color there as well.

Ankit Agarwal: So broadly, we are very well set up with our capacities, you are familiar with all the capex we have done over last several years. And broadly, we have been operating at that about between 40-50% utilization. So, all the investments are done, we are working pretty well on our product portfolio, the US facility is now up and running well. So, all the base is now well set for us and as this demand is now starting to come back, we are very well placed to increase our utilization. And as you have seen, as we just go back from 50% utilization to 70% utilization, our EBITDA margins will basically go from about 14% currently to about 20% so that is really where the focus is, to generate that EBITDA and then to generate the cash. From a market share perspective, definitely we will look to increase our market share globally. I won't comment on specific targets, but I would say that we are committed towards that vision of being the top three in the world. That will take us probably somewhere between three to five years, but that's really where we want to get towards.

Nikhil Choudhary: A last one on BEAD project. The new US administration has made some changes in BEAD program. Do you think these changes will lead to further delay, and moreover, more or less now looks like BEAD demand will flow in CY26.

Ankit Agarwal: I would say that a lot of things are happening in parallel, as you can imagine, in terms of the legal side, in terms of discussions happening with various stakeholders. What we understand broadly is that there are conversations around, when does BEAD finally get formalized, when does it start getting rolled out, and how much of it is fiber versus, say, wireless or satellite. So, all of those conversations are happening. In principle, there is a push also as well to take it forward and conclude it. From our own business planning perspective we are largely seeing this as probably a Q4 this year or a Q1 event next year.

So, from our planning perspective we are looking at our current customers and new customers to drive the growth. One positive thing also that we do expect is that the permitting process in the US will start getting simplified under this new regime and that could actually also help accelerate both the regular build out as well as government funded build out.

Nikhil Chaudhary: Got it, thanks a lot and good luck for the coming year.

Kunal Bhoite: Thank you Nikhil. We will take next question from Bala Subramanyam from Arihant Capital.

Bala Subramanyam: Sir, my first question regarding our data center side, earlier you have mentioned about 25% of revenue is expected from data center. I just want to understand what kind of products we have, what kind of launches in upcoming years, and what is the strategic focus on data centers and if you could share some light on that demand and supply side especially for products and data center.

Ankit Agarwal: We will be able to only share some information at this stage, because we are still in advanced stages of building out our product portfolio. What we are really looking at is, how do we build an end-to-end solution on the passive connectivity layer for the data centers. We have already worked on and built a good portfolio for inter data center connectivity, which is connecting data centers within a campus. We are now working on technologies and portfolio for within the data center. That's something that is very exciting opportunity for the company, and as I have shared in the last few calls, this is something that we are prioritizing on how to build up the portfolio, probably start with a few geographies and then also take it global. This is a market which we definitely believe will continue to grow over the next 5-10 years, globally. India market as I just shared, will also look to double in terms of the sheer megawatt capacity or gigawatt capacity that is coming up in India. So, from all of those conversations and discussions with the market, we do believe that this is a very positive opportunity for the company. And also, if you look at capex cycles of telcos, which typically go up and down every few years, the data center spend itself will be a nice hedge for us, vis a vis just the telco spends. So from those aspects, this is a very good opportunity for the company. As we set out a target, 25% of our revenue should come from the data center plus enterprise segment, and that is definitely something we will move towards in the next few quarters.

Bala Subramanyam: Got it Sir. My second question is on the inventory side, how are the inventory levels on the global especially in the North America and we have seen some very big wins in the order terms. And I want to understand, the pricing side for optical fiber and optical fiber cable side on the industry level, whether we have seen recovery on the prices.

Ankit Agarwal: The pricing has been flattish, there is nothing specific. Now with the demand growing in North America and also in India with BharatNet which will kickstart across all the packages. So, I think from that perspective, probably pricing has bottomed out and should start improving. It will take some time directionally, but that is where it is at. Inventory levels, I would say broadly last 18 months, maybe even 21 months a drawdown of that inventory. We have been sharing that update in our calls. Probably we are largely done now, with the excess inventory in the system largely in North America. There is probably some pockets of some inventory, probably for another quarter or so, but largely we do see and hence we are starting to see more opportunities in our pipeline, and we do expect good movement on new orders in the coming quarters.

Bala Subramanyam: So small key question under BEAD program, I think it is expected to start from in this financial year and opportunity size is more than $40 billion so I just want to understand what is that timeline given by the government and is there any plan?

Ankit Agarwal: As I said Bala there is a lot of moving parts in the US right now in terms of this project itself, of course principally we do believe the projects moving forward, it's been committed by both houses. Some of the nuances around how this gets panned out, how much is fiber versus wireless or satellite, some of that detailing will probably get clarified. But as far as the states are getting prepared to receive the funding at state level, I think all of that is moving forward, but from our own perspective, I was just sharing that we do think that this is Q4 this year or possibly even Q1 next year event.

Bala Subramanyam: Got it, sir. Thank you.

Kunal Bhoite: Thank you, Bala. We will take our next question from Mr. Arun Malhotra.

Arun Malhotra: Thanks for taking my question. This is Arun from Capgroww. I think lot of my questions have been answered, especially on the margin front and the pricing, but would still like to understand, given a lot of demand factors in favor of the industry, especially the 5G, the AI, the data centers, what is the supply side scenario, that's one. And where do you see the pricing because we have not seen the prices going up. So, the margin from 13% to 20% does that capture the price rise, or is it just the operating level which you are factoring in.

Ankit Agarwal: No, good question Arun. Thank you. There are two three elements to this. Principally what I said is just in terms of utilization itself. So we have been operating broadly at this

40% to 50% utilization. Our facilities have been pretty well set up globally. So as we just see the markets, these inventories, which I spoke about, coming down, our volumes going up globally, and particularly in the North America market that will help drive our utilizations up and help us improve our profitability. On top of that it will be that, especially in some select markets, we do expect the realizations to improve. It might take a couple of quarters, but we do see that if we go by past trends, then in such market scenarios the realization should also improve marginally. In India market specifically coming to that, yes, prices have been flattish, price has been on the lower end. But again here, I do believe that with the demand growing with BharatNet, we do expect the fiber prices, and ultimately the cable prices to go up maybe marginally but that is tough to predict at this stage. The BharatNet projects itself will be deployed over three years, so a fairly short time frame for a massive fiber network that needs to get built out. And so we do expect a healthy demand in India as well. Overall on supply, I wouldn't say there is any major movement. We have seen lower demand locally in the China market since a lot of their 5G and maybe fiber to the home is done. There is a lot of replacement fiber that's happening because China built its networks more than 15-20 years ago, so we are seeing some of that demand. But from a supply side, actually we are seeing some consolidation in the China market. Some of the larger players are consolidating and we do see that the market should become healthy, probably in China over the next one to two years.

Arun Malhotra: Just a clarification. You said 13.5 to 20 you want to reach. What's the time frame which you are looking for?

Ankit Agarwal: I won't comment on a specific time frame, but I am just saying directionally, through the course of this year we will as our volumes improve quarter on quarter we do expect to move towards that range.

Arun Malhotra: Sure. So, my second question is, on the BEAD and the BharatNet program, especially the BharatNet, just correct me if I am wrong, my observation is that our order wins have been much lower than the competitors. So, any comments on that.

Ankit Agarwal: Just to clarify we have one project in Jammu Kashmir, which is cumulatively including the deployment as well as maintenance for 10 years, that is close to about Rs.2600 crores all included taxes everything. So, that is the project that we are taking onboard. This is part of the services business, which is now demerged. So just want to clarify that, and this project will be part of that business. So the order book that Ajay spoke of earlier, this is excluding that project and once we get the purchase order in that entity then it will be part of that order book. For this business, which is the manufacturing business, we will certainly speak with all the winners of the various packages and look to maximize our share across cable, fiber and connectivity.

Arun Malhotra: Sure. And lastly, on the debt part what are the plans to reduce the debt?

Ajay Jhanjhari: So, if you see the last years we have improved our leverage ratio significantly, our debt to EBITDA ratio as on 31st March '25 stands at around 3 with the cash generation from the business, which we have demonstrated in the previous year as well. We expect to touch down to 2 by the end of this financial year. And the major driver for this would be the cash generation which will earn from the business by increasing our EBITDA margins by the better utilization of the capacities.

Arun Malhotra: Sure. And lastly, is the management concerned about the share equity returns for the minority shareholders because if you see, you being the leader in this segment, 8% global market share but the equity returns for the minority shareholders have been pathetic. Any comments there?

Ajay Jhanjhari: So, what we believe is that there is a lot of value in this stock, and once we start improvising on our margins, it will definitely start reflecting. In order to generate that consistent shareholder value, what we are doing is that we are focusing on growing our optical business and build STL Digital. One target to have an attractive leverage ratio, so we have already planned and we are on the target to deliver net debt to EBITDA below 2, which is going to work significantly well. I would also like to update you that in the last year, we have prepared ourselves for the better markets and better capacity utilization. So, we have done a lot of things on our cost side. Now it's a time when the market starts picking up, our margins will automatically grow further, which will help us in creating a lot of stakeholder value.

Arun Malhotra: Sure. Thank you and good luck.

Kunal Bhoite: Thank you. We will take next question from Ranjay Poply.

Ranjay Poply: Thank you for the opportunity. I just wanted to ask a question regarding international peers, especially in US. They have mentioned in their calls that inventory digestion has taken place, and they are seeing good demand, particularly in the US. So any comment on that?

Ankit Agarwal: Yes, absolutely, exactly what I shared earlier as well, that we have seen probably it's taken 18-21 months or so for the excess inventory to come out of the system. I think most of that is done probably this quarter or so is what we see. But we are already seeing in our pipeline of opportunities where there are more opportunities coming for STL, both for supply from our US facility, as well as from India, so that that is definitely aligned with what we are seeing as well.

Ranjay Popley: Okay, thank you.

Kunal Bhoite: Thank you, Ranjay. Next, we will take question from Saket Kapoor.

Saket Kapoor: Namaskar Sir and thank you for the opportunity. And welcome Ajay Ji, your first interaction with the investing community. All the best to you.

Ajay Jhanjhari: Thank you.

Saket Kapoor: Firstly Sir, if you could just give us some understanding what goes currently into the consolidation earnings when we are reporting standalone and consolidation, if you could just provide to us which bits of businesses and the geographies goes into consolidation. And secondly, as interconnect part of the story was mentioned by Ankitji that the pie has changed. So, what have been the revenue and the profitability contribution from interconnect part. And third question is about the fiberization of the towers. What is the update,since all the telcos are speaking about 5G roll out, and successful roll out all across the country, but we have not seen that kind of fiberization happening as earlier reported that our towers are under-fiberized. So, what is the current understanding and what is the way forward from players like us? These are my questions.

Ankit Agarwal: I will take the third question. Saket ji. Principally we definitely see, both in India and globally, that as you move from 4G to 5G you need much higher tower fiberization, which means fiber directly from tower to this household, so that continues to be a trend in India as well. We are seeing that all the operators as they are increasing their 5G network, both coverage and capacity, that trend continues. What we are also seeing is that operators are looking at end to end fiber network all their requirements, whether it's fiber to home, fiber to enterprise, fiber to fixed wireless point or fiber for 5G all of this is converging towards one fiber network. So we continue to see a reasonable amount of fiber getting deployed by the telcos. As I said, the next big kicker will be the BharatNet Phase III what has been launched so far is by the central government. On top of that, we also expect a few more states to launch their own BharatNet phase III. So I think there will be multiple opportunities which ultimately will take the fiber to every village in India. What we ourselves are taking responsibility for in Jammu Kashmir will be to take fiber to every village in Jammu Kashmir. So this is a good opportunity for the country. Great service to the country. I will ask Ajay for the other two questions.

Ajay Jhanjhari: So on your first question regarding consolidation, I would like to make clear that we demerged on 31st March 2025 so the financials, the P&L piece of service business, will be reported under the new entity, which is STL Networks Limited. We are going to schedule a board meeting, which is more likely to happen in the next two to three weeks. Therefore the financials which you see currently consist of optical networking business and our digital business. Hope it answers the question.

Saket Kapoor: My point was for the optical network business consolidation; we see revenue of Rs.979 crore and when we look at the standalone numbers they are lower than that and even the losses are higher. So, these are carved out numbers only for the ONB business.

Ajay Jhanjhari: So, because in our consolidation there are multiple entities which operate outside India. So we have our wholly owned subsidiary in Italy which is Metallurgica. Then we have our own plant in US, which is STL US and then we are having our one plant of draw in China as well. So that is why you see different numbers in consolidated numbers and standalone numbers. I would also like to remind you 75% of our ONB revenue comes from the international market and therefore these factories are set up there.

Saket Kapoor: Okay Sir. So going ahead, if you could just provide that split also so we can get the understanding how the other geographies are also performing that would have been better.

Ankit Agarwal: So what we do Saket is actually give you a revenue split. We don't provide more than more information for competitive reasons.

Saket Kapoor: Okay. And the next question on interconnects.

Ajay Jhanjhari: So on interconnect you must have seen our attach rate which was 13% in the last financial year has increased to 22% in the current financial year. This interconnect business we are very optimistic upon, it has shown a decent growth in the last financial year, almost increased by 30% and this is a very profitable business with a better ROCE. What we are doing right now is to expand it further in the other markets where we were not supplying it earlier. So we are very optimistic about it and we are also in process to evaluate whether we need to spend some amount on the R&D activities to grow this business further.

Kunal Bhoite: Thank you. Next we will take questions from Harshit Khadka.

Harshit Khadka: What kind of revenues are we expecting from BharatNet in FY26 and FY27.

Ankit Agarwal: Harshit, this is just to clarify from STL perspective, we are looking at the manufacturing of the cables, the fiber, supply of fiber to other cabling companies as well as the connectivity products. It's still early for me to give a specific forecast in terms of the market, in terms of the demand, as well as then what share we can take. From my perspective, basically as I said this is a three-year deployment which will kick off soon. There are some packages which have been awarded already, some packages still to be awarded. So that will take little bit of time to clear all that out. Once the people have been awarded the package, then we will be negotiating with the various winners. We have our own consortium partners, and we will be negotiating with them to see how we can best serve them. Clearly, our intent would be to have a good market share across the packages, including the package that we have won in Jammu Kashmir. So it is a bit early today to give you any forecast like this but be rest assured we are putting our efforts to get a good share.

Harshit Khadka: Thank you.

Kunal Bhoite: Thank you. We will take next question from Aditya Jhawar from AK Investments.

Aditya Jhawar: Firstly, I would like to say to the management that as investors we are going through a lot of pain with STL tech from last five to six years and now we have demerged as a company. Now I understand this will be a manufacturing part of STL where we are having currently optical fiber and optical thing, which is utmost commodity because it is a global thing. So as an investor, how do you see we are shaping STL Tech going forward, that is my broader question. We will be focusing on the manufacturing part, I mean building hardware manufacturing because when you see Tata or HFCL, they are the late entrants in this market and they are capturing the market share. And we being the pioneers for the last 20 years, in the last 10 years, we have been burning cash, Rs.1000 crores of writes off, and we are going through this pain. So how would you take up the responsibility is my first question.

Ankit Agarwal: I want to clarify, there wasn't any Rs.1000 crores of write off. I want to fully appreciate that we are all accountable as leadership and management to create value for our shareholders, and be rest assured that's what we are fully committed to. To just reflect a little bit on our journey, over the last three to four years actually shut down several businesses, including we had looked at wireless solutions, we had looked at OSS BSS solutions and many others which we have exited. Some businesses we have also been able to sell and bring the cash in. As we saw our balance sheet, over April last year we did a QIP of close to Rs.1000 crores to make sure that the balance sheet was in the right shape. And I think we have invested in our capacities. What I can definitely tell you with confidence is that we are very clear about our strategy and our focus of what to do and not to do. We are clear that our core business is the optical business. We are going to be world leaders in this business. I would disagree with you when you say that this is a commodity business. This is a high technology manufacturing business, and I would urge you and any of our shareholders to visit our facilities in India or globally. It is truly cutting-edge technologies that we create and along with our optical connectivity and now our data center portfolio which is coming up, our whole thought process is to compete and be the best solution provider for our customers. We truly believe that we will win on technology, and we will charge a premium for our solutions, for the value they offer to our customers. That's really the thought process. We believe that this can help us drive better profitability and also, we will be very focused on generating cash and reducing our leverage going forward, as Ajay said. So that is the commitment from our side, that is where our focus is and we are looking forward as now that we see the market conditions also improving, how do we make sure that we get the right market share at the right pricing and also generate cash..

Kunal Bhoite: We will take the next question from Pratap Maliwal from Mount Intra Finance.

Pratap Maliwal: I just wanted a clarification regarding your statement on the Chinese market and the demand that maybe there is lower demand in China, and you see, that is kind of stabilizing. And I just wanted some more color on that and how that affects our business in particular. Is it that because of lower demand, because China is a large producer they placed into dump more in the international market and that kind of eats into our share. What is the outlook here on the Chinese market, please clarify.

Ankit Agarwal: The question was on what is the supply. So we must understand 50% of the world market demand., if you look at the past charts, historically the demand and then the supply is 50% of the world market has been China. That's the sheer volume that the three telecom operators out there deploy, and they have been building out a massive network. On a given year, China deploys 12 times amount of fiber that India deploys. That is the kind of build out they have been having. What we now see is that a good portion of the network has been built out for 5G as well as fiber to the home to the major cities, which is where then I commented that we do see some decline in their own demand year on year now and probably going forward, but as a result of which, also there's been a consolidation in suppliers in the China market. So we do see that as a healthy sign and we do see that the pricing also in China has bottomed out and should normalize going forward, that was that was the feedback. Impact to STL, I don't see with the way the markets that we serve, particularly in North America, Europe and in India which are our focus markets, we do not see a lot of competition particularly on the cable side from Chinese, but in some places they do serve when they supply fiber at lower cost. Again, that was my point earlier that our whole thought process is to compete on technology and on solutions. So, the more we are able to supply our customers with cable and connectivity together as a solution, that will be a big advantage for our company going forward.

Pratap Maliwal: Okay, that's it from my side, thank you.

Kunal Bhoite: Thank you. We will take next question from Rohan Patel.

Rohan Patel: Thanks for the opportunity, Sir. Since last couple of quarters you were talking about the inventory clearing out and now you are firmly believing that inventory is mostly cleared out in America and things are way better than it was for like 12 months before or 18 months before. So, considering that you are also investing in new products and spending money in R&D. So how do we look at Sterlite Technology from here on? Can you just give us landscape for next 3-4 years about how much you want to grow your top line as well as your bottom line because you have fairly talked about balance sheet side, if you can give us sense about how things will move on from here.

Ankit Agarwal: Thank you Rohan. We don't typically give a forecast, so I won't be able to give you any specific numbers. Three, four things that we have shared, I will just reiterate that. One directionally, we have a vision to be World top three, that clearly means fairly strong growth over the next 3-5 years for us overall, particularly in the optical business. Number two, we have fully invested into our capacities in terms of all the way from glass, to fiber, to cable and connectivity. So, we do feel that we are well invested. I do see that over the coming quarters, our utilization of the factories will go from 50% to 70% plus. And as that happens, we will move towards at least 20% EBITDA margin. So, these are two or three things that we have shared and as Ajay also shared just now, we are also looking at reducing our leverage ratio from about three times to about two times. So, as we start generating cash, utilizing that to reduce our debt that is where we take the business going forward. And principally, the one other growth area we have talked about outside of the core telco segment is the data center segment, that is a fast growing market and where the amount of fiber used inside a DC continues to grow. So we are building out our portfolio and going forward that will be an important and profitable segment for STL to grow.

Rohan Patel: I have a last question, considering that you are talking about fiber deployment in India as well as in America, do you find there has been change in industry dynamics, or can there could be change in industry dynamics after the Starlink entry in India.

Ankit Agarwal: No, that's why I had that slide, particularly on literally every telecom operator and other players, hyperscalers talking about it. There's no question, in my mind or in our industry parlance, that fiber will remain the core. There will be applications for Starlink or other satellite operators on the fringe, where there is absolutely it's unviable for fiber to be deployed there, from a cost perspective, or otherwise, in those regions or applications they will probably be used for satellite. But across the board for a vast majority of connectivity the base will continue to be fiber going forward.

Rohan Patel: Okay, so not a major impact on our business.

Ankit Agarwal: No, we don't see that.

Rohan Patel: Okay. Thank you for this opportunity and answering other questions.

Kunal Bhoite: Thank you. Ladies and gentlemen with this, we now come to the end of our question and answer session, and now I hand over the call back to Ankit for the closing remarks.

Ankit Agarwal: Thank you all for joining our call today and for your continued interest in STL. Despite a challenging market environment, we have made meaningful progress on our strategic priority. Our focus remains on what we can control, deepening our customer centricity, fostering a lean and agile organization, and driving growth through technology leadership. We continue to actively pursue opportunities in our key markets, leveraging our advanced manufacturing, innovation capabilities and industry leading product portfolio. as a market demand stabilizes, we are well positioned to execute with discipline, deliver strong results and create lasting shareholder value for everyone. We hope your questions and comments were addressed today. For any further questions, please feel free to reach out to the investor relations team, including myself. We look forward to staying engaged and continuing this conversation in the near future. Jai Hind.

Kunal Bhoite: Thank you

(This document has been edited to improve readability)