



# **Sterlite Technologies Limited Q1 FY26**

## **Earnings Conference Call Transcript**

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**Kunal Bhoite:**

Good day, ladies and gentlemen and welcome to the STL Q1 FY26 earnings conference call. My name is Kunal from EY Investor Relations. We are joined by Ankit Agarwal, Managing Director, STL, and Ajay Jhanjhari CFO, STL, to walk us through the Q1 FY26 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 company website that is [www.stl.tech](http://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 Q1FY26 earnings conference call.

As we complete our first quarter of FY26 directionally, our strategic priorities remain the same in the optical networking business, some of the key strategic priorities for FY26 are shown to you in this slide. Our focus remains on driving growth by increasing the market share in optical fiber cables and improving our connectivity attach rates. We are also rapidly expanding our product portfolio for data centers, recognizing the rising demand for high speed, scalable connectivity driven by the rise of AI enabled data centers. Additionally, we will sustain our efforts to drive technology and cost leadership in the optical domain. On the other hand, ambition is not just to grow, but also to build the future through STL Digital. We are consciously investing and strengthening our technology and domain capabilities, laying a strong foundation for long-term differentiation, and most importantly ensuring that all of this translates into profitable, sustainable growth. Together these priorities will guide our journey in FY26, helping us not just to respond to today's market needs, but actively shape tomorrow's digital future.

At STL, we lead with purpose. We are committed to building a more connected, inclusive and sustainable world. Since FY19 our efforts in education, women empowerment, healthcare and sustainability have touched millions of lives across India. Through our RoboEdge program, we reached over 8000 students across 11 schools, with 13 students representing India at the International Robotics Championship in Estonia, a moment of immense pride. Our Jeevan Jyoti program, founded by Miss Jyoti Agarwal, has

empowered more than 6000 women artisans with vocational skills, many of them now showcase their work under the Akai brand, building livelihoods and confidence. On the sustainability front, we have installed 4500 kilowatts of solar capacity, reducing emissions and promoting clean energy across our facilities. We are also partnering with 53 villages to support afforestation and water conservation, planting 1000s of trees and rejuvenating local ecosystems. And through our Swasthya Suraksha, we have provided healthcare access to over 2.6 million underserved individuals in rural Maharashtra.

Here, you can visibly see that at STL, sustainability is at the core to our purpose. We are proud to be MSCI, ESG rated A and committed to achieving net zero emission by 2030. Our study rests on three pillars –

Environmental sustainability. Since FY19, we have diverted 2.7 lakh metric tons of waste, recycled 10 million metric cubes of water and cut 39,000 tons of CO2 emissions through energy efficiency. 36% of procurement is local and we have recently partnered with Hygenco for green hydrogen as well.

Social responsibility - aligned with the 16 United Nations self-development goals, we impacted 19 lakh plus lives by education, women empowerment and healthcare. We have also installed 4500 kilowatts of solar capacity.

Strong governance - with two of the Big Four as auditors and robust governance committees in place. We have earned 100 plus ESG awards in FY19. It is notable that we are the world's first optical fiber manufacturer certified for zero liquid discharge and zero waste landfill, a true industry benchmark.

In the following slides, we will showcase our performance in the optical networking business and our focus journey towards gaining market share. We are in the midst of three major investment cycles, FTTx, data centers and 5G are all converging, creating unprecedented demand for digital infrastructure. Starting with FTTx, as you can see, over 100 million US homes are still awaiting fiber to the home, with North America expected to see a 10% CAGR in fiber deployments. Globally as well, the FTTx opportunity remains strong, backed by \$11-15 billion annual revenue potential. Next, the data centers are fueling robust demand for optical fiber, with 21% global CAGR in optical cable demand projected through 2029. In India alone, data center capacity is expected to go 4x by 2028 supported by over 65,000 crores in planned investments. On the 5G front, the momentum continues, with 6.3 billion global 5G subscriptions expected by 2030 accounting for almost 70% of all mobile users. Crucially, 80% of global mobile traffic will be run on 5G accelerating the demand for fiberized mobile sites, going from 38% today to over 65% by 2029. The surge is supported by massive capex from big tech, the hyperscalers expected to exceed 100 billion dollars by 2030 large scale government projects like India's BharatNet \$2.5 billion phase three and almost \$100 billion in the US with BEAD and other programs. All of this signals a multiyear network, build cycle and

STL is well positioned to lead and enable this digital transformation globally.

This slide highlights how global telecom and technology leaders are unanimously betting on optical fiber as a foundation layer for digital future, be it 5G, broadband data centers or AI infrastructure. The message is very clear - optical fiber is not optional, it is simply essential. It is the key to taking the broadband forward.

As you can see, the AI revolution and rapid data center expansion is not just industry developments they are transformative forces redefining global infrastructure. By 2030 global data center capacity is expected to grow close to four times, with AI workloads accounting for more than 70% of this demand. This explosive growth is driving a sharp need in fiber requirements. AI enabled data centers require 36 times more fiber than traditional CPU based facilities. As GPU servers increase in data centers, the number of connections between GPUs goes up and the count of fiber cable increases. At STL, we are uniquely positioned to enable this shift. Our AI optimized, scalable solution, tailored for GPU dense, high bandwidth, low latency environments aligned perfectly with next gen data center requirements. Our commitments to build 'Make in India for the World' portfolio is delivering tangible outcomes. 23% of our revenue came from a growing enterprise and data center business in the past quarter.

According to CRU, global optical fiber demand is poised for a turnaround in 2025 with a projected close to 2% year on year growth after two years of continuous decline. This marks the beginning of a positive long-term trajectory in the industry. Demand fundamentals remain robust, fueled by FTTH rollouts, AI driven data center growth and the rising connectivity across the rural regions of the world. North America and Europe are set to lead this resurgence, with North America projected to grow at almost 11.6% CAGR through 2029 and globally as well, demand in our focus markets like US and Europe is expected to grow at about 8.9% CAGR, reflecting an encouraging midterm potential. We are also seeing encouraging signs from markets like India, Vietnam and Southeast Asia and parts of Europe, which all align well with our strategic priorities. With this recovery underway, STL is well positioned to lead and enable the next phase of global digital infrastructure expansion.

The latest China Mobile tender also highlights a robust fiber demand in China, surpassing expectations, with close to 98 point 8 million fiber kilometers announced, well above the CRU research estimate of 80-85 million. This, in addition to Unicom, the recent 68.5 million fiber kilometer window. All of this is clearly pointing that China is pushing ahead with an aggressive network expansion, both at the other result linking to 5G as well as rural fiber broadband connectivity. While STL is not directly exposed to China's pricing battles, there are important global signals here. All the price corrections

are largely baked in, which limits the downside risk from here, we expect short term pricing stability aided with our planning and our margins in place. Most important STL geographic diversification keeps us insulated, even as we remain tuned into global pricing dynamics. Overall, these developments reinforce our confidence that the market is truly making a recovery.

As the market demand recovers, STL is well poised to make the most of the opportunity and order book intake numbers give a good indication of that. In Q1FY26 we clocked Rs.1529 crores in order intake, nearly 3x from Rs.566 crores in Q1FY25 and Rs.588 crores in Q4FY25. A few key wins include a three-year long-term contract with a leading European telecom player, strong inflows from top tier North American telecom operators expanding our global reach. With this momentum, STL is firmly on the path of accelerated growth.

Being at the forefront of technology leadership, STL delivered key innovations like launching our next generation data center portfolio and India's first multi core fiber supporting high-capacity AI ready networks.

Our innovation engine remains strong, with 76 new patents filed last year taking a total of 740. Our pipeline includes building future ready capabilities like hollow core fiber and AI powered fiber sensing, which is also leading sustainability. While we are also leading a sustainability with green hydrogen pilots and the world's slimmest optical fiber at 160 microns.

We are proud to introduce STS, a newly launched data center portfolio designed to meet the performance, speed and scalability of demands of the AI era. The portfolio brings together a comprehensive range of fiber and cabling solutions, pre-terminated multi fiber systems and a high-density Celesta IBR technology, ensuring low latency, high-capacity deployments for data centers, campuses and smart infrastructure. Built to support modern AI workloads our solutions are fully compliant with global standards and deliver the reliability required for hyperscale environments with over three decades of optical innovation, our products are manufactured and tested in-house, offering future ready designs and backed by 25-year warranty. Our go to market partnership with Tech Data expands our reach to over 70 Indian cities, enabling efficient market access through a robust distribution and financing network. As our CEO Rahul Puri put it, "In today's AI driven era, data centers are about enabling intelligence at a scale." With this launch, STL is leading the transformation.

In another exciting launch showcasing STL leadership is next gen optical multi core

fiber, which offers 4-7x capacity of the same fiber footprint with lower deployment cost. Multi core fibers ideally suited for AI data centers and 5G networks. Its performance has been validated through successful collaborations with C DOT and IIT Madras, demonstrating high speed transmission deployment across both aerial and underground environments in a secure way. STL is the first globally to deploy MCF across both areas, setting new benchmarks in fiber innovation.

As per CRU data our market share has improved year on year in the global OFC market outside China, to 7% from 6% in Q1FY25. While our optical connectivity attach rate remains stable at 23% with recent product launches and market recovery signs in focused markets, we expect to improve these metrics further.

Now, turning to the financial performance of optical network business. In line with our guidance, Q1FY26 revenue stood at Rs.961 crores making a healthy year-on-year growth. EBITDA for the quarters Rs.137 crores with a margin of 14.3% reflecting a significant improvement from the previous year. This margin expansion is the result of a continued focus on cost leadership and operational efficiency. With strong fundamentals in place, STL is well positioned to accelerate growth in the optical segment in the coming quarters.

We are well positioned to scale optical networking business through a combination of strategic and operational strengths. With complete capacity expansion, we are now closer to key markets and already see strong traction, particularly in North America. Our ongoing focus on cost optimization across variable and fixed costs are beginning to yield tangible results. On the innovation front, STL continues to lead with over 740 patents and a strong emphasis on developing category first solutions, especially in a data center portfolio. We are also deepening customer engagement by co-developing end to end customized connectivity solutions that support scaling of our connectivity optical business. Additionally evolving global trade dynamics, particularly the US China tariff environment, are opening new opportunities for India based manufacturing, positioning us quite well to capture incremental global demand.

Now let me take you through our continued growth momentum in STL Digital. As you can see, STL Digital continues to gain strong momentum, driven by our global presence domain expertise and focus on customer centric innovation. In Q1 we added four more marquee clients, taking our total to 30 global customers, and we signed multi-year contracts with two leading healthcare providers in the Middle East. For digital marketing, we also increased our presence in the life sciences vertical. We have also delivered key projects across engineering, enterprise, application and support services, reinforcing customer confidence in execution. Currently, offerings span AI, cloud cyber security,

SAS and product engineering, serving sectors like technology, manufacturing, energy as well as healthcare. Backed by 1100 plus strong team, 22% of whom are women and delivery centers across India, the US and the UK, we are well positioned for the next phase of growth.

STL delivered a strong performance Q1FY26. It posted a revenue of Rs.64 crores in Q1FY26 with an open order book of Rs.313 crores. Our sharp focus on profitable growth is yielding results with EBITDA Rs.1 crore for the quarter. We remain committed to sustaining this positive trajectory and have confidence of maintaining the momentum in the coming quarters.

Now I will hand over to Ajay Jhanjhari, CFO of STL optical networking business to take you through the financials.

**Ajay Jhanjhari:**

Thank you, Ankit, and thank you everyone for joining us today. Let me walk you through our key financial highlights for the Q1FY 26. We have had a strong start to the year with Q1FY26 revenue coming in at Rs.1019 crore, a robust 17% year on year growth reflecting healthy demand and strong execution across our businesses. Our profitability has also improved meaningfully as EBITDA for the quarter stood at Rs.140 crore, with margins expanding to 13.7%. This marks a significant year-on-year improvement and underscores the progress we have made on operational efficiency and cost optimization. On the bottom line, we recorded a PAT of Rs.10 crore from the continued operation. This is a turnaround from the loss of Rs.48 crore we had in Q1 of last year, and importantly it reflects sustained profitability into this fiscal year. Overall, the results signal continued momentum and improved financial discipline as we head further into FY26.

In Q1FY26 we continue to deepen our global presence with significant order wins across key markets. Notably, we signed a three-year long-term supply agreement for IBR cables with a leading European telecom operator. In North America, we saw a strong order inflow from top tier operators, reaffirming our relevance in this competitive landscape. We also secured high value digital contracts in the Middle East for marquee services with leading healthcare providers, highlighting our growing traction in the digital segment. On the right, you will see our revenue remains well diversified. Europe led our performance with a 49% contribution in Q1 while the Americas strengthened to 31%, reflecting robust growth. Although the revenue base is lower due to seasonality, our geographic mix remains healthy and balanced, positioning us well for the coming quarters.

Moving to the order book, we have seen continued momentum this quarter. Our open order book rose to Rs.4,888 crore in Q1FY26 up from Rs.4,378 crore in Q4FY25 reflecting strong order inflow and market confidence. Of this, Rs.722 crore of order book is slated for execution in Q2 with balance Rs.4166 crore scheduled for FY26 and beyond. This provides solid revenue visibility and supports our growth trajectory for the year.

Here, we have shared an abridged snapshot of our reported numbers for your reference. In line with our expectations, net debt stands at Rs.1300 crore with debt-to-equity ratio of 0.64x and net debt to EBITDA at 2.3x. We are focused on bringing this below 2x going forward.

On the demerger front shareholders and creditors approved the scheme on July 10, 2024, the petition was filed and admitted by NCLT in October, with final approval received in Feb 25. As of March 31, 2025, STL Networks Limited is now a separate legal entity. We are currently progressing towards listing its shares with necessary regulatory approvals. We expect this listing by the end of August.

Over to you Ankit.

**Ankit Agarwal:**

Thank you, Ajay. To summarize, the key focus areas in the optical business, we are sharpening our edge in technology and cost leadership to break into the top global three. Our focus is on expanding our share and priority markets, boosting optical connectivity adoption and scaling attach rates for the connectivity business. We are also rapidly growing a strong data center business, reinforcing our position as a key connectivity enabler in global digital infrastructure. In the digital business, we continue to drive revenue growth with a clear focus on profitability. Together, these priorities set a strong foundation for scalable and sustainable growth. With this, I now hand the call back to Kunal. Thank you.

**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 Saket Kapoor. Please go ahead and ask your question.

**Saket Kapoor:**

Namaskar, sir, and thank you for this opportunity. Firstly Ankitji, a good set of numbers from us. Sir firstly, if you could just give us some understanding how the realizations have shaped up for OF and OFC, what are the price trends currently, and how are we seeing them looking into the China Mobile contract part, which you just mentioned in the investor presentation, how are the spot prices moved up? If you could just give some



color on the same and then comes our question on the finance cost part to our CFO. The quarterly finance cost is down quarter on quarter, definitely from Rs.65 crore to Rs.50 crore. So, what should we expect annually and what steps are you taking in terms of reducing the impact of the finance cost going ahead.

**Ajay Jhanjhari:** So, to begin with on the finance cost first. As you rightly said, we have shown a consistent decrease in finance cost, mainly attributed also by the reduction in debt, which we are showcasing continuously. Going forward, we will generate cash consistently, and that will help us in reduction in interest costs. Along with that, the global reduction in interest cost will also help us. So, if I talk about a range, we will reduce it by maybe 5-6% more going forward. But that will take time, and that will depend on the cash generation to which we are committed.

**Saket Kapoor:** Okay. So will this run rate continue Sir?

**Ajay Jhanjhari:** Yes, this run rate will definitely continue. It is going to improve further with more interest rate impacts, which will come to us, because there is still a lag. The rates are down, but the market takes time to pass it on. You have seen some improvement in Q1 you will gradually start seeing it for the next quarters as well.

**Ankit Agarwal:** Saket your question on the market, I will not comment on specific pricing for competitive reasons but it is fair to say that broadly, the market prices have stabilized they have bottomed out. As we show that there is strong volume demand that comes through China Mobile and Unicom tenders, that also led to both stabilization of pricing in China and some level of consolidation as well. As we said our focus market for growth is particularly in Europe as well as in the US and so to that extent, we continue to see the prices to be stable. As the market improves, particularly in the US, we may see some small improvement in realization in that market in the coming quarters.

**Saket Kapoor:** I was just coming to the US part only, sir. Could you just comment on how the utilization levels move, especially for our new US facility, and also as overall, STL as an entity where are we in terms of sweating our assets, in terms of utilization level? Since you have mentioned in your presentation that being ahead there will be further rationalization of the cost parameter when the fixed cost absorption is there. So what can we expect in terms of the incremental utilization levels going ahead depending on the order book execution, as per the closing order book just alluded to by you.

**Ankit Agarwal:** Again, for competitive reasons, I would not specifically comment on our utilizations overall, but to your point on the US factory, it is really a state-of-the-art factory we built

to serve the North America market. There are requirements that come up, which require 'Made in America' products, and we are really well set up to serve that, and also with any potential tariff impacts that may happen between US and India again, we are very well set up with our factory in the US. In terms of utilization of that factory that is improving quarter on quarter and certainly will continue to improve through the course of this year

**Saket Kapoor:** Any number you can share, sir, sub 25-30% or above that.

**Ankit Agarwal:** It is above that, I will not be able to share a specific number, but it is certainly improving and moving in the right direction.

**Saket Kapoor:** And last point on the passive connectivity, sir, this time you have not mentioned in your presentation, how much our passive connectivity has contributed, and what is our targets for the current year. And also, lastly, on the digital part, what are we expecting in terms of execution for the current year, and how the bottom line should be shaping up, since this will be a more predictable business and not subject to vagaries of the market.

**Ankit Agarwal:** Just to clarify on the connectivity, we have shared our attach rate, which we typically share. I am happy to share that it continues to be about 23% and that clearly continues to be a focus for us to grow again, both in Europe as well as the US. And in terms of the digital business as well, nothing new out there in the sense of our strategy, we have talked about profitable growth, and we have demonstrated about Rs.1 crore EBITDA. So that continues to be the focus to ensure that we can have the right kinds of customers at the right margins and also build the right kind of capabilities around AI, cybersecurity, etc. It is a small portion of our business today, maybe 5% or something. So disproportionately, the growth for the company and STL will come from the optical business.

**Saket Kapoor:** Sir, I will join the queue for the follow up, and all the best to the team. I hope this financial year will be a more profitable year because of the underlining factors that we are seeing on the horizon, and we have seen in the numbers also. Thank you.

**Kunal Bhoite:** We will take next question from Nikhil Chaudhary. Nikhil, please go ahead with your question.

**Nikhil Chaudhary:** Thanks for the opportunity, and congratulations on improving profitability, especially in optical business. To begin with Ankit, I want to start with order intake, that is the first time we are highlighting that particular number, and we have seen a clear bump up, 3x

improvement compared to previous quarter and same period last year. So is it fair to say the phase of inventory correction is behind us, especially in the context that we have also seen an increase in US revenue for Sterlite Tech. So, some color in terms of where we are in cycle and what kind of growth trajectory we can expect from here.

**Ankit Agarwal:**

So thank you, Nikhil, and appreciate your confidence in the business. Yes, as we have been sharing in the last couple of calls, that we are seeing improvement quarter and quarter, in terms of the inventory being utilized and reduced. That is continued to happen, and we continue to see that in the last quarter and this quarter as well. I would say that by and large, a lot of the inventory has been absorbed. There are still some small volumes across distributors, it really depends on the distributor chain. I want to also highlight that, we have been sharing in the last few quarters, the actual deployment has been very strong in the US; that continues. It was only this inventory digestion which was required. We continue to see that as we move forward, there are millions and millions of homes that in the US that need to be connected. And whether it is through private equity money, whether it's through the telecom operator spending or potentially the government funding in the future, all of these do show positive signs and on addition of all of this is the growing demand for optic fiber from data centers, particularly in US and Europe, which are the large capex geographies. And then, of course, India as well into the future. One additional trigger for demand will also be the BharatNet projects in India, where some of the projects have been awarded in the recent months. Some more will get awarded in the coming months, and that will also lead to demand for cable and fiber, for STL.

**Nikhil Chaudhary:**

Got it, can you highlight the reason for such sharp increase in photo in tech in particular.

**Ankit Agarwal:**

It is multiple factors. Obviously, the demand is strong from a timing perspective, so that we were able to lock in some long-term contract with some of our customers, as you can appreciate, certainly with tier I telecom operators and other customers. These contracts take long to mature, and from our perspective, it is for our long-term benefit of the company it is important for us to continue to secure such long-term contracts, and our intent is to continue to do this, both for cable and connectivity going forward.

**Kunal Bhoite:**

Next question will take from Ranjay Popley. Ranjay, please go ahead.

**Ranjay Popley:**

So, my question is on the winners of the BharatNet phase III. What is our strategy for engaging with the winners, and have you established any collaboration or partnership with them so far?

**Ankit Agarwal:**

Thank you Ranjay. So as you may be aware, we have another entity which is demerged

from STL. That entity has one Jammu Kashmir project. So certainly for that project, we will be supplying the optic fiber cables at arm's length. In addition to that, there is a MAF, which is what gets submitted at the time of the bidding. So, we have our MAF as well with some of the bidders who have won some of the other projects. Some of those have already been awarded. Some are still to be awarded. So, I think still a little early for us to comment. And ultimately, even as those winners start executing their projects on BharatNet phase III, we will get a better sense of what share of volume we will get from them. So, probably another quarter or so will be able to give you a better update as the execution for these projects starts kicking off.

**Ranjay Popley:**

Okay, got it. And related to the EBITDA margin of the fiber department, we have seen that EBITDA has increased compared to last year, can we say that it is a function of increase in capacity utilization?

**Ankit Agarwal:**

Yes absolutely. We are working across all levers, as Ajay also pointed out definitely, we are looking at improving our volume, improving our utilization. We are also looking at certain markets as we sell more higher technology products or higher technology solutions to improve our realization. At the same time we are continuously focused on cost initiative across the board. It is a combination of these but at the macro level going forward as we continue to grow our volume in our focus market that should improve our EBITDA margin going ahead.

**Ranjay Popley:**

Thank you.

**Kunal Bhoite:**

Thank you. We will take our next question from Balasubramanian. Bala, please go ahead with your question.

**Balasubramanian:**

Thank you, sir. My first question regarding this multi core fiber, want to understand what the commercialization roadmap is, and are there any tangible customer contracts beyond fiber deployments.

**Ankit Agarwal:**

Bala, thank you for your question. At simple level, the whole thought process is that whether it is data centers or telecom operators within a certain distance and a span length we are looking at, how do you increase your capacity of bandwidth multi fold. And one option is to keep adding more and more cables. But this is an incredible innovation that we have, where within the same fiber instead of one core where the light transmits, you put four cores, so you are essentially quadrupling the capacity in the same space. So this is an amazing innovation by STL. We have our own IP on this, as you can imagine we are very early in the market here. There is strong interest from hyperscalers and other

telecom operators, but the commercialization will take some time. We are working on this actively, and we have received strong interest from various potential customers.

**Balasubramanian:** Got it sir. So, my second question regarding quantum key distribution side, we have reached 100 kilometer QKD transmissions. I just want to understand what the commercialization barriers are and how do we scale up in this area. And secondly, we focused on 100% green hydrogen for optical fiber aside, I want to understand about cost implications and how we are going to do that.

**Ankit Agarwal:** Sure. I mean, similar, I would make the same comment again, with quantum key. It is something that is definitely being promoted at the government level, both from a defense application, security application, and also wanting to lead India as a technology forward. So hence, some of these projects are being actively funded and sponsored by the government. In this case, we partnered with C-DOT, which is also a government entity, and it's been a very successful partnership to demonstrate this over multi core fiber. So again, this is a great step forward by the company, we are looking at how we can partner with the government for more such opportunities, but also equally with the private sector which is looking at different applications. This could be equally in India, but in other countries as well. So still early stages, just given the nature of where this technology is. But again, STL has taken a step forward to demonstrate it, and we look forward to more opportunities coming up. And to your question on, on green hydrogen, maybe Ajay will comment on the on the numbers. But we feel very strongly that we want to be pioneers in sustainability also. And certainly, as you can imagine, not only in India, but especially in US and Europe, being a leader in sustainability also can be a key competitive edge. So, this is something that we are very proud of, that we move forward in terms of green hydrogen. We have demonstrated that successfully and the whole intent is all of this helps us move towards net zero carbon emission by 2030.

**Ajay Jhanjhari:** Adding on the cost piece of it. So, as Ankit said, we have to be global, and we are competing with the global customers. We are in such sort of things, also to attract more business. So, we are on it, and there is not a considerable increase in costs because of all of this.

**Balasubramania:** Got it sir. So, my last question regarding data center side, is that there is more than 20% of revenue into data centers right now. I just want to understand what the new launches are. I read it in the industry report that the total addressable market size is anywhere more than \$1 trillion next 4-5 years time frame. And I just want to understand what the product and new launches are we are planning and how we are going to align with customer needs.

**Ankit Agarwal:** Look at a macro level, it is still early stage. We have just launched our portfolio and at this stage want to clarify the number that we have shared is a combination of data center plus enterprise which includes our entire copper and copper connectivity portfolio. We do believe that there is an upside to us as potential in the data center. It also serves as a hedge for us versus the cyclical nature of the telecom spend that we see in the telecom capex, and also when we look at some of our global peers having a good healthy balance between serving telecom sector as well as data center segment, make strategic sense for us. So, we are in early stages on the data center path. We are very proud of the portfolio we have launched, and we have started conversations with potential customers. Probably give us a quarter or two, and we will give you a better update on this.

**Balasubramanian:** Got it, sir. Thank you.

**Kunal Bhoite:** Thank you. We will take the next question from Akshat Mehta. Akshat, please go ahead.

**Akshat Mehta:** Thank you for the opportunity and your great set of results. I just had a couple of questions. One is, I want to understand how should this quarter for digital business in terms of the profitability, the revenue, and what we can end up at the end of the year. That is number one. And I would like management to give more details on the new UK FTA that has come in. What impact, what kind of demand that can generate for us in optical fiber business?

**Ankit Agarwal:** I will take the second one. Of course, it is a good step overall. The way the agreement has been done is positive. From STL perspective, we were already serving the UK market, quite actively from India. We are probably one of the leaders in the UK market with our cable and connectivity portfolio. This does not change anything for us in that sense. It remains to be products that we can sell into the UK market without duty. So, to that extent, it is, it is neutral to positive for us, and any duty coming in instead would have been a negative outcome for us. So, this is positive to that sense. From digital business, as I shared right now, we are focused on taking the digital business quarter by quarter, really focusing on right kinds of customers, right cost structure and building certain capabilities specifically on AI, as well as cybersecurity. I am happy with the team that we have in place. We are at EBITDA level marginally profitable, and the intent would be to continue to grow that EBITDA profitability quarter on quarter.

**Kunal Bhoite:** We will take our next question from Sunil Jain. Sunil, please go ahead.

**Sunil Jain:** Sir, I was just wondering about the capacity utilization, last time you said that your utilization is around 45%. So where do we expect this capacity utilization in one year or

from here?

**Ankit Agarwal:**

Sure. So, thank you Sunil. As we shared, we will not be sharing specific utilization numbers going forward from a competitive purpose. But as you can see from the numbers, our utilization has improved quarter on quarter. And certainly, the intent is, as we continue to grow in our focus markets, to continue to take it forward. One part we have guided in the past is that as we move this back towards around 70% utilization, we are confident of getting to that 18-20% EBITDA margin, and we have demonstrated that in the past about 2-3 years ago. So that is really where our first focus is, to continue to drive that while we keep the cost structure and everything else in the right level. So, to answer your question, that is the general direction we are driving. I cannot give a specific quarter or time frame by which, but I am confident that we will move towards that in the coming quarters.

**Sunil Jain:**

One small question also about this data center, since you had launched the product portfolio, complete package now, so whether we were supplying the parts earlier to other people or not, this is the first time we will be pursuing this business?

**Ankit Agarwal:**

So, we have always had a very strong copper business that further scaled up through the acquisition of Metallurgica, Bersciana, and we have been growing that. On the data center part specifically, this is something that we clearly see is an interesting opportunity, given our expertise both on cable as well as connectivity, we have been now working to also grow some of that portfolio and technology towards what the data centers require, very specifically. So that is something that we have put in the efforts in being able to launch recently. We have been in conversations, as I shared with the customers we have supplied some products in the past, but from a meaningful contribution to the company going forward, this is really the start of it and as we continue to grow and start making inroads, we will definitely look to see how we scale this up globally.

**Sunil Jain:**

So will that require approval process from the implementer?

**Ankit Agarwal:**

Absolutely. I mean, there is an approval cycle, there's certifications required. We are building our own IP, all of that will happen in parallel.

**Sunil Jain:**

How much time can that take?

**Ankit Agarwal:**

I mean, it is just a function of geography as well. It is probably inroads into the Indian data centers will be first and then as we achieve those successes, then we will look to scale up into other geographies.

**Sunil Jain:** Great Sir. Thank you very much.

**Kunal Bhoite:** The next question we take from Aditya. Aditya, please go ahead.

**Aditya:** Thanks for the opportunity. Great set of numbers. Ankit, so I was checking the previous quarters we were hitting the run rate of Rs.800-1000 crores, when do you see the scale up, going up to Rs.1200-1300 or 1400 crores of quarterly run rate. When can we expect that? That is my first question.

**Ankit Agarwal:** Aditya, as I shared in previous questions, I will not be able to comment on a specific timeline. We are driving our capacity utilization, specifically on the cable side, upwards. We are positive about the markets improving, particularly North America and Europe. So as that improves, as you are aware, we have the capacities we have invested in the capacities over the last 3-4 years, and that is just on the cable side. In addition to that, we also want to grow our connectivity. So, both of these will contribute to this growth, and we also seeing some interesting signs of our potential in growing our copper portfolio, our enterprise portfolio as well. So, all of these three are what we are looking at to grow the top line, as you shared, but probably you will start seeing that in the coming quarters.

**Aditya:** So in this year, can we hit that Rs.1400-1500 crore quarterly number. Or it will be next year.

**Ankit Agarwal:** I will not be able to comment on a specific number, but you will see improvement quarter on quarter.

**Aditya:** Okay, that is good to hear. And one more thing, Ankit, I have been following this company for a long time, and I saw that recently you purchased shares from the open market. This is the first time you have done that, after a long time. So, I wanted to understand any exciting things or it just market price opportunity you are feeling, because over the last 3-4 years this is the first time you are doing it.

**Ankit Agarwal:** Honestly no specific comment or specific opportunity, everything is in public domain. We are excited about the business; we are excited about the opportunities. I think we have a great team and all of us are on this together, and we are excited about how we take the business forward from here.

**Aditya:** Sure Ankit. All the best. Thank you.



**Kunal Bhoite:** Next question we will take from Nikhil.

**Nikhil Choudhary:** Hi, thanks for giving me an opportunity again. Ankit, I just want some clarity on the margin part a bit. Margins have improved this quarter, so was it driven by change in mix, higher realization or maybe some cost decline and connected with that also want to understand that tariff impact. I think that's obviously taken the center stage. We had 10% tariff impact this quarter from the US. So, can you quantify the US impact on margins and what is the outlook ahead?

**Ajay Jhanjhari:** So, Nikhil, I will take this. So, as you rightly said, the margin has improved for the quarter due to change in geographical mix with higher revenue contribution from the US region, which obviously has a better margin profile. There has been an impact of tariff, definitely, but that has been partly offset by customers there. The US is a market wherein it is quicker in terms of absorption of any cost which is going there. So, there is a slight impact. We cannot tell you the number as of now, but that looks promising. You can see, even after having those tariff impacts, margins are improving for the better.

**Nikhil:** Got it last one, if I may. Just want to understand the tariff scenario, especially in context of a higher tariff on Vietnam, there is a tariff on China, and there is some rate of tariff on India. So I just want to understand how it will play out for Sterlite Tech with different tariff rate now out.

**Ankit Agarwal:** So obviously we are watching it very closely. And if you look at the recent announcements, the expectation is that it is somewhere between 10-20% is what we are seeing in the domain, if you look at Indonesia or other countries. Our guess is as good as yours in terms of where this finally lies. But we are very proud that we have proactively set up this factory and expanded that factory in the US. And so we are very well set up to meet the requirements with our local manufacturing and then supplying the fiber as required. And certainly a tariff of supply from India to the US, I continue to believe, as Ajay just shared up to a certain level, we definitely think should be absorbed by the US customers and possibly some margin we would have to absorb. But ultimately, regardless of all this, the biggest element in all of this will be how much demand continues to grow in the US. How does the demand, supply mismatch happen going forward, those elements and the lead times as well in the US market for our products, all of those will be much bigger factors.

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

**Kunal Bhoite:** Thank you. We will go with Saket Kapoor.

**Saket Kapoor:** Yes sir, thank you for the opportunity again. Sir, only one question was there with respect to the employee cost on a quarter-on-quarter basis, although the revenue is lower but still the employee cost there is increment of 10% from Rs.142 crore to Rs.156 crore, I am talking on the consol level. So, if you could just explain the rational and what we should work out as a percentage of sales, the employee cost for a year as a whole.

**Ajay Jhanjhari:** Yes, so you are right Saket, this increase reflects our investment in building strong leadership across high growth areas like data center and international markets. With this launch recently, we had to have a team fully set up and aligned to demonstrate revenue growth as well. So going forward, what we see is you will start seeing results quarter on quarter on this increased cost. I would also like to add one more point cost, if you compare it with the last few quarters it has remained in our range. And going forward, we will keep a proper check on this, but we have to invest on our new businesses and new lines which we are talking about, and that increase will be on a global basis.

**Saket Kapoor:** So, sir, for a year as a whole, as a percentage of sales or revenue what should be this number. This quarter its was abnormally high at 14% so with the ramp up in revenue if you could just give some color. As Ankitji mentioned about the lumpiness in the order intake, how will the execution cycle be shaping up, and what should be the contribution of employee cost as a percentage?

**Ajay Jhanjhari:** See, our target is, if I can talk about the range, it would be between 10-12% on a yearly basis. That is what we are targeting as of now.

**Saket Kapoor:** And how should the revenue ramp up be Sir?

**Ajay Jhanjhari:** That is again a math. So if the cost remains stagnant, then obviously revenue will look better.

**Saket Kapoor:** Depending on the closing order book for the quarter what should be the revenue we should factor in for this current financial year. Since we have a strong order book, three-year order that we won from the European nation.

**Ankit Agarwal:** Saket, we would not be able to comment specifically on the revenue for the year, we have shared three or four types of guidance. One, mainly, the order book should give you a strong indication that there will be healthy and continued revenue through the through the year. The second part is, as we have been sharing, we do expect our utilizations to

improve quarter on quarter and hence our revenues and EBITDA margin should improve from here. And then the last part is in terms of positive triggers for growth, one is the connectivity part, which we are working on and second is the data center part, but the data center part, as I just shared, will take some time in terms of getting the approval certifications etc. So you will see some of that benefit in this year and then going into next year.

**Saket Kapoor:** Right sir. So just to conclude, what should be the increase utilization level from what we exit the first quarter, by what percentage should we see the utilization levels improving as overall entity for the year.

**Ankit Agarwal:** I know you are trying to get this data from different angles. I cannot give you a specific number. Please appreciate that these are very sensitive data.

**Saket Kapoor:** Yes, I appreciate and my best wishes to the entire team, sir. Thank you. All the best.

**Kunal Bhoite:** Thank you Saket. We will take our last question from Santosh Rao. Santosh, please go ahead.

**Santosh Rao:** Hi Ankit, congrats for the continued improvement. My question is more about this slight mix shift towards the US region. Was there any tariff related to pre buy or do you think it is more normal ordering, coming back, post, inventory digestion?

**Ankit Agarwal:** No, it is normal as we have been sharing that the market new demand has been improving, while execution and fiber deployment continues to be strong, and we continue to see announcements every day from operators and PE companies. So, the execution will continue to be strong, and as we have been sharing the digestion a lot of that has happened, and hence linked to the new demand both from our US facility as well as from India, we have been able to increase our serve and our sales into the US market.

**Santosh Rao:** Okay. And then the second question would be, some quarters back, you had mentioned that some of your products, data center specific products were under testing with some of the data center players. So do you have any update on that?

**Ankit Agarwal:** Yes, so as I said, these are long cycles. We continue to both build the product portfolio, continue to have our own IP, which is very important, and at the same time continue to innovate because not only do we want to provide what is in the market, but we also want to do something better. So all of that is happening in parallel. As I said, give us a couple of quarters, one or two quarters, we will keep updating you about the progress we are

making, but we are very excited about the potential of this of this business.

**Santosh Rao:** Thank you.

**Kunal Bhoite:** Thank you everyone. With this, we now come to the end of the question-and-answer session and now I hand over the call back to Ankit for closing remarks.

**Ankit Agarwal:** Thank you everyone for taking your time to hear us out. We continue to remain very excited and motivated to drive this business forward. We also see a tremendous potential through our business to connect the unconnected across the world, and particularly here in India, we remain available for answering any of your questions including myself and Ajay. And once again thank you for taking the time. Jai Hind.

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*(This document has been edited to improve readability)*