



Sterlite Technologies Limited
Q3 FY '26 Earnings Conference Call
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Moderator:

Ladies and gentlemen, good day, and welcome to Sterlite Technologies Limited Q3 FY '26 Earnings Conference Call. Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause future results performance or achievement to differ significantly from what is expressed or implied in such forward-looking statements.

Please note that we have uploaded the results and earnings call presentation on STL's website and the same is available on the exchange. In case you have not received the same, you can write to us, and we'll be happy to send the same to you. To take us through the results and answer your questions today, we have the senior management of Sterlite Technologies Limited, represented by Mr. Ankit Agarwal; the Managing Director; and Mr. Ajay Jhanjhari, Chief Financial Officer. We will start the call with a brief overview of the quarter gone past and then conduct the Q&A session.

As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that if this conference is being recorded.

I will now hand over the call to Mr. Ankit. Over to you, sir.

Ankit Agarwal:

Thank you. Good day, everyone. Thank you for joining STL's Q3 FY '26 Earnings Call. I'll begin by walking you through the key highlights from our investor presentation, after which, Ajay, our CFO, will take you through the financials.

STL is a global leader in digital connectivity infrastructure serving telecom operators, data centers, citizen networks as well as large enterprises. We operate through two business divisions, Optical Networking business, ONB, which gives us end-to-end play in optical fiber, fiber cable, specialty cables as well as connectivity. Our digital and technology solutions at cloud, cybersecurity, enterprise SaaS, AI and product engineering.

We are #1 in India as an end-to-end optical manufacturer with almost 8% optical fiber cable market share outside of China. With 30-plus years of leadership, more than 780 patents and 10 plus zero waste manufacturing facilities worldwide, STL is leading the next wave of global digital infrastructure.

At STL, we are amongst very few companies in the world to have mastered the journey from glass to gigabit. It starts with the purest grade of silicon, which we transformed through advanced processes like silicon tetrachloride formation, chemical vapor

deposition and high-precision sintering to create ultra-pure glass preforms, which are the backbone of optical fiber.

From there, we draw the highest-grade optical fiber, design high-density cables, and develop reliable connectivity products that power data centers and telecom networks around the world. This full-stack integration right from raw material, and network deployment gives STL a unique edge in quality, cost efficiency and innovation across the connectivity value chain.

This deep integration enables us to engineer next-generation fiber cable and connectivity solutions that are redefining global connectivity. Our end-to-end innovation from material science to smart optical systems help global network builders create faster, denser and more reliable networks in the AI era.

As we complete 9M FY '26, our strategic direction in Optical Networking remains unchanged. We continue to focus on gaining market share in optical fiber cables, improving connectivity attach rates and expanding our data center portfolio to meet the growing demand from AI-led infrastructure. At the same time, we are strengthening our technology and cost leadership in the optical domain.

Beyond growth, our mission is to build for the future through STL Digital. We are investing in technology and domain capabilities to create long-term differentiation while ensuring all initiatives deliver profitable and sustainable growth. These priorities will guide us through the rest of FY '26 and beyond, enabling us to not only meet today's needs, but to shape the digital networks of tomorrow.

Moving on, we will now speak about our performance in the Optical Networking business and our focused journey towards gaining our market share. We are at the intersection of 3 powerful multiyear investment cycles, FTTx, data centers and 5G, creating a strong structural tailwind of optical infrastructure.

FTTx is accelerating globally, with deployments rising from 151 million fiber kilometers to 170 million fiber kilometers by 2030. In the U.S. alone, over 100 million homes will be served by fiber by 2030, supported by large government programs like BEAD and BharatNet in India.

Data centers are the fastest-growing driver of fiber demand. CRU projects global DC-led demand to grow at 76% CAGR from 2025 with hyperscalers driving long haul and inter data centre connectivity. Global DC capex is expected to approach almost \$600 billion by 2027. 5G is also scaling rapidly with 6.3 billion subscriptions expected by 2030, carrying 80% of all mobile data traffic.

This requires a massive amount of fiber backhaul, fronthaul and network densification. Together, these 3 cycles are creating a structural multiyear demand tailwind for fiber and connectivity positioning STL at the center of the next global digital infrastructure buildout.

Next, we show you how global telecom and technology leaders like AT&T, Unity, BT and many others are aligned in backing optical fiber as the base of the digital future across 5G, broadband data centers and AI infrastructure. The takeaway is simple: Fiber remains the backbone of all digital infrastructure.

Moving on, slide 11 shows how the AI revolution and the rapid data expansion are creating once-in-a-generation opportunity for optical connectivity. Data center capacity is expected to grow sharply over the decade with significant share of new demand coming from AI-led infrastructure.

Hyperscalers are stepping up investments, pushing global data center IT spending towards multitrillion dollar levels. AI data centers are fundamentally different as they are far more fiber intensive. GPU dense racks need almost up to 36x more fiber in traditional CPU setups and overall fiber density is almost 70% higher. This is driving a strong surge in fiber demand within the data centers.

At the same time, data centers are increasingly being connected to each other, which is accelerating growth in data center interconnect market. This segment is expected to more than double by 2030, adding another large source of fiber demand globally. We are well positioned for this shift. Our end-to-end make in India for the world AI DC portfolio is built for the GPU dense, high bandwidth low latency environment.

Our enterprise and data center business is gaining traction with 20% revenue contribution in YTD FY '26, and we remain on track to scale this to 30% and expect it to be a key growth driver in the medium term. According to CRU, global optical cable demand growth for 2025 has been upgraded to about 4% year-on-year, reflecting strong visibility led mainly by North American data center build-out and improving execution in China.

Importantly, demand is now consistently outpacing domestic supply in North America, keeping the lead times tight. Looking ahead, North America is set to be the main growth engine powered by AI-led data centers, DCI builds and continued FTTx expansion.

CRU expects it to deliver the strongest regional growth of 13.7% CAGR through 2030. APAC, excluding China, is the second major growth pillar, growing at almost 6%

CAGR led by India and Southeast Asia. This is supported by projects like BharatNet, higher Telco capex and rising data center investments.

Overall, this points to a sustained multiyear upcycle in fiber demand with North America and APAC ex-China, both core STL focused markets going forward. We are also seeing positive momentum in India, Southeast Asia and parts of Europe, which also aligned with our strategy.

Our order intake clearly shows how STL is capitalizing on the market recovery. YTD FY '26, we have recorded INR4,263 crores in orders, a strong 40.3% growth over last year. This reflects both improved demand and our ability to win at scale. The momentum is driven by 3 main factors: First, large-scale data center connectivity wins aligned with global infrastructure build-outs. Second, a breakthrough into Tier 1 North American telecom customers, strengthening our presence in a critical market. And third, well-deserved diversified order book, balancing capex-led builds with long-term service contracts. Overall, this performance reinforces our strategic positioning and gives us strong visibility and confidence as we move forward.

Let me briefly highlight how STL is strengthening its innovation leadership. This quarter, we advanced next-generation optical technologies. Our MOU with QNu Labs, a deep tech cybersecurity firm position us with quantum secure communications, while successful multi-core trials with Colt, a premier digital infrastructure company in London in the United Kingdom, validated our readiness for real-world deployment.

Our products, we continue to scale across fiber connectivity and copper. We expanded our IBR, intermittent bonded ribbon, portfolio to 1,728 fibers and 3,456 fibers for data centers, enhanced data center micro cables, launched a nano DC portfolio as well as OptoFit connectivity solutions.

In addition, we also secured railway signaling approvals in copper for supporting our diversification. Our innovation is backed by a strong IP engine with 780 patents, including 23 new filings in the last quarter. We're also building future capability through Hollow-Core fiber for ultra-low latency and AI-enabled fiber sensing, which is seeing growing commercial adoption.

STL won 4 major awards in 2025 across data center innovation, leadership cabling and social impact. We are delivering global first. India's first quantum secured networks, green hydrogen projects, the world's slimmest 160-micron fiber showing STL leadership in high-performance and sustainable solutions. Overall, this reflects our focused approach in deep tech innovation, IP-led differentiation and long-term value creation.

Slide 15 of the presentation showcases our strengthened data center portfolio with the launch of the world's slimmest 864 fibers in a ribbon cable. We now offer full stack DC connectivity suite, fiber and copper cabling, pre-terminate systems and high-density IBR designed for faster deployment, low latency and scalability.

The portfolio is AI and hyperscale ready, meeting global standards and sustainability requirements. It is supported by in-house future-ready manufacturing and a strong go-to partnership.

Slide 16 highlights STL leadership in multi-core fiber, a key enabler in quantum-safe multi-terabit networks. Multi-core fibers allow 4 to 7x higher capacity with the same physical footprint, improving space efficiency while lowering deployment infrastructure costs, making it ideal for AI data centers, long-haul 5G and high-performance interconnects.

We have shown strong capability, enabling India's first quantum key distribution over multi-core fiber, completing live 100-kilometer testing and becoming the first globally to deploy multicore fiber in both aerial and underground networks, further validating our successful trials with Colt in the U.K.

Overall, this positions STL at the forefront of quantum-safe next-generation optical networks with strong relevance for global hyperscalers and carriers. Looking ahead to STL's next-generation fiber portfolio, we have 2 exciting launches coming up, G.654.E and Hollow-Core fiber. To start with, G.654.E delivers around 30% lower signal loss along with the larger core. This makes it ideal for AI-led high-power, long-distance networks such as 400-gig, 800-gig data center links, national backbone and subsea cables.

At the same time, Hollow-Core fiber is truly a game changer because the light travels through air filled core, it offers 30% to 47% lower latency, and it supports extremely high bandwidth. As a result, it opens up major opportunities in data center interconnect, sensing and quantum communications. Put together, these launches will place STL among a select group of very few global players ready for large-scale G.654.E deployment and early leadership in Hollow-Core fiber, exactly where the future of fast low latency networks is headed.

Speaking of our market position and attach rate trends, our global ex-China OFC market share remains stable at 8% YTD FY '26, reflecting disciplined execution in a competitive market with clear focus on gaining our share over time through our technologies.

Our optical connectivity attaches rates moderated to 17% in year-to-date FY '26 from 22% in FY '25. This was primarily driven by product mix and project timing, along with a sharp acceleration in OFC revenues leading to a higher base. We view this moderation as temporary. And importantly, the long-term opportunity of connectivity remains strong.

Our portfolio is expanding, and we are increasingly focused on selling our integrated solutions of the cable and connectivity rather than standalone products. Taken together, this shows that our core OFC business is stable, while there is a clear runway to drive higher value through attach-led growth over the medium term.

Now turning on to the financial performance of Optical Networking business. In Q3 FY '26, the revenues came at INR 1,174 crores, reflecting a strong volume recovery and growth QoQ and YoY basis. For YTD FY '26 revenues increased to INR 3,115 crores, indicating sustained momentum.

On profitability, Q3 FY '26 EBITDA margin was 11.2%, moderating versus earlier quarters due to tariff-related headwinds. However, EBITDA in absolute terms grew with YTD FY '26 EBITDA at INR 404 crores, supporting margin recovery as volume scale and the costs normalize. Overall, this reflects improving top line traction and clear path to margin recovery as operating leverage kicks in.

Let me now take you through a continued growth momentum in STL Digital. We have global delivery footprints across India, U.S. and U.K. with strong capabilities in data analytics, AI, cloud, cybersecurity and enterprise SaaS, serving diversified industry verticals.

During Q3, we added a new major customer, taking our total base to 34 and secured U.S. dollar multimillion SAP S/4HANA deal with U.S.-based health care major, demonstrating execution capability in large complex programs. Our team now comprise of 1,120 consultants supporting growth deal sizes and multiservice engagements.

Financially, we closed the quarter with an open order book of INR 276 crores, providing strong revenue visibility. Overall, STL Digital is well positioned for scalable growth, driven by customer centricity, innovation and increased deal depth.

Moving to the next slide, we showcased steady progress in our digital business, both on scale and profitability. Q3 FY '26 revenue was INR 86 crores with stable performance over the 9M at INR 215 crores, broadly in line with the last year despite a tough environment.

More importantly, Q3 FY '26 EBITDA was INR 1 crore, marking another consecutive EBITDA positive quarter, reflects operating discipline and better project quality. While still in the scale-up phase, the business is clearly moving in the right direction while stabilizing revenues and improving profitability.

Now I will hand over the call to Ajay to take you through the financials.

Ajay Jhanjhari:

Thank you, Ankit, and thanks to everyone for joining us today. I'll take you through the key financial highlights for Q3 and YTD FY '26. Our revenue for Q3 stood at INR1,257 crores, reflecting strong growth momentum with YTD FY '26 revenue up 12% YoY at INR3,311 crores. Growth was broad-based across business segments. EBITDA for Q3 was INR 129 crores with a margin of 10.3%. Margins moderated in the near term due to tariff headwinds.

For YTD FY '26, EBITDA grew 35% YoY to INR410 crores, with margins improving to 12.4% YoY. That before exceptional items stood at INR 9 crores in the current fiscal, compared to a loss of INR78 crores last year, a clear turnaround, which highlights strengthening underlying profitability of the business. The exceptional item for the quarter includes a onetime impact of INR15 crores related to the new labor code. Overall, the business continues to scale with improving earnings quality.

Operational EBITDA has improved for 5 consecutive quarters, rising from 11.2% in Q2 of FY '25 to 17.9% in Q3 of FY '26, driven by a richer product mix and a higher contribution from the U.S. market. However, the U.S. tariff reset effective mid Q2 of FY '26 created a temporary headwind, reducing reported EBITDA by almost 760 bps in Q3 of the current fiscal and bringing the reported margins to 10.3%.

While underlying margin momentum remains strong, we have proactively started implementing some mitigation measures, such as passing on some proportion of tariff cost to customers and aggressively ramping up local production in the U.S. facility. We still remain hopeful of early resolution of the India-U.S. bilateral trade agreement, which will provide a clear path for further margin expansion.

From a geographic standpoint, our revenue mix continues to diversify. North America share increased from 25% in FY '25 to 36% in the current financial year, while Europe remains a significant contributor at 40%. This balanced regional footprint reduces concentration risk and positions us well to capture growth across key global markets.

Moving to the order book, we have seen continued momentum this quarter. Our open order book stood at INR5,325 crores, up from INR5,188 crores in Q2 FY '26, reflecting healthy order inflows and strong market confidence. Of this, INR988 crores is slated for execution in the next quarter, while the remaining INR4,337 crores is scheduled

for execution over FY '27 and beyond. This robust order pipeline provides strong revenue visibility and reinforces our growth outlook for the year.

On Slide 30, we have shared an abridged snapshot of our reported numbers for your reference. Net debt stands at INR1,331 crores with debt-to-equity ratio of 0.87 and net debt to EBITDA at 2.58x.

With this now, I hand it over back to Ankit for updates on our social responsibility initiatives and closing remarks.

Ankit Agarwal: Thank you, Ajay. STL's CSR initiatives continue to create a strong and measurable impact across health care and education. Our flagship health care program, Swasthya Suraksha, on the Best Rural Healthcare Initiative of the year 2025 at the India Social Impact Awards, recognizing a sustained contribution to rural and tribal health care.

In education, the RoboEdge Program, we see the best educational support initiative of the year 2025 at the Indian CSR Awards for Advantage STEM-learning and innovation. RoboEdge students are also excelled globally in International Robotics Championship 2025, winning multiple podium positions, 9 students represent India showcasing talent, teamwork and innovation, reflecting STL's commitment to build a stronger future-ready society.

At STL, sustainability is central to our focus. We are proud to hold an MSCI ESG A rating and are committed to achieving net zero emission by 2030. Our strategy is built on 3 pillars, environmental sustainability. Since FY '19, we have diverted 276,000 metric ton of waste, recycled almost 11 million cubic meters of water and reduced over 43,000 tons of carbon through energy efficiency. Over 36% of our procurement is local, and we partnered with Hygenco's advance green hydrogen.

Social responsibility. Aligned with the 16 UN SDGs, we have positively impacted 920,000 lives through education, empowerment and health care, alongside installing 4,500 kilowatts of solar capacity.

Strong governance. With 2 big 4 auditors and robust governance committees, we have earned 100-plus ESG awards since FY '19.

Notably, STL is the world's first optic fiber manufacturer certified with zero liquid discharge and zero waste-to-landfill, setting a true industry benchmark. Let me close now with our focus areas. In optical, our goal is to be the world's top 3, driving innovation and cost leadership, growing in focused markets, increasing connectivity attach rates and rapidly scaling our data center portfolio. This strengthens STL's role as a key enabler of global digital infrastructure.

In digital, our priority is simple, grow revenue with profitability through disciplined execution and scalable platforms. These priorities position STL for sustainable long-term growth. With this, I will close my opening remarks and hand over to the operator to open the floor for questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Mr. Jalaj from Svan Investment. Please go ahead.

Jalaj: Sir, my first question was around the tariffs and the impact on the margins. So two parts of it, firstly, should we consider this is the maximum impact the tariffs would have had because since it was the full quarter impact we would have had this quarter, first part.

And secondly, how are we looking to mitigate the impact going forward? What sorts of discussions are we having with the clients? And secondly, what actions are we taking? One you have mentioned specifically about opening up the plant in the U.S., is there some other way of processing or different location altogether, something on those lines?

Ankit Agarwal: Thank you. So as we shared, this has been a full quarter of the tariff impact. Definitely, ultimately, the amount of tariff we pay is a function of the amount of business that we do, particularly the products that we manufacture from India and we sell into the U.S. market.

As you also mentioned, we do have some options in terms of our manufacturing facility that we have in the U.S. and ensuring that, that is utilized to the best possibility. We are evaluating various other options of how we can reduce our impact of the tariffs, but principally, as we have shared, our focus markets and our growth markets continue to be in the U.S. and Europe, in particular.

So we do see that these will be markets where we will continue to focus in terms of volume. And in terms of the tariff impact itself, definitely, we will see what more we can do to reduce the percentage that is impactful to us. Beyond this, I would not be able to share for competitive reasons and confidentiality reasons.

Jalaj: Got it, sir. And sir, one more point was, so let's assume, there's a tariff of 20% on the goods. So, the realizations we are booking in our P&L right now would be, if the item was worth 100, so we are booking it at 125 right now?

Ankit Agarwal: So, the tariff is actually a cost which is on us. It is now up to us whether we can pass it on to the end customers or not. So, the realization will include every cost, which we are incurring in order to get the revenue.

Jalaj: Sir, so just to get it right. So let us assume if the growth is 20%, so it will be partially because of the tariffs.

Ankit Agarwal: So, Jalaj, just in order to answer your question. What you have to see is the PO from end customer doesn't mention what is the tariff and what is the cost of the goods. So, the PO comes for the entire amount. Now, the question I can delink with it is whether the customer is absorbing the cost of tariff or not. Currently, we are in the process of negotiation because this is the time when we enter into new contracts; that is going on. So, then the impact on customers because of the tariff will be clearly visible, not right now.

Moderator: The next question is from the line of Mr. Nikhil Choudhary from Nuvama.

Nikhil Choudhary: Congratulations on very strong revenue growth. First question, Ankit, on AI opportunity. So, we have been talking about the portfolio we are creating, especially related to AI products. Where we are in that journey and the 30% revenue comment, which you gave earlier, any possible timeline where we can reach 30% revenue from enterprise business?

Ankit Agarwal: Yes. So, I think definitely, as we have been speaking, this is a pretty interesting market dynamics where you have the telecom operators looking to build out networks for themselves. They are also building interconnects for the data center requirements. And then you got the data centers themselves putting fiber within the data centers and in between data centers.

So clearly, fiber is the preferred medium. What we are clearly seeing is that the density requirements are increasing where space is clearly a constraint, and a lot of our focus on our product development, our IP and our technology has been to solve for some of these challenges. Happy to share that we continue to make good progress QoQ.

If you would have seen the press release, we shared, we had almost INR500 crores of orders broadly from the enterprise and data center segment. So, this is where our portfolio is now getting converted into good order wins. And as the demand continues, as our portfolio continues to improve, both on cable and connectivity, we do expect this ratio that we spoke about 20% to move towards 30% in probably next 12 to 18 months.

Nikhil Choudhary: Great, very encouraging. Second, just on margin part. I think you partially addressed it that you are taking some mitigation measures to reduce the overall impact, but where could we see margin, let's say, going ahead? Any rough, even directional comment about where we are heading? If we include everything, the mitigation measure, internal efficiency, where the margin could settle, let's say in FY '27?

Ankit Agarwal:

We won't be able to give a specific number, but what we have discussed Nikhil, in our previous calls as well. Directionally, this is a business where if we operate with the right utilizations of 70% plus, we are confident that ultimately, this is a business that should be 20% EBITDA margins.

And actually, you can see that in our results already that if you exclude the tariff impact, then we would almost be at that 19-odd-percent, 18%, 19%. So, I think directionally, the volumes are increasing, our utilizations are improving and how it's a function of how we can mitigate the impact of tariffs, look at other ways to reduce our costs, and that should help us in our margins going forward.

But as you can appreciate, it's a very dynamic situation in terms of tariffs. There are live conversations going on between the governments in terms of where it settles. So, I think hopefully, we get some input from the government in the next few months.

Nikhil Choudhary:

Got it, Ankit. Last one, it's early, but just wanted your thought on possible impact of Europe-India FTA, if you have any. That's it from my side.

Ankit Agarwal:

No, nothing currently at the moment, again, we are very well set up in terms of our operations in Italy, we have scaled that up quite well. We, of course, also have customers in the U.K., which would be outside of the safety, and already, we do not have any tariff to that effect in the U.K. So overall, I think it would be neutral to us in terms of the impact. Ajay, do you want to add anything?

Ajay Jhanjhari:

So that can increase the beneficial position for us in future. But right now, because we are having a local manufacturing setup already there, we do not see much impact.

Moderator:

The next question is from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor:

Sir, firstly, just to clarify. The 2 factors that attributed to the lowering of margins are particularly the labour law implementation which affected the P&L and the tariff impact. Are these two the key reasons why the margins are lowered to 10.3% EBITDA margin?

Ajay Jhanjhari:

So, labour code impact we have considered as an exceptional item. So that is not reflected in the EBITDA margin. So, the only impact, which is material enough, is the tariff impact, which we have clearly demonstrated, if you see on the investor presentation.

Saket Kapoor:

Okay. And sir, taking that into foray, if you could just elaborate, just quantify for us how much have been the impact, as Ankitji was mentioning about the PO order from the customer that does not take into factor the tariff impact, so which line item does

the tariff get displayed? Whether it is the other expenses or the cost of raw material, where do we factor in the tariff impact?

Ajay Jhanjhari: So generally, the tariff impact on the exports, what we do is settled in the cost of raw material and components consumed; then because we have a local manufacturing unit, part of it is also in the Others.

Saket Kapoor: Okay. And next question number 2 was, sir, regarding the utilization levels for the U.S. and how are the OF and the OFC prices currently trending, sir?

Ankit Agarwal: Saket, so as we said last time also, we are not disclosing our utilization levels at unit level or company level. But broadly, what we can share is that the utilizations have improved QoQ.

One thing that we are mindful of, particularly in our glass operations, is availability of germanium. As we have shared in the past as well, this is something that is tightly controlled, particularly in China. And so the continued availability of germanium will be important factor for our manufacturing of glass and then ultimately, fiber and cable.

So that is something that we are mindful of, but we are taking all actions to mitigate that risk. From the pricing perspective, I think, overall, it has been stable. It has been steady, both in China as well as in globally. So, I don't see any concern on that side. And as we said, that ultimately for players like us who are supplying into Europe and U.S., we are focused on long-term contracts with our customers, whether it is on the telecom side or the data center side.

Saket Kapoor: Okay. So, your small answer is that prices have remained, the realizations have remained somewhat flattened or in the same vicinity that was for the second quarter. So, there is no uptick, yes?

Ankit Agarwal: Yes, there is no decline for sure. I think the prices always vary a little bit by market. But as I said, for us, we do not really play in the spot market at all. We are just focused on our solutions for long-term contracts with our customers.

Saket Kapoor: Okay. And last point was about the BharatNet rolling out, sir, and our participation in the same. How are we seeing traction on ground with respect to how the rollout for BharatNet has been, sir, in the country?

Ankit Agarwal: I think it is currently going on. This is a Phase 3 that is going on. And as you know, our group company, Invenia has secured Jammu Kashmir package, where we will be supplying the cable on arm's length basis. So that is going on. We have also achieved what is called a MAF, Manufacturing Authorization Form from a few other bidders.

And it is still initial stages in terms of the execution. So probably through the course of this year and next 2, 3 years is where we expect the rollout of the optical fiber cable.

Moderator: The next question is from the line of Mr. Balasubramanian from Arihant Capital.

Balasubramanian: Sir, my first question, I think we are working on next-generation fiber technologies, especially when we can expect commercial rollout for Hollow-Core fiber, HCF and G.654.E fiber, and what is the projected adoption rates in long-haul networks and data center interconnects?

Ankit Agarwal: So, I will touch on Hollow-Core first. I think that it is a very exciting technology. It's in the public domain that particularly Microsoft and Amazon are really looking to deploy this at a good amount of scale. We are also seeing some deployments of this in China as well. So clearly, it is moved from, say, the phase of concept to being on the ground. I think practically over the next 2 to 3 years is when we see larger scale rollouts happening.

There are, say, commercial challenges to deploy this fiber in terms of the cost of manufacturing is extremely high, and the process speeds are very, very low for all the manufacturers globally. So, this is where there will be certain time and effort to scale this up and make it viable from a larger scale perspective, but the impact to the network and the impact to the hyperscalers is very real. So, it is quite an exciting time to work with them.

Just to be clear, there are no global standards still set on Hollow-Core. So that also has to be done in terms of an industry standard to create to make sure that this can get rolled out at scale.

G.654.E, as well, in some similar ways, is a little bit more advanced. There is a reasonable amount of demand that we are seeing globally, but again, we do see the realizations to be definitely better than standard fiber, and it can enable typically 70% to 100% longer reach. So again, there is a good amount of opportunity here, but I would say less than 5% of the world market is with this fiber right now, but good potential going forward.

Moderator: The next question is from the line of Dhaval Jain from Sequent Investments.

Dhaval Jain: Sir, couple of questions, and the first question is, as the North America revenue contribution has increased from 25% to 36% versus the last year. So just wanted to understand, we have a tariff impact of 7% on our margins due to this. So, going forward, what I understand is if this revenue contribution keeps on increasing, will our tariff impact keep on increasing as the margins keep on dragging further down?

Ajay Jhanjhari: So basically, as Ankit mentioned previously, we majorly act into the major long-term contracts. So ideal way to deal with it is that yes, we are bullish on the U.S. market, but at the same time, the tariff impact can be passed on to customers only at the time of renewal of contracts. So that process is currently going on. So, while the U.S. revenue is expected to increase with the mitigation measures, we are already working on, and a few of them are now in place. We do not expect any further increase.

Dhaval Jain: Okay. And also, one more question on the growth that we had in the revenues, was it more of the volume growth, or the realizations have also contributed in the growth, the 20% YoY growth?

Ajay Jhanjhari: Majorly, it is a mix of both. Yes, volume has played a significant part in it. But at the same time, the sale of high fiber count cables has also increased the top line.

Dhaval Jain: The AI ones.

Ajay Jhanjhari: Not so on the AI one. Overall value-added cables, and the more higher technology cables.

Dhaval Jain: Yes. So, the ballpark, could I get an understanding of what would be the split between the volume and the value?

Ankit Agarwal: No, we would not be able to share that.

Moderator: The next question is from the line of Akshat Mehta from Seven Rivers Holdings.

Akshat Mehta: So, I just wanted to ask you an update on the lawsuits, right? What is happening on the U.S. lawsuit, and if you can share some light on the income tax order that has come in, what is that, and what is the impact?

Ajay Jhanjhari: I can take the income tax first.

Ankit Agarwal: Okay, Ajay.

Ajay Jhanjhari: So, see this income tax matter is in the regular assessment. There are some transfer pricing adjustments, for which they have issued this notice. We are quite confident that with the merits we are having in the case, no material financial impact is going to be there. And we have already disclosed it in detail, if you see with the press release.

Akshat Mehta: So, are we going to make any provision or we have to deposit some amount or there is no impact as of now?

Ajay Jhanjhari: As of now, there's no impact, but as per, we will have to go by the rules only. So, there can be a chance of same deposits, but that does not exceed more than 15% to 20%.

Ankit Agarwal: And linked to the legal matter in the U.S., so in September 2025 our U.S. entity, against which the case is there, it has appealed District Court's judgment. And now the case has moved to the U.S. Court of Appeals. And whatever was required in terms of posting the bond, that has been done successfully, and there is no financial payout obligations at this stage. So, as we are confident of our appeals, we believe we have a very strong case. So as that progresses, we shall, of course, update it as fiduciary duty.

Moderator: The next question is from the line of Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Congratulations for good growth. So basically, sir, in our existing order book, which is closer to INR5,000 crores, I would like to understand, suppose the U.S. trade deal does not materialize in next couple of quarters. And since you are negotiating the new orders, when can we see the impact of past orders getting in, and the new ones will be visible in the margins itself. That you have indicated close to INR1,000 crores will be executed in next quarter. So when the older contracts will expire, and the new pricing will kick in, if we just try to understand from that perspective.

Ajay Jhanjhari: So, see, there is going to be a gradual shift from it. So, we will keep on getting new orders, we will keep on supplying against the long-term contracts, which we are having in the past. Good thing is that in U.S., generally, the contracts are currently in the range of 12 to 15 months. So, we will start to see part of the impact from the next quarter onwards. And the full impact will take some time. It is going to be a matter of 2 to 3 quarters wherein old contracts will be fully settled in and all the new contracts will jump in.

Bajrang Bafna: Okay. Just trying to understand the past contracts at which rate we have taken and the new rate which is going on currently, what is the difference in percentage terms, if you could help that out to us.

Ankit Agarwal: Sorry, that we cannot disclose on the call.

Bajrang Bafna: No, only in percentage terms, I am not asking any absolute \$15 or \$16?

Ankit Agarwal: I mean, see, obviously, the tariff rate is 50%. And logically, you would want to share some part of that cost to the customers. But really, it just varies from customer to customer, the product portfolio in various other terms of the contract. So that is why we cannot give you one number. It will all be down to what we are able to negotiate and create that balance between the best pricing as well as ensuring we get long-term partnerships.

Bajrang Bafna: Next quarter onwards, your margins are going to improve even with the 50% tariffs?

Ankit Agarwal: Yes.

Moderator: The next question is from the line of Mr. Sunil Jain from Nirmal Bang Securities.

Sunil Jain: Sir, my question again relates to the U.S., and we had seen impact of the tariff, but on the currency side, are we going to benefit? And how is the hedging policy for contracts to supply in the U.S.?

Ajay Jhanjhari: So, we do have a robust risk management policy, which makes sure that fluctuations in forex does not impact us in the short run. But as you rightly said in the long run, when we will start getting new orders and against that, we are going to supply, there is going to be a positive benefit because we are actually net exporter by far, almost 80% of our revenue comes from outside India, and with the local manufacturing setup, we are having in Italy and U.S.

Sunil Jain: So, you want to say that whatever the order you are booking, against that, you book the currency?

Ajay Jhanjhari: Yes. So, we have the robust hedging policy wherein we don't keep any exposure open.

Sunil Jain: Okay. So, the benefit of this will come gradually, not at stage.

Ajay Jhanjhari: Yes.

Moderator: The next question is from the line of Mr. Aditya from AK Investments.

Aditya: Sir, I wanted to understand one thing. We have a facility in the U.S., and we have multiple facilities outside India. I know, I understand that India is 50% tariff, but in a single quarter, if I do the math, we are burning, I mean, the impact is INR80 crores. That is very huge. And for a year, if I do, it is INR300 crores that we are putting out. So what is the strategy?

I know you do not want to get into specifics, but can you help me as an investor, I mean, we think, Sterlite as a global player and we have the facility in the U.S., but this impact is really very huge number. How do you plan to utilize the U.S. facility? And how do we mitigate that?

Ankit Agarwal: Yes. So, look, I mean, currently, we have manufacturing cable portfolio in the U.S. We have it in Italy. And of course, we have large-scale mother plant kind of operations in India. And we are very, very mindful of 3, 4 things. We want to ensure that there is a variety of portfolio of products that are manufactured across our facilities. So, we always have to be mindful of where the demand can be met from an operating perspective because there is a large variety on what products get produced.

The second part, we have to be mindful of is, which is a place most optimized from a customer demand perspective, where customers require certain lead times and where do we operationalize. And then, of course, is the current impact of the tariff, which currently is at the full 50%. So, we are very mindful of the impact and the quantity that it is affecting us on a quarterly basis.

And as we shared earlier, multiple actions are on, to see how we can minimize the tariff while at the same time, we continue to see strong demand from the North America market. Currently, we do also have options of manufacturing in Europe as well and supplying in the U.S.

So, all those we continue to evaluate, and be rest assured that we continue to take actions where the effective percentage rate will reduce. But certainly, from an absolute amount, that is something we continue to watch, as and when our business to North America and to U.S. continues.

Aditya: Sir, this is only the optical network, we are doing 30% for North America, I mean, 30% to 35%. In that the whole impact, I mean, INR80 crores, if I take, it is only coming from that INR300-odd crores of revenue. Is that the right math?

Ajay Jhanjhari: No, you can try to do that math, but there are 2, 3 things which is related to tariff. One is, whatever the finished goods or the semi-finished goods we are selling from India and then the imports we are doing in U.S. from India, other than these optical fiber cables. So that math will not properly fit in, if you try to find the number out of the revenue.

What we can tell you is that, yes, as you rightly mentioned, we have been continuously increasing our U.S. production, which can mitigate these tariff impacts partly. Along with it, we are assessing all the other measures to mitigate the impact to the minimum possible.

Aditya: And how much can the U.S. facility help us? I mean, if you can share in, I mean, ballpark number or percentage-wise?

Ankit Agarwal: Look, I think if you have seen the investments we have done, I think, more than \$50 million of investment to build a factory of a certain scale. And I think our intent has always been strategic to serve the market, both from the facility there as well as from India. As you can appreciate that there is real intent from both governments to sign at least an interim bilateral trade agreement, which has been imminent for some time now, and continues to be imminent.

So we are mindful that we need to maximize from our operations outside of India. At the same time, we also need to look at other options of how do we reduce the tariff impact. So all the actions are ongoing. And of course, ultimately, we do hope that some sort of trade agreement does come through, which will definitely impact and benefit STL.

Aditya: Sure, sir. All the best. I hope that we will be able to navigate this one, and we will be able to ramp up and use the U.S. facility at utmost utilization so that we can minimize the impact.

Moderator: The next question is from the line of Anshul Saigal from Saigal Capital Advisors LLP.

Anshul Saigal: You mentioned germanium as a prospective risk in case China stops supplying that as a raw material. What is the mitigant? Do we have alternate raw materials or alternate supplies of germanium?

Ankit Agarwal: Yes. So, as I said, there are global sources available. While China is the majority, there are other global geographies available for sourcing of germanium, which we are both evaluating and pursuing. So that is really the primary option. Of course, from China itself, there is a procedure and a process to source the germanium, which we are also pursuing, including with all the government channels.

And of course, we also have a facility in China itself, which we are also utilizing where we can use the germanium that is available locally. So multiple avenues are all working in parallel, and we are confident that we will be able to solve any challenges we face.

Anshul Saigal: Secondly, nearly 30% to 35% of our revenues come from North America. I am assuming most of this will be from the U.S. From our U.S. facility, are we able to kind of cater to this entire revenue, or only a part of this revenue, assuming that the U.S. facility operates at full utilization?

Ajay Jhanjhari: So currently, it is only a part of revenue. So, it is a lengthy process to qualify your manufacturing unit for all the standard products which we do. And if you see in the last 2 or 3 quarters, the entire environment has changed to high fiber count internet ribbon cables, for which there is a standard process in order to get the qualification. So all that is currently going on with the clear objective of utilizing U.S. facility for full and then using India for the trading of the other materials or other cables.

Anshul Saigal: My question is that will it be sufficient?

Ajay Jhanjhari: Not sufficient.

Anshul Saigal: Not sufficient. So, there will be incremental supplies always from other countries, particularly India. Also in the same light, can you give the number of volumes that we did for this quarter, for the whole company that is?

Ankit Agarwal: No, we actually do not disclose volumes or capacities for competitive reasons.

Anshul Saigal: Okay. Not total capacities also. I mean, not for a plant, but okay. So, asking another question, I mean, we peaked out on revenues in March 2020, I think, where we did around INR5,100 crores. We have done INR5,100 crores revenues in 2020. Assuming we do full utilization of our capacity, will we be able to reach that number or exceed that number given current pricing?

Ankit Agarwal: Yes, yes. That we are confident.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question. I would now like to hand the conference over to Mr. Ankit for closing comments.

Ankit Agarwal: Thank you, everyone, for taking your time to hear us out. We remain very excited and motivated to drive this business forward and unlock its full potential. Through our efforts, we see a tremendous opportunity to connect the unconnected across the world, and especially here in India at every village level.

We truly believe STL is well positioned to play a pivotal role in building the data, digital infrastructure around the world. We are happy to take any of your questions. Both, Ajay and I are available through our IR team. Once again, thank you for your time and your continued support. Jai-Hind.

Moderator: On behalf of Sterlite Technologies Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(This document has been edited to improve readability)