"Sterlite Technologies Limited

Q2 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Sterlite Technologies Limited Q2 FY '27 Earnings Conference Call. As a reminder, all participant lines will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Darak, Head of Investor Relations. Thank you, and over to you, sir.

Rahul Darak: Thank you, Steve. Good day, everyone, and welcome to STL's Q2 and H1 FY '27 Earnings Call. To take us through the results and answer your questions today, we have with us STL's senior management represented by Mr. Ankit Agarwal, our Managing Director; and Mr. Ajay Jhanjhari, Chief Financial Officer.

Before we proceed with the call, let me remind you that the discussion today 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, this also applies to the Lakshya targets that will be discussed on today's call. And we have also uploaded results and earnings call presentation on the STL's website and same is also available on the stock exchanges. We will begin today's call with a brief overview of our performance for the quarter and the first half of the financial year followed by a brief Q&A session.

And with that said, I now hand over the call to our Managing Director, Mr. Ankit Agarwal.

Ankit Agarwal: Thank you, Rahul. Good day, everyone. I'll begin by highlighting a few key takeaways from my investor presentation, and Ajay, our CFO, will then walk you through the financials.

STL is a global leader in Digital Connectivity Infrastructure, serving data centers, telcos, citizen networks and large enterprises. Our optical connectivity portfolio spans fiber-to-fiber cables, speciality cables, connectivity solutions. We are also India's number 1 end-to-end optical manufacturer with about 9% global optical fiber cable market share outside China. With 35-plus years of leadership and more than 805 global patents filed and granted and 10-plus advanced manufacturing facilities with 0 waste to landfill and 0 liquid discharge, STL is leading the next wave of the global digital infrastructure buildup.

We're amongst the few companies in the world with presence across the value chain from Glass to Gigabit, starting with the purest grade of Silicon, which we transform through advanced processes, like silicon tetrachloride formation, chemical vapor deposition and high-precision sintering, we create ultra pure glass preforms, which is the backbone of optical fiber.

From there, we draw the highest grade fiber, design high-density cables and develop reliable connectivity products that power data centers and telecom networks worldwide. This full stack

integration right from the raw materials to network deployment gives STL a unique edge in quality, cost efficiency and innovation across the connectivity value chain.

This deep integration also gives one of the most complete portfolios across the industry from specialty and next-generation fibers to high-density cables to plug-and-play connectivity for fiber-to-the-home and AI data center architecture.

Back in September, we laid out Lakshya, our growth road map for FY '29 with the ambition of becoming the top 5 global connectivity players and reach INR20,000 crores in revenue. In FY '27, the first year of Lakshya, we are putting this plan into motion across 5 clear execution priorities.

On the market side, we are actively shifting our revenue mix towards high value-added integrated connectivity solutions, are rapidly scaling our footprint in data center segment. To maintain our product edge, we are committing 2% of our annual revenue into R&D for next-generation optical platforms. At the same time, we are driving margin expansion by staying relentlessly focused on cost efficiencies and delivering stronger value to our customers.

Finally, to power this entire growth cycle, we're expanding our preform fiber and cable capacities by 50% and building a new greenfield facility for pre-term related-solutions. All of this is backed by an annual capex commitment of around INR1,000 crores per year through FY '29. As you all know, currently, we are at the intersection of 3 powerful multi-year investment cycles, data centers, 5G and 6G networks and fiber to the x.

Over the last few quarters, each of these cycles has only become stronger. Data center remains the fastest-growing driver for optical fiber demand. CRU recently upgraded its 2026 demand projections for this segment to 89% year-on-year, up sharply from 63% last quarter. This is underscored by acceleration of investments for hyperscalers and neo clouds. With Morgan Stanley revising its 2026 forecast upward from $805 billion to $978 billion and projecting a $1.5 trillion of investment in 2027.

Our mobile networks, 5G adoption continues to scale rapidly with global 5G subscriptions projected to reach 6.4 billion by 2031, and India alone accounting of 1 billion in the same time frame. On top of this 5G expansion, global 6G subscriptions are forecast to cross 180 million by the end of 2031.

Looking at FTTx deployment -- looking at FTTx deployments accelerating worldwide, expanding from 157 million fiber kilometers in 2025 to roughly 166 million fiber kilometers by 2030. In the U.S. alone, more than 140 million new homes will be connected with fiber by 2030, backed by massive government initiatives like BEAD in the U.S. and BharatNet in India. Together, these 3 converging cycles create a structured long-term demand tailwind for optical fiber and connectivity positioning STL right at the center of the world's next digital infrastructure build-out.

Moving on. Slide 10 delves into how the AI revolution and rapid data center expansion are creating a once-in-a-generation opportunity for optical connectivity. Global data center capacity

is expected to grow from about 82 gigawatts to about 219 gigawatts by 2030, with over 70% of the total demand coming from AI-specific infrastructure.

AI is driving a fundamental step change in fiber intensity across 3 core dimensions: First, is scale-out, which appears between the racks. Fiber per switch rack skyrocketed from 500 fibers in the cloud era to 12,000 in today's 72 GPU AI nodes, heading towards 16,000 fibers in the upcoming architectures.

Next is scale across, which connects multiple AI clusters, buildings and data centers so they can operate as one unified AI infrastructure. Every new site multiplies interconnects, 2 data centers need 1 link, but 6 data centers need as many as 15 or more.

And finally, scale up, which takes place at the GPU rack level. As speed transitions from 400 gig to 800 gig and almost to 1.6 terabit, copper hits its physical performance limits and making non -- making optical fiber simply non-negotiable. Together, these 3 dynamics present a structural step change in fiber intensity.

With our Neuralis end-to-end AI-DC portfolio, STL is uniquely positioned to capture multiyear structural growth opportunity across the stack.

Looking at Slide 11, let's look at India's infrastructure landscape, which is rapidly emerging as one of our most compelling long-term structural tailwinds. Looking at the capacity rollout, India's live DC capacity has reached approximately 1.8 gigawatts, following a record 258-megawatt additions in the first half of FY '27 alone.

Over the next years, this installed capacity is set to increase nearly sixfold to almost 10.5 gigawatts by 2031. What makes this investment cycle particularly powerful is the breadth of commitment across the board. Hyperscalers like Google, Meta, Microsoft, Amazon are deploying tens of billions of dollars. On the other side, we have Indian conglomerates like Tata, Adani and Reliance laying out massive long-term capacity plans as well.

Over the last few quarters itself, we've seen massive new announcements coming from Meta and Reliance pushing forward with almost 3 gigawatts of development plans to Australia-based AirTrunk, which is committing almost $30 billion across Maharashtra and Andhra Pradesh, for overall 5 gigawatts of data center capacities.

Adding to this momentum, are landmark commitments like Adani talking about over $100 billion to build out 5 gigawatts of green AI data centers by 2035. This includes AdaniConneX partnering with CoreWeave to build a 240-megawatt campus in Navi Mumbai, which are powered by NVIDIA's Vera Rubin platform. Overall, a supportive policy environment with state incentives such as stamp duty waivers and 10 to 20 year electricity-duty exemptions, power availability and very importantly, the tax holidays extending into 2047. This further de-risking and accelerating this data center build out.

Every dollar of the data center capex has a direct multiplier on fiber intensity across DCI, Metro and long-haul networks.

The next slide reinforces how big telecom operators and the big tech companies from AT&T, British Telecom and Airtel to NVIDIA and AWS continue to back optical fiber as the base of digital future, across 6G broadband data centers and AI. The takeaway is simple. Fiber remains the core backbone of all digital infrastructures globally.

Now let's take a look at the global market context. We see a clear multiyear upcycle in global fiber demand taking shape. According to CRU, global optical cable demand has been upgraded again and is now expected to reach 851 million fiber kilometers by 2031, reflecting a strong 7.5% CAGR through 2031.

Looking ahead, growth will be increasingly concentrated in North America and APAC ex-China, North America continues to be powered by AI-led data centers, DCI builds and broadband rollouts. While India and Southeast Asia drive incremental growth across APAC ex-China. In fact, CRU expects AI data centers to capture 1/3 of total volume share by 2030 in markets outside of China. Overall, these points of sustained multi-up cycle in fiber demand with STL focused markets expected to lead demand growth with CRU projecting 15.7% CAGR in 2030.

We're seeing a strong momentum in winning new business, and it shows clearly in our order intake. In the first half of FY '27, we secured orders worth INR32,000 crores. This is roughly 4x the orders we won in the whole of FY '26. The largest win this quarter is a new 5-year agreement with a potential value of $1.2 billion. It is with another global hyperscaler for AI-ready optical solutions. This builds on the $1.11 billion product award letter for optical connectivity that we announced last quarter from another hyperscaler. Together, these give us multiyear demand visibility with some of the world's largest AI infrastructure players.

We're also winning across our other core segments. We have signed multiyear supply agreements with major global telecom operators for high-density optical connectivity and assemblies. In India, we have secured a significant optical cable supply contract with a leading telecom operator. As a result, our order book today is well spread across customer segments, product categories and geographies. More importantly, it gives us a much stronger visibility on our FY '29 Lakshya targets than what we had even when we announced it.

On market position and attach rate trends, our global ex-China OFC market share increased to 9% in H1 FY '27, up from 7% in first half of FY '26. Turning to optical connectivity. Last quarter, we shared that we aim to take our attach rate above 20% from this quarter onwards. I'm pleased to share -- I'm pleased to report that our attach rate has reached an all-time high of 24% in H1 FY '27, up from 20% in H1 FY '26. And this was achieved on a much larger OFC revenue.

We remain fully focused on driving this 25% and beyond for the current financial year. This performance clearly demonstrates our strategic pivot towards selling higher value-added integrated solutions than stand-alone products which is gaining strong traction in the market.

Innovation continues to be a key differentiator for STL, and this quarter delivered strong momentum across all these fronts. On key product developments, we strengthened our Neuralis portfolio with high-density pre-terminated fiber trunks. Launched a pre -- a Plenum-rated

portfolio for inside data hall connectivity and transitioned the Hollow-Core Fiber cable into the first commercial pilot phase.

On sustainability and next generation technology leadership, our Chhatrapati Sambhajinagar plant transition to 100% green power, slashing our fiber carbon footprint by over 80%. We are very proud of this. A standout achievement this quarter was STL's recognition at the IAM's Asia IP Elite 2026 list. IAM is a global benchmark of IP strategy, and this Elite recognition confirms that our deep patent portfolio across glass chemistry, fiber geometry and connectivity design directly positioned STL as an indispensable technology leader in the global AI ecosystem.

Our innovation engine is backed by deep IP portfolio of over 805 patents, with 49 new filings this quarter and has been recognized through multiple global awards. These advancements reinforce our position as a true technology leader, building future-ready capabilities for AI and cloud networks.

Turning to our product portfolio. We're making tremendous progress with the Neuralis, our purpose-built portfolio in the AI era of data centers, which addresses two mission critical needs. AI whitespace connectivity and high-speed data center interconnect, where fiber density, speed and simplicity matter the most.

The highlight this quarter is the launch of our Pre-Terminated Trunk Assemblies in September. For our customers, this means faster deployment, fewer issues on site and data centers that come online sooner. Put simply, they're factory build plug-and-play installations. Every assembly is 100% factory-tested and arrives ready to install with the latest high-density connector technology.

Neuralis is emerging as a central nervous system of the modern data centers built for AI and ready to serve what's coming next. By leveraging STL's full vertical integration, Neuralis enables faster deployment and massive GPU clustering. It reduces deployment complexity and accelerates time to service. Supported by local manufacturing in South Carolina, this launch strengthens our position with the U.S. hyperscaler and neocloud providers.

Slide 19 highlights STL's leadership in the next-generation optical fiber portfolio. It directly addresses the optical physics demands of the AI DC era through three flagship technologies. Firstly, our G.654.E fiber is now fully commercialized and delivers 30% lower signal loss.

Secondly, Hollow Core Fiber, our HCF cable that offers between 30% to 47% lower latency has transitioned into the first commercial pilot phase. And finally, our award-winning Multi-Core fiber expanding data capacity between 4x to 7x within the same footprint. With successful real-world deployment of multi-core already underway in India and the U.K. alongside partners like C-DOT, IIT Madras and Colt. This portfolio firmly positions STL to power the high-density ultra-low-latency infrastructure required for tomorrow's AI workloads.

Now I'll hand over to Ajay to take you through the financials.

Ajay Jhanjhari: So thank you, Ankit, and thanks, everyone, for joining us today. I'm happy to take you through our financial highlights for Q2 and H1 FY '27. If Q1 was historic, Q2 has raised the bar again.

For the second consecutive quarter, STL has delivered its highest-ever performance across revenue, EBITDA and PAT. This quarter, revenue reached INR2,529 crores, representing growth of 145% year-on-year basis and 32% quarter-on-quarter basis. On an H1 basis, revenue grew to INR4,439 crores, up 116% compared to H1 FY '26.

Moving to EBITDA and margins. Our operational EBITDA for Q2 FY '27 came in at INR685 crores, delivering 27.1% margin or significant quarter-on-quarter expansion of 624 basis points. On an H1 basis, operational EBITDA reached INR1,082 crores at a 24.4% margin, reflecting strong profitability across the first half. Note that reported EBITDA for Q2 FY '27 was INR846 crores, which includes a onetime net gain of INR161 crores from a U.S. tariff refund. Excluding this one-off item, our 27% operational margin reflects strong underlying fundamentals driven by higher capacity utilization, a richer product and customer mix and an increasing share of high-value optical connectivity.

Turning to profitability. PAT for Q2 FY '27 reached a record INR517 crores, driven by strong revenue growth, margin expansion. For the first half, PAT reached INR714 crores, up from INR14 crores in H1 FY '26, reflecting the strong operating leverage in our business. In summary, these results demonstrate strong revenue momentum, expanding margins and bottom line execution, setting us up remarkably well for the remainder of FY '27.

On the segment side, while Telecom and Citizen Networks continue to be a core pillar, our Data Center segment saw a strong momentum, contributing 33% in H1 FY '27. Keeping us firmly on track towards scaling this segment to 50% of revenues in the current fiscal. From a geographic standpoint, our revenue mix continues to reflect strong global momentum.

North America shares stood at 61% in H1 FY '27, driven by robust demand across AI and cloud infrastructure, while Europe contributed 21% and rest of the world represented 18%. While North America remains our key growth engines driven by hyperscaler demand, our presence across Europe and ROW gives us a strong global footprint to capture market upside.

Moving to our order book. Our open order book stands at record INR35,274 crores, up 4.6x from INR7,687 crores at the start of this financial year. This reflects strong order inflows and the confidence our customers are placing on us through long-term commitments. Of this, about INR3,021 crores is scheduled for execution in Q3 FY '27 and the rest over Q4 FY '27 and beyond.

I want to highlight a structural change in how our revenue is built. Historically, a meaningful share of each quarter's revenue came from spot orders won and delivered within the same quarter. As our multiyear agreements with hyperscalers and telecom operators scale up, more of our revenue now comes from the scheduled backlog and spot business makes up a negligible share. This is a deliberate part of our Lakshya strategy. It gives us more predictable revenue, better capacity planning and more stable realization through the cycle.

On Slide 25, we have shared an abridged snapshot of our reported numbers for your reference. On the balance sheet, our net cash balance has improved to INR703 crores from INR483 crores reported last quarter, and we continue to be a net debt-free company. I'm also glad to share that

our strengthen financial profile is now reflected in our credit ratings. CRISIL has further upgraded our long-term rating to double AA stable from AA- and reaffirmed our short-term ratings at A1+. With this, both CRISIL and ICRA now rate STL at AA stable.

Our disciplined capital allocation entails a mix of brownfield expansion of preform, fiber and cable capacity by 50% and a greenfield facility for preterm solutions with a total capex of INR1,000 crores per year from 2027 to 2029.

Finally, on Slide 26, our Lakshya growth road map. When we unveiled Lakshya, we targeted revenue of INR20,000 crores in FY '29, about 4x of FY '26 revenue with an EBITDA margin of over 27%. The strong margin expansion we are delivering today, combined with the multiyear visibility from our record order book gives us stronger confidence to raise the bar on our profitability.

Accordingly, we are upgrading our FY '29 EBITDA margin target to about 30%, up from 27% earlier, while maintaining our FY '29 revenue target at INR20,000 crores. This performance underscores that we are not just growing, we are building a higher margin, highly scalable business for a long term.

With that, I'll hand it back to Ankit for an update on our social impact initiatives and closing remarks.

Ankit Agarwal: Thank you, Ajay. Our CSR and sustainability initiatives continue to create deep lasting and measurable impact across health care, recreation and women empowerment and the environment, and you will find the details in the presentation. We remain committed to achieve net zero by 2030. And this quarter, our factories in Chhatrapati Sambhajinagar are transition to 100% green power.

Together with our commissioned green hydrogen and oxygen plants, we have reduced the carbon footprint of our core optical fiber by over 80%, while maintaining 0 waste to landfill and 0 liquid discharge standards. This disciplined approach to governance and sustainability continues to be recognized and backed by Synesgy A rating and over 100 ESG awards to date.

Now before we open the floor for Q&A, I'd like to step back for a moment. When we announced Lakshya in September, we further set out an ambitious goal to become one of the top 5 optical connectivity players in the world. Two months into this journey, the goal is starting to show our results. We have delivered back-to-back record quarters. Our order book has nearly doubled, and attach rate has reached an all-time high. The confidence of that comes from this performance and has allowed us to raise the FY '29 margin ambitions to above 30%.

The world is building infrastructure for the AI era and the infrastructure runs on optical fiber. With our full Glass-to-Gigabit integration, deep technology portfolio and long-standing customer partnerships, STL is well placed to help build it and create it. We are proud of what we have achieved so far, and we remain focused on the execution. There's a lot of work ahead, and we're excited about it. We're excited about India -- putting India on the global AI map.

Thank you. I'll now hand over to the operator and open the floor to questions. Jai Hind.

Moderator: Thank you, sir. The first question comes from the line of Achal Lohade with Nuvama Institutional Equities. Please go ahead.

Achal Lohade: First of all, congratulations on a great set of numbers. So three questions actually. First, I -- with respect to the target Lakshya, INR20,000 crores revenue remain unchanged, while the margin got upgraded. So if you could help us understand what has driven this upgrade in the margin? Is it largely driven by the connectivity aspect of the business or something else? And secondly, is there any further scope for even revenue target upgrade?

Ankit Agarwal: Yes. Achal, thank you for your question. So I think what we've done for now is basically looked at the order book that we have and the improvements in our order book that we have showcased going to INR35,000 crores. So that's given us a source of confidence of how we see our performance going forward. And as we've shared, we've clearly been able to move our mix strongly towards data center portfolio, which has higher margins. And we've also improved our attach rate. So combine these things and looking at how these are expected to grow going forward, this gave us confidence to improve our visibility from 27% to 30%.

So right now, that's the visibility that we have, and we continue to target the INR20,000 crores, and we'll continue to evaluate how our order book and execution is moving on our capacities. And then we can update on anything else in the future.

Achal Lohade: Got it. The second question is with respect to the order book. Is -- are there more orders in the pipeline, the sizable orders, et cetera? How the order pipeline is looking like, if you could give some more color on that aspect, especially from the North America?

Ankit Agarwal: So I mean I would first put a caveat that we continue to work both with the telecom operators, neutral fiber providers as well as data center companies. And as we shared in our readout, we're broadly looking at really focusing on long-term partnerships and more and more technology partnerships with these customers. So that's majority of our conversations that are happening.

We clearly want to also have a nice diverse set of customers, both from types of customers, but also geography of customers, and that's also what we've been working on. So yes, as we stand today, we feel confident. We continue to have conversations with other data center companies and telco operators. And we're definitely looking at as we get a good sense of their requirements as some of our capacities come up in the coming 2 to 3 years, how we can maximize further partnership, that's something we're working on.

Achal Lohade: Got it. And lastly, if you could provide some color in terms of how the pricing scenario playing out on the table and also on the preform and the fiber prices, ideally in the last couple of quarters how it has trended? And what is the expectation one would have at this stage?

Ankit Agarwal: So we don't comment on prices specifically. Broadly from our side, our focus has been more and more of the very high-end cables, very high-end design that we've been focused on. And you would have seen we've launched some of the designs in the last few months as well. So as we move forward, more and more of our sales will be these high-end products, which all come under our Neuralis portfolio. And equally, our focus will be to some of our high-end connectivity

products that we launched like CONCAT, like MMC connectivity, which are really at the cutting edge. More and more of our focus will be to supply those products into the market.

Achal Lohade: Got it. With respect to the raw material availability, they have been...

Moderator: The next question comes from the line of Rabindra Nath Nayak with Nirmal Bang Securities.

Rabindra Nath Nayak: Am I audible?

Moderator: Yes.

Rabindra Nath Nayak: Congratulations for a good set of numbers. Sir, 2 to 3 questions from my side. So first of all, we got a refund of INR161 crores. And there is -- is there any further refund is expected? That is one question regarding that. And there is an impairment of INR49 crores, and there is an additional depreciation related to that, INR22 crores. What is that pertaining to? And why despite the reduction in borrowing and also the borrowing reduction and borrowing, while the interest cost has gone up by 15% Y-o-Y in this quarter? The receivables have also gone up. So is it a big worry so for us?

And the final question is regarding if you can share something, and what is the DC Fiber contribution in this total revenue? And what is the contribution of attach rate revenue on the DC side and the contribution. So total -- see if I'm talking about INR500 crores of attach revenue in this, what is the contribution of DC attach revenue in this attach rate? So if you can answer those questions.

Ankit Agarwal: Okay. So firstly, on the refund, so there's a process through which we get all these refunds. Broadly, we have got refund of almost everything. There is a Phase 3, which is going on currently, and there's a small amount, which we have already applied for. So that depends on getting that refund. In relation to the impairment and the increase which you are seeing in depreciation. That is broadly related to one of our subsidiaries, which is Speedon Networks. There, we have taken the impairment to square it off in full.

On your question related to finance costs. So broadly in order to make -- reduce our gross debt also we have prepaid a few of the loans, which were due at a later stage, and there were some penalties related to the prepayments, which we have squared off. Going forward, we'll look forward to reduce the net finance costs subsequently, and that will be visible from Q3 onwards.

Rabindra Nath Nayak: Okay. And about -- okay, the DC contribution, the data center contribution of fiber and also attach rate. Can you please comment on this, please?

Ankit Agarwal: Yes, we don't call that out specifically for competitive reasons. What we have called out is of our total sales, how much is coming from the DC segment. And as we've also shared from our order book as well, you can get a good sense that a good portion of our order book also as we stand today is from the DC segment, given the 2 deals we've announced. So hopefully, that gives you some sense of where the value and the margins are coming from.

Rabindra Nath Nayak: Okay. And this attach -- is the attach rate is part of the order book or it is not a part of the order book? Attach revenue?

Ankit Agarwal: So to summarize, we call attach rate related to our accessories business, and that also forms part of the order book, which we are reporting on a quarterly basis.

Moderator: The next question comes from the line of Dave with Seven Rivers.

Dave: Congratulations to you and your team on a stellar set of numbers. My question is more macro in nature. There's a key debate in the U.S., whether the very high level of AI capex, can be sustained if the bond yields continue to spike raising the cost for hyperscalers, to continue funding this build-out through debt. Now I appreciate our industry forecast on fiber demand, but my question is more specific about what happens beyond FY '29. What level of annual global fiber demand growth or AI capex growth would be required for us to continue growing at a strong rate beyond FY '29?

Ankit Agarwal: Dev, thank you. Look, I mean if we just break it up broadly so far where our conversations with the data center companies, I think broadly, there continues to be strong investments from the balance sheet. Even Meta announced its results yesterday and continues to be quite strong around $140 billion in capex as an example.

So I think to your point in terms of longer term, say, '29, 2030 onwards, one of the things that we are seeing interestingly from the power side, for example, as a benchmark, is that there are contracts going out on the power side easily into '31, '32 and beyond. So clearly, there is a macro commitment and focus on the hyperscalers to continue to build this out at least for 7 to 10 years with a fair level of clarity. And so equally, that gives us comfort as well and also in our conversations that these investments, certainly by the larger hyperscalers will continue well beyond 2030.

Moderator: The next question comes from the line of Abhay Joshi with Baroda BNP Paribas Mutual Fund.

Abhay Joshi: Congratulations to the team for the great sets of number. My first question is on the margin guidance. Of course, you have raised the margin guidance from 27% to 30% for FY '29. But if I look at the margin guidance earlier for FY '27, it was 23%, then you delivered 20% margin. Now you are already at 27%. How we should look about the margins for the FY '27, if you can give the color? Because from past 2 quarters, we have been raising the guidance for FY '27. So just in terms of how we should look FY '27 as a margin per se.

Ankit Agarwal: So we would definitely like to perform or better what we have reported in Q2 of this financial year. So the target of Lakshya aligns with the target of what we plan to try to achieve from Q3 onwards. The reason for increase in margin consecutively is because you know there is a change in our business mix. A lot of revenue is coming from the Data Center segment, which is profitable than our normal Telco business.

Abhay Joshi: Sure. But if I look at your H1 margins, it's already at 24%, which is higher than your earlier stated margins. So do we...

Ankit Agarwal: 23%, yes.

Abhay Joshi: Yes. Do we expect to deliver better than that? That is my question.

Ankit Agarwal: Yes, this is what I'm saying. So we plan to deliver results which are in alignment with our project Lakshya, wherein we have already announced to increase it to 30%.

Abhay Joshi: Sure. Fair enough. And my next question is on the order book. If I look at your -- the net new orders for this quarter, ex of the $1.2 billion contract we had, which is also a very strong INR7,000 crores plus number. So any breakup in terms of what will be the mix here? It is still the higher predominantly the Data Center or it is the mix of both DC plus Telco?

Ankit Agarwal: So outside of what we have shared, then we continue to secure long-term contracts with the telecom operators and also neutral fiber companies. These neutral fiber companies are effectively providing long-term leases and capacities either through the telcos or to the data centers. So these could be large players in Europe or U.S. as well. And we also announced one large telecom deal in India as well, which is in the public domain. So outside of what we've announced, then we continue to have strong partnerships on the non-DC side as well.

Abhay Joshi: And just lastly from my side, what would be the -- any guidance in terms of how much your attach rate will look at for these -- for to reach FY '29 guidance, like currently 24%, how much -- any targets for attach rate?

Ankit Agarwal: No. I mean, I think, look, we've reached a good level now. And clearly, we want to keep growing this top line quarter-on-quarter. So I think we're looking at that closely. And more and more, as I guided, we want to sell more and more of our portfolio as a solution, be the cable and connectivity or the cable and termination. So that's what we're working on.

We're also building a new greenfield site as part of our capex to increase our termination capability. So there's work going on in the background. But at a macro level, I think we've reached a good stage now, and we continue to work with our customers on new products and new solutions to see how we can grow the attach rate from here.

Moderator: Our next question comes from the line of Aritra Banerjee with Nomura.

Aritra Banerjee: Congrats for a very good set of numbers. Sir, my first question is regarding this Hollow-Core and Multi-Core fiber. So by when do you think you can be fully commercialized? And on the industry side by when do you think the industry applications for the Hollow Core and Multi-Core Fiber will become mainstream at least in the U.S. going forward. If you could provide some color on that, please?

Ankit Agarwal: Yes. So I think, look, firstly, I'm quite proud. As Indian company, we've built the Hollow Core and Multi-Core. We've also done some trials in U.K. for Multi-Core. Most recently, we did a trial for the Hollow Core as well in India. So that's something that we are also working on. I think one thing to understand also is not only are the challenges in the manufacturing of it. There are significant challenges for the entire industry around the installation and maintenance of these networks.

So I think those are some of the areas that, as an industry, we're all working in partnership to solve for. The performance on the network is very real, very tangible. The latency improvement is anywhere between 30% to 40%. And on the case of Multi-Core you -- so effectively the same diameter, you're almost getting 4x to 7x more capacity. So it's clearly very, very valuable in various network scenarios.

So we definitely are bullish about the growth of these technologies, but I would say that probably it will be in the time frame of another 1.5 to 2 years where the scale of these starts improving. And we are also actively working both internally to improve our production capabilities, but equally with installers and customers to make sure that these can be deployed successfully and ultimately be scaled up in the field.

Aritra Banerjee: Understood sir. My second question is regarding the payable days. So that has seen a very sharp fall over the -- or in the past few quarters. So just wanted to understand, is this a level that where this will stabilize? Or can we expect further reduction going forward? And what was the reason for the drop in the first place in the payable days?

Ankit Agarwal: See, broadly, you need to link it to our net working capital days, which while has increased slightly in Q2. Broadly, we aim to remain in the range of 45 to 50 days of net working capital cycle. Currently, this is a supply constraint market. So a lot of materials which we have to buy, the payment terms have changed. We broadly expect it to remain stable going forward. Equally at the same time, we are working a lot on the -- improving our debtors and the inventory levels, which will be reflected from next quarter.

Moderator: Our next question comes from the line of Dhruv Sitlani with Nomura Capital.

Dhruv Sitlani: Firstly, congratulations on a stellar set of number and commendable execution. I have a couple of questions I would like to touch upon. My first question is, what was our average utilization for the quarter? And by when do we expect to get full utilization for the current capacity?

Ankit Agarwal: Yes. So thank you for your question. We've been -- we've not been sharing specific numbers, at least recently. Broadly, what we've been talking about are some of our constraints around some of our raw materials. We talked about things like germanium, helium, et cetera. So happy to share that we have seen an improvement in our ability to procure our raw materials.

We've also seen an improvement in being able to diversify in some of our key raw materials. So overall, as a result of this, our utilization continues to improve quarter-on-quarter. And clearly, we're in this important period where we are improving our utilization. At the same time, we want to start executing some of our capacity projects and bringing those online in the next few quarters.

Dhruv Sitlani: Okay. That is really helpful. My second question is that our company seem to be at AI DC cloud share of 40% to 42% in quarter 2. And our peers seem to already be at 65%. When do we expect to get at those levels?

Ankit Agarwal: So I would put it slightly differently for us. What we're very, very focused on is securing long-term contracts and making sure whatever we sell is through long-term partnerships. The second

part is rather than anything that is sold on -- anything that is commoditized, low-end fiber or cable that we are reducing that significantly. So more and more of what we sell into the market will really be at the high end of the specs, whether it's in India, Europe or the U.S.

So that's really what we're focused on. I think broadly, we've guided that we feel confident that our DC share will be close to around 50%, and then I think by design, that's something that we're driving that it should be in this 50% to 60% share because we also want to have a good mix of customers both from a geography perspective as well as customer base.

Moderator: The next question comes from the line of Rahul Agrawal with EverFlow Partners.

Rahul Agarwal Congratulations on spectacular set of numbers. My question pertains to the attach rate for the business with connectivity solutions. Some of the global peers are north of 100% on attach rates. From a longer-term perspective, where do you see the trajectory on the attach rate possibility for us?

Ankit Agarwal: Yes. Good question. I think we've been talking about this connectivity portfolio for several years. If you just reflect on how our journey has been, we even acquired a company called Optotec in Italy, we scaled up from there. Then we launched some products, particularly for the U.S. market like CONCAT and others recently. And most recently, then we started working with the hyperscalers and data center companies to increase our termination of the cable and provide the full Neuralis stack. So this has been the journey.

Very proud of what we've achieved in a fairly short span. I think some of our global peers have been in this industry for a very, very long time. They are well-established, manufacturing, they're well-established technology, IP and even the installers and others are really well familiar with their portfolio. So this is a work that we are doing. It's not just about capacity. A lot of it is innovation and co-development with the customer, building things that are customized for their future requirements, not necessarily for today.

So this is something we're very proud of. This progress that we made is truly remarkable in a fairly short period of time. And clearly, we see and understand and respect the benchmark of our global peers. And certainly, we would also like to improve our attach rate quarter-on-quarter.

But as you can appreciate, a lot of this takes time because it involves a lot of product development and co-development, and at some level, we have to bet on some future technologies. And that's where we talked about 2% of our R&D, which you can -- as you can imagine, year-on-year will start becoming quite meaningful. So that's how we are focused and look forward to scaling this up with really next-generation technologies coming up.

Moderator: The next question comes from the line of Gopal Krishna with Motilal Oswal.

Gopal Krishna: Congratulations on strong results and growth. My question here is given the recent delays in U.S., global AI and data center projects, do we see any risk to the delivery time -- timelines of our INR35,270 crores order book or customer proceeding as planned?

Ankit Agarwal: Yes. Thank you. I mean, look, there's 3, 4 things, right? Like one is broadly, I think we're obviously watching the interest rates. We're looking at the balance sheets and what is the cash position of some of the hyperscalers. But also, we have to be mindful that there are some local execution challenges around land, power, water and other local opposition. So I think at a macro level, the investment plans continue to grow and scale up, but there will be execution challenges from time to time.

The customers, hyperscalers is also looking to diversify both across the U.S. but also in geographies like the Nordics, of course, in India, we're seeing an expansion Australia, Mongolia. So I think data center companies are also looking to diversify, again, with that same ambition of being able to rapidly scale up. I think the macros continue to be the same. There is genuinely a race for adding capacity, and with our customers, a good portion of our conversations are around how can we help them and innovate with them to help them speed up their installation, make it error free and first time right.

So we haven't seen any changes in our conversations, but really, it's a unique opportunity for us. And again, as an Indian company to be out there working with them and solving some of their execution time lines.

Moderator: The next question comes from the line of Sunny Gosar with MK Ventures.

Sunny Gosar: Congratulations on a strong performance. My question is more on the medium to longer term. And in continuation with one question asked by the earlier participant as well. So historically, we have seen optic fiber go through cycles. And like there are like lots of variations in pricing environment, demand supply. And this cycle seems to be at least for now slightly longer with better visibility. But how are we thinking about our business from more FY '29 and beyond perspective?

Are we looking at new areas to diversify the business into something like lots of global peers are doing different things with glass technology? So how are we generally thinking about diversification? Or is there anything on the horizon broadly?

Ankit Agarwal: So look, I mean, Sunny, at a simple level, first, in the near term, we're doing everything to secure and make sure that we are stable in terms of our performance, which is looking at long-term contracts with Tier 1 customers on the Telecom and Data Center side. And that's something we'll continue to focus on.

Second is, I would say, a pretty significant focus on R&D, and this is a big focus for us building the right team and product portfolio, making some strong bets of where the connectivity will move along with the latest tech where NVIDIA and everything is going.

And then I think the third part is really making sure that our balance sheet is healthy. We have a strong net cash position to make sure that we're able to sustain the future. And I think coming to your question of more longer term, we have, as you can imagine, over the last 3, 4 years, been through a certain phase where we've actually significantly reduced our focus from non-core areas where we were looking at wireless and various other things.

I'm very happy that from a focus that we've brought into the cable and connectivity and now into data centers, it's been a very focused effort of our team and our technology efforts to get to here. Having said that, certainly, we do see that there seems to be strong tailwinds into the future. We have very, very strong technology, glass technology, I would say amongst the best in the world. So we'll continue to evaluate over a longer period, how we can utilize these glass technologies.

But I would still say that in the kind of short term to medium term, we're very much, we want to be damn good at what we do and the mission to be top 5 in the world and where we are. It requires a lot of focus, just being very, very close to the customers and building some really next-generation technologies for them.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Rahul Darak: Thank you, everyone, for taking time to hear us today. We fully believe STL is well positioned to play off a pivotal role in building data infrastructure for the future. And we're available to take any of your follow-up questions, you may reach out to us that our official email ID, investor@stl.tech. And once again, thank you. We remain grateful for your continued support.

Ankit Agarwal: Thank you.

Ajay Jhanjhari: Thank you.

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