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Enabling digital transformation @ the edge

Earnings Call Q2 FY22

21st Oct. 2021



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Anand Agarwal

Group CEO and Whole Time Director

A strong believer in the transformational power of technology, Anand has navigated STL from an optical connectivity company to a global leader in end-to-end network solutions. With his disruptive efforts, Anand has scaled the organisation to over 100 geographies, while shaping the digital infrastructure landscape globally. As a flagbearer of culture and diversity, he has built a passionate and inclusive organisation that is strongly connected to its larger purpose of transforming billions of lives through digital networks



Strong industry tailwinds



1

**Strong industry
tailwinds**

2. Well rounded
Strategy

3. On-point strategy
execution

4. Robust financial
performance

5. Q&A

At a macro level, the industry is well poised for rapid growth

01



Strong Tailwinds of Massive Investment Cycle

Network creators and Government / Federal funds are investing heavily in digital infrastructure

02



Tech becoming Mainstream

5G, FTTx and ORAN technologies growing at a rapid pace

03



Optical Demand on growth trajectory

Demand for Optical networking growing on the back of these mega-trends

04



Telco Capex Revival in India

Telecom reforms & 5G boosting confidence and spending in the sector

* x in the FTTx stands for Home/Building/Premises/DC or Node (Curb, Small Cell, Antenna, etc.)

Network creators & Governments are investing heavily in digital infrastructure

ENHANCED SPENDING BY NETWORK CREATORS



Orange increases CAPEX by **22%** to **€ 3.8 bn.** in H1 CY 21



BT group increases FTTH Home pass targets by **5 mn.**



US operators increase First-Half 2021 Capex by **7.2%** to **\$ 38.5bn.**



Airtel's Nxta to invest **Rs 5,000 Cr.** to triple data centre capacity by 2025



Hyperscale CAPEX in the last 4 quarters, increases by **25%** to **\$ 150 bn.**



Spurt in DC growth in India: ST Telemedia, Jio, Adani, NTT; Mumbai – Ascendas (**12,00Cr**), Yotta (**9,00Cr**)

INCREASE IN GOVERNMENT INCENTIVES & FEDERAL SPENDING



INR **19K Cr** sanctioned as part of viability gap funding for Bharat Net project



Germany government grants **€ 2 bn.** funding for 5G and ORAN based technologies.



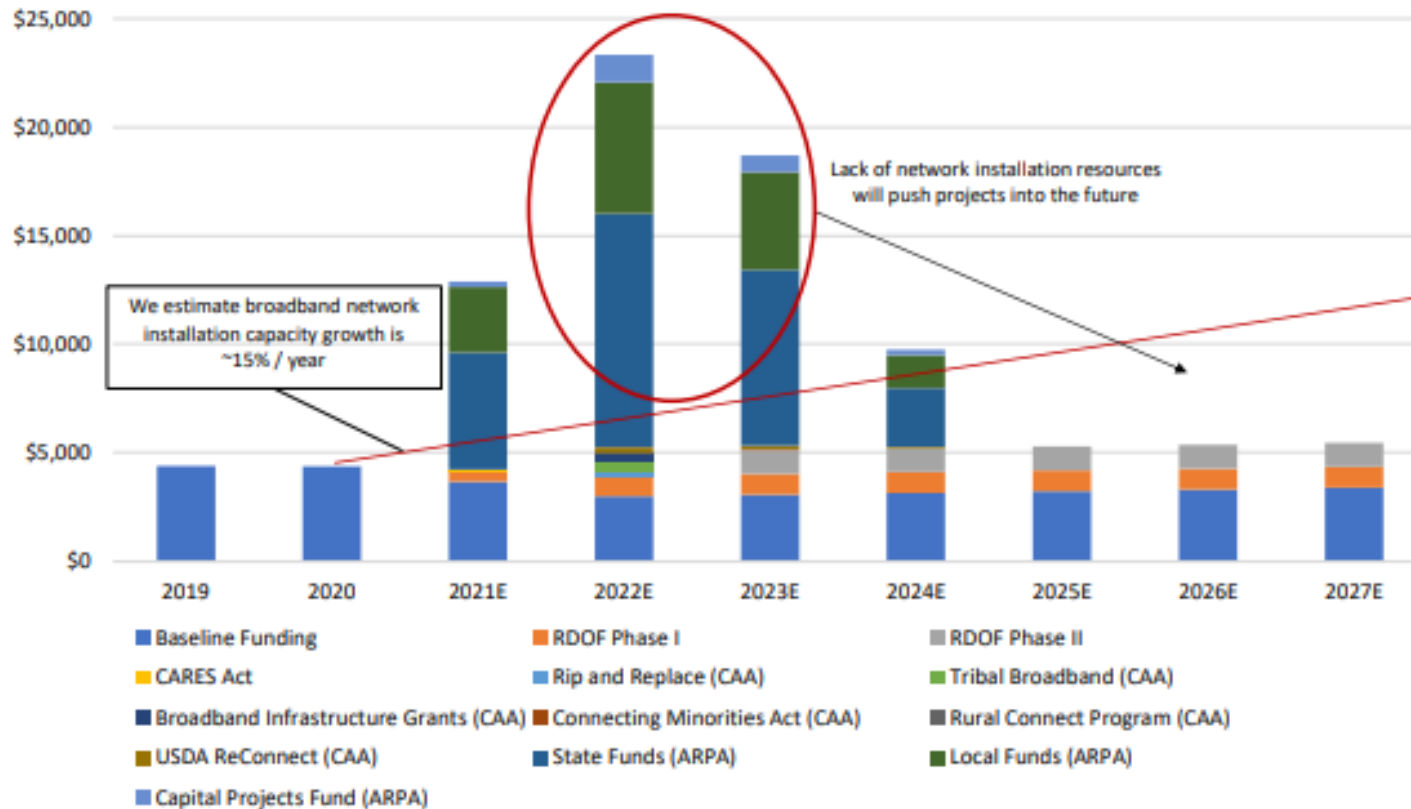
Super deduction tax scheme, giving relief to deployment cos – BT, City Fiber etc.

Network creators & Governments are investing heavily in digital infrastructure

Large funding stimulus for broadband programs in the US



Estimated Broadband Infrastructure Subsidies based on Already-Passed Legislation + 14-State Indicated Spend and Local Indicated Spend (\$M)



- Large funds committed by US Federal & state subsidies over the coming 5 -6 years
- Further 5x-6x increase expected in federal stimulus (over 2020)
- Estimates peg ~ \$24bn in spending for 2022

Source : Jefferies Equity Research

Investments are powering growth, leading to large scale 5G, FTTx, ORAN deployments

5G is the fastest growing technology

- 5G is available with over 180+ commercial networks
- 5G subscribers base expected to hit 2 bn. by 2023 & 4.4 bn. by 2026
- Enterprise 5G market to reach around US\$ 10 bn. by 2027
- Pvt 5G Infrastructure market to reach US\$ 5.7 bn. in 2024

FTTx & Enterprise Networking is growing massively in Europe, India, US

- In Europe, FTTH/B subs is expected to double in next 6 years to 208 mn.
- In India, fibre broadband subs are expected to reach 10 mn. by 2025
- India's enterprise networking market grows 14.1% in Q2 2021

ORAN commitments by leading players are rising

- Major European operators have already committed to ORAN
- Telefonica has committed to 50% ORAN migration by 2025
- TIM has activated ORAN in 2 cities
- ORAN CAPEX will top \$ 40 bn. by 2026

The decade long digital network creation cycle is here!

Sustained demand for optical fibre is back

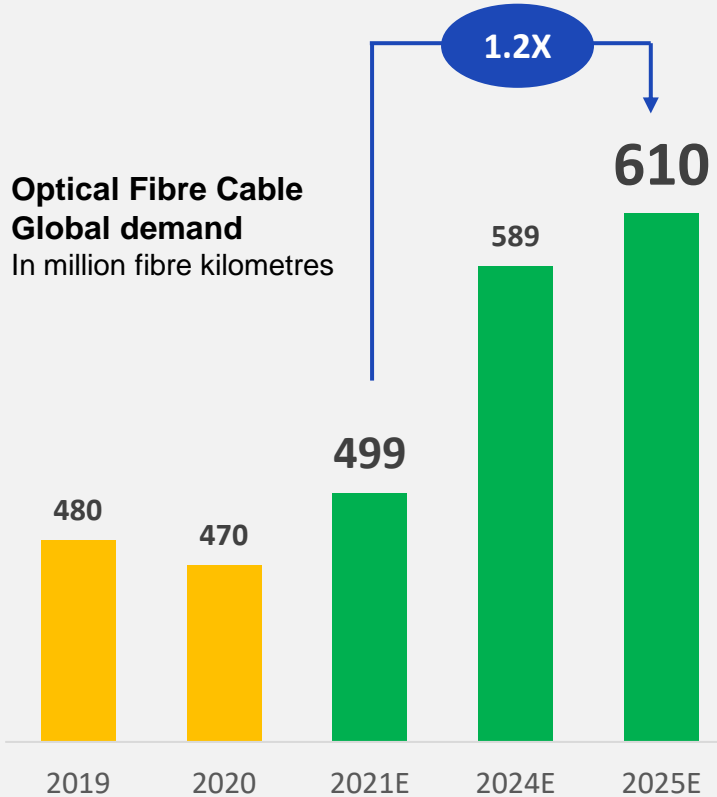


Communication service providers are aggressively investing in fibre for their networks

- AT&T CEO : More fiber is the company's top priority**
- Airtel's CAPEX to increase to US \$ 5bn in FY 22**
- Telefonica – Alliance JV begins FTTH rollout in rural areas**
- Deutsche Telekom to invest EUR 500mn in fiber, FTTH networks in Munich**
- Orange hails stronger Q2 amidst fibre splurge**
- Verizon President Business Markets : All the 5G nodes need fiber**



This is driving global OFC demand revival



Evidenced by the recent updates from the China market

- **Highest Tender Volume in China Mobile history (~143mfkm)**
- **Cable Price has significantly increased (~58%) in this tender**

China Mobile tender awards provide boost to prices

According to the announcement, final settled prices have jumped significantly versus the prior tender, up around 58%...

Policy reforms and 5G are spurring capex spending in Indian telcos



Policy Initiatives by the Indian Government

AGR related:

- **Four-year moratorium** on payment of statutory dues by telcos
- **Rationalization of AGR** with exclusion of non-telecom revenues

100% FDI via automatic route approved

PLI scheme to boost domestic manufacturing

Spectrum policy changes:

- Spectrum tenure hiked from 20 to 30 years
- Spectrum sharing made free (SUC of 0.5% removed)

Key Investments in private eco-system

Airtel's capex increases to **\$5 billion** in FY22 driven by 5G spending (incl. spectrum)



VI plans to raise **~\$1 Bn.** through equity by selling minority stake to global PEs including Apollo global and Carlyle



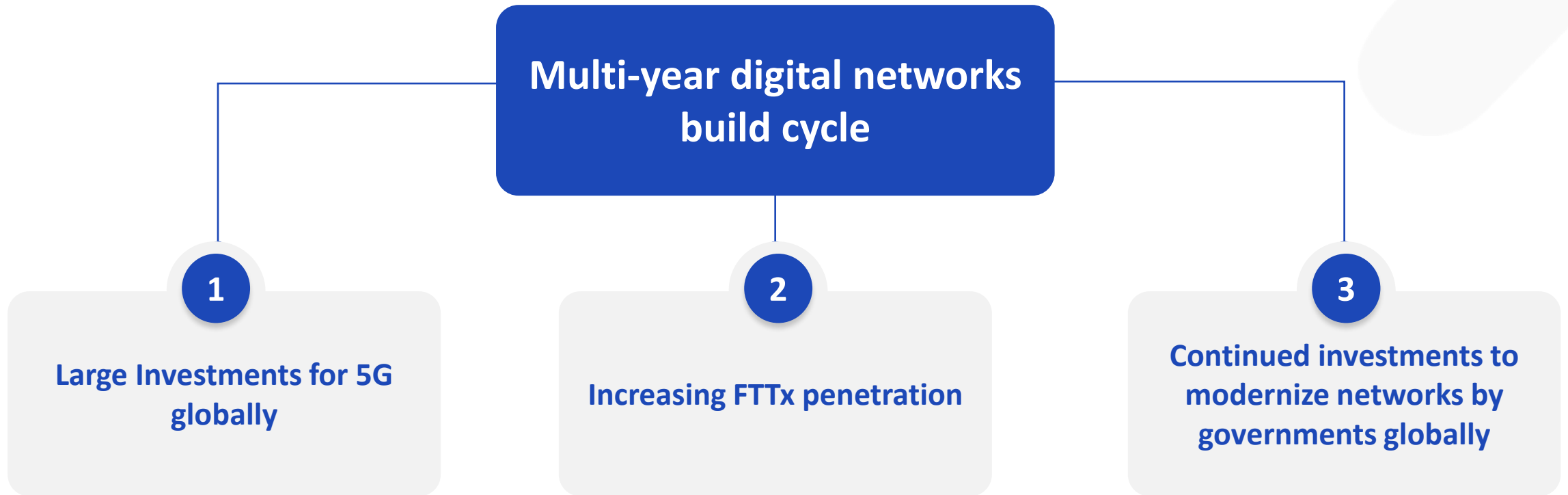
Jio is **developing an end to end 5G ecosystem** and is planning to launch soon. Testing is in progress and has been successful



Telco Investment revival



We are clearly in a multi-year network build cycle across the globe



3 investments cycles are coinciding (7-10 years timeframe)

Covers spend across all areas – OFC & Fiber deployment, open source (O-RAN), programmable networks (pFTTx), digital transformation of enterprises etc.

Well rounded strategy



1. Strong industry
tailwinds

2 **Well rounded
strategy**

3. On-point strategy
execution

4. Robust financial
Performance

5. Q&A

We have an integrated STL Business Model



System integration services



Optical Networking Solutions

- Optical and Specialty Cables
- Optical Fibre
- Optical Interconnect Kits
- Programmable FTTx



Wireless Solutions

- Hardware: Radio units
- Software: RAN Intelligent Controller (RIC)



Network Software Solutions

- BSS products: Digital and cloud platforms
- 5G monetization products

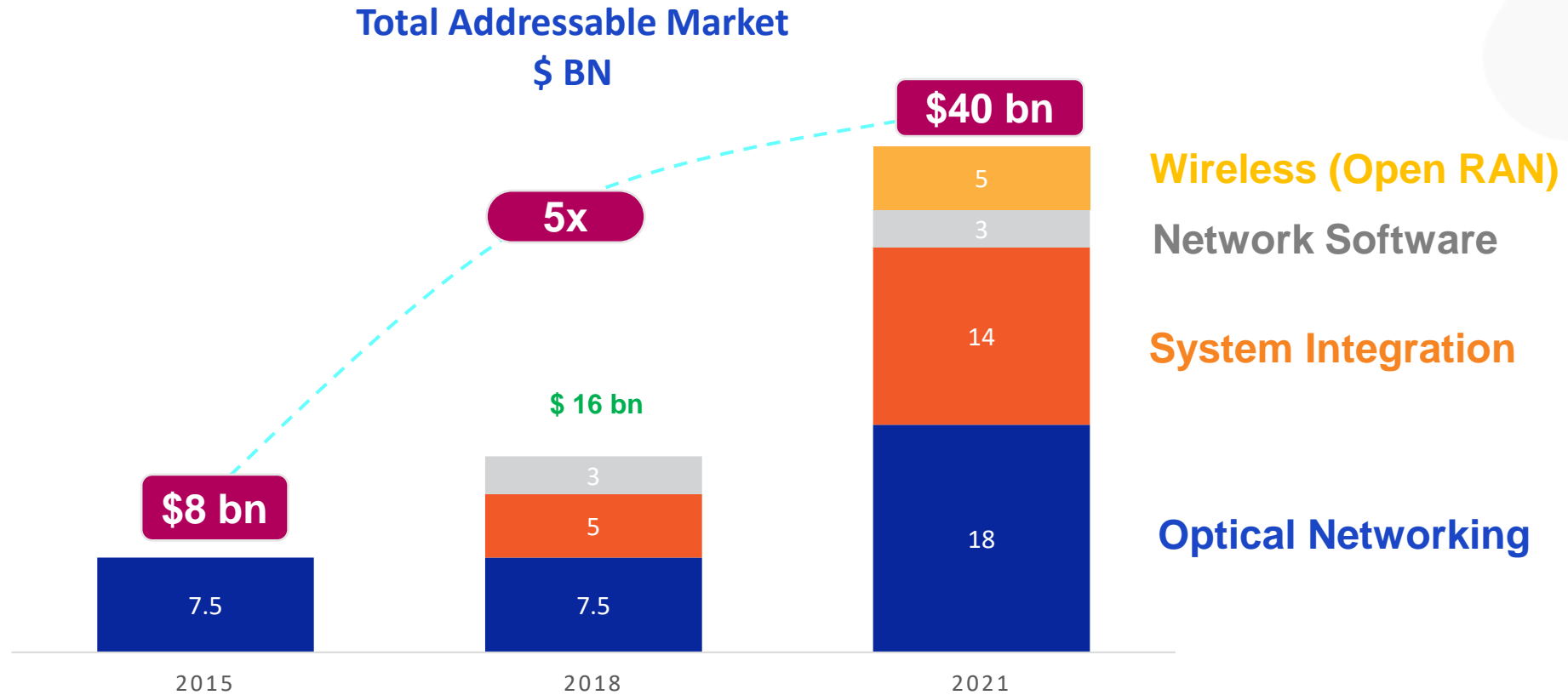
We made a series of strategic investments to strengthen our portfolio



	Optical Networking	System Integration	Wireless	Network Software
Capability	Optical Interconnect (Optotec)	Data Center Interconnect Services (IDS)	CU / DU Software (ASOCS Investment)	Network Software (Elitecore)
Global foot print	Europe (Metallurgica Bresciana)	UK (Clearcomm)		
Scale	OF : 20 → 50 mn. fkm OFC : 12 → 42 ¹ mn. fkm	~1500 Employees R&D Investment ~ 3 to 4 % of revenue		

¹ – 42 mfkkm will be available by FY 23. Current capacity is 33mfkkm

These strategic choices have led to a 5x increase in our TAM



Clear focus to increase market share in this \$40 bn. TAM

We are now focused on these 3 levers for growth



On-point strategy execution



1. Strong industry
tailwinds

2. Well rounded
strategy

3 **On-point strategy
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Ankit Agarwal

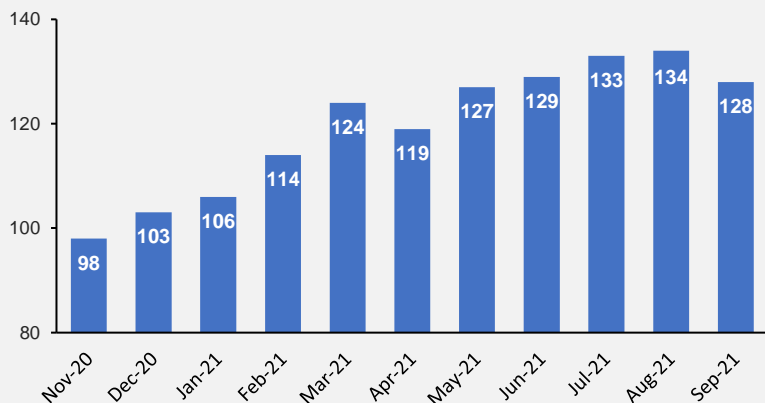
Managing Director

A deep believer in innovation and customer-first approach Ankit is focused on developing next-gen solutions to address the evolving network and communication opportunities in the telecommunications landscape. He has played a crucial role in STL's global expansion and helped establish STL's presence in over 100 countries and executed joint ventures, mergers & acquisitions and Greenfield projects across Brazil, China and Italy. Ankit is committed to environmental sustainability. Under his stewardship, STL became the first optical fibre and cable producer globally, to be Zero Waste to Landfill certified.

Grow Optical Networking Business - Continued Momentum on Opticonn



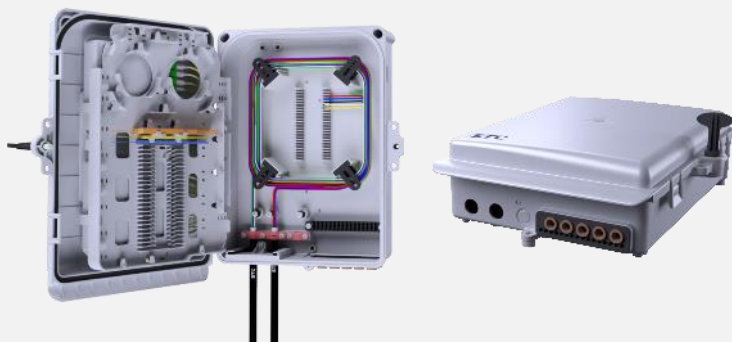
A. Fibre Optic Cable



- CRU FOCI* grew from 98 in Nov'20 to 128 in Sep'21
- STL Capacity utilizations continue to improve on QoQ basis

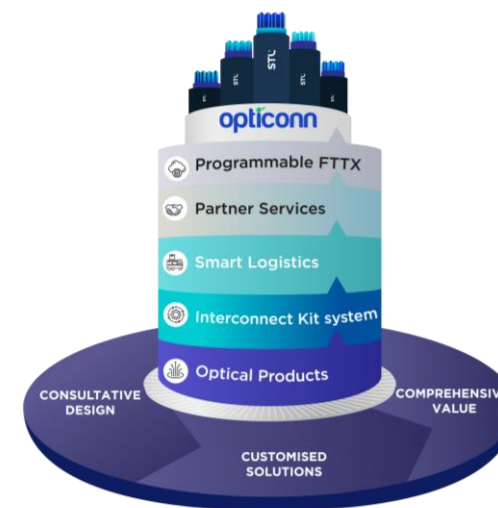
Source: CRU * CRU FOCI index is a measure of global demand/price growth

B. Optical Interconnect



- Tech oriented business on the growth path as the network connections continue to grow
- STL recorded double digit revenue growth in optical interconnect business on YoY basis in Q2 FY 22

Market shift towards high value integrated (OFC + OI) solution oriented approach



STL well positioned to offer End-to-end optical solutions through



1

Grow Optical Networking Business - Europe market share at 26%



STL OFC Market share for Global market ex-China



STL OFC Market share for Europe



Strongly positioned to further increase global market share

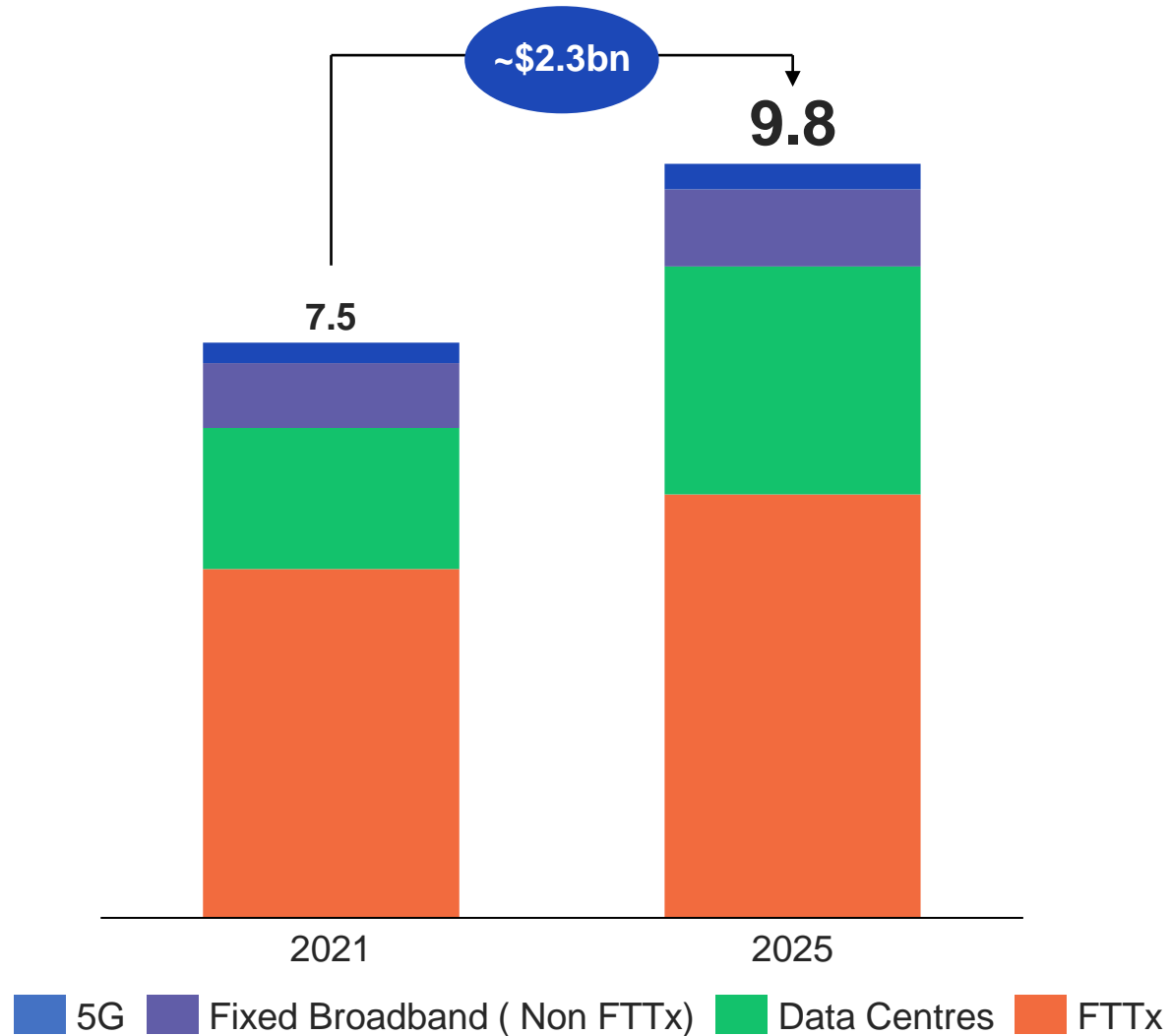
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Grow Optical Networking Business -

Optical Interconnect (OI) – Large & growing adjacent market to propel further growth



Global Optical Interconnect market (\$ Bn)



- OI is a technology oriented business with strong opportunity for solution sell
- A large, growing segment adjacent to core strength of STL - same customers, same Capex area and **double the addressable market**

1

Grow Optical Networking Business -

Optical Interconnect - A Customised and Engineered Product for FTTx and Data Centres



A customized and engineered solution for fibre management and termination

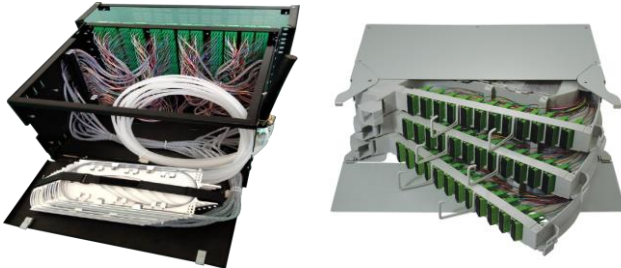
As fibre networks are becoming denser, the **no. of optical interconnects** are increasing




Opto-Bolt Terminals and Drop



High Density Splicing Solution



High Density ODF Systems



Multi Fiber Cable Assemblies

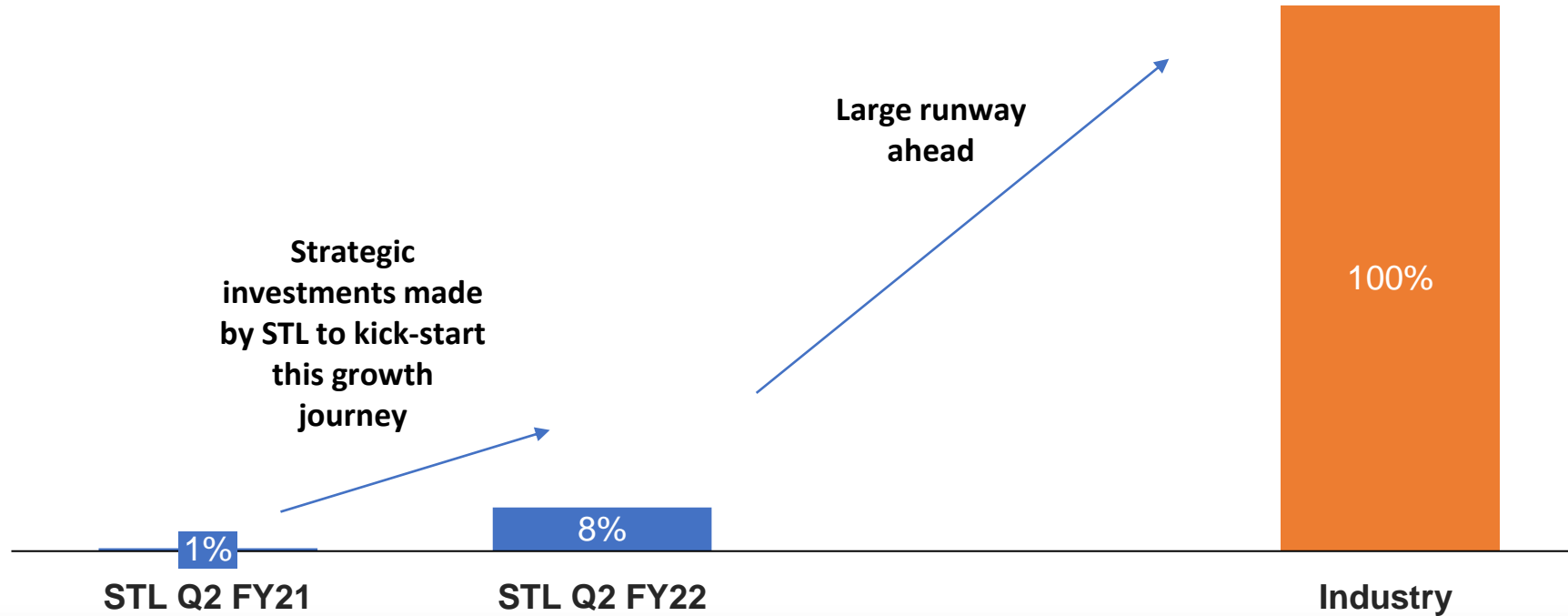
Telcos

Data Centers

1 Grow Optical Networking Business - Optical Interconnect - offers multi-fold growth potential



Optical Industry OI attach rate – STL and Industry view



STL has a large runway to increase the attach rate from c. 8% to 100%

STL attach rate = STL OI revenue / STL OFC revenue
Industry attach rate = OI Industry size / OFC Industry Size
Sources: STL Estimates

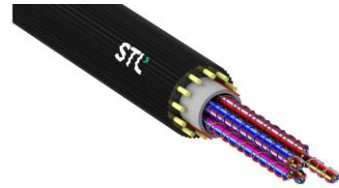
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Grow Optical Networking Business -

Opticonn: Enabling market share gain via E2E optical networking solutions



PASSIVE CONNECTIVITY



Optical fibre



High fibre count cable



Optical Interconnect

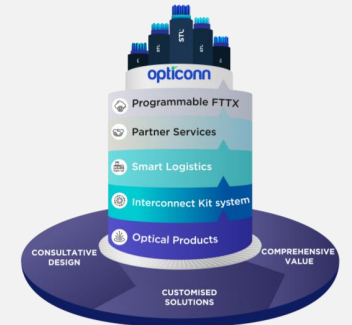
ACTIVE CONNECTIVITY



PROGRAMMABLE FTTX



World's 1st End-to-End Optical Networking Solution



Key differentiators:

- Faster Network Deployment (*Plug & Play Model from factory to field*)
- Quality Network Infrastructure (*End to end responsibility from design to execution*)
- Cost Saving (*Reduction in requirement of skilled labour in field*)

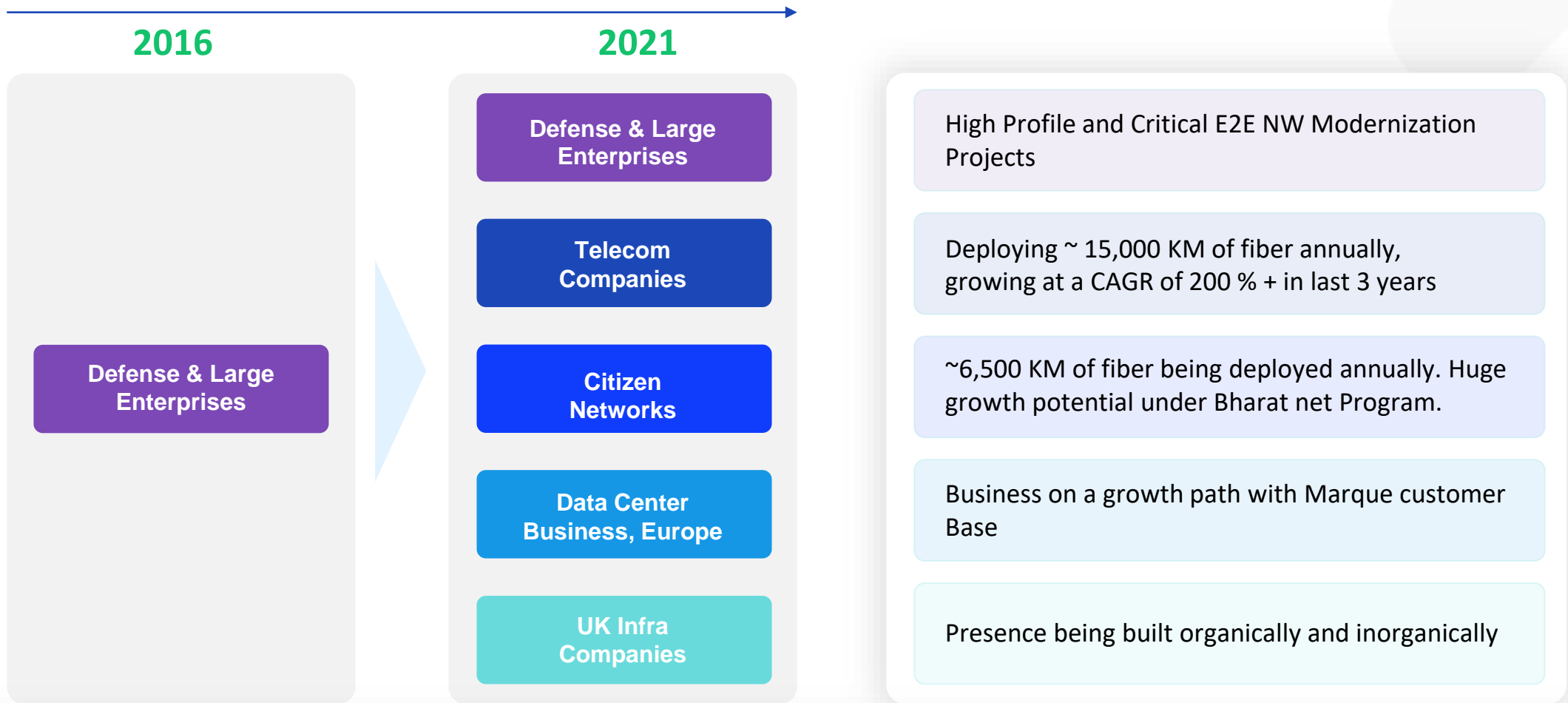
2

Globalise System Integration Business

Continued growth in attractive customer segments



~6X revenue growth in the last 5 years



With Market Leadership in India Market, we have embarked on global growth, starting with the UK

Globalise System Integration Business

Robust execution platform and early wins in the UK



New Orders wins in UK

Our second & third win



£42 Mn.

- Leading alternate telecom service providers in UK
- STL to deploy FTTx mantra to connect homes with broadband
- Expected completion in the next 12 to 18 months

Clearcomm + STL

Integration completed



- Completed Integration of Clearcomm & STL
- Combined team strength of more than 100+ employees along with more than 20+ partners on board

Traction achieved in UK underscores our globalization strategy

Globalise System Integration Business

Increased speed of execution



India, Public

NAVY'S Network Modernisation

Project Varun

(Indian Navy Project):

99%
Completed



Transformative RURAL digital inclusion

Bharatnet Projects

Mahanet

99%
Completed



T-Fibre

34%
Completed



India, Private

Modern Optical Network

Fiber roll out

(Large Indian telco)

62%
Completed



Global Projects

UK Gigabit Network

FTTH , UK

2%

Project 1

Completed



Project 2 & 3

Started



Hyperscale Data Centers

Data Centre Projects in EMEA

Completed

in Nos. Q2 FY22

44



Ongoing

in Nos. < CY >

21



Build Wireless Solutions

Continued Investments in Technology, Deep Engagements with Customers



Product Development on track



OpenRAN 5G Radio

Launched

- 54 patents as of Q2'FY22
- STL total R&D investment at 3.2% of rev. in Q2 FY22



RIC

Under Development

Deep customer engagements across geographies

- 11 early stage engagements across EMEA and India
- 14 participation stage engagements across EMEA, India, US and rest of the world

Experienced business leadership in place to keep execution of growth strategy on track



Optical Solutions



**Paul
Atkinson**

Chief Executive Officer,
Optical Solutions, STL

*Deep expertise in optical space
with more than 20 years of
experience*

*Delivered non linear growth across
business lines and geographies at
Prysmian*

System Integration



**Praveen
Cherian**

Chief Executive Officer,
System Integration, STL

*27 years of experience in the
Infrastructure Services
industry*

*Led large and high growth
BUs at
IBM*

Wireless Solutions



**Chris
Rice**

Chief Executive Officer,
Wireless Solutions, STL

*25 years of experience
in the communication
industry*

*drove multiyear
technology strategy at
AT&T*

Key Accounts



**Sandeep
Girotra**

Global Sales Head,
STL

*25 years of experience
in the communication
industry*

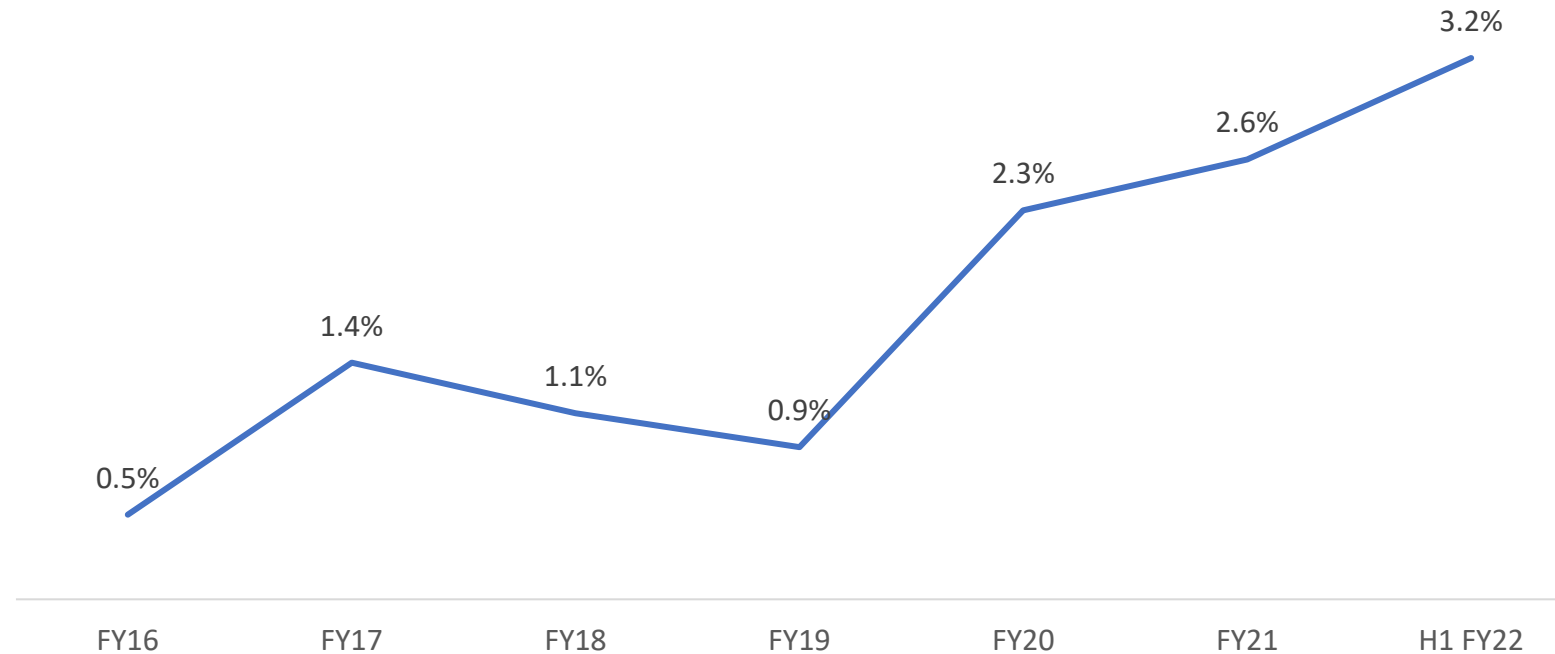
*built Key Accounts and
drove 10x growth at
Nokia*



Consistent increase in R&D investments



R&D Spent as % of Revenue



***Consistent increase in R&D investment
Leading to a patent Count of 636 at the end of Q2 FY22***

Robust financial performance

A group of four professionals in a trading room. In the foreground, a woman with curly hair is looking at a monitor. Behind her, a man in a light blue shirt and tie is wearing a headset and looking at a laptop. To his right, a woman in a dark blazer is also looking at a laptop. In the background, several other monitors display various charts and data. The overall scene is a busy financial trading environment.

1. Strong industry
tailwinds

2. Well rounded
strategy

3. On-point strategy
execution

**4 Robust Financial
Performance**

5. Q&A



Mihir Modi

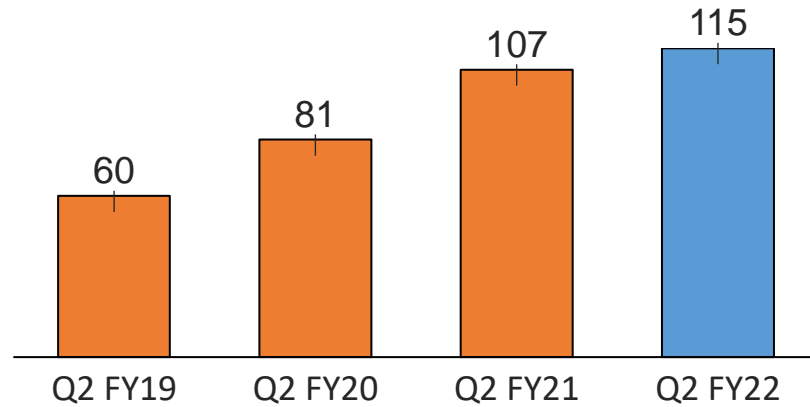
Chief Financial Officer

A prolific professional, Mihir has more than 20 years of experience in Finance, M&A, Strategy, and General Management. As the Chief Financial Officer of STL, Mihir is actively working towards delivering consistent shareholder value through strong financial performance, deep industry alliances and high internal efficiencies.

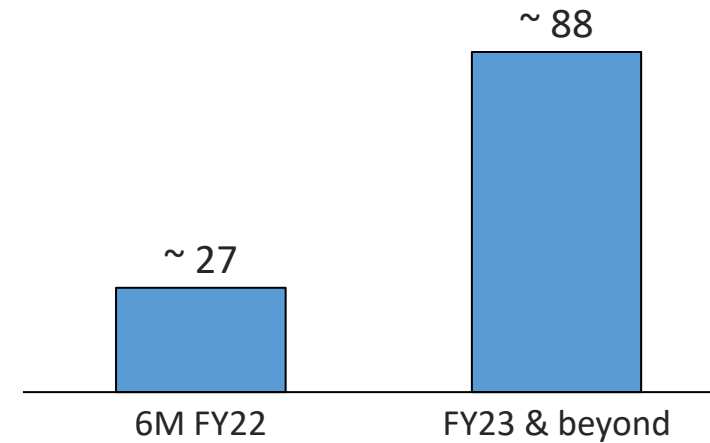
Prior to joining STL, Mihir co-founded a contemporary digital media content company based in Mumbai. He has also worked as Chief Strategy Officer & CFO at Zee Entertainment, and also held key leadership positions at Godrej Consumer Products, Novartis Pharma and Ernst & Young.

Our order book is growing

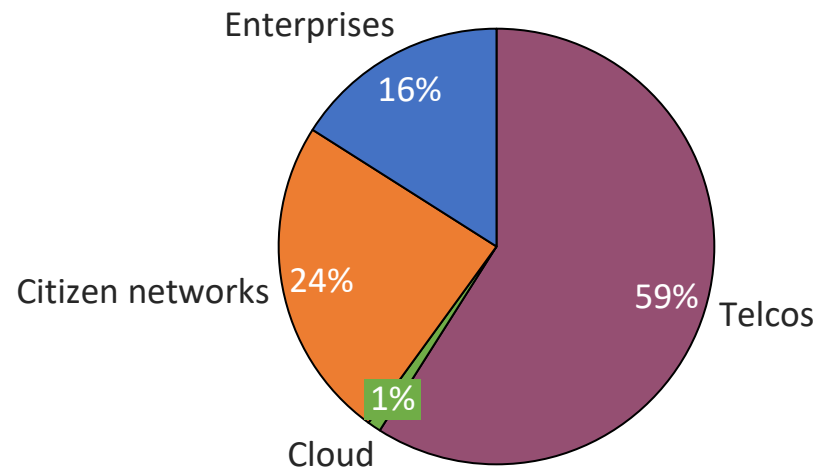
Open Order Book (Rs. bn.)



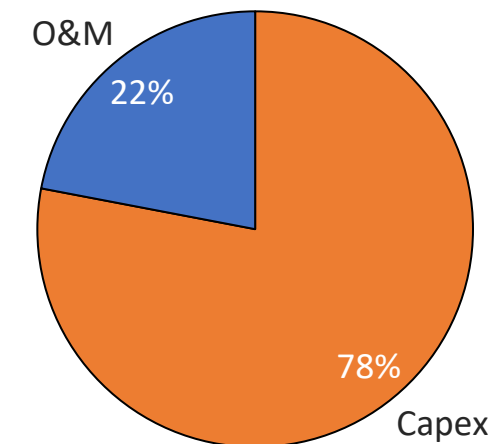
Order Book Spread (Rs. bn.)



Open Order Book Customer Segment wise



Open Order Book Split



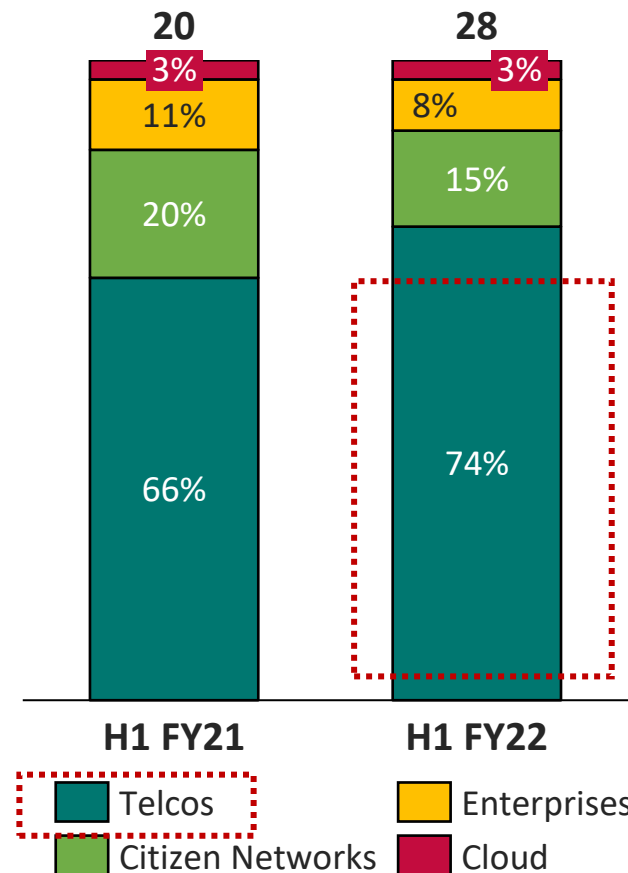
Revenue mix is moving to segments and geographies of choice



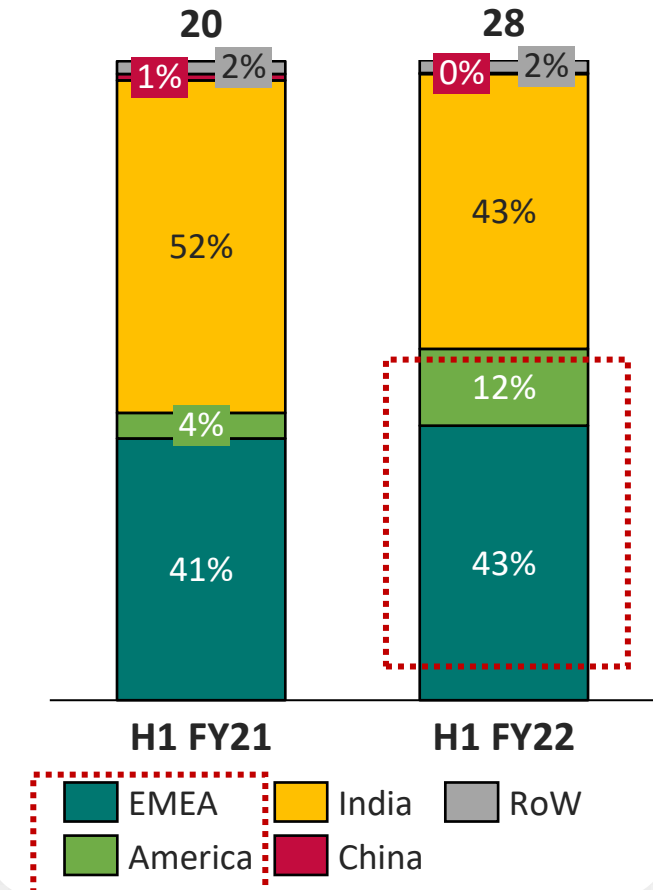
Key Order Wins Q2 FY22

- Multi-million dollar deals with large service providers in **UK** to connect homes to broadband **by deploying FTTx Mantra**
- A large order **for opticonn** from a **large European Telco**
- Strategic Partnership with a leading **Indian public enterprise** to deploy a unified network management system

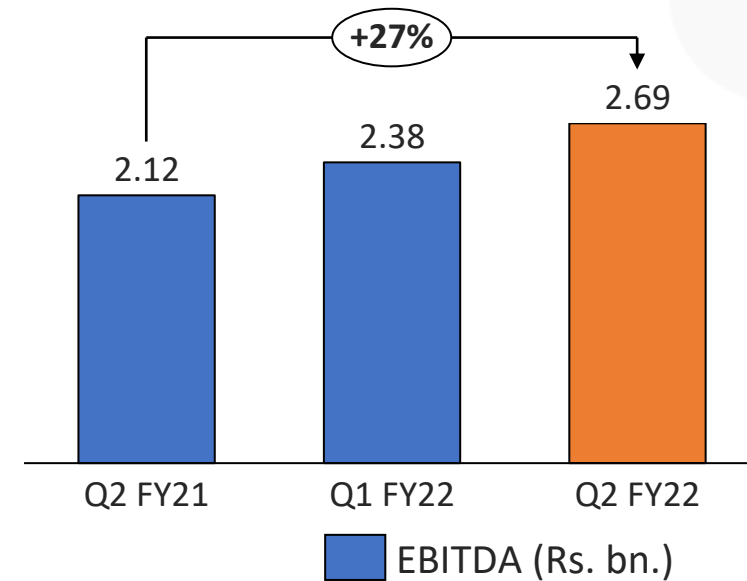
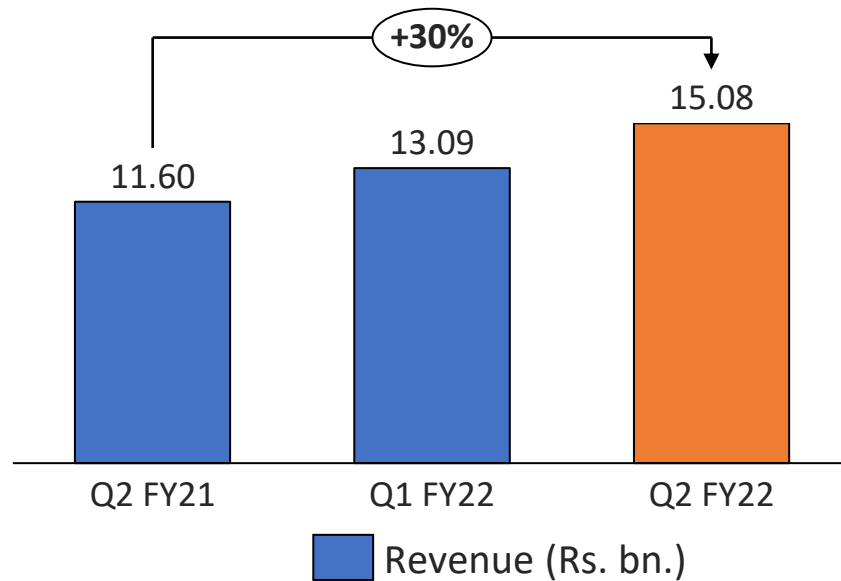
Customer Segments Revenues (Rs. bn.)



Geographical Distribution Revenues (Rs. bn.)



As expected, we are back to QoQ & YoY growth trajectory

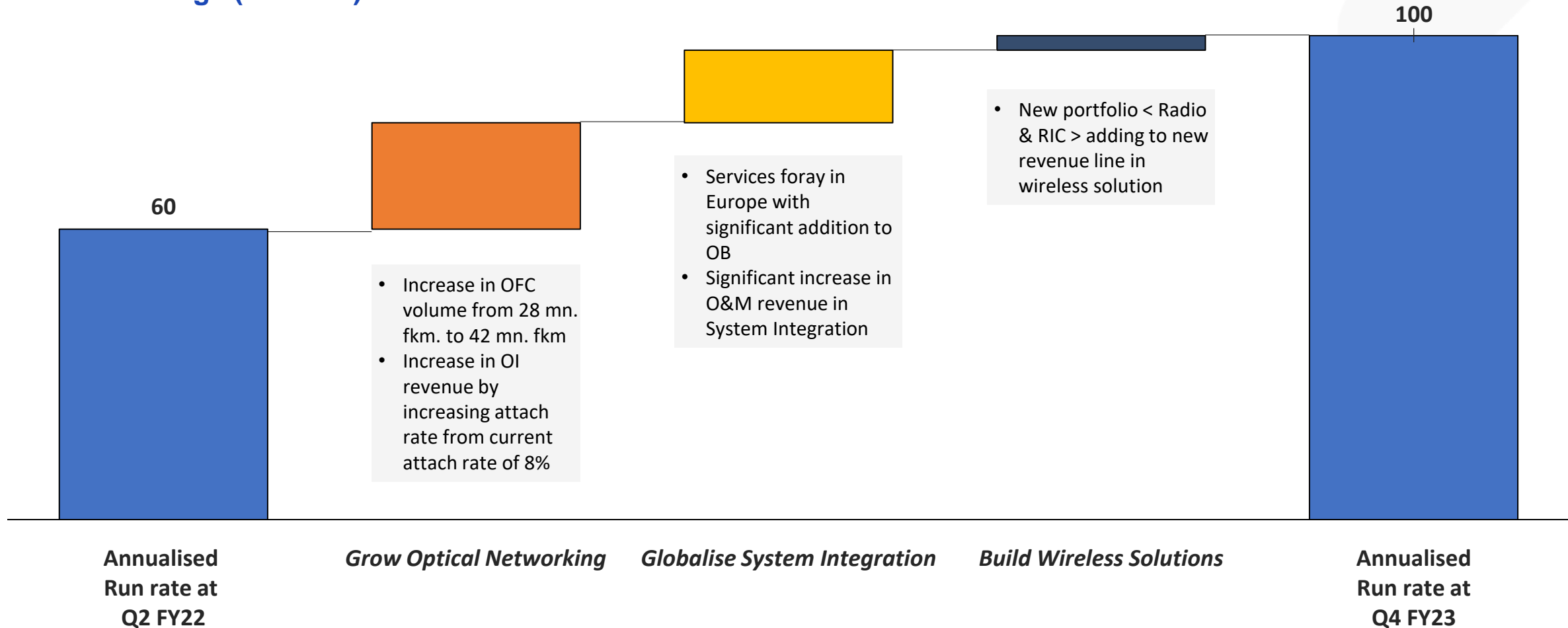


- Our Optical business continues to grow QoQ
- Our project execution in India and UK shall further strengthen from Q3 FY22 onwards
- We expect to continue QoQ growth momentum

We plan to reach Rs. 100 bn. annualised run rate by Q4 FY23

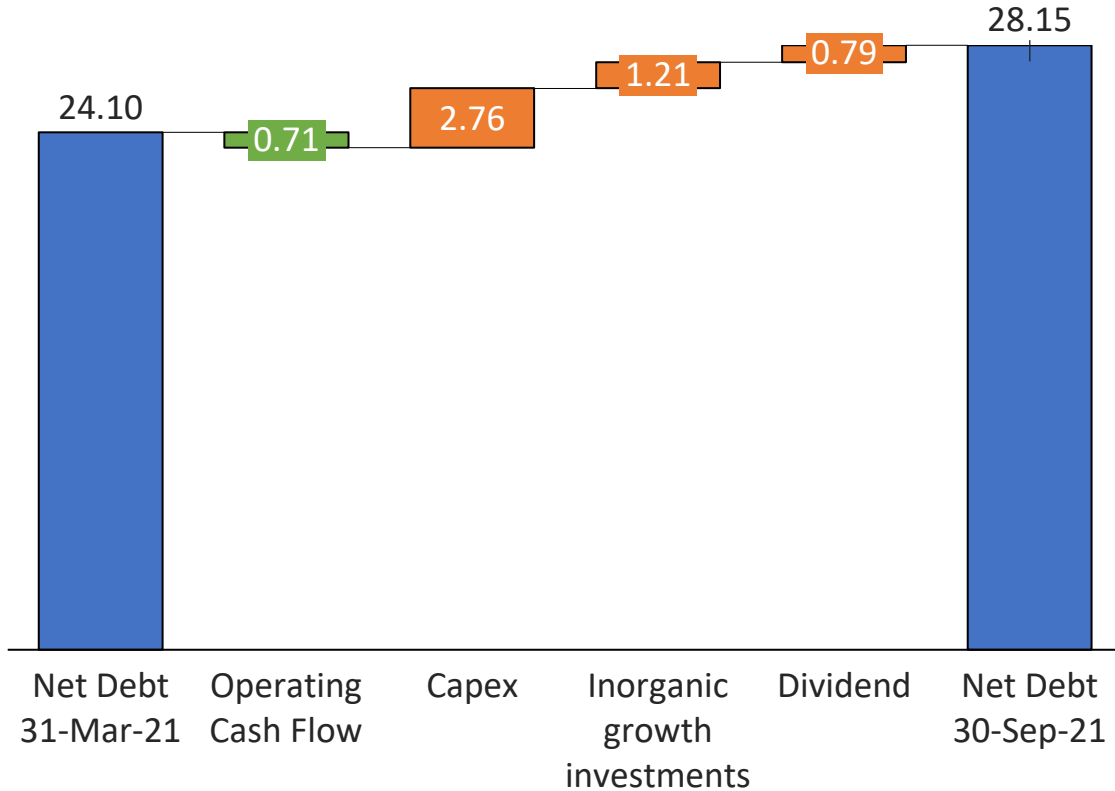


Revenue Bridge (Rs. bn.)



We plan to reach **Rs. 100 bn.** annualised revenue run rate by Q4 FY23

The net debt/equity has peaked out & is expected to trend down



Free Cash Flow @ consolidated level – H1 FY22	Rs. bn.
Cash Profit after Tax	3.27
(Increase) / Decrease in working Capital	(2.56)
Operating Cash Flow	0.71
CAPEX	(2.76)
Free Cash Flow	(2.05)

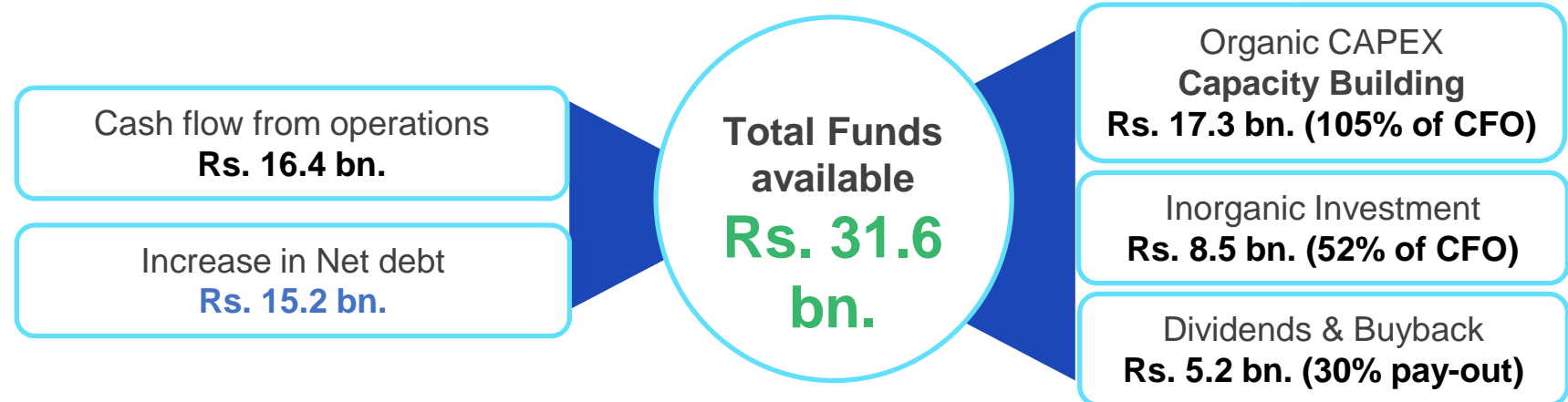
Net debt/equity to move towards **target net debt/equity of 0.5**

Completion of large capex cycle & future capital allocation will lead to lowering of leverage



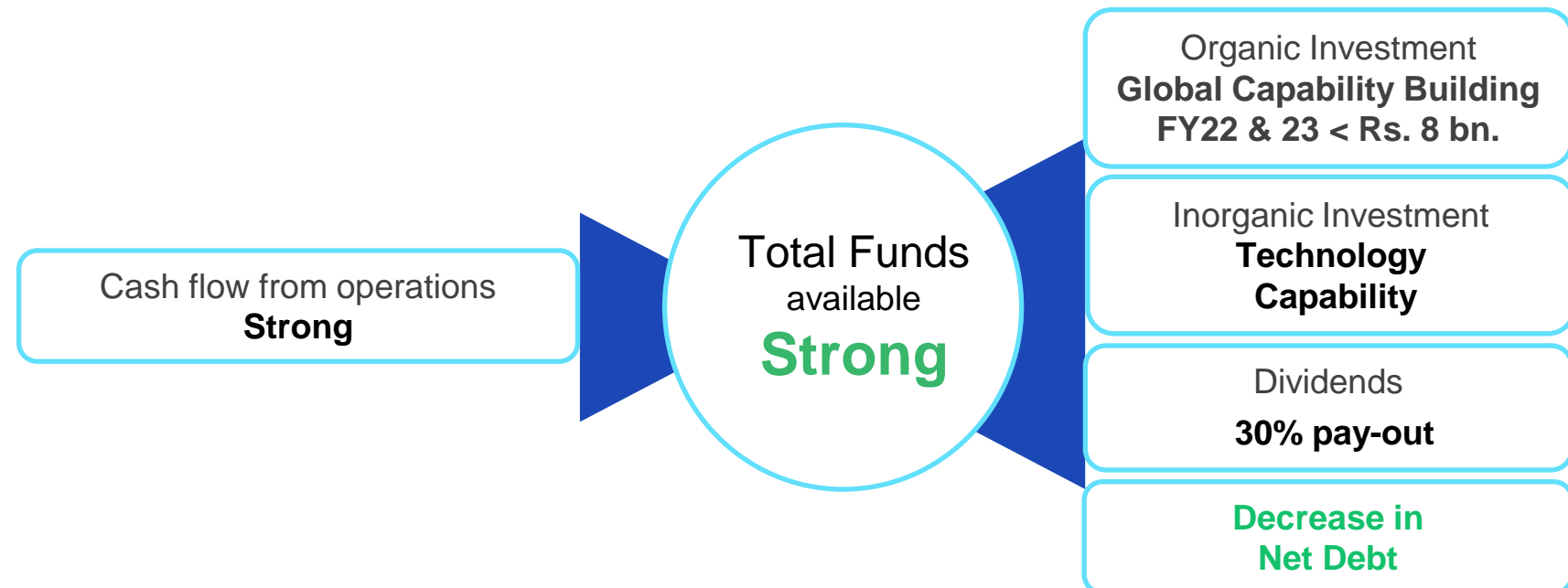
FY19 - 21

Net debt/Equity increased from 0.7 to 1.16



FY22 Onwards

Reduce Net debt / equity
Target < 0.5



Financials: Abridged Version



P&L (Rs. bn.)	Q2 FY22	Q2 FY21	H1 FY22	H1 FY21	Balance Sheet (Rs. Bn.)	H1 FY22	FY21
Revenue	15.08	11.60	28.17	20.36	Net Worth	21.71	20.85
EBIDTA	2.69	2.12	5.08	3.43	Net Debt	28.15	24.10
<i>EBITDA %</i>	18%	18%	18%	17%	Total	49.86	44.95
Depreciation	0.74	0.82	1.44	1.56	Fixed Assets	29.03	26.64
EBIT	1.95	1.30	3.63	1.87	Goodwill	3.86	2.92
Interest	0.57	0.50	1.06	1.00	Net Working Capital	16.97	15.40
Exceptional Item			0.16		Total	49.86	44.95
PBT	1.38	0.80	2.73	0.87			
Tax	0.36	0.24	0.74	0.28			
Net Income	1.06	0.58	2.22	0.64			

We are committed to deliver our financial targets



Growth

Revenue Run rate : Rs. 100 bn. per annum *by Q4 FY23*

Capital Structure

Net debt/equity < 0.5 by Q4 FY23

Returns

RoCE >20%



We are also committed to deliver on our ESG targets



World's 1st ZWL Certified

135,000+ MT

Waste diverted from landfills and recycled.

7,500+ tCO2e

Reduced through in-plant initiatives and plantations



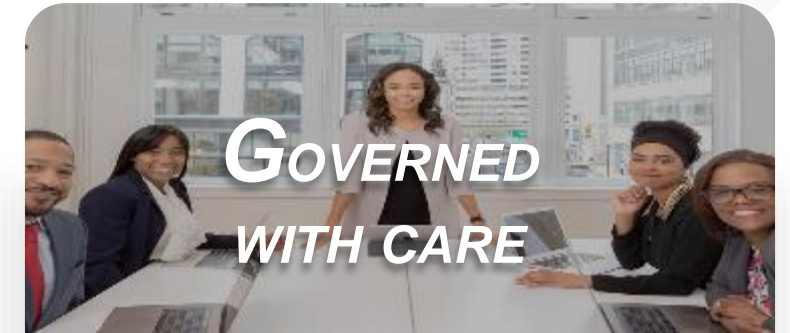
Committed towards UN** Goals

100%

Zero Waste to Landfill

2.39 million m3

of water recycled



Strong internal governance

Two of the Big Four

as statutory & internal auditors

Executive and Management committees in place



TRANSFORMING LIVES

1.84 mn+ lives impacted

50 ESG awards, 7 global

BIG GOALS: 5 MN BY 2025

- Impacting 5 mn lives
- Undertaking 5 mn plantations
- Replenishing 5 mn cubic meters of water in communities

Our strategy to **increase market share in \$40 bn. TAM** on the back of three growth levers is showing results

In the optical networking business, our global OFC market share and optical interconnect attach rate is increasing

In system integration business, we have integrated Clearcomm, secured new orders in UK and are now ramping up project execution

In the wireless solutions business, we continue to invest in R&D to develop new products and engage with customers

We plan to reach **Rs. 100 bn. revenue run rate** by Q4 FY23 along with **Net debt/equity < 0.5** and **RoCE > 20%**

Lets answer your questions

1. Strong industry
tailwinds

2. Well rounded
strategy

3. On-point strategy
execution

4. Robust financial
performance

5 Q&A



beyond tomorrow