



Enabling a decade of digital network creation

Earnings Call Q4 FY'21

29th April 2021

stl.tech

Safe Harbour



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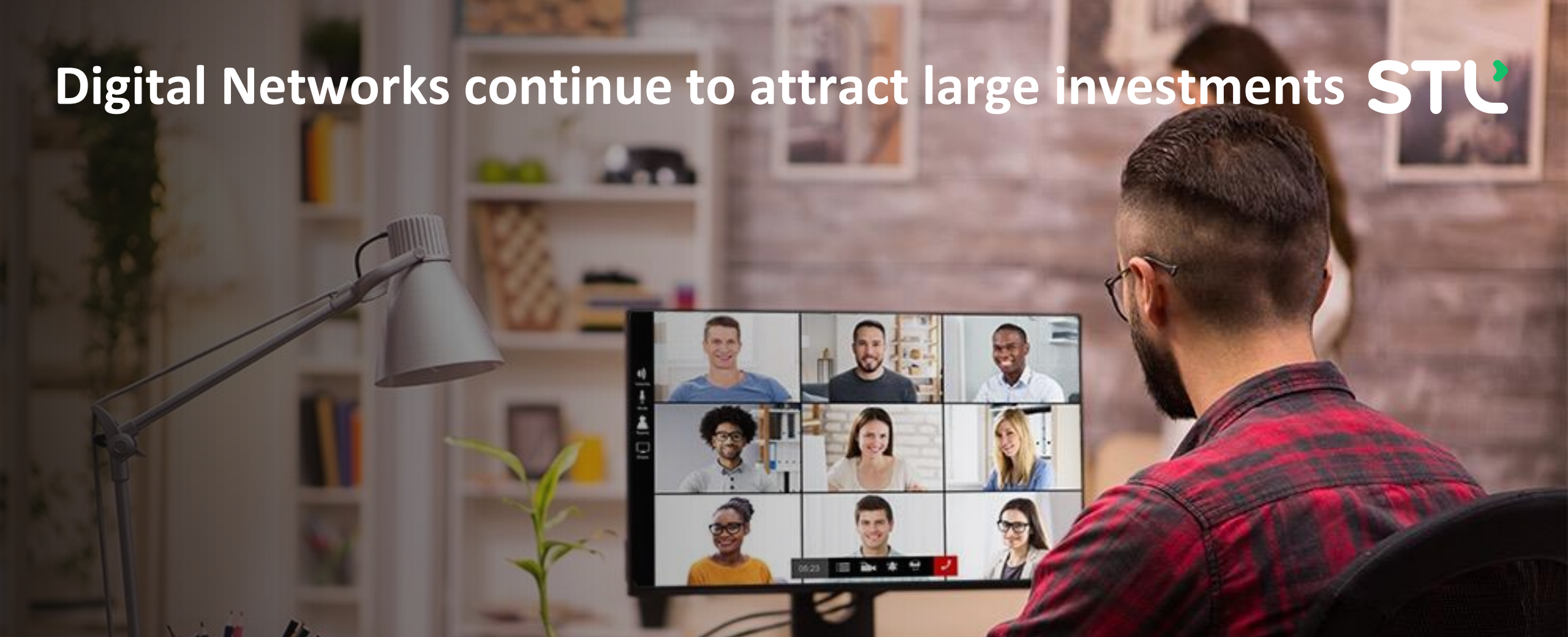
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Dr. Anand Agarwal

Group CEO and Whole Time Director

Digital Networks continue to attract large investments **STL**



1

Digital Networks see continued investments

2

STL enhanced capabilities to deliver

3

Three levers will drive future growth

4

Creating sustainable value for shareholders

5

Q&A

Last quarter witnessed continued investments in digital networks



TELECOM OPERATORS

Mar 2021



Airtel to Invest in 30,000+ Cell Sites, fiber and FTTH rollout this Year

Mar 2021



China Telecom earmarks \$13 bn. for 2021 CAPEX; \$6 bn. for 5G CAPEX

Mar 2021



US telcos plan higher capex in 2021 than 2020

PE INVESTMENTS

Jan 2021



An investor consortium picks up 50% stake in Orange France's fiber infra

Mar 2021



Dutch pension fund ABP is investing €400 mn. in fibre optic rollout venture with KPN



CLOUD COMPANIES

March 2021



Plans to spend \$200 mn. in building two data centers just outside Chicago at a former AT&T campus



LARGE ENTERPRISES

Q4 FY 21



Major Private network deployments include Fujitsu (for manufacturing plant), ABP (Port of Southampton), AccessParks (for high speed Pvt networks in parks)



CITIZEN NETWORKS

Q4 FY 21



\$100 bn. broadband infrastructure plan over 8 years for high speed broadband connectivity in USA

Mar 2021



MetroFibre raised R 2.5 bn. from Investec to expand its fiber network

FY21 marked the beginning of a decade of network creation cycle powered by large scale investments

Key technology drivers for new age digital networks



5G

*the fastest technology
to reach 400 million subscribers*

- **Over 163 5G commercial networks** deployed globally
- **Operators add Capex globally**
AT&T and Verizon increased their capex plan by \$2+ bn.
(initial guidance of ~\$17 bn.)
- **630 5G enabled handsets** announced globally as per GSMA

FTTH

*Deployments pick up pace
across India, Europe & US.*

- **EU Telcos plan 2+ mm FTTH**
Deutsche Telekom plans 2 mn. new FTTH connections in 2021;
Telefonica Germany plans 2.2 million rural FTTH connections over six years.
- **India budgets Rs. 14,200 Cr.**
6.5 lakh FTTH connections in FY22,
6.7 kms of OFC, 1.2 lakh Wi-fi points
- **US: AT&T plans 3 mn. FTTP**
Deploy fiber-to-the-premises to 3+ mn. residential and business locations across 90 metros in 2021.

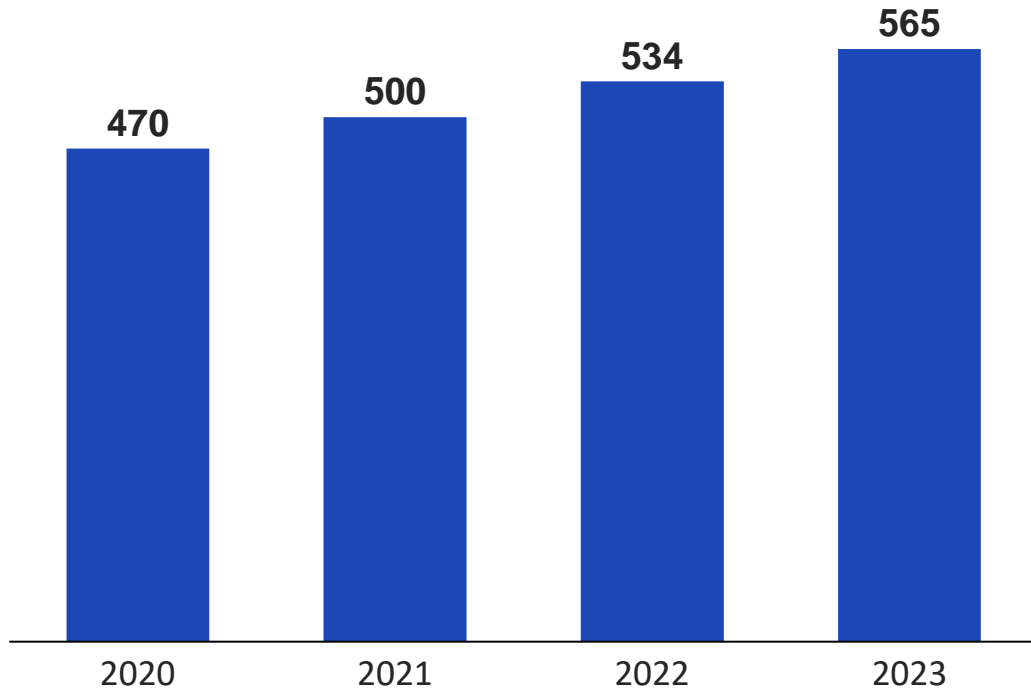
O-RAN

*Major operators start trials
or deployments*

- **Verizon to start deploying**
"We're 100% behind the idea, and that's why we're pushing it,"
Verizon's Kyle Malady
- **Telefonica, IBM start trial**
open RAN in Argentina.
- **Operators partner for O-RAN**
 - Etisalat partner with Rakuten
 - Deutsche Telekom, Orange, Telefonica, and Vodafone join forces to support ORAN rollout
- **Germany earmarks \$300 mn.**
for O-RAN research specifically.

OFC demand is showing sustained long-term growth

Global Optical fiber cable demand showing sustained growth



Source: CRU

Units: Mn. fkm



INDIA
19% ↑

Growth driven by FTTH deployments and Bharatnet



N. AMERICA
8% ↑

Growth driven by Tier 2/3 carriers deployments



EUROPE
7% ↑

Growth driven by buoyant FTTH deployments



CHINA
4% ↑

Growth driven by 600,000 to 1mn. 5G base station deployments

STL used this momentum as a springboard



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Q&A

Enhanced our Addressable Market to \$40 bn.



Addressable Market 



Optical Interconnect Products

~ \$18-20 B

Optical Fibre Cable ~ \$7 - 8 B

Optical Interconnect Kits ~ \$10 - 12 B



Virtualised Access & Network Software

~ \$15 B

Open & Virtualised RAN Small cells ~ \$5 - 6 B

Network Software ~ \$10-11 B



System Integration Services

~ \$7B

Telco (India) ~ \$2 B

Citizen Networks (India) ~\$1-1.5 B

Defence (India) ~\$1.5 - \$2 B

Cloud (India + Europe) ~ \$1.5 B

~\$40B

Customers: Elevated engagement and won marquee deals



Customer Engagement



openreach

Multi-year strategic partnership to help build new UK full-fiber network



Five year, multi million contract for dual band and tri band radio units



Multi-year LOI for fiber roll out across 10 circles



Multi-year contract for Opticonn solution



Digital transformation for a leading telco in Africa

Portfolio: Advanced optical interconnect portfolio through Optotec



Central Office



Outside Plant



Distribution & Access



Customer Premises



Technology Portfolio



Technology: Developed value added products & tech led solutions



STL Portfolio of Offerings



Optical Interconnect Products

Glass Preform, Optical Fibre,
Cable & Interconnect systems



Virtualised Access Products & Network Software Products

O RAN, Small cells, pFTTx , RIC
Analytics, Billing and Engagement
Software



System Integration Services

End to End network
design and deployment



New
Launches
& Portfolio
additions
in FY21



Technology
Portfolio



Innovation: Filed 191 patents in FY21



569 Patents

First 5G Patent



**191 patents
filed in
FY21**



R&D spent at 3.1% of revenues in FY21



**Technology
Portfolio**



Delivery: Executed despite pandemic



**Impeccable
Delivery**



Network Modernisation

Project Varun **92%**
(Indian Navy Project): Completed

Transformative digital inclusion

Bharatnet Projects

Mahanet (A) **98%**
Completed

Mahanet (B) **61%**
Completed

Futuristic SDN ready state wide network

Bharatnet Projects

T-Fibre (A) **26%**
Completed

T-Fibre (B) **18%**
Completed

Modern Optical Network

Fiber roll out **41%**
(Large Indian telco) Completed

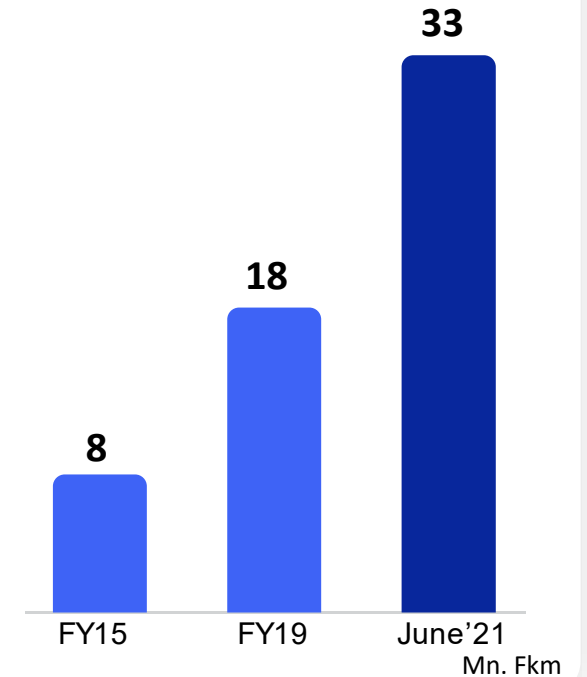
Delivery: On target to increase OFC plant capacity to 33 mn. fkm



OFC capacity expansion to 33 mn



Optical fibre cable capacity



Impeccable Delivery



OFC expansion project is on track for time & cost

Talent : Industry leading talent drives ambitious vision



Virtualised Access



**Chris
Rice**

Chief Executive Officer,
Access Solutions, STL

*25 years of experience
in the communication
industry*

*driving multiyear
technology strategy at
AT&T*

US Market



**Stephan
Szymanski**

Regional
Sales Head, America

*25+ years of experience
in the communications
Industry*

*driving business dev and
product management at
Prysmian, N.Am*

UK Services



**Keith
Rowley**

Chief Delivery Officer,
Network Services, UK

*20+ years of experience in
the communications
Industry*

*driving transformation
programs as CDO at
Flomatic Network Svcs*

Governance



**Mihir
Modi**

Chief Financial Officer,
STL

*20 years of career
spanning finance, strategy
across large companies
and startups.*

*Cofounded digital startup
led **Zee Ent** CBO+CFO*

Key Accounts



**Sandeep
Girotra**

Global Sales Head,
STL

*25 years of experience
in the communications
industry*

*building Key Accounts
and driving 10x growth
at **Nokia***



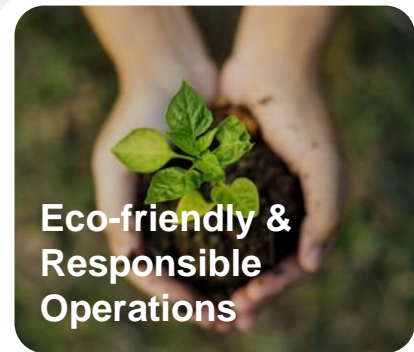
**Top
Talent**



Focussed on ESG



Environment | Social | Governance



Eco-friendly & Responsible Operations

Caring for our people & the environment

Policies & Systems

on Human Rights, Labour Practises, Fair Wages

Sustainability & Governance

1M+ m³

Water recycled and reused at STL and replenished in surrounding communities

7,000+ tCO2e

Reduced through in-plant initiatives and plantations in surrounding communities



CSR Initiatives

Enabling millions using tech & connectivity

1.43M+

lives impacted

Signatory

To the UNGC & UN WEP**

3,500+

Rural women Empowered

1,400+

Individuals digitally empowered



World's 1st ZWL Certified

Driving Sustainability

134,000+ MT

Waste diverted from landfills

94%

of our industrial waste does not go into landfill

93%

Of waste recycled and reused

3R

Approach to reduce, reuse, recycle



Sustainability Goals

2030: Towards a Cleaner & Greener Future

100%

- Manufacturing locations to be ZWL certified
- Water Positivity globally
- Sustainable Sourcing
- Products families covered under LCAs

50%

Reduction in STL's carbon footprint



ESG Goals

2025: Facilitating a More Inclusive Society

5 Million

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

STL responds to help communities



-
-
-
-
-

Sustainability & Governance



Continuing support to local communities

Three fundamental levers will drive growth



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Three levers will drive future growth

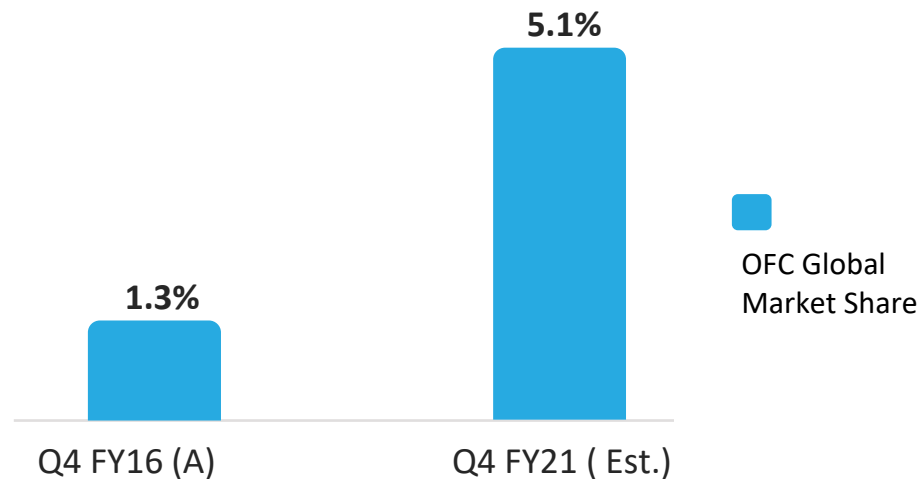
4

Creating sustainable value for shareholders

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Q&A

1. Grow OFC Volume and Optical Interconnect business



- **STL OFC market share grew 4 times in last 20 quarters**
- **In FY21, our OFC volume grew by more than 35% despite a flat global Industry**
- **Going forward, we shall continue to penetrate newer markets e.g. USA**

OPTOTEC
by **STL**



- **Expand optical interconnect business by leveraging existing customer relationships in EMEA**
- **Offer Optotec products integrated as Opticonn Solutions - a compelling value proposition**

2. Take System Integration business global & Scale in India



Long haul network
roll out in India



FY17-18



Network modernisation
at Nationwide scale



FY19-20



One Solution. Countless Opportunities

Design & deploy fibre network
in metropolitan cities



Datacentre Solutions
Inside datacentre connectivity



FY20-21

TAKE
GLOBAL
PROJECTS
&
SCALE in
INDIA

FY22-Onwards

3. Build a strong Access Solutions business, based on disruptive open-source products



Building a World class team

Leverage a team of exceptional professionals and ecosystem partnerships to develop network solutions, with disaggregated hardware and software.

Current team strength at 200 nos.

Product of Choice for large Scale O-RAN Deployments

To become a product of choice in 5G networks based on Open RAN technology.

Currently product trials are being conducted at customer premises.

These 3 validated levers will drive growth for STL



1

**Grow Optical fibre
cable volume and
Optical
interconnect
business**

2

**Take System
Integration
business global
and scale in India**

3

**Build a strong
Access Solutions
business, based
on disruptive
open-source
products**

Creating sustainable value for shareholders



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Q&A



Mihir Modi

Chief Financial Officer

Continued growth in participation across geographies



Key Opportunities



**LARGE US
HYPERSCALER**

OPTICONN



**LARGE EUROPEAN
TELCO**

OPTICONN



**LARGE EUROPEAN
TELCO**

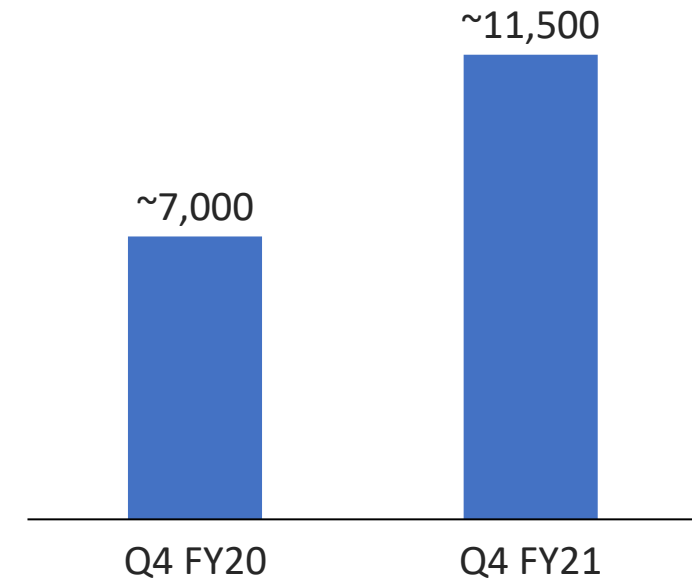
OPTICAL INTERCONNECT



**LARGE INDIAN
ENTERPRISE**

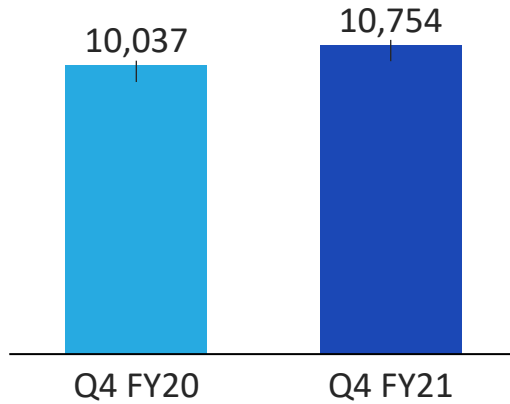
FIBER ROLLOUT

Open Participation Funnel (Rs. Cr.)

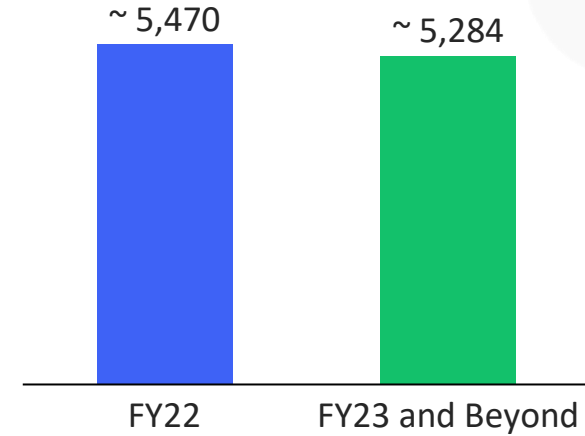


Leading to a stable order book

Open Order Book (Rs. Cr.)



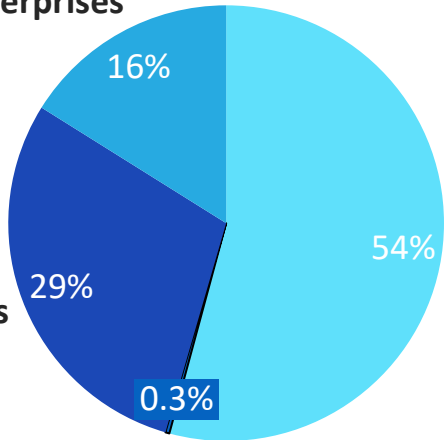
Order Book Spread (Rs. Cr.)



Open Order Book Customer Segment wise

Enterprises

16%

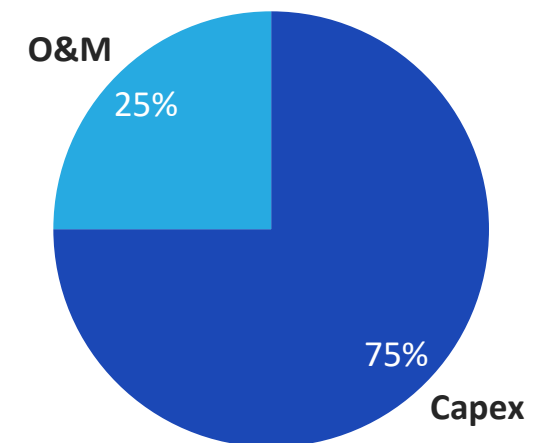


54% Telcos

29% Citizen networks

Cloud

Open Order Book Split



O&M

25%

75%

Capex

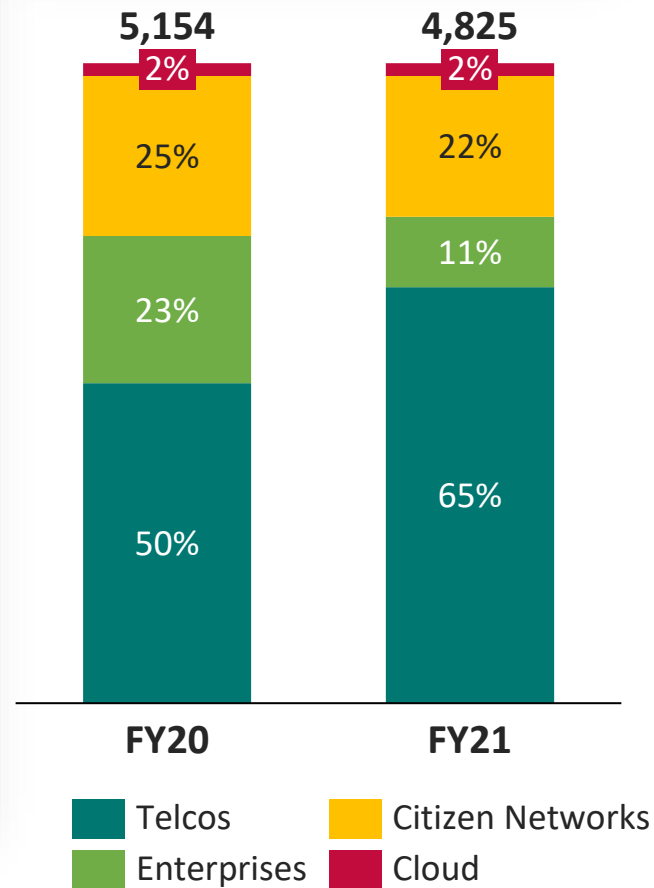
Revenue mix is well diversified



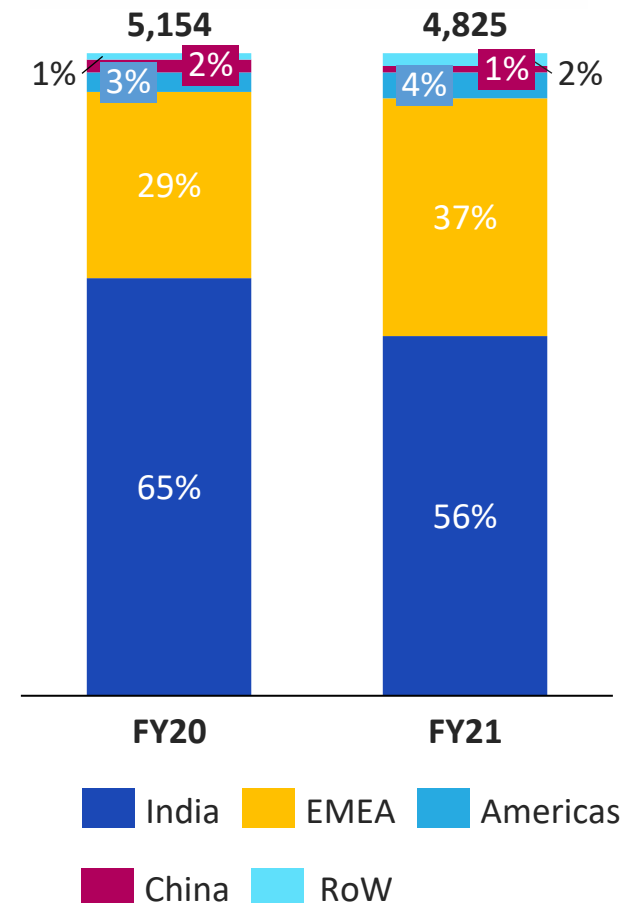
Key Order Wins Q4 FY21

- Strategic partnership with **Openreach** to help build its new UK full fibre network with STL **Opticonn solution**
- Multi million-dollar **digital partnership transformation** for a leading **north African Telco**
- A large-scale deal with a leading UAE Telco for **Opticonn solution** to advance its 4G, 5G and FTTx network infrastructure

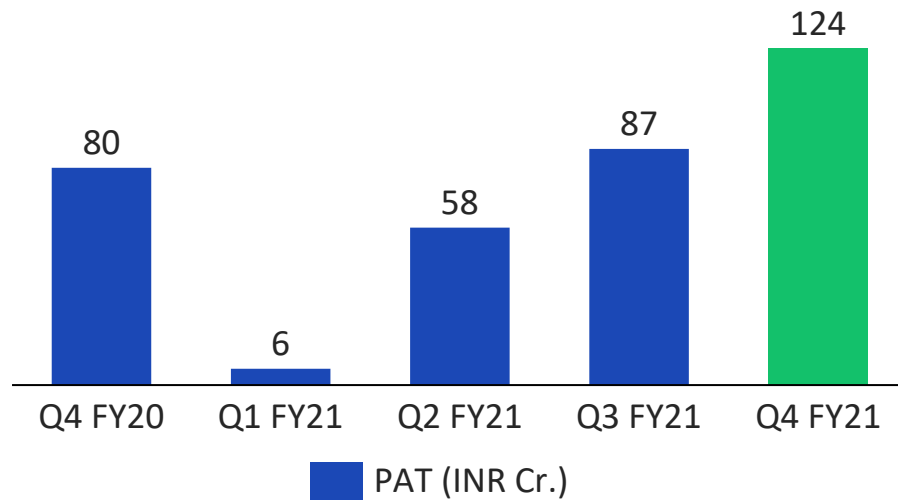
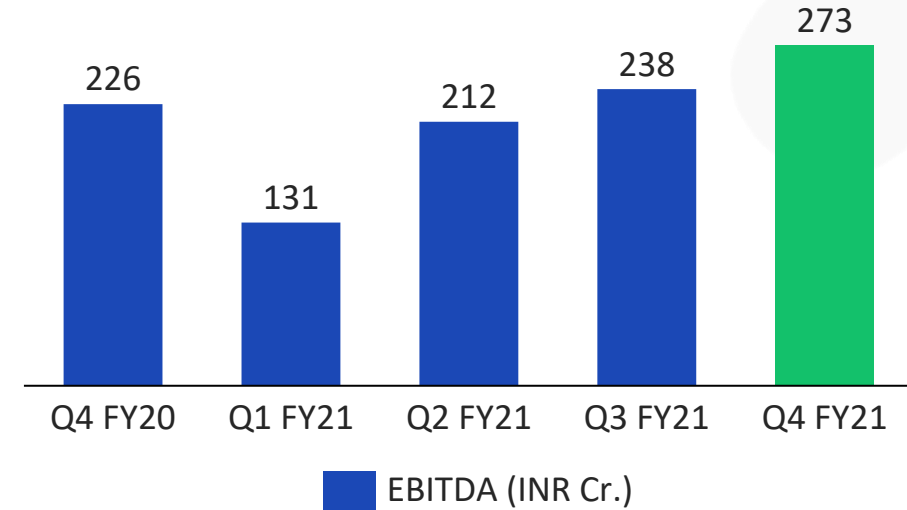
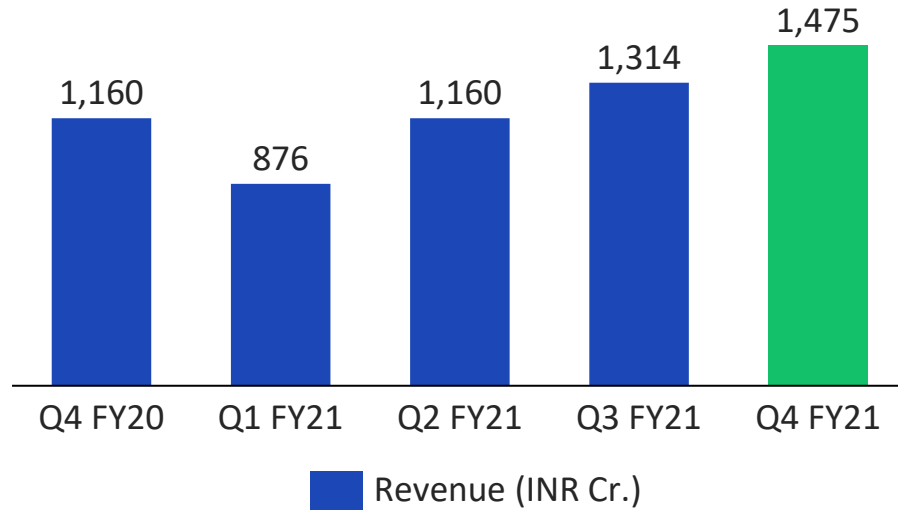
Customer Segments Revenues (Rs. Cr.)



Geographical Distribution Revenues (Rs. Cr.)

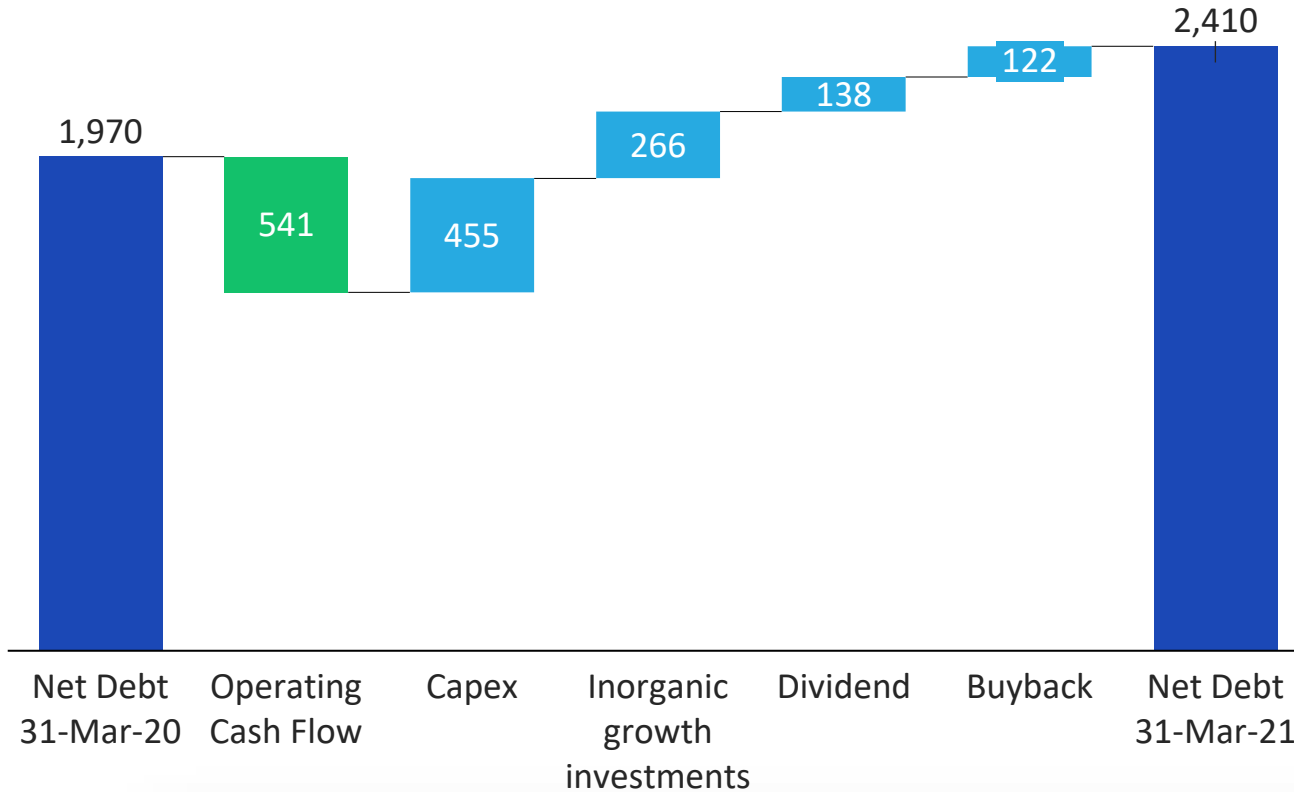


Our revenues grew by 12% QoQ and 27% YoY



- **Our OF & OFC capacity utilization continued to grow QoQ in FY21 and it shall further grow in FY22.**
- **Inline with earlier expectation, Our H2 FY21 revenue grew by 18% over H2 FY20.**
- **We expect to maintain QoQ growth momentum going forward.**

We continue to invest in capabilities



Free Cash Flow @ consolidated level – FY21	Rs. Cr.
Cash Profit after Tax	539
(Increase) / Decrease in working Capital	2
Operating Cash Flow	541
CAPEX	(455)
Free Cash Flow	86

The business continues to generate **positive free cash flow**.
 We invested in increasing plant capacities and acquiring new capabilities.
 The debt is expected to peak in FY22 and post that Debt/Equity shall start to go down

Financials: Abridged Version



P&L (INR Cr.)		Q4 FY20	Q4 FY21	FY20	FY21	Balance Sheet (INR Cr.)		FY20	FY21
Revenue	1,160	1,475	5,154	4,825	Net Worth	2,023	2,085		
EBIDTA	226	273	1,104	854	Net Debt	1,970	2,410		
<i>EBITDA %</i>	19%	19%	21%	18%	Total	3,993	4,495		
Depreciation	77	61	290	285	Fixed Assets	2,536	2,664		
EBIT	150	212	813	568	Goodwill	122	292		
Interest	59	53	221	203	Net Working Capital	1,335	1,540		
Exceptional Item			51		Total	3,993	4,495		
PBT	90	158	542	365					
Tax	13	50	109	111					
Net Income (Adjusted for exceptional item net of tax)	80	124	472	275					

STL poised to grow; using momentum in the digital networks



- **Network creators accelerated the pace of investments,** accepting and implementing new technologies such as 5G, FTTH and O-RAN. These implementations have resulted in OFC demand soaring across the world.
- **STL used this momentum as a springboard to enhance its capabilities and won** **marquee deals across the globe** by enhancing its addressable market, advancing the product portfolio, elevating customer engagement, welcoming new talent and delivering despite the pandemic.
- **STL has three validated growth levers.**
First, to grow OFC volume and the Optical interconnect business.
Second, to take System Integration business to global markets along with scaling it in India.
Third, to build a strong Access Solutions business, based on disruptive open-source products.
- **We expect the growth momentum to continue in FY22,** while continue to invest in R&D and capabilities, generating RoCE in excess of 20%, while moving towards our target debt/equity.

1

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see continued
investments

2

STL enhanced
capabilities to
deliver

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Three levers will
drive future
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Q&A



beyond tomorrow