

Enabling a decade of digital network creation

Earnings Call Q1 FY'21

23rd July 2020

Safe Harbour



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Dr. Anand Agarwal

Group CEO and Whole Time director

STLeScope 2020 - A vision for 2023



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**STLeScope 2020 -
A vision for 2023**

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**Q1 has validated
our digital network
world-view**

3

**STL is
at the centre of
these developments**

4

**Our Financial
Performance - on
track for Vision 2023**

5

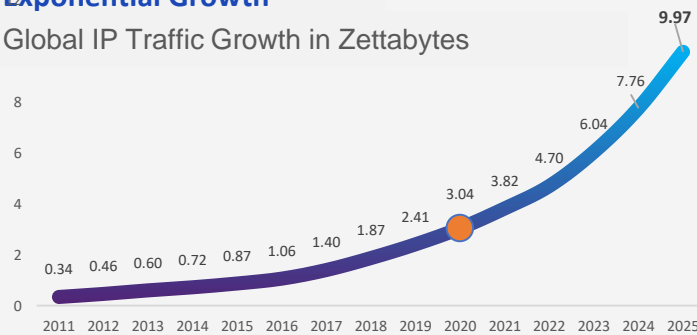
Q&A

An unprecedented decade of digital network creation has started

a Unprecedented growth happening in digital networks

Exponential Growth

Global IP Traffic Growth in Zettabytes



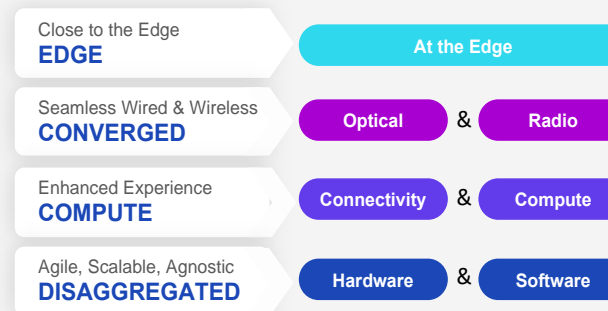
b There is a high degree of urgency to build these networks

- All network creators are investing heavily in digital infrastructure
- PE investments in the range of billions of dollars

c These digital networks have to reach everyone at scale and quality

SCALE	4-5X Internet Mobile traffic more digital lanes
REACH	Millions of new users more digital kilometres
QUALITY	4-5X Mobile Data speeds superior speeds, response (copper + wireless → fibre)

d These networks will be built in a fundamentally different way



We see a decade long* digital network creation cycle

* accelerated by the new normal

Over the last 25 years, we have systematically built a unique set of capabilities



**LARGE SCALE NETWORKS
SYSTEM INTEGRATION**

10 Years Network Design & Integration Solutions

**OPTICAL
INTERCONNECT**



25 years

Extraordinary track record
Globally respected

**VIRTUALIZED
WIRELESS
(SOFTWARE, CLOUD)**



3 years

Strategic alliances and
product development



**Digital Network
Integrator**

Close to the Edge

EDGE

Seamless Wired & Wireless

CONVERGED

Enhanced Experience

COMPUTE

Agile, Scalable, Agnostic

DISAGGREGATED

At the Edge

Optical

&

Radio

Connectivity

&

Compute

Hardware

&

Software

**STL can integrate
all these
technologies**

Our future roadmap is built on these 5 strategic pillars

1



Technology-led E2E Solutions

Increasing market
share by integrated
technology

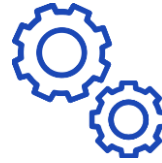
2



Key Accounts Management

Target 20 KAMs
globally

3



Large – Scale Complex Integration

Developing better
integration practices

4



Ecosystem Alliances and Investments

Increase Addressable
Capex through
strategic
investments

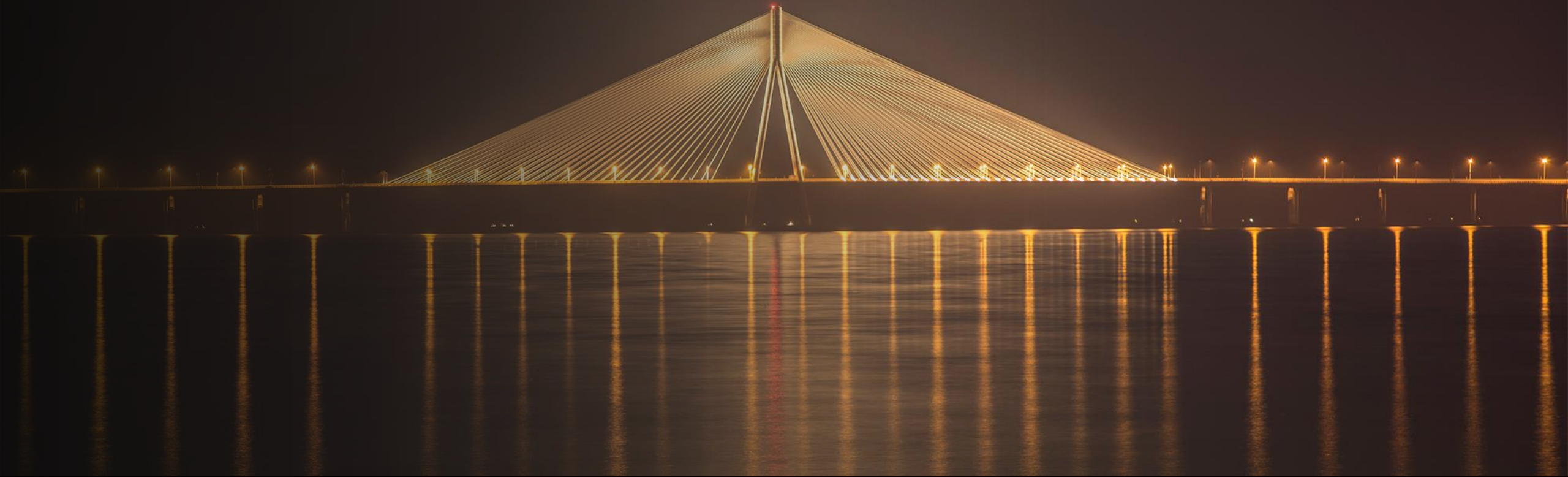
5



Top Talent and Culture

Drive good returns
to our stakeholders
/community

Q1 has validated our digital network world-view



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Q&A

Digital networks are attracting investments at scale

All Network Creators Investing Heavily in Digital Infrastructure...

TELECOM OPERATORS

May 2020



China mobile to invest **\$14 Bn** in building digital infrastructure enabling faster 5G Connectivity

May 2020



BT to invest **\$12 Bn** in building 5G and next generation full fibre broadband across the UK

March 2020



Verizon to invest **\$18.5 Bn** to accelerate its 5G plans globally

June 2020



Airtel to double its fixed line penetration in next three years

... and Attracting Billions in Capital

July '20



Jio platforms has raised **\$20.2 Bn** capital from global financial & strategic investors incl. Google & Facebook

CLOUD COMPANIES

May 2020



Microsoft to invest **\$15 Bn** to accelerate digital transformation in Italy including its first data centre region

March 2020



Google to invest **\$10 Bn** in US offices and data centres in 2020

Sets up a us **\$10 billion** for india

LARGE ENTERPRISES

April 2020



Enterprise spectrum sees huge demand in US, UK, Germany,

Many companies have applied to set up **local 5G networks.**

CITIZEN NETWORKS



Indian Govt. aims to provide **5,00,000 FTTH connections** by Sept 2020 (part of BharatNet)

FCC, US launched **rural digital opportunity fund** worth **\$20 bn.**

PE INVESTMENT

Feb 2020



KKR in partnership with Telecom Italia to invest **\$7-8 Bn** in Open Fibre deal

Feb 2020



EQT in partnership with OMERS to invest **\$4 Bn** to acquire a fibre optic internet access company in Germany

5G is now rolling out worldwide

Telcos continue to be bullish about 5G spend

- **T-Mobile, US** announced plans to spend **USD 60 bn on deploying 5G networks** over the next 5 years
- Chinese telecom companies have announced massive tenders for 5G rollouts in this Quarter (~ 10bn USD)
- As of May 2020, there were close to 300 operators investing in 5G commercial services

5G Rollouts have accelerated

- 11 operators launched 5G in 2020 (till May)
- **Bell Canada** launched 5G in June
- **T-Mobile, Poland** and **Three, Sweden** launched 5G in June
- In HongKong, 3 operators have rolled out 5G post April 2020

Customers are adopting 5G at unprecedented rates

- **Deutsche Telekom** has reached **16 mn subscribers**
- Chinese Telecom Companies added 22mn 5G subscribers in 1 month (June 2020)
- South Korea has added more than half a million 5G subs in 1 month (May 2020)

Atmanirbhar Bharat is a now a reality

June 2020

STL, Reliance controlled Radisys, and Tech Mahindra are set to build capabilities in building 'Virtualized 5G telecom networks'.

Business Standard

July 2020

DoT aims to promote local telecom equipment manufacturing to enable Indian telecom equipment manufacturing sector transition to a global hub of indigenous manufacturing.

THE ECONOMIC TIMES

July 2020

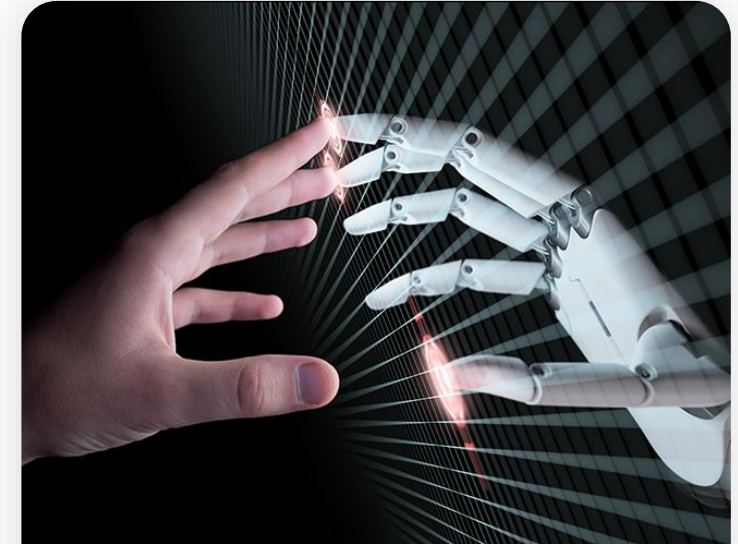
**RIL AGM 2020 updates: Ambani echoes PM Modi's 'AtamNirbhar Bharat', says RIL to work with Indian start-ups.
Reliance Jio's 5G network is built entirely by Jio employees in India**

livemint****

June 2020

India bans 59 Chinese apps and will move towards supporting India based technology ecosystem.

THE ECONOMIC TIMES



**We now see a definitive
move towards
indigenous technologies**

Geopolitical environment offers new opportunities

 The Verge

FCC designates Huawei, ZTE as risks to national security

Over the last few years, the federal government has called for Chinese-linked telecom companies like Huawei and ZTE to be banned from the ...

3 weeks ago

 Ars Technica

UK bans Huawei from 5G networks in “victory for the Trump administration”

The UK government today announced a ban on Huawei equipment in ... from the start that the Chinese-owned vendors Huawei and ZTE were ...

6 days ago

 TechCrunch

US government may finalize ban on federal contractors using equipment from Huawei this week

For example, Huawei and ZTE are two of the largest telecom equipment providers in the world; Dahua and Hikvision are two of the biggest ...

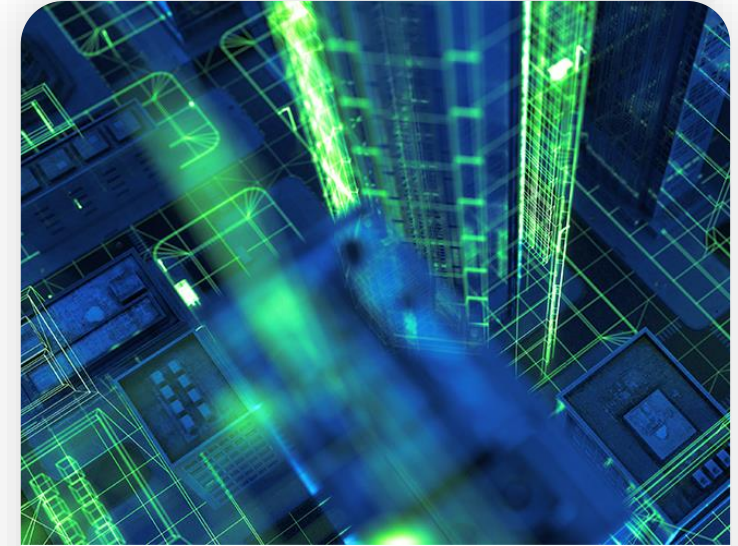
2 weeks ago

 Telecom Lead

Telecom Italia excludes Huawei, Samsung, ZTE from 5G ...

Telecom Italia excludes Huawei, Samsung, ZTE from 5G network tender. July 10 ... for building the core network in Italy and Brasil, Reuters reported. ... China-based Huawei is already facing ban in the United Kingdom as well.

1 week ago



European and North American countries are looking for a new trustworthy partner who can build scaled networks

Open source standard and software defined networking is now rapidly adopted

GLOBAL TELCOS ARE RAPIDLY ADOPTING OPEN SOURCE STANDARDS

Global telecom majors such as BT, AT&T, Verizon, Jio, Airtel, Rakuten are **moving to O-RAN and conducting several trials in partnership with other technology players**

Global telecom players to invest nearly **\$22 Bn** in **SDN** and **NFV technologies** by **2021**

Samsung has **launched** its carrier grade, **fully virtualized 5G RAN solution**

77%

enterprises are expected to increase their use of **Open Source Software**

93%

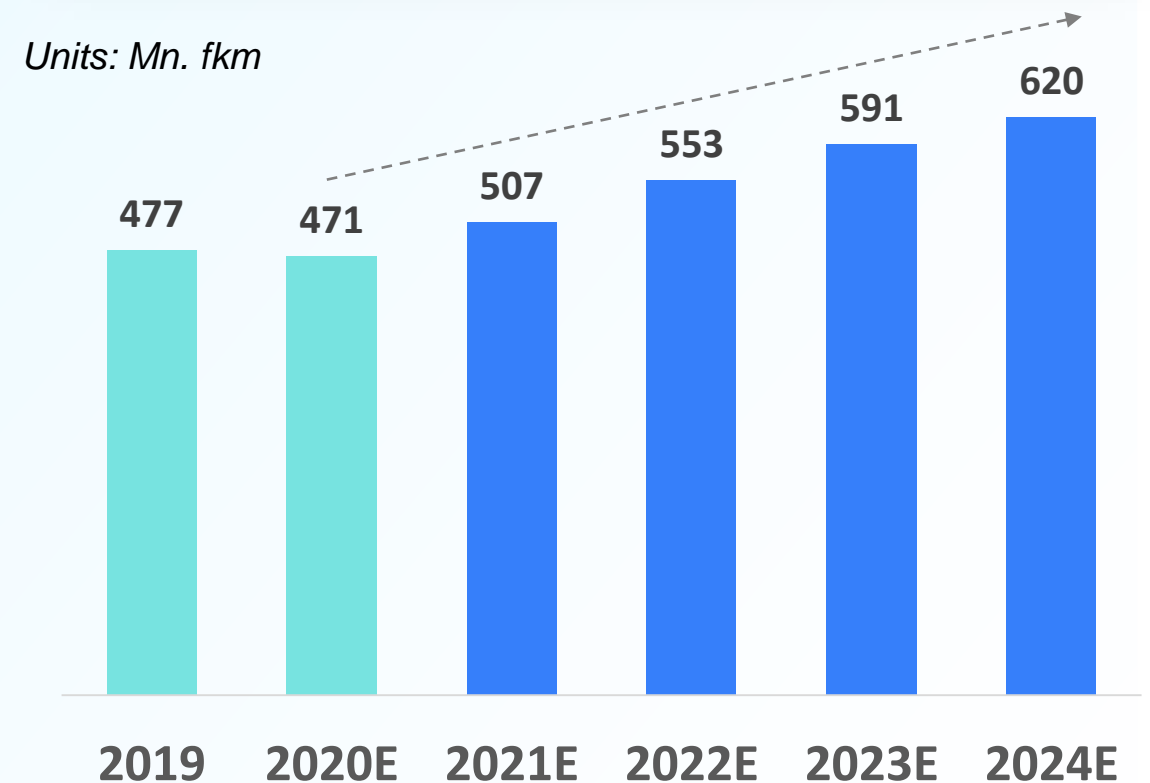
of enterprises will adopt **Software Defined Networking** for cloud networks

Optical Fibre demand is expected to grow 6% in H2 2020

Demand contracted by 9% in H1 2020

Expected to grow by 6% in H2 2020

Poised for growth from H2 2020 for next 5 years



Source: CRU

Last 90 days have validated our digital network world-view

- Digital Networks are attracting investments at scale
- 5G is now rolling out world-wide
- Atmanirbhar Bharat is now a reality
- Geopolitical environment offers new opportunities
- Open Source and Software defined networking is getting adopted
- Optical fibre demand is poised for growth for next 5 years



Overall digital networks are in significant transition

STL is at the centre of these developments

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Q&A

This quarter we engaged in a large number of discussions, across variety of network use cases



FTTH ROLLOUT



5G NETWORKS



***PAN NATION
NETWORK
CONNECTIVITY***



WiFi HARDWARE



***SOFTWARE DRIVEN
NETWORK
PRODUCTS***



***DATA CENTER AND
SMART CITY
CONNECTIVITY***

“I see STL can grow 5-10x from today as it is solving network build constraint, has open virtualised access software portfolio and is a non-Chinese partner to Network Creators .”

**Global Head TMT,
Top Mgmt Consultancy**

These are quality interactions with global, marquee network creators



**ONE OF THE
LARGEST EUROPEAN
TELCO**

FTTH ROLLOUT



**NORTH AMERICAN
DISRUPTIVE TELCO**

5G NETWORKS



**LEADING INDIAN
TELCO**

PAN NATION NETWORK CONNECTIVITY



**DISRUPTIVE ASIAN
TELCO**

WiFi HARDWARE



**LARGE EUROPEAN
TELCO**

SOFTWARE DRIVEN NETWORK PRODUCTS



**GLOBAL SMART
CITY**

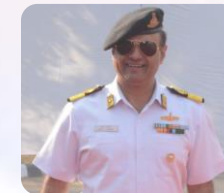
DATA CENTER AND SMART CITY CONNECTIVITY



Benoit Huver

(Executive, VP Group Supply Chain Director, Orange)

We are **fully convinced to partner with STL because of your technical skill set**, installing capabilities and production strength. We wish to do more work with STL in the future



Commodore KJ Sharma

(Indian Navy)

The **best company which has been associated with us for giving us a 10Gig network is STL**. I want to thank the STL for giving the big data analytics the navy wanted

Deep engagement for end to end solutions

4 End-to-End Solutions

opticonn

**Optical
Connectivity**

A multi year contract with a leading **Telco from Middle East**.
Multiple orders from Europe.



**Fibre
Deployment**

New orders in **Project Mahanet**.

**FTTx
mantra**
One Solution. Countless Opportunities

**FTTx Access
Network**

Continued contract with an **Indian Telco**.
Digital transformation for an **African Telco**.

netmode

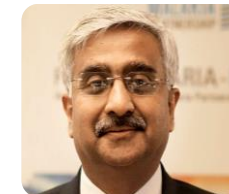
**Network
Modernization**

New orders in **Project Varun with Indian Navy**.



Anuj Jain
(President, Network and JioFiber Business)

STL has been our partner since inception. As we enhance our value proposition for our customers, **STL as our network partner is enabling the reach of our digital solutions to the last mile.**



Anshu Prakash,
(Secretary, Department of Telecommunications, Govt. of India)

5G Edge Mantra is a very innovative product because it brings together backhaul and front end connectivity. I hope that STL gets a good market for it and we are proud that an Indian company is doing it.

Our operations are back to support these engagements



**Plants back to
pre-covid
production levels**

Network Modernisation

Project Varun
(Indian Navy Project):

81%
Completed

0%

100%

Transformative digital inclusion

Mahanet
(Bharatnet Initiative)

82%
Completed

0%

100%

Futuristic SDN ready state wide network

T-Fibre
(Bharatnet Initiative)

5%
Completed

0%

100%

Largest exabyte Network

FTTH roll out
(Large Indian telco)

2%
Completed

0%

100%

Our Financial Performance - on track for Vision 2023



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Anupam Jindal

Chief Finance Officer

Our participation funnel is growing

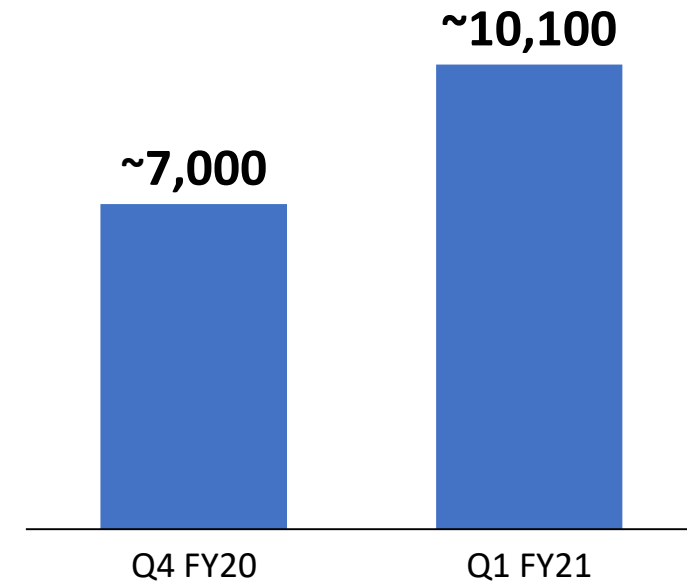
**Multiple customer engagements
across network use cases**

**Quality interactions with marquee
global customers**

**Solving customer challenges via end
to end solutions**

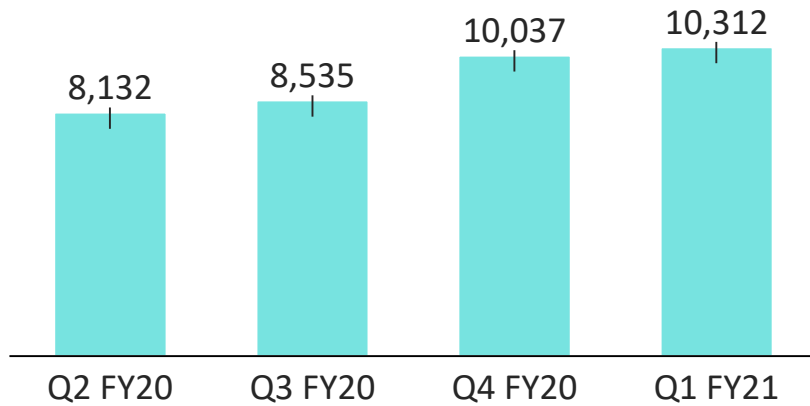


Open Participation Funnel (Rs. Cr.)

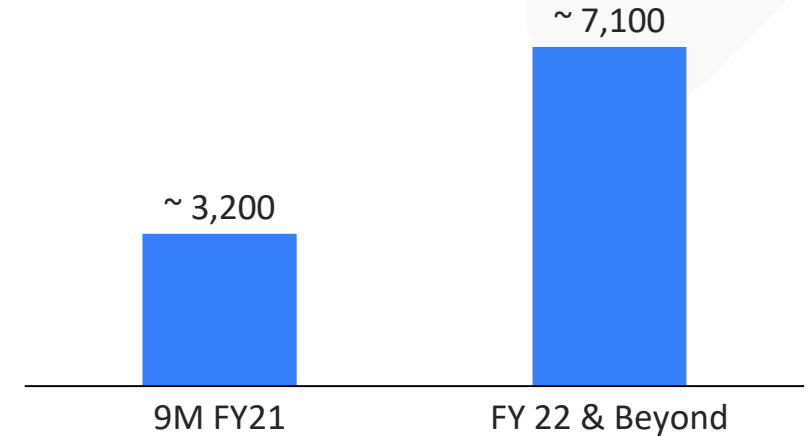


Translating into healthy order book

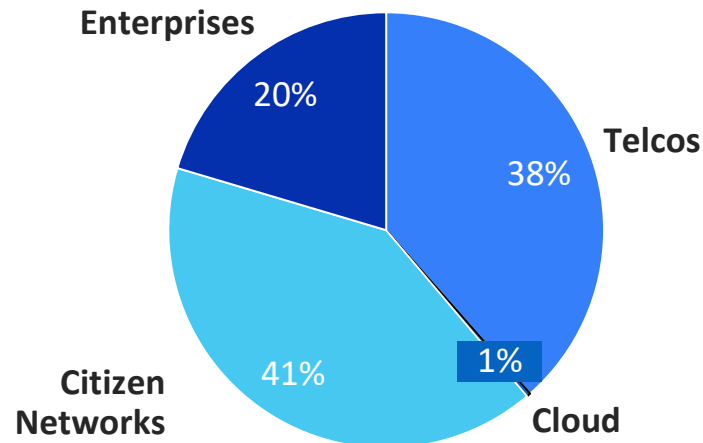
Open Order Book (Rs. Cr.)



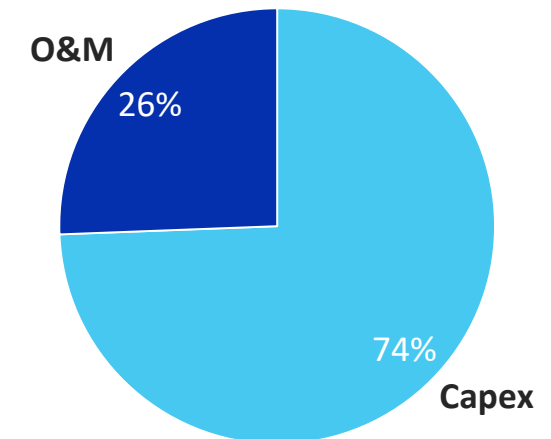
Order Book Spread (Rs. Cr.)



Open Order Book Customer Segment wise

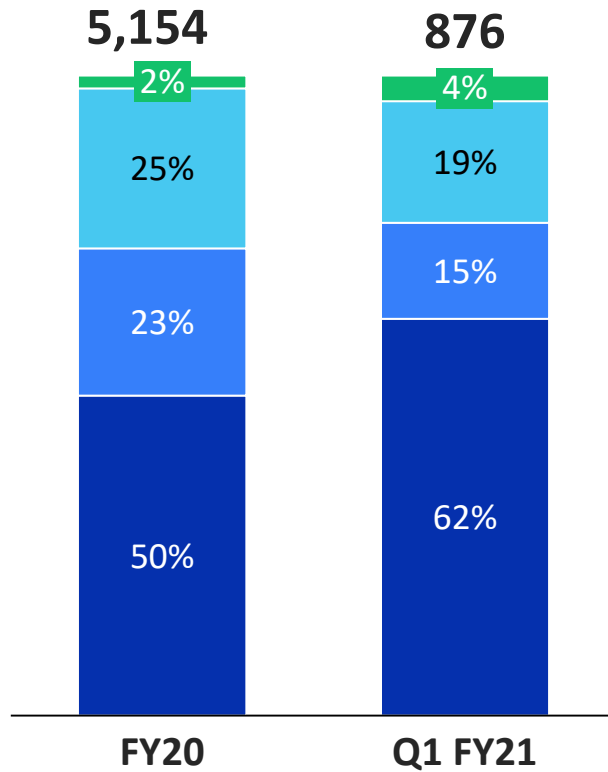


Open Order Book Split

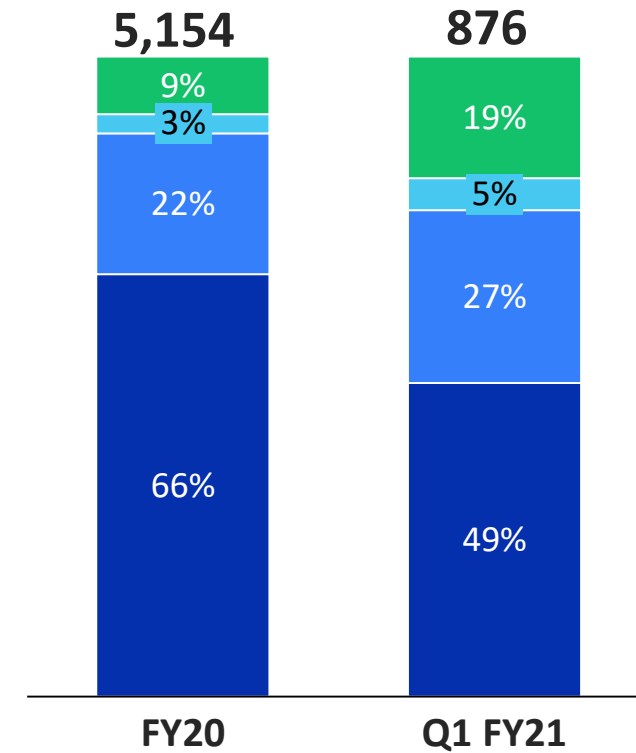


Revenue mix is balanced across customers and geographies

Customer Segments
Revenues (INR Cr.)



Geographical Distribution
Revenues (INR Cr.)



■ Telcos
 ■ Enterprises
 ■ Citizen Networks
 ■ Cloud

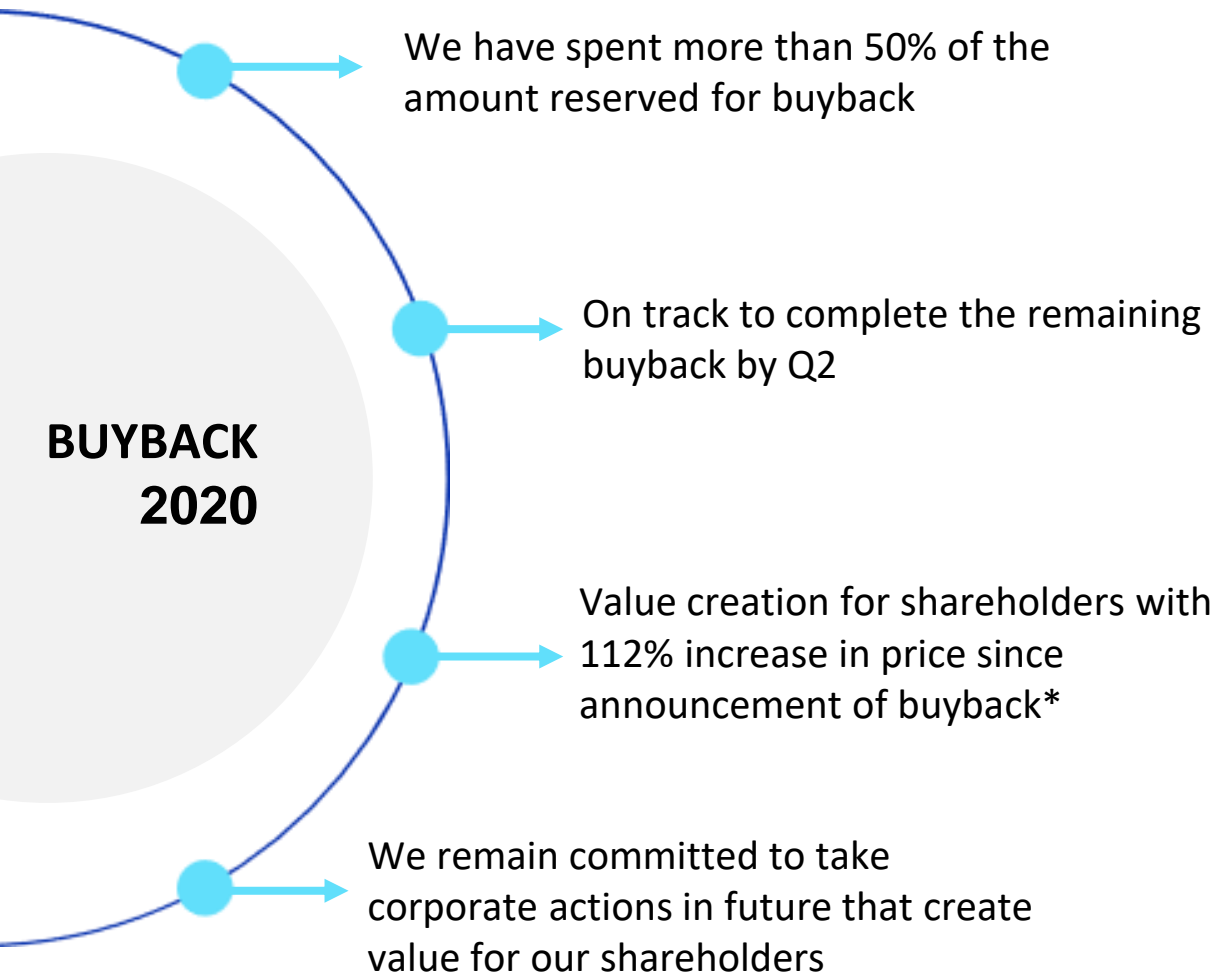
■ India
 ■ Europe
 ■ China
 ■ RoW

Q1FY21 performance has been resilient despite covid-19

P&L (INR Cr.)	FY20	Q1 FY21
Revenue	5,154	876
EBIDTA	1,104	131
EBITDA %	21%	15%
Depreciation	290	74
EBIT	813	57
Interest	221	50
Exceptional Item	51	-
PBT	542	7
Tax	109	4
Net Income (After Minority Interest)	434	6
Net Income <i>Adjusted for exceptional item net of tax</i>	472	6

- COVID-19 impacted performance.
- Projects execution significantly impacted due to lock down.
- Production & delivery was hurt due to logistics challenges.
- Q2 will be transient quarter as we align our efforts.
- H2FY21* will be better than H2 FY20

Ongoing buyback demonstrates our confidence in the business



*Buyback announcement date: 27th March 2020

We are on track to deliver our Vision 2023

We shall double our revenue & reduce net debt/equity to half while maintaining RoCE >20%

Growth

Revenue : Rs. 10,000 Cr.

**Capital
Structure**

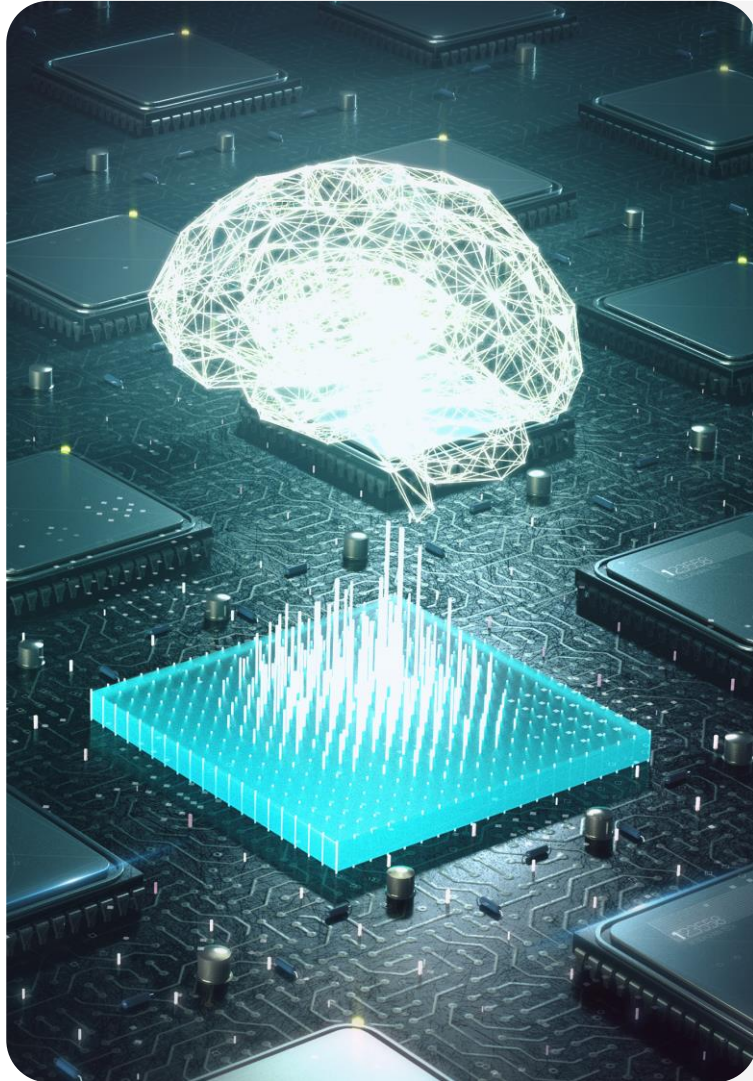
Net debt/equity < 0.5

Returns

RoCE >20%



STL is ready for a decade-long digital network creation cycle



- An unprecedented decade of digital network creation has started
- STL has unique capabilities to be a leading digital network integrator
- Last 90 days have validated our digital network world-view, with investments and next-gen tech adoption
- STL is at the center of these developments, engaging with marquee global network creators for end-to-end solutions
- With our focus on strategic pillars and continued customer engagement, we are on track for Vision 2023

Q & A

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Thanks