

# Enabling a decade of digital network creation

*Earnings Call Q2 FY'21*

22<sup>nd</sup> Oct. 2020

stl.tech

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# Dr. Anand Agarwal

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**Group CEO and Whole Time director**

# STLescope 2020 - A vision for 2023



**1**

**STLescope 2020 -  
A vision for 2023**

**2**

**Taking Steps to turn  
vision to reality**

**3**

**Industry tailwinds  
continue to strengthen**

**4**

**Financial  
performance is on  
the cusp of take-off**

**5**

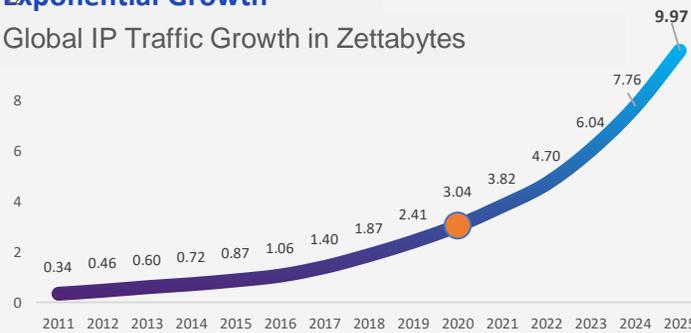
**Q&A**

# 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

Close to the Edge  
**EDGE**

At the Edge

Seamless Wired & Wireless  
**CONVERGED**

Optical

& Radio

Enhanced Experience  
**COMPUTE**

Connectivity

& Compute

Agile, Scalable, Agnostic  
**DISAGGREGATED**

Hardware

& Software

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

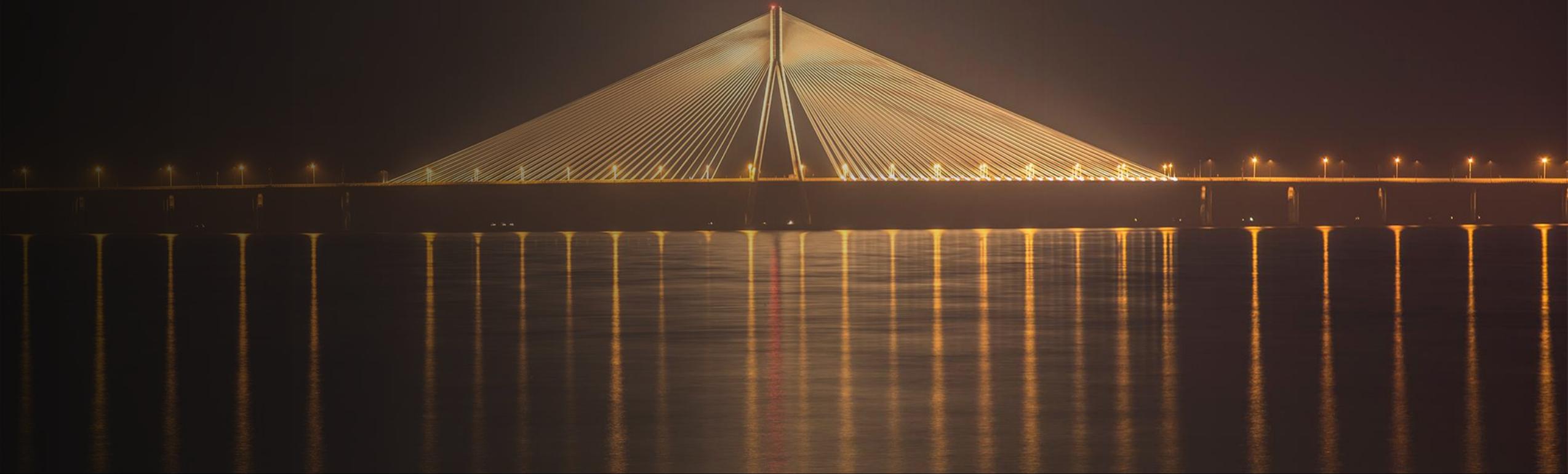
5



## Top Talent and Culture

Drive good returns  
to our stakeholders  
/community

# Taking steps to turn vision to reality



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# 1 Technology led E2E solutions: Strengthening Opticonn



Optical fibre



High fibre count cable



OPTICAL  
INTERCONNECT  
SYSTEMS



End 2 End  
Optical Connectivity  
Solution

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

Partnering with Bharti Airtel to **build modern Optical network in 10 circles**, which shall form the foundation for many next gen services.

STL offering **Lead 360 solution** which enables faster launch, enhanced network quality & multiple efficiencies.

Lead 360 comes with **robotics cable blowing, AI bots** and a **pre-integrated suite of optical fibre, cable, network design, and integration services**.

**Multi year LOI with orders in hand at c. 700 Cr.**



**Randeep Sekhon**  
(CTO, Bharti Airtel)

*We are pleased to deepen our collaboration with STL to build a competent, future ready network. Airtel has always been committed to delivering customer delight and building a connected ecosystem. This 5G-ready and high capacity network will enable us to provide faster delivery of new services, while delivering an enhanced user experience*

# 3 Large Scale System Integration: Executing despite pandemic

## Network Modernisation

**Project Varun**  
*(Indian Navy Project):*

**83%**  
Completed

## Transformative digital inclusion

*Bharatnet Projects*

**Mahanet (A)** **88%** Completed

**Mahanet (B)** **1%** Completed

## Futuristic SDN ready state wide network

*Bharatnet Projects*

**T-Fibre (A)** **14%** Completed

**T-Fibre (B)** **8%** Completed

## Largest exabyte Network

**FTTH**  
*(Large Indian telco)*

**2%**  
Completed

## Modern Optical Network

**Fiber roll out**  
*(Large Indian telco)*

**5%**  
Completed

# 4 Ecosystem Alliance & Investments: Building access solutions

## STL Portfolio Virtualised Access Products



Small cell Indoor, Outdoor  
Macro Radio Unit (RU)

Open and virtualized  
Distribution Unit (oDU)

Open and virtualized  
Central Unit (oCU)



RAN Intelligent  
Controller (RIC)

Network  
Orchestrator



Programmable FTTx  
(pFTTx)

## Ecosystem Alliances Inorganic & Organic Investments

Partnering to develop open,  
virtualised & cloud native  
technologies

Ecosystem of  
alliances

Building in-house software  
capability by assembling  
world class software team

Investing in capability  
building

## 5 Top Talent & Culture: Building winning team



**Krish Prabhu – Advisory Board**

Krish was CTO at AT&T where he was responsible for AT&T's global technology direction. Before joining AT&T in 2011, Prabhu was Chief Executive Officer of Tellabs, an Optical Network Technologies company. He was with Alcatel from 1991 to 2001 in various executive positions



**Mihir Modi - CFO**

Mihir is an experienced management professional with over 20 years of career spanning finance, M&A, strategy and general management, across large scale listed companies and early stage start-ups in India, Europe and Africa.



**Stephan Szymanski**  
Regional commercial executive  
America



**Luis Fernando Leon**  
Sales Manager  
Central America



**Mayur Tanna**  
Head Enterprises, India



**Tushar Shah**  
Key Account Manager, UK

# Industry tailwinds continue to strengthen



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# Q2 FY21 continue to see investments in digital networks

## All Network Creators Investing Heavily in Digital Infrastructure...

### TELECOM OPERATORS

<p><b>Oct 2020</b></p> <p>Telefonica to invest <b>\$6 bn</b> to build a fiber network in Germany</p>	<p><b>Oct 2020</b></p> <p>Airtel targeting <b>40 mn</b> homes for FTTH, expanding footprint through partnerships</p>	<p><b>Aug 2020</b></p> <p>Etisalat, Du increase capex by <b>50%</b> to support increase in data traffic</p>
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## ... and attracting Billions in Capital

### PE INVESTMENT

**Aug 2020**

KKR invests **\$2.1 bn** For a minority stake in telecom Italia last mile grid

### CLOUD COMPANIES

### LARGE ENTERPRISES

### CITIZEN NETWORKS

**Oct 2020**

Microsoft to invest **\$1 bn** to develop and maintain Data centre infrastructure in Greece

**Q3 2020**

Private LTE/5G deployments in **mines** (like Vale in Brazil), **airports** (Paris airport), **refineries** (AT&T and Accenture offering for Phillips 66), **Automobile manufacturing and testing** (Toyota, Ford)

**Q3 2020**

**FCC, US** moves forward with **rural digital opportunity fund** worth **\$20 bn**

**July 2020**

Warburg Pincus and DTCP acquire controlling stake in community fibre, push **\$500 mn** investment

**Sep 2020**

Macquarie makes a **\$3 bn** bid to acquire stake in Open Fibre, Italy

## 5G Rollouts

- ❖ Globally **113 operators have launched 5G** with 52 launches in 2020
- ❖ **3 Taiwan operators** launched 5G in July and August. **Orange and Movistar, Spain** launched 5G in September
- ❖ In **Singapore, all 3 operators** have commenced 5G trials
- ❖ **China** has deployed more than **560,000 base stations for 5G.**

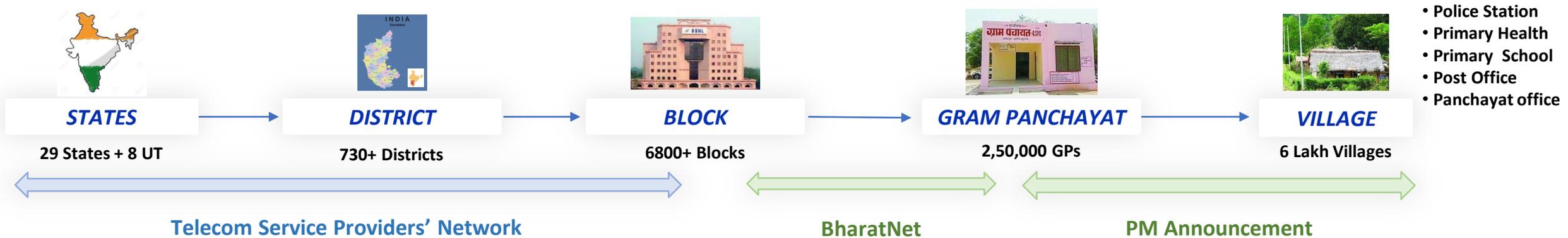
## 5G Subscribers

- ❖ 5G subscriptions reach at least **138 mn. globally**, representing 1.5% of the entire global mobile market (as on Oct'20)
- ❖ **China tops 5G subscribers** with more than 110 mn. subscribers as reported by ministry of industry and information technology.
- ❖ **North America & Latin America** have reached **2.3 mn. & 3.6 mn.** 5G subscribers respectively

## FTTH Rollouts

- ❖ **Europe** is witnessing furious FTTH buildouts with multiple operators doing **1mn. + home passes per year.**
- ❖ **RJIO** is planning **75 mn. home passes in next 3 years.** In the first phase the company plan to reach 1,100 cities with 50 mn. homes
- ❖ **Airtel** is planning to reach 1,000 cities with **40 mn.** homes in next 12-18 months.

# Citizen Networks: PM Modi announces fibre to every Village

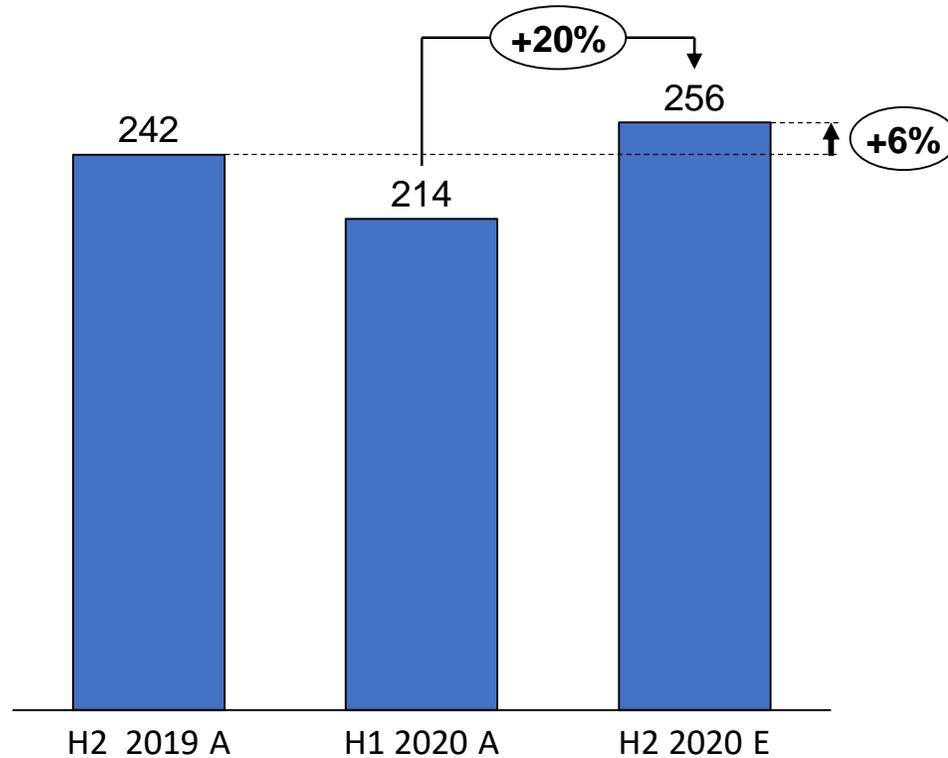


**Digital networks reaching the unconnected**  
**Significant increase in opportunity size**

# Buoyed by investments in digital networks, Global optical fiber cable demand starts to grow...

H2 2020 expected to grow 6% YoY

Units: Mn. fkm



## N. America

Continued growth in deployments specially from tier 2 /3 carriers

## CHINA

Strong tender volumes & increase in deployment run rate

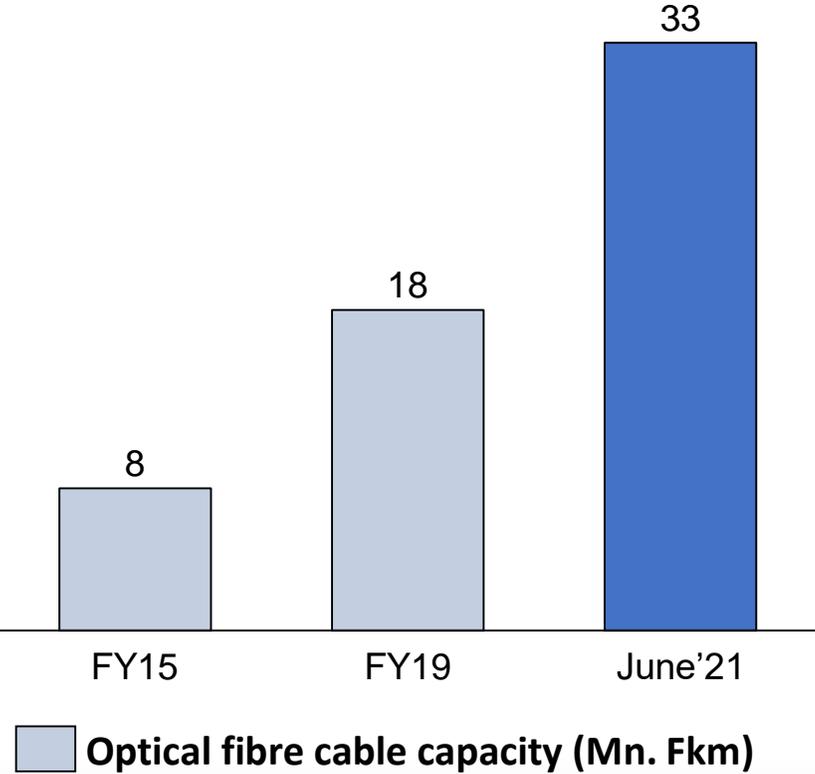
## EUROPE

Market beginning to improve on the back of buoyant FTTH activity

## INDIA

Expected revival from H2 on back of FTTH deployments & demand from Bharatnet

# Reinitiating Capex expansion of OFC to 33 Mn. fkm.



**Enthused by the growth in global optical fibre cable demand, STL to expand the OFC capacity to 33 mn. fkm.**

# Financial performance is on the cusp of take-off



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# Our participation funnel is growing ....

## Large Opportunities



**LARGE EUROPEAN  
TELCO**

*FTTH ROLLOUT*



**LARGE EUROPEAN  
TELCO**

*OPTICONN*

## Strategic Opportunities



**LARGE INDIAN  
TELCO**

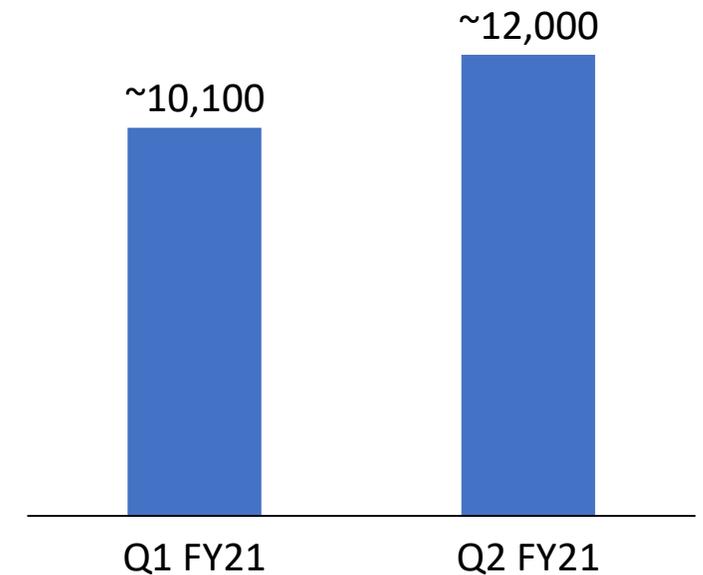
*ACCESS SOLUTIONS*



**NORTH AMERICAN  
DISRUPTIVE TELCO**

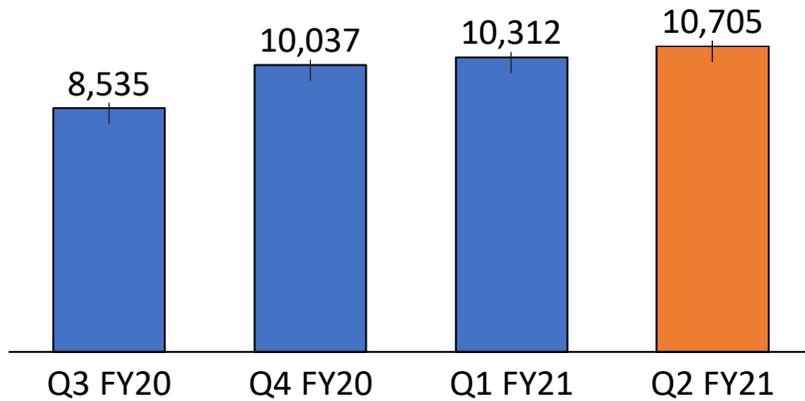
*5G NETWORKS*

## Open Participation Funnel (Rs. Cr.)

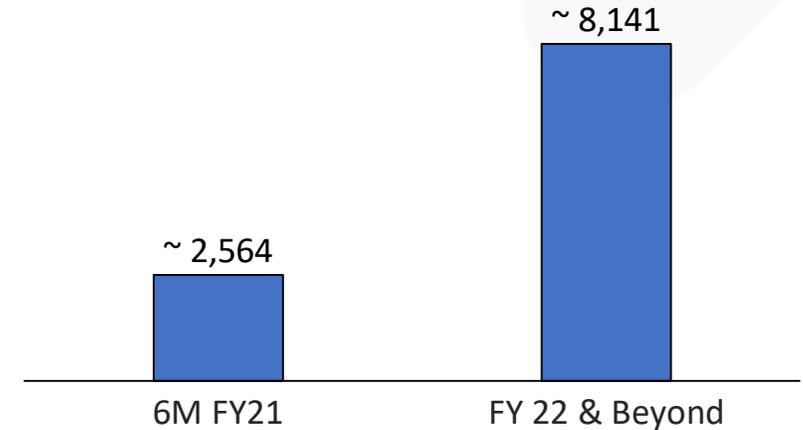


# Translating into healthy order book

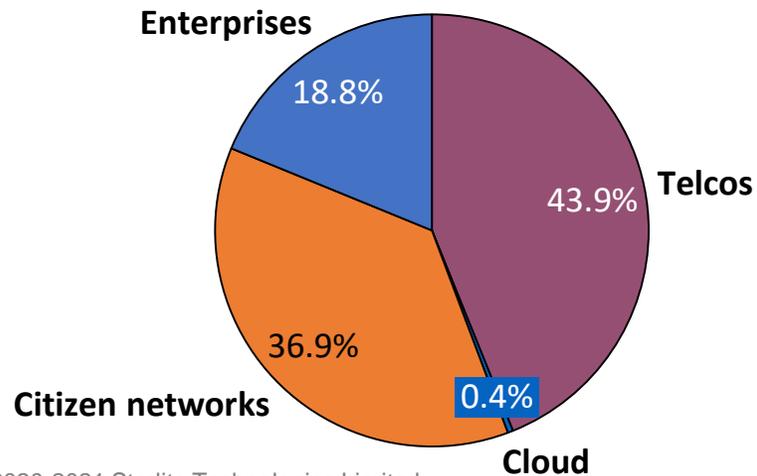
### Open Order Book (Rs. Cr.)



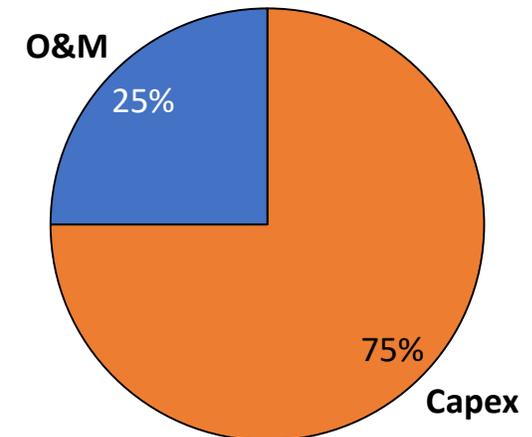
### Order Book Spread (Rs. Cr.)



### Open Order Book Customer Segment wise



### Open Order Book Split

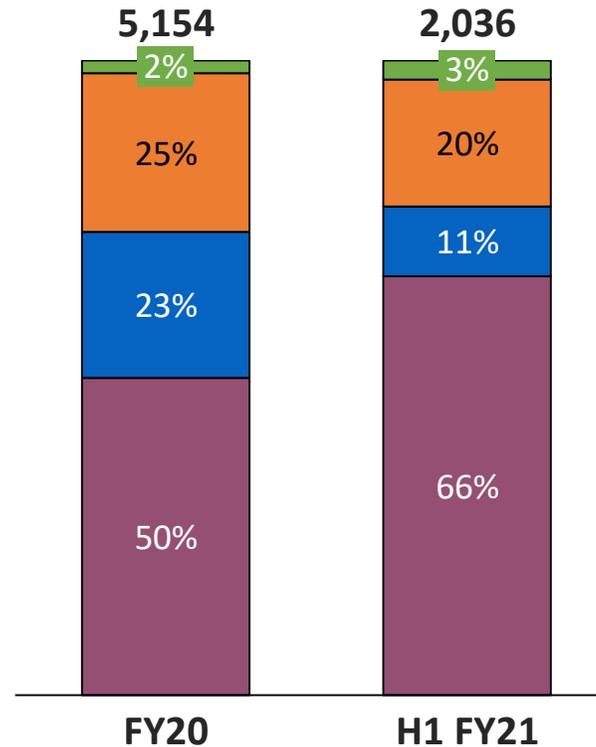


# Revenue mix is balanced across customers and geographies

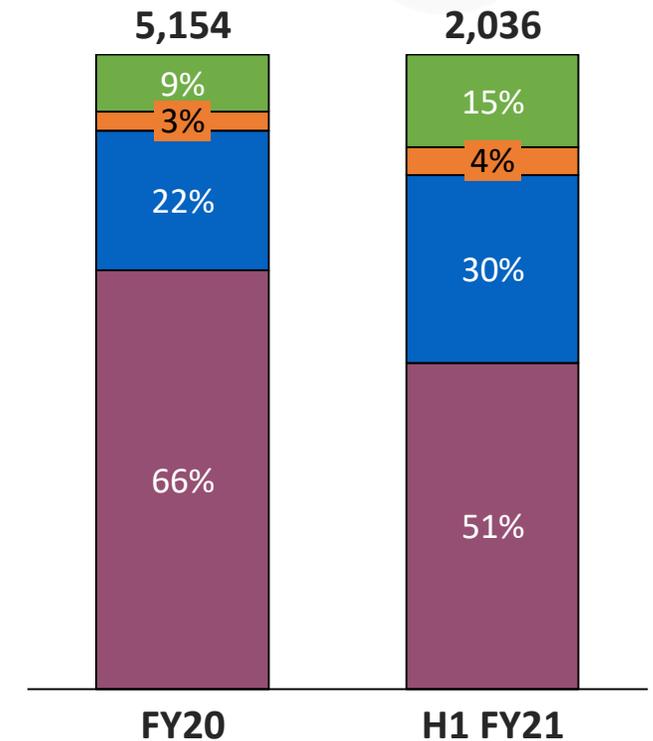
## Key Order Wins Q2 FY21

- ❖ Fiber Roll out for 10 circles for **Airtel in India**
- ❖ **Opticonn solution** for a leading **telecom player in Europe**
- ❖ Digital transformation for a leading telecom operator in **Africa**
- ❖ Wifi-6 hardware & Wifi service management platform (**Access Solutions**) for leading telecom operator in **Japan**

## Customer Segments Revenues (Rs. Cr.)



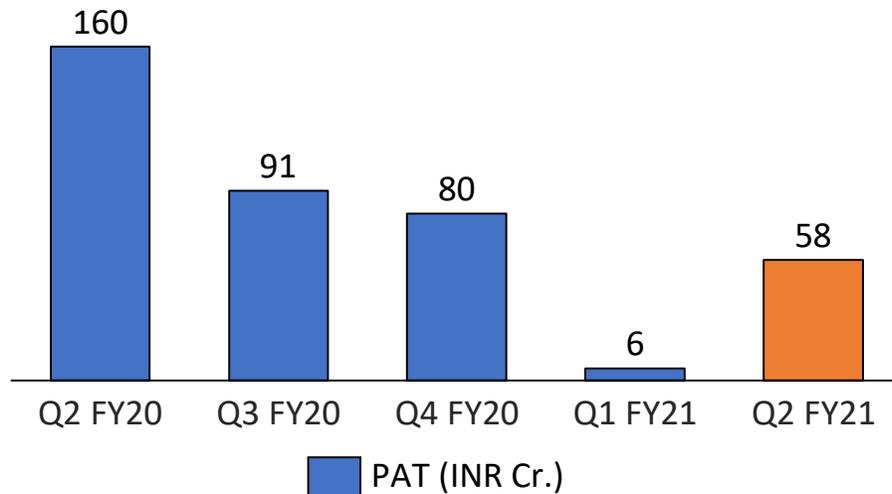
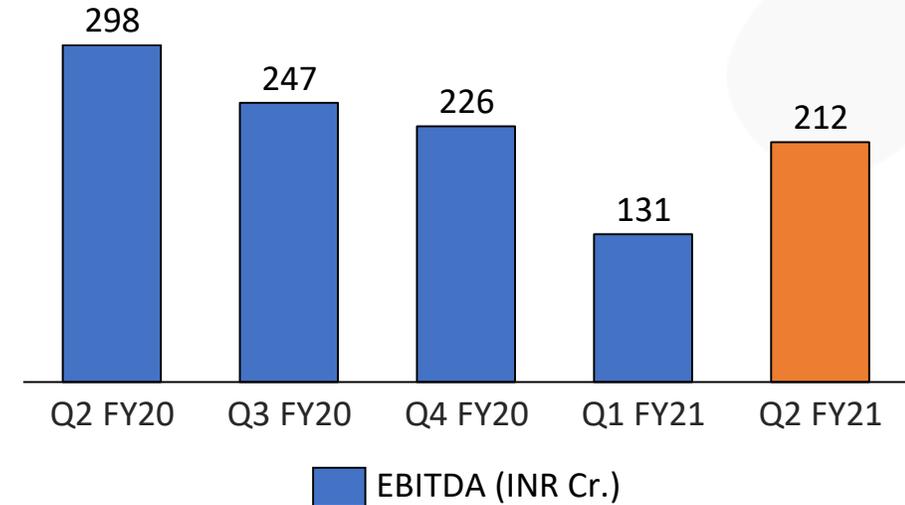
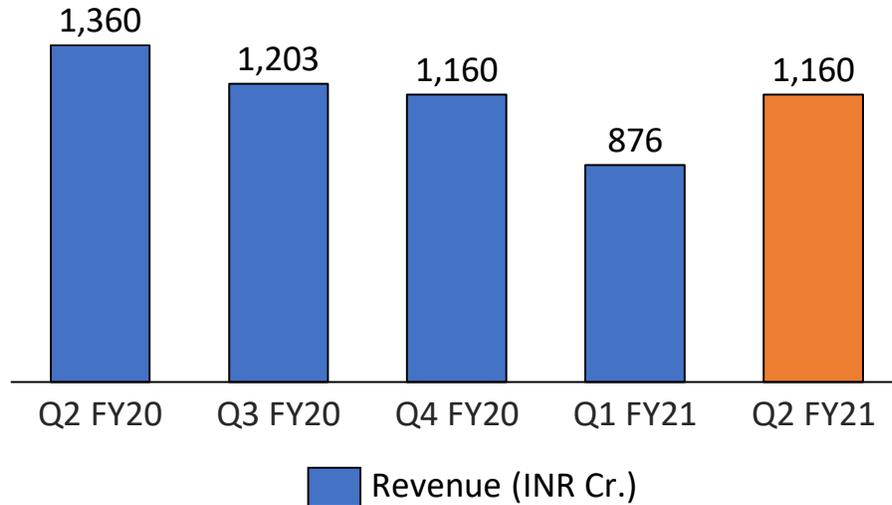
## Geographical Distribution Revenues (Rs. Cr.)



Telcos
  Enterprises
  Citizen Networks
  Cloud

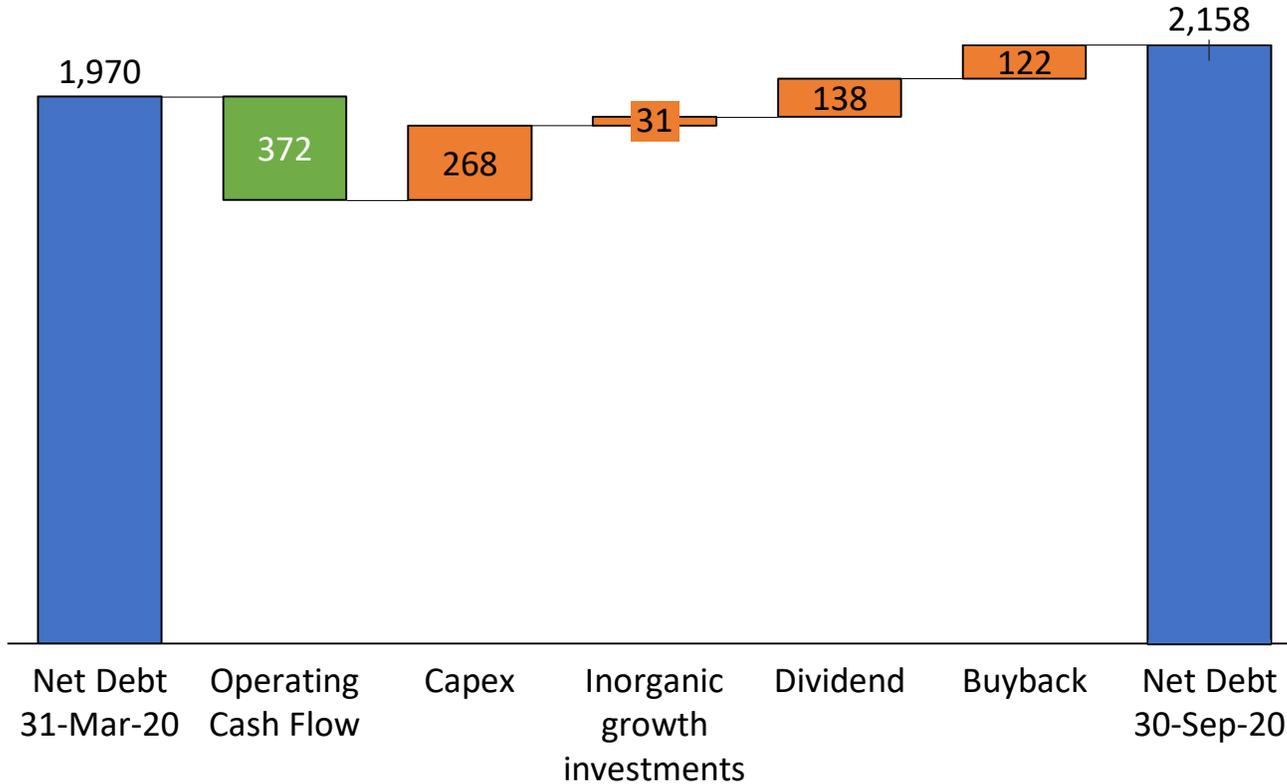
India
  Europe
  China
  RoW

# Quarterly revenues grow on Q-o-Q basis



- **Capacity utilisations have exceeded pre-covid levels** and will see further improvement in Q3 & Q4.
- **Execution on the ground** for services also **continues to improve** on Q-o-Q basis.
- We are confident that we shall **continue to grow in Q3 and Q4** on Q-o-Q basis and **H2FY21 shall be better than H2 FY20.**

# The business continues to generate positive free cash flows



Free Cash Flow @ consolidated level – H1 FY21	Rs. Cr.
Cash Profit after Tax	216
(Increase) / Decrease in working Capital	156
<b>Operating Cash Flow</b>	<b>372</b>
CAPEX	(268)
<b>Free Cash Flow</b>	<b>103</b>

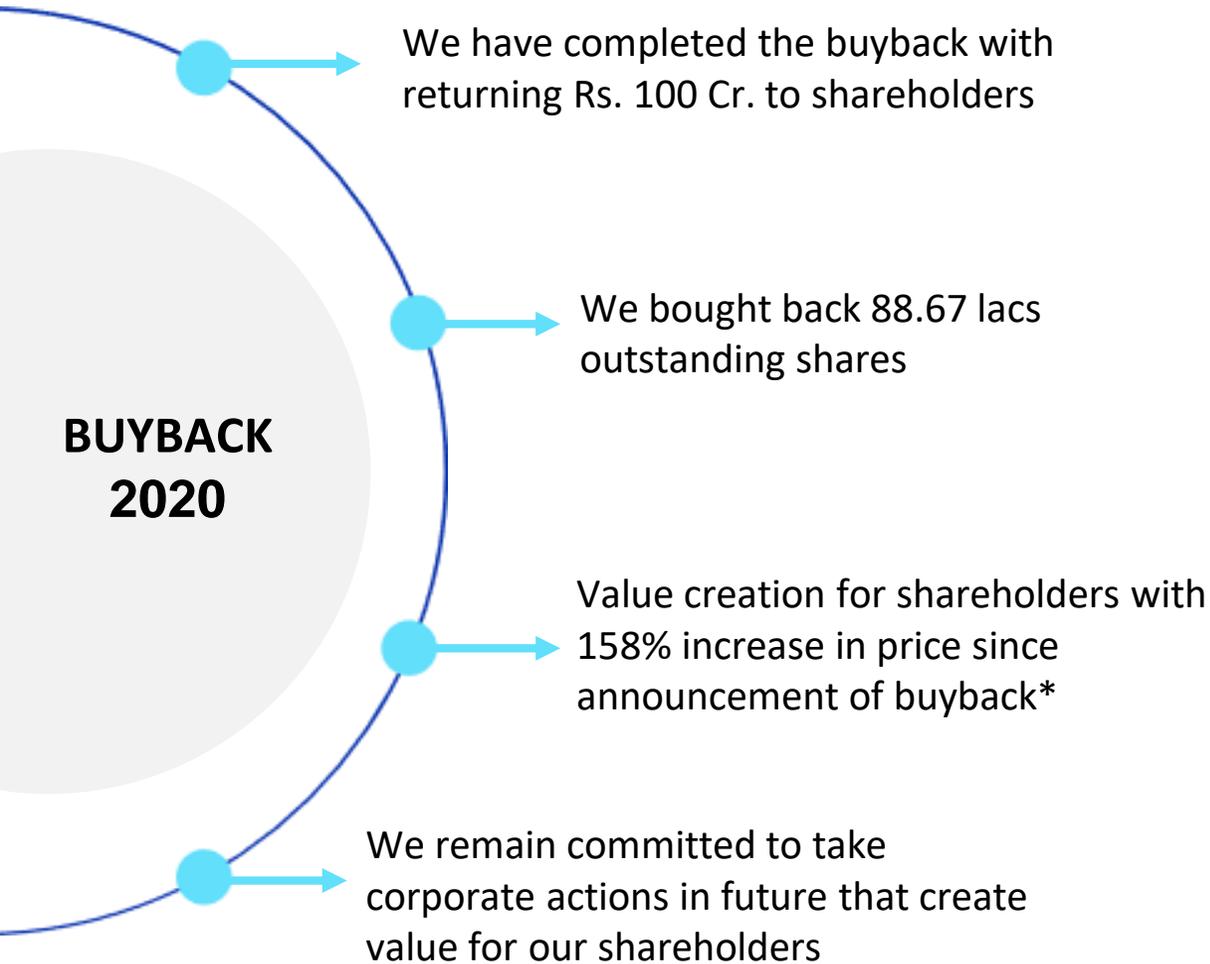
The business continues to generate **positive free cash flows**.

# Financials: Abridged Version

P&L (INR Cr.)	Q1 FY21	Q2 FY21	Growth (%)
Revenue	876	1,160	32%
EBIDTA	131	212	61%
<i>EBITDA %</i>	15%	18%	
Depreciation	74	82	
EBIT	57	130	128%
Interest	50	50	
Exceptional Item	-		
PBT	7	80	
Tax	4	24	
<b>Net Income (After Minority Interest)</b>	<b>6</b>	<b>58</b>	<b>883%</b>

Balance Sheet (INR Cr.)	FY20	H1 FY21
Net Worth	2,023	1,854
Net Debt	1,970	2,158
Total	3,993	4,012
Fixed Assets	2,536	2,707
Goodwill	122	118
Net Working Capital	1,335	1,187
Total	3,993	4,012

# We have successfully completed buyback 2020 by returning Rs. 100 cr. to shareholders



\*Buyback announcement date: 27<sup>th</sup> 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**

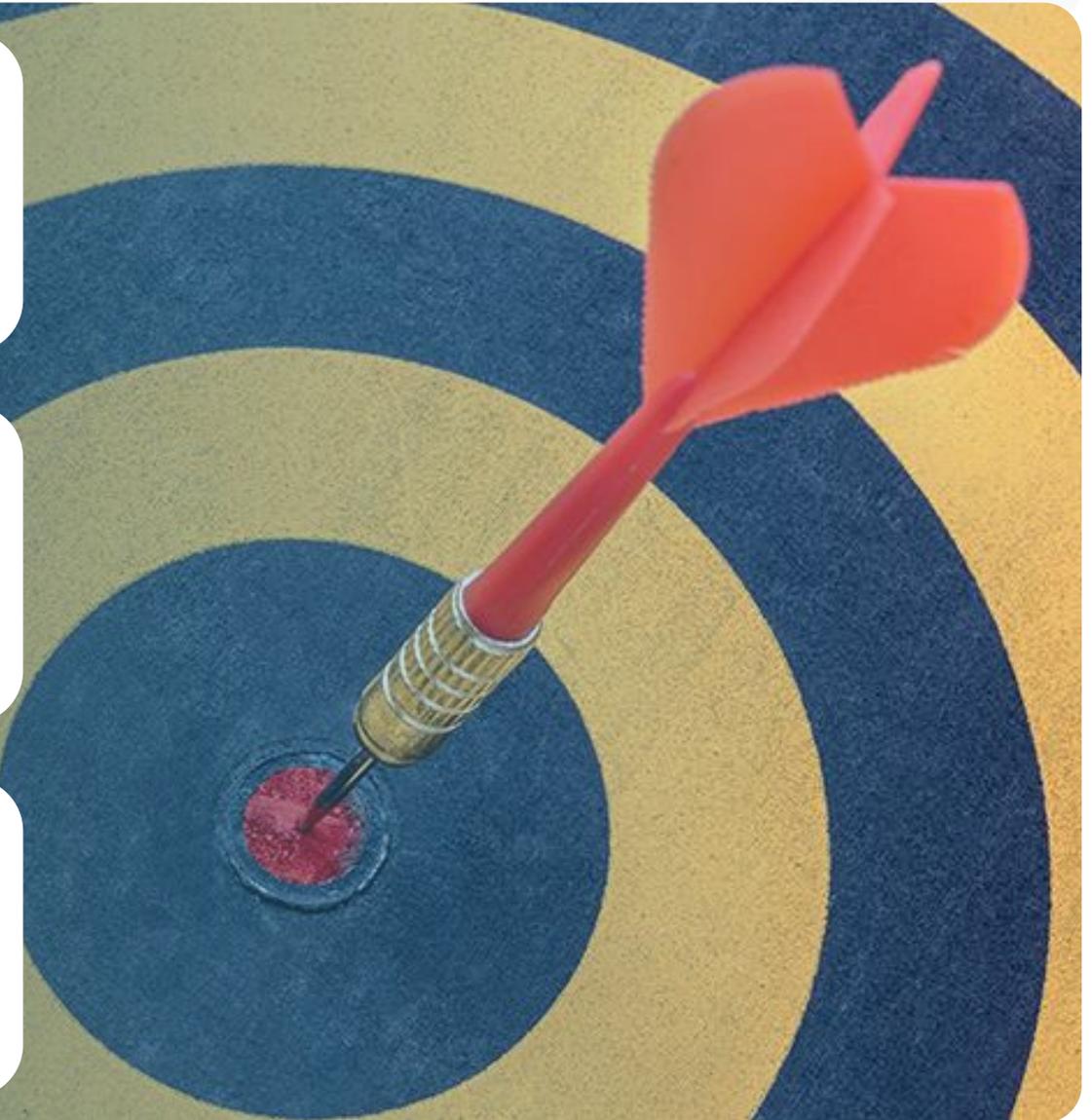
**Revenue : Rs. 10,000 Cr.**

**Capital  
Structure**

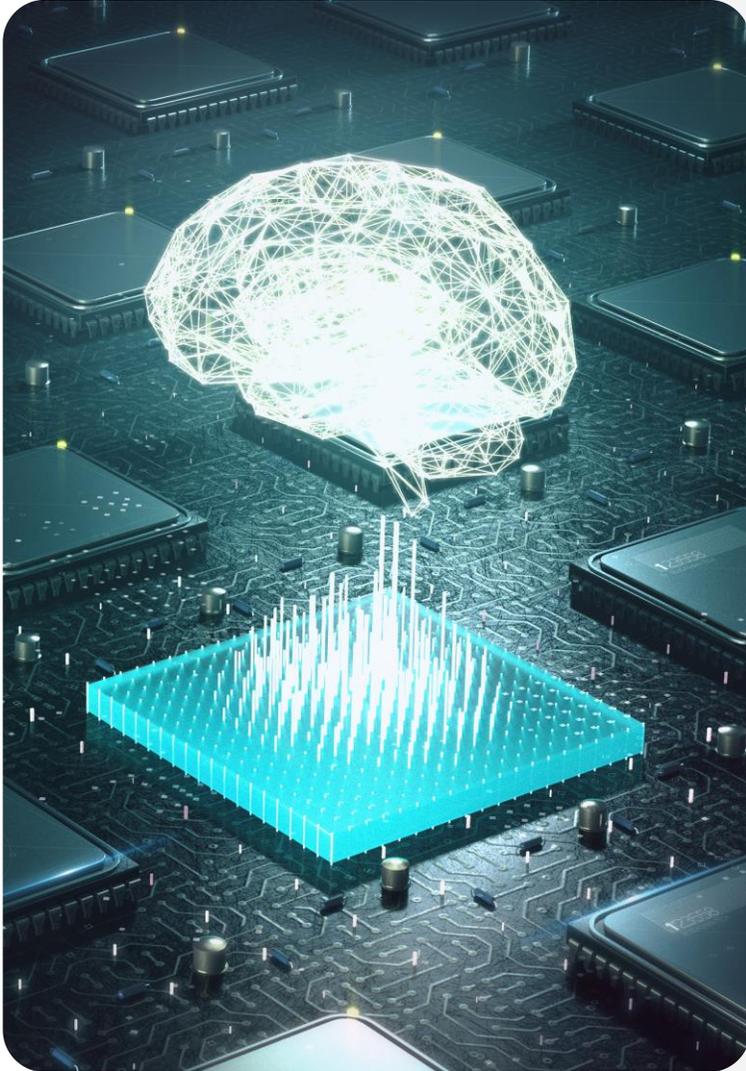
**Net debt/equity < 0.5**

**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 and we continue to invest in technology and talent
- With continued investment momentum behind network creation, Global optical fiber cable market has started to grow.
- Our financial performance continues to improve.
  - Participation funnel and order book is growing on Q-o-Q basis.
  - Confident of growth on Q-o-Q basis in FY21
  - On track to achieve Vision 2023

# Q & A

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# Thanks