



STL

stl.tech

# Investor Presentation

Nov'22



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# Company Overview

STL

**Company  
Overview**

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Businesses

2  
Industry  
updates

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growth strategy

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financials

Annexure

# We Integrate Digital Networks **STL** for Our Customers

Core  
Business

Customer  
Segments



Telcos



Cloud  
Companies



Citizen  
Networks



Large  
Enterprises

Business  
Units



Optical  
Networking  
Business



Global  
Services



Digital &  
Technology  
Solutions

Unique  
Capabilities

- Glass Preform
- Optical Fibre
- Optical and Specialty Cables
- Optical Interconnect Kits

- Network Modernisation
- Fibre Roll out
- Managed Services
- Data Centre Solutions

- Digital BSS Platforms
- Network Operations Platforms
- **Developing new capabilities to pivot to digital solutions**

Financial  
Performance



**INR 3,343 Cr**  
H1 FY23 - Revenue  
YoY growth - 19%



Europe Rev. share - 38%  
Americas Rev. share - 33%  
India Rev. share - 27%



**16%**  
(FY20-22)  
Avg. EBITDA margin



Consistent dividend at 30% payout  
(FY 22 – 251%, FY 21 – 1001%,  
FY20 – 1751%)



# Driven by our purpose to transform lives

## Committed to Net-Zero Emissions by 2030



### ENVIRONMENTALLY SUSTAINABLE

#### Zero Waste to Landfill Certified<sup>1</sup>

**175,000+ MT**

Waste diverted from landfills (FY19-22)

**15,000+ tCO<sub>2</sub>e**

Reduced through energy efficiency initiatives  
(FY21 – Q2 FY23)

**500,000+ m<sup>3</sup>**

of water recycled (FY19- Q2 FY23)

**50%**

Procurement (by value) done locally (FY 22)

### SOCIALLY RESPONSIBLE

#### Committed to the UN SDGs<sup>2</sup>

**16**

Aligned with 15 of the 17 SDGs

**765,000+**

Lives benefitted through STL's ed-tech & women  
empowerment programmes (FY19 – Q2 FY 23)

**2.1 mn.+**

Lives benefitted through STL's healthcare programmes  
(FY19 – Q2 FY23)

### GOVERNED WITH CARE

#### Strong Internal Governance

**Two of the Big Four**

as statutory & internal auditors

Executive and Management committees in place

**80 ESG awards won  
(FY20 – Q2 FY23)**

STL becomes world's first optical fibre manufacturer to be  
**ZERO LIQUID DISCHARGE CERTIFIED**

Source : FY22 ESG report for which independent assurance has been provided by DQS

<sup>1</sup> Certified by TUV SUD

<sup>2</sup> Sustainable Development Goals



# Our Businesses

STL

STL

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growth levers

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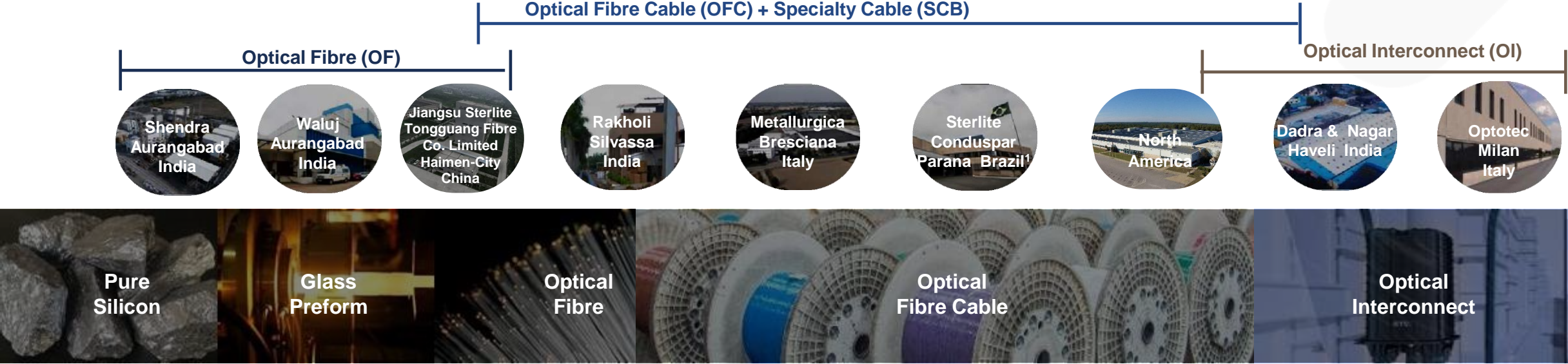
Annexure



1

# Optical Networking Business

## Vertically Integrated Manufacturing



Vertically Integrated

- ✓ Shield from Supply Chain vulnerability
- ✓ Wide Product Portfolio
- ✓ Control over Quality
- ✓ Cost Leadership

9

GLOBAL  
PRODUCTION  
FACILITIES

50 Mfkm

OPERATIONAL  
OPTICAL FIBRE  
CAPACITY

42# Mfkm

OPTICAL  
FIBRE CABLE  
CAPACITY

Industry 4.0 standards

Fully automated machinery with robotic operations

Efficient supply chain

Reduced delivery times and Supply Chain Management cost

<sup>1</sup>Plant in Brazil is through a joint venture with Condu spar Condutores Eletricos Limitada  
<sup>#</sup>36 mn as of Q2 FY 23 with a plan to expand to 42 mn. fkm (incremental capacity through US green field expansion)

# 1 Optical Networking Business

## Industry leading products & global customer base



### Key Products

**Advanced Optical Fibre**  
(Ex: Bend insensitive, Multicore)



**Purpose engineered Optical Fibre Cables**  
(Ex: IBR, Armored, Micromodule)



**Optical Interconnect Central Office**



**Optical Interconnect Outside Plant**



**Optical Interconnect Access Network**



**Optical Interconnect Customer Premises**



### Key customers

**8+**  
Years of relationship

*Top 2 Telcos - India*

*UK's leading Telecom operator*

*Digital infrastructure provider, Africa*

**2 - 8**  
Years of relationship

*State telecom operator in Middle East*

*Leading telecom operator in Italy*

*Wholesale fiber operator - Italy*

**Recent Wins**  
Q2 FY23

*North American Broadband Player*

*Leading Telecom operator - UK*

*Vocus Group, Australia*



# Global Services Business

## Large scale project execution in India & UK



### Network Modernization

Design, integrate & deploy end to end modern networks



### Fibre Roll out

Design & deployment of long haul & FttH fiber networks



### Network Operations and Maintenance

Network management and maintenance with standard SLA's

### India - Public

#### NETWORK MODERNISATION Indian Defense

Connecting ~27K Network elements,  
8.8KRKM deployed in harsh terrains



**RURAL CONNECTIVITY**  
for states under BharatNet – 25K+ kms  
deployed across ~7,000+ locations



### India - Private

**LONG HAUL FIBRE NETWORK**  
for India's leading telco – 14,500+ kms deployed  
across 10 circles



### UK

**FTTX DEPLOYMENT -**  
for Gigabit connectivity in UK cities



# Industry Updates



|                  |                |                         |                     |                |          |
|------------------|----------------|-------------------------|---------------------|----------------|----------|
|                  | 1              | 2                       | 3                   | 4              |          |
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# Strong investment momentum in 5G, FTTH, Datacenter and citizen networks



## 5G

- 5G Investments : expected to be **\$500 Bn.** from 2022 to 2025
- As per Ericsson, **210** service providers have launched commercial 5G services globally
- 5G subscriptions: **690 Mn.** as of Q2 2022 and expected to reach to **4.4 Bn.** by 2027
- 5G base stations in China: **1.97 Mn.** to reach to **3.65 Mn.** by 2025

## FTTH

- **\$125 Bn.** earmarked for FTTH deployments in the North America for next 5 years
- AT&T to double its fibre coverage to **30 Mn.** locations by 2025
- Frontier targets **10 Mn.** FTTH locations by 2025
- Brightspeed to invest **\$2 Bn.** to pass **3 mn.** FTTH locations by 2028
- UK's BT Openreach plans to reach **25 Mn.** FTTH locations by 2026

## Data centres

- Data center CAPEX to grow by 10% CAGR over the next five years, to **\$350 Bn.** by 2026
- Cloud and colocation data center capex is expected to reach **\$125 Bn.** by 2023
- Google plans to invest **\$9.5 Bn.** in building offices and data centers in the US in 2022
- Data center investments in India expected to surpass **\$20 Bn.** by 2025

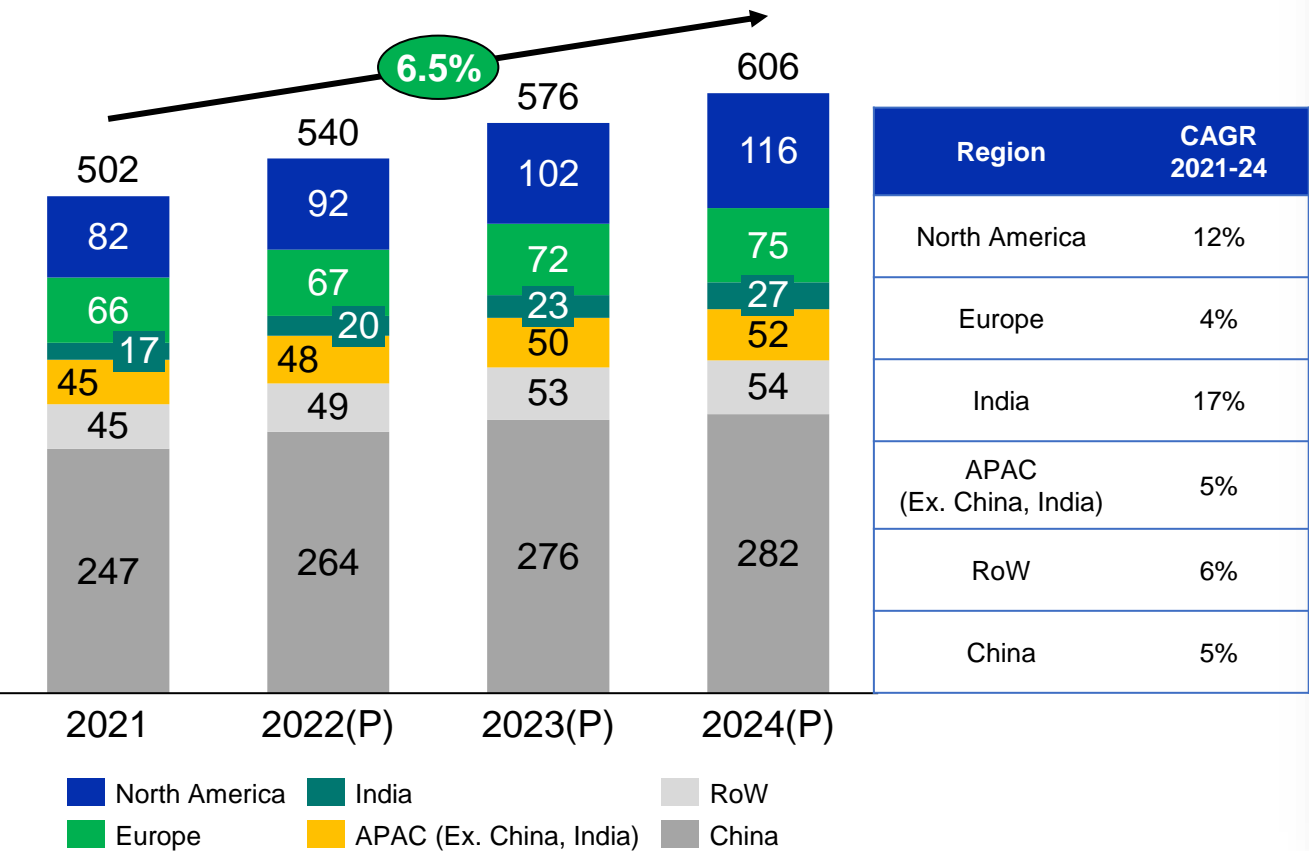
## Citizen Networks

- US implementing investment of **\$65 bn.** in broadband as a part of Infrastructure act
- UK aims for gigabit-broadband to be available nationwide by 2030 and to connect **85%** of premises by 2025
- Germany puts nationwide supply of FTTH as a priority for the Federal Government
- Indian Govt. planning for Bharatnet to connect all villages

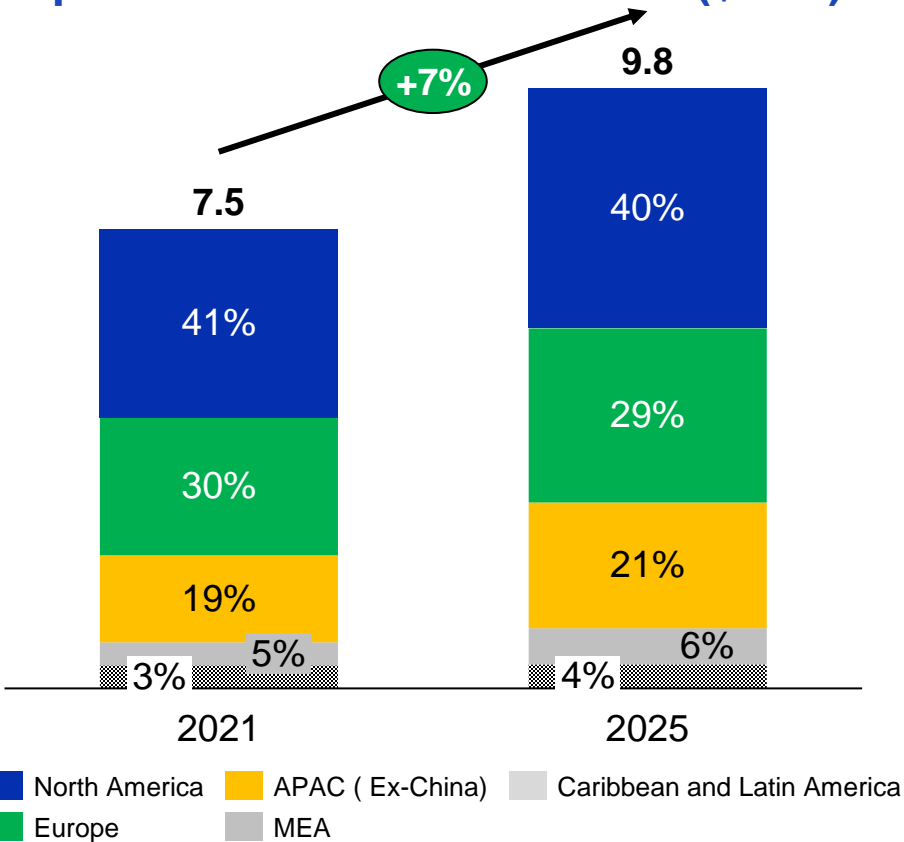
# Steady growth in demand in Optical fibre cable & Optical Interconnect



OFC Demand region wise ( Mn Fkm)



Global Ex-China Optical Interconnect Demand (\$ Bn.)



STL focus markets are **North America, Europe and India**, which is 2/3rd of ex- China global demand



# 5G services launched in India by PM Modi



## 5G Services launched in India

- PM modi launched 5G services in India at IMC
- Bharti Airtel launched 5G in 8 cities; cover India by 2024
- Jio launched 5G in 4 cities; To cover India by end of 2023
- Telcos to Invest \$18 bn. to \$ 22 bn. in non-spectrum capex by FY25

## Telco plans fibre roll out

- Telcos expected to deploy more than 200,000 cable kms in next 18 to 24 months incl. preparation for 5G rollout
- Telcos expected to spend approx. \$1.5 bn. to \$2.5 bn. for fibre roll out for next 2 to 3 years

**With 5G launch in India, Telcos set to strengthen optical fibre networks**

# We are in a decade long investment cycle



## Multi-year network build cycle

1

### 5G

Increased demand of fibre due to cell densification

2

### FTTx

Increase in FTTx penetration & network modernisation by governments leading to increase in fibre demand

3

### Hyperscalers

Increased demand of fibre due to capex increase, particularly for edge datacentres

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



# STL Growth Strategy



|                  |                |                  |                            |                |          |
|------------------|----------------|------------------|----------------------------|----------------|----------|
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1

## Grow

### Optical Business



- Increase global OFC **market share** particularly in **US**
- Increase **OI attach rate**
- Develop industry leading **new products**

2

## Consolidate

### Services Business



- Focus on profitable projects in **strategic segments** in India & UK
- Build **sustainable revenue** with Operations and maintenance contracts
- **Reduce working capital** cycle

**Focus on strategic growth opportunities through a prudent capital allocation framework**

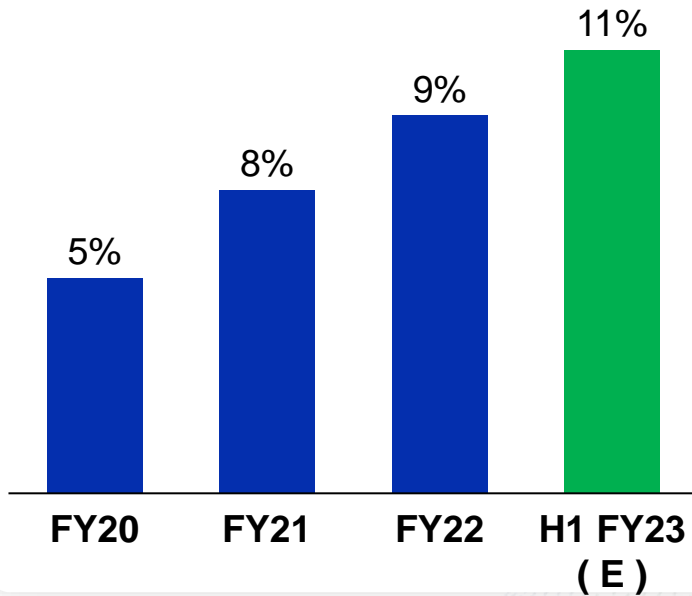


# 1 Grow Optical Business

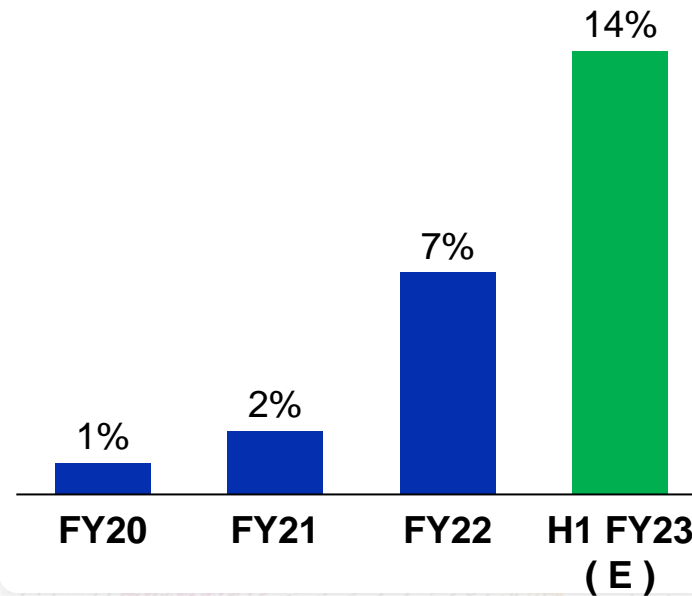
Increase OFC market Share | Won multi year OFC contract in North America



## Global ex-China OFC Market share



## Americas OFC Market share



## Secured

**multi - million dollar,  
multi - year contract  
with**

***a leading*  
North American  
broadband connectivity  
company**

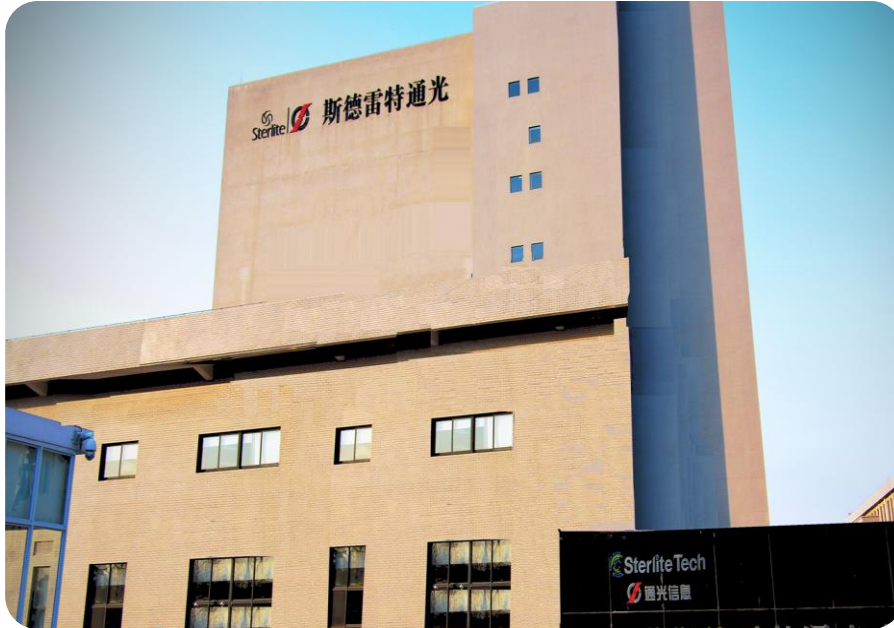
**Gaining market share through long term contracts in focus markets**

# 1 Grow Optical Business

Increase OFC market share | US OFC facility & China OF facility operational



## Optical Fibre Facility, China



## Optical Fibre Cable Facility, USA



**Aiming to reach full capacity utilisation by Q1 FY24**

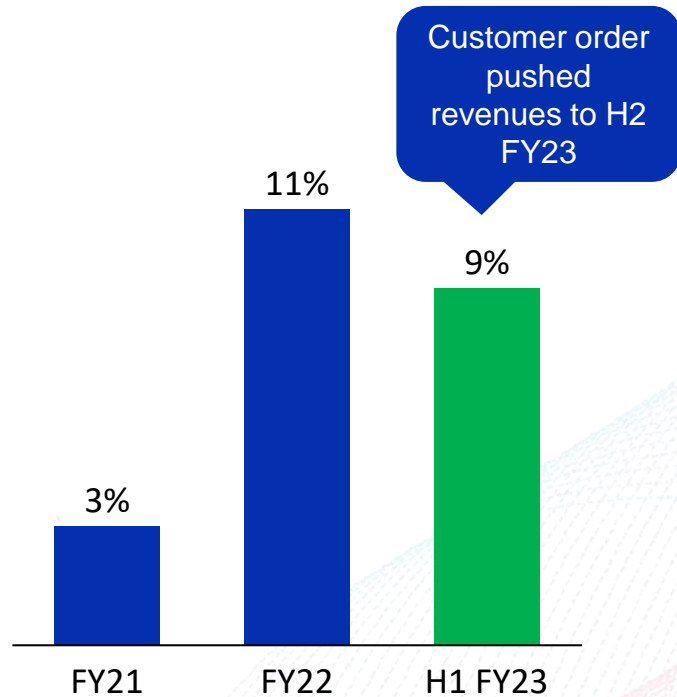


# 1 Grow Optical Business

## Increase Optical Interconnect attach rate



### Optical Interconnect attach rate



Opto- Bolt  
Terminal



Drop Cable



**Secured**

**multi - million dollar,  
multi - year contract**

**with**

***a leading*  
European Telco**

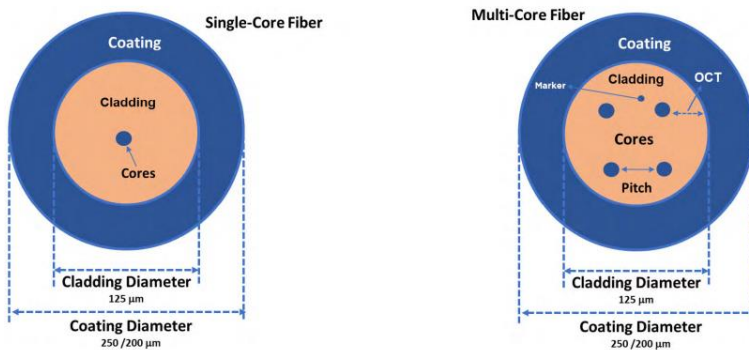
Plan to **reach attach rate** of 40% by FY25

# 1 Grow Optical Business

## Develop Industry first new products & solutions

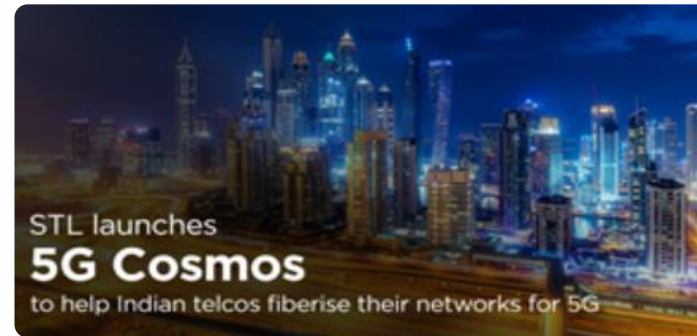


### Multiverse



India's first **multicore fibre** for 4x capacity for 5G networks and Fibre to the x networks

### 5G Cosmos



**Tower and small cell fiberisation solution** for 5G networks for Telcos

### Gram Galaxy



India focused solution for **rural fiberisation**. Integrated suite for network design, optical products, automated deployment and talent services

*"I am excited to see this optical fibre innovation from a homegrown company. STL's Multiverse fibre and cable will enable 4X capacity and play a vital role in 5G scale-up. I wish STL all the very best for their efforts towards supporting network build outs."*

Randeep Sekhon, CTO, Bharti Airtel



## 2 Consolidate in strategic segments in Global Services business

Focus on strategic segments | Growing order intake from telcos in India



Building high-performance, modern communication network for one of  
**India's leading telecom operators**



### Building order book by selectively targeting profitable projects in strategic segments

- Growing order intake in India
- Sustainable revenue with operations and maintenance contracts
- India margin inching to desired profitability, To further improve with revenue ramp up
- Target to be profitable in Services business in UK with execution ramp up by H1 FY24

Building profitable order book in **strategic segment** of Telcos

## 2 Consolidate in strategic segments in Global Services business

Build sustainable revenue | Project Execution on track



### India - Public

#### Transformative Rural digital inclusion

Telangana

57%  
Completed

Bharatnet Project in

#### Network Modernisation

PSU

57%  
Completed

### India - Private

#### Modern Optical Network

##### Fibre roll out

(Large Indian telco)

Phase - 1

100% Completed

Phase - 2

62% Completed

Phase - 3

0% Completed

#### Modern Optical Network

##### Fibre Roll out

15% Completed

### UK

#### Gigabit Networks

FTTH , UK

All Projects

4%  
Completed



## 2 Consolidate in strategic segments in Global Services business

### Focus on Strategic segments | Divested IDS business



#### Divested Equity interest in IDS to Hexatronic Group AB

- IDS operates in **niche segment** of inside datacentre connectivity & containment solutions
- Initial Consideration at GBP 9.6 mn. for STL stake of 80%, adjusted for cash & debt
- Earn out consideration on actual EBITDA over and above threshold EBITDA for year ended Dec. 2022
- FY22 revenue at INR 133 Cr. and PAT at INR 6 Cr.
- **Gain of INR 25 Cr.** over INR 117 Cr. book value

Non core divestment to **consolidate in strategic segments**

# Digital & Technology Solutions

## Reallocating capital & management bandwidth



### Pivoting to Digital business

- Building new capability to pivot from network software to digital business

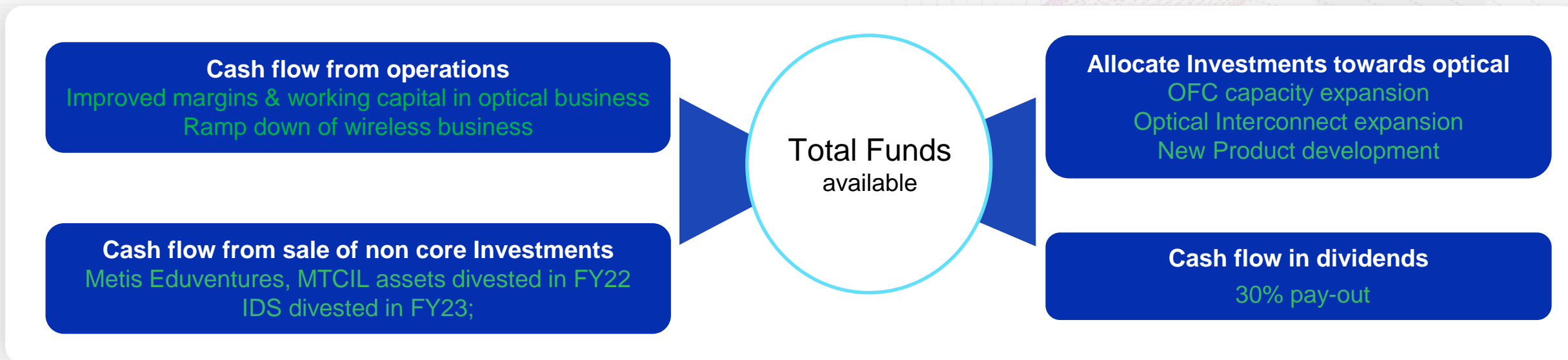
### Ramp down of Wireless business

- Envisioned disruption in RAN market through open, disaggregated & programmable Solutions
- Developed GA products & validated through PoC trials
  - Fully O-RAN compliant 7.2x split small cell and macro O-RUs
  - Industry leading RAN Intelligent Controller (RIC)
  - Programmable FTTx
- Ramp down of wireless business with no additional investments in capital & manpower from Q4 FY23 to redirect capital & management bandwidth to the core business

**STL Operating profit to go up by INR 40 Cr. ~ 50 Cr. per qtr.  
from Q4 FY23 onwards**



# Focus on strategic growth through prudent capital allocation framework



- Improve cash flow from operations by margin expansion & improvement in working capital cycle
- Allocate capital expenditure towards optical business
- Continue to divest non-core businesses

**Strong demand for Optical Fibre Cable & Optical Interconnect** : Multi-year network build cycle in full swing in our focus markets of North America, Europe and India.

**Ambition to achieve global leadership in Optical Business**: Continue to achieve strong market share gains in North America and Europe, increase attach rate in optical Interconnect and develop industry leading new products.

**Consolidation towards strategic segments in Global Services**: Building profitable order book in strategic segments in India. Aiming to achieve profitability in UK by H1 FY24.

**Focus on strategic growth opportunities through prudent capital allocation framework**: Allocating capital to optical business & release working capital from services business



# STL Financials

STL

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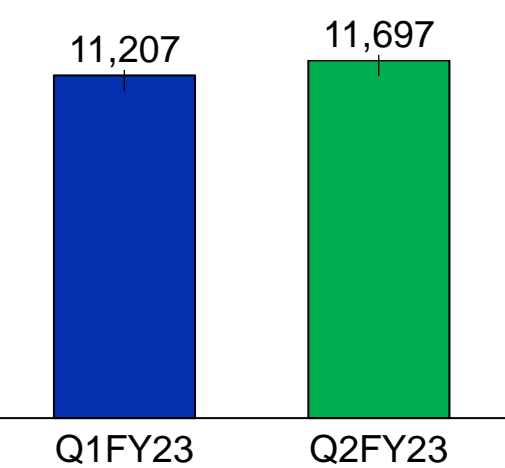
4  
**STL  
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Annexure

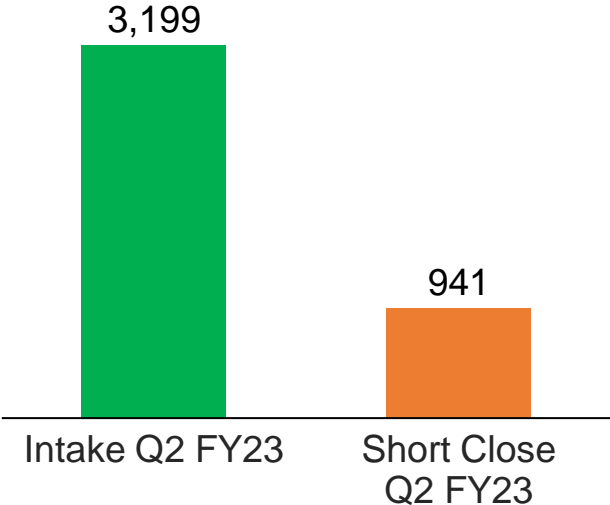
# Highest order book intake since last 3.5 years



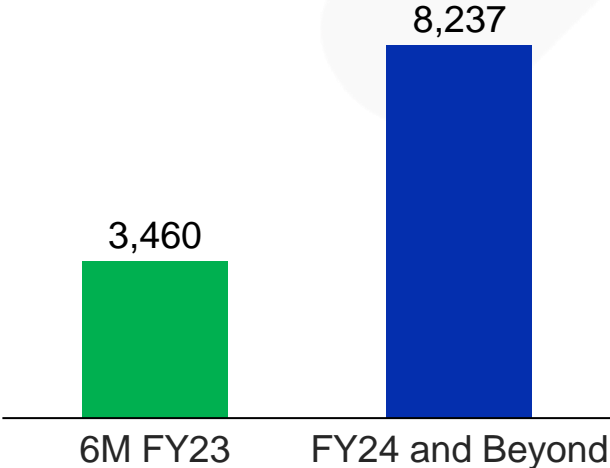
Open Order Book (INR Cr.)



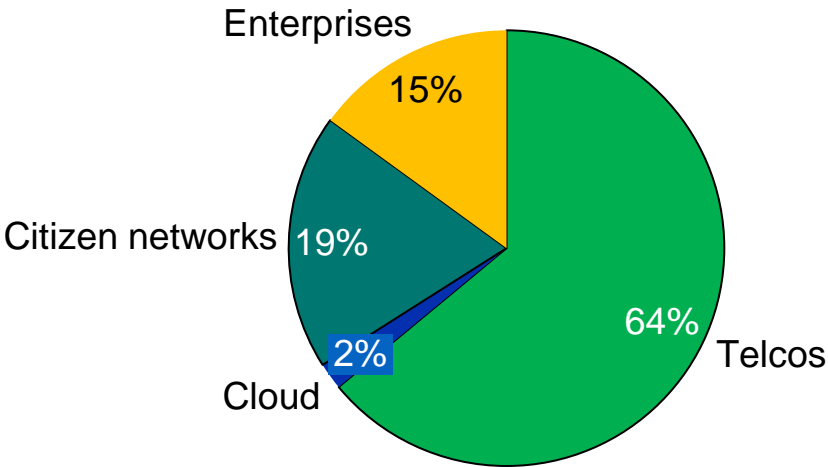
Order Book Intake & short closing (INR Cr.)



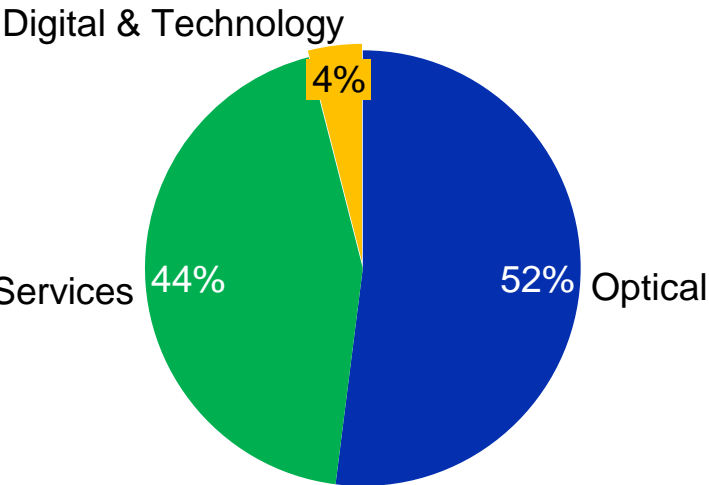
Order Book Spread (INR Cr.)



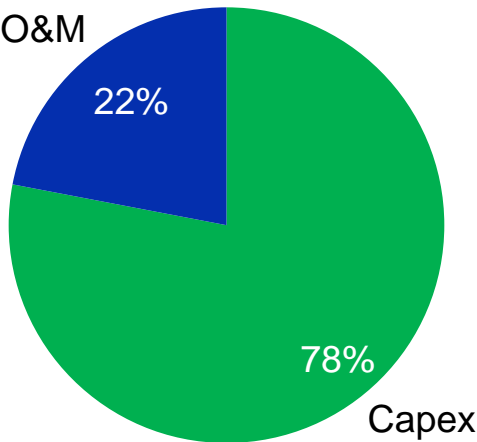
Open Order Book Customer wise



Open Order Book BU wise



Open Order Book Capex vs Opex



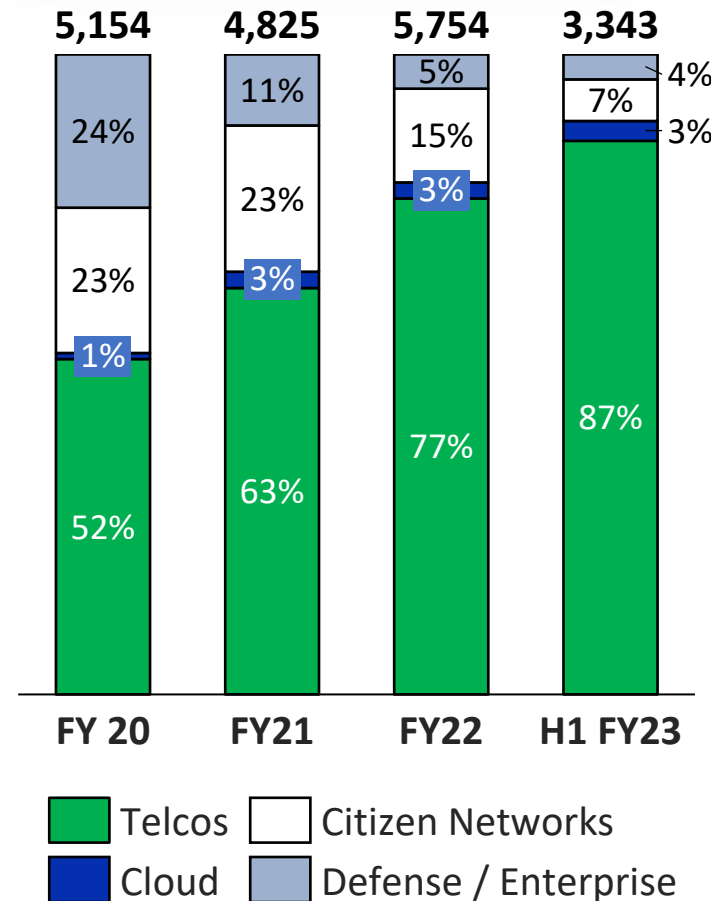
# Revenue mix is moving to segments and geographies of choice



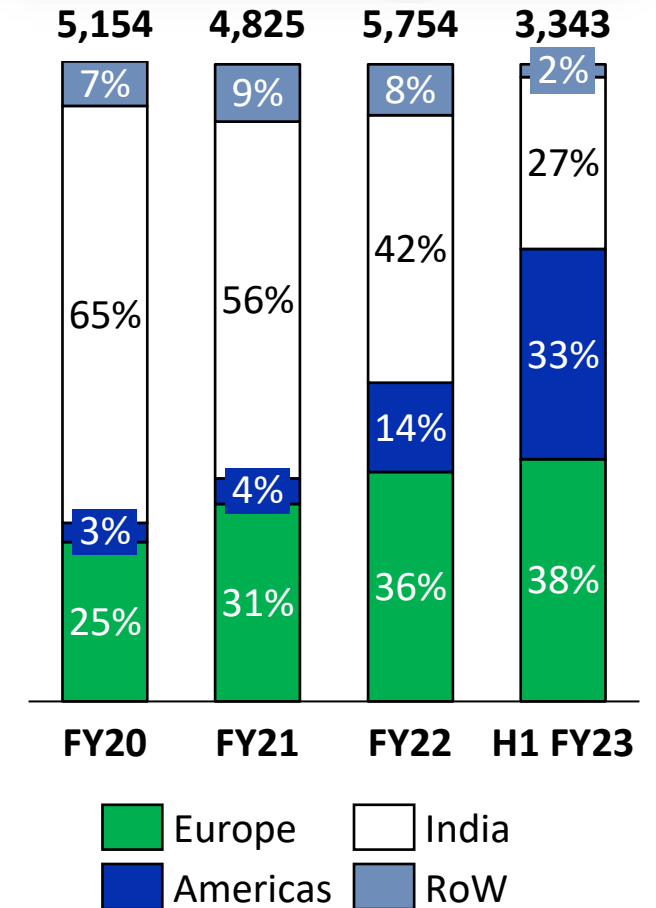
## Key Order Wins Q2 FY23

- **Multi million dollar, multi year contract with a leading North American broadband connectivity** player for optical fibre cable
- **Multi million dollar, multi year contract with a European telco** for optical interconnect
- **Optical Interconnect solutions** for a leading European Alt-net player
- Collaboration with **Vocus group, Australia** to provide Optical fibre cables
- National Long distance roll out in multiple states for a **leading Indian telco**
- Fibre roll out for a **leading Indian telco**

## Customer Segments Revenues (INR Cr.)

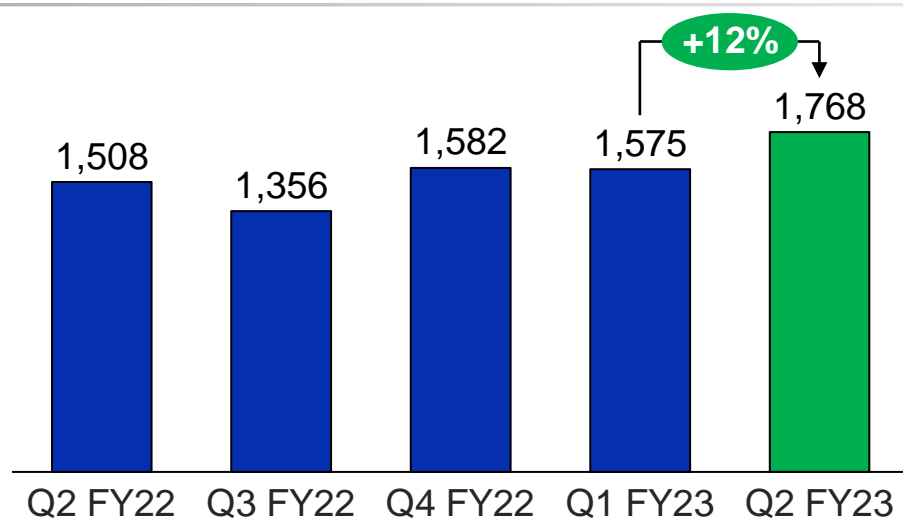


## Geographical Distribution Revenues (INR Cr.)

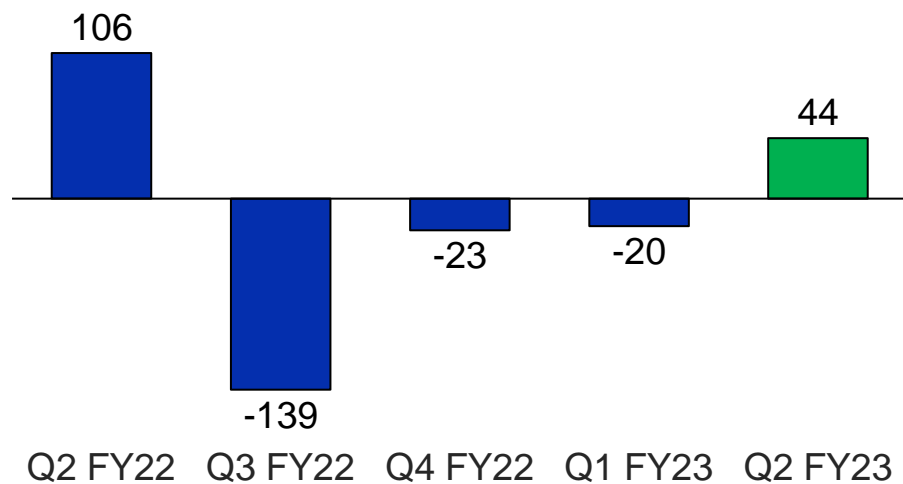




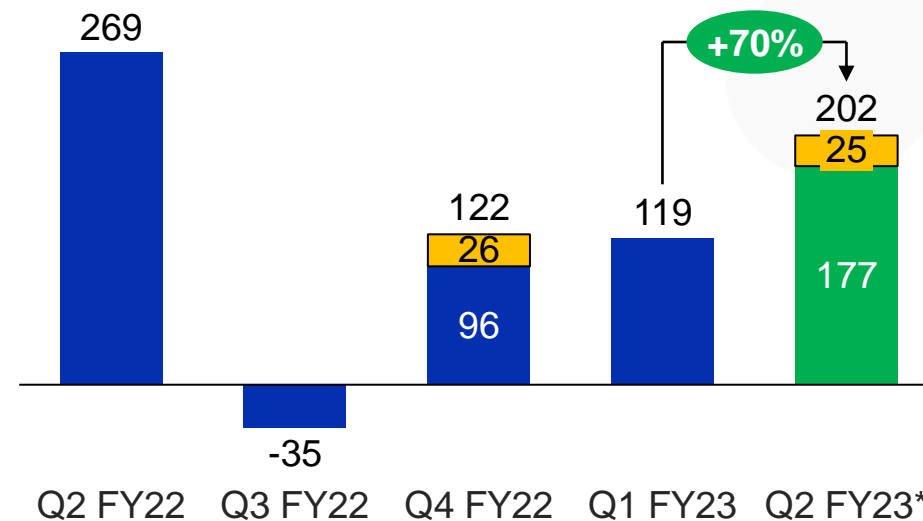
# Revenue up by 12%, EBITDA up by 70% QoQ



Revenue (INR Cr.)



PAT (INR Cr.)



EBITDA (INR Cr.)

Note: Q4 FY22 EBITDA includes INR 26Cr. gain on MTCIL sale  
Q2 FY23 EBITDA includes INR 25 Cr. gain on stake sale in IDS

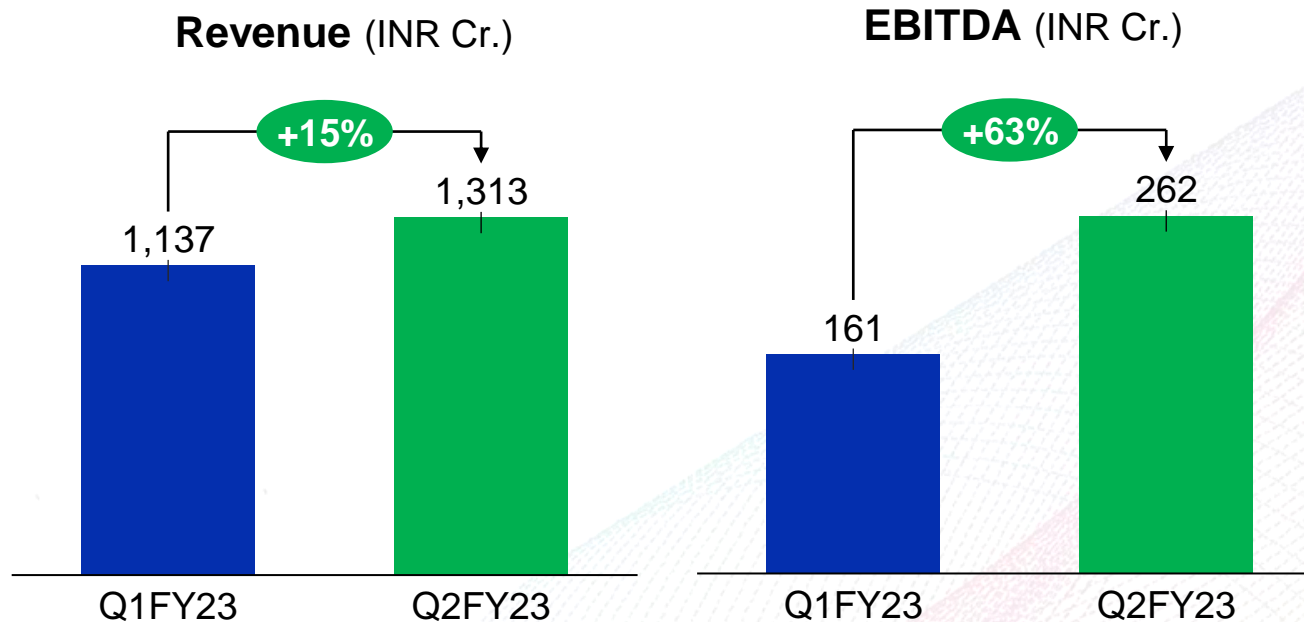
## Revenue grew by 12% QoQ

- Strong optical revenue growth
- Services revenue growth in focus segments

## EBITDA up by 70% QoQ

- Strong improvement in margins in optical business

# Profitable growth in Optical business



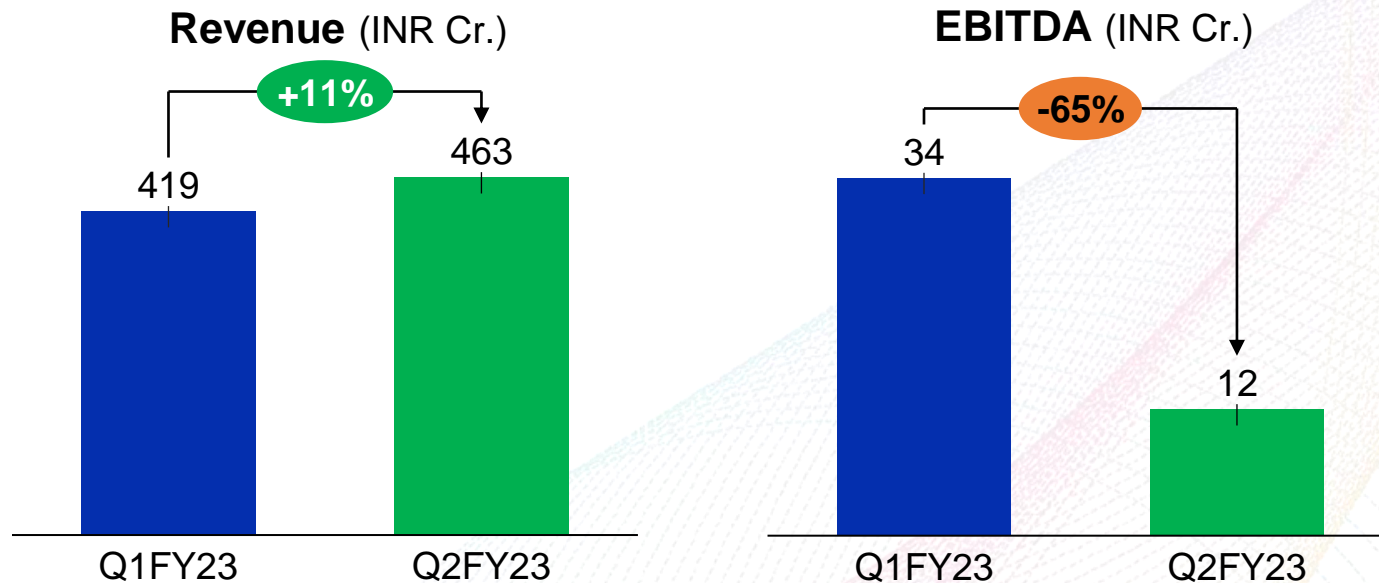
## Revenue up 15% QoQ

- OFC volume up
- OFC realization up due to product mix
- OFC realisation up due to price increase

## EBITDA up 63% QoQ

- Product mix shift towards higher margin products
- OFC Price increase flow through to margins
- Reduction in logistics cost

# Consolidation towards strategic segments in Global Services



## Revenue up by 11% QoQ

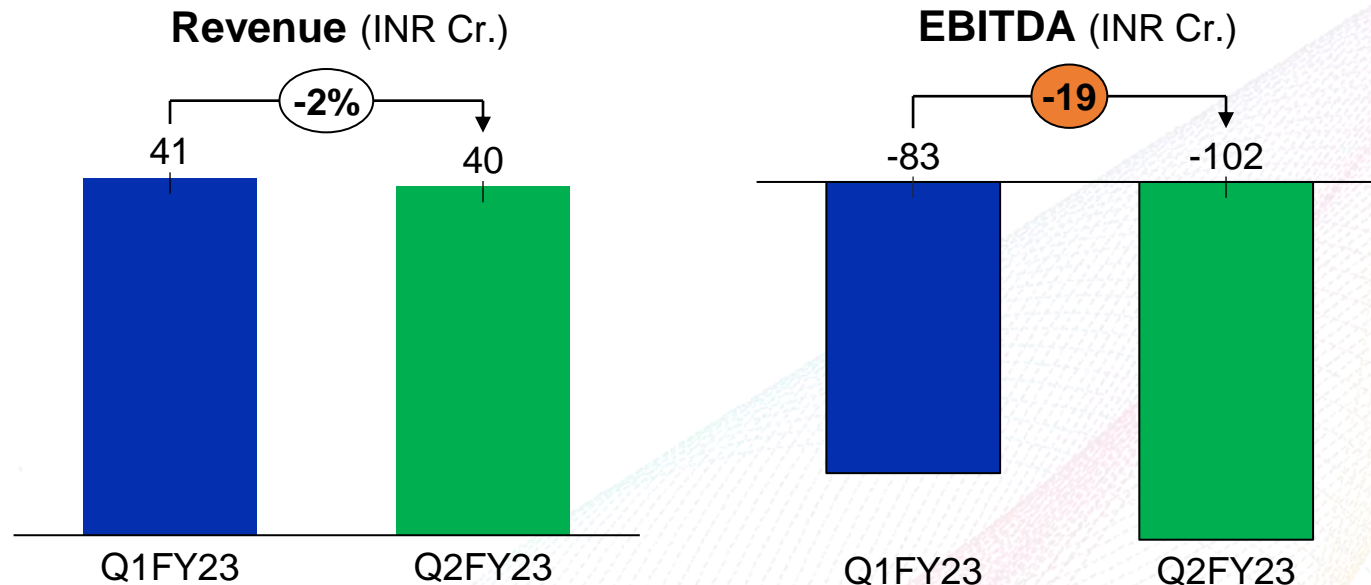
- Services India execution up

## EBITDA down 65% QoQ

- One time gain in Q1 FY23
- India margin inching to desired profitability
- UK business losses lowered overall segment margins. Target to be profitable in UK with execution ramp up by H1 FY24.



# Targeting profitability in Digital & Technology solutions in FY24



## Revenue down by 2% QoQ

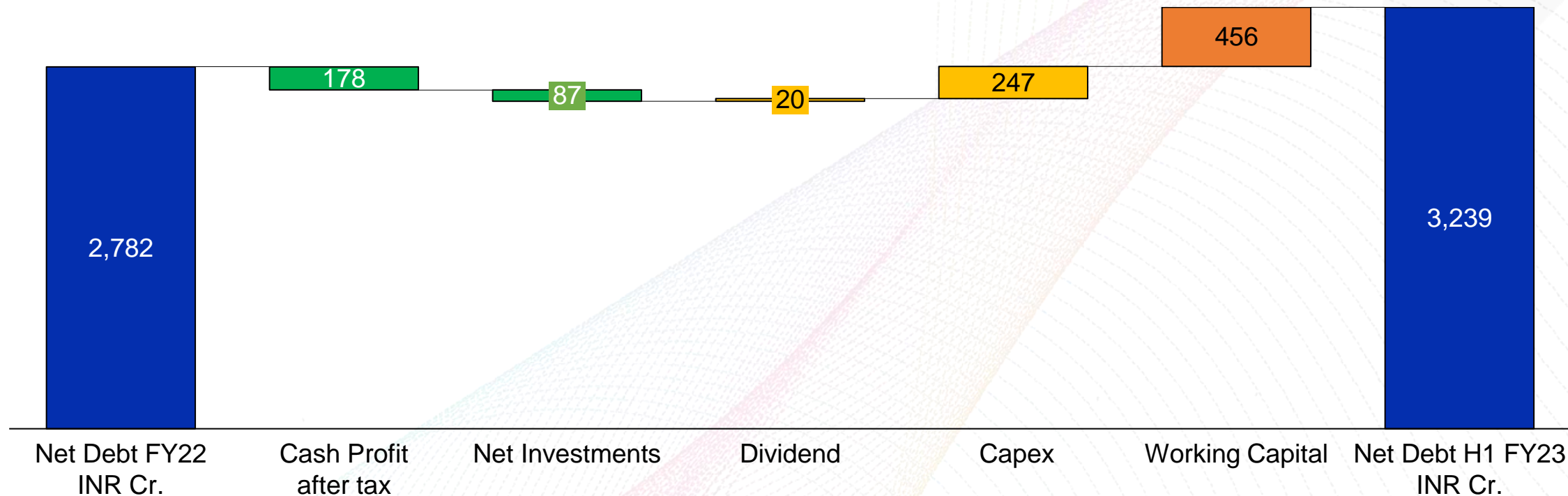
- Building new capability to pivot from network software to digital business

## EBITDA down by INR 19 Cr. QoQ

- Higher initial upfront manpower costs in digital business
- Operating profit to improve by INR 40 ~ 50 Cr. in this segment by Q4 FY23

# H1 FY23 Cash Flow

Working capital increase due to contract assets in services business



Target to reduce **Net Debt / EBITDA** by Q4 FY23

# Consolidated Financials: Abridged Version



| P&L (INR Cr.)  | FY20         | FY21         | FY22         | Q1 FY23      | Q2 FY23      |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>   | <b>5,154</b> | <b>4,825</b> | <b>5,754</b> | <b>1,575</b> | <b>1,768</b> |
| <b>EBITDA</b>  | <b>1,104</b> | <b>854</b>   | <b>594</b>   | <b>119</b>   | <b>202</b>   |
| <b>EBITDA %</b>  | <b>21%</b>   | <b>18%</b>   | <b>10%</b>   | <b>8%</b>    | <b>11%</b>   |
| Depreciation   | 290          | 285          | 329          | 82           | 82           |
| <b>EBIT</b>  | <b>813</b>   | <b>568</b>   | <b>265</b>   | <b>37</b>    | <b>120</b>   |
| Interest   | 221          | 203          | 241          | 69           | 78           |
| Exceptional Gain/(loss)                                    | (51)         | -            | 16           |              |              |
| <b>PBT</b><br>(Before share of Associates and JV)          | <b>542</b>   | <b>365</b>   | <b>40</b>    | <b>(32)</b>  | <b>42</b>    |
| Tax  | 109          | 111          | 14           | (8)          | 4            |
| <b>Net Profit<sup>1</sup></b><br>(After minority Interest) | <b>434</b>   | <b>275</b>   | <b>60</b>    | <b>(20)</b>  | <b>44</b>    |

| Balance Sheet (INR Cr.)                           | FY20         | FY21         | FY22         | H1 FY23      |
|---|--------------|--------------|--------------|--------------|
| <i>Net Worth</i><br>(including minority interest) | 2,023        | 2,085        | 2,047        | 2,006        |
| <i>Net Debt<sup>2</sup></i>                       | 1,970        | 2,410        | 2,782        | 3,239        |
| <b>Total</b>                                      | <b>3,993</b> | <b>4,495</b> | <b>4,829</b> | <b>5,245</b> |
| <i>Fixed Assets<sup>3</sup></i>                   | 2,502        | 2,664        | 2,975        | 3,040        |
| <i>Goodwill</i>                                   | 122          | 292          | 270          | 200          |
| <i>Net Working Capital</i>                        | 1,369        | 1,539        | 1,584        | 2,005        |
| <b>Total</b>                                      | <b>3,993</b> | <b>4,495</b> | <b>4,829</b> | <b>5,245</b> |

<sup>1</sup> Profit after tax attributable to owners of the company

<sup>2</sup> Total borrowings (-) cash and cash equivalents and current investments

<sup>3</sup> (Property, plant and equipment (+) capital work-in-progress (+) other intangible assets (+) capital advances (+) non-current investments (-) payables for purchase of property, plant and equipment (-) redemption liability (-) lease liability





Company  
Overview

1  
STL  
Businesses

2  
Industry  
updates

3  
STL growth  
strategy

4  
STL  
financials

**Annexure**

## With a strong board in place



**ANIL AGARWAL**  
Non-Executive Chairman



**PRAVIN AGARWAL**  
Vice Chairman And Whole-  
Time Director



**ANKIT AGARWAL**  
Managing Director and  
Whole Time Director



**SANDIP DAS**  
Non-Executive And  
Independent Director



**KUMUD SRINIVASAN**  
Non-Executive And  
Independent Director



**B.J ARUN**  
Independent Non-Executive  
Director



**S. MADHAVAN**  
Independent Non-Executive  
Director

# Key Management People



**Pravin Agarwal**  
Vice Chairman & Whole time Director



**Ankit Agarwal**  
Managing Director & Whole time Director



**Paul Atkinson**  
CEO, Optical Network Business



**Praveen Cherian**  
CEO, Global Services Business



**Raman Venkatraman**  
CEO, STL Digital



**KS Rao**  
Chief Corporate Officer



**Amit Deshpande**  
Company Secretary

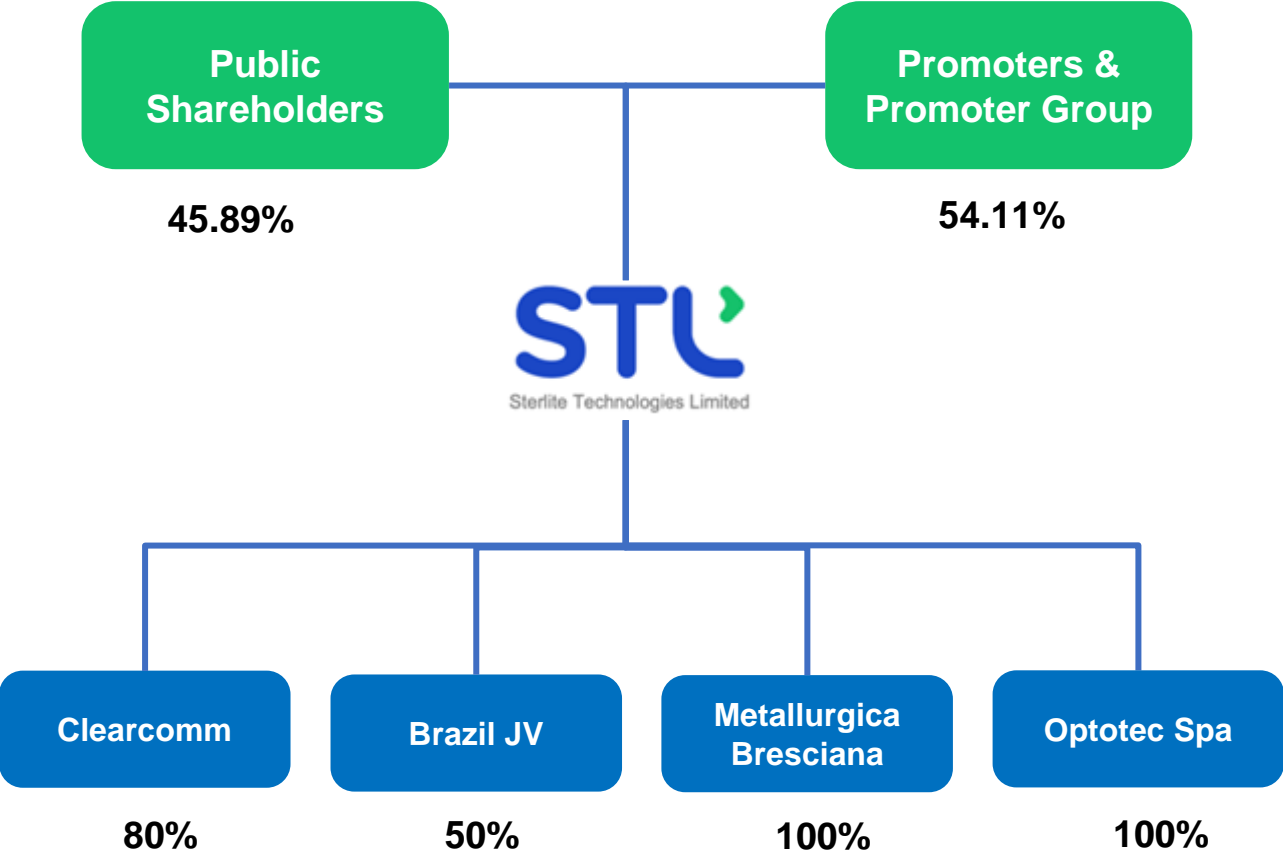


# Corporate structure and shareholding pattern



## Corporate structure

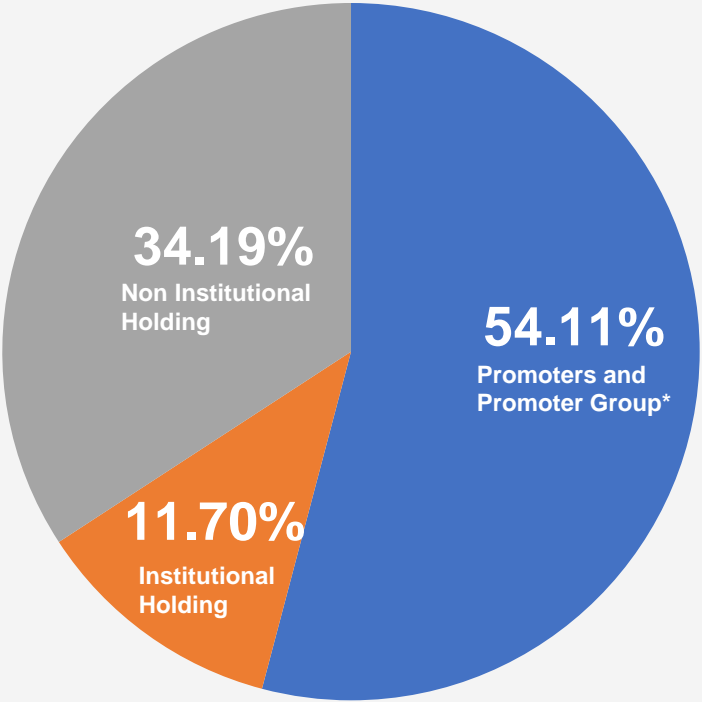
As on Sep 30th, 2022



Key JV / Acquisitions

## Shareholding pattern

As on Sep 30th, 2022



# STL in Numbers



**INR 3,343 Cr.**

**H1 FY23 Revenue**  
Americas (33%),  
Europe (38%), India (27%), RoW(2%)

**Customers in**  
**100+** countries

**9**  
**Global production facilities**

**4**  
**Innovation Centres**

**Global Services**  
CoE's in India and UK

GLOBAL FOOTPRINT



**742**  
**PATENTS**  
as on end of Q2 FY23

**Zero**  
**WASTE TO LANDFILL**  
Italy, Shendra, Rakholi,  
Dadra

**Great place to  
work, BCG,  
Gartner**  
Recognized by the best



beyond tomorrow