



Earnings Call Q2 FY'20

24th October 2019



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**Year till date
H1 FY'20**



**New
Solutions
Launched &
Capacity
Expanded**

**Inroads into
New
Customers
& Geographies**

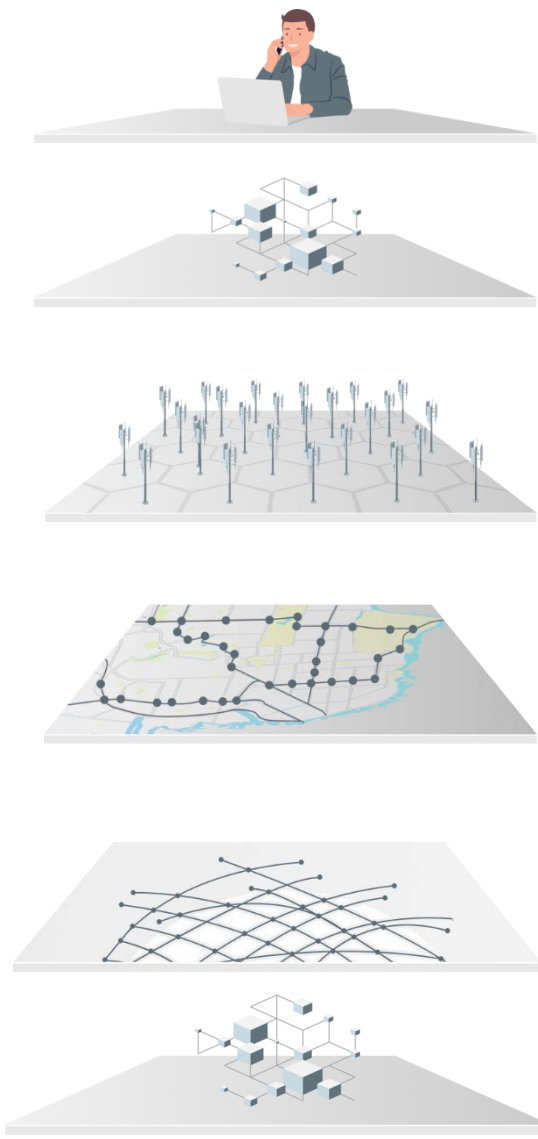
**Acquired
Capabilities**

**Investment
into 5G
readiness**

H1 FY'20: New Solutions Launched & Capacity Expanded



**New
Solutions
Launched &
Capacity
Expanded**



AI Driven

Engagement

Intelza

Affordable & Edge

Virtualization



Hyper Scale & Fast

Deployment



Algorithmic & End to End

Design



Hyper Scale Optical

Connectivity



On boarded

New Capacity

State of the Art plant, set up in record time!

H1 FY'20: Inroads into New Customers & Geographies



Inroads into New Customers & Geographies



01 Expanding horizon

Servicing Global Customers with Network Integration & Design!



03 Serving News Customers

26 new organically; Inorganically – 2 Key customers with several others



02 Serving New Countries

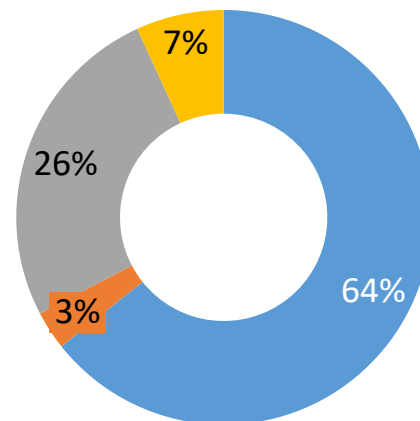
Inroads of connectivity products into 2 new countries



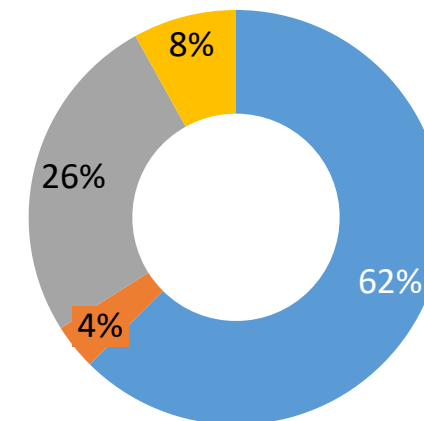
04 Extended offerings

Passive connectivity products offerings to end customers

Q1 FY'20 Revenue



Q2 FY'20 Revenue

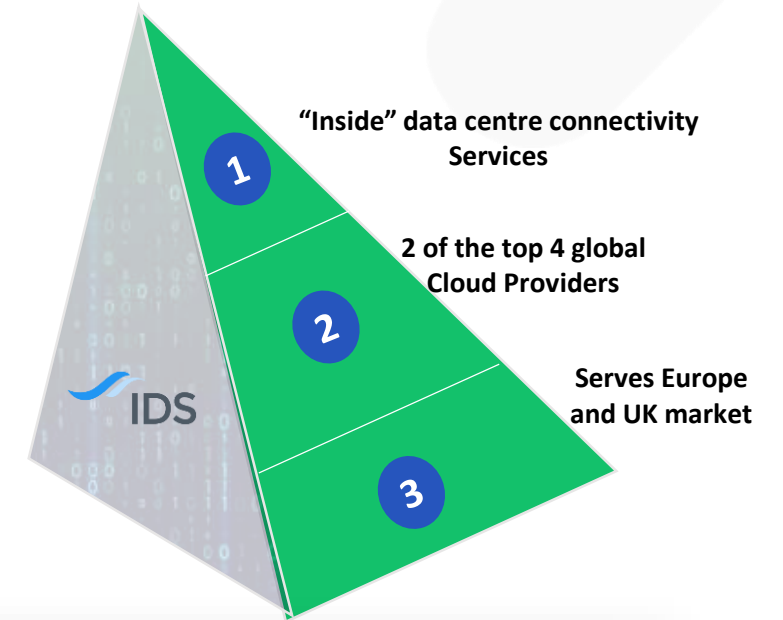
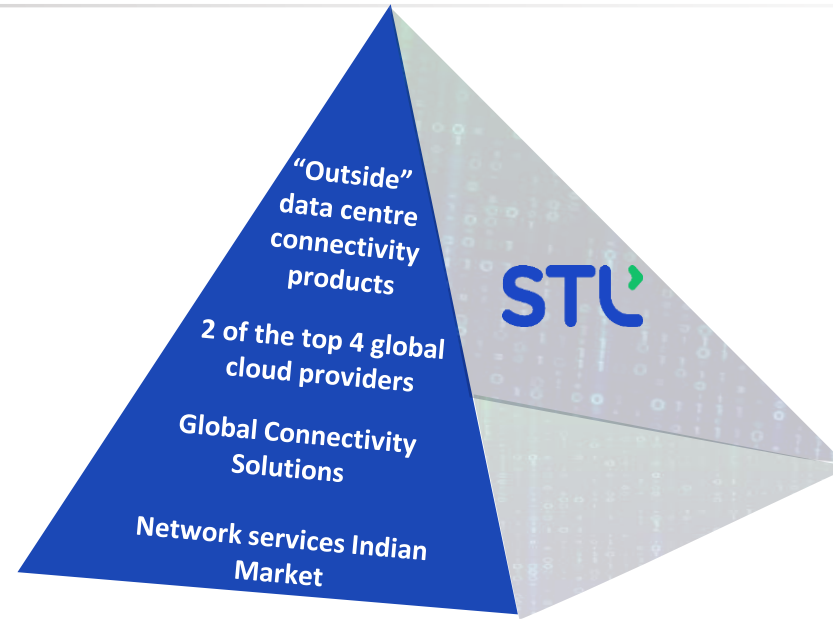


India China Europe ROW

H1 FY'20: Acquired New Capabilities



Acquired Capabilities



With IDS, STL now has access to 3 of the top 4 global cloud providers





283

Patents
Globally

**Investment
into 5G
readiness**

3

Innovation
Centres

Accelerated Investments in R&D towards

5G

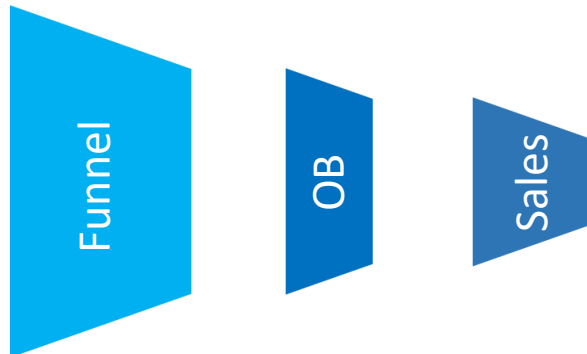
Evidenced by



Increased Customer Traction



Day long tech sparks



Attracting Global Best Talent



Silviu Moscovici
Chief Customer Officer



Stan Fiala
Head Customer Business Unit- APAC



Peter Arnoff
PLM Head – OF & OFC

Industry Recognitions



APEX INDIA FOUNDATION
RECOGNISING EXCELLENCE*SPREADING AWARENESS

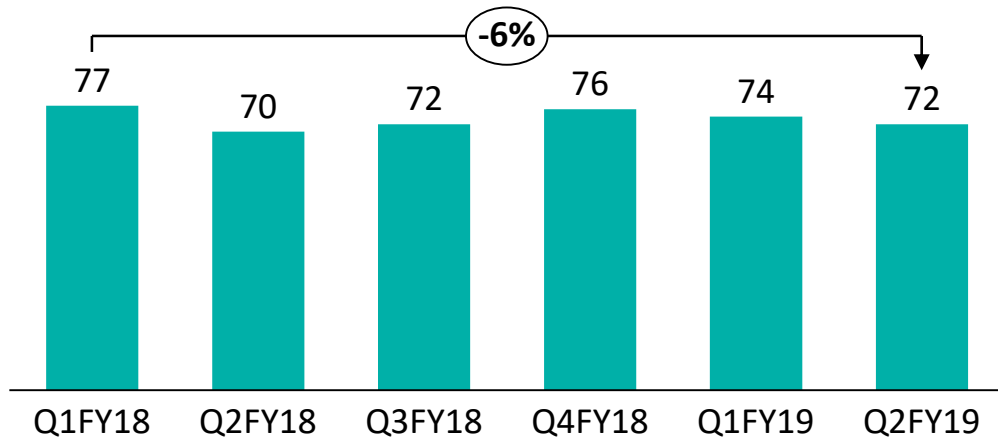


Outlook for H2 FY'20 & Beyond



2019 - Year of Pause for Telco Industry Globally

Global Telco Capex



Flattish Capex: Global Telcos decline by 2.5% in last 6 Qtrs

Macro Trends across the Industry

A Co-building and Sharing of 5G Mobile Access Network:



B Divestment of Fiber assets

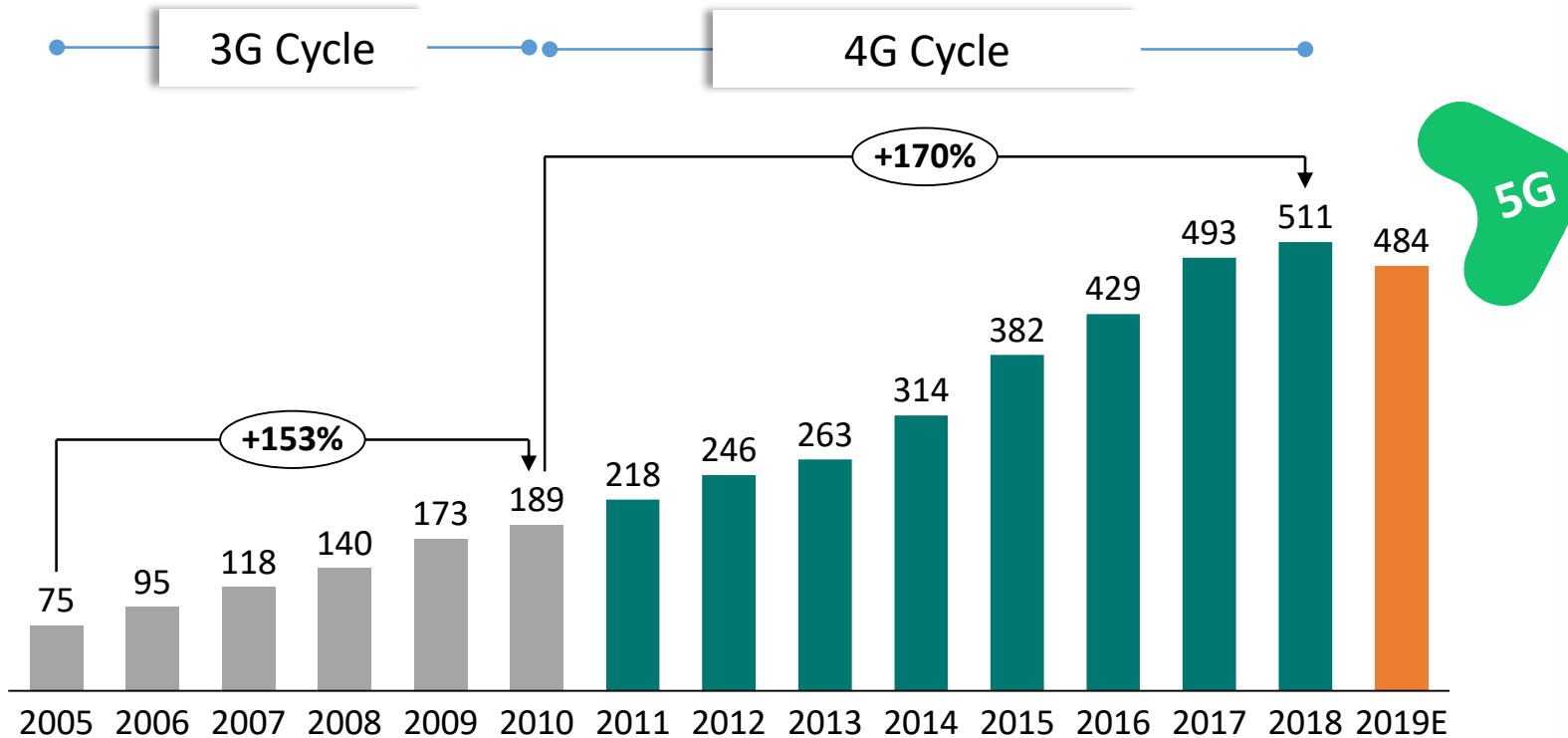


C Transition phase b/w 4G and 5G

4G Capex → Maturing/Declining

5G → Globally Telcos gearing up for investments

Global Fiber Demand to see a Decline in 2019 after 15 years of Y-O-Y Growth



- The dip is largely on account of China slowing down after a massive 4G build out
- India is also showing signs of weakened demand on account of Jio spending pause and other incumbents deferring their capex investments

Fiber Demand across Geographies

CY'19E vs CY'18

N. America ↑
8% Growth

CHINA ↓
13% Degrowth

EUROPE ↑
Fastest growing market
9% Growth

INDIA ↓
18% Degrowth

We Are Currently Seeing Signs of Order Deferment and Slow Uptake From our Customers Globally



Impact

- Resulting in flattish volumes for fiber and cable coupled with lower than expected network creation for Indian Telcos
- Low order booking during H1 FY'20, vs our initial estimates
- Some pricing pressures because of short term over supply situation created to address the expected 5G demand in future

FY'20 Outlook

- H2 profitability expected to be weaker than H1 (as of current visibility)
- Bottom line impact because of low utilization of new capacities created
- Revenue growth to continue, led by our network integration vertical
- Higher interest cost and depreciation cost vs last year, partially offset by reduction in tax rates
- Accelerated Investments in R&D towards 5G

We remain excited on the future prospects of our Industry



5G

*has
arrived*

**Massive
Data Centres**

*by cloud
companies*

**Connected
Everything**

*Enterprises
embrace IoT*

Virtualization

*Software
disrupting
networks*

**Characteristics of
these New Age
Networks**



Denser Networks



**Vendor neutral and
disaggregated**



Deep Fiberization



**Compute and storage
at the Edge**

5G is now a reality, with a strong 10 year capex cycle

Data rich communications

Agile Automation

Industrial IoT requirements

Ultra reliable low-latency communication (URLLC)

Private 5G Networks

Machine enhanced decision making

Virtualisation

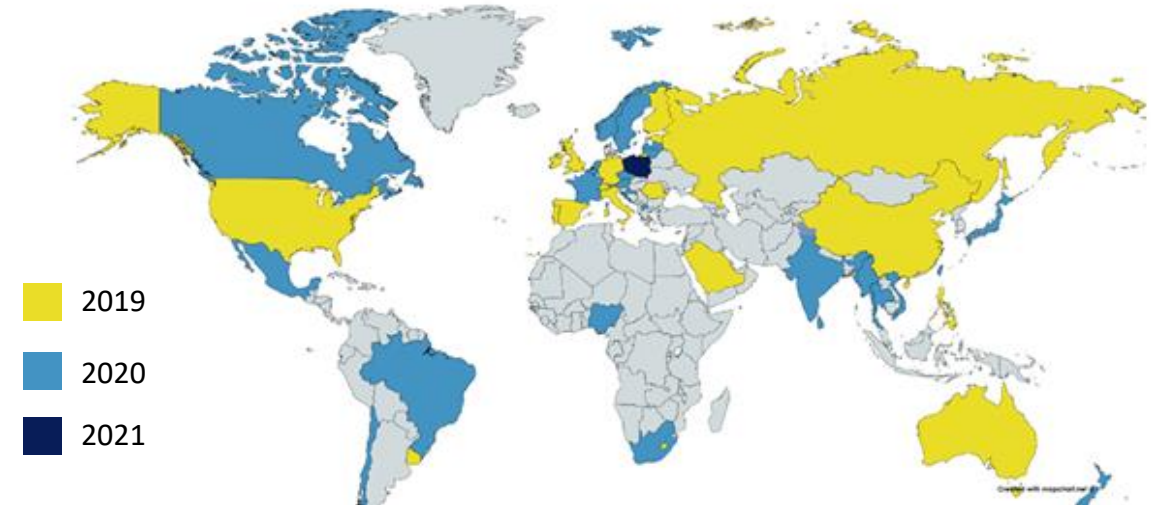
Time Sensitive Networking (TSN)

Licensed, shared & Unlicensed spectrum

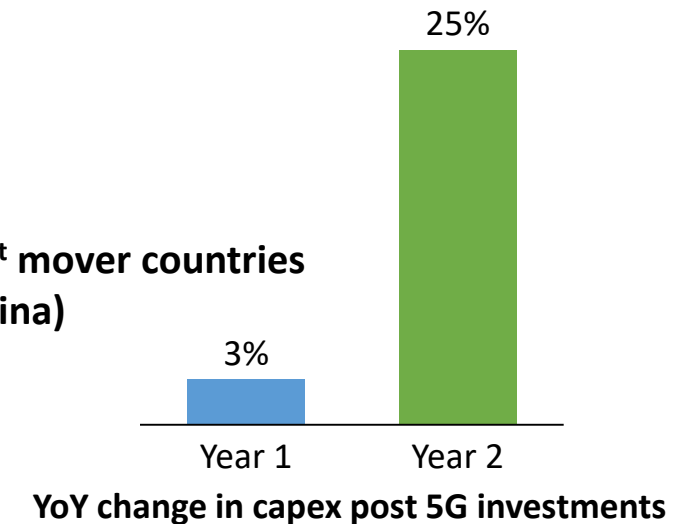
Massive/Critical machine type communication

- ✓ 25 countries to have multi-city commercially available 5G services by the end of 2019
- ✓ Majority to happen in 2020

Global 5G deployment timescale



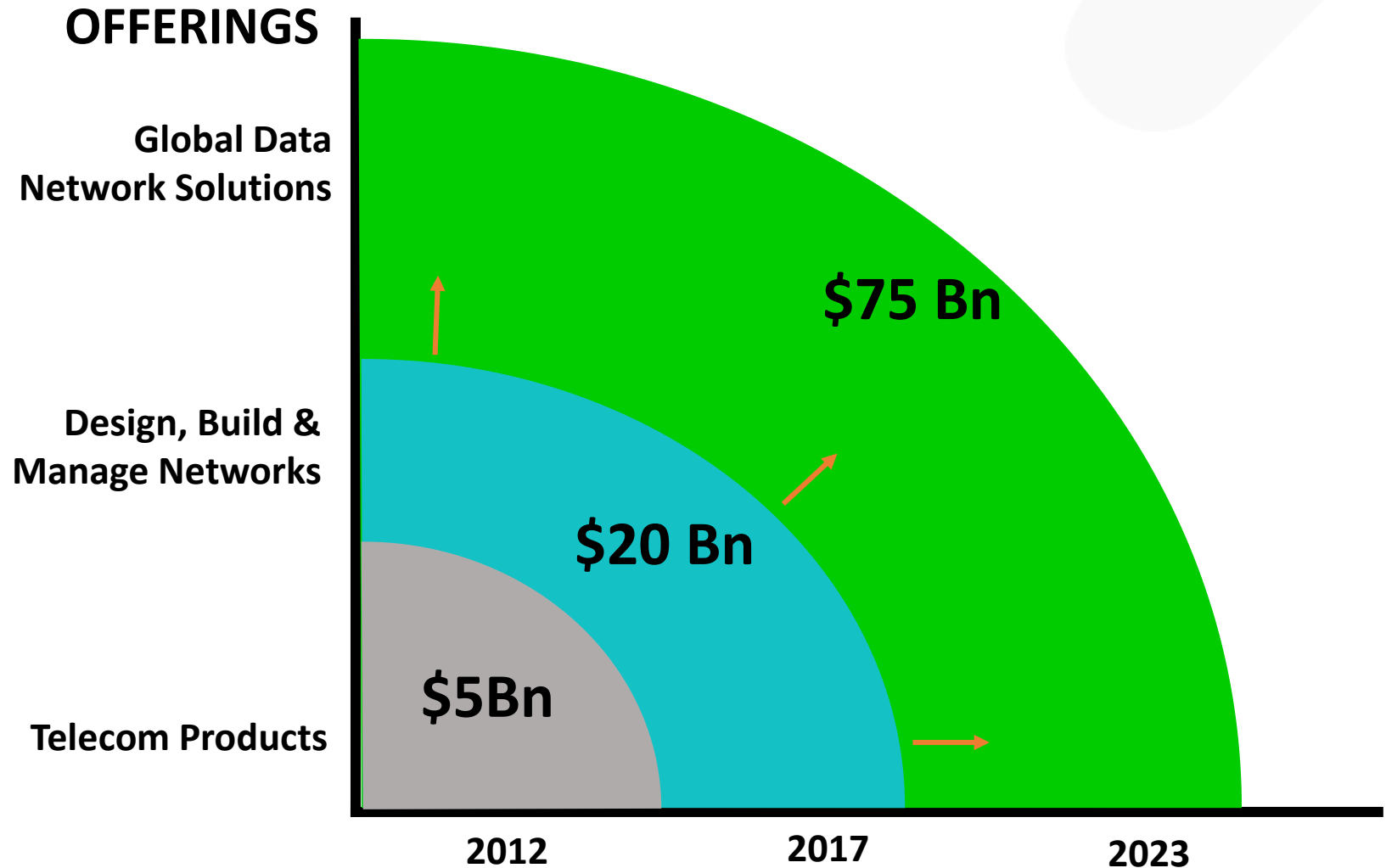
Capex for the 1st mover countries (US, Korea & China)



Our Strategy: To increase our addressable market and be more relevant to our customers



- 1 Investment Deep in Technology
- 2 Deep Customer Engagement
- 3 Building Strong Talent Pool
- 4 World Class Execution



Q2 FY'20 Performance



Q2FY'20 – Sustainable Delivery of Performance



₹ 1,360 Cr

Revenue

25% Y-o-Y increase



₹ 298 Cr

EBITDA

7% Y-o-Y increase



₹ 160 Cr

PAT*

22% Y-o-Y increase



23%

ROCE



38%

% Exports



₹ 8,132 Cr

Order Book



283

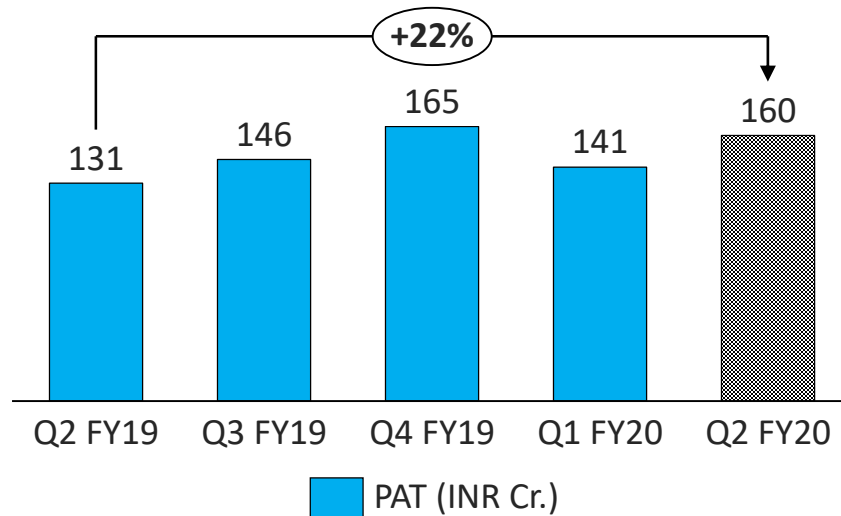
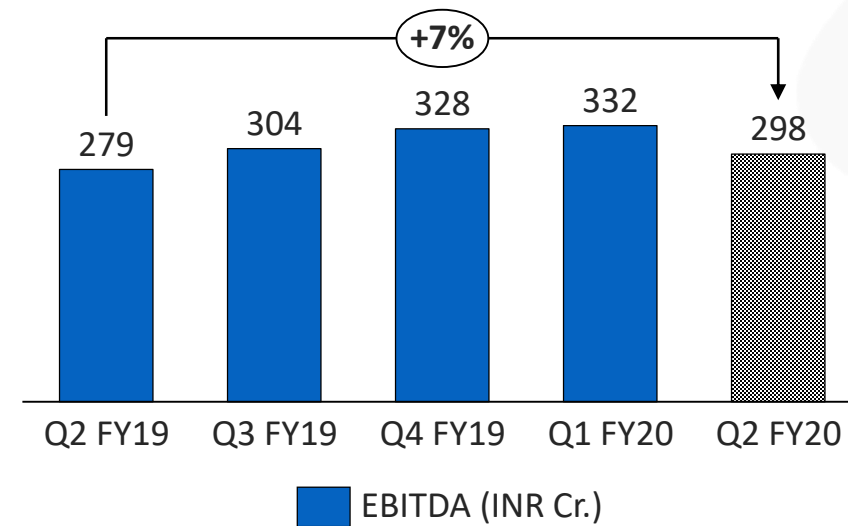
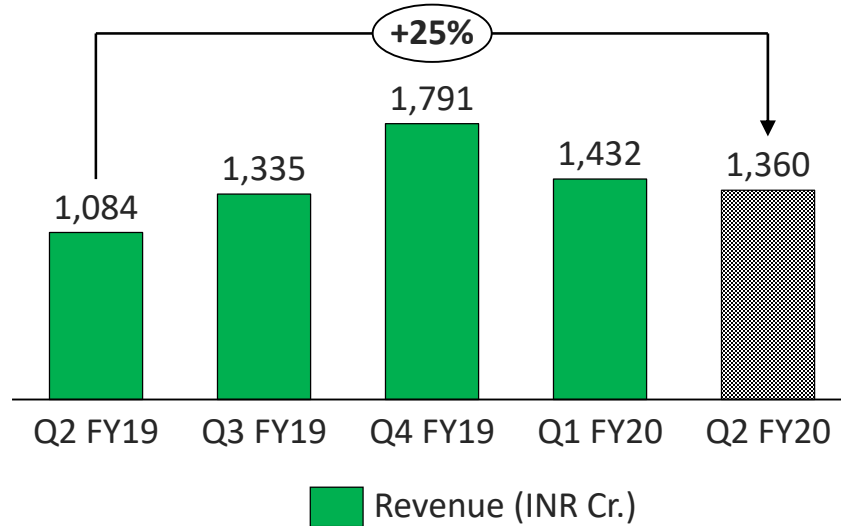
Patents



~20%

New Product to Revenue

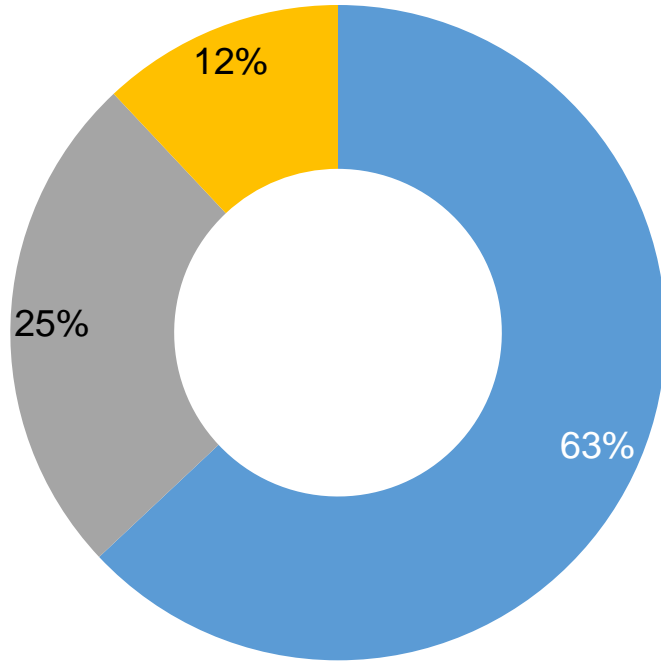
Delivering Sustainable Growth



- Revenue Rs. 1,360 Cr. (25% y-o-y growth)
- EBITDA Rs. 298 Cr. (7% y-o-y growth)
- PAT Rs. 160 Cr. (22% y-o-y growth) inclusive of effect of change in Corporate Tax Rates in Q2

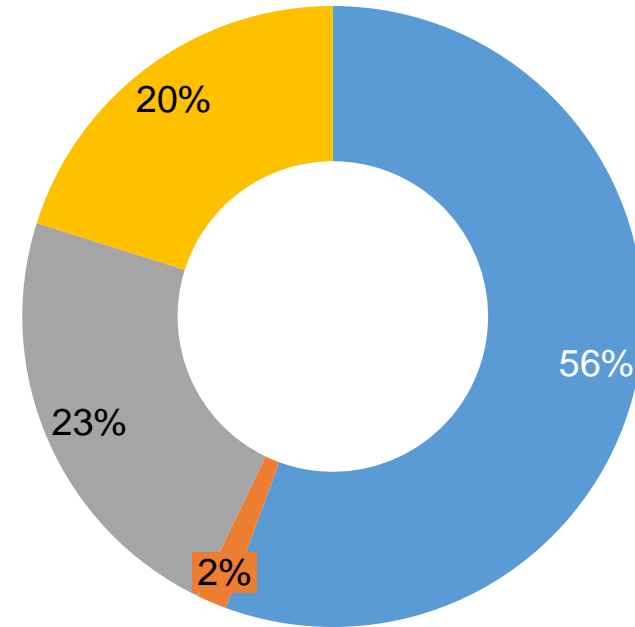
Diversified Customer Segment

FY'19 Revenue



INR 5,087 Cr

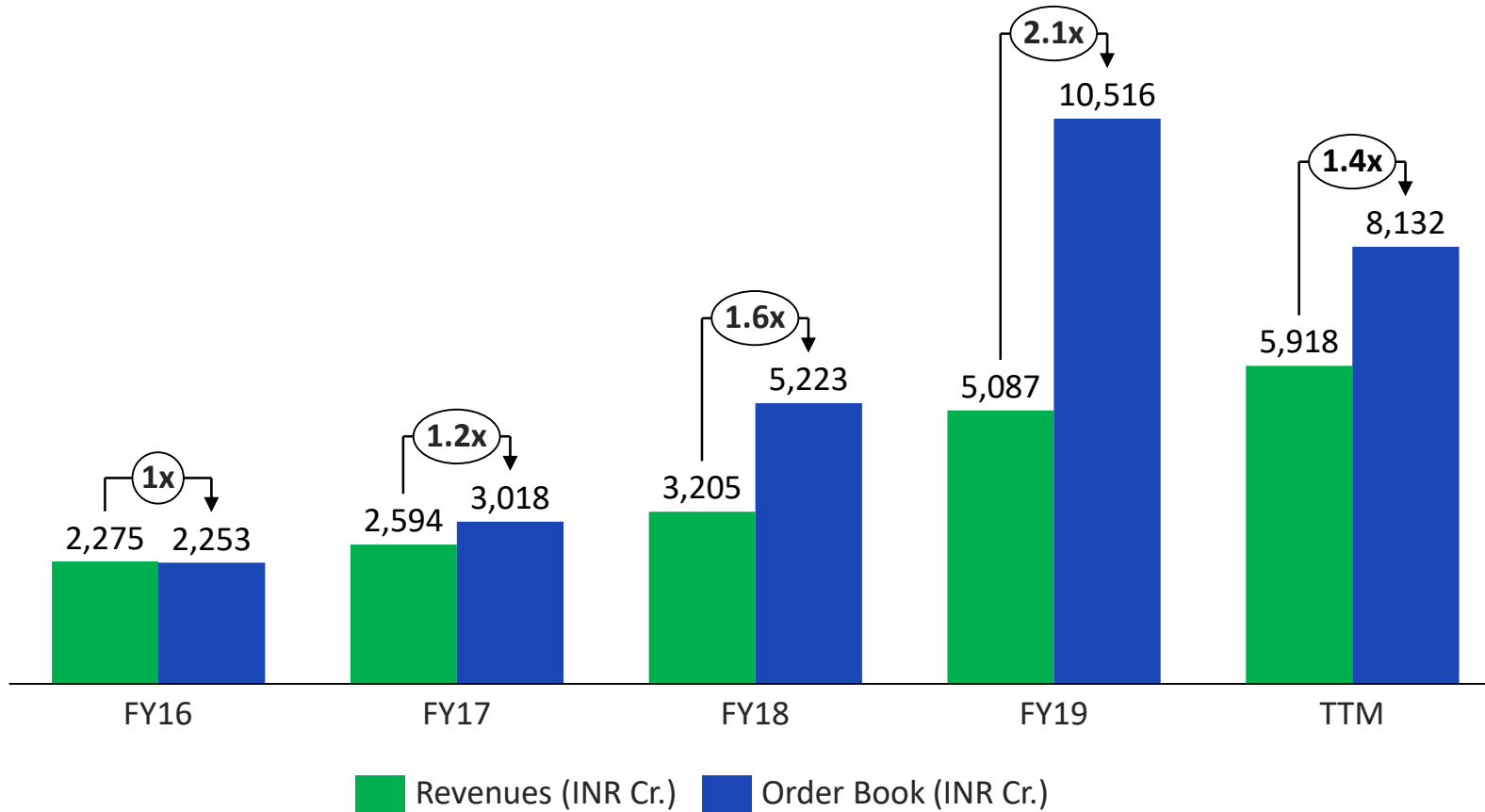
H1 FY'20 Revenue



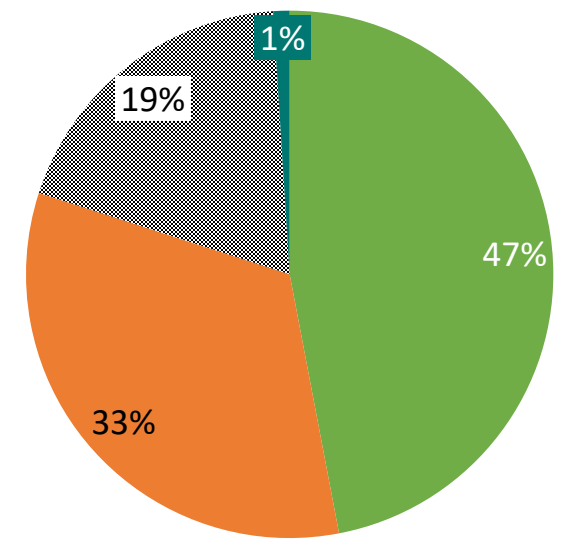
INR 2,792 Cr

Telcos Cloud Players Enterprises Citizen Networks

Order Book is High on Priority for H2 FY'20



Order-book mix (H1 FY'20)



- Telcos
- Enterprise
- Citizen Networks
- Cloud Players

Growth

- Profitable Organic Growth
- EPS accretive strategic acquisitions
- Commitment to R&D and Talent

Earnings

- Drive sustainable EPS growth
- Attain earning objectives across economic cycles
- ROCE > 25%

Capital Allocation

- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Stated dividend policy with consistent returns to shareholders

Strong Corporate Governance

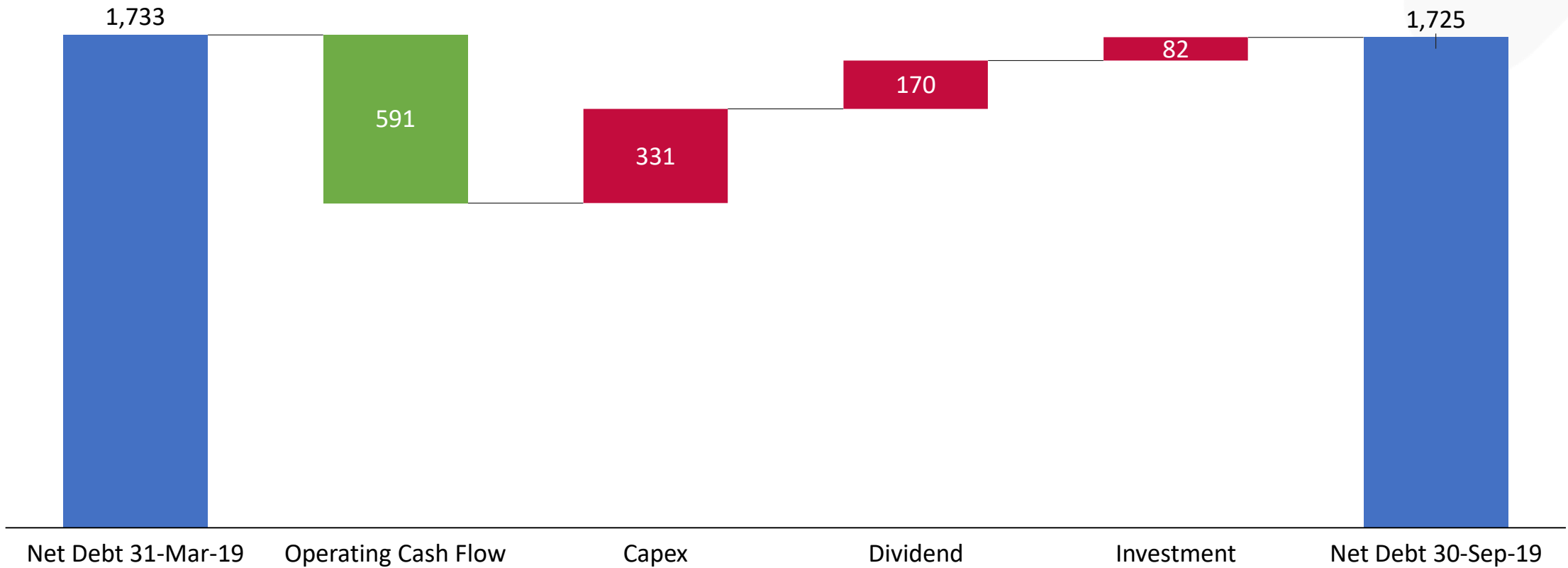
Financial Performance



P&L (INR Cr.)	FY'19	H1 FY'20	Q2 FY'20
Revenue	5,087	2,792	1,360
EBIDTA	1,164	630	298
EBITDA %	23%	23%	22%
Depreciation	195	143	75
EBIT	969	486	223
Interest	105	106	60
PBT	864	380	163
Tax	278	77	3
Net Income (After Minority Interest)	563	301	160
ROCE %	34%	25%	23%

Balance Sheet (INR Cr.)	FY'19	Q2 FY'20
Net Worth	1,815	1,890
Net Debt	1,733	1,725
Total	3,548	3,615
Fixed Assets	2,356	2,524
Goodwill	107	166
Net Working Capital	1,085	925
Total	3,548	3,615

Debt Profile and Cash Flows



- ✓ Net Debt to Equity consistent at less than 1x
- ✓ Positive Free Cash Flow Generation of Rs. 260 Crore in H1 FY'20



36

Tribal locations in
Silvassa now receiving
quality healthcare from
24 in FY 18-19



5,300 MT

CO₂ emissions
reduced through SURE
packaging



99% Efficient

Rakholi OFC Plant Zero
Waste Landfill best
practices being replicated
across manufacturing
locations



1st

Communication on
Progress published on the
UN Global Compact
website



37,000+

Lives impacted through
Education initiatives



10

Awards won for excellence in CSR &
Sustainability



16 SHGs

Comprising of over 200
women created through the
Jeewan Jyoti programme



beyond tomorrow