



23 April 2019

# Earnings Call– Q4' FY19



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# Anand Agarwal

## CEO



# FY'19 – Transformative Year for STL



₹ 5,087Cr

**Revenue**

59% Y-o-Y increase



₹ 1,164 Cr

**EBITDA**

48% Y-o-Y increase



₹ 563 Cr

**PAT**

68% Y-o-Y increase



34%

**ROCE**

Highest Ever



6

**New “Solutions”  
Launched**



35

**New Customer  
Wins**



₹ 10,516 Cr

**All Time High  
Order Book**



**Acquisition  
Metallurgica  
Bresciana**



**50 Mn OF  
Doubling Capacity**



**33 Mn OFC  
Doubling Capacity**



271

**Patents**

70% Y-o-Y increase



22%

**New Product to  
Revenue\***

# The Demand Drivers that led to our Growth in FY'19



## Connectivity Solutions (Products)

- **Increased Fiber Deployments** across Europe (13% Y-o-Y Growth), India (16% Y-o-Y Growth) and other parts of the world such as LATAM and Middle East (7% Y-o-Y Growth)
- Entry into top two **Cloud companies** of the World, who have intensified their network investments
- **Flattish China fiber demand** (-1% Y-o-Y Growth) which now accounts for <5% of our overall revenues
- Inroads into **new Tier-1 Telcos** and markets, backed by **high value added** product solutions.

## Network Services & Software

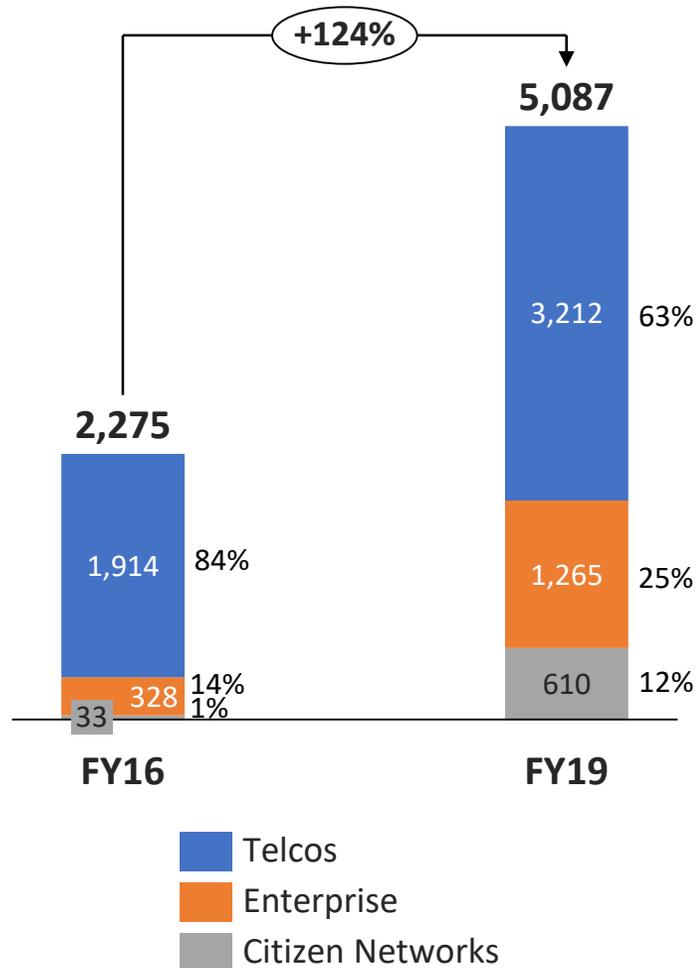
- Network design and rollout for **two of the India's Largest Telco Operators**
- National broadband initiatives of "**Bharat-Net**" along with the State-led initiatives of "**Smart Cities**"
- Large Enterprises, mainly through the spend on **network modernisation** by Defence and Power & Utilities
- New customer **wins of Tier-1 Telcos** for our OSS/BSS Software Platform Services

**The Company's focus in FY'19 had been largely in India, Europe and LATAM amounting to nearly 90% of its revenue**

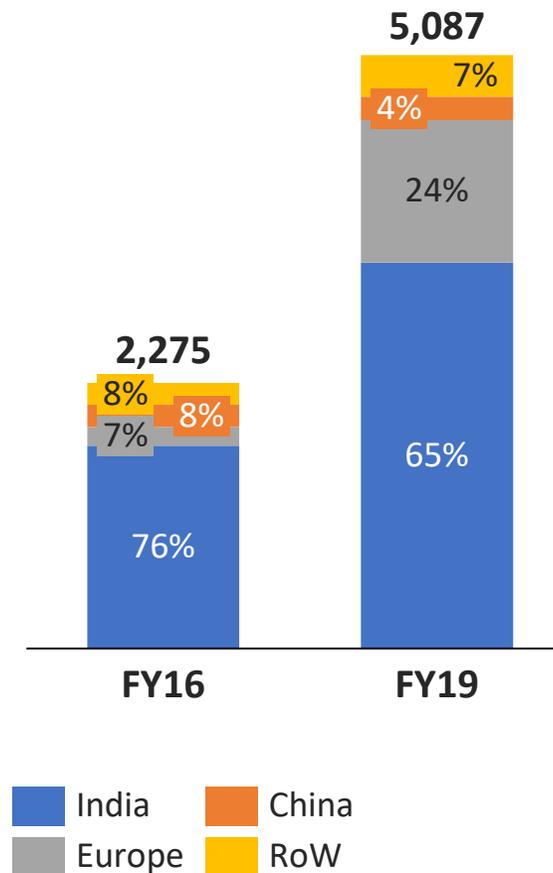
# Translating into New Customer Wins and Deeper Market Penetration



## Customer Segments Revenues (Rs. Crores)



## Geographical Distribution Revenues (Rs. Crores)



## Major Developments (FY'19)

- More than 3 x increase in exports revenues in 3 years
- New Tier-1 telco wins across geographies
- Breakthrough into the largest Internet content providers
- Supplying to largest telcos of India & Europe.
- Network creation partner for one of the world's largest greenfield rollouts of 4G networks
- Top 20 customers account for ~ 75% of the revenues

# Our Portfolio Additions in FY'19



## Snapshot of Our New Launches and Partnerships



Integrated **FTTX SOLUTION**



**1,728 FIBER COUNT** Cable for Data Centers and Small Cell



Sterlite way of **FIBRE ROLL OUTS**



Next-Gen **SOFTWARE PLATFORM FOR TELCOS**



Sterlite way of **NETWORK DESIGN**



- **50+** partners celebrated in Defence
- Facebook's TIP
- O-RAN
- IBM's RedHat



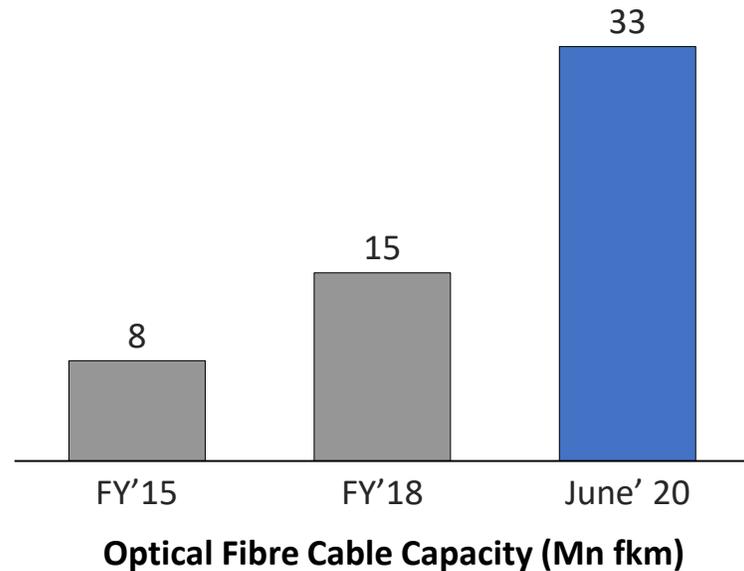
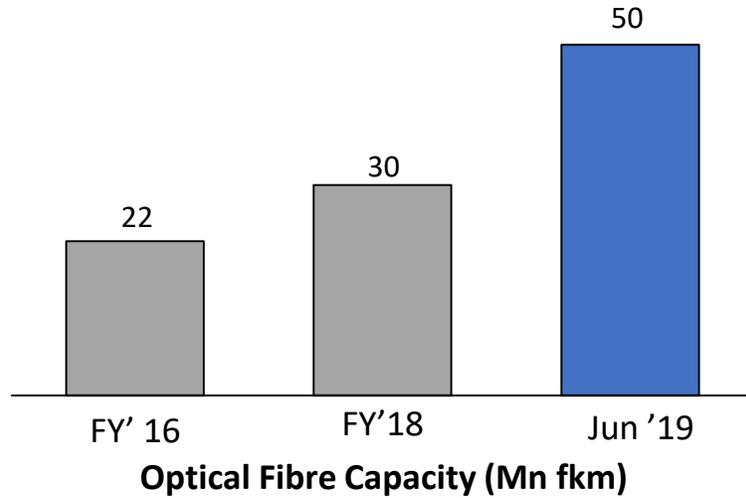
**S-PODS** for **PROGRAMMABLE NETWORKING**

On the backbone of

**271 Patents**

**3 Innovation Centers | 2 Software Delivery Centers**

# With Agile Delivery and Supply Chain to Cater to the Evolving Needs of the Customers



## FIBRE AND CABLE

- State of art silicon to fiber plant in Aurangabad
- Fully automated machines with robotic operations ( Industry 4.0)
- World class clean room infrastructure
- Cabling expansion across Italy, India, Brazil



## SUPPLY CHAIN LOGISTICS

### Sterlite Tech, Italy

Bringing production closer to the customers

## Integrated Planning with Global Supply Chain

# And Strong Talent Profile and Industry Leaders



## Attracting top talent from

SIEMENS



Prysmian Group



motorola



vodafone



INSEAD  
The Business School  
for the World®



## ...Strengthening our Technology Expertise



**Ayush S**  
*Head - SDN-NFV*



**Jitendra  
Balakrishnan**  
*CTO - Products*



**Ambica  
Rajagopal**  
*Head –  
Business analytics*

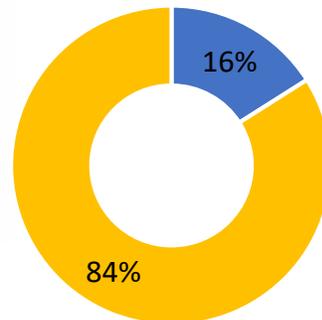


**Rajesh  
Gangadhar**  
*Head - Wireless*

## Workforce Profile

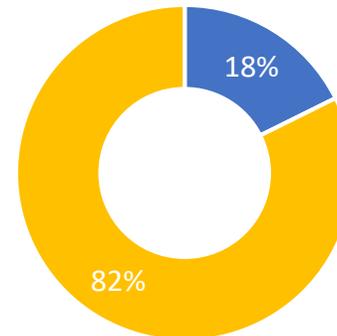
### Gender

■ Females ■ Males



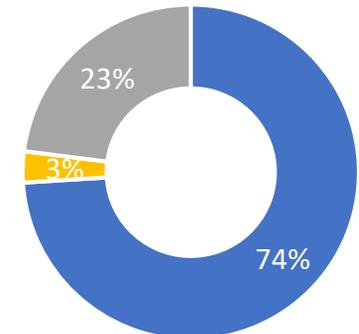
### Location

■ Overseas ■ India



### Qualification

■ Graduates and Post Graduates ■ PhDs ■ Others



# Sustainability & Governance | Positively Impacting Lives & the Environment

Overall impact since 2006



**296,800+**  
Lives through  
Health  
initiatives



**35,000 MT**  
Waste diverted  
away from Landfills



**99% Efficient**  
Rakholi OFC Plant  
received India's 1<sup>st</sup>  
ZWL Certification



**64,000+**  
Lives through Water  
Conservation  
initiatives



**457,800+**  
Lives through  
Education & Rural  
development  
initiatives



**Over 830,000**  
Lives impacted



**7,600+**  
Lives through Women  
Empowerment  
initiatives

**The Future is Even  
More Exciting**



# STL is at an Intersection of Several Mega Trends that are Leading to Creation of Hyperscale Networks

*The World is Disrupting...*

## **Digitize**

Everything becomes Data

## **Deceptive**

Collaboration grows exponentially

## **Demonetize**

Increased Productivity  
Capital Abundance

## **Dematerialize**

Software  
Artificial Intelligence

*...Democratized by a*

# Hyper Network for all

Everyone **Connected**

Everywhere **Knowledge**

Everything **Data**

# These New Data Centric Networks are Being Built on

1

## Denser Networks



*Access layer end points  
will multiply  
(5G and beyond)*

2

## Deep Fiberization



*Fiber intensive network to  
support latency and  
capacity requirements*

3

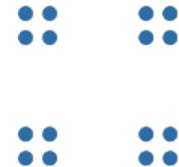
## Vendor neutral and disaggregated



*Vendor neutral and  
disaggregated networks  
(hardware & software  
getting decoupled)*

4

## Compute and storage at the Edge



*Data Center coming closer  
to point of consumption*

# And are Being Created by Telcos and New Digital Infrastructure Players in the Ecosystem



## The Future of 5G: Elevating Los Angeles as a Smart City

Ted Ross, CIO of Los Angeles, explains how the emerging 5G technology and the positive effect it will have on the city's diverse population in a new era.

DECEMBER 17, 2018 12:00 AM PST

## Enterprises Will Increase Digital Technology Investment and Adoption in 2019 According to Study by Economist Intelligence Unit and DXC Technology

NEWS RELEASE -- JANUARY 15, 2019

COMPANIES > GOOGLE (ALPHABET)

## Google to Spend \$13B on US Data Center and Office Construction This Year

The company said it will build four new data center facilities this year, with major expansion at three other locations, giving its platform physical footprint in 24 states.

Christine Hall | Feb 16, 2019



COMPANIES > FACEBOOK

## Facebook to Build the Largest Hyperscale Data Center Singapore Has Ever Seen

Market expert says 11-story facility's capacity will roughly equal total capacity of all data centers other hyperscalers have built on the island.

Rendering planned 11 in Singapore

## 5G Will Reach More Than 40% Global Population: Ericsson Mobility Report.



Brian Lavallée

Senior Director of Portfolio Marketing with global responsibility for Ciena's 5G, Packet, and Submarine networking solutions

### 5G wireless needs fiber, and lots of it

*When the topic of 5G wireless comes up, your first thought likely isn't about fiber networks running under the ground. But as Ciena's Brian Lavallée explains, 5G mobile networks will significantly affect both the wireless side (obviously!) and the wireline side of the global network infrastructure. In fact, 5G's formidable network performance goals are heavily predicated on the availability of fiber, and lots of it, to cell sites.*

According to the International Telecommunications Union's (ITU) latest "Trends in Telecommunication Reform" report, ongoing capital investments related to fiber infrastructure are expected to total a

## Verizon: The Year Of Investment

# Leading to an Evolving Network Creation Model by Telcos and New Entrants



Telcos are focusing more on platforms and content to stay relevant



Apps

Platforms

Network

Cloud players are investing into network creation to control customer experience



Large Enterprises and Citizen centric networks building data networks and investing in network modernization



## Evidenced through the Change in Buying Pattern Due to Increased Complexity

**Increasing  
Volume of  
Network**

**Network  
Characteristics  
are  
Transforming**

**New End User  
Applications**

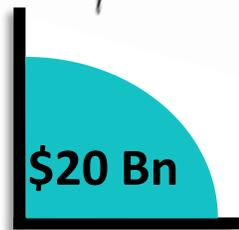
**Customers need an end-to-end network solutions partner**

**Leading to emergence of new data network focused solution providers in the ecosystem**

# STL is at the helm of this Data Network Creation Opportunity with its 4 Pronged Strategy



Journey towards Expanding Addressable Market



2017



2023

## 1 INNOVATE

New Value Added Products and Offerings

2

## SCALE

With new Customer Acquisition and new Geographies

4

## EXPAND

Into new portfolios and applications

## 3 INTEGRATE

Moving towards an integrated “solutions based” offering

# Our Customer Success Metrics are Changing to Adapt to Changing Customers' Expectations



**FY'16 - FY'18**

**Customer Satisfaction**

**FY'19 & Beyond**

**Deep Customer Engagement through Key Account Management**

**The shift has been necessitated by changing customers' expectations**

Product features

Volume of fibre Kms

On-time delivery

No. of solutions co-created with customers

Cost per Gb

Time to market



# And So Are Our Solutions



## Mobility

- Mobile Backhaul
- Private Networks

Telcos



## Access

- FTTx
- Fixed Wireless

Telcos



## Long Haul Connectivity

- Rural connectivity
- Long Distance connectivity

Citizen Networks,  
Telcos



## Network Modernisation

- Defence Communication Network
- Network Security

Large Enterprises

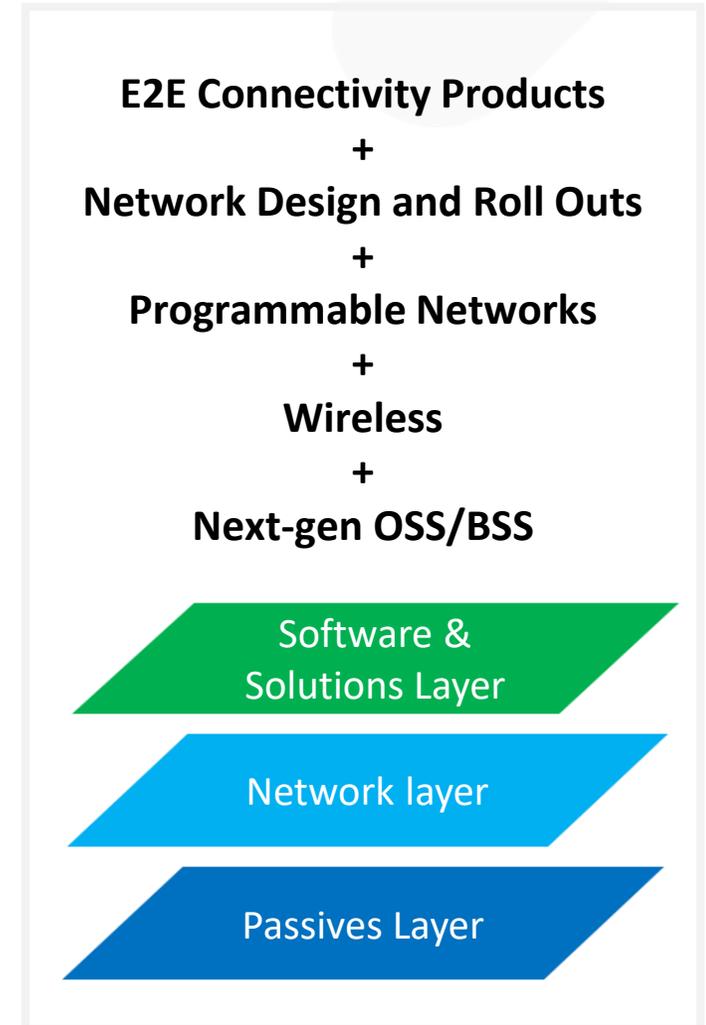
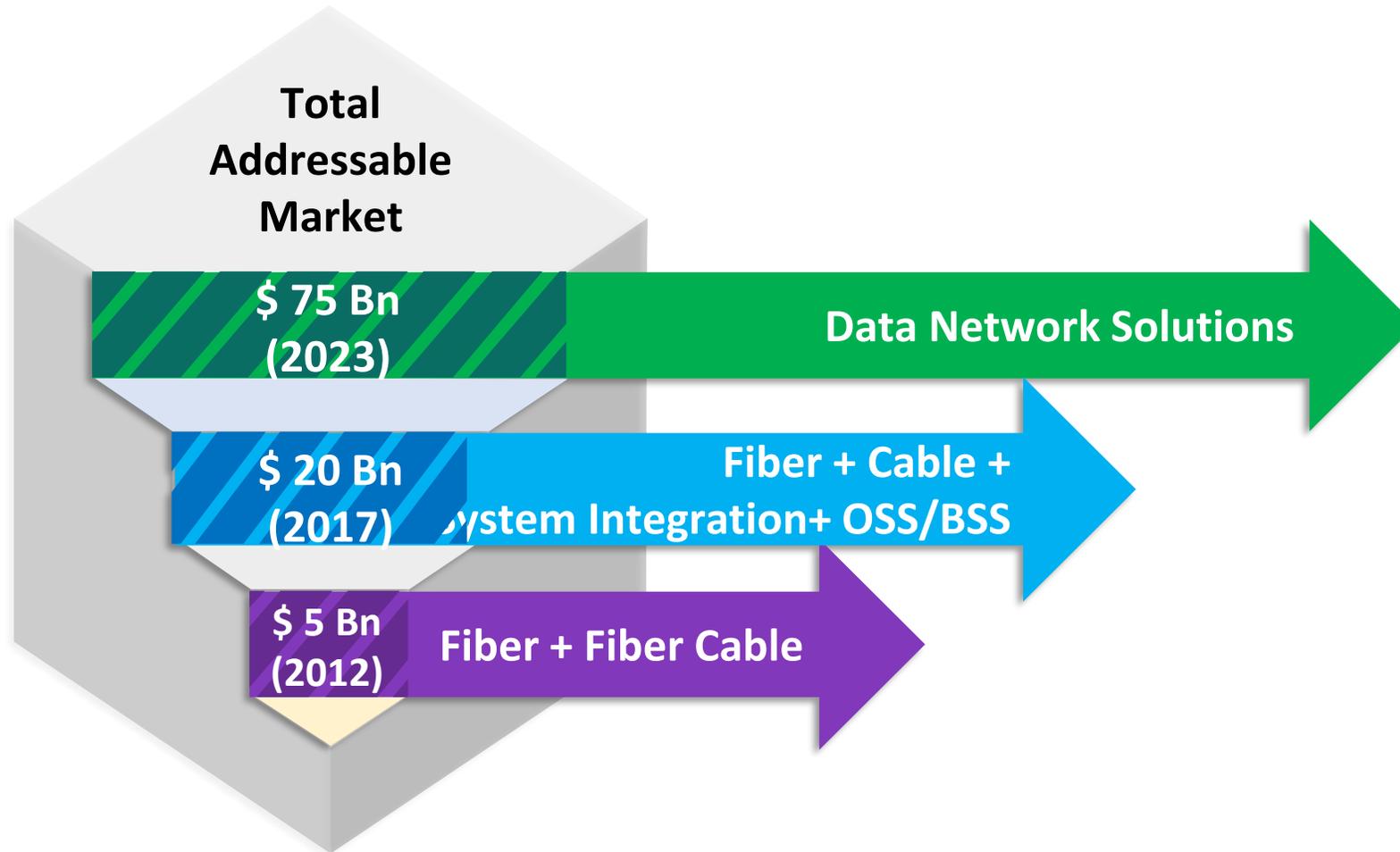


## Data Centre

- Data Centre connectivity

Internet Content Providers

# Thereby Catering to Customer's Deeper Share of Wallet Through our Expanding Offerings over the Years



# Leading to Evolved Demand Drivers for FY 20 and Beyond



Mobility

Access

Long Haul  
Connectivity

Network  
Modernisation

Data Center

- Increasing penetration of fixed wireline broadband (**FTTx**) in **Europe & India**
- **5G roll outs** across different geographies are expected to begin in 2020 and pick pace between 2020-25
- **Mobile Backhaul fiberization** in countries like India, which is amongst the lowest fiber to the tower connectivity
- Increased spending by OTT players leading to **DataCentre Interconnect opportunities** in US
- New rollouts under the Digital Broadband Initiatives by India to bring **Rural connectivity**
- **Network modernization initiatives** by Defence and other larger Enterprises like Railways, Oil & Gas and Power Utilities
- Increased **Virtualisation** spend by operators for making network agile & scalable

## *Our Strategic Direction*

- Penetration into new geographies opening up new demand centres for our offerings
- Increased network integration and roll out opportunities within India with top telcos & citizen networks
- Enter select international markets taking our network services offering globally within 1-2 years
- Value addition through High Value Added products and solutions for our customers

1

## Market Opportunity

- Growing TAM of \$75 Bn by 2023; Out of this, STL current Market share <1%
- Data network capex investments forecasted to grow across customer segment
- Strongly positioned to generate new customer wins and deepen share of wallet

2

## Strategy

- Four pronged strategy of Expand, Innovate, Scale and Integrate
- Deliver value to customers through agility, speed and technology prowess
- Organic growth coupled with alliances and strategic acquisitions

3

## Value Proposition

- Offering end-to-end solutions for data network applications
- Strong Global experience across data network creation
- Business operating model aligned with key customer segments

4

## Financial Profile

- Double-digit y-o-y growth
- ROCE > 25%
- Consistent return to shareholders
- Strong Balance Sheet to fuel growth

# With Focussed Customer Segments, Solutions Centric Approach and Built on The Foundation of Five Pillars



## Customer Segments

Communication Service Providers

Internet Content Providers

Citizen Networks

Defence

## Solutions

Mobility | Access | Long Haul Connectivity | Network Modernisation | Data Centre

## Pillars

Deep Customer Engagement

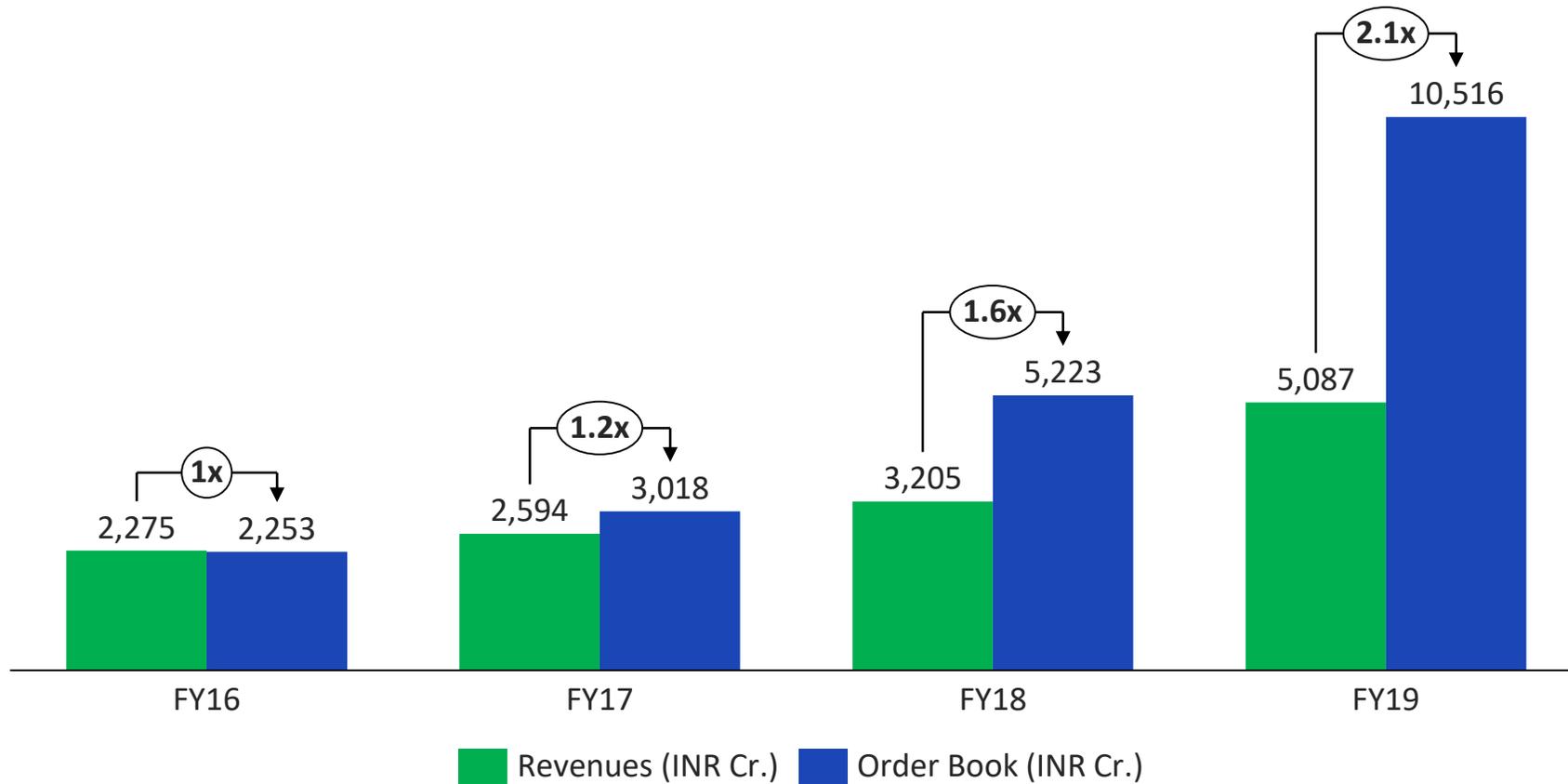
Strong Technology Platforms

Best in Class Talent

Global Delivery & Supply Chain

Sustainability & Governance

# Starting FY'20 with an All Time High Order Book & Strong Visibility



**Order Book at an all time high of Rs. 10,516 Crore**

STL



# Anupam Jindal

## CFO





₹ 1,791Cr

**Revenue**

112% Y-o-Y increase



₹ 328 Cr

**EBITDA**

38% Y-o-Y increase



₹ 165 Cr

**PAT**

47% Y-o-Y increase



32%

**ROCE**

## Customer Engagement

- Entry to one of the biggest cloud providers through a innovative solution for data centre connectivity
- Secured large order for Rural broadband connectivity in state of Maharashtra

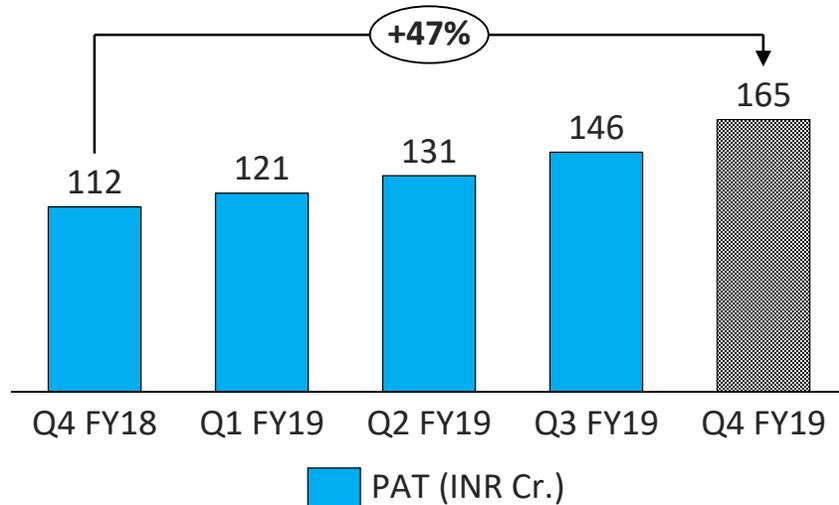
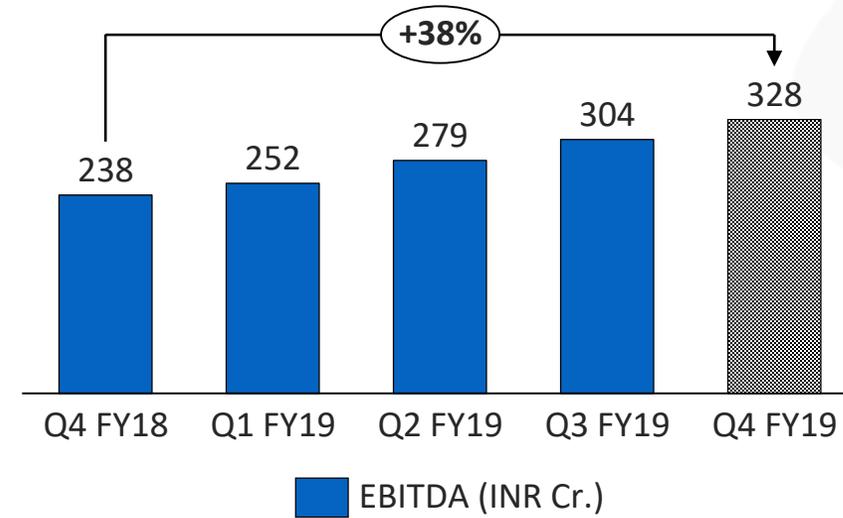
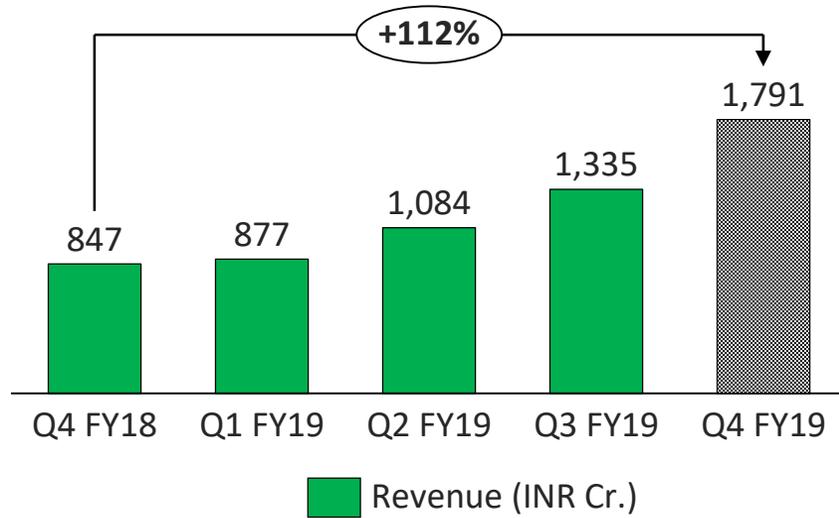
## Technology

- Patent Portfolio up from 234 to 271
- Launched next-gen products for data centre, enterprise network, Power over Ethernet (PoE) & outdoor applications
- Alliance with O-Ran to build a near real-time controller and distributed units, with white box hardware

## Global Delivery and Execution Engine

- Execution of Naval project picks pace, running ahead of a schedule
- Cable expansion initiated in Italy and India towards 33 mn capacity by June, 2020

# Demonstrated Growth on Q-o-Q basis



- Highest ever Revenue of Rs. 1,791 Cr (112% y-o-y growth)
- Highest ever EBITDA of Rs. 328 Cr (38% y-o-y growth)
- Highest ever PAT of Rs. 165 Cr (47% y-o-y growth)

# Increasing TAM and Evolving Business Profile



Driven by double digit growth in profits with increasing ROCE profile



## 2010-2014

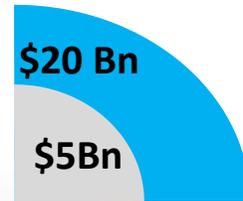
### Offerings: Telecom Products

(Optical Fiber and Cable)

Customers: Telcos

Capital Intensity: High

2014 Revenue : Rs. ~1100 Cr



## 2014-2017

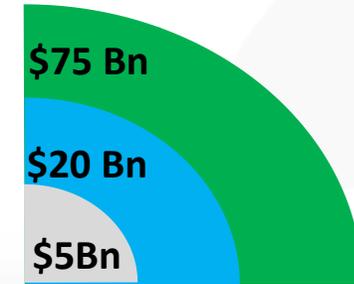
### Offerings: Design, Build & Manage

(Optical Fiber and Cable, System Integration and OSS/BSS Software)

Customers: Telcos, Defence, Citizen Networks

Capital Intensity: Medium

2017 Revenue : Rs. ~2600 Cr



## 2019 & Beyond

### Offerings : Global Data Network Solutions

(Mobility, Access, Long Haul Connectivity and N/W Modernisation)

Customers: Telcos, Internet Content Providers, Citizen Networks, Large Enterprises (Defence, Railway, Oil&Gas, etc.)

Asset Light

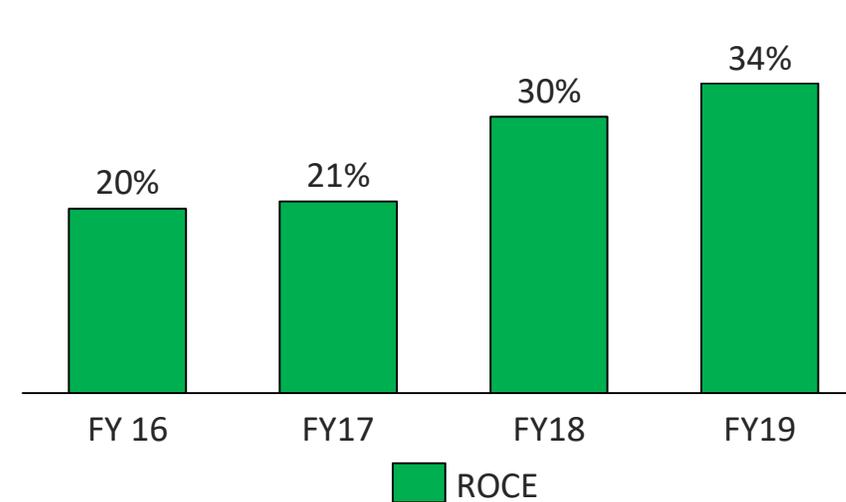
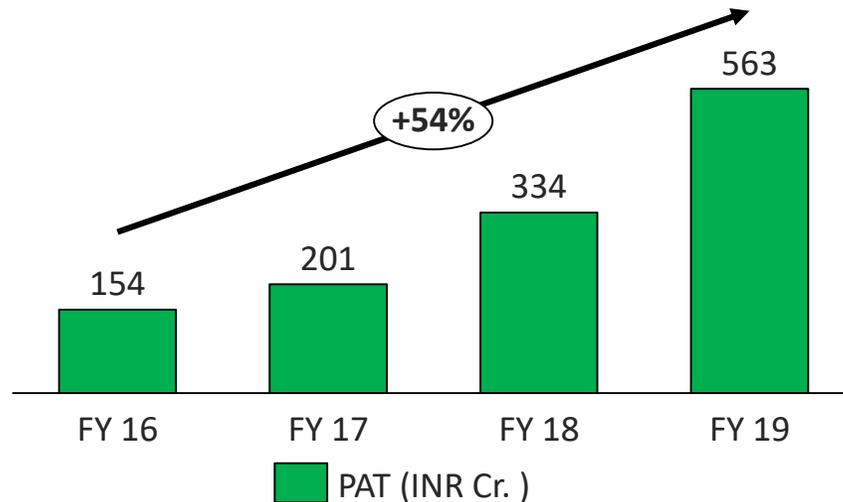
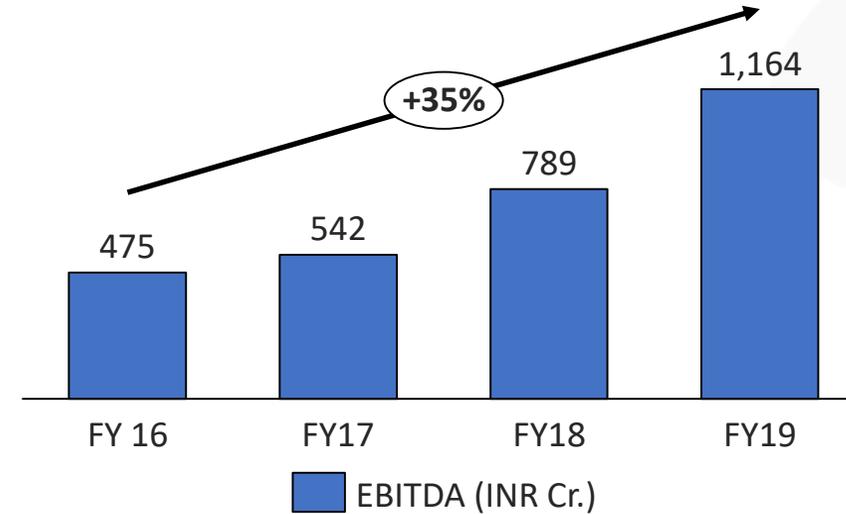
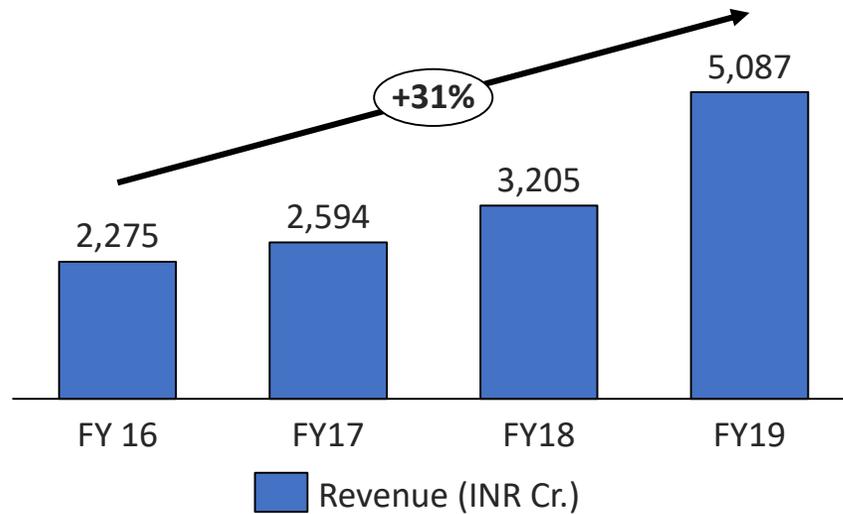
Expected Normalised ROCE: > 25%

Expected Normalised EBITDA %: > 18-20% \*

2019 Revenue : Rs. ~5100 Cr

\* Depending upon the mix

# Creating Value for our shareholders



**We remain committed to our strategic aspiration communicated in July 2017 of \$ 100 Mn PAT in FY'20**

## 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

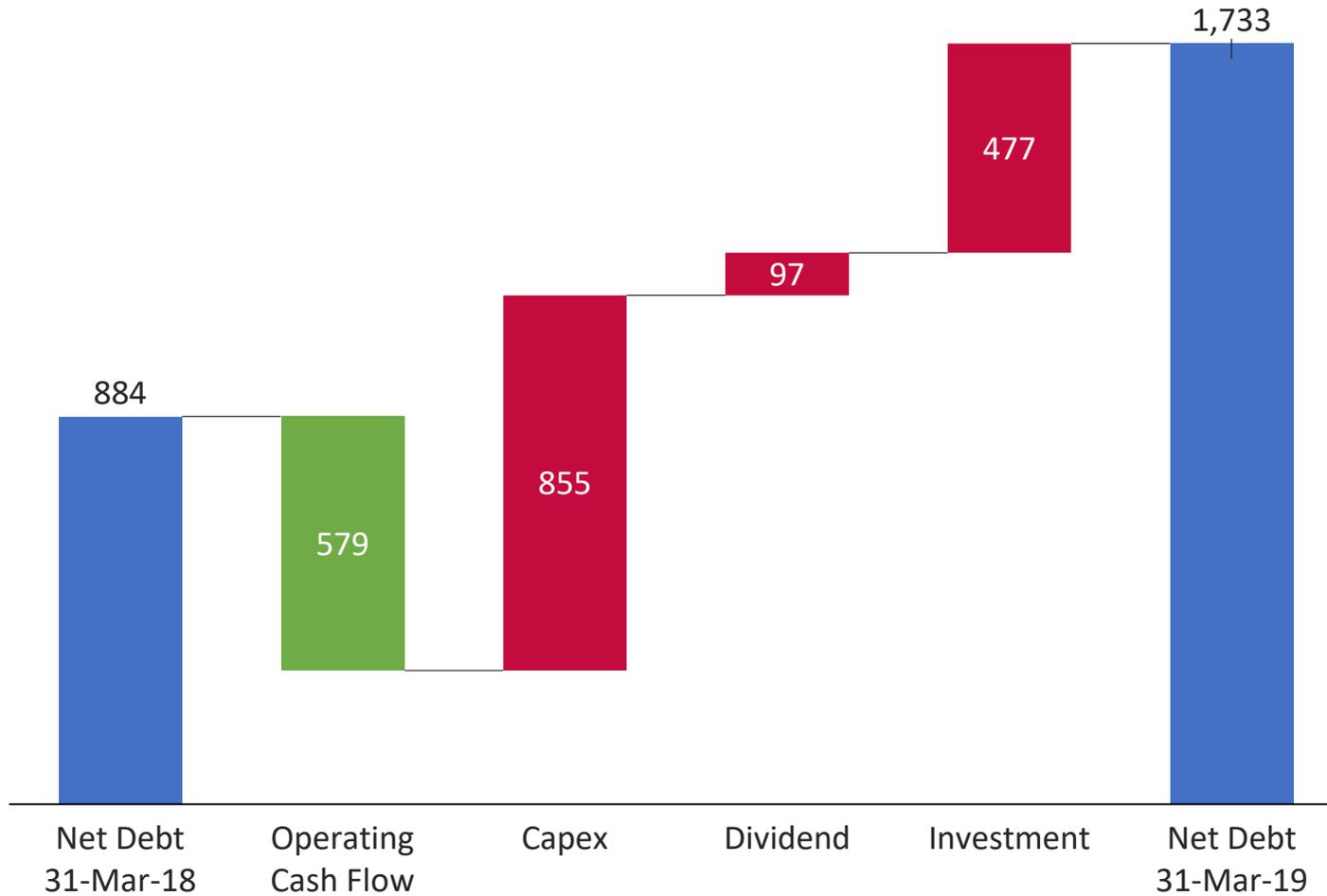
# Financial Performance



P&L (INR Cr.)	FY18	FY19	Growth (%)
Revenue	3,205	5,087	59%
EBIDTA	789	1,164	48%
<b>EBITDA %</b>	<b>25%</b>	<b>23%</b>	
Depreciation	182	195	
EBIT	606	969	60%
Interest	104	105	
PBT	503	864	72%
Tax	133	278	
<b>Net Income (After Minority Interest)</b>	<b>334</b>	<b>563</b>	<b>68%</b>
<b>ROCE %</b>	<b>30%</b>	<b>34%</b>	

Balance Sheet (INR Cr.)	FY18	FY19
Net Worth	1,257	1,815
Net Debt	884	1,733
<b>Total</b>	<b>2,141</b>	<b>3,548</b>
Fixed Assets	1,512	2,356
Goodwill	74	107
Net Working Capital	555	1,085
<b>Total</b>	<b>2,141</b>	<b>3,548</b>

# Debt Profile and Cash Flows



- ✓ The business continues to generate strong operational cash flow
- ✓ The increase in debt is on account of organic & inorganic investments done for future growth
- ✓ The benefits of these investments will start getting visible from FY20 onwards



beyond tomorrow