

January 23, 2025

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor,
Plot No. C-1, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai - 400 051

BSE Limited

Phirozee Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

Scrip ID - STLTECH

Scrip Code - 532374

Sub.: TRANSCRIPT OF EARNINGS CALL - FINANCIAL RESULTS Q3FY25

Dear Sir/Madam,

In furtherance of our letter dated January 06, 2025, please find enclosed transcript of earnings call held on January 17, 2025 in respect of Company's Q3 FY25 financial results.

The same is also being hosted on the website of the Company and is available under the tab 'FINANCIAL RESULTS-INVESTOR EARNINGS TRANSCRIPT' drop down available at <https://stl.tech/download/#Financial%20Results>.

Kindly take this on record and acknowledge the same.

Thanking you.

Yours faithfully,

For **Sterlite Technologies Limited**

Amit Deshpande

General Counsel & Company Secretary (ACS 17551)

Encl.: As above.



Sterlite Technologies Limited Q3 FY25
Earnings Conference Call Transcript

January 17, 2025

MANAGEMENT: **MR. ANKIT AGARWAL – MD, STL**
 MR. TUSHAR SHROFF – CFO, STL
 MR. CHETAN WANI – HEAD IR, STL

Chetan Wani:

Hello, ladies and gentlemen, good day and welcome to the STL Q3 FY25 earnings conference call. My name is Chetan Wani and I head Investor Relations at STL. We are joined by Ankit Agarwal, Managing Director, STL, and Tushar Shroff, Group CFO, STL to walk us through the Q3 FY25 results and to answer any questions that you may have.

Please note that all participant lines are in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. You can download a copy of the presentation from our website that is www.stl.tech. Please note that this call is being recorded.

Before we proceed with this call, I would like to add that some elements of today's presentation may be forward looking in nature and must be viewed in relation to the risk pertaining to the business. The Safe Harbor clauses indicated in the presentation also applies to this conference call. I now hand over the call to Ankita Agarwal for opening remarks. Over to you.

Ankit Agarwal:

Thank you, Chetan. Good day, everyone, thank you for joining us for our Q3 FY25 earnings conference call, and wish everyone a fantastic 2025.

As we advance to the end of FY25, directionally our strategic priorities remain the same in the optical networking business. Our focus remains on driving growth by increasing market share in optical fiber cables and improving our connectivity attach rates. To achieve our goal of generating significant renew revenue from data center enterprise segments, we will accelerate the development of comprehensive data center product suites to tap the vast potential of this market. Additionally, we will sustain our efforts to drive technology and cost leadership in the optical domain.

On the Global Services business. We will build capabilities and value-added services while optimizing the project mix to boost profitability. Concurrently we will work towards completing the demerger of the services business.

On STL digital, we aim to scale the business to strategic investments in new technology and domain capabilities, while maintaining a complete focus on the profitability.

STL has always endeavored to be a responsible leader in ensuring we have a connected and inclusive world. Through our various initiatives in education, women empowerment and healthcare, we are very proud to share that we have positively impacted millions of lives since FY19. To highlight the achievement of some of our initiatives, we are proud to share that 13 students from a RoboEdge program proudly represented India recently at the prestigious Robotics International Championship in Estonia. The program has

impacted over 5000 students over 11 schools in Aurangabad and Silvassa and fostering innovation excellence in STEM education and robotics. Our flagship Jeewan Jyoti program, founded by Miss Jyoti Agarwal, is empowered more than 5000 women artisans with vocational training and now showcasing their products under the Akai brand. With a focus on sustainability, we have installed 4523 kilowatts of solar panels across our plants, contributing to a significant reduction in our carbon footprint and advancing our renewable energy adoption goals. These institutions not only reduce greenhouse gas emissions, but also demonstrate our commitment to energy efficiency in manufacturing. Additionally, we actively collaborate with 26 Gram panchayat on afforestation and water replenishment programs, planting 1000s of trees and rejuvenating water bodies to support biodiversity, improve groundwater levels and create resilient ecosystems. Through a hybrid healthcare initiative, Swashthya Suraksha, we have delivered primary and tele health services to 26 lakh underserved individuals in rural Maharashtra.

At STL, sustainability is at the core of everything we do, and we are firmly committed to achieving net zero emissions by 2030. Since FY19, we have diverted over 260,000 metric tons of waste from landfills and recycled over 930,000 metric cubic water reflecting our focus on resource efficiency. We have also partnered with Hygenco for supply Green Hydrogen, and we are proud to be the world's first optical manufacturer certified for zero liquid discharge and zero waste to landfill. Our Eco-labelled products not only use 52% less energy, but also extend network life span by almost 13 years, combining innovation with environmental care. Aligned with 16 of the 17 UN Sustainable Development Goals, we proactively and positively impacted over 910,000 lives and earned over 100 plus ESG awards, proof of unwavering commitment to build a sustainable and inclusive future.

In the next few slides, we will highlight optical networking business and our efforts towards becoming the top three players in optical connectivity business globally. Reflecting on the past quarter in the year 2024, CRU's latest estimates show some contraction the global OFC demand through 2024 driven by reduced demand in China in particular. 2024 volumes are estimated to be the lowest in the last four years. Despite lower demand, recent quarters, we have seen steady fiber deployment and ongoing client commitments towards network expansion going forward. Data center demand for cable is emerging as a key growth driver, and various analyst estimates assume a steady demand improvement from 2025 and a robust demand growth from the medium to long term. CRU projections indicate a steady increase in fiber optic cable demand reaching 620 million fiber kilometers by 2028 with more than 4-5% annual global growth and over 8.5% annual growth outside of China, between 2024 and 2028. STL's key markets, North America and India, expected to grow even faster. North America's demand is projected to grow by almost 12% by in 2025 and more than 14% till 2028, driven by

both the BEAD program as well as continued data center demand going forward. We also believe that the inventory normalization and consistent deployments are steadily driving a market recovery.

The surge in data center demand for optical products, fueled by generative AI, is set to accelerate further, with projected 22% annual growth in global data center capacity between now and 2030, by then 70% of total capacity is expected to cater to advanced AI workloads, highlighting the potential supply deficit in the future. One of the estimates suggest more than \$2 billion capex in fiber infrastructure over the next decade. This presents a significant opportunity for companies across the data center value chain to address the capacity crunch. In India, GPU based server capacity in AI driven data centers expected to reach 5.2 lakh GPUs by 2026 and we believe that these CPU racks require significantly more fiber compared to regular data centers. The STL AI data center portfolio Make in India innovation is tailored for GPU dense data centers require high bandwidth, low latency AI data center requirements. Featuring high density Celeste ribbon cables with IBR technology, advanced MPO panels, LC panels, patch panels and copper connectivity systems ensures high bandwidth, low latency as well as scalability. We are proud to report that 22% of this quarter's revenues came from our data center and enterprise Suite products. We have focused on driving rapid product development and significant revenue growth from AI data center and the enterprise ecosystem.

Global Investments in 5G networks, FTTx deployments and cloud data centers continue to fuel strong demand for optical connectivity products. In Q2 FY24, capex amongst the top 10 telecom operators increased by 2.9% year on year, primarily driven by 5G fiber deployments and high-speed broadband expansion. Private players allocating substantial resources to enhance 5G infrastructure, achieving widespread 5G coverage. The number of global 5G operators has risen from 582 across 173 countries in Q4 FY23 to more than 618 operators in 184 countries, and they expand the gigabit broadband access to both urban and rural areas. The growth is further supported by finalization of 5G advanced standards in June 2024 which is accelerating its adoption. FTTx deployments globally expected to grow by a CAGR of 7.1% from 2024 to 2029 with North America almost 14.6%, Middle East 11% and Eastern Europe almost 19% driving this expansion. North America is projected to become the largest FTTx market, with the US targeting 100% FTTx coverage by 2029, backed by government initiatives such as the BEAD program. In Europe, the transition to full fiber broadband is gaining momentum due to copper switch offs, with Portugal, Spain and Sweden leading the way, as per FTTH Council Europe, at least 14 countries in Europe are in different stages of transitioning from copper network to fiber networks, which would enable the demand for optical products in these countries. In India, telecom giants like Jio and Bharti aggressively pursuing 5G based fixed wireless and fiber to the home services, bundling broadband with pay TV offerings,

these programs could lock a significant 11-15 billion in annual revenue opportunity for them in India, underlining an immense potential of the fiber connectivity market in the region.

Over the past three decades, we have developed deep technology expertise across the optical fiber value chain, offering a seamless glass to gigabit experience. Our advanced solutions include industry first innovations like India's first multi core fiber “Multiverse” and the ultra slim fibers with diameters of 180 and 160 microns, supported by robust 740 patent base. This quarter, we achieved significant milestones, led by a world class product offering. We obtained self-certification for our ‘Build America Buy America’ compliant optical products, strengthening our position to be a key supplier for the federally funded broadband infrastructure projects under the BEAD program. Through our South Carolina Manufacturing Plant, we are collaborating with US broadband providers to meet the rising demand of both federal and private broadband projects, including the BEAD initiatives. We achieved initial commercial success with first ladder order win of a newly launched AI fiber optic sensing solution, Sensor On. The success of AI force fiber optic sensing, Sensor On, opens a huge market opportunity for STL as well. We also continue to support India's progress and fixed wireless solutions by providing optical products and copper products to large telecom companies in India to enable enhanced connectivity across the country.

Reflecting on the market share and optical connectivity attach rates, according to CRU global consumption data, we held 8% market share in optical cable market across the globe ex-China during Q3 FY25. We are constantly focusing on increasing our market share across our focus geographies. For three consecutive quarters, we have sustained more than 20% optical connectivity attach rate, a testament to our product superiority and customer validation. We expect momentum to build up further back by strong funnel, order book and growth across our customer segments.

Now, let us look at the financial performance of the optical networking business. As we reflect on the financial performance of the optical business in line with our guidance, Q3 FY25 revenue stands at Rs.924 crores, which shows healthy improvement on year-on-year basis. EBITDA for the quarter stands at Rs.119 crores at 12.9% of the revenues. EBITDA margin reflects substantial improvement year on year basis, driven by constant focus to drive cost leadership.

As we have been sharing with our strategically located manufacturing units, completed capacity expansions and well executed capex cycle, aided by constant focus on optimizing our cost structure and expanding our data center product portfolio, we are well positioned to capture significant market share as demand grows.

Now, let us focus on our global services business. In the Global Services business, Q3 FY25 revenue standard Rs.289, crores. Our selective order intake and execution focus has helped us achieve a Q3 FY25 EBITDA of Rs.20 crores and EBITDA margin of 6.8%. As you may notice, the EBITDA margins improved year on year and Q-o-Q basis, despite reduction in revenues. This is attributable to our select project intake and strong execution focus. We will continue to build our capability towards value added services and system integration to improve our margins and reduce the fund involvement going forward.

In our global services business, we made steady progress on key large-scale projects in this quarter. Notably, we secured the strategically significant Rs.2600 crore BharatNet phase three project in Jammu Kashmir. This project aligns with STL's commitment towards nation building and expanding broadband connectivity, enhancing opportunities in education, healthcare and economic development for the remote regions of our country. Additionally, we continue to build a strong track record in large network deployments, having successfully executed projects like MahaNet in Maharashtra and T-Fiber in Telangana. With over 150,000 kilometers of fiber laid across India, we are well positioned to capitalize on any major programs involving nationwide fiber network roll out in the coming quarters. We are happy to share with you that have received very health order participation and funnel development for our global services business that should translate to large order book in the future.

Now, let us discuss our STL digital business and its performance. In our STL digital business during Q3 FY25 we observed robust deal flow across geographies, from marquee customers. We continue to acquire new global customers and added SAP and Oracle in our elite customer list during this quarter. Another notable highlight, which successfully led Vedanta's digital transformation program across, through project RISE and SAP, spanning eight companies and serving 15,000 users globally, the capabilities and experience of such a program strongly position the STL digital to undertake further, large transformation opportunities in the future. Our growth is underpinned by a strong partnership ecosystem comprising 40 plus active technology partners. We are happy to share that with STL digital open book standing at strong Rs.451 crores at the end of quarter, this coupled with a healthy order pipeline, execution capabilities and strong leadership team, we are well positioned to drive sustained future growth.

In light with the expectations and despite muted industry environment, we achieved Q3 FY25 revenues at Rs.77 crores, which is a healthy improvement on Q-o-Q basis. Our focus on profitable growth is showing results as we achieved our first EBITDA positive quarter in Q3 FY25. We are happy to share that STL digital business EBITDA stands at

Rs.4 crores. We shall continue to stay focused and grow further in the coming quarters.

I now hand over to Tushar to talk about the consolidated financials.

Tushar Shroff:

Thanks Ankit. Good day, ladies and gentlemen. In line with our guidance, the consolidated Q3 FY 25 revenue stands at Rs. 1261 crores. The Q3 FY25 EBITDA stands at Rs.133 crores and EBITDA margin stands at 10.5%. For Q3 FY25 profit after tax loss stands at Rs.23 crores. The quarter-on-quarter revenue decline is attributable to lower OFC volumes and lower revenue in GS business. Profit after tax losses are narrowing on year-on-year basis. As we look at STL's 9M FY25 performance 9M FY25 revenue stands at Rs.3892 crores. The EBITDA stands at Rs.378 crores and 9M FY25 after tax loss stands at Rs.83 crores.

In last quarter, we witnessed the strong new order book addition with several large new orders and key contracts signed with prominent customers across the region. Notable wins include the new orders from leading American client for OFC supply, a major UK telecom operator for optical connectivity and fiber solution. We also received the new orders for optical fiber cables and specialty cable products in Italy. Additionally, we secured the fiber supply contracts with major French customer. In digital business we secured large long term outsourcing contract from industry leader. Thanks to our global business and customer base, our revenue mix was well diversified in Q3 FY25 as we reflect on our order book situation.

Based on our strong new order book addition during the last quarter, despite of the significant order de scoping, our open order book stands at Rs.9050 crores as of Q3 FY25. The order book is well diversified across the customer segment and business verticals.

We have provided the abridged version of our reported numbers for your review; the net debt of the business stands at Rs.2195 crores.

Let us now discuss the update and the status of global service demerger. We are making steady progress on the demerger process. The shareholders and creditors of STL India approved the scheme of arrangement in the meeting held on July 10, 2024. Following this, the demerger petition was filed admitted with NCLT during October 2024. The final hearing date is scheduled on January 30, 2025, with NCLT Mumbai bench. The final approval is expected in Q4 FY25 after which resulting company is anticipated to be listed on a stock exchanges. However, the progress remains contingent on NCLT scheduling and hearing.

In summary, our focus areas for the business are clearly defined as, in optical networking business, we aim to drive the technology and cost leadership, with a goal of becoming one of the top global Top 3e. We will drive the sales in a focused market to expand our optical network business and close the volume gap. Our focus will remain on growing the optical connectivity business and increase the attach rate. Additionally, we will prioritize the rapid development of our data center product portfolio. In the global service business, we will continue to focus on the select projects intake to improve the profitability and optimize the net fund involvement. We also aim to complete the demerger by Q1 FY2026. In the STL digital, we will continue to scale the business and grow our revenue along with the focus profitability. With this, I now hand over the call back to Chetan.

Chetan Wani:

Thank you, Tushar, ladies and gentlemen, we have now come to the end of our presentation, and we shall move to the Q and A session. We will take the first question from the Nikhil Chaudhary from Nuvama. Nikhil, please go ahead and ask your question.

Nikhil Chaudhary:

Good evening, everyone. This is Nikhil from Nuvama. My first question is on the data center opportunity, thanks for highlighting that. So, can you give some color, especially regarding our capability and how we are positioned vis a vis our competitor? What we have seen globally, some of your peers launched data center specific products, so just want to understand how we are positioned, especially in data center capability. And second part of the question is, the 22% contribution you have given for data center and enterprise. So, if you can break it, especially for data center, and if you have some comparison of how much it was same period last year.

Ankit Agarwal:

Thank you, Nikhil. So, I think, as we have been sharing in last couple of quarters, that clearly this is from a sheer capex spend, we continue to see that globally, data center spend will only continue to grow and accelerate. And within that, we are seeing that certainly, as a shift goes from CPU based to GPU based, the amount of fiber optics required will also grow multi fold within that. We are seeing the connections of fiber optics up to the servers and go beyond that. So, both in terms of copper as well as fiber optic connectivity we do see that the growth will be quite strong. Within that we are closely evaluating both in terms of opportunities for STL globally, as well as particularly in India. In India, we see that the data center capacity will grow from around one gigawatt now to about between 2-3 gigawatts in the next few years, so clearly again, a large opportunity here. And more and more possibly of the data centers in India will either look for or ask for Made in India solutions. So it presents an interesting opportunity for STL. I think we do have some base of portfolio of products, both on the copper and fiber optic cable, but equally, going forward, if we really have to cater to this market, we need

to build a full portfolio of product and make sure that we can really provide an end-to-end solution to the various data center players. From my perspective, I think this will take some period of time, probably over the next 1-2 years. We will continue to build the portfolio, build our own IP and in parallel continue our conversations, which are going on currently as well with various DC players. But as I shared last time as well, this is clearly a priority for us. We cannot give any specific forecast at this time, but what we are starting to call out from this quarter onwards is data center plus enterprise as a segment, we will start calling out what percentage of revenue of optical when the business is coming and as that, we do expect that to continue to grow going forward.

To your second question, in terms of breaking out between data center enterprise, we don't want to split that up for competitive reasons, but we are seeing increased demand of various solutions particularly on our copper connectivity, which are going to various enterprises, whether it's GCC or otherwise. And at the same time, we also have some unique communication cables for the railway segment and as we are seeing rapid expansion of these requirements, particularly in Europe and possibly also in India going forward.

Nikhil Chaudhary:

Thanks a lot. Second question is on demand environment last year was a tough year, especially for optical industry. So how is the outlook for CY25; any early indication you are receiving from telecom OEMs in general, for CY25. As well as if you can touch upon any update on BEAD as you last time highlighted some delay, but any update?

Ankit Agarwal:

Absolutely, spot-on Nikhil. So, from what we have been sharing, even last quarter, we have seen that on the positive side, there are now at least several states including particularly Louisiana etc, which are expecting what they are calling shovel on the ground based on BEAD funding, in the next 100 days. So say, 3 months or so from now, where probably some first investment and execution will start by at least one of the states. But if we had to speak at a larger level, we do expect that H2 of this calendar year, and definitely probably our Q2-Q3 kind of time frame is where we expect initial BEAD investments to pick up, and hence our fiber optic solutions to be starting to be required for that. But really, we expect that the larger and more significant demand will come from a CY26 perspective, so probably some portion of our financial year, Q3-Q4, which should see benefits of our BEAD requirements. We are well placed for that, as recent as last few days, we also made an announcement where we have been on the official list of self-certifications. And again, that places us very well and amongst few companies who can provide the cable solutions for the BEAD requirements.

In terms of overall market demand, we continue to be focused on our geographies, which are in Europe, US, North America broadly as well as in India. In India, we are seeing that on the back of BharatNet broadly, there should be an increased demand over the

next four to five years as the advanced purchase orders get released, some of them have already happened in the last few days, and other should happen in the next few weeks. That should result in demand for both our cables as well as fiber to other cabling. And of course, from a services business, we should be also getting our purchase order for Jammu Kashmir project, hopefully in the next few weeks. So that's on the on the India market.

Europe has been flattish. But as we talked about, this transition from copper switch off, or copper to fiber, is happening in few markets, particularly in UK, in Poland, in Germany, etc. So, some pockets, we do expect to see some strong growth, but the largest growth continues to be in the North America market. We have seen some of the inventories reduce over the last few quarters. We probably have maybe a quarter or quarter or two left of inventory absorption. But broadly, this is all placing us well for a good growth in North America demand in the coming year and is important for us as STL to capture some of that growth going forward.

Nikhil Chaudhary:

Thanks a lot. The last one, if I can squeeze in for Tushar, especially on margin. So decent performance on margin on both the side optical business as well as digital business. So optical business, what was the moving part? Despite of lower revenue, we were able to maintain the margin. And in digital business, we saw uptake in the revenue, as well as first time adjusted EBITDA profitability. So, was there some one-time revenue because of completion of some milestone which led to revenue bump up as well as profitability or can we sustain this profit going forward as well. Thank you.

Tushar Shroff:

So Nikhil, as you are aware that for last couple of quarters, we have been working to ensure that our cost structure remains in our control. So, from that perspective, lot of efforts have gone on optical network business to set the cost structure right. So, as far as ONB business is concerned, these are sustainable in terms of profitability margin. With respect to service business, what we have seen is, in spite of lower revenue we have been able to more or less maintain the EBITDA margin that we have generated in last quarter. This is also on account of some kind of cost initiatives that we have gone ahead in that particular service business as well as we are expected to demerge this particular business to a separate entity in coming quarter. So from that perspective at STL level whatever the cost optimization efforts that we have been putting, which is yielding the results and in spite this quarter we have lower revenue we have been able to maintain the margin percentage as such. So that is something, I would say is on account of lot of other initiatives on a cost perspective.

The digital business, more or less the way we have seen this particular business, we have a good long term order book which has happened in this particular quarter and the kind of the new orders that we have been executing are at the better margin as compared to

the earlier period. So, from that perspective, the overall margin from the existing contracts is much better as compared to the earlier period. So, the overall improvement in the project margin, the way we have been getting the new orders, is giving the positivity in terms of sustaining the margin for the digital business.

Nikhil Chaudhary: Thanks a lot Ankit. Thanks Tushar, good luck.

Chetan Wani: Thanks, Nikhil. We will take next question from Sunny Gosar. Sunny, please go ahead and ask your question.

Sunny Gosar: My first question is on the optical business. So basically, I just wanted to get some more understanding on this BEAD program. So, in US the sustainable demand, which was there say, two years back. So going forward, is it fair to assume that all the capex that even the telcos are trying to do will get hold under the BEAD program, and BEAD will be the sole driver for demand, or BEAD demand will be over and above the demand that the telcos had for their own network related capex. And once, this inventory adjustment or the inventory destocking gets completed or gets more normalized in the US, there could be dual legs of growth, one in terms of the normal demand from the telcos and second from the BEAD program. So how should we look at that at a more normalized level.

Ankit Agarwal: Good question. I think exactly from the market perspective, it would be three elements happening in parallel, you have the telco and the IHP demand which is continuing. In fact if you see the announcement recently from AT&T, Verizon you see the announcement from various tier II and tier III players, Windstream and everyone else they are actually talking about accelerating their fiber deployment. So, we continue to see the telco invest and build out their fiber infrastructure. Everyone is clearly talking about fiber being simply the best medium for providing high speed and by the way more and more operators are looking to move from 1 to 2 gig service towards 4 to 8 gig service. So, even requirement and the speed that they are competing in are moving more and more where only simply fiber can provide them the solution. So, I think that is the very positive sign.

BEAD as I said while the timing may have shifted from our view there are very much continued focus on making this happen. I just gave one example of Louisiana state but equally all states are gone through the process and now slowly we will see state by state coming and as the winner of the project in the state move forward that should lead to the demand. And that should be the second driver and then the third driver will be this whole switch from CPU to GPU based and that will lead to further demand of fiber for the data

center segment. We do believe all three should play out in terms of the demand for North America. To give you ballpark, this broadly should lead to demand in North America going from current base of 70-80 million fiber kilometers to north of 120 million kilometers annually. So, this will be a plus in our view, that should partially play out in 2025 and then certainly 2026 onwards.

Sunny Gosar: Got it, that's helpful. And have you seen improvement in terms of the new inquiries and any feedback from your customer discussions for the normal telco related capex demand? So, what is the status there. Are there green shoots, is it still slow in terms of conversation? So, any thoughts or feedback on that?

Ankit Agarwal: I think broadly, I would say that we have definitely seen more incoming. When you look at a pipeline of opportunities, definitely, it is stronger than it was last quarter. So, I would say that in particular in North America itself. So, I would definitely say that we see more opportunities, customers asking for more quotes. The way North America works is on calendar year basis. So as the operators have now decided their budgets, in November, December time frame. This is the period now in January, February onwards where they start the inquiry process, and they decide on their partners for the current year. So this is a very important period between now up to March, April, where we should get much better visibility of how things will pan out for the rest of the year.

Sunny Gosar: Got it, that's helpful. My second question is on the global service business, so we won one package in the BharatNet order, when do we expect to start execution for this package and what would be the execution timeline for the same.

Ankit Agarwal: So we have won the Jammu Kashmir project, which broadly is about a three-year execution and 10 years maintenance. In terms of the timeline as I said, some of the other participants or winners have got their advanced purchase orders in the last few days, ours is probably expected in the next few weeks maximum, and then probably the final purchase orders, formal purchase orders will also come in probably towards the end of the quarter or early Q1 maximum. Of course, our work in the background has already started in terms of survey and whatever else we need to do. So, it would be fair to say that probably some point in Q1 the work would start, in terms of various planning and other things also that go into it. And similarly, for other players who have won the other projects. So, this is important for us as a project, not only for services but also for the optical business. So, all those conversations are going on in parallel.

Sunny Gosar: Got it, and have we seen any improvement in our working capital from the service business in the last one or two quarters? Have we been able to get down the contract

assets and the receivables?

Tushar Shroff: So Sunny, relatively the working capital has started reducing in the service business but the kind of pace that we have been expecting, it is little slower as compared to the what we were expecting. So, with respect to our plan and the budget that we had, presently it is not at that level but yes, definitely on a quarter-on-quarter basis, we are seeing the improvement in terms of production in the working capital.

Sunny Gosar: And I have one last question. Basically our net debt, as compared to the pre QIP period, is down by about Rs.800 crores. However, if we look at the interest cost reduction, we have come down from about Rs.94-95 crores per quarter to Rs.83-84 crores. So, it seems like the interest cost reduction is relatively lower than the reduction in the net debt. So, I have two questions, basically what should be the sustainable quarterly interest cost going forward and is there any like one of cost in the interest cost line item in this quarter in terms of any refinancing cost, or bank charges?

Tushar Shroff: So Sunny, best way to look at the number is on a year-to-date basis. If you look at the overall finance cost, which has gone down from Rs.281 crores to Rs.238 crores. So, there is almost like Rs.50 crores in terms of reduction in overall finance cost. Now when we talk about this finance cost, finance cost also includes some of the bank related charges maybe the operational or it may be related to the financing. So, from that perspective, it is not only the interest cost, but also operational in terms of a bank charges, which we incur, as well as the bank cost which is related to the funding of the activities, are also a part of the finance cost. So, it is not only the interest and the bank charges which is associated with a borrowing but there is also some element of the operational cost which is also included in the finance cost.

Sunny Gosar: So is it fair to assume that Rs.83-84 crores will be a sustainable quarterly run rate going forward or do you see this coming down in the coming quarters?

Tushar Shroff: So, it should come down over a period of time, especially with Q1 FY26

Sunny Gosar: Oh, thank you for the detailed response.

Chetan Wani: Thank you. We will take next question from Arun Malhotra.

Arun Malhotra: I think there have been lot of talks about the huge demand that is there, both from the data center and other aspects. But can you also comment on the supply side dynamics and our competitive position to gain orders or gain market share? Because I am actually

extending it further to the pricing, because if there is so much demand and supply is not there, do you expect buoyancy on the pricing side, also going forward? And can we go back to the 2019 price levels as well as the profitability?

Ankit Agarwal:

Arun, I will break it into 2-3 parts. Specifically, to your question on the data center/enterprise side, I think definitely there, we do see that there are fewer players who have the portfolio and who can compete, with the full solution. And I think that's certainly on one side, we are definitely looking to see how we can scale that up. But definitely we see good opportunity there for having a healthy pricing and margin. And as we progress in terms of quarter on quarter, improving our sales to this market, you should, you should start seeing that. In terms of the market, globally as well, we are in an interesting place where, when you look at large government funded projects like BEAD, etc. going forward there is an expectation that there should be a premium for that, because it has very stringent Made in America requirements which naturally would be at a higher cost base. So I think again, from that market perspective as that demand comes in, and there are limited suppliers who can provide those solutions that will again give us an opportunity to improve our realizations. Of course, broadly as the market itself improves as we get into H2 FY25 that should give us an option to improve our realization globally. And of course, at the same time in BharatNet kind of projects as that demand improves and increases in India over the next few years, that should also help us improve our realization.

Arun Malhotra:

Orders like BharatNet, are they going to give lower margin orders or a normalized margin?

Ankit Agarwal:

So just to start on the services part, we are very confident that we have got this order at healthy margins. And so, of course, it's now down to our execution. So, principally I would say that I am confident that we booked it at the services business level, at a healthy margin. Equally on the optical business, definitely we are confident that we will look at various opportunities, both on cable and fiber, both for our own services requirement as well as for other winners of the projects.

Arun Malhotra:

Just to extend this again, we have seen buoyancy on the demand side, but the revenues have declined, if you see quarter on quarter, the margins are still not healthy. So, what is causing this dampening both on revenue and margins.

Ankit Agarwal:

Yes, so specifically, see one part on the positive side is as Tushar said lot of work has gone in internally in last, I would say 12-15 months on our cost reduction initiatives, and you will see that flowing through our P&L. On the market side as I said, we have had

somewhat of a flattish demand in Europe and also because of high inventory over the last 12-15 months in the US, even though the execution of new projects and fiber to the home and all of that was all time high. The new demand from suppliers like us and others had been on the lower side so that in that market environment, we had seen some realization reduction. And as I am suggesting, that as the demand picks back up in probably second half of this calendar year, etc. then we also expect with that demand, we do expect that both the lead times and generalization would increase.

Arun Malhotra: Lastly, can you elaborate on what is this attach rate and what is the significant for this number?

Ankit Agarwal: So, it's a metrics that we use, and we have been sharing for last few quarters. But essentially, what happens in the telco ecosystem or the ISP ecosystem is that you need both the cables as what we call the optical interconnect to go together, especially as you are connecting homes or towers, etc. So, what we have historically been doing is selling a lot of cables but then with the acquisition of Optotech and some of our product development we have also been able to push forward into our customers a more of a solution cell of the cable and the connectivity together. What we call the attach rate is that for every dollar of cable we sell, how many cents of connectivity that we sell. And so ballpark now, for about \$1 of cable that we sell, we sell about 20-22 cents of connectivity products. And historically, for us and going forward we expect the connectivity portfolio to have even better margins than the cable portfolios.

Arun Malhotra: Alright. Thank you and lastly on the receivables, last quarter you mentioned that you are expecting some receivables Rs1000 crores and there is one more. Any guidance on that.

Tushar Shroff: So, Arun last quarter we spoke about specifically liquidating some of the outstanding that we have in the service business. It is not only the outstanding, but there is certain working capital work in progress that we have in certain contracts like T-Fiber and MahaNet. Unfortunately, it is little slower as compared to what we planned.

Arun Malhotra: Any timeline, sir.

Tushar Shroff: So, unfortunately these are the state government backed projects. So, alot of times it depends on the budgetary allocation coming from the state governments to liquidate some of these receivables. So, we are waiting for a budgetary allocation to happen for this particular project so that we can liquidate our receivables and the contract assets that we have.

Arun Malhotra: Alright, thank you sir.

Chetan Wani: Thank you. We will take next question from Rishikesh Oza from Robo Capital.

Rishikesh Oza: My first question is, if you could share our revenue and margins guidance that we have for FY2026.

Ankit Agarwal: Rishikesh we actually don't give a guidance or forecast on annual basis. I can just share what we have been guiding is that as a business, particularly the optical business really, our vision is to make this a world Top 3 business. We have been talking about that from a growth perspective, in terms of, for example the optical connectivity business we have been talking about how we see a lot of potential in that, we want to scale up our attach rate between our cable and connectivity. We are in process of our services business demerger, and definitely continue to see lot of opportunity and pipeline to scale that up over the coming years. And of course, our focus is being ultimately to generate cash and reduce our debt thereby also reducing our interest costs on ongoing basis. So, these are some of the elements that we have been guiding, and we continue to stick to that. We don't have any specific numbers to guide at this point about FY26.

Rishikesh Oza: Got it, no problem. Also second question is regarding BharatNet. So, our BharatNet order size Rs.2000 crores, are we expecting any further orders and when will the revenue recognition start from BharatNet?

Ankit Agarwal: We will have to come back to you in terms of revenue recognition, as we said this process in between of us getting advanced purchase order, then getting the final purchase order after that, there would be a period where you do various amounts of survey and other things. So, I think there is a certain amount of time period. Let us first get the purchase orders formally, and then probably in our next earnings we can give you better timelines around what could be the potential revenue that we could get from this on quarter-on-quarter basis.

Rishikesh Oza: Okay, could you share what margins have we got, the BharatNet order?

Ankit Agarwal: We won't be able to share that again for confidential reasons. I can again be rest assured, this is in Jammu Kashmir. We have executed NFS project almost 10,000 kilometers in that region in the past. So, we have a lot of experience in Jammu Kashmir. We are very confident of the region, and we understand the region and hence we are confident that we have won it at a healthy margin.

Tushar Shroff: This particular order that we have been talking about is better than the margin that we have been accruing in this particular business.

Rishikesh Oza: Okay. Thank you very much.

Chetan Wani: Thanks Rishikesh. We will take next question from Vipul Kumar Shah.

Vipul Kumar Shah: So, my question is, what is our OF and OFC capacity and what is the capacity utilization today and what was the same last year same quarter.

Ankit Agarwal: So, I will just start out on that. So, as we have been guiding in terms of our volumes have been fairly flattish and just talking on quarter-on-quarter basis for a minute. So similarly, like we guided last quarter as well, we have been broadly at that around 50% utilization. As we have shared in the past we are practically completely done with our capital and our capacity additions globally, we are very well placed with our capacities north of 50 million on the glass and fiber side, and north of 42 million on the cable side, including our investments in the US. So, we are fully set up on our investments. In fact, if you look at our capital spend for the year, it will probably be around Rs.120-130 crores maximum. So, compared to previous years our capital expenditure has also started to come down and will largely be much more of maintenance capex and some investment on the interconnect side. In terms of overall utilization as we said that as the market improves, particularly in North America, India, etc. we do expect that utilization should improve in the coming year.

Vipul Kumar Shah: So I know that you don't give the exact rate at which you sell fiber or cable, but if I have to compare it with 2019 prices when your profitability was really super native, then how much we had in percentage terms, of how much we are down.

Ankit Agarwal: Yes, so ballpark I would say overall both America and Europe from peak prices as of the period that you mentioned, I would argue that depending on the market, we are probably between 20-30% down in realization. And again, as I talked about earlier that some of these particularly in North America, we do expect these realizations to also improve, and we have seen this in the past through various cycles, that we do expect the realizations also to improve as the demand comes back and improves going forward. So, it's equally on our side, we have been taking a lot of initiatives on the cost reductions and so we are quite confident that the operating leverage will definitely kick in as the factory utilization improves.

Vipul Kumar Shah: What is our capacity in USA? Is it only cable or is it fiber also.

Ankit Agarwal: We don't disclose specific numbers by factory, but it's essentially a cable factory. And we are very well set up now in the factory there in terms of product portfolio and capacity, so we are very well set up now.

Vipul Kumar Shah: You would not like to disclose exact capacity.

Ankit Agarwal: No, we don't disclose our capacities plant wise.

Vipul Kumar Shah: So, return to profitability at that level what should be our utilization in terms of percentage.

Tushar Shroff: So, Vipul I will take this particular question. If we have to go back to the 20% in terms of an EBITDA margin, we need to be at a capacity utilization about 70-75% that is a kind of a capacity utilization that will yield about 20% in terms of an EBITDA margin for optical network business.

Vipul Kumar Shah: Thank you and all the best.

Chetan Wani: Thank you, Vipul. Thank you everyone. With this, we now come to the end of our question-and-answer session, and now I hand over the call back to Ankit Agarwal for closing remarks.

Ankit Agarwal: I would like to thank everyone for taking this call and showing your interest in STL, despite a challenging market environment and a shorter quarter, we have made progress on key strategic priorities. We remain focused on the factors in our control, emphasizing customer centricity, building a lean and agile organization and driving growth through technology leadership. We will continue to aggressively pursue business opportunities in our key regions, leveraging advanced manufacturing, innovation industry leading products. As demand normalizes, we are well positioned to execute effectively deliver strong results and create shareholder value. I hope you were able to address all and clarify all your queries and comments. For any further questions and discussions, please feel free to contact the investor relations team, which includes myself and Tushar. We really look forward to continuing the conversation with you in the near future.

(This document has been edited to improve readability)