

Business visibility backed by 5G and 6G.

Arihant Capital values your support in the AsiaMoney Brokers Poll 2023 for Institutional team. We request your ballot

ASIAMONEY

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CMP: INR 146

Rating: BUY

Target Price: INR 202

Stock Info

BSE	532374
NSE	STLTECH
Bloomberg	SOTL:IN
Reuters	STTE.NS
Sector	Cables
Face Value (INR)	2
Equity Capital (INR mn)	800
Mkt Cap (INR mn)	58,480
52w H/L (INR)	193 / 129
Avg Yearly Volume (in 000')	993

Shareholding Pattern %

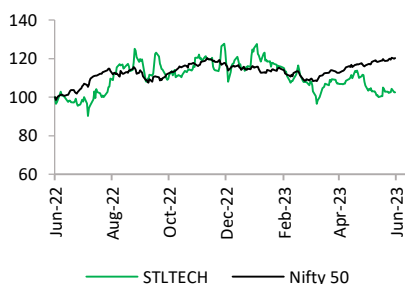
(As on Mar, 2023)

Promoters	54.06
DII	2.09
FII	7.99
Public & Others	35.86

Stock Performance (%) 3m 6m 12m

STLTECH	-3.5	-17.3	2.4
NIFTY	10.8	2.3	20.3

STLTECH vs Nifty



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Sterlite Technologies is one of the largest Optical Fibre (OF) and Optical Fibre Cables (OFC) manufacturers in India. It's one of the leading integrators of digital networks providing All-in 5G solutions. The product portfolio comprises of OF, OFC, Optical interconnect products, Global services, and Digital & Technology solutions. The company has 10 global manufacturing facilities which possessed 50mn Fkm OF capacity and 42mn Fkm OFC capacity. It has 4 innovation centres and 650 patents across glass science, precision manufacturing, etc. The company has strong clients across the globe and exporting more than 100 countries.

Investment Rationale

Focused on global leadership through market share: Sterlite Technologies global ex-China OFC market share stood at 12% in FY23 vs 5% in FY20. The market share doubled in 2 years and continuously gained market share through long-term contracts in focus markets. The American market share increased from 1% to 14% over the period of FY20 to FY23. The Europe market share increased from 11% to 20% over the period of FY20 to FY23. The company continues to focus on North America and Europe markets. In India, STL has reported a strong order book with profitable projects in strategic segments.

Capacity expansion will drive business growth: Sterlite Technologies has incurred a Capex of INR 4,000mn in FY23 and the Capex is expected around INR 3,500mn to INR 4,000mn in FY24E. Optical fibre cable (OFC) capacity stood at 33mn fkm/annum and is expected to reach 42mn fkm/ annum in H1FY24E. Optical fibre capacity stood at 50mn fkm/annum in FY23, around 42mn fkm is expected to be captive to make OFC and the remaining optical fibre will be sold to selected customers.

Increase in Interconnect attach rate leads to incremental business: The optical interconnect attach rate increased from 3% to 10% over the period of FY21 to FY23. Post-buying OFC, the customers are preferring Sterlite optical Interconnect cables to link devices optically, especially in high-performance systems to establish long-distance network links. The increase in interconnect attach rate leads to an incremental business going forward. The Opto-Bolt Terminal and Drop cable is expected to witness traction going forward.

Strong order book leads to better business visibility: The order book stood at INR 110.52bn as of FY23. The order book of INR 38.97bn is executable in FY24E and the remaining INR 71.55bn is executable in FY25E and beyond. The company has maintained above INR 100bn order book over the past few quarters and getting multi-million and multi-year contracts from customers. The major order book comes from North America and Europe regions.

Divestment of Non-Core assets leads to turnaround for global services business: Sterlite Technologies has divested its non-core businesses like Elitecore, IDS, Clearcomm etc. The company has focused on the divestment of Non-core assets and remains focused on core business. STL has set a target to be profitable in the services business in the UK with an execution ramp-up by FY24E. The company is building an order book on a selective basis and targeting profitable projects in strategic segments.

Demerger of the global services business will unlock the potential: The demerger will unlock the potential for optical networking digital & technology business and global services business. The demerger of the global services business will be named STL Networks Ltd. Post demerger is expected to be listed publically. The demerger is expected to complete in the next 9-12 months.

Outlook & Valuation: Sterlite Technologies has a strong order book (~1.6x of FY23 revenue) and China mobile tender would lead to further opportunities. The optical networking business is continuing to grow with 20% margins and increasing in interconnect attach rate would improve the margins further. UK services business is expected to be profitable in FY24E and digital business is expected to be breakeven in Q3FY24E-Q4FY24E. We believe telecom capex for 5G and the upcoming 6G would provide business visibility. Revenue is expected to grow at a CAGR 10% over the period of FY23-FY25E, and RoE is expected to improve from 11.4% (FY23) to 17.7% in FY25E. We have used a DCF Model to value Sterlite Technologies, it has healthy and consistent cash flow generation over the forecasted period. We initiate coverage with a "BUY" rating at a Target Price of INR 202 per share based on DCF; an upside of 38.4%.

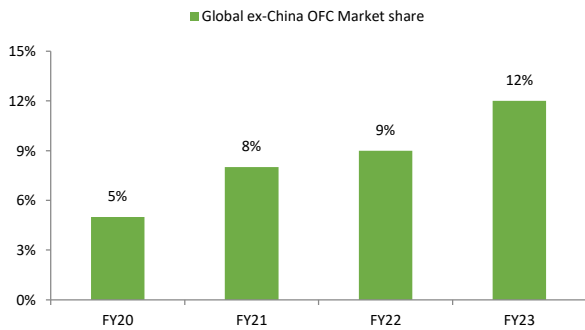
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Investment Rationale

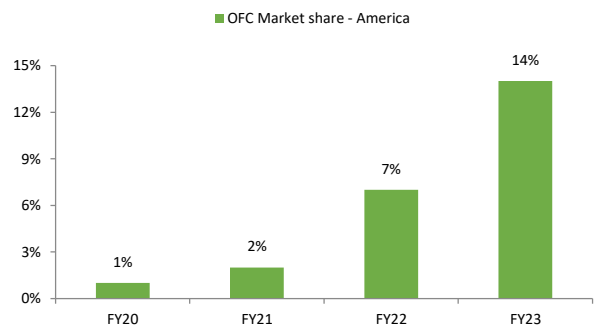
Focused on global leadership through market share: Sterlite Technologies global ex-China OFC market share stood at 12% in FY23 vs 5% in FY20. The market share doubled in 2 years and continuously gained market share through long-term contracts in focus markets. The American market share increased from 1% to 14% over the period of FY20 to FY23. The Europe market share increased from 11% to 20% over the period of FY20 to FY23. The company continues to focus on North America and Europe markets. In India, STL has reported a strong order book with profitable projects in strategic segments.

Exhibit 1: Sterlite Technologies OFC Global Ex-China market share has doubled in 3 years. The company is well penetrated in North America and Europe markets. The continuous increase in market share shows potential business visibility in global levels.



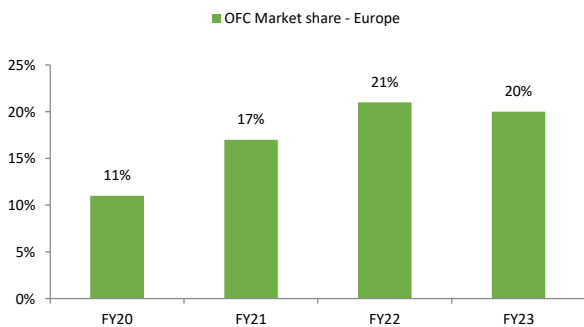
Source: Company reports, Arihant Capital Research

Exhibit 2: America's OFC market share reached to 14% in FY23. US OFC plant is commenced production in Q1FY24 and commercial supplies will meet demand of customer requirements.



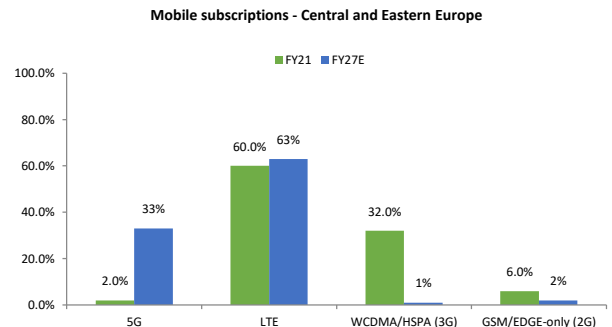
Source: Company reports, Arihant Capital Research

Exhibit 3: Europe's OFC market share reached to 20% in FY23. Sterlite technologies has maintained market share despite of slowdown in Europe. Europe will be the key market for the company.



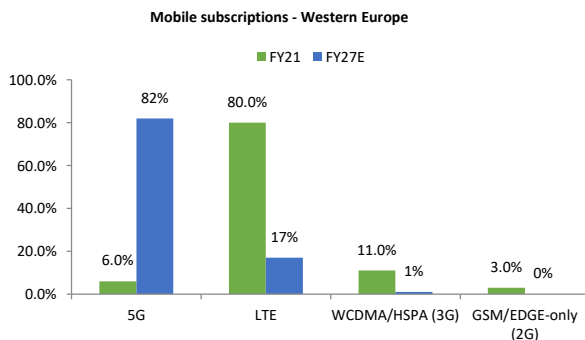
Source: Company reports, Arihant Capital Research

Exhibit 4: Central Europe's 5G mobile subscriptions is expected to move 33% share in FY27E. Sterlite Technologies has stronger presence in Central and Eastern Europe, Western Europe and North America's.



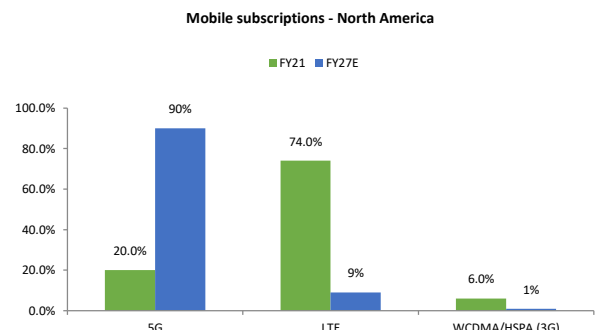
Source: Industry, Arihant Capital Research

Exhibit 5: Western Europe's 5G mobile subscriptions is expected to move 82% share in FY27E.



Source: Industry, Arihant Capital Research

Exhibit 6: North America's 5G mobile subscriptions is expected to move 90% share in FY27E.



Source: Industry, Arihant Capital Research

Investment Rationale

Increase in Interconnect attach rate leads to incremental business: The optical interconnect attach rate increased from 3% to 10% over the period of FY21 to FY23. Post-buying OFC, the customers are preferring Sterlite optical Interconnect cables to link devices optically, especially in high-performance systems to establish long-distance network links. Optical interconnect technology is used in next-generation network architectures, data architectures, etc. Optical interconnect is necessary to speed up the adoption of FTTH and 5G etc. Optical interconnects use light to transfer data which allows faster data transmission speeds, it can able to transfer up to 100 Gbps and is suitable for high bandwidth applications such as high-definition video streaming. Optical interconnect data transmission ranges up to 100 meters and its more suitable for the linkage of 2 or more devices. Optical interconnects are commonly used in high-definition video, data-intensive applications, and telecommunications.

The company has focused to reach an optical interconnect attach rate going forward. The increase in interconnect attach rate leads to an incremental business going forward. The Opto-Bolt Terminal, Opto – Connector Ruggedized System, Multi-port terminal, Enclosures, and Drop cable are expected to witness traction going forward. The company is focused on new markets and new segments along with new launches such as hardened connectivity, outside plant equipment, and customers premises equipment's.

Exhibit 7: Optical Interconnect product portfolio.

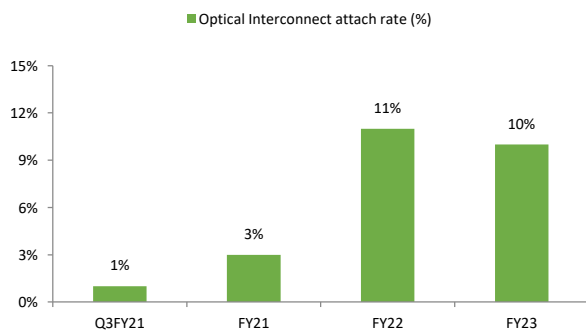
Exhibit 8: Optical Interconnect new products pipeline.



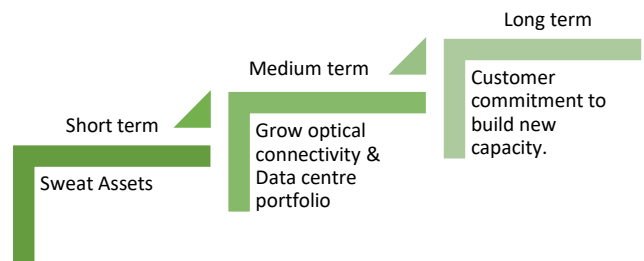
Source: Company reports, Arianth Capital Research

Exhibit 9: Optical interconnect attach rate stood at 10% as of FY23. It shows every one dollar OFC sales translates into 10 cents of optical interconnect cables. Post buying OFC, the customers are preferring to buy optical interconnect and other accessories from same seller for reliability, durability and efficiencies.

Exhibit 10: Sterlite technologies focused to grow optical connectivity and data centre portfolio over medium term. Optical connectivity and growing demand for data centres will be key trigger for the company.



Source: Company reports, Arianth Capital Research

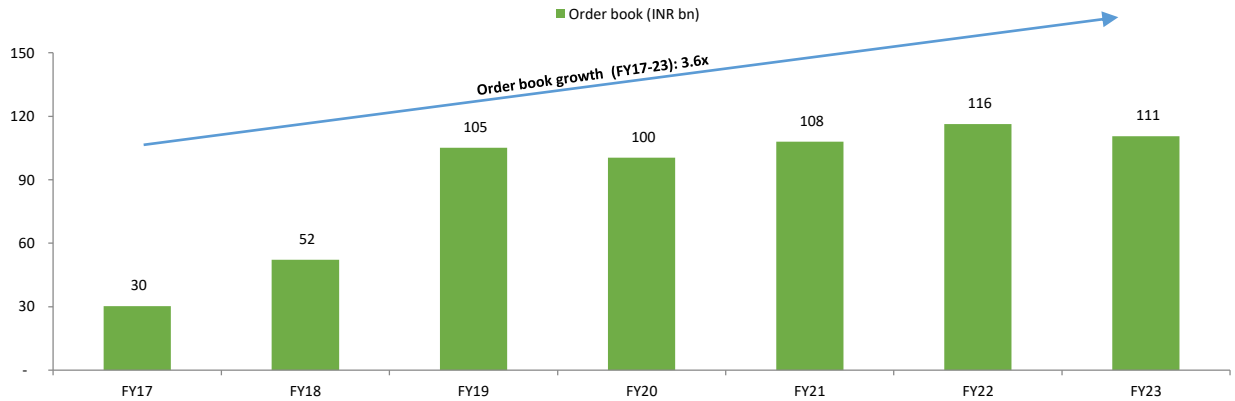


Source: Company reports, Arianth Capital Research

Investment Rationale

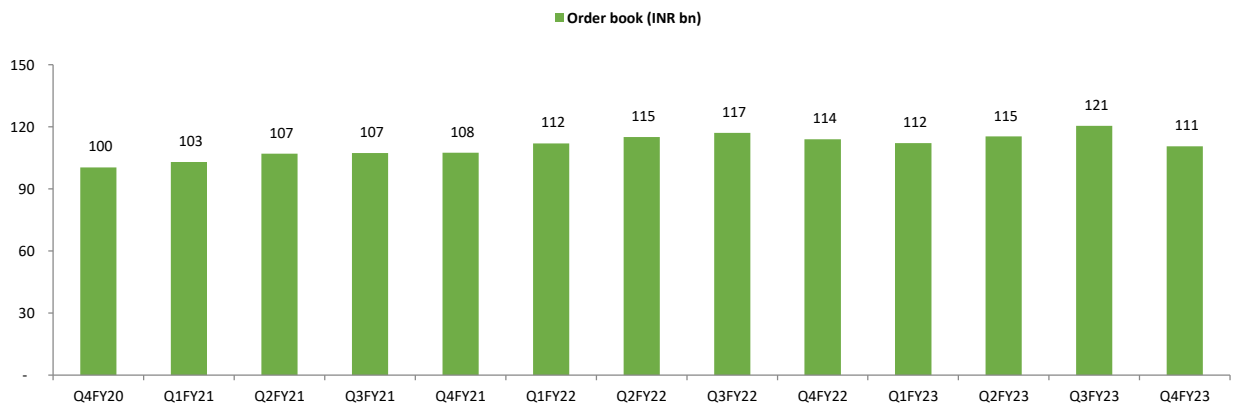
Strong order book leads to better business visibility: The order book stood at INR 110.52bn as of FY23. The order book of INR 38.97bn is executable in FY24E and the remaining INR 71.55bn is executable in FY25E and beyond. The company has maintained above INR 100bn order book over the past few quarters and getting multi-million and multi-year contracts from customers. The major order book comes from North America and Europe regions.

Exhibit 11: Order book stood at INR 111bn (~1.6x of FY23 revenue) as of FY23. The order book has increased by ~3.6x over the period of FY17-23. The company is frequently getting orders on regular intervals from existing customers and key order wins from new customers.



Source: Company reports, Arihant Capital Research

Exhibit 12: Sterlite Technologies is maintaining above INR 100bn order book in past quarters. Recently, the company won multi-million and multi-year contracts in international markets.



Source: Company reports, Arihant Capital Research

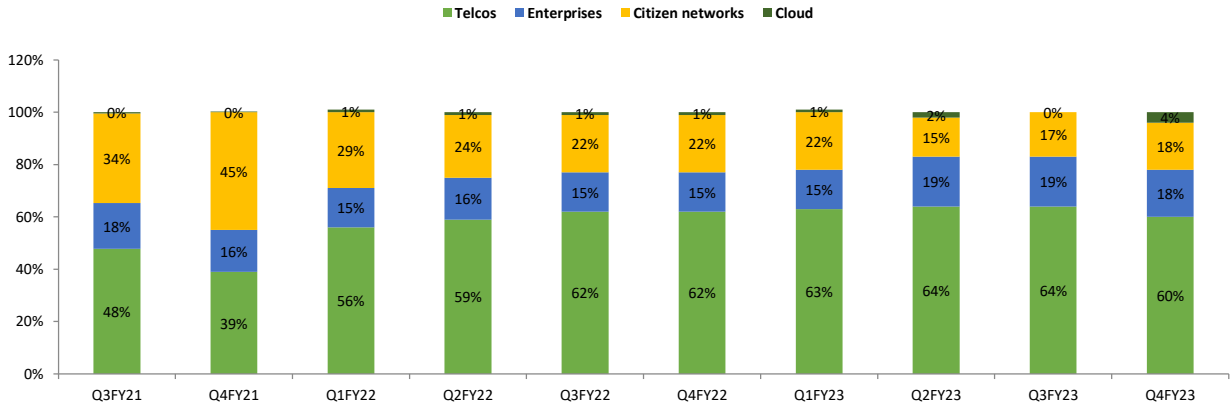
Exhibit 13: Notable key order wins in Q4FY23.

Particular	Key order wins - Q4FY23
Indian Telco	Long distance & Intracity fibre roll out for one of the leading Indian Telco.
Indian Telco	Long distance fibre roll out along with optical fibre cables and optical connectivity solutions for one of the leading Indian Telco.
European Telco	Multi million-dollar orders with a European telecom player for optical fibre cable.
North American Telco	Multi million-dollar orders for optical fibre cable from North America
APAC Telco	Multi million-dollar orders for optical fibre cable & Optical connectivity from APAC.

Source: Company reports, Arihant Capital Research

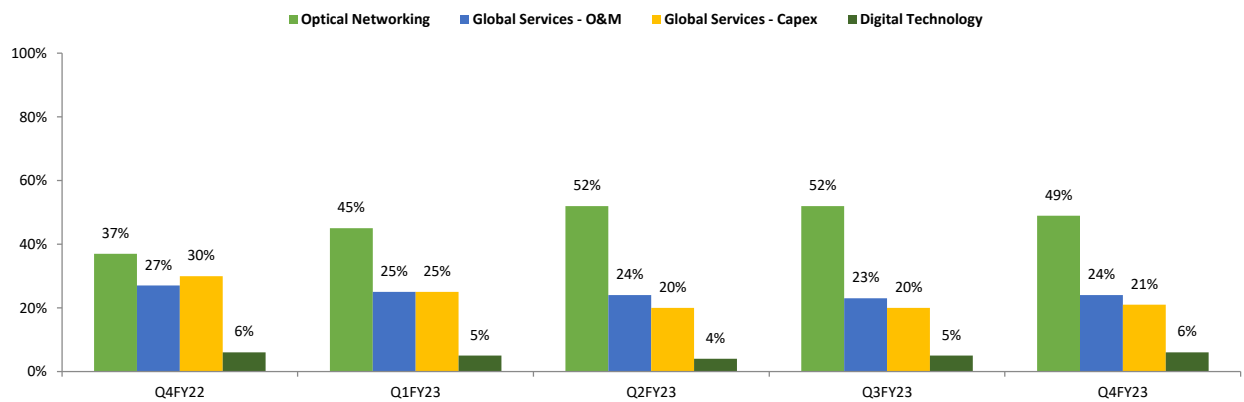
Investment Rationale

Exhibit 14: Telcos order book share stood at ~60% as of Q4FY23. The company is getting repetitive orders from Telcos. Cloud order book stood at 4% as of Q4FY23. Data centres and clouds are witnessing traction due to higher demand.



Source: Company reports, Aриhant Capital Research

Exhibit 15: Optical networking order book at 49% as of Q4FY23. The company remain focused on optical connectivity over medium term. Global services business almost equally spread for capex and O&M.



Source: Company reports, Aриhant Capital Research

Innovative products backed by strong R&D: STL has 5 innovation centers and 750 patents. The company has recently unveiled India’s 1st multicore fibre which will quadruple the capacity of networks. The company also announced bespoke solutions for 5G Cosmos and Gram Galaxy. The R&D focused on the reduction of diameter with maximum efficiency in data transfer, Bend insensitiveness, Energy efficiency etc. The company has in-house manufacturing of glass preform, which is the raw material for drawing fibre. The company continuously changes modifications on glass preform for new innovative products.

The company has established a new 5G innovation research centre in Gurgaon, India. The research centre is equipped with test and measurement tools for the development of open-source radios in line with ITU, 3GPP and O-RAN products.

The company has launched India’s first multicore fibre for 4x capacity for 5G networks and Fibre to the x networks. The company has developed the slimmest fibre and cable with 180-micron optical fibre & 288 fibres packed in 6.5mm cables.

Investment Rationale

Exhibit 16: Multiverse – Multicore fibre for 4x capacity for 5G.



Exhibit 17: Slimmest fibre & cable – 288 optical fibre packed in 6.5mm cable (180 micron each fibre).



Source: Company reports, Arihant Capital Research

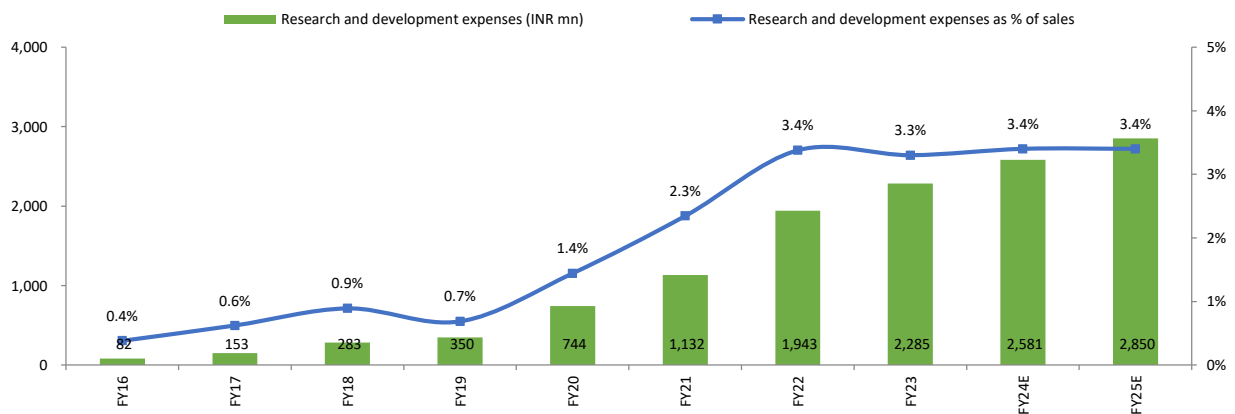
Exhibit 18: Sterlite Technologies Multiverse features

STL Multiverse Features

High capacity per 5G cell site	It's now possible to connect multiple radio heads through a single Multicore fibre and reduce the cabling footprint for 5G networks.
Quad-core fibre connectivity in datacentres	currently, advanced fibre cables have ~7,000 cores. This advancement takes it upto ~28,000 cores, thereby powering connectivity for warehouse-scale computing.
Quantum communication feasibility	The growth of quantum communication is expected to support the co-existence of quantum communication and telecommunication channels. Multicore fibre offers exciting possibilities in this emerging area.
Carbon footprint reduction	This greenest-ever optical fibre reduces cable surface area by ~75% and plastic in the ground by ~10%
Applications	The multiverse will revolutionize 5G and data centre connectivity and quantum computing etc.

Source: Company reports, Arihant Capital Research

Exhibit 19: Sterlite Technologies continues to be invest in new technologies & products for 5G and upcoming 6G etc.



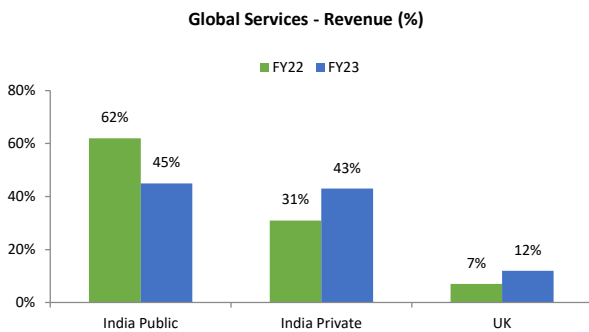
Source: Company reports, Arihant Capital Research

Investment Rationale

UK services business is expected to be profitable by FY24: STL has set a target to be profitable in the services business in the UK with an execution ramp-up by FY24E. The company is building an order book on a selective basis and targeting profitable projects in strategic segments. The company has received CMMI level 5 certification for its India operations. The company has achieved EBITDA breakeven in UK business and is expected to be profitable in FY24. around INR 1,000mn to INR 2,000mn is expected to release in FY24E.

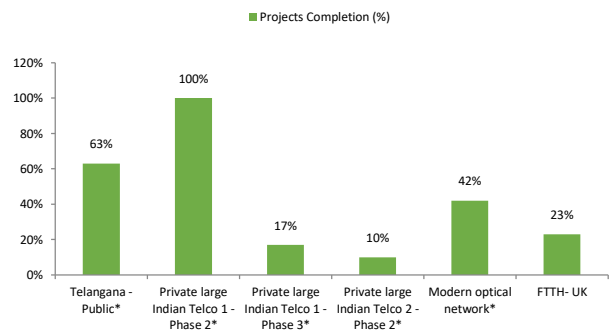
India’s private revenue share increased from 31% to 43% in FY23. Airtel is the preferred partner for Sterlite technologies. The company is focused on building capabilities towards value-added services & pivot the business further towards better margin projects.

Exhibit 20: India’s private revenue share increased from 31% to 43% in FY23.



Source: Company reports, Arianth Capital Research

Exhibit 21: Projects execution remain on track.

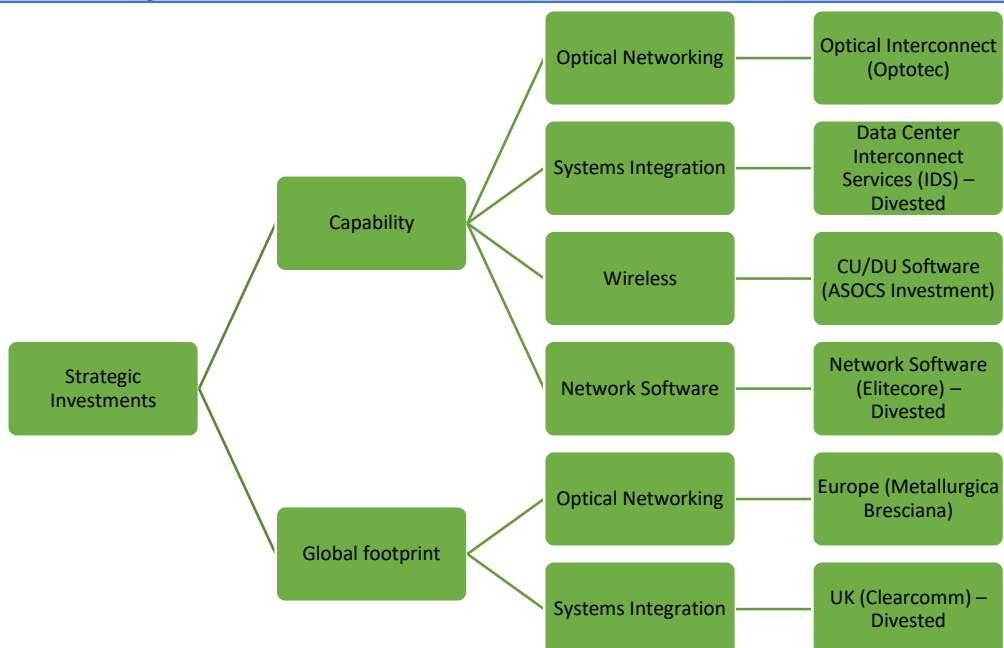


Source: Company reports, Arianth Capital Research

*- Fibre rollout

Divestment of Non-Core assets leads to turnaround for global services business: Sterlite technologies has divested its non-core businesses like Elitecore, IDS, Clearcomm etc. The company has focused on the divestment of Non-core assets and remains focused on core business. The company has sold telecom products software business via a business transfer agreement to Skyvera. The transaction will include a portfolio of telecom and network software capabilities in operations and business support, monetization, networking, and analytics. The company has divested IDS, UK to Hexatronic Group AB, as a part of a consolidated strategy to focus on its core business segments of optical solutions and global services.

Exhibit 22: Sterlite Technologies has focused to divest non-core assets and remain focused on core business.

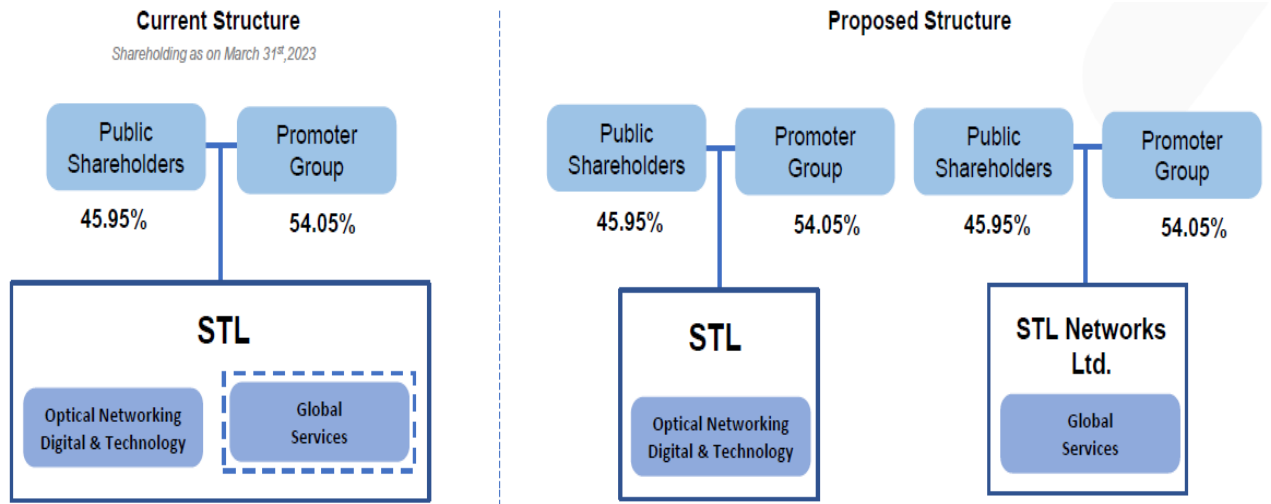


Source: Company reports, Arianth Capital Research

Investment Rationale

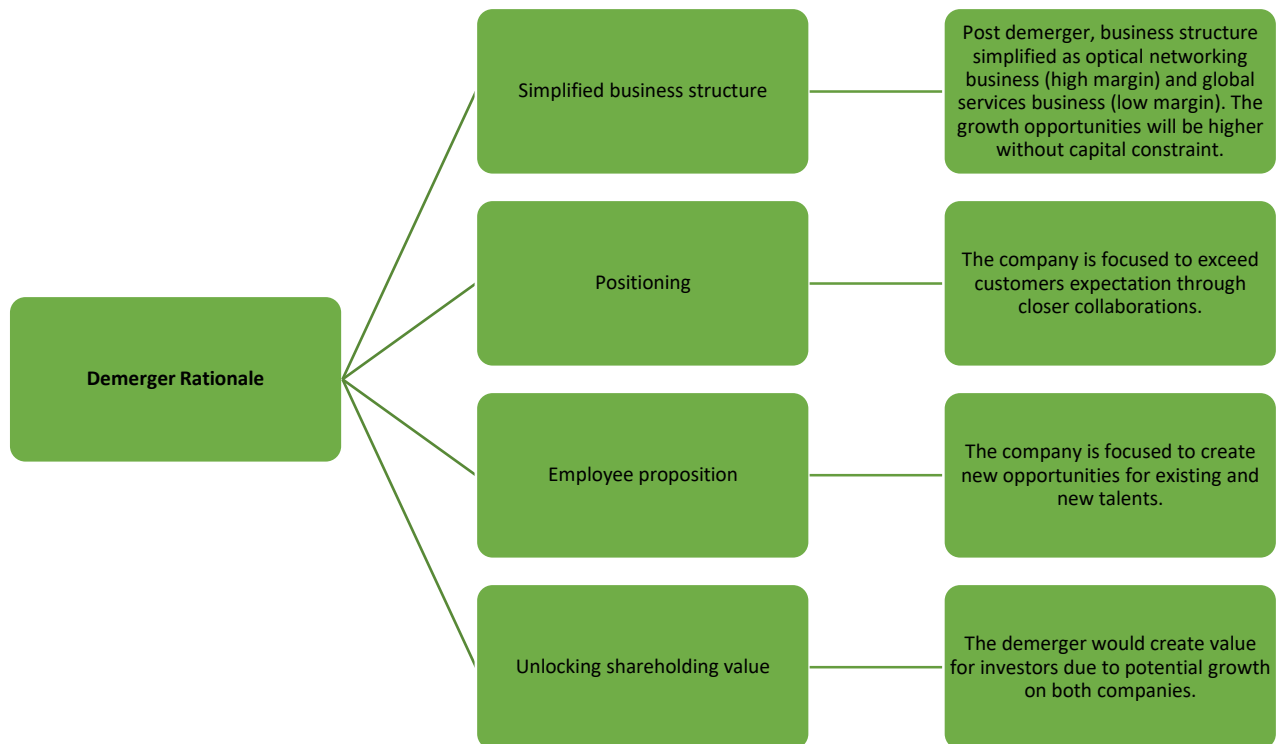
Demerger of the global services business will unlock the potential: Sterlite Technologies' board of directors has approved the demerger of the Global Services business. The demerger will unlock the potential for optical networking digital & technology business and global services business. The demerger of the global services business will be named STL Networks Ltd. Post demerger is expected to be listed publically. The demerger is expected to complete in the next 9-12 months.

Exhibit 23: Demerger proposed structure.



Source: Company reports, Arihant Capital Research

Exhibit 24: Post De-merger, business structure will be simplified and growth potential are higher going forward.



Source: Company reports, Arihant Capital Research

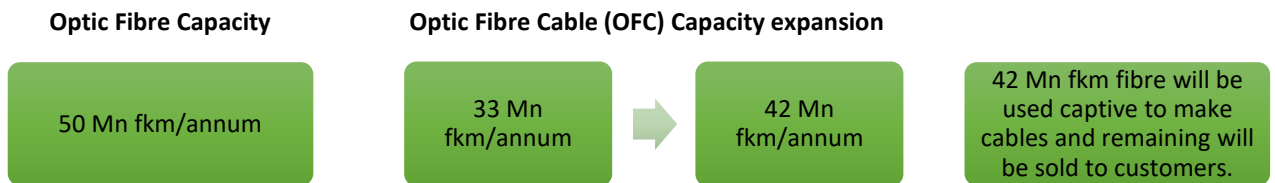
Investment Rationale

Evolution of IT will lead to digital & technology business: Sterlite Technologies focused to foray into multi-trillion dollar IT industry and global IT spending exceeds \$4 trillion in FY23. STL digital business offerings are Cloud & cyber security, Data Analytics & AI, Enterprise SaaS Services, and Product Engineering etc. STL digital servicing to Communication, Media & Services, Technology, Life Sciences, Healthcare & Manufacturing, Consumer and Energy, and Resources & Utilities.

STL Digital remain focused on engineering digital experiences for customers across verticals including telecom, technology, manufacturing and healthcare industries. The business order book stood at INR 6,490mn (~9.3x of FY23 digital revenue) and has acquired 18 global customers. The company has made investments of INR 1,200mn in FY23 for digital business. STL's digital business is expected to grow 3x-4x over the medium term. STL digital losses are expected to come down and breakeven is expected in Q3FY24E or Q4FY24E. The business growth is driven by agility & ability to provide differentiated customer experience to clients.

Capacity expansion will drive business growth: The company has incurred a Capex of INR 4,000mn in FY23 and the Capex is expected around INR 3,500mn to INR 4,000mn in FY24E. Optical fibre cable (OFC) capacity stood at 33mn fkm/annum and is expected to reach 42mn fkm/ annum in H1FY24E. Optical fibre capacity stood at 50mn fkm/annum in FY23, around 42mn fkm is expected to be captive to make OFC and the remaining optical fibre will be sold to selected customers.

Exhibit 25: OFC capacity is expected to reach 43mn fkm/annum by H1FY24E.



Source: Company reports, Arihant Capital Research

Exhibit 26: JSTFCL was incorporated as a JV between Sterlite Technologies (75% stake) and Jiangsu Tongguang Information Co. Ltd (25% stake) in China in Jan-2011 to manufacture optical fibre. Sterlite Technologies has acquired remaining 25% stake of JSTFCL will ensure optical fibre supply security to support STL's expanding optical fibre cable operations. The fibres made in China plant are used in other STL plants to make Optical Fibre Cables (OFC) and sales to selective customers. Post Covid restrictions, around 80% of employees are back to Optical Fibre facility in China and manufacturing started. US OFC plant started commercial production in Q1FY24. US OFC plant will cater demand for North America and South America clients. Sterlite Tech has 14% market share in America and commencement of new OFC plant will increase the business and market share going forward.

Optical Fibre Facility, China



Optical Fibre Cable Facility, USA



Source: Company reports, Arihant Capital Research

Forensic Accounting

Exhibit 27: Sterlite Technologies generated stronger cash flows respective to EBITDA over the period of FY13-23. Avg. CFO/EBITDA was above 75% over the period of FY13-23.

CFO/EBITDA (%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Mean (FY13-23)	Median (FY13-23)
Sterlite Technologies	123%	95%	85%	47%	92%	95%	55%	64%	78%	105%	26%	78%	85%
HFCL	67%	48%	44%	0%	71%	73%	8%	34%	26%	31%	38%	40%	38%
Finolex Cables	63%	85%	67%	95%	54%	51%	32%	76%	30%	111%	70%	67%	67%
Birla Cables	24%	10%	26%	108%	218%	-20%	21%	188%	-4%	6%	-12%	51%	21%
Vindhya Telelinks	5%	-9%	-111%	41%	64%	-68%	-86%	12%	118%	114%	12%	8%	12%

Source: Capital IQ, Aриhant Capital Research

Exhibit 28: Sterlite Technologies cash flow generations in terms of EBITDA is better than peers.

Particular	Cum. CFO/Cum. EBITDA (FY13-18)	Cum. CFO/Cum. EBITDA (FY18-23)	Cum. CFO/Cum. EBITDA (FY13-23)
Sterlite Technologies	87%	66%	71%
HFCL	45%	33%	34%
Finolex Cables	68%	62%	66%
Birla Cables	43%	14%	28%
Vindhya Telelinks	-13%	6%	6%

Source: Capital IQ, Aриhant Capital Research

Exhibit 29: There was no volatility on depreciation of Sterlite Technologies assets over the period of FY13-23.

Depreciation as % of Gross Block	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Mean (FY13-23)	Median (FY13-23)
Sterlite Technologies	2%	2%	3%	6%	6%	6%	4%	6%	6%	7%	6%	5%	6%
HFCL	3%	4%	7%	6%	5%	5%	5%	5%	8%	8%	8%	6%	5%
Finolex Cables	5%	5%	5%	12%	9%	8%	7%	6%	6%	5%	6%	7%	6%
Birla Cables	3%	4%	5%	5%	12%	10%	11%	10%	9%	8%	7%	8%	8%
Vindhya Telelinks	3%	3%	5%	6%	13%	12%	12%	11%	11%	10%	7%	8%	10%

Source: Capital IQ, Aриhant Capital Research

Exhibit 30: Sterlite Technologies has strongly executed capex in recent years.

CWIP/Gross Block (%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Mean (FY13-23)	Median (FY13-23)
Sterlite Technologies	57%	60%	31%	9%	3%	14%	11%	3%	5%	3%	2%	18%	9%
HFCL	4%	0%	1%	0%	0%	2%	15%	4%	4%	12%	7%	5%	4%
Finolex Cables	4%	1%	1%	1%	2%	1%	2%	4%	4%	12%	3%	3%	2%
Birla Cables	3%	1%	1%	0%	2%	0%	7%	0%	0%	2%	2%	2%	1%
Vindhya Telelinks	1%	3%	0%	0%	16%	4%	0%	10%	0%	0%	9%	4%	1%

Source: Capital IQ, Aриhant Capital Research

Exhibit 31: Sterlite Technologies generated ~99% of revenue from core business over the period of FY13-23.

Other income/Revenue (%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Mean (FY13-23)	Median (FY13-23)
Sterlite Technologies	0.5%	0.9%	1.8%	3.0%	1.0%	1.2%	0.7%	0.7%	0.9%	1.0%	0.6%	1.1%	0.9%
HFCL	18.2%	8.8%	8.8%	1.3%	1.0%	1.1%	1.0%	1.5%	0.8%	0.9%	1.0%	4.0%	1.1%
Finolex Cables	1.1%	2.0%	2.4%	2.4%	2.4%	3.1%	3.4%	3.2%	2.8%	2.0%	2.6%	2.5%	2.4%
Birla Cables	2.5%	0.8%	1.4%	1.1%	1.5%	0.3%	0.5%	1.0%	0.6%	0.5%	0.6%	1.0%	0.8%
Vindhya Telelinks	6.4%	3.5%	4.0%	3.1%	3.5%	2.3%	1.8%	1.2%	3.7%	2.3%	0.5%	2.9%	3.1%

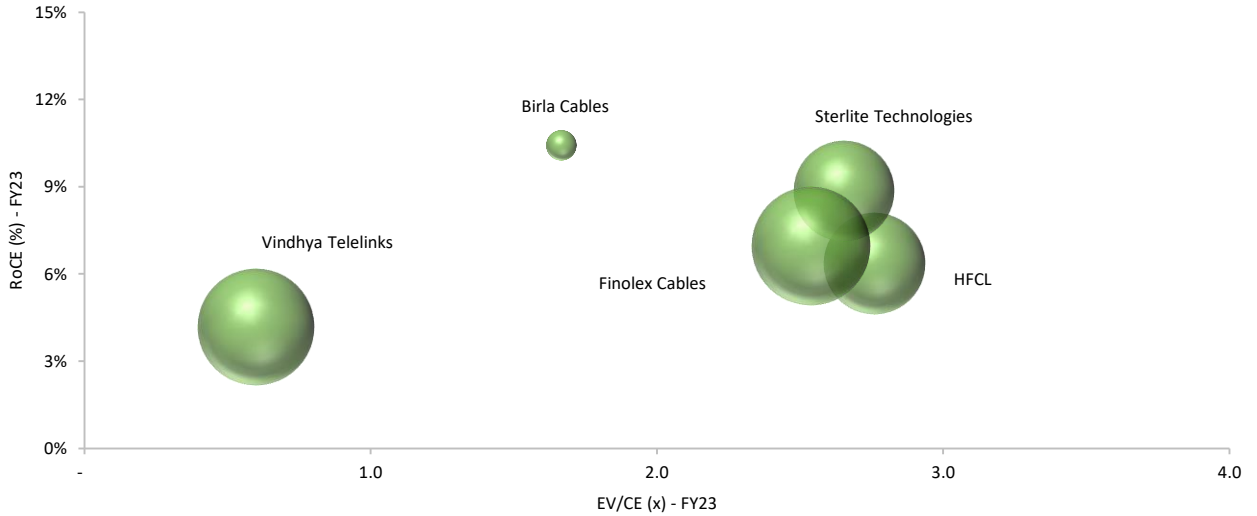
Source: Capital IQ, Aриhant Capital Research

Exhibit 32: Sterlite technologies revenue and receivables growth almost same over the period of FY18-23. The company has improved business relationships and payments with customers.

Particular	Revenue growth (FY13-18)	Receivables growth (FY13-18)	Revenue growth (FY18-23)	Receivables growth (FY18-23)	Revenue growth (FY13-23)	Receivables growth (FY13-23)
Sterlite Technologies	1%	9%	17%	16%	8%	12%
HFCL	40%	27%	8%	10%	23%	18%
Finolex Cables	4%	3%	10%	4%	7%	4%
Birla Cables	21%	23%	20%	16%	20%	19%
Vindhya Telelinks	31%	30%	17%	7%	23%	18%

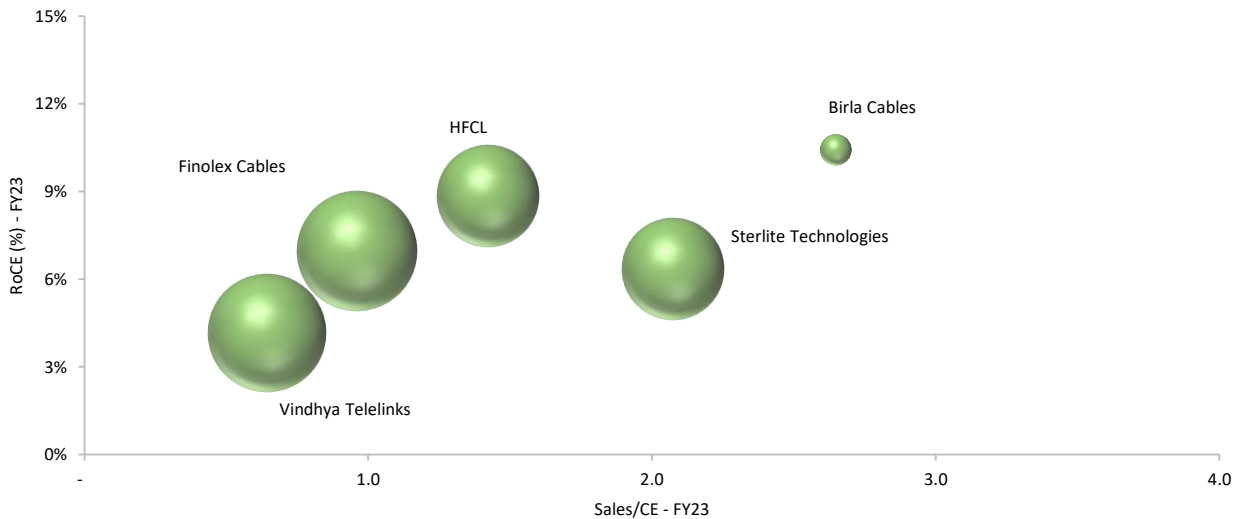
Source: Capital IQ, Aриhant Capital Research

Exhibit 33: Sterlite Technologies deployed higher capital in terms of Enterprise value and delivered 6% RoCE in FY23. Divestment of non-core assets and de-merger of services business will improve RoCE going forward.



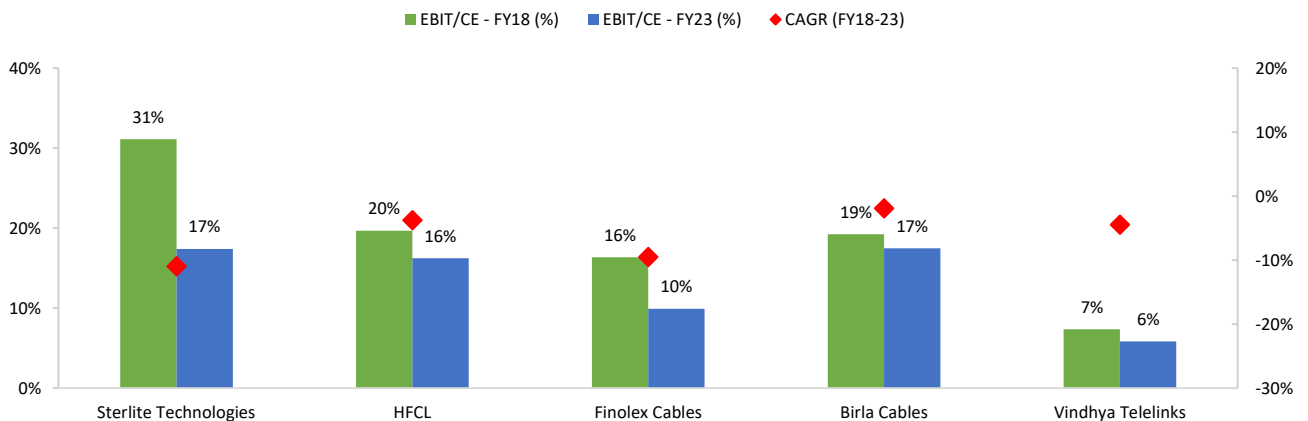
Source: Capital IQ, Arihant Capital Research; Bubble size represents Capital Employed (CE)

Exhibit 34: Sterlite Technologies earned INR 2.1 per Capital Employed of INR 1 in FY23, which is better than peers.



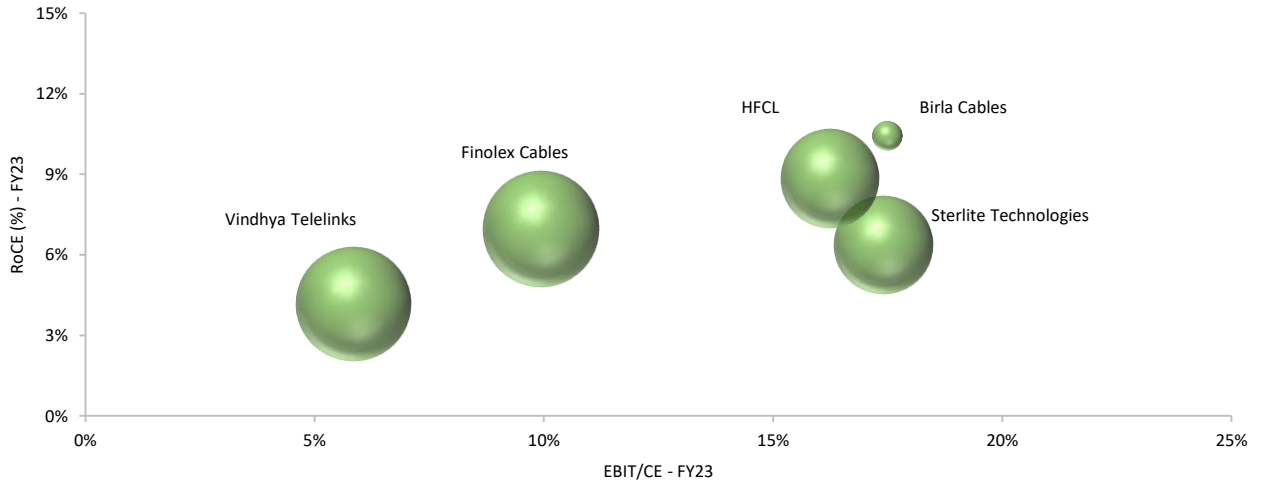
Source: Capital IQ, Arihant Capital Research; Bubble size represents Capital Employed (CE)

Exhibit 35: All the players witnessed de-growth in EBIT/CE over the period of FY18-FY23.



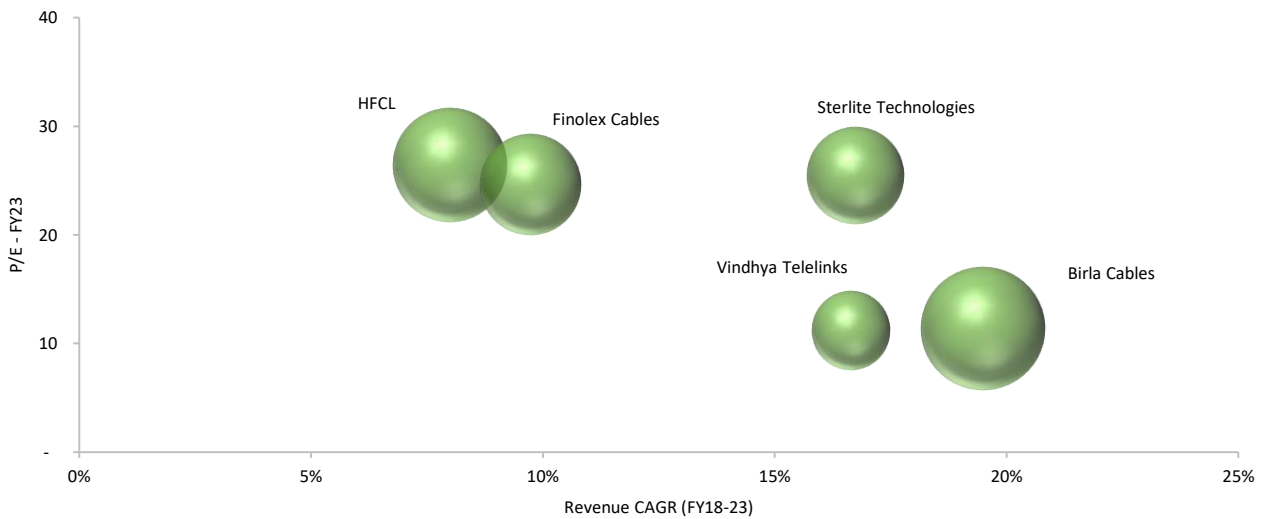
Source: Capital IQ, Arihant Capital Research

Exhibit 36: Sterlite Technologies generated 17% of EBIT/CE which is healthy operating profit in the industry.



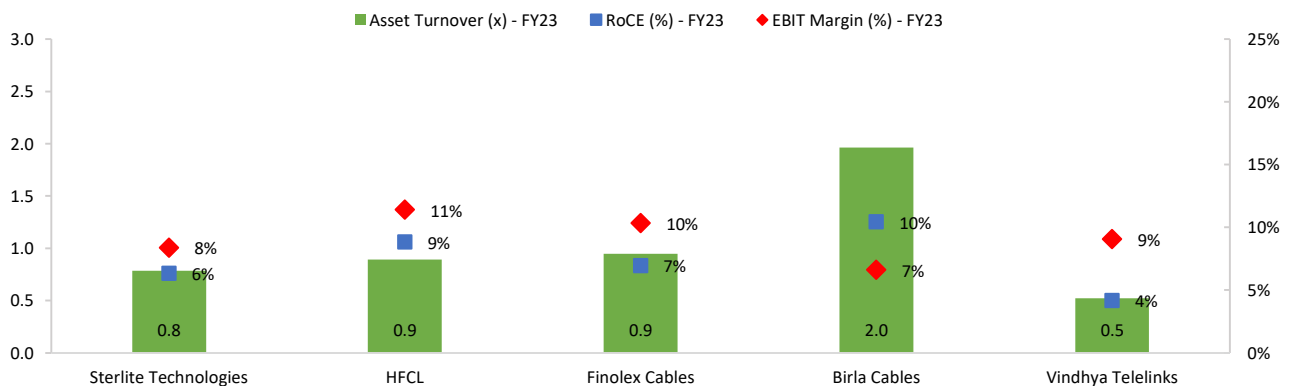
Source: Capital IQ, Arihant Capital Research; Bubble size represents Capital Employed (CE)

Exhibit 37: Sterlite Technologies delivered 17% CAGR revenue growth over the period of FY18-23 and valued PE of 25x, while HFCL delivered 8% CAGR revenue growth over the same period and valued at PE of 26x.



Source: Capital IQ, Arihant Capital Research; Bubble size represents RoCE

Exhibit 38: Sterlite Technologies slightly less efficiently used its assets to generate sales compared to peers. The company is focused on divesting non-core assets in FY23 and asset turn is expected to improve going forward.



Source: Capital IQ, Arihant Capital Research

Exhibit 39: Sterlite Technologies generated 14% RoIC over the period of FY18-FY23 which is healthy in the industry.

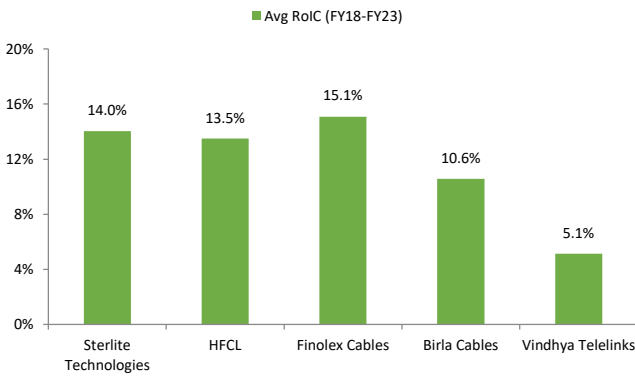


Exhibit 40: Sterlite Technologies generated 19% RoCE over the period of FY18-FY23 which is healthy in the industry.

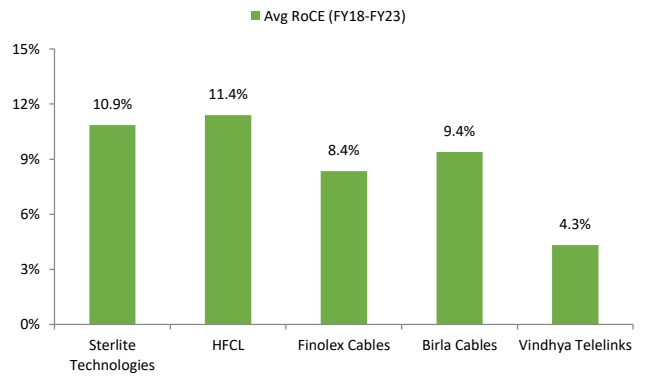


Exhibit 41: Sterlite Technologies generated -14% CAGR return over 20.1% of ROE during the period of FY18-FY23.

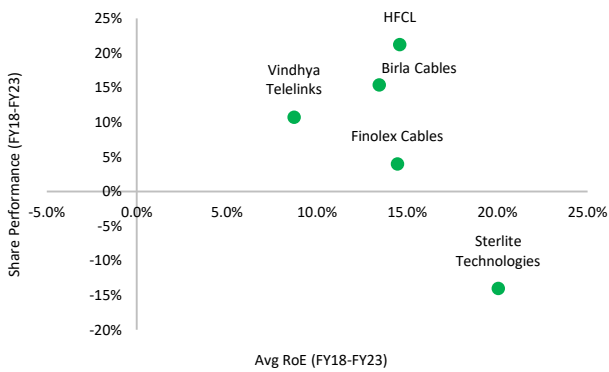


Exhibit 42: Sterlite Technologies generated 6.8% Return on Assets over the period of FY18-FY23 which is adequate in the industry.

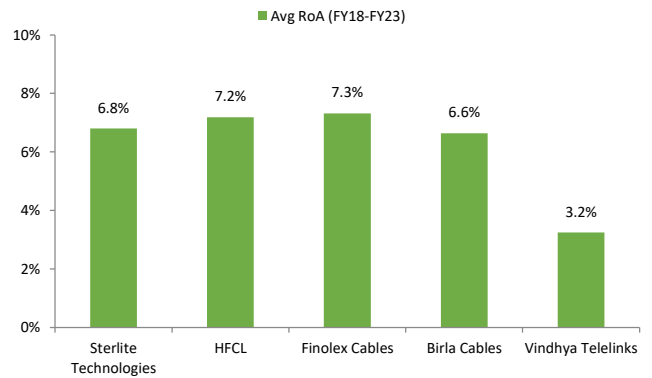


Exhibit 43: Sterlite Technologies generated -14% CAGR return over 15% of RoCE contraction during the period of FY18-FY23.

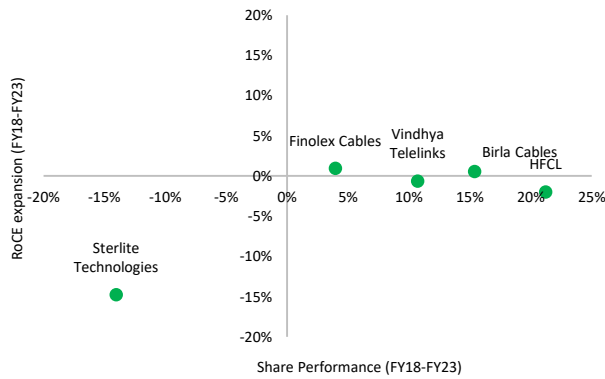
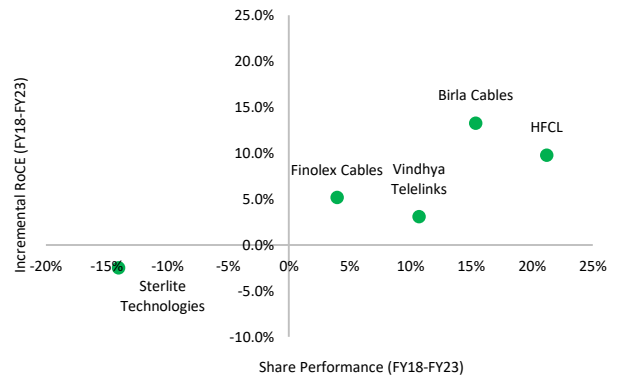


Exhibit 44: Sterlite Technologies generated inferior RoCE during the period of FY18-FY23, which led to inferior share price performance.

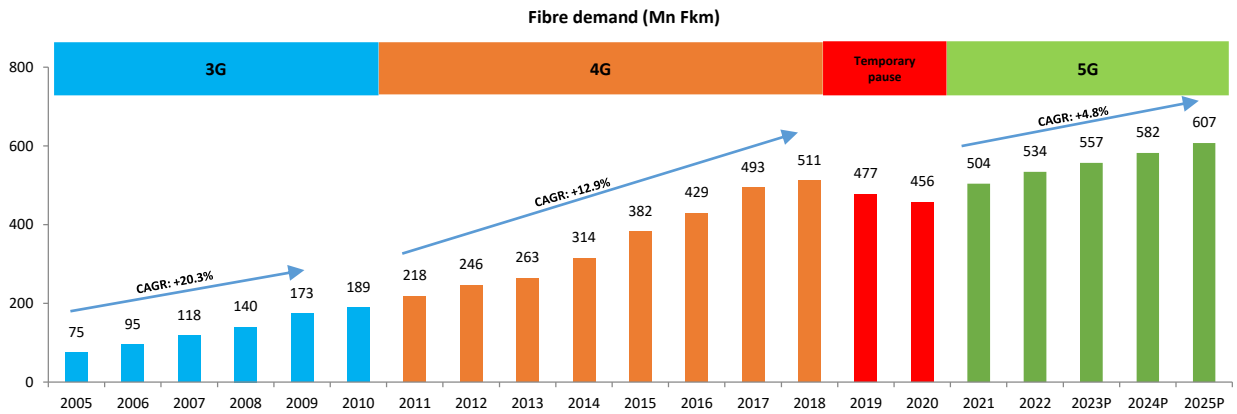


Source: Capital IQ, Arianth Capital Research

Industry Overview

OFC demand remains healthy over the medium term: OFC demand has grown strongly at 20.3% CAGR during 3G Capex, while grew 12.9% CAGR during 4G Capex. OFC demand is expected to grow 4.8% CAGR over the period FY21-25E, backed by 5G and the upcoming 6G Capex. The advancement of wireless technologies led to slower phase growth in fibre demand, however, OFC demand remains healthy over the medium term.

Exhibit 45: OFC demand is expected to grow at a CAGR of 4.8% over the period of FY21-25P.

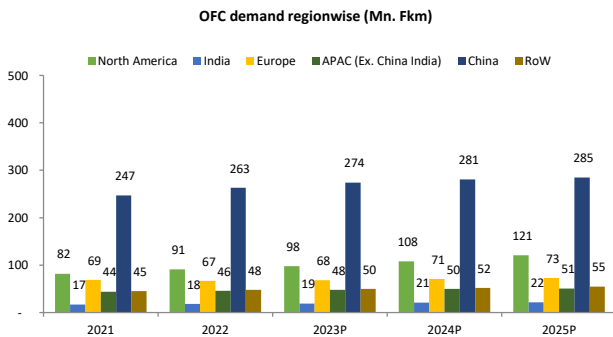


Source: Industry, Arianth Capital Research

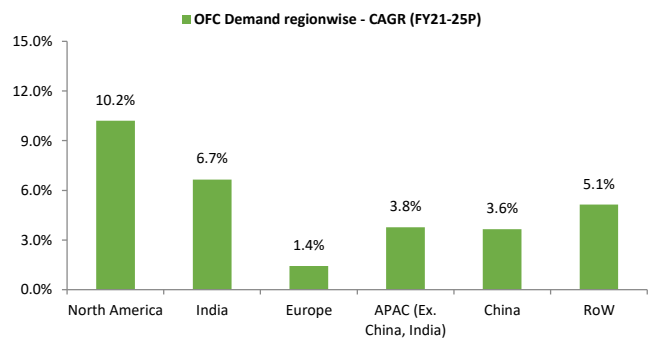
North American demand temporarily impacted due to inventory build-ups in Q4FY22 which delays growth, because it takes some time to clear inventories first before new ordering starts again. The deployment was also slightly impacted due to a shortage of trained laborers. North American demand is expected to normalize in H1FY24. Indian markets remain healthy and Bharat Net projects are expected to drive the demand. In Europe, Germany and UK continue the robust FTTH deployments. China's market was slightly impacted due to delays in China's mobile tender.

Exhibit 46: China and North America is expected to hold highest share for OFC demand.

Exhibit 47: North America is expected to grow at double digit rate over the period of FY21-25P.



Source: Industry, Arianth Capital Research



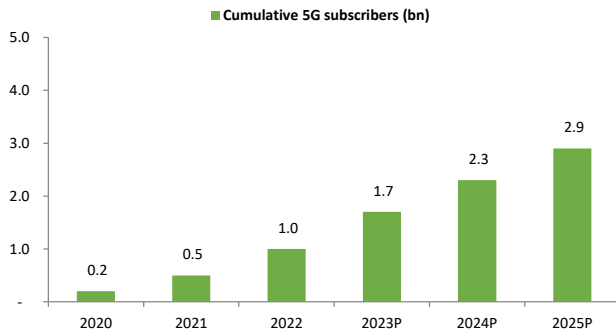
Source: Industry, Arianth Capital Research

5G and FTTH deployments remain strong: Globally around 235 service providers have launched 5G commercial services and 35 standalone 5G networks. 5G subscribers stood at ~1bn as of Dec-22 and are expected to reach 2.9bn by 2025 and expected to reach 5bn by 2028. Advanced countries have started to development of 6G which provides sustainability higher speeds and lower latency than 5G.

US plans to increase home passes every year for the next few years. UK and Germany continue to increase the home pass over the medium term. Chinese telcos have launched Fibre to the room (FTTR) services. FTTR provides fibre cable that extends to every room in the home and the network speed is gigabit.

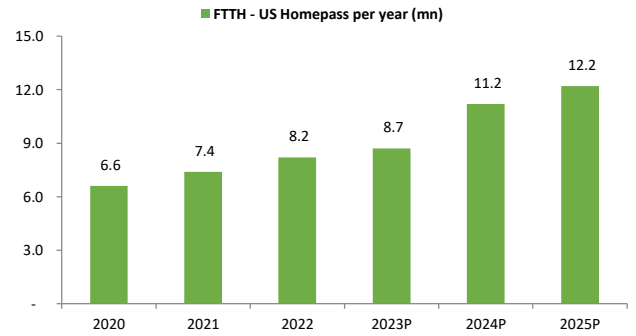
Industry Overview

Exhibit 48: Global 5G subscribers is expected to reach 2.9bn by 2025.



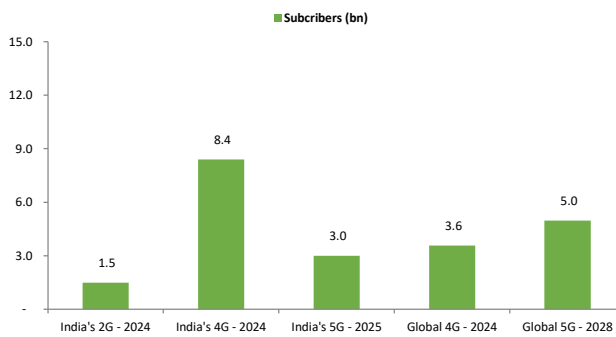
Source: Company reports, Arihant Capital Research

Exhibit 49: US FTTH Homepass is expected to reach 12.2mn by 2025.



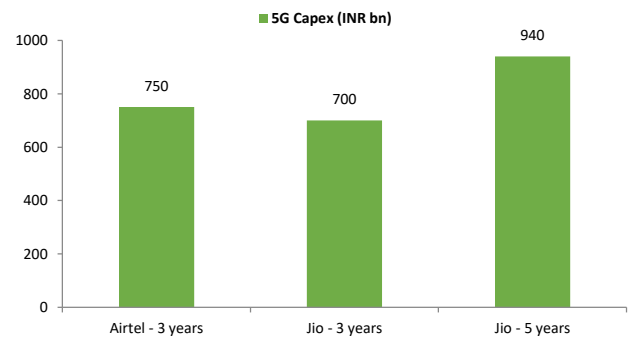
Source: Company reports, Arihant Capital Research

Exhibit 50: India's 5G subscribers is expected to reach 3bn by 2025.



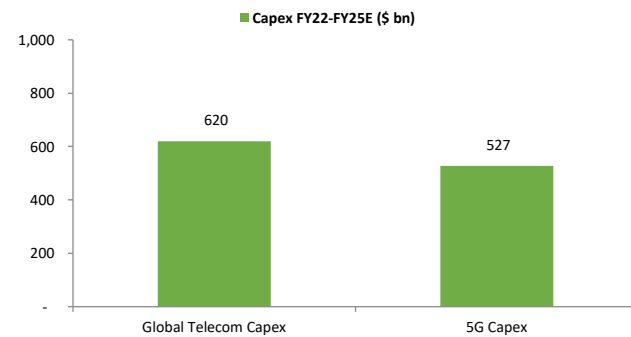
Source: Ericsson Mobility, Arihant Capital Research

Exhibit 51: Airtel and Jio is expected to invest INR 700-750bn over next 3 years for 5G.



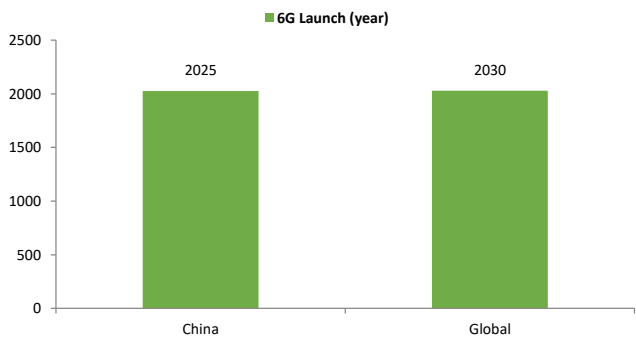
Source: Company reports, Arihant Capital Research

Exhibit 52: ~85% capex is expected for 5G in global telecom Capex.



Source: Ericsson Mobility, Arihant Capital Research

Exhibit 53: Globally, 6G is expected to commercialize by 2030.

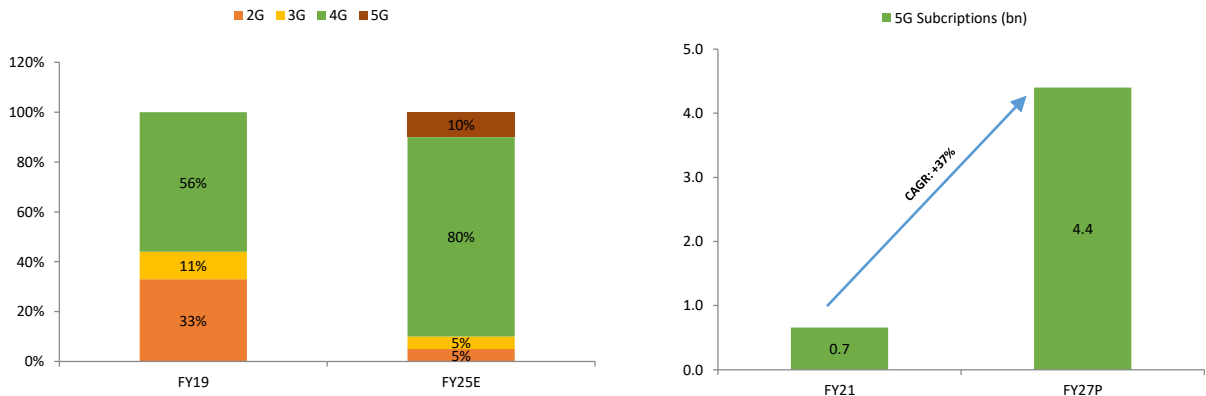


Source: Ericsson Mobility, Arihant Capital Research

Industry Overview

The increase in demand for data usage and industry efforts to expand the subscriber base would lead to an increase in penetration of 4G usage and stronger growth in 5G. 5G market share is expected to reach 10% by FY25E due to an increase in subscribers base.

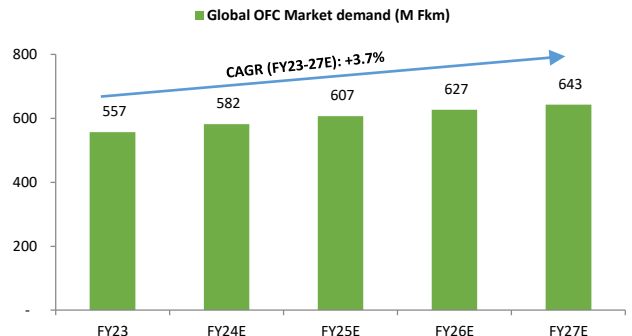
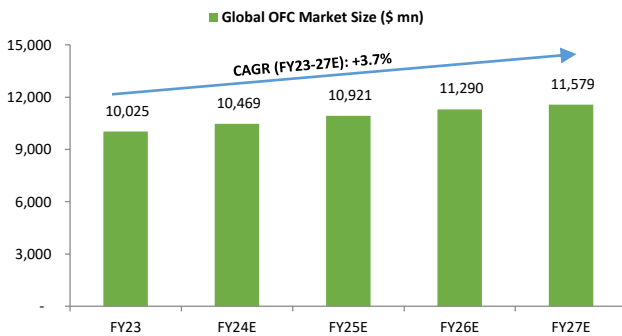
Exhibit 54: 5G market share is expected to reach 10% by FY25.



Source: Industry, Arihant Capital Research

Exhibit 55: Global OFC market is expected to grow at a CAGR of 3.7% over the period of FY23-27E.

Exhibit 56: Global OFC market demand is expected to grow at a CAGR of 3.7% over the period of FY23-27E.

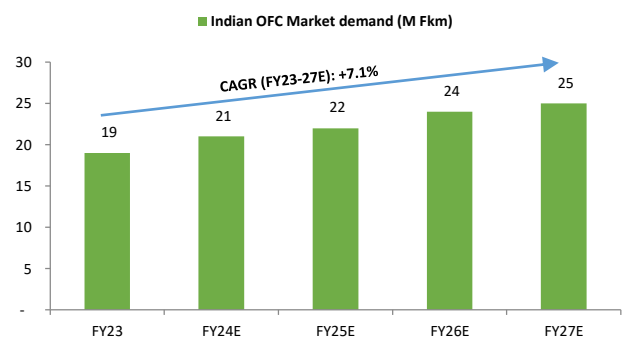
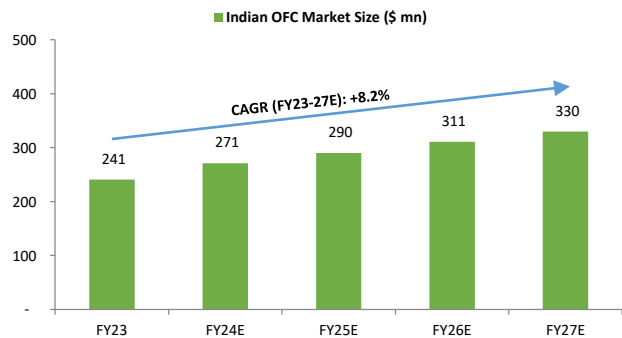


Source: Ericsson Mobility, Arihant Capital Research

Source: Ericsson Mobility, Arihant Capital Research

Exhibit 57: Indian OFC market is expected to grow at a CAGR of 8.2% over the period of FY23-27E.

Exhibit 58: Global OFC market demand is expected to grow at a CAGR of 7.1% over the period of FY23-27E.

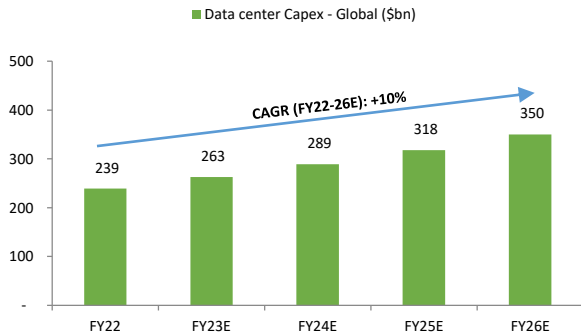


Source: Ericsson Mobility, Arihant Capital Research

Source: Ericsson Mobility, Arihant Capital Research

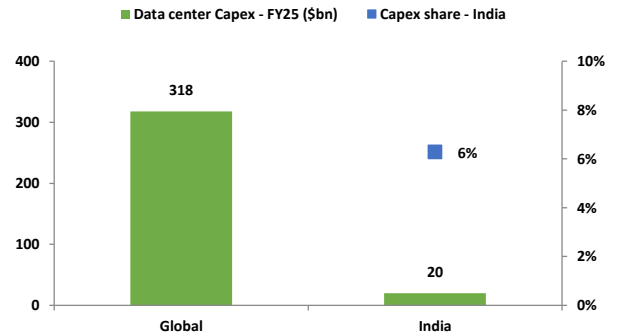
Industry Overview

Exhibit 59: Global data center capex is expected to grow at a CAGR of 10% over the period of FY22-25E.



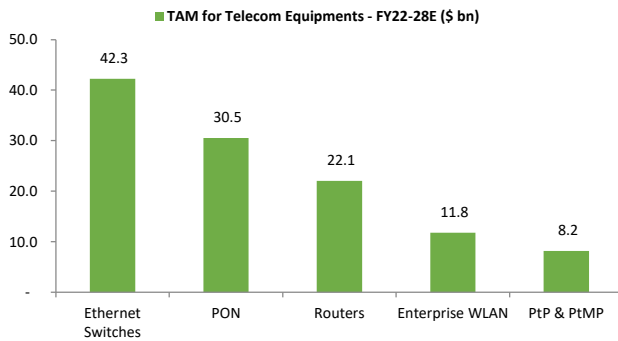
Source: Industry, Aриhant Capital Research

Exhibit 60: India's data center capex is expected to surpass \$20bn by FY25E. The India's data center capex share is expected around 6% of global data center capex.



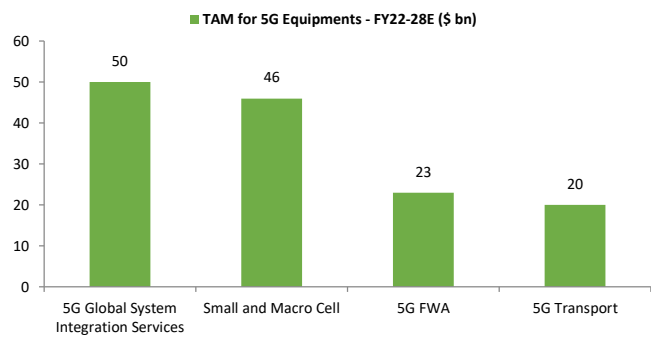
Source: Industry, Aриhant Capital Research

Exhibit 61: Total Addressable Market for Telecom Equipment's are estimated at ~\$115bn over the period of FY22-28E.



Source: Industry, Aриhant Capital Research

Exhibit 62: Total Addressable Market for 5G Equipment's are estimated at ~\$139bn over the period of FY22-28E.



Source: Industry, Aриhant Capital Research

Exhibit 63: TAM for Telecom Equipment's

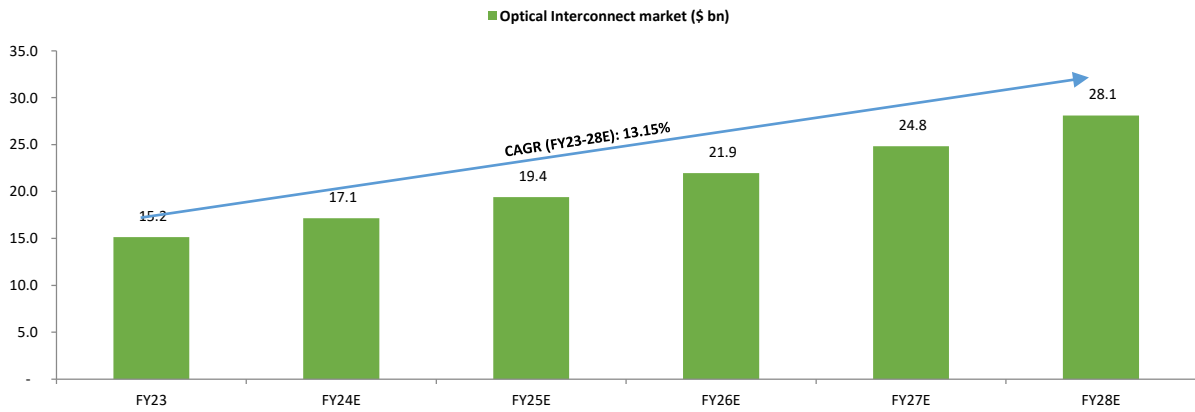
Market Size (\$mn)	FY16	FY22	FY28E	CAGR (FY16-FY22)	CAGR (FY22-FY28E)	Leading Global Players
Switches	23,780	31,600	42,250	4.9%	5.0%	Cisco, Huawei, Juniper, Arista, HPE
Routers	14,440	16,378	22,050	2.1%	5.1%	Cisco, Huawei, Juniper, Nokia, HPE
Enterprise Wi-Fi Access System	5,210	7,818	11,800	7.0%	7.1%	Cisco, Huawei, HPE, Ubiquity, CommScope
PON Equipment	3,000	9,100	30,500	20.3%	22.3%	Huawei, Calix, Nokia-Alcatel, ZTE
PtP and PtMP Radio	3,165	5,000	8,150	7.9%	8.5%	Cambium, Radwin, Mimosas, Proxim, Mikro Tik
5G Small and Macro Cell	-	2,669	46,000	-	60.7%	Ericsson, ZTE, Cisco, NEC, Nokia, CommScope
5G Transport	-	1,250	20,000	-	58.7%	Cisco, Huawei, Nokia
5G FWA	-	720	23,000	-	78.1%	Ericsson, Nokia
5G Global System Integration Services	-	10,000	50,000	-	30.8%	Huawei, Cisco, Wipro, HPE, Altran, Samsung, Ericsson

Source: Industry, Aриhant Capital Research

Industry Overview

Optical Interconnect Industry: Optical Interconnect market stood at \$15.15bn and is expected to grow at a CAGR of 13.2% to \$28.1bn over the period of FY23-28E. The growth is backed by data communication network which includes data center networks and wired access networks etc. The high-speed connectivity, form factor type, and standard are developed according to cost and power consumption which are the main drivers for interconnect cables demand.

Exhibit 64: Optical Interconnect market is expected to grow at a CAGR of 13.2% over the period of FY22-28E.



Source: Industry, Arihant Capital Research

North America is expected to witness strong growth: The rapid penetration of the internet is expected to raise the growth of the North America market. The cloud traffic is estimated at around 6,844 exabytes per year which is the highest compared to other regions. North America has various players that provide optical interconnect products and solutions, along with players who are also keen to innovate new solutions for the improvement in interconnect bandwidth density at around 10x lower power.

Exhibit 65: Optical Interconnects are expected to witness higher growth in North America.



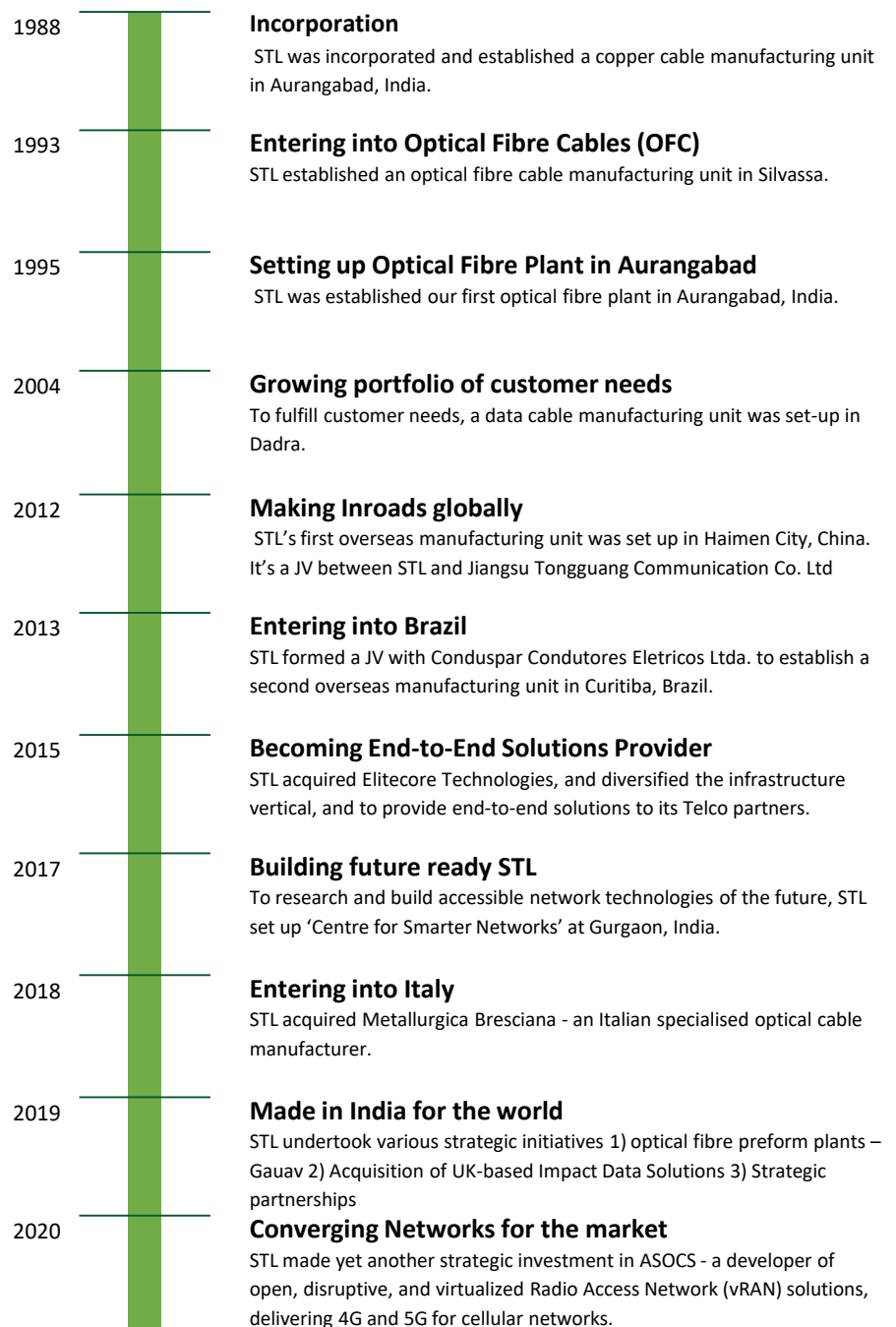
Source: Industry, Arihant Capital Research

Data communication is expected to spur demand for optical interconnects: The communication network includes data center networks, and wireless & wired access networks. The optical interconnects offers high throughput, low latency, and reduced power consumption in communication networks. All optical networks could provide 75% energy savings in the data center.

Business Overview

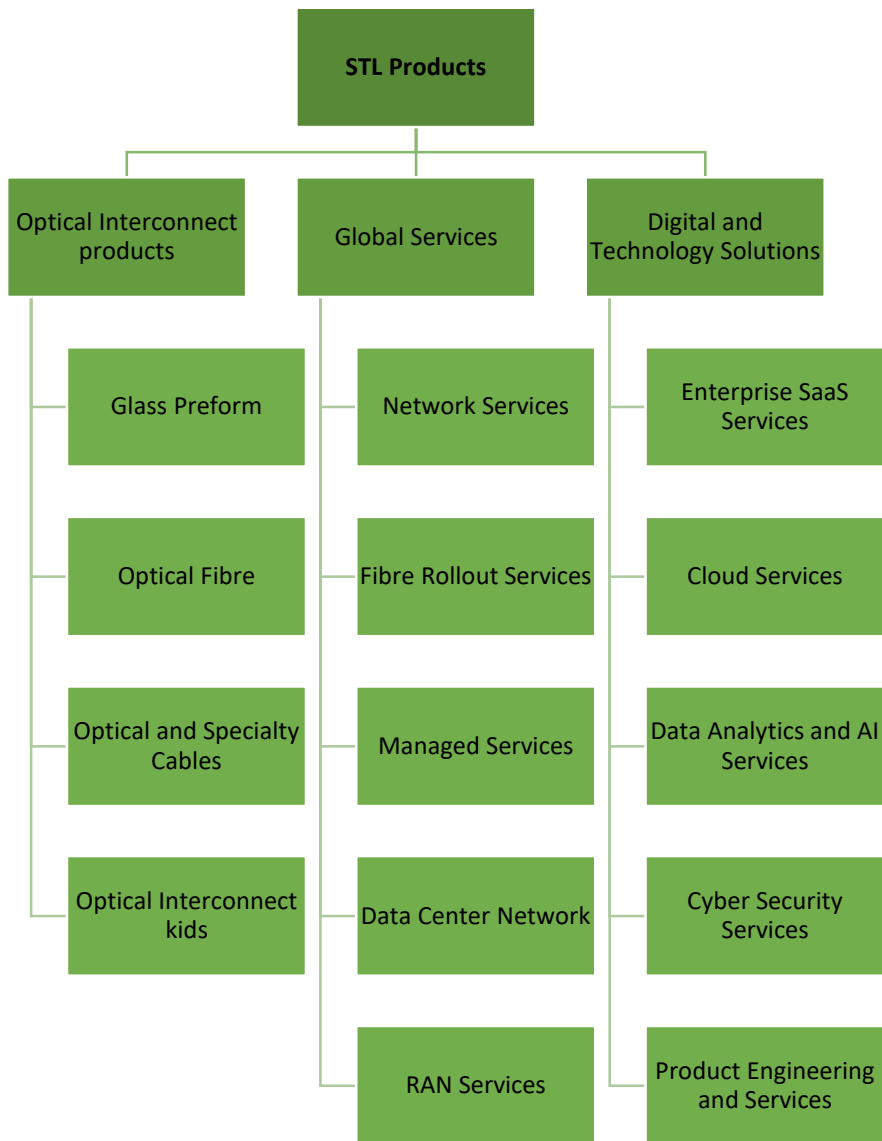
Sterlite Technologies is one of the largest Optical Fibre (OF) and Optical Fibre Cables (OFC) manufacturers in India. It's one of the leading integrators of digital networks providing All-in 5G solutions. The product portfolio comprises of OF, OFC, Optical interconnect products, Global services, and Digital & Technology solutions. The company has 10 global manufacturing facilities which possessed 50mn Fkm OF capacity and 42mn FKM OFC capacity. It has 4 innovation centres and 650 patents across glass science, precision manufacturing, etc. The company has strong clients across the globe and exporting more than 100 countries.

Sterlite Technologies Journey



Product Portfolio's

Exhibit 66: Sterlite Technologies Products and Services Portfolio



Source: Company reports, Arihant Capital Research

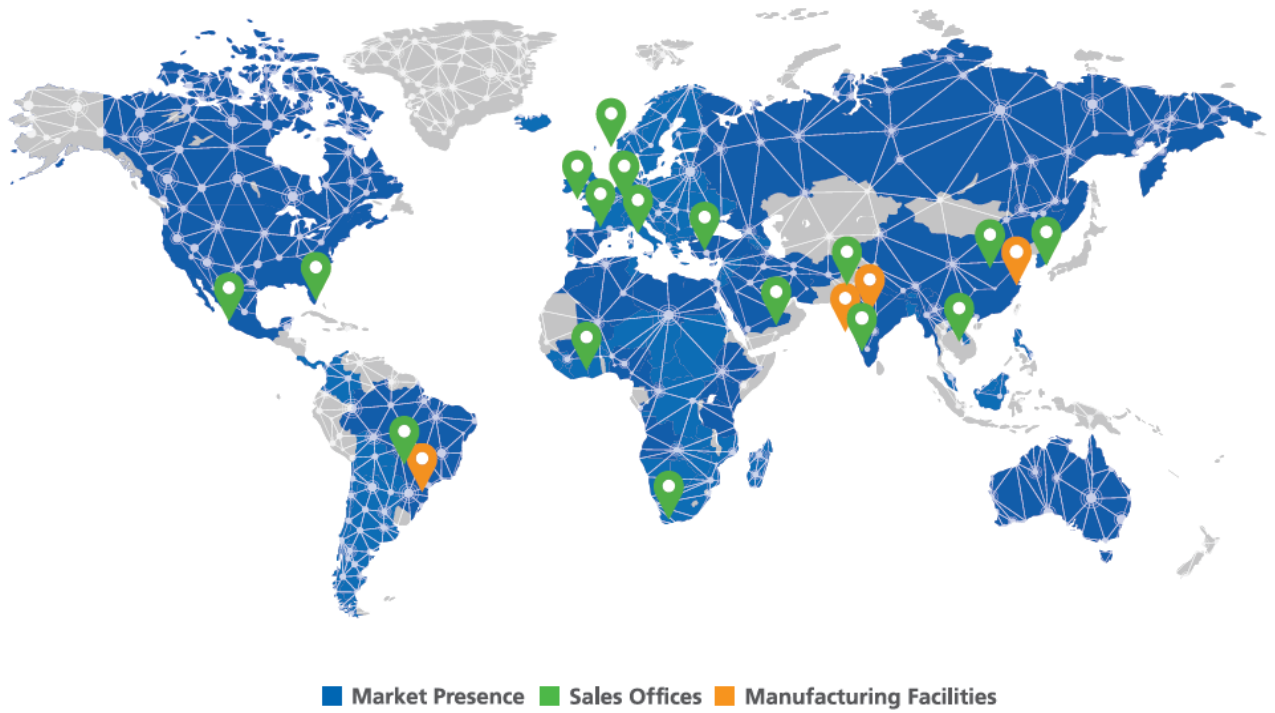
Exhibit 67: Sterlite Technologies are partner with global service providers, large enterprises and governments.



Source: Company reports, Arihant Capital Research

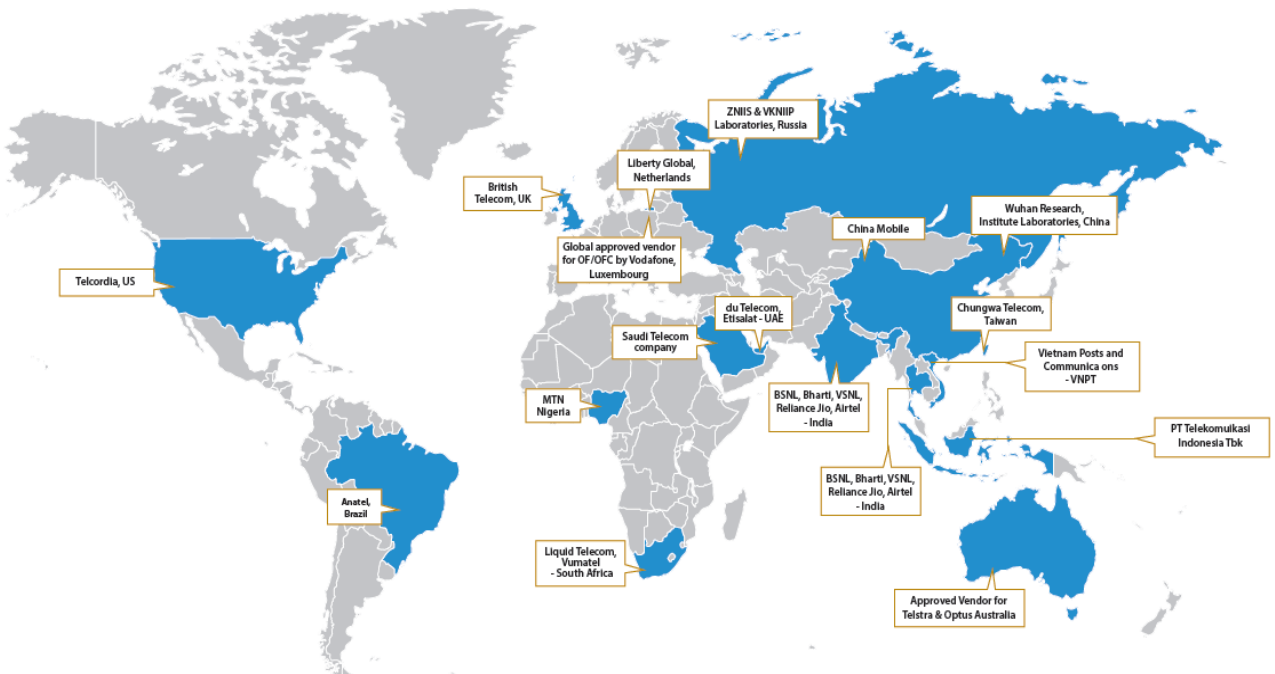
Sterlite Technologies Presence and Global Certifications & Approvals

Exhibit 68: Sterlite Technologies has presence over more than 100 countries.



Source: Company reports, Arihant Capital Research

Exhibit 69: Sterlite Technologies Global Certifications and Approvals



Source: Company reports, Arihant Capital Research

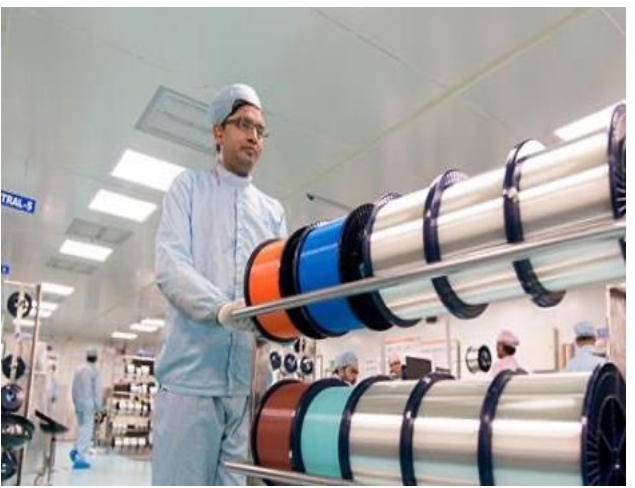
Manufacturing Facilities

Exhibit 70: Glass Preform & Optical Fibre Facility - Shendra, Aurangabad, India



Source: Company reports, Aриhant Capital Research

Exhibit 71: Glass Preform & Optical Fibre Facility - Waluj, Aurangabad, India



Source: Company reports, Aриhant Capital Research

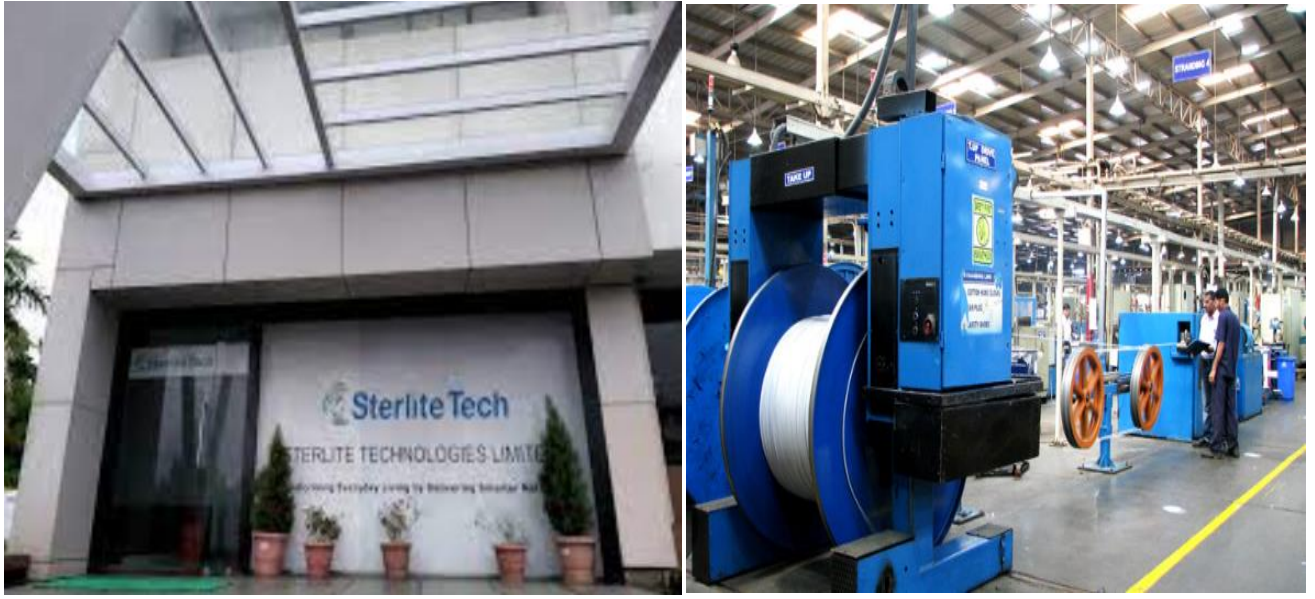
Exhibit 72: Optical Fibre Facility - China



Source: Company reports, Aриhant Capital Research

Manufacturing Facilities

Exhibit 73: Optical Fibre Cable Facility - Silvassa, India



Source: Company reports, Arianth Capital Research

Exhibit 74: Optical Fibre Cable Facility - MB, Italy



Source: Company reports, Arianth Capital Research

Exhibit 75: Optical Fibre Cable Facility - Brazil



Source: Company reports, Arianth Capital Research

Manufacturing Facilities

Exhibit 76: Optical Connectivity Facilities - Dadar & Nagar Haveli, India and Milan, Italy



Source: Company reports, Arihant Capital Research

Exhibit 77: OFC Facility - South Carolina, Lugoff, USA



Source: Company reports, Arihant Capital Research

Exhibit 78: Sterlite Technologies Plants Quick summary

Optical Fibre (OF)



Shendra, Aurangabad India



Waluj, Aurangabad India



Jiangu Sterlite Tongguang Fibre Co. Ltd Haimen-City China

Optical Fibre Cable (OFC) + Specialty Cable (SCB)



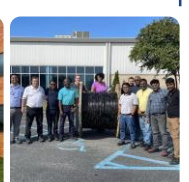
Rakholi, Silvassa India



Metallurgica, Bresciana, Italy



Sterlite Conduspar Parana Brazil



South Carolina, LugOff USA

Optical Connectivity



Dadra & Nagar Haveli, India

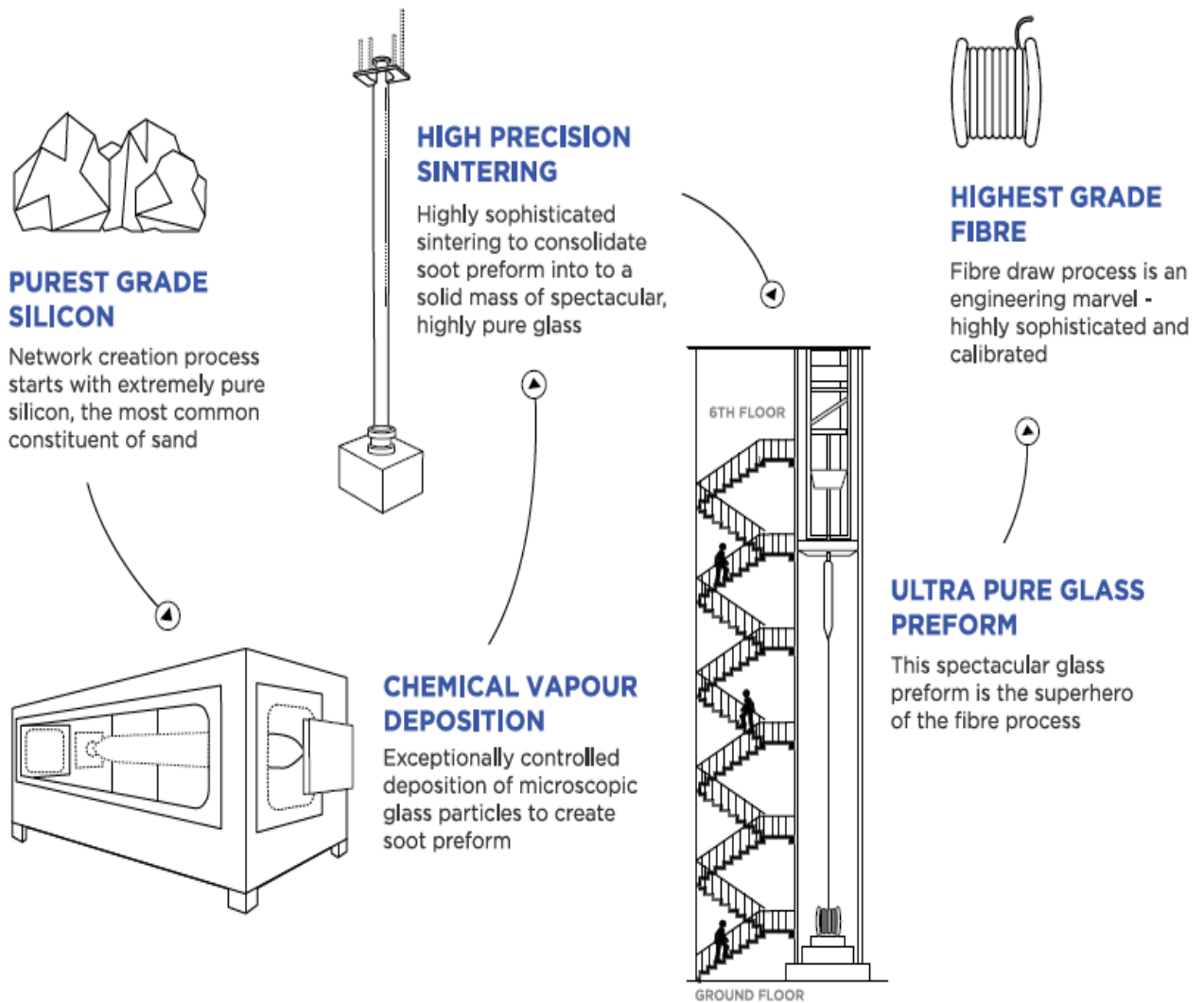


Optotec Milan, Italy

Source: Company reports, Arihant Capital Research

Manufacturing Process

Exhibit 79: Silicon to Fibre process



Source: Company reports, Arihant Capital Research

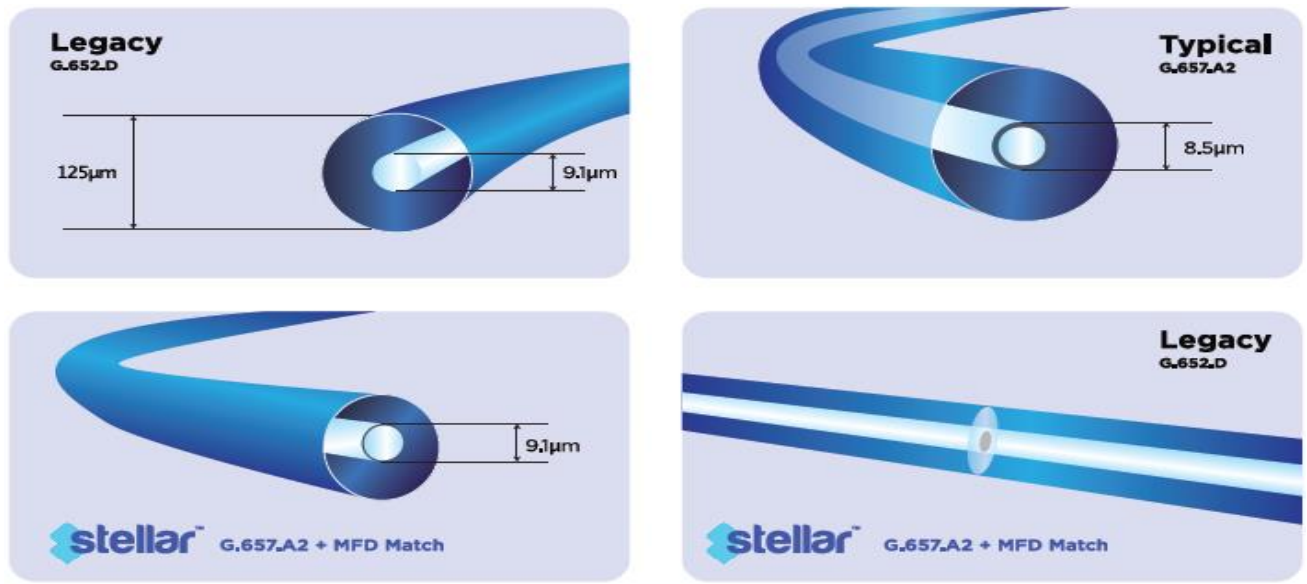
Exhibit 80: Sterlite Technologies is the only company have integrated Silicon to Software capability.



Source: Company reports, Arihant Capital Research

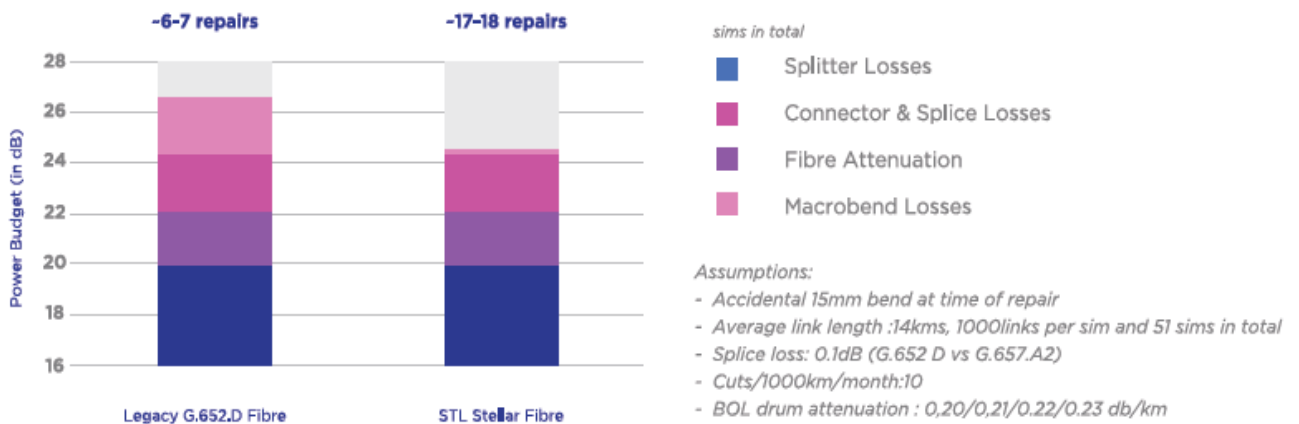
Sterlite Technologies Stellar Fibre

Exhibit 81: Sterlite Technologies Stellar ensures minimal splice loss and first-time-right installations.



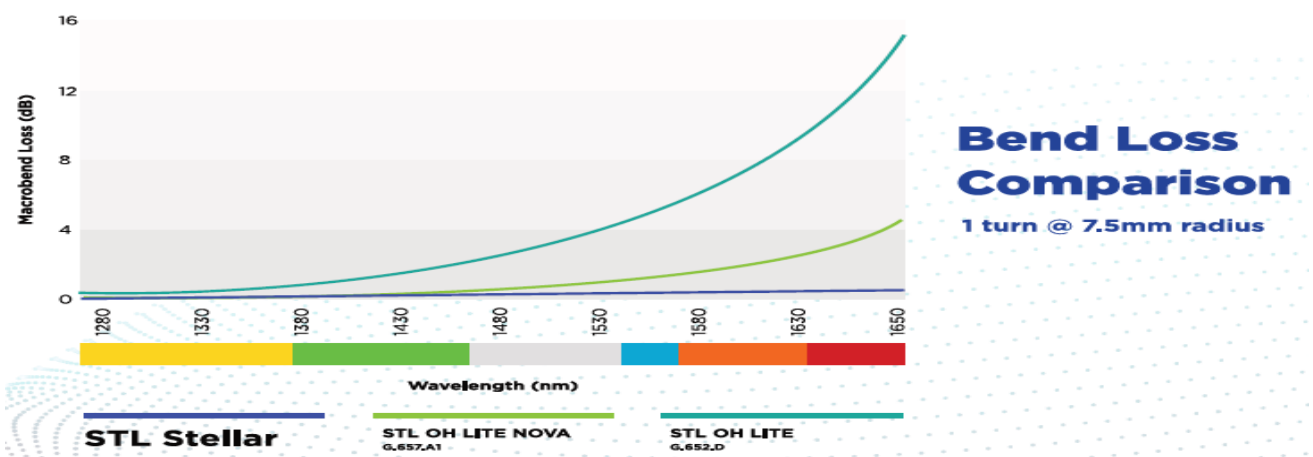
Source: Company reports, Arianth Capital Research

Exhibit 82: STL Stellar adds nearly 10 years network life especially in developing countries.



Source: Company reports, Arianth Capital Research

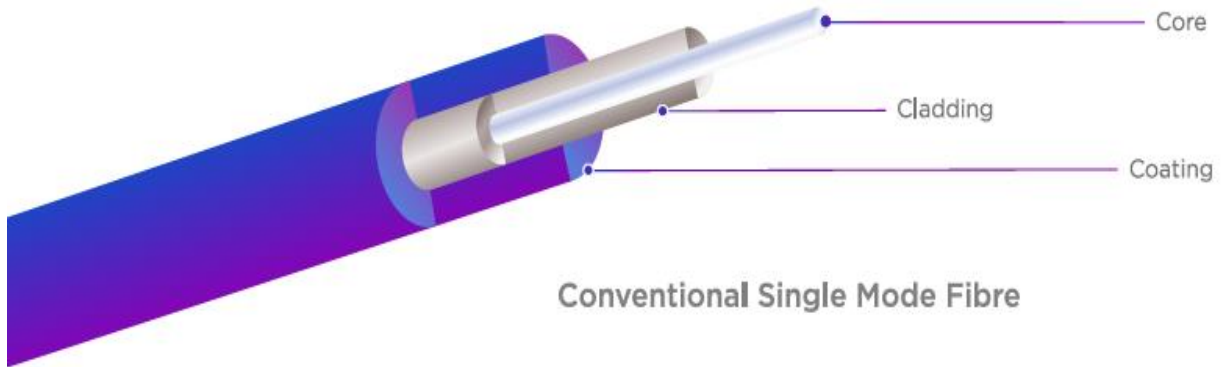
Exhibit 83: STL Stellar losses are lower due to high wavelengths.



Source: Company reports, Arianth Capital Research

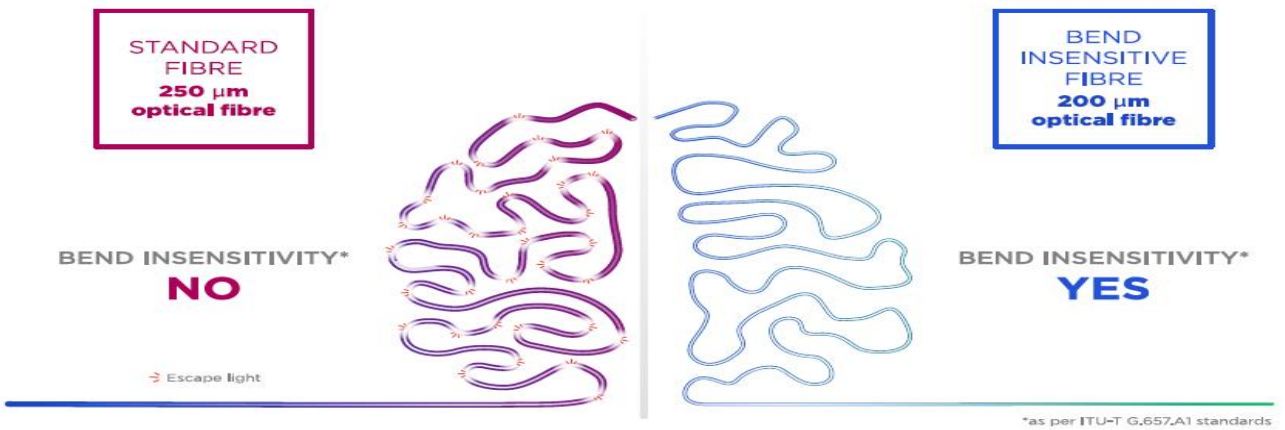
Sterlite Technologies Stellar and Celesta

Exhibit 84: Sterlite Technologies Conventional Single Mode Fibre



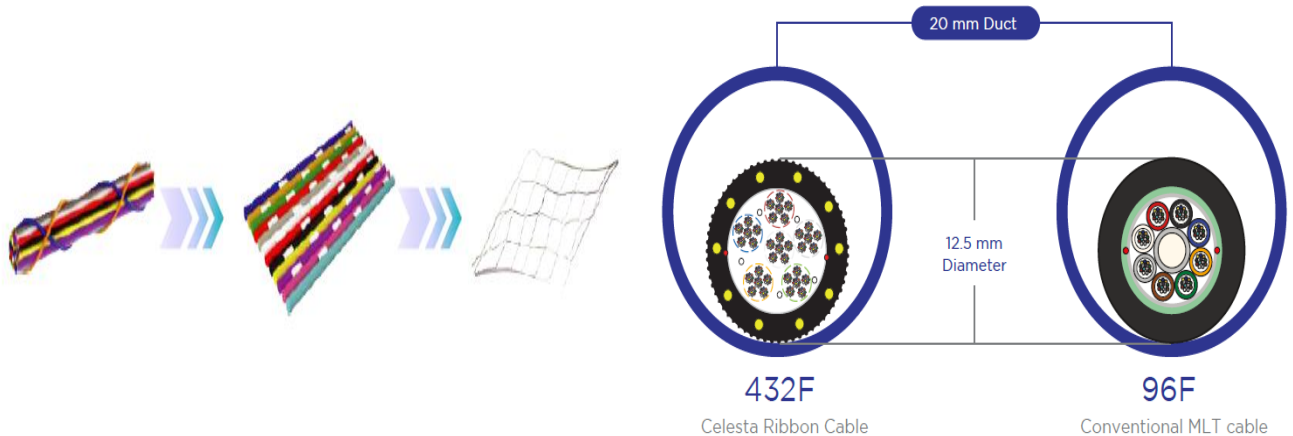
Source: Company reports, Arihant Capital Research

Exhibit 85: Sterlite Technologies has achieved bend insensitive through slimmest fibres compared to standard fibres.



Source: Company reports, Arihant Capital Research

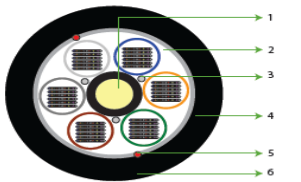
Exhibit 86: Celesta Ribbon Cable is 26% slimmer than conventional multi-loose tube cables and 4x better duct utilisation.



Source: Company reports, Arihant Capital Research

OF and OFC Products

Exhibit 87: Ribbon – Lite Multitube Single Jacket Cable



1. CENTRAL STRENGTH MEMBER
2. LOOSE TUBE WITH RIBBONS & GEL
3. WS YARNS
4. CORE WRAPPING WITH PERIPHERAL STRENGTH YARNS (IF REQUIRED)
5. RIPCORD(S)
6. OUTER SHEATH

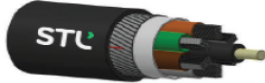
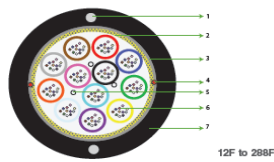


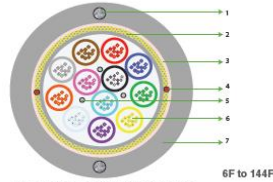
Exhibit 88: YogaLite Single Jacket for Transport Networks



1. EMBEDDED STRENGTH MEMBERS
2. ARAMID YARNS
3. CORE WRAPPING WITH WATER SWELLABLE TAPE
4. RIPCORD(S)
5. WS YARNS
6. SEMI DRY MICROMODULES WITH FIBRES
7. OUTER SHEATH



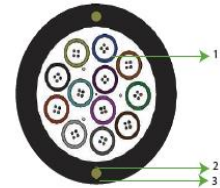
Exhibit 89: YogaLite Single Jacket for Indoor/Outdoor Distribution



1. EMBEDDED STRENGTH MEMBERS
2. ARAMID YARNS
3. CORE WRAPPING WITH WATER SWELLABLE TAPE
4. RIPCORD(S)
5. WS YARNS
6. SEMI DRY MICROMODULES WITH FIBRES
7. OUTER SHEATH



Exhibit 90: Indicum Lite Retractable

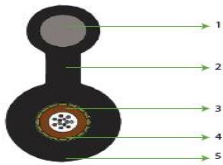


1. LOOSE TUBE WITH FIBRES & GEL
2. EMBEDDED STRENGTH MEMBER
3. OUTER SHEATH



Source: Company reports, Arihant Capital Research

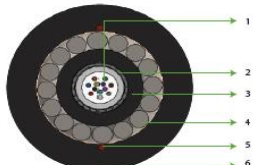
Exhibit 91: Aerial Lite Unitube



1. STEEL WIRE
2. NECK
3. LOOSE TUBE WITH FIBRES & GEL
4. PERIPHERAL STRENGTH MEMBERS
5. OUTER SHEATH



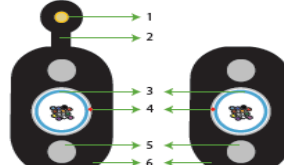
Exhibit 92: Armor-Lite Unitube Single Jacket Steel Wire Armored



1. LOOSE TUBE WITH FIBRES & GEL
2. WATER SWELLABLE PERIPHERAL STRENGTH YARNS
3. INNER SHEATH
4. STEEL WIRE ARMORING
5. RIPCORD(S)
6. OUTER SHEATH



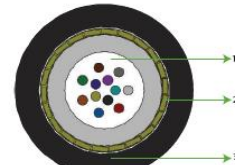
Exhibit 93: Drop-Lite Flat Drop Dielectric/Toneable



1. COPPER TONING WIRE
2. NECK
3. LOOSE TUBE WITH FIBRES & GEL
4. RIPCORD(S)
5. EMBEDDED STRENGTH MEMBER
6. OUTER SHEATH



Exhibit 94: Drop-Lite Unitube Single Jacket Miniature

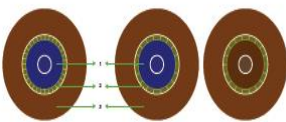


1. LOOSE TUBE WITH FIBRES & GEL
2. PERIPHERAL STRENGTH YARNS
3. OUTER SHEATH



Source: Company reports, Arihant Capital Research

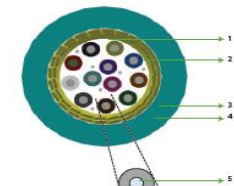
Exhibit 95: Simplex/Zip Duplex



1. COLOURED TIGHT BUFFERED FIBRES
2. INNER SHEATH
3. PHERIPHERAL STRENGTH MEMBERS- ARAMID YARNS
4. OUTER SHEATH



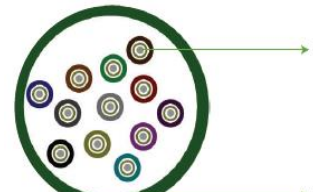
Exhibit 96: Tight Buffer Riser



1. LSZH TIGHT BUFFER WITH FIBRE
2. STRENGTH YARNS (ARAMID YARNS)
3. RIPCORD
4. OUTER SHEATH
5. NATURAL FIBRE (UNCOLORED)
6. TIGHT BUFFER



Exhibit 97: Mini Breakout



1. SIMPLEX WITH FIBRE
2. OUTER SHEATH



Exhibit 98: Olympus Lite Fire Resistant



1. OUTER SHEATH
2. MICA TAPE + CORRUGATED ECCS TAPE
3. INNER SHEATH
4. MICA TAPE + WATER SWELLABLE YARNS
5. CENTRAL TUBE WITH FIBRES WITH BUNDLE BINDERS
6. GLASS YARNS LAYER OVER MICA TAPE
7. RIPCORD(S)

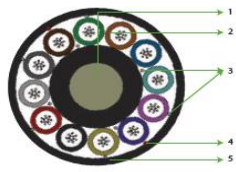


Source: Company reports, Arihant Capital Research

For more details about OF and OFC products, Please refer company reports

OF and OFC Products

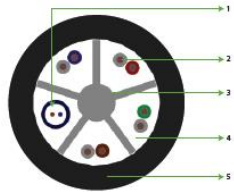
Exhibit 99: Micro-Lite Multitube Single Jacket



1. CENTRAL STRENGTH MEMBER
2. MICRO LOOSE TUBE WITH FIBRES & GEL
3. WS YARNS
4. RIPCORD(S)
5. OUTER SHEATH



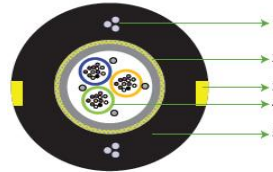
Exhibit 100: Composite Cable (Fibre + LAN)



1. FIBRE UNIT
2. TWISTED COPPER PAIR
3. CENTRAL STRENGTH MEMBER
4. FILLER SEPARATOR
5. OUTER SHEATH



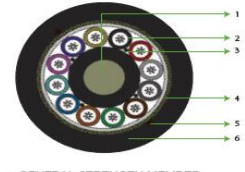
Exhibit 101: Work Safe Aerial LAN



1. EMBEDDED STRENGTH MEMBER
2. ARAMID YARNS
3. STRIPE MARKING ON SHEATH
4. SEMI DRY MICROMODULES WITH FIBRES
5. OUTER SHEATH



Exhibit 102: Aerial Lite Multitube Single Jacket ADSS



1. CENTRAL STRENGTH MEMBER
2. LOOSE TUBE WITH FIBRES & GEL
3. WS YARNS
4. CORE WRAPPING WITH ARAMID YARNS
5. RIPCORD(S)
6. OUTER SHEATH



Source: Company reports, Arihant Capital Research

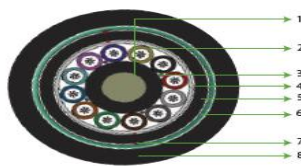
Exhibit 103: Aerial Lite Multitube Single Jacket



1. MESSENGER WIRE
2. NECK
3. CENTRAL STRENGTH MEMBER
4. LOOSE TUBE WITH FIBRES & GEL
5. WS YARNS
6. CORE WRAPPING
7. RIPCORD(S)
8. OUTER SHEATH



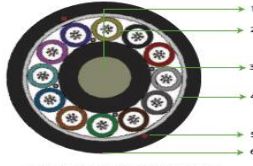
Exhibit 104: Armor-Lite Multitube Double Jacket Dielectric Armored



1. CENTRAL STRENGTH MEMBER
2. LOOSE TUBE WITH FIBRES & GEL
3. WS YARNS
4. CORE WRAPPING
5. INNER SHEATH
6. PHERIPHERAL STRENGTH MEMBER
7. RIPCORD(S)
8. OUTER SHEATH



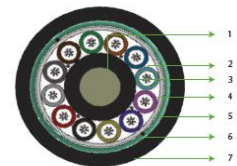
Exhibit 105: Duct-Lite Gel Free Multitube Single Jacket



1. CENTRAL STRENGTH MEMBER
2. LOOSE TUBE WITH FIBRES & WATER SWELLABLE YARNs
3. WS YARNS
4. CORE WRAPPING
5. INNER SHEATH
6. OUTER SHEATH



Exhibit 106: Armor Lite Gel free Multitube Single Jacket Steel Tape Armored

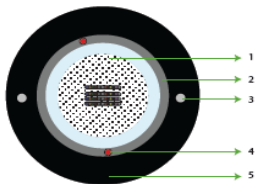


1. CENTRAL STRENGTH MEMBER
2. LOOSE TUBE WITH FIBRES & WATER SWELLABLE YARNs
3. WS YARNS
4. CORE WRAPPING
5. CORRUGATED STEEL TAPE
6. RIPCORD(S)
7. OUTER SHEATH



Source: Company reports, Arihant Capital Research

Exhibit 107: Ribbon Lite Unitube Single Jacket



1. LOOSE TUBE WITH RIBBONS & GEL
2. WATER SWELLABLE TAPE
3. EMBEDDED STRENGTH MEMBER
4. RIPCORD(S)
5. OUTER SHEATH



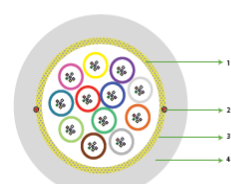
Exhibit 108: YogaLite Double Jacket Direct Buried for Transport Networks



1. EMBEDDED STRENGTH MEMBER
2. ARAMID YARNS
3. CORE WRAPPING WITH WATER SWELLABLE TAPE
4. WS YARNS
5. SEMI DRY MICROMODULES WITH FIBRES
6. INNER SHEATH
7. WBT WITH GLASS YARN
8. RIPCORD(S)
9. OUTER SHEATH



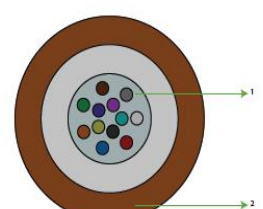
Exhibit 109: YogaLite Single Jacket for Indoor Riser Installations



1. ARAMID YARNS
2. RIPCORD(S)
3. SEMI DRY MICROMODULES WITH FIBRES
4. OUTER SHEATH



Exhibit 110: Atlas Lite Airblown



1. FIBRES & GEL
2. DUAL LAYER OUTER SHEATH

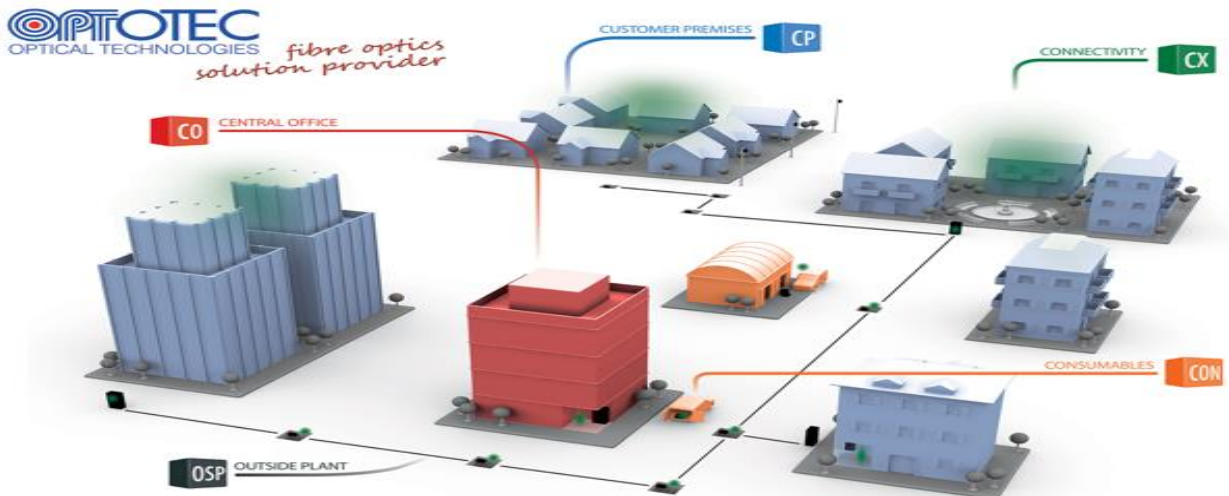


Source: Company reports, Arihant Capital Research

For more details about OF and OFC products, Please refer company reports

OptoTech Products

Exhibit 111: OptoTech by Sterlite Technologies



Source: Company reports, Arianth Capital Research

Exhibit 112: Optical Xconnect Frame (OXF)

Exhibit 113: New Pivoting Tray Drawer (NPTD)

Exhibit 114: New Pivoting Tray Drawer HD (NPTD HD)

Exhibit 115: Sliding Tray Drawer (STD Subrack)



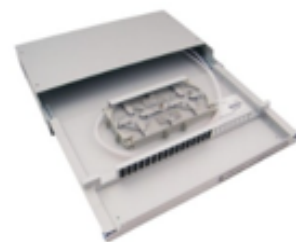
Source: Company reports, Arianth Capital Research

Exhibit 116: STD Subrack – Sliding Splicing Drawer

Exhibit 117: Compact Optical Module (MOC 2000)

Exhibit 118: Compact Optical Module (MOC T24)

Exhibit 119: Compact frame (CF rack)



Source: Company reports, Arianth Capital Research

Exhibit 120: Multi-Functional Block (MFB)

Exhibit 121: Micro Optical Distribution Closure

Exhibit 122: Micro Optical Termination Point

Exhibit 123: MAX Closures



Source: Company reports, Arianth Capital Research

OptoTech Products

Exhibit 124: Compact Optical Distribution Closure (CODC2)



Exhibit 125: Optical Distribution Closure (ODC2)



Exhibit 126: Demarcation Optical Closure (DOC2 & CDOC2)



Exhibit 127: Splice closure with trays MST



Source: Company reports, Arianth Capital Research

Exhibit 128: OPTO-CAB PFS4



Exhibit 129: Distributer Post - Column



Exhibit 130: Next generation patch and splice box (NGB)



Exhibit 131: FTTH – Building Cabling System



Source: Company reports, Arianth Capital Research

Exhibit 132: Universal Fibre Outlet (ODP UFO)



Exhibit 133: Multi Operator Compact Access (MOCA 48)



Exhibit 134: Double Door Metal Box (DDMBOX 3, 2 & 1)



Exhibit 135: Multiple seal for many cables



Source: Company reports, Arianth Capital Research

Exhibit 136: Microcables and patchcords sealing (NGBKIT)



Exhibit 137: Connectorized Block Terminal (Opto – Blaze)



Exhibit 138: Connectorized Drop Cable (Opto – Bolt)



Exhibit 139: High Density Splice Array Modules (SAMX HD)



Source: Company reports, Arianth Capital Research
For more details about OptoTech Products, Please refer company reports

Key Management

Personnel	Designation	Description
Mr. Ankit Agarwal	Managing Director	Mr. Ankit holds a Bachelor's degree from University of Southern California and an MBA degree from London Business School. He is playing a crucial role in increasing STL's global reach, enhancing capabilities and solution strength, while also leading disruptive growth strategies through Mergers, Acquisitions and Greenfield projects. Ankit's aim is to transform STL into the next-gen solutions provider that maximizes value for customers, partners, investors, employees and society.
Mr. Tushar Shroff	Chief Financial Officer	Mr. Tushar Shroff is a qualified Chartered Accountant and Cost Accountant with an experience of close to three decades. He will bolster the company's strategy to deliver consistent shareholder value and profitable growth. Prior to STL, He served as the Group CFO of Intas Pharmaceuticals Ltd.
Mr. Paul Atkinson	Chief Executive Officer - Optical Network Business	Mr. Paul holds a degree from Melbourne Business School and Monash University. He is an industry expert with more than 30 years of experience across multiple industries. Prior to STL, he was the Managing Director and Group CEO at IXOM.
Mr. Praveen Cherian	Chief Executive Officer - Global Services Business	Mr. Harsh Pagay majored MBA from ICFAI Hyderabad and a B.Tech from MITS Gwalior. He is responsible for the Optical Fiber (OF) and Optical Fiber Cables (OFC) business of the company and manages efficient operations of manufacturing units in Goa and Hyderabad. Prior to HFCL, he worked with Teracom Ltd as its CEO. He was associated with brands like Finolex Cables, Sterlite Technologies, Hotline Tele Tube & Components, and J.K. Tyres.
Mr. Raman Venkatraman	Chief Executive Officer - STL Digital	Mr. Raman is an industry stalwart who has a vast experience of close to 30 years spanning multiple leadership roles across geographies. He also holds vast domain knowledge and expertise of managing mega-scale service offerings across the globe. Prior to STL, he was associated with TCS as Senior VP and Global Head of Hitech and Professional services vertical and also the Global Head of Alliances and partnerships.
Dr. Badri Gomatam	Chief Technology Officer	Dr. Badri has an MS and Ph.D. from the University of Massachusetts, Amherst, and a BS from the Birla Institute of Technology. A photonics expert, Badri leads core research in optical communications products and network solutions. With a view on emerging network technologies, Badri guides the Company's technology vision.
Mrs. Anjali Byce	Chief Human Resources Officer	Mrs. Anjali Byce has a Master's in Human Resources from the Symbiosis Centre for Management and HRD, and in Applied Psychology from the University of Delhi. She and her team are building an agile and culturally strong organisation by running strong programmes on talent, culture, values and diversity. Prior to STL, She has also worked at SKF, Tata Motors, Bajaj Allianz Life Insurance, Cummins and Thermax.
Mr. Manish Sinha	Chief Marketing Officer	Mr. Manish Sinha is an engineering graduate from IIT Delhi and MBA from IIM Calcutta. He leads customer engagement at a time when the Company is growing exponentially.
Mr. Manuj Desai	Chief Information Officer	Mr. Manuj Desai has completed his Computer Engineering from Mumbai University and has a Master's certificate in Project Management from George Washington University. He comes with over 20 years of experience in the IT and Technology space, having extensively worked in Architecture, Product Development, Process re-engineering, Analytics, Visualization, Automation, Digitization & Data Science domains. Prior to STL, He has been associated with companies like Paypal, AIG, USDA, Amedisys, Sprint spreading across the US, Canada, and India.

Source: Company, Arianth Capital Research

Key Management

Exhibit 140: Sterlite Technologies Committee Members details.

Committee Membership

Name	Compensation	Nominating	ESG	Governance	Risk	Audit
Anil Kumar Agarwal	MEM	MEM				
Ankit Agarwal			MEM	MEM	MEM	
Pravin Kumar Agarwal			MEM			MEM
Bangalore Jayaram Arun	MEM	MEM	C,MEM	MEM		
Sandip Das	C,MEM	C,MEM	MEM		MEM	MEM
Subramanian Madhavan	MEM	MEM		MEM		C,MEM
Kumud Madhok Srinivasan	MEM	MEM		C,MEM	C,MEM	MEM

Source: Capital IQ, Arianth Capital Research

MEM=Member, C=Chairman, CC=Co-Chairman, VC=Vice Chairman

Supply Chain

Exhibit 141: Sterlite Technologies exports are higher than imports over last 5 years.

Sterlite Technologies Trading Statistics - 6/June/2018 to 6/June/2023

	Imports	Exports	Total
Shipments	8,055	16,796	24,851
Weight (kg)	44,066	34,496,748	34,540,814
Volume (TEU)	3	4,692	4,695
Country Trading Partners	45	93	98
Company Trading Partners	687	891	1,530
Products	396	172	452

Source: Capital IQ, Arianth Capital Research

Exhibit 142: Sterlite Technologies shipments increased to US subsidiary.

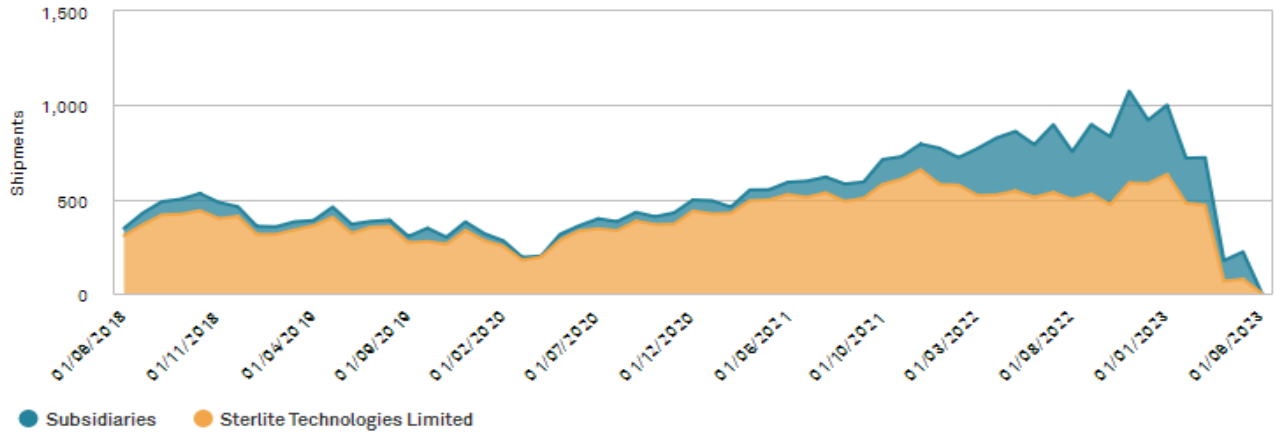
Subsidiary Trade Statistics - 06/Jun/2018 to 06/Jun/2023

Company	Role	Shipments
Sterlite Technologies Ltd	Focus Company	24,851
Sterlite Tech Holding Inc	Subsidiary	3,241
Sterlite Tech Cables Solutions Ltd	Subsidiary	2,809
Metallurgica Bresciana S.p.A	Subsidiary	1,446
Jiangsu Sterlite Tongguang Fiber Co. Ltd.	Subsidiary	797
Sterlite Technologies Inc.	Subsidiary	44
All other subsidiaries		17

Source: Capital IQ, Arianth Capital Research

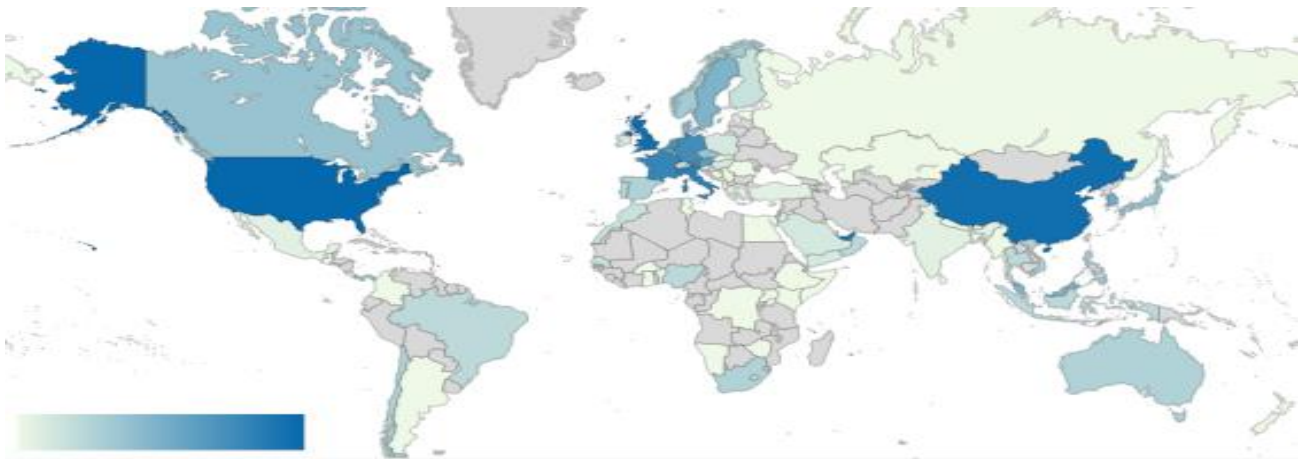
Supply Chain

Exhibit 143: Sterlite Technologies subsidiaries shipments decreased over the period of Jan-23 to Jun-23.



Source: Capital IQ, Arihant Capital Research

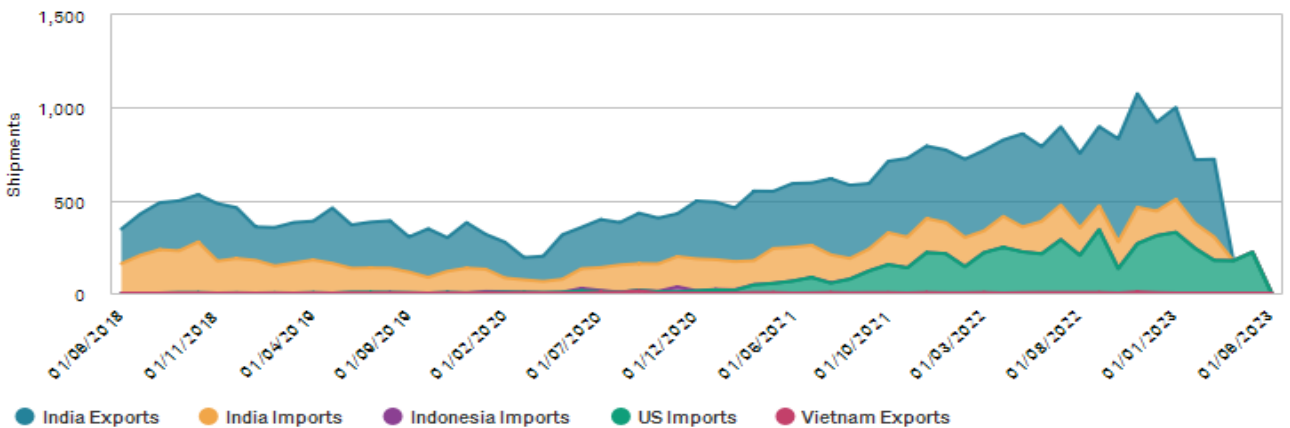
Exhibit 144: Sterlite Technologies exports increased to Europe and Americas over the past 5 years.



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Source: Capital IQ, Arihant Capital Research

Exhibit 145: Sterlite Technologies India exports and US imports increased over the past 2 years.



Source: Capital IQ, Arihant Capital Research

ESG

Exhibit 146: Sterlite Technologies slightly behind in ESG compared to Industry.

Environmental

Energy, Transition, Resource Efficiency & Circularity

GHG Scope 1 intensity - (tonnes/\$mm)	40.1
Industry Average	58.68% above average
Industry Comparison	Behind

Climate Transition & Physical Risks

Paris Alignment. Current Alignment	>5 degree celsius
Industry Average	2.75% of the industry is within 1.5-2°C
Industry Comparison	Behind

Climate Transition & Physical Risks

Composite Score, 2030 Medium Risk Scenario	72/100
Industry Average	3.69% above average
Industry Comparison	Adequate

Social

Employment Practices

Share of women in all Management positions	8%
Industry Average	62.21% below average
Industry Comparison	Behind

Human Capital Development & Talent

Employee Turnover Rate	13
Industry Average	38.30% below average
Industry Comparison	Ahead

Human Rights

Published Human Rights Policy	Yes
Industry Average	100.00% of the industry responded Yes
Industry Comparison	Majority

Governance

Ethics & Compliance

Code of conduct addresses corruption and bribery?	Yes
Industry Average	90.22% of the industry responded Yes
Industry Comparison	Majority

Corporate Governance

Number of female directors	1
Industry Average	Equals industry average
Industry Comparison	Adequate

Risk & Crisis Management

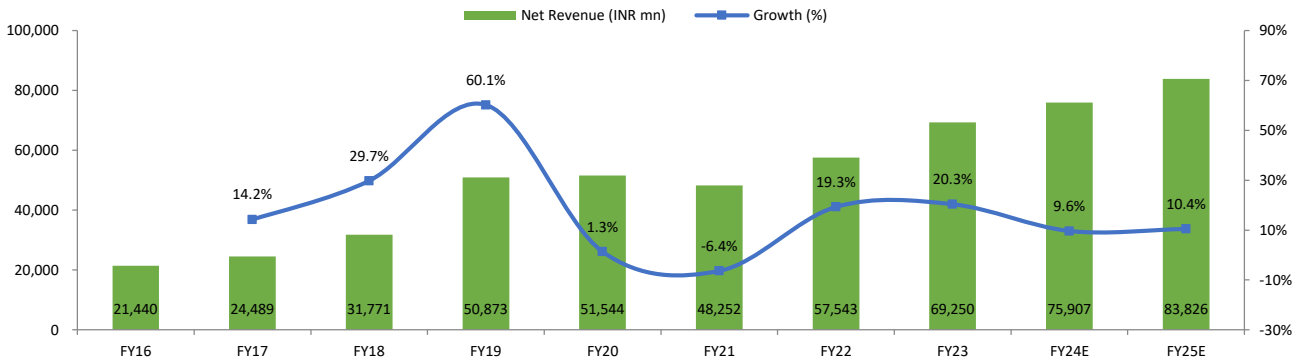
Sensitivity analysis performed on climate change risks	No
Industry Average	100.00% of the industry responded No
Industry Comparison	Majority

Source: Capital IQ, Arianth Capital Research

Financial Analysis

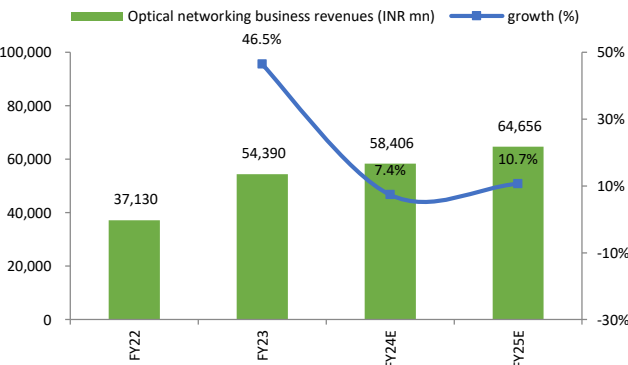
Net revenue is expected to grow at a CAGR of 10% over the period of FY23-25E: Sterlite technologies revenue grew at a CAGR of 17.2% over the period of FY16-23, backed by stronger growth is 4G capex and initial stage of 5G capex. The revenue is expected to be at a CAGR of 10% over the period of FY23-25E. The revenue growth is expected driven by 5G and upcoming 6G, FTTH deployments, and emerging FTTR deployments going forward.

Exhibit 147: Net revenue is expected to grow at a CAGR of 10% over the period of FY23-25E.



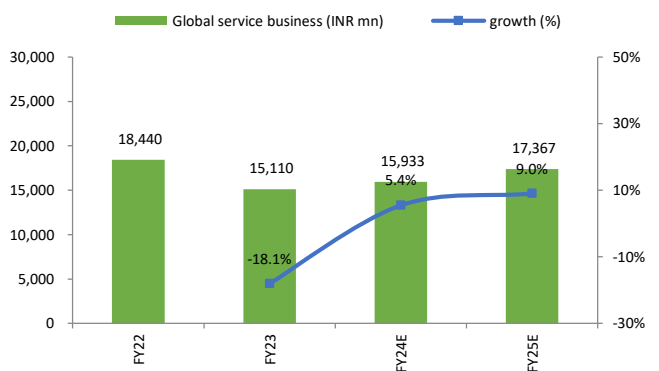
Source: Company reports, Arihant Capital Research

Exhibit 148: Optical Networking business is expected to grow at a CAGR 9% over the period of FY23-25E. The inventory build-up in North America is expected to slowdown growth in FY24E.



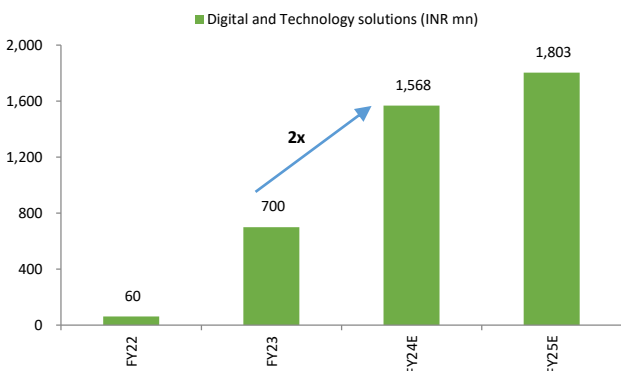
Source: Company reports, Arihant Capital Research

Exhibit 149: Disinvestment of Non-core assets will improve global services business and UK services business is expected to be profitable in FY24E.



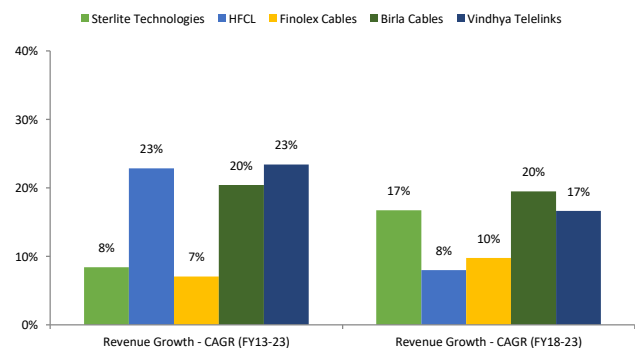
Source: Company reports, Arihant Capital Research

Exhibit 150: Digital and Technology solutions has strong order book of INR 6,490mn shows potential revenue visibility. Digital and Technology solutions are expected to grow at least 2x in FY24E.



Source: Company reports, Arihant Capital Research

Exhibit 151: Sterlite Technologies has delivered 17% CAGR revenue growth over the period of FY18-23.

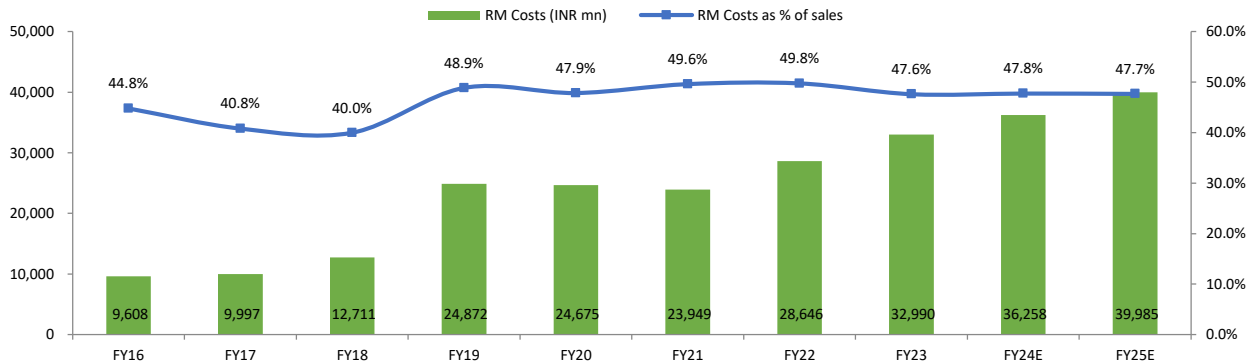


Source: Company reports, Arihant Capital Research

Financial Analysis

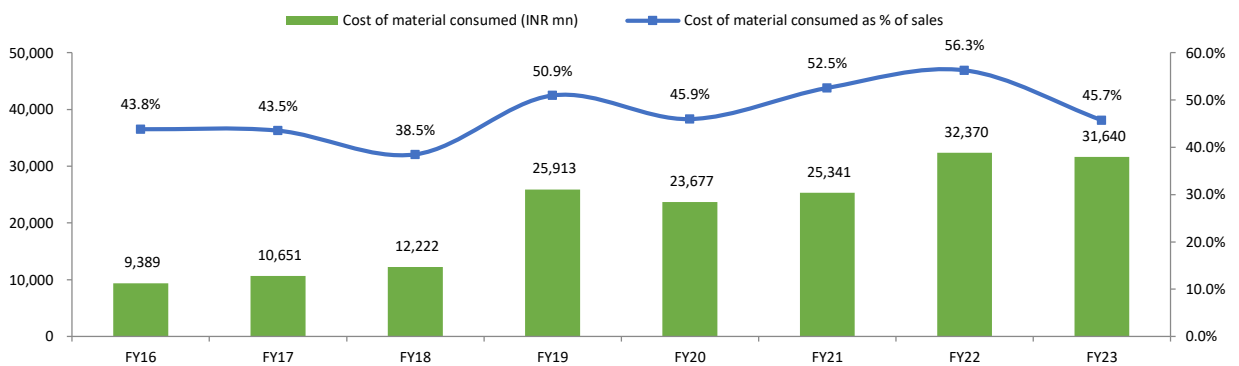
Raw material cost is expected to reduce in terms of sales due to operating leverage: Sterlite Technologies has maintained raw material costs around 48%-50% of sales over the period of FY19-23, despite fluctuation in commodity prices in variant events like Covid, Russia – Ukraine war and geopolitical tensions. The key raw materials are Silica, Crude Oil, Natural gas, High-Density Polyethylene (HDPE), Polybutylene Terephthalate, Steel pipe, Helium gas, LNG gas, and specialty resins. Helium gas remains challenging due to supply chain issues and is expected to continue over the medium term. Sterlite Technologies is the only company that manufactures optical fibre from its own glass preform in India. The company has backward integration for glass preform, while other players are importing glass preform to make optical fibres. The company has a competitive advantage in terms of raw materials and the ability to change the properties in optical fibres for better performance and cost efficiency.

Exhibit 152: Sterlite Technologies has maintained raw material costs around 48%-50% over the period of FY19-23.



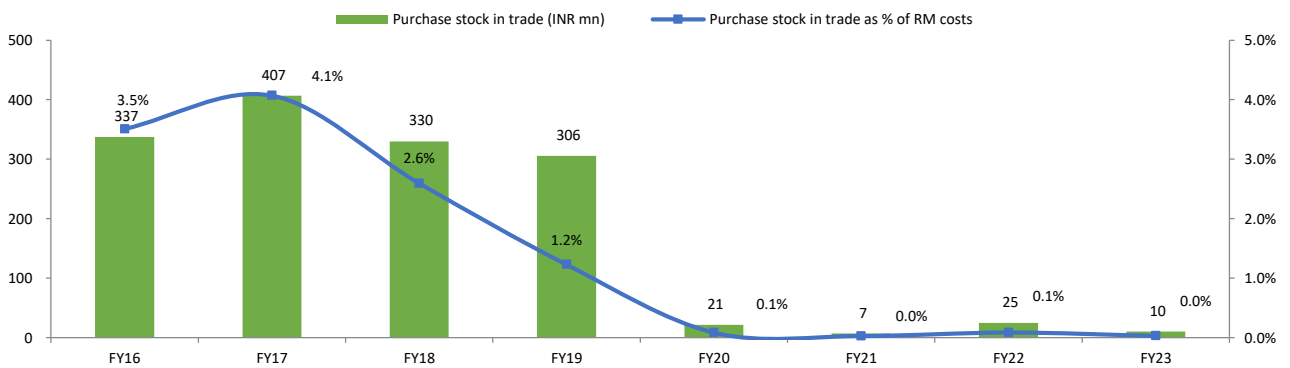
Source: Company reports, Arianth Capital Research

Exhibit 153: Sterlite Technologies has reduced raw material costs in terms of sales due to operating leverage.



Source: Company reports, Arianth Capital Research

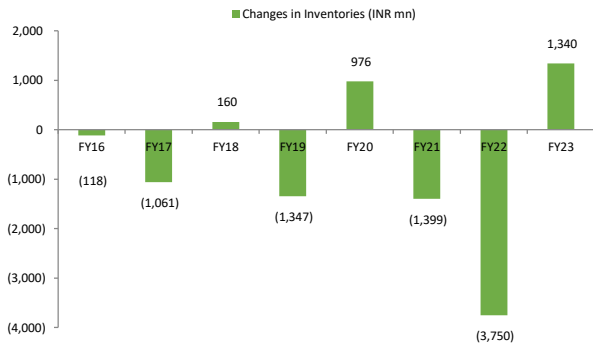
Exhibit 154: Sterlite Technologies has reduced purchase stock-in trade over the years.



Source: Company reports, Arianth Capital Research

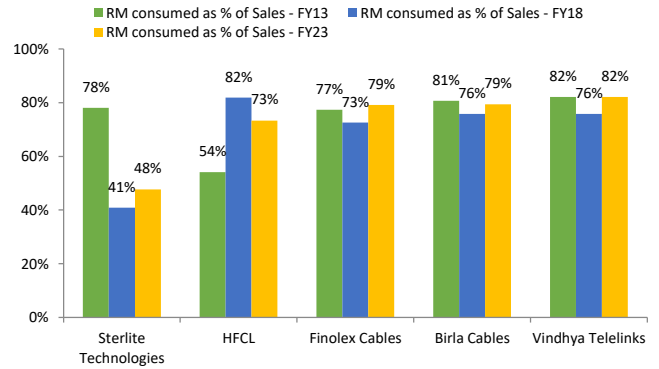
Financial Analysis

Exhibit 155: In FY23, Inventories witnessed sharp increase due to slowdown in North America's. The inventories are piled up at customers levels and expected to normalize from H2FY24E onwards.



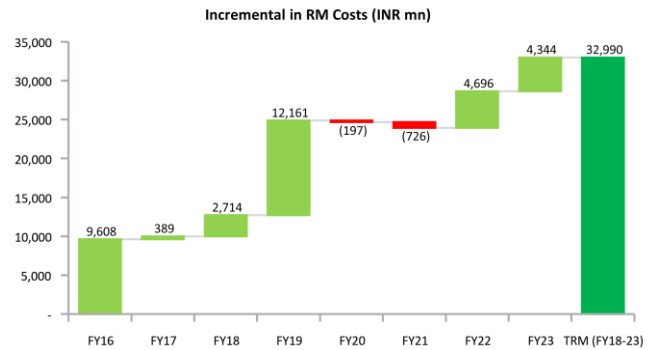
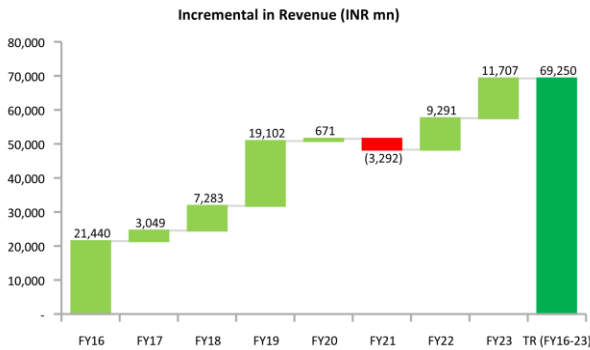
Source: Company reports, Arihant Capital Research

Exhibit 156: Raw material consumed costs reduced in terms of sales over the period of FY13-23. The backward integration of glass preform led to significant cost reductions for making optical fibres. Sterlite Technologies has competitive advantage due to glass preform compared to peers.



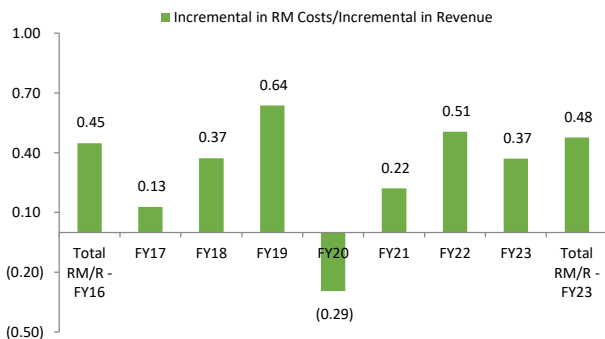
Source: Company reports, Arihant Capital Research

Exhibit 157: Operating leverage positively impacted in good times and downturn on bad times.



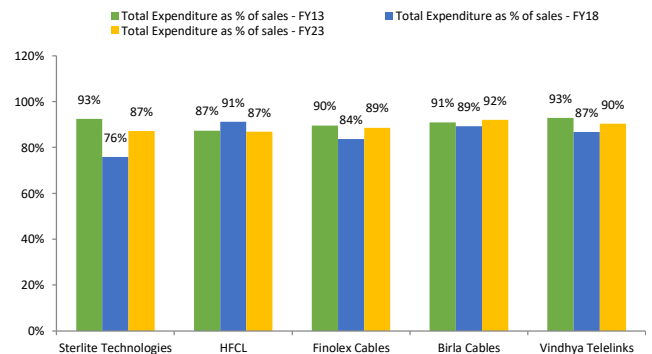
Source: Company reports, Arihant Capital Research

Exhibit 158: During covid (FY20), Sterlite Technologies has reduced expenses substantially. The company has spend INR 0.3 to earn extra INR 1 over the period of FY16-23. The introduction of 5G and increase in capex in telecom industry along with operating leverage of Sterlite Technologies would impact positively going forward.



Source: Company reports, Arihant Capital Research

Exhibit 159: Sterlite Technologies Total expenditure in-terms of sales lower compared to peers.

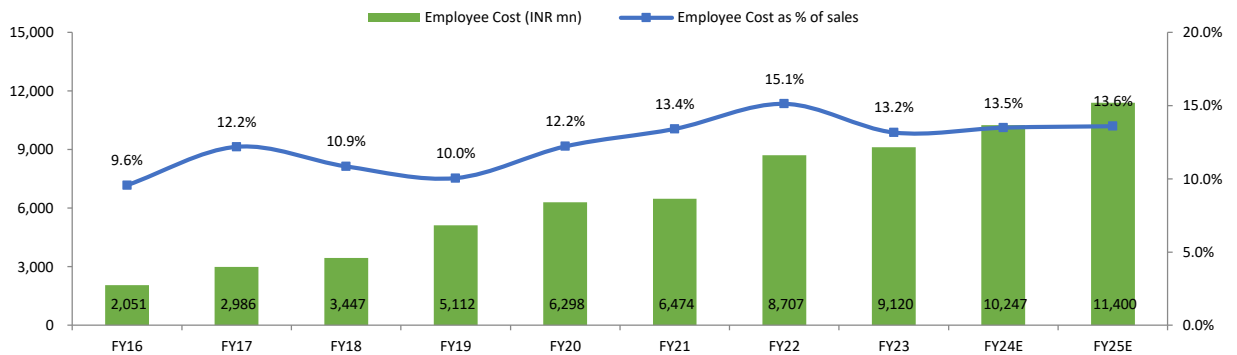


Source: Company reports, Arihant Capital Research

Financial Analysis

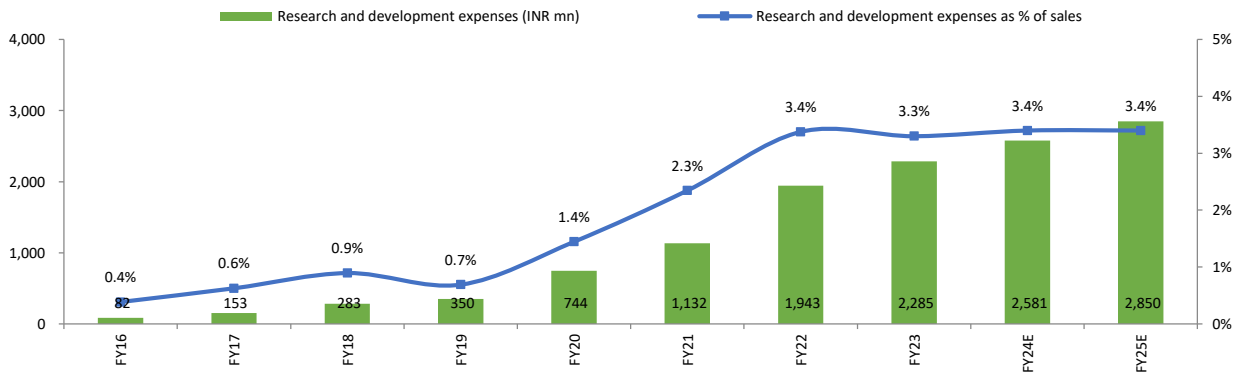
Total expenditure in terms of sales is expected to reduce going forward: Sterlite Technologies has reduced its overall expenditure from 90.7% of sales (FY22) to 87.1% of sales in FY23. The cost reduction majorly from raw material cost followed by other expenses. Sterlite Technologies has implemented cost reduction initiatives at the same time increased product & research development expenses. The increase in capacity along with backward integration would lead to an increase in profitability and cost savings. We expect Sterlite Technologies to continue to reduce the total expenditure in terms of sales going forward.

Exhibit 160: Sterlite Technologies is expected to maintain employee cost in-terms of sales around 13%-15% over the medium term.



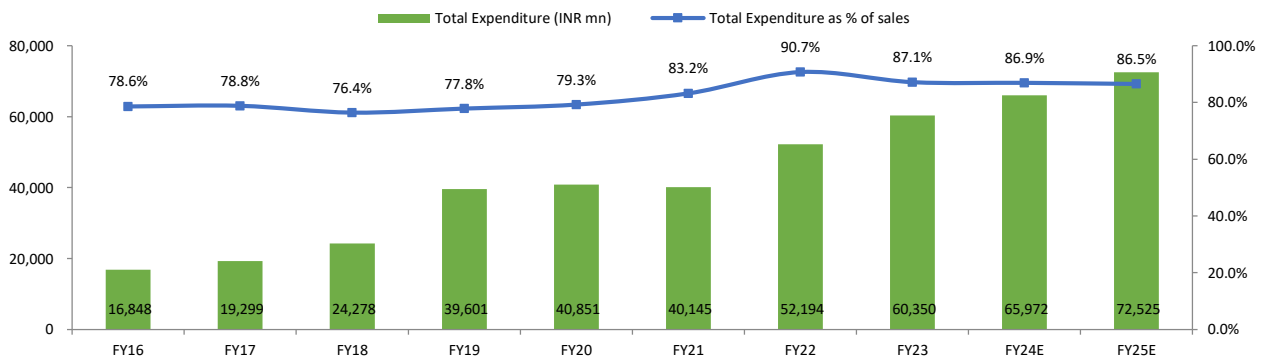
Source: Company reports, Arianth Capital Research

Exhibit 161: Sterlite Technologies has continue to invest R&D for future technologies. R&D expenses are expected to be 3.3%-3.4% of sales going forward.



Source: Company reports, Arianth Capital Research

Exhibit 162: Sterlite Technologies total expenditure are expected to reduce due to operating leverage and cost rationalizations. Interconnect cables and other accessories significantly reduce costs and improve margins going forward.

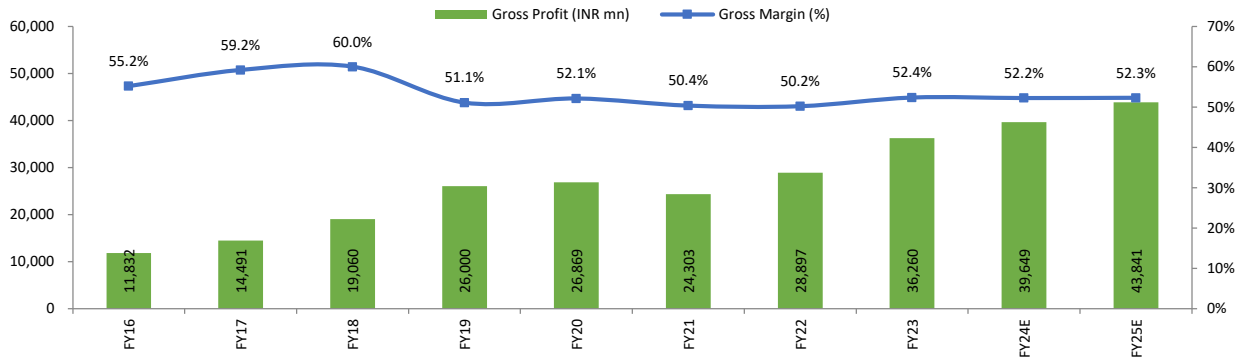


Source: Company reports, Arianth Capital Research

Financial Analysis

Improvement expected in margin levels: The raw material cost reduction led to increasing in gross margin and EBITDA margin levels. Sterlite Technologies has reduced total expenditure in terms of sales to 356 bps over the period of FY22-23. The operating leverage, backward integration for manufacturing and strategic cost control measures led to improvement in EBITDA margin levels. Sterlite Technologies is expected to continue to optimize the costs and improve the margin levels going forward.

Exhibit 163: Sterlite Technologies is expected to maintain gross margins going forward.



Source: Company reports, Arianth Capital Research

Exhibit 164: EBITDA Margins expanded 5.4% over the period of FY13-23, which is higher than peers.

Year	EBITDA Margin (%)				EBITDA Margin expansion (%)		
	FY13	FY17	FY20	FY23	FY13-FY23	FY17-FY23	FY19-FY23
Sterlite Technologies	7.5%	21.6%	22.4%	12.9%	5.4%	-8.7%	-9.6%
HFCL	12.6%	9.0%	8.7%	13.2%	0.5%	4.1%	4.5%
Finolex Cables	10.5%	16.2%	15.5%	11.4%	0.9%	-4.8%	-4.2%
Birla Cables	9.0%	6.4%	15.8%	8.0%	-1.1%	1.5%	-7.8%
Vindhya Telelinks	7.1%	13.0%	16.3%	9.7%	2.6%	-3.4%	-6.6%

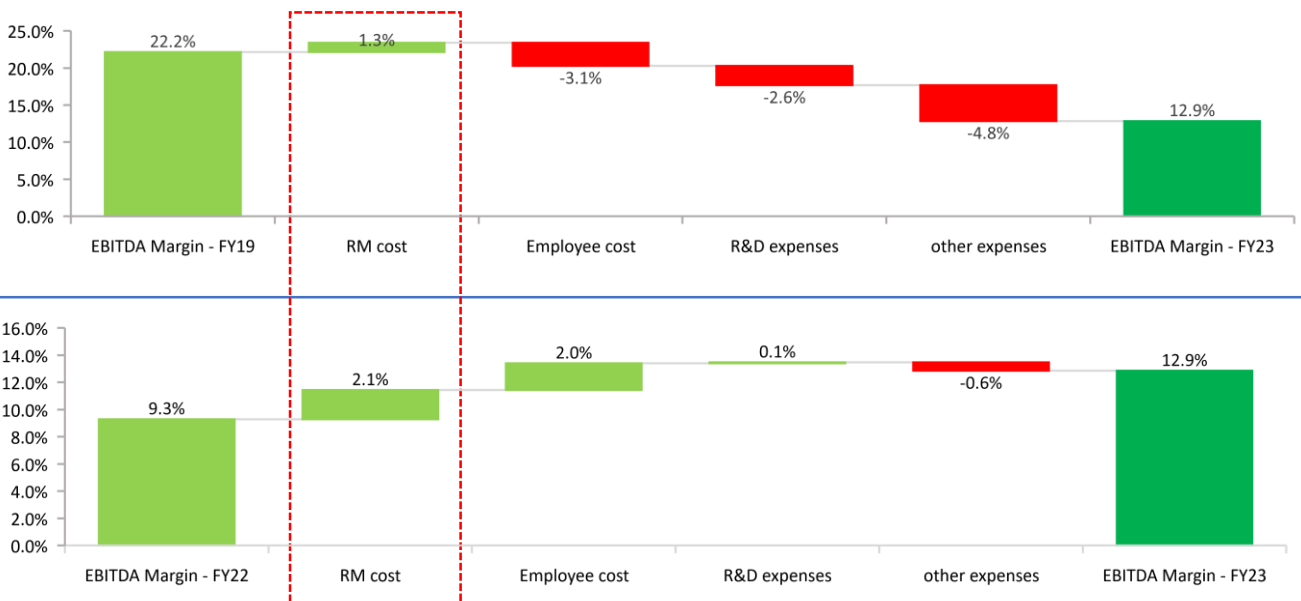
Source: Capital IQ, Arianth Capital Research

Exhibit 165: EBIT Margins expanded 3.8% over the period of FY13-23, which is higher than peers.

Year	EBIT Margin (%)				EBIT Margin expansion (%)		
	FY13	FY17	FY20	FY23	FY13-FY23	FY17-FY23	FY19-FY23
Sterlite Technologies	4.6%	16.3%	16.1%	8.4%	3.8%	-7.9%	-7.7%
HFCL	9.8%	8.0%	12.2%	11.4%	1.6%	3.4%	-0.8%
Finolex Cables	8.5%	14.2%	12.7%	10.3%	1.8%	-3.9%	-2.4%
Birla Cables	6.1%	2.8%	2.4%	6.6%	0.5%	3.9%	4.3%
Vindhya Telelinks	5.6%	11.8%	12.8%	9.1%	3.5%	-2.7%	-3.7%

Source: Capital IQ, Arianth Capital Research

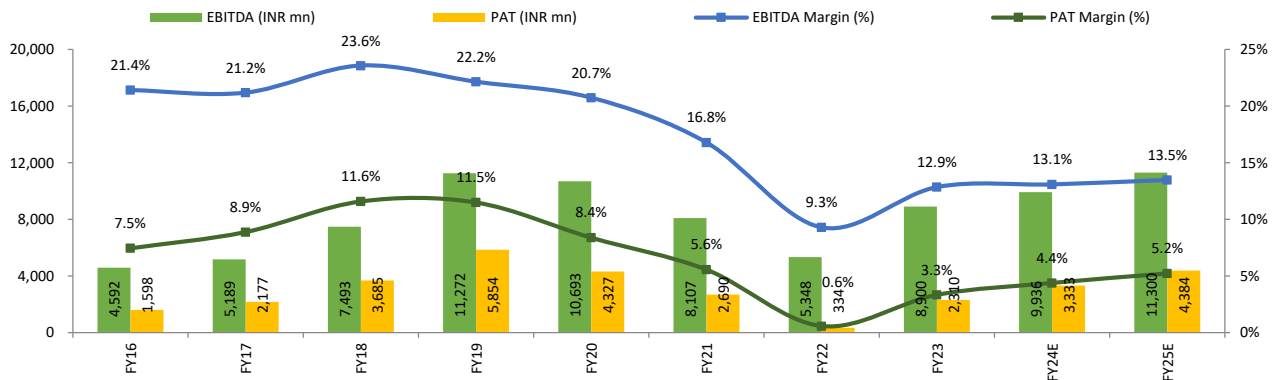
Exhibit 166: Raw material cost reduction led to improvement in EBITDA Margins.



Source: Company reports, Arianth Capital Research

Financial Analysis

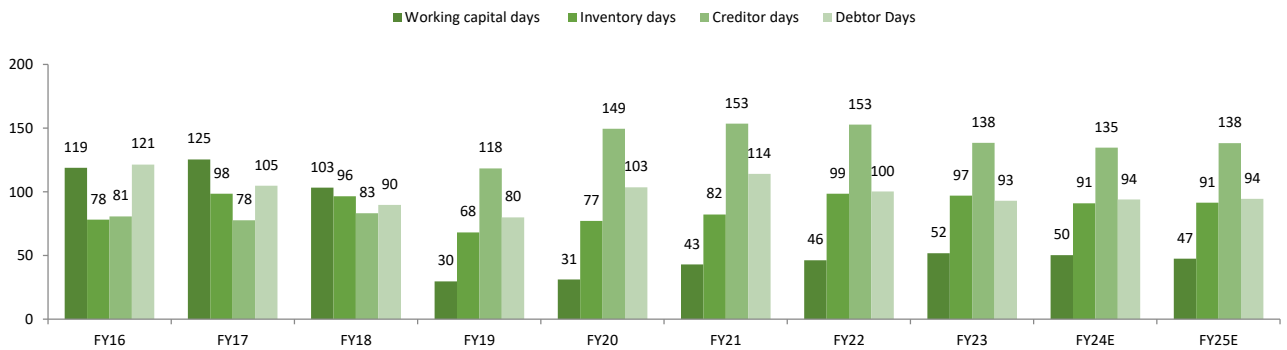
Exhibit 167: EBITDA and PAT margins is expected to improve over the medium term.



Source: Company reports, Arianth Capital Research

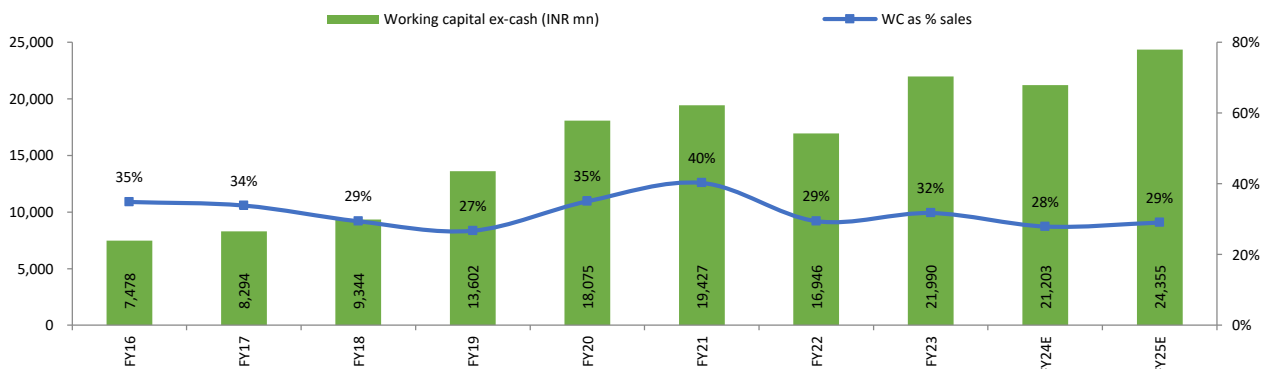
Working Capital Cycle to Improve: Sterlite Technologies US plant is expected to operate in Q1FY24 which will cater to North and South American customer needs. The company can able to supply the cables and other services in a timely manner and is expected to collect the cash in fewer days compared to exports. India’s private services revenue share increased from 31% to 43% in FY23 and the cash conversion cycle is faster compared to India's public segments. The company has reduced purchase stock-in trade over the years and making optic fibre through backward integration of glass preform. In India’s plant, glass preform, optic fibre and optic fibre cable facilities are there. In China plant, optic fibre facilities are there which is used to send optic fibre to the US manufacturing plant to make cables. The company has strategically placed capacities to obtain inventory and supply chain efficiencies. The company is importing some of the materials such as Silica and specialized materials, having payment terms of 2-3 months. The quick cash collections and inventory utilization will improve the working capital cycles. We are expecting Sterlite Technologies will bring down the working capital cycle gradually going forward.

Exhibit 168: Working Capital cycle to be improve going forward.



Source: Company reports, Arianth Capital Research

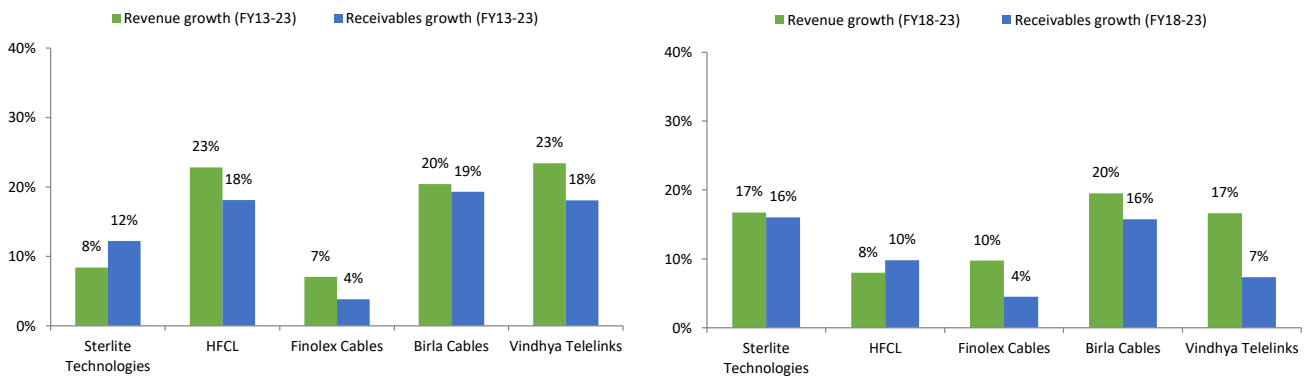
Exhibit 169: Sterlite Technologies is expected to bring down the working capital in terms sales going forward.



Source: Company reports, Arianth Capital Research

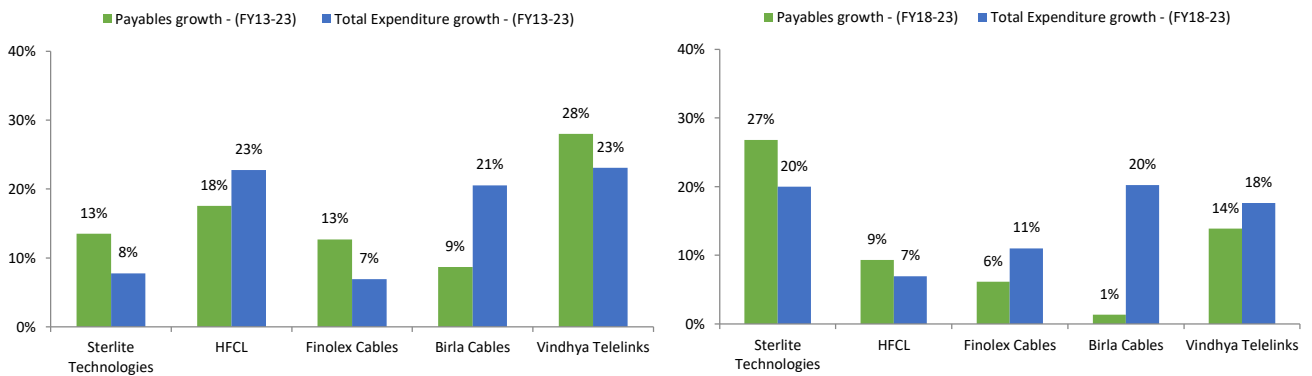
Financial Analysis

Exhibit 170: Sterlite Technologies revenue growth is higher than receivables growth over the period of FY18-23.



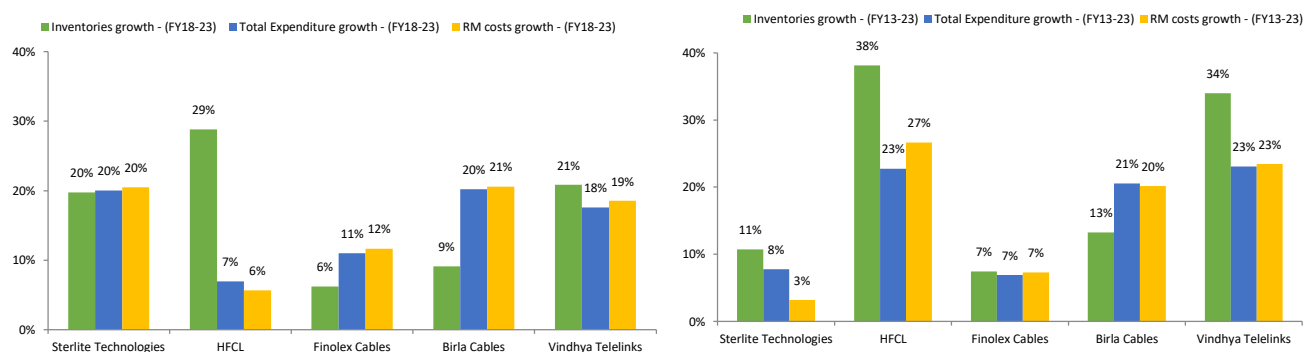
Source: Company reports, Arianth Capital Research

Exhibit 171: Sterlite Technologies payable growth is higher than expenditure growth over the period of FY18-23. The company has advantage with vendors in payment terms.



Source: Company reports, Arianth Capital Research

Exhibit 172: Sterlite Technologies inventories, RM costs and total expenditure growth were same over the period of FY13-23.



Source: Company reports, Arianth Capital Research

Financial Analysis

Improvement of Cash flow generation: Sterlite Technologies witnessed strong revenue and EBITDA growth in FY23, however the cash flow from operations (CFO) went lower due to higher working capital because of an increase in receivables and a decrease in payables. The company has divested most of the non-core assets and in the services business around INR 1,000mn to INR 2,000mn is expected to release in FY24. The increase in sales with improvement in collections and inventory utilization would lead to cash flows. With the strong visibility of earnings growth, demand from 5G, margin expansion, and improvement in the working cycle, we expect free cash flow to improve going forward.

Exhibit 173: Sterlite Technologies CFO was de-grew by 2% over the period of FY13-23.

CFO (INR mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	CFO growth (FY13-23)	CFO growth (FY18-23)
Sterlite Technologies	2,830	2,636	3,927	2,147	4,885	7,289	6,311	6,964	6,385	5,740	2,270	-2%	-21%
HFCL	511	862	1,294	4	1,361	2,071	339	1,724	1,448	2,059	2,364	17%	3%
Finolex Cables	1,490	2,244	1,831	3,394	2,128	2,357	1,541	3,088	1,144	4,731	3,563	9%	9%
Birla Cables	27	36	76	286	295	-69	169	319	-11	25	-78	-	3%
Vindhya Telelinks	12	-47	-1,144	709	828	-1,219	-2,924	305	2,472	1,833	342	40%	-

Source: Capital IQ, Aриhant Capital Research

Exhibit 174: Sterlite Technologies has converted less than 50% of cash to its profitability in FY23 due to working capital stuck and expected to release in FY24.

CFO / EBIT (%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Sterlite Technologies	200%	181%	140%	61%	122%	117%	64%	84%	116%	262%	39%
HFCL	86%	54%	50%	0%	80%	80%	9%	37%	30%	35%	44%
Finolex Cables	77%	104%	84%	113%	61%	57%	35%	84%	33%	122%	77%
Birla Cables	35%	12%	33%	147%	507%	-26%	25%	607%	-8%	8%	-15%
Vindhya Telelinks	6%	-10%	-125%	44%	70%	-74%	-91%	13%	133%	132%	13%

Source: Capital IQ, Aриhant Capital Research

Exhibit 175: Sterlite Technologies has used most of the cash flow from operations to fund Capex in past years.

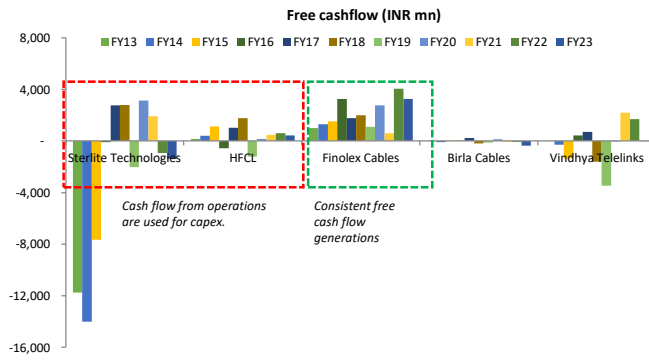
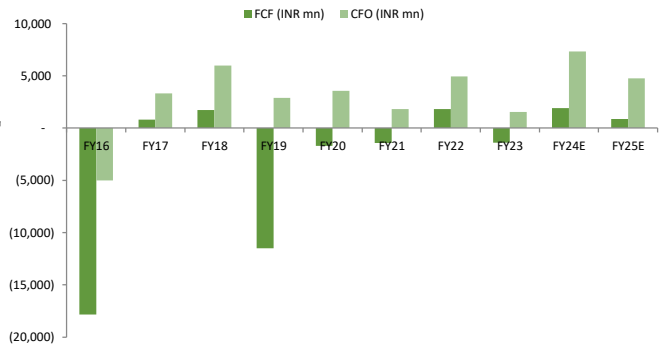
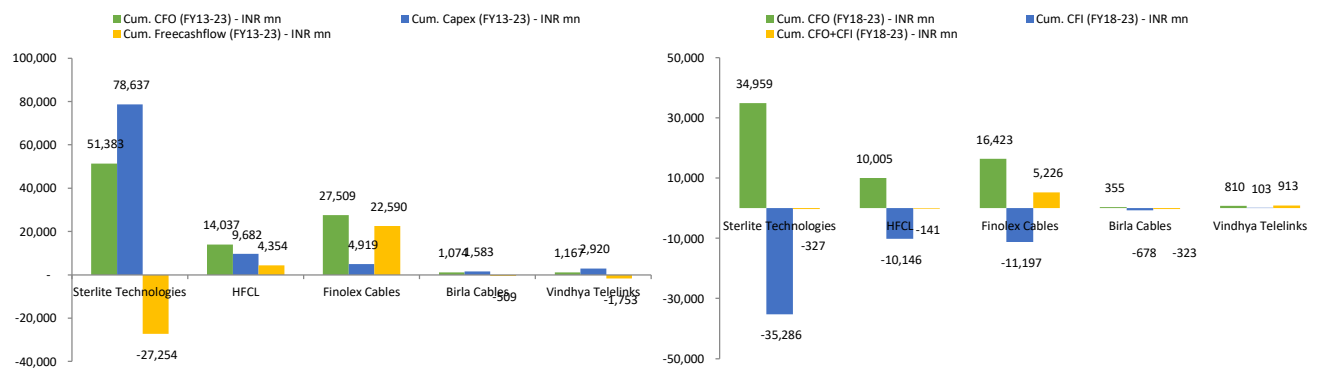


Exhibit 176: Sterlite Technologies Capex is expected to complete in H1FY24 and Free Cash Flows are expected to improve from H2FY24 onwards.



Source: Company reports, Aриhant Capital Research

Exhibit 177: Sterlite Technologies Cum. Free cash flows remains negative over past 10 years.



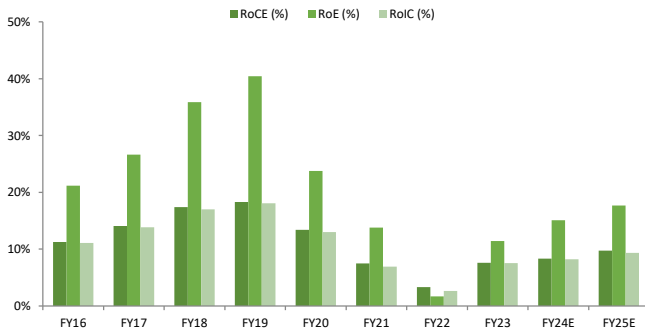
Source: Company reports, Aриhant Capital Research

Financial Analysis

Return ratios to Improve: In comparison to revenue growth of 10%, and EBIT growth of 16.9%, capital employed is expected to grow by 2.7% over FY23-FY25E.

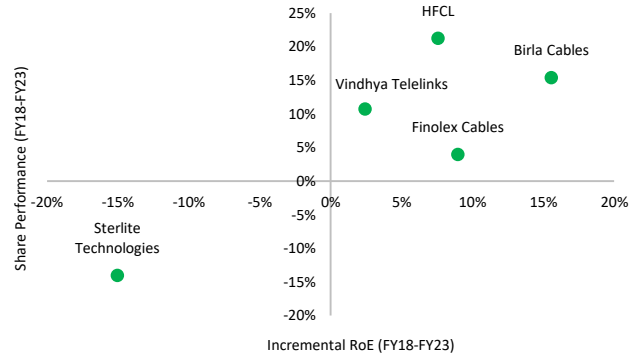
Due to the healthy EBITDA margin expansion and PAT growth, we expect return ratios to improve significantly going forward. We estimate RoCE to expand from 7.6% in FY23 to 9.7% in FY25E. RoIC to improve from 7.5% in FY23 to 9.3% in FY25E and RoE to improve from 11.4% in FY23 to 17.7% in FY25E.

Exhibit 178: Sterlite Technologies return ratios are expected to improve going forward.



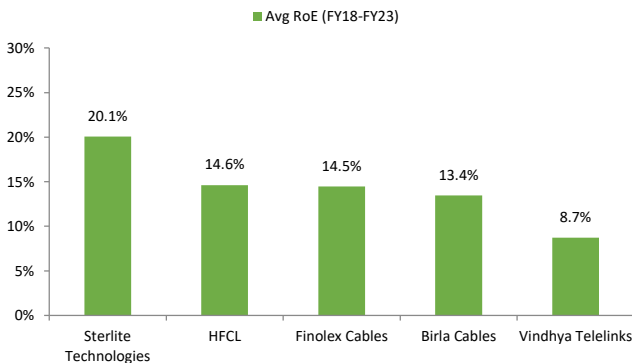
Source: Company reports, Arianth Capital Research

Exhibit 179: Sterlite Technologies generated -14% CAGR return over -15% of incremental ROE during the period of FY18-FY23.



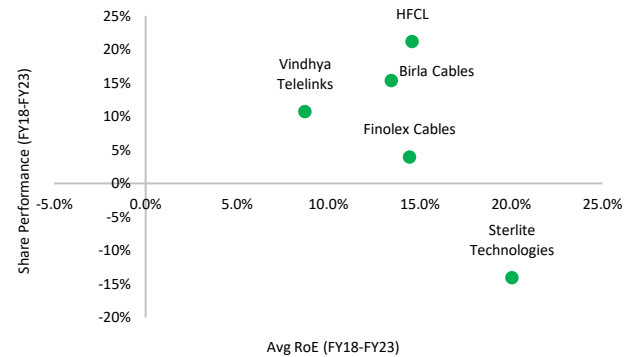
Source: Company reports, Arianth Capital Research

Exhibit 180: Sterlite Technologies delivered 20.1% RoE over the period of FY18-FY23.



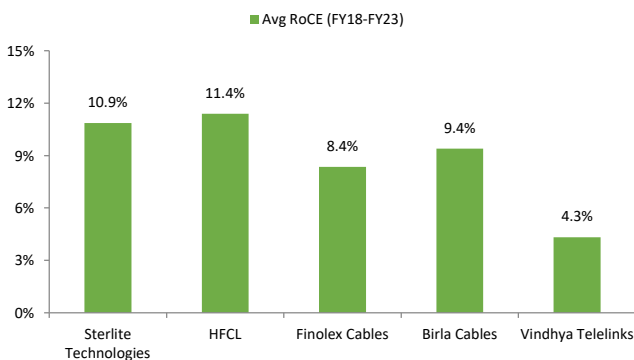
Source: Company reports, Arianth Capital Research

Exhibit 181: Sterlite Technologies generated -14% CAGR return over 20.1% of ROE during the period of FY18-FY23.



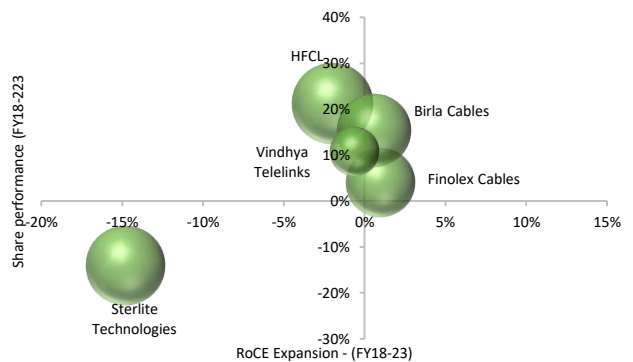
Source: Company reports, Arianth Capital Research

Exhibit 182: Sterlite Technologies delivered 10.9% RoCE over the period of FY18-23.



Source: Company reports, Arianth Capital Research

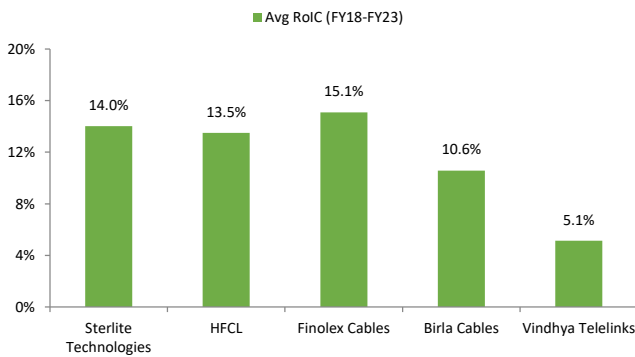
Exhibit 183: RoCE contraction led to inferior share performance of Sterlite Technologies over the period of FY18-23.



Source: Company reports, Arianth Capital Research, Bubble size represents Avg RoCE (FY18-23)

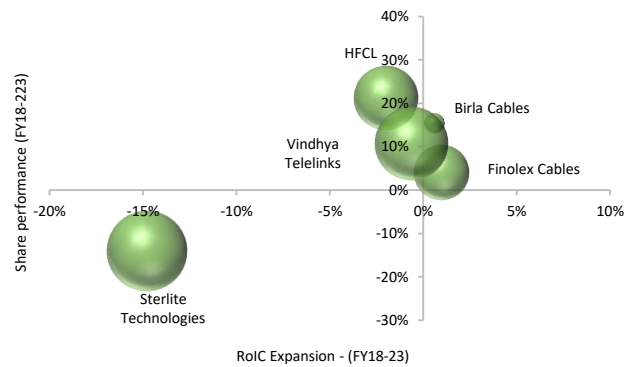
Financial Analysis

Exhibit 184: Sterlite Technologies delivered 14% RoIC over the period of FY18-23.



Source: Company reports, Arianth Capital Research

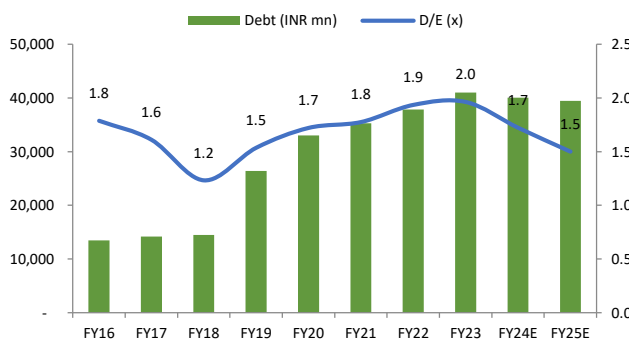
Exhibit 185: Sterlite Technologies witnessed 148 bps RoIC contraction over the period of FY18-23.



Source: Company reports, Arianth Capital Research; Bubble size represents Invested Capital - FY23

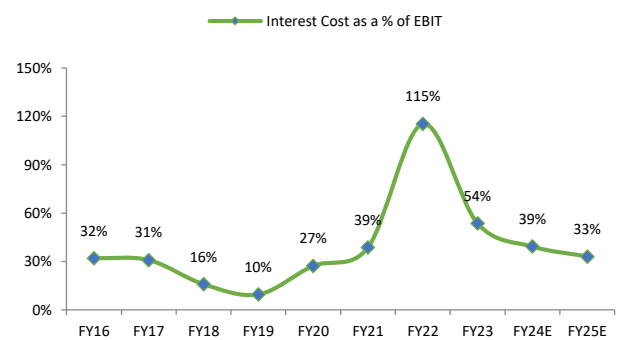
Maintaining debt levels while execution of Capex: The company is expected to maintain the debt and Capex funding is expected through internal accruals going forward. Post Capex, the company is expected to have sufficient cash to repay the debt along with interest. The company will continue to reduce its debt going forward. The maintenance of debt and increase in profitability will lead to reducing the interest cost in terms of EBIT.

Exhibit 186: Sterlite Technologies Debt to Equity is expected to reduce going forward.



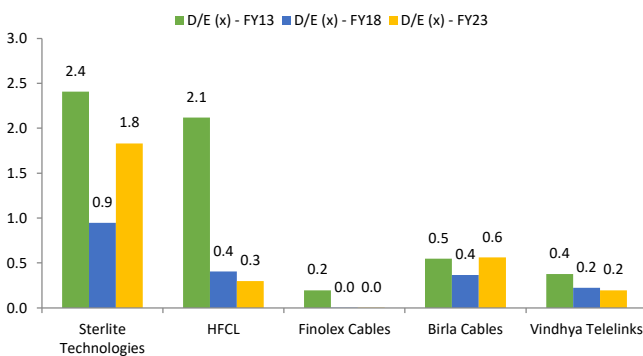
Source: Company reports, Arianth Capital Research

Exhibit 187: Sterlite Technologies interest cost as % of EBIT are expected to reduce further going forward.



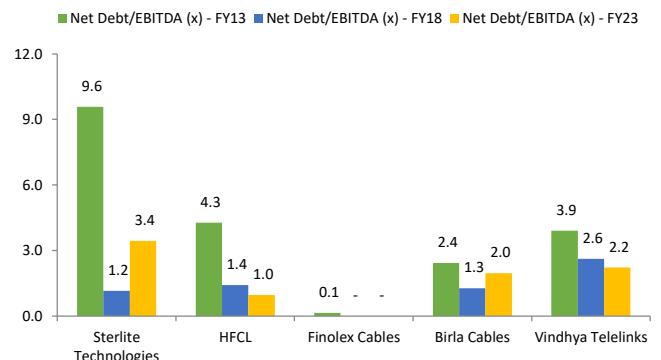
Source: Company reports, Arianth Capital Research

Exhibit 188: Sterlite Technologies has reduced D/E over the period of FY18-23.



Source: Company reports, Arianth Capital Research

Exhibit 189: Sterlite Technologies has reduced Net Debt/EBITDA over the period of FY18-23 and focused on reducing to less than 2.5x going forward.



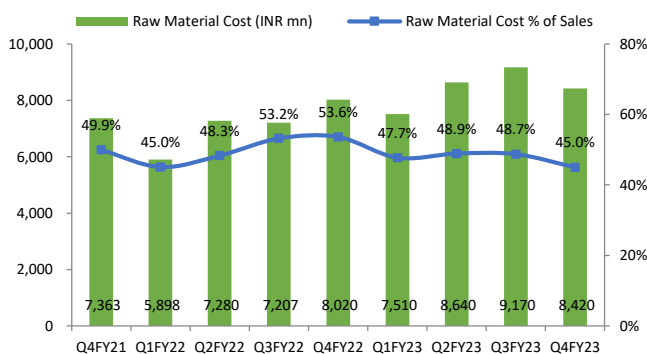
Source: Company reports, Arianth Capital Research

Key Risks

S.No	Risk Type	Impact	Comments
1	Geo Political & Economic Risk	Uncertainty in economic and political conditions may lead to adverse effects.	The company focuses on cash generation for review and divestments of sub scale assets.
2	Customer & Industry Demand	Reduction in Capex may reduce demand, inflation, delay in govt. funding etc.	The company focuses on selling end to end optical solutions through long term contracts and geographic diversification.
3	Competition & Product Pricing	Competitive bidding on long term contracts may adversely affect pricing.	The company focused on reducing product cost & improving product mix.
4	Product Portfolio & innovation	Inability to innovate, adapt new technology may negatively impact business.	There is more emphasis on R&D spends for new product development. The company is spending towards R&D around 3.3% of sales.
5	Commodity Risk	Inflationary pressure can negatively impact profitability.	Price increase to offset the impact of higher input cost.
6	Service Delivery Risk	Delay in ROW permission, covid lockdowns can delay project timelines.	Project execution is as per planned schedule with no significant delays.
7	Supply Chain Risk	Shortage of containers, supply chain disruptions and inflationary cost pressure.	Helium prices have gone up & availability is also tight. Logistics cost has eased and delivery has improved.
8	Talent Management Risk	Inability to attract and retain best professional talent may adversely impact.	The attrition levels are well within industry norms.
9	Liquidity Risk	Inability to raise capital, manage indebtedness can negatively affect investments.	Credit rating AA by CRISIL and ICRA.
10	Litigation & Dispute	Disputes with customers, partners, competition may adversely impact.	There is robust contract governance system in place and adequate provision based on risk assessment.
11	Cyber Security Risk	Ransomware, malware, phishing, data privacy breaches may adversely impact.	Adequate IT systems protection in place.
12	Business Continuity Risk	Continued wave of Covid-19 can impact global supply chain and business operations.	There is Robust business continuity management process in place.

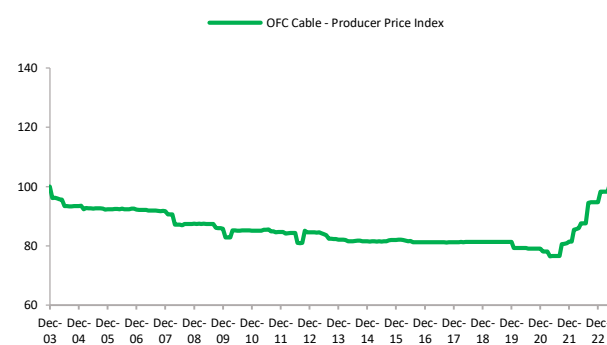
Source: Company reports, Arianth Capital Research

Exhibit 190: Raw material prices softening in the last 2 quarters, however the global uncertainty and supply chain disruptions may lead to higher raw material prices.



Source: Company reports, Arianth Capital Research

Exhibit 191: OFC cable manufacturing index witnessed sharp increase over the past 2 years. The volatility in optical fibre prices will impact the margin levels.

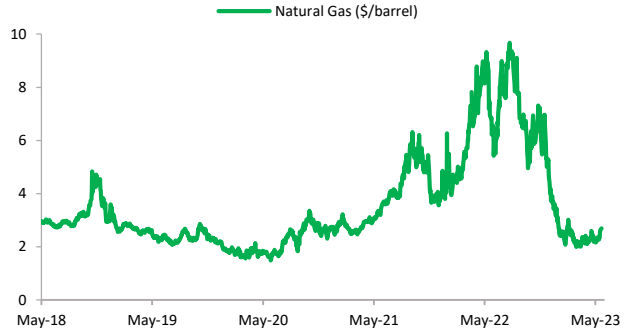
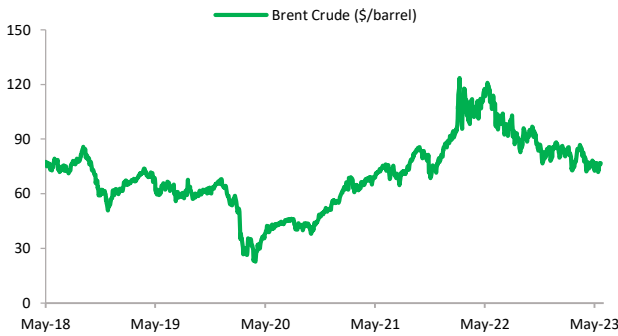


Source: Company reports, Arianth Capital Research

Key Risks

Exhibit 192: Sterlite Technologies using crude oil derivatives for manufacturing process. The volatility in crude oil prices will impact the margin levels.

Exhibit 193: Sterlite Technologies using Helium gas and Natural gas for manufacturing process. The volatility in Natural & Helium gas prices will impact the margin levels.

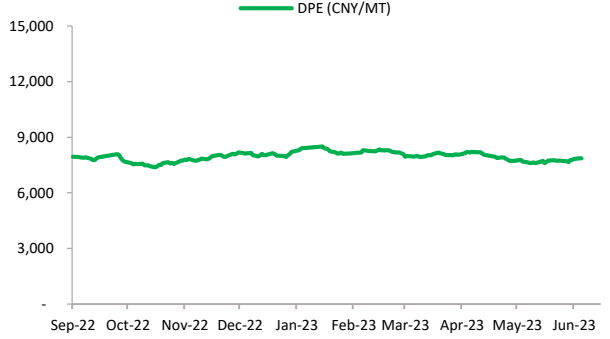
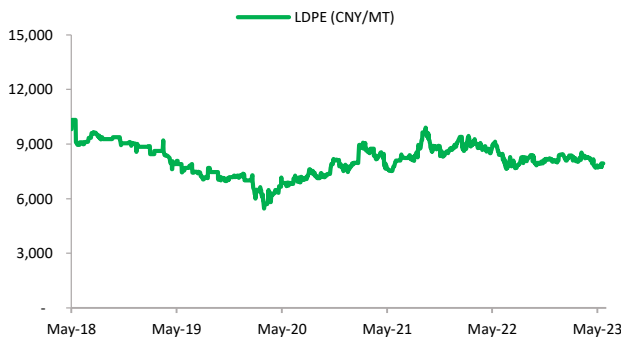


Source: Company reports, Arihant Capital Research

Source: Company reports, Arihant Capital Research

Exhibit 194: Sterlite Technologies using Polyethylene for cables. The volatility in Polyethylene prices will impact the margin levels.

Exhibit 195: DPE is remain stable for past 1 year.

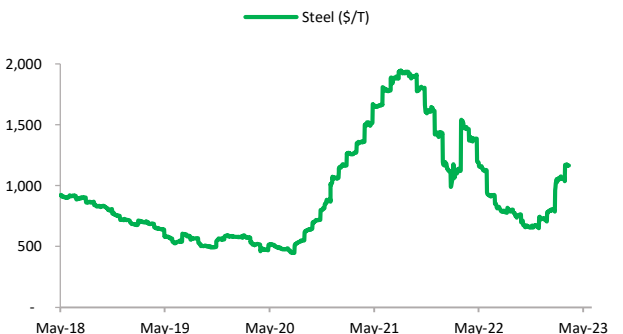
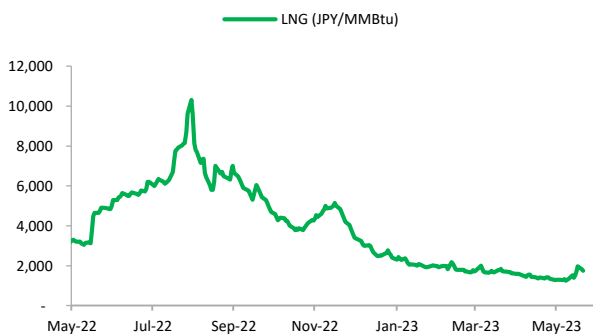


Source: Company reports, Arihant Capital Research
LDPE - DCE Linear Low Density Polyethylene

Source: Company reports, Arihant Capital Research

Exhibit 196: Sterlite Technologies using LNG gas for manufacturing process. The volatility in LNG gas prices will impact the margin levels.

Exhibit 197: Sterlite Technologies using steel in small quantities in factory. The volatility in steel prices will slightly impact the margin levels.



Source: Company reports, Arihant Capital Research

Source: Company reports, Arihant Capital Research

Outlook & Valuation

Sterlite Technologies has a strong order book (~1.6x of FY23 revenue) and China mobile tender would lead to further opportunities. The optical networking business is continuing to grow with 20% margins and increasing in interconnect attach rate would improve the margins further. UK services business is expected to be profitable in FY24 and digital business is expected to be breakeven in Q3FY24-Q4FY24. We believe telecom capex for 5G and the upcoming 6G would provide business visibility. Revenue is expected to grow at CAGR 10% over the period of FY23-FY25E, and RoE is expected to improve from 11.4% (FY23) to 17.7% in FY25E. We have used a DCF Model to value Sterlite Technologies, it has healthy and consistent cash flow generation over the forecasted period. We initiate coverage with a "BUY" rating at a Target Price of INR 202 per share based on DCF; an upside of 38.4%.

DCF Valuation

Valuation Assumptions

g (World Economic Growth)	3%
Rf	7%
Rm	13%
Beta	1.2
CMP	146

Valuation Data

Total Debt (long term borrowings) (2023)	16,809
Cash & Cash Equivalents (2023)	5,296
Number of Diluted Shares (2024)	400
Tax Rate (2024)	27%
Interest Expense Rate (2024)	7%
MV of Equity	58,480
Total Debt	16,809
Total Capital	75,289

WACC

We	77.7%
Wd	22.3%
Ke	14.4%
Kd	4.8%
WACC	12.3%

FCFF & Target Price

FCFF & Target Price Particular (INR cr)	Explicit Forecast Period						Linear Decline Phase					Terminal Yr
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT * (1-Tax Rate)	4,869	5,792	6,856	7,927	9,103	10,781	12,491	14,152	15,669	16,945	17,890	18,426
Dep	3,266	3,367	3,332	3,320	3,244	3,293	3,816	4,323	4,786	5,176	5,465	5,629
Purchase of Assets	(5,408)	(3,903)	(934)	(967)	(976)	(974)	(1,129)	(1,279)	(1,416)	(1,531)	(1,616)	(1,665)
Changes in Working Capital	725	(2,993)	(2,067)	(2,829)	(3,024)	(4,141)	(4,798)	(5,435)	(6,018)	(6,508)	(6,871)	(7,077)
FCFF	3,452	2,262	7,187	7,452	8,347	8,959	10,381	11,761	13,021	14,082	14,867	
Terminal Value												165,094
Total Cash Flow	3,452	2,262	7,187	7,452	8,347	8,959	10,381	11,761	13,021	14,082	179,961	

Enterprise Value (INR mn)	92,435
Less: Debt (INR mn)	16,809
Add: Cash (INR mn)	5,296
Equity Value (INR mn)	80,922
Equity Value per share (INR)	202

% Returns	38.4%
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Rating	BUY
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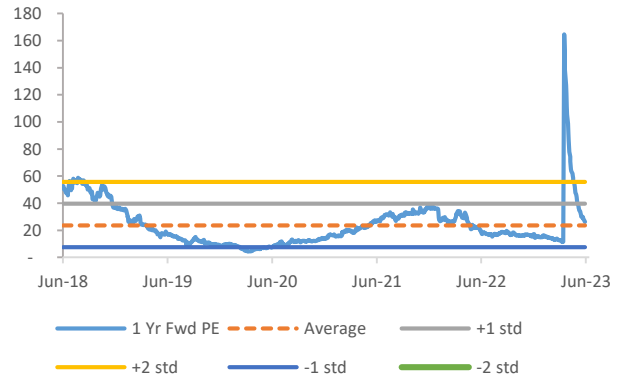
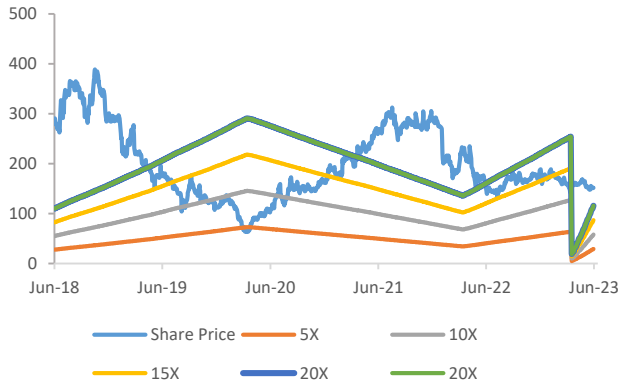
Sensitivity Analysis

WACC (%)	Terminal Growth (%)								
	2.0%	2.3%	2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%
11.3%	217	222	227	232	237	243	249	256	263
11.5%	209	213	218	223	228	233	239	245	252
11.8%	202	206	210	214	219	224	230	235	241
12.0%	195	198	202	206	211	216	221	226	231
12.3%	188	191	195	199	203	207	212	217	222
12.5%	181	185	188	192	196	200	204	209	213
12.8%	175	178	182	185	189	192	196	201	205
13.0%	170	172	175	179	182	186	189	193	197
13.3%	164	167	170	173	176	179	183	186	190

Source: Company reports, Aриhant Capital Research

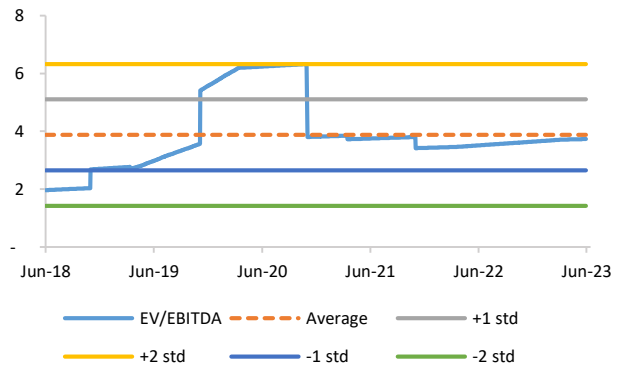
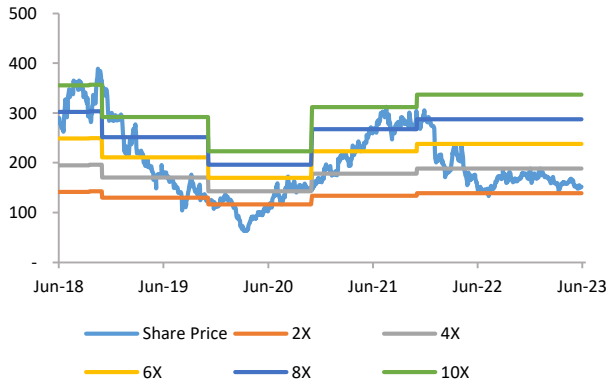
Valuation Plot

Exhibit 198: P/E Valuation Plot.



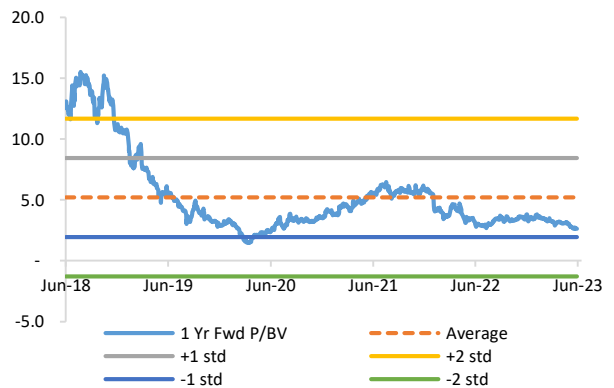
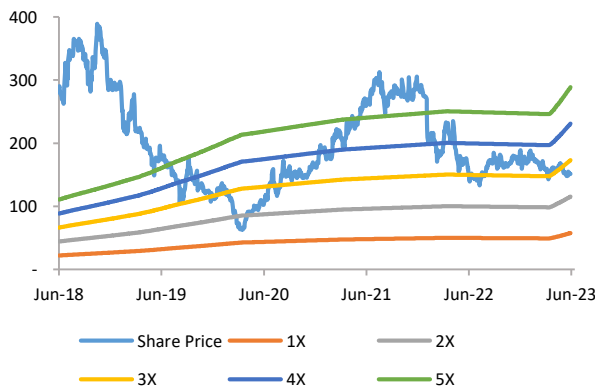
Source: Company reports, Arihant Capital Research

Exhibit 199: EV/EBITDA Valuation Plot.



Source: Company reports, Arihant Capital Research

Exhibit 200: P/BV Valuation Plot.



Source: Company reports, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	51,544	48,252	57,543	69,250	75,907	83,826
Net Raw Materials	24,675	23,949	28,646	32,990	36,258	39,985
Employee Cost	6,298	6,474	8,707	9,120	10,247	11,400
Other Expenses	9,878	9,722	14,842	18,240	19,466	21,140
EBITDA	10,693	8,107	5,348	8,900	9,936	11,300
EBITDA Margin (%)	20.7%	16.8%	9.3%	12.9%	13.1%	13.5%
Depreciation	(2,903)	(2,853)	(3,255)	(3,090)	(3,266)	(3,367)
Interest expense	(2,121)	(2,030)	(2,414)	(3,110)	(2,616)	(2,624)
Other income	254	430	593	410	512	696
Profit before tax	5,416	3,802	482	3,150	4,565	6,006
Taxes	(1,089)	(1,113)	(147)	(840)	(1,233)	(1,622)
PAT	4,327	2,690	334	2,310	3,333	4,384
PAT Margin (%)	8.4%	5.6%	0.6%	3.3%	4.4%	5.2%
Other Comprehensive income	(367)	415	107	(140)	-	-
Net profit	3,961	3,105	441	2,170	3,333	4,384
EPS (INR)	9.6	7.7	1.5	2.8	8.3	11.0

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity capital	808	793	796	800	800	800
Reserves	18,390	19,081	18,771	20,110	22,443	25,512
Net worth	19,198	19,874	19,567	20,910	23,243	26,312
Minority Interest	1,032	981	857	40	40	40
Provisions	109	110	253	660	208	230
Debt	33,033	35,279	37,857	41,030	40,030	39,470
Other non-current liabilities	1,190	1,567	1,303	980	1,139	1,257
Total Liabilities	54,561	57,811	59,837	63,620	64,660	67,309
Fixed assets	28,403	27,828	28,554	28,540	30,564	31,005
Capital Work In Progress	1,328	2,272	1,424	1,290	1,408	1,503
Other Intangible assets	975	991	1,866	1,670	1,670	1,670
Goodwill	1,218	2,921	2,960	2,250	2,250	2,250
Investments	1,152	1,319	1,096	1,070	1,139	1,257
Other non current assets	965	569	1,695	1,740	1,746	1,928
Net working capital	15,216	17,251	15,849	20,410	19,685	22,678
Inventories	4,518	6,264	9,202	8,320	9,735	10,297
Sundry debtors	15,631	14,514	17,065	18,220	20,797	22,507
Loans & Advances	366	148	45	30	304	335
Other current assets	12,230	19,240	17,151	18,870	19,757	21,129
Sundry creditors	(14,303)	(19,437)	(24,200)	(21,520)	(27,112)	(27,818)
Other current liabilities & Prov	(3,226)	(3,479)	(3,413)	(3,510)	(3,795)	(3,772)
Cash	2,445	2,484	5,296	5,070	4,680	3,341
Other Financial Assets	2,858	2,177	1,096	1,580	1,518	1,677
Total Assets	54,561	57,811	59,837	63,620	64,660	67,309

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	0.8	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	0.7	0.7	0.2	0.5	0.7	0.8
EBIT margin (x)	0.2	0.1	0.0	0.1	0.1	0.1
Asset turnover (x)	0.8	0.7	0.7	0.9	0.9	0.9
Financial leverage (x)	3.6	3.5	3.9	4.0	3.9	3.6
RoE (%)	23.8%	13.8%	1.7%	11.4%	15.1%	17.7%

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	5,416	3,802	482	3,150	4,565	6,006
Depreciation	2,903	2,853	3,255	3,090	3,266	3,367
Tax paid	(1,089)	(1,113)	(147)	(840)	(1,233)	(1,622)
Working capital Δ	(3,539)	(2,034)	1,401	(4,561)	725	(2,993)
Change in Goodwill	(144)	(1,703)	(40)	710	-	-
Operating cashflow	3,547	1,805	4,951	1,550	7,324	4,758
Capital expenditure	(5,264)	(3,222)	(3,133)	(2,942)	(5,408)	(3,903)
Free cash flow	(1,718)	(1,417)	1,818	(1,392)	1,916	855
Equity raised	(834)	(687)	29	(990)	-	-
Investments	(463)	(167)	223	26	(69)	(119)
Others	(2,196)	1,062	(920)	(333)	56	(340)
Debt financing/disposal	6,624	2,246	2,578	3,173	(1,000)	(560)
Dividends paid	(1,411)	(1,378)	(794)	(794)	(1,000)	(1,315)
Other items	107	378	(121)	84	(293)	140
Net Δ in cash	109	38	2,812	(226)	(390)	(1,339)
Opening Cash Flow	2,337	2,445	2,484	5,296	5,070	4,680
Closing Cash Flow	2,445	2,484	5,296	5,070	4,680	3,341

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E
Growth matrix (%)						
Revenue growth	1.3%	-6.4%	19.3%	20.3%	9.6%	10.4%
Op profit growth	-5.1%	-24.2%	-34.0%	66.4%	11.6%	13.7%
Profitability ratios (%)						
OPM	20.7%	16.8%	9.3%	12.9%	13.1%	13.5%
Net profit margin	8.4%	5.6%	0.6%	3.3%	4.4%	5.2%
RoCE	13.4%	7.5%	3.3%	7.6%	8.3%	9.7%
RoNW	23.8%	13.8%	1.7%	11.4%	15.1%	17.7%
RoA	7.9%	4.7%	0.6%	3.6%	5.2%	6.5%
Per share ratios (INR)						
EPS	9.8	7.8	1.1	5.4	8.3	11.0
Dividend per share	3.5	3.5	2.0	2.0	2.5	3.3
Cash EPS	17.9	14.0	9.0	13.5	16.5	19.4
Book value per share	47.5	50.1	49.2	52.3	58.1	65.8
Valuation ratios (x)						
P/E	14.9	18.7	131.9	26.9	17.5	13.3
P/CEPS	8.2	10.5	16.2	10.8	8.9	7.5
P/B	3.1	2.9	3.0	2.8	2.5	2.2
EV/EBITDA	8.3	11.0	16.8	10.5	9.3	8.3
Payout (%)						
Dividend payout	32.6%	51.2%	237.5%	34.4%	30.0%	30.0%
Tax payout	20.1%	29.3%	30.6%	26.7%	27.0%	27.0%
Liquidity ratios						
Debtor days	103	114	100	93	94	94
Inventory days	77	82	99	97	91	91
Creditor days	149	153	153	138	135	138
WC Days	31	43	46	52	50	47
Leverage ratios (x)						
Interest coverage	3.7	2.6	0.9	1.9	2.5	3.0
Net debt / equity	1.6	1.7	1.7	1.7	1.5	1.4
Net debt / op. profit	2.9	4.0	6.1	4.0	3.6	3.2

Source: Company Reports, Arianth Capital Research

Peer Comparison

Exhibit 201: Peer Comparison for OF and OFC Players

Company	Sterlite Technologies	HFCL	Finolex Cables	Birla Cables	Vindhya Telelinks
Products & Services	Optical Fibre (OF), Optical Fibre Cable (OFC), Optical Interconnect Kits, Network Services, Fibre Rollout Services, Data Center Network, RAN Services, Enterprise SaaS Services, Cloud Services, Data Analytics and AI Services, Cyber Security Services, Product Engineering and Services	Optical Fiber Cable (OFC), Optical Fiber, Wi-fi systems, microwave radios, routers, Ethernet switches, Electronic fuses, Ethernet L2/L3 Switches, Cloud based Network management system	Flexible cables, solar cables, Elevator cables, Auto & Battery cables, LT & HT power cables, Co-axial cables, speaker cables, CCTV cables, Lighting, Electrical switches, Switchgear, Water Heaters, Fans	Optical Fibre Cables, Copper Telecommunication Cables, Structured Copper Cables, Specialty cables and allied accessories.	Cables (comprising of telecommunication cables, other types of wires & cables, FRP rods/ glass rovings, etc.) and Engineering, Procurement & Construction (EPC) business.
Market Share (%)	Global ex-China OFC - 12%		Wired Industry Organized - 22%	-	-
Capacity	OF - 50mn Fkm/annum, OFC - 36mn Fkm/annum and expected to reach 42mn Fkm/annum by H1FY24.	OF - 10mn Fkm/annum and is expected to reach 33.9mn Fkm/annum by Dec-24. OFC - 25mn Fkm/annum and expected to reach 35mn Fkm/annum in next 2-3 years.	-	-	-
Revenue by segments	Optical Networking (78.5%), Global Services (21.8%), Digital and Technology Solutions (1%).	Telecom Products (56%), Turnkey Contracts and Services (44%).	Electric Cables (82.2%), Communication Cables (12.9%), Copper Rods (0.5%), Other Products (4.4%).	Copper Cable (48.7%) Optical Fibre Cable (48.2%) Others (3.1%) - FY22	EPC (74.9%) Cables (25.1%)
Revenue by Geography	Europe (36%), North America (11%), India (42%) and RoW (10%).	India (83%) and Exports (17%)	-	India (20.2%) and RoW (79.8%) - FY22	India (95.1%) and RoW (4.9%)
Order book (INR bn)	110.52	70.64	-	-	-
New product Launches	Multiverse, Multicore fiber and Slimmest fibre in the world	New technology equipment products including 5G products, and partnerships with Qualcomm, Microsoft, and Wipro for developing cutting-edge 5G products and solutions.	-	-	-
Capex - (INR bn)	INR 3.5bn - INR 4bn (FY24E)	~INR 10bn (next 2-3 years)	INR 3bn (next 18 to 20 months)	-	-

Source: Company reports, Arihant Capital Research, data as of FY23

Peer Comparison

Exhibit 202: Sterlite Technologies is expected to grow at ~10%-15% CAGR over the period of FY23-25E.

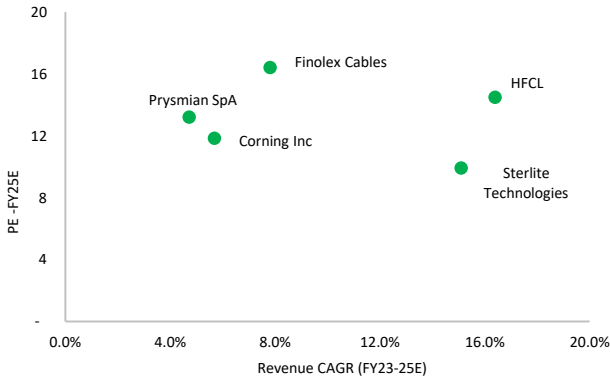


Exhibit 203: Sterlite Technologies EBITDA margin is expected around 15% by FY25E. Sterlite Tech margins are slightly higher than HFCL, because HFCL is importing glass preform for manufacturing while Sterlite Technologies have backward integration for glass preform.

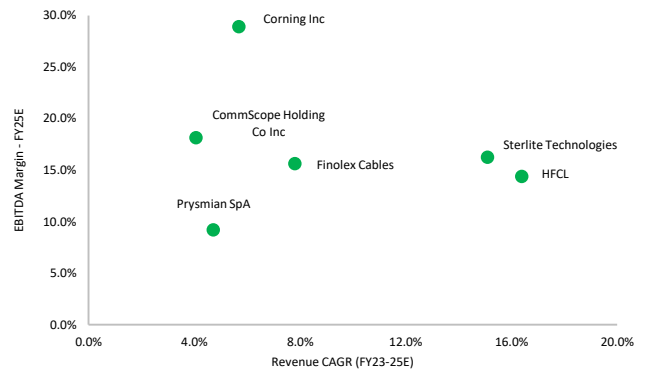


Exhibit 204: Sterlite Technologies Margin is expected to improve going forward.

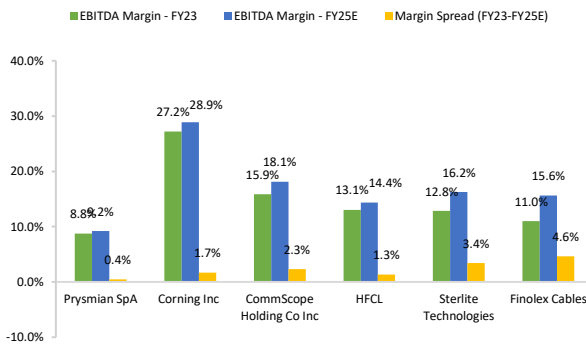


Exhibit 205: Sterlite Technologies EVA spread is deferrer and expected to improve going forward.

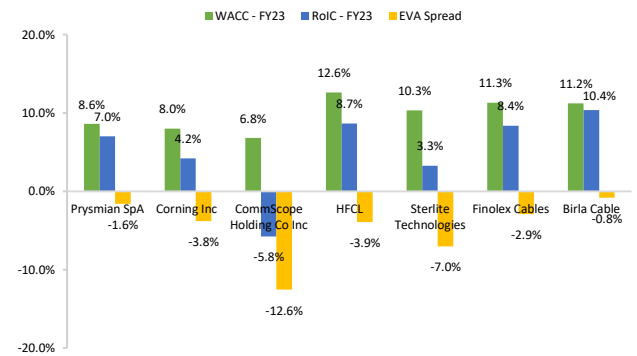


Exhibit 206: Sterlite Technologies RoIC was not enough to cover its WACC compared to peers in FY23. The divestment of non-core assets would improve RoIC going forward.

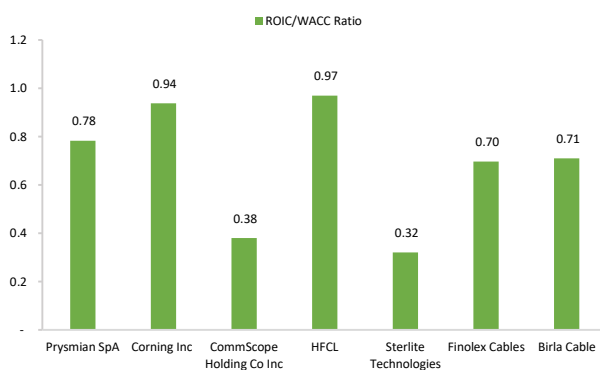
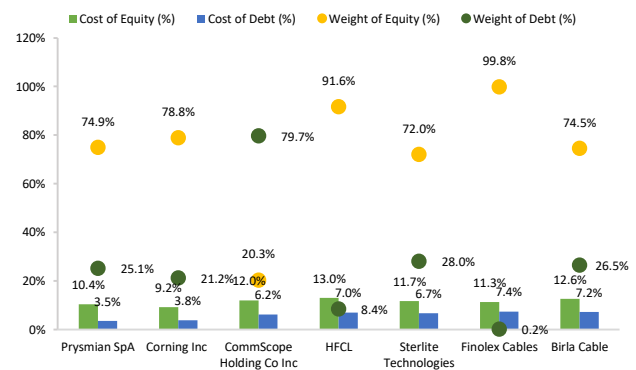


Exhibit 207: Sterlite Technologies has slightly higher weight of debt compared to peers.



Source: Bloomberg, Arianth Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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