

**BharatNet, BEAD and Data Centre will be the opportunity.**

**CMP: INR 145**

**Rating: ACCUMULATE**

**Target Price: INR 164**

**Stock Info**

BSE	532374
NSE	STLTECH
Bloomberg	SOTL:IN
Reuters	STTE.NS
Sector	Cables
Face Value (INR)	2
Equity Capital (INR mn)	975
Mkt Cap (INR mn)	70,698
52w H/L (INR)	179 / 110
Avg Yearly Volume (in 000')	3,064

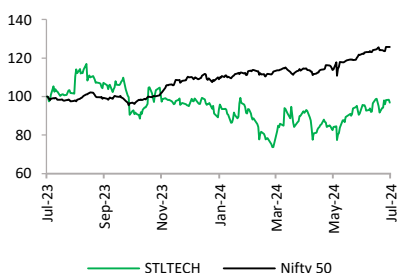
**Shareholding Pattern %**

(As on Jun, 2024)

Promoters	44.18
Public & Others	55.82

Stock Performance (%)	3m	6m	12m
STLTECH	17.2	3.7	-3.2
NIFTY	10.5	15.5	25.8

**STLTECH vs Nifty**



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**Sterlite Technologies Ltd** reported numbers, Q1FY24 revenue de-grew by -20% YoY (+6.8% QoQ) to INR 12,180mn, above our estimates of INR 11,943mn. Gross Profit stood at INR 6,190mn (-32.7% YoY/+9% QoQ); above our estimates of INR 6,115mn. Gross margins contracted by 963 bps YoY (up by 100bps QoQ) to 50.8% vs 60.4% in Q1FY24. The raw material cost in terms of sales stood at 49.2% vs 47.6% in Q1FY24. EBITDA stood at INR 830mn (-61.2% YoY/+56.6% QoQ), below our estimates of INR 836mn. EBITDA margin contracted by 725bps YoY (up by 217 bps QoQ) to 6.8% vs 14.1% in Q1FY24. PAT stood at INR -480mn vs INR 440mn in Q1FY24; below our estimates of INR -397mn. PAT margin stood at -3.9% vs 2.9% in Q1FY24.

**Key Highlights**

**Lower volumes has impacted Optical Networking business:** Optical networking business revenue stood at INR 8,100mn (-27.2% YoY/+4.2% QoQ) due to lower volumes. EBIT Stood at INR 880mn (-64.2% YoY/+46.7% QoQ). EBIT margin contracted by 1,126 bps YoY (up by 314 bps QoQ) to 10.9% vs 22.1% in Q1FY24. The margins were impacted due to lower capacity utilization and expected to bring earlier margins of 20% at the capacity utilization of 75%-80% over next few quarters. Optical interconnectivity rate increased to 23% in Q1FY25, which is higher ever in history and margins are higher. The company is focused to supply cables along with optical interconnects to add value to customers. The company is focused on achieving a revenue share of 25% from data centre suit products. AI data centres required 5x optical connections compared to Data centre. AI data centres require 2x fibre channels compared to Data centre. AI data centres required 18x fibre content racks & enclosure compared to Data centre.

**Global services de-merger is expected by Q3FY25E:** Global service business revenue stood at INR 3,550mn (+0.6% YoY/+9.9% QoQ); EBIT Stood at INR 250mn (-10.7% YoY/-35.9% QoQ). EBIT margin contracted by 89 bps YoY (down by 503 bps QoQ) to 7% vs 7.9% in Q1FY24. The company is very selective on order intake and execution. The company is well positioned to tab BharatNet in coming quarters.

**Digital and Technology solutions breakeven is expected Q4FY25E:** Digital and technology solutions revenue stood at INR 710mn (+260% YoY/-52.6% QoQ); EBIT Stood at INR -170mn vs INR -370mn in Q1FY24. Digital business breakeven is expected by the end of FY25E. STL digital order book stood at INR 3,770mn as of Q1FY25. The company has acquired new customers in the US and India across Technology & Services Industry verticals during Q1FY25. The company has a strong partnership with SAP & Google. The company has 23+ global customers and 40+ active technology partners.

**Strong order book leads to better business visibility:** The order book stood at INR 98.83bn (-9.6% YoY/-4% QoQ) as of Q1FY25. Around INR 11.84bn of the order book is expected to be executed in Q2FY25E and the remaining INR order book of INR 86.98bn is expected to be executed post FY25E onwards.

**Outlook & Valuation:** Sterlite Technologies profitability has impacted due to lower volumes due to inventory piled-up with global operators and expected to clear in 1-2 quarters. We believe, BharatNet and BEAD program would lead to business opportunities. The interconnect attach rates increased to 23% in Q1FY25 (13% in FY24) and increase in attach rates would improve the margins. The selective order intake and execution will improve the global service business and the digital business is expected to be profitable by Q4FY25E. We believe telecom capex for 5G and the upcoming 6G would provide business visibility. We maintain an "ACCUMULATE" rating at a Target Price of INR 164 per share based on DCF; an upside of 12.9%.

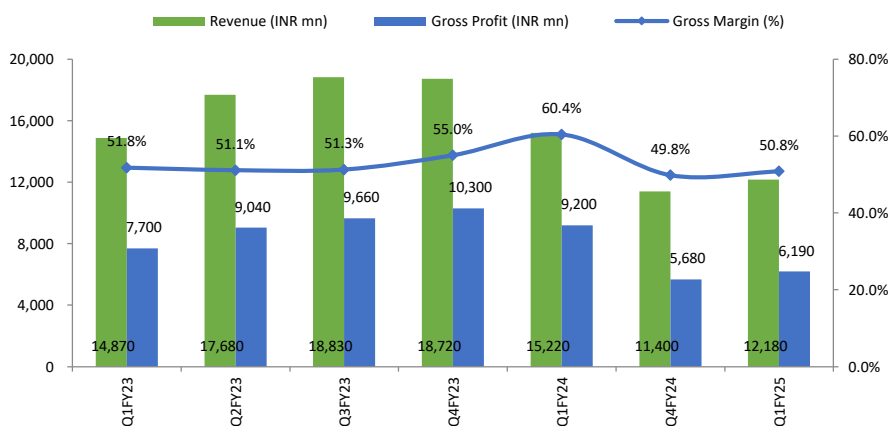
Q1FY25 Results

Income statement summary

Particular (INR mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Revenue	15,220	11,400	12,180	-20.0%	6.8%
Net Raw Materials	6,020	5,720	5,990	-0.5%	4.7%
<b>Gross Profit</b>	<b>9,200</b>	<b>5,680</b>	<b>6,190</b>	<b>-32.7%</b>	<b>9.0%</b>
<b>Gross Margin (%)</b>	<b>60.4%</b>	<b>49.8%</b>	<b>50.8%</b>	<b>-963 bps</b>	<b>+100 bps</b>
Employee Cost	2,530	2,030	2,030	-19.8%	0.0%
Other Expenses	4,530	3,120	3,330	-26.5%	6.7%
<b>EBITDA</b>	<b>2,140</b>	<b>530</b>	<b>830</b>	<b>-61.2%</b>	<b>56.6%</b>
<b>EBITDA Margin (%)</b>	<b>14.1%</b>	<b>4.6%</b>	<b>6.8%</b>	<b>-725 bps</b>	<b>+217 bps</b>
Depreciation	810	850	820		
Interest expense	920	880	710		
Other income	210.0	140.0	90.0		
Share of profits associate & JV	10	-	-		
<b>Profit before tax</b>	<b>630</b>	<b>(1,060)</b>	<b>(610)</b>		
Taxes	190	(230)	(130)		
<b>PAT</b>	<b>440</b>	<b>(830)</b>	<b>(480)</b>	<b>-209.1%</b>	<b>-42.2%</b>
<b>PAT Margin (%)</b>	<b>2.9%</b>	<b>-7.3%</b>	<b>-3.9%</b>	<b>-683 bps</b>	<b>+334 bps</b>
<b>EPS (INR)</b>	<b>1.1</b>	<b>(2.1)</b>	<b>(1.0)</b>		

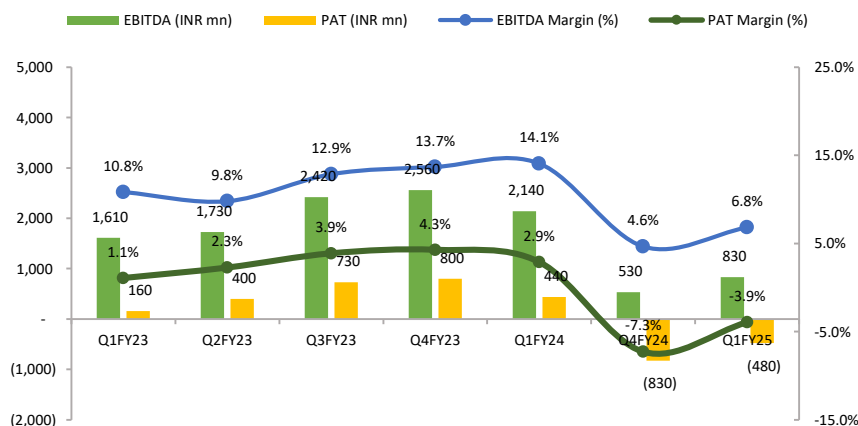
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins contracted by 963 bps YoY (up by 100bps QoQ) to 50.8% in Q1FY25 due to higher raw material costs.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin contracted by 725bps YoY (up by 217 bps QoQ) to 6.8% in Q1FY25. EBITDA margin majorly impacted by RM costs, however other expenses slightly reduced in-terms of sales.



Source: Company Reports, Aриhant Capital Research

### Q1FY25 Concall Highlights

#### Market share

- Global (ex-china) market share stood at 6% in Q1CY24 vs 8% in H1CY23. The company focused on regaining market share by targeting India, the US, and Europe markets.

#### Inventory

- Inventory build-up with operators majorly in US and some in Europe. The inventories are expected to normalize in the next 1-2 quarters.

#### Margins

- Lower capacity utilization impacted margins. EBITDA margins are expected to back 20%, once capacity utilization levels go 75%-80%.
- Services margins are expected to be 8%-10% going forward.

#### Optical connectivity attach rate

- The optical connectivity attach rate increased to 23% in Q1FY25 vs 13% in FY24. The company is focused on supplying cables along with interconnects to add value to customers.

#### Optical networking

- Lower volumes have impacted the optical networking business.
- Cables volumes are flattish on a QoQ basis and witnessed a positive impact on connectivity. OF/OFC prices are flattish to a slight reduction in Q1FY25.

#### Digital business

- Digital business breakeven is expected by the end of FY25E.
- STL digital order book stood at INR 3,770mn as of Q1FY25.
- In STL digital, the company has acquired new customers in the US and India across Technology & Services Industry verticals during Q1FY25.
- The company has a strong partnership with SAP & Google. The company has 23+ global customers and 40+ active technology partners.

#### Services

- In the Global services business, the company is focused on selective order intake and execution.
- Global services de-merger is in progress and expected to be completed by Q3FY25E.

#### Bharat Net and BEAD

- Bharat Net program is estimated at INR 1.39 lakh cr. Around INR 65,000cr RFP in progress. The company is focused on services and cable deployments. Also focused on supplying fibre to various cablers. More developments are expected in the next 2-3 months.
- BEAD program is estimated at \$42.5bn for broadband infrastructure. 24 states completed 10/10 of NTIA phases advancing to Volume II. 32 states completed 9/10 phases of Volume I. BEAD program is expected to start from Q3FY25E/Q4FY25E.

### Q1FY25 Concall Highlights

#### Data Centre

- The company will take some time to build technology and IP for Data centres.
- The company is focused on achieving a revenue share of 25% from data centre suit products.
- The data centre connectivity required higher fibres.
- AI data centres required 5x optical connections compared to Data centre. AI data centres require 2x fibre channels compared to Data centre. AI data centres required 18x fibre content racks & enclosure compared to Data centre.

#### Freight cost

- Freight costs increased by 2%-3% due to the Redsea impact. Red Sea impacted lead time, insurance cost, etc. The company also did some air freight to serve better way to customers. Freight cost is expected to normalize over the next few quarters.

#### Order book

- The order book stood at INR 98.83bn as of Q1FY25. The executable order book is 11.84bn in Q2FY25 and the remaining from Q3FY25E onwards.
- The company has received long-term large orders from UK telecom operators for optical interconnect and connectivity solutions for telecom companies in UK.
- The company has secured large deals in Italy for optical fibre cables & specialty cable products.
- The company has received large orders for fibre cable supply & deployment from a large Indian private telecom player.

#### Debt

- The company has reduced net debt of INR 7.69bn from FY24.

#### Other highlights

- Subscription growth in 5G, FTTX, and Data centre will improve the demand for OFC. Indian telecom player's tariff improvement, Anti-dumping duties on Chinese exports in India, the EU, and UK; and a shift from copper to fibre will be additional support for Indian OFC players.
- US homes passed on 9mn homes for FTTx deployment in 2023. Around 9-12mn homes are expected to be added in 2024.
- The company has completed capacity expansions and is positioned closer to a focused market and well placed to win in the market.
- The Italy facility will serve to Europe market.
- The company is focused on optimizing cost structures in terms of variable and fixed costs.

**Outlook & Valuation:** Sterlite Technologies profitability has impacted due to lower volumes due to inventory piled-up with global operators and expected to clear in 1-2 quarters. We believe, BharatNet and BEAD program would lead to business opportunities. The interconnect attach rates increased to 23% in Q1FY25 (13% in FY24) and increase in attach rates would improve the margins. The selective order intake and execution will improve the global service business and the digital business is expected to be profitable by Q4FY25E. We believe telecom capex for 5G and the upcoming 6G would provide business visibility. We maintain an "ACCUMULATE" rating at a Target Price of INR 164 per share based on DCF; an upside of 12.9%.

### DCF Valuation

Valuation Assumptions		Valuation Data		WACC	
g (World Economic Growth)	3.5%	Total Debt (long term borrowings) (2024)	10,510	We	87.1%
Rf	7.1%	Cash & Cash Equivalents (2024)	4,030	Wd	12.9%
Rm	12%	Number of Diluted Shares (2024)	488	Ke	12.5%
Beta	1.1	Tax Rate (2025)	15%	Kd	8.2%
CMP	145	Interest Expense Rate (2025)	9.6%	<b>WACC</b>	<b>11.9%</b>
		MV of Equity	70,698		
		Total Debt	10,510		
		<b>Total Capital</b>	<b>81,208</b>		

FCFF & Target Price													
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase					Terminal Yr	
Particular (INR mn)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
EBIT * (1-Tax Rate)	1,376	3,166	4,947	6,124	7,121	8,044	8,960	9,839	10,649	11,357	11,934	12,352	
Dep	3,441	3,625	3,811	3,939	3,984	4,028	5,088	5,587	6,047	6,449	6,777	7,014	
Purchase of Assets	(3,073)	(3,104)	(3,135)	(2,157)	(749)	(741)	(826)	(907)	(981)	(1,047)	(1,100)	(1,138)	
Changes in Working Capital	(2,528)	(1,651)	(2,966)	(3,423)	(2,777)	(3,290)	(2,688)	(2,952)	(3,195)	(3,407)	(3,580)	(3,706)	
FCFF	(784)	2,037	2,657	4,483	7,579	8,040	10,534	11,567	12,520	13,353	14,031	14,522	
Terminal Value											1,72,184		
<b>Total Cash Flow</b>	<b>(784)</b>	<b>2,037</b>	<b>2,657</b>	<b>4,483</b>	<b>7,579</b>	<b>8,040</b>	<b>10,534</b>	<b>11,567</b>	<b>12,520</b>	<b>13,353</b>	<b>1,86,214</b>		

Enterprise Value (EV)	86,299
Less: Debt	10,510
Add: Cash	4,030
Equity Value	79,819

**Equity Value per share (INR) 164**

**% Returns 12.9%**

**Rating ACCUMULATE**

### Sensitivity Analysis

		Terminal Growth (%)								
164		2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%	4.3%	4.5%
WACC (%)	11.0%	173	178	182	187	192	198	204	210	217
	11.3%	166	170	175	179	184	189	194	200	207
	11.5%	160	164	168	172	176	181	<b>186</b>	191	197
	11.8%	154	157	161	165	169	<b>173</b>	178	183	188
	12.0%	148	151	155	158	<b>162</b>	166	170	175	180
	12.3%	142	145	149	<b>152</b>	155	159	163	167	172
	12.5%	137	140	<b>143</b>	146	149	153	157	160	165
	12.8%	132	135	138	141	144	147	150	154	158
	13.0%	128	130	133	135	138	141	144	148	151

Source: Company reports, Aриhant Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	48,252	57,543	69,250	54,780	55,728	63,443	72,257
Net Raw Materials	23,949	28,646	32,990	24,990	27,307	30,135	33,600
Employee Cost	6,474	8,707	9,120	9,520	9,028	9,770	10,766
Other Expenses	9,722	14,842	18,240	14,570	14,334	16,187	18,260
<b>EBITDA</b>	<b>8,107</b>	<b>5,348</b>	<b>8,900</b>	<b>5,700</b>	<b>5,060</b>	<b>7,350</b>	<b>9,631</b>
<b>EBITDA Margin (%)</b>	<b>16.8%</b>	<b>9.3%</b>	<b>12.9%</b>	<b>10.4%</b>	<b>9.1%</b>	<b>11.6%</b>	<b>13.3%</b>
Depreciation	(2,853)	(3,255)	(3,090)	(3,350)	(3,441)	(3,625)	(3,811)
Interest expense	(2,030)	(2,414)	(3,110)	(3,690)	(3,050)	(2,634)	(2,526)
Other income	430	593	410	570	460	523	596
<b>Profit before tax</b>	<b>3,802</b>	<b>482</b>	<b>3,150</b>	<b>(730)</b>	<b>(971)</b>	<b>1,614</b>	<b>3,890</b>
Taxes	(1,113)	(147)	(840)	90	146	(407)	(980)
<b>PAT</b>	<b>2,690</b>	<b>334</b>	<b>2,310</b>	<b>(640)</b>	<b>(826)</b>	<b>1,208</b>	<b>2,910</b>
<b>PAT Margin (%)</b>	<b>5.6%</b>	<b>0.6%</b>	<b>3.3%</b>	<b>-1.2%</b>	<b>-1.5%</b>	<b>1.9%</b>	<b>4.0%</b>
Other Comprehensive income	415	107	(140)	290	-	-	-
<b>Net profit</b>	<b>3,105</b>	<b>441</b>	<b>2,170</b>	<b>(350)</b>	<b>(826)</b>	<b>1,208</b>	<b>2,910</b>
EPS (INR)	6.8	0.8	5.8	(1.6)	(1.7)	2.5	6.0

Source: Company Reports, Arihant Capital Research

## Balance sheet summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	793	796	800	800	975	975	975
Reserves	19,081	18,771	20,110	19,430	28,593	29,559	31,887
<b>Net worth</b>	<b>19,874</b>	<b>19,567</b>	<b>20,910</b>	<b>20,230</b>	<b>29,568</b>	<b>30,534</b>	<b>32,862</b>
Minority Interest	981	857	40	-	-	-	-
Provisions	110	253	660	390	153	174	198
Debt	35,279	37,857	41,030	35,820	27,720	27,160	25,460
Other non-current liabilities	1,567	1,303	980	770	836	952	1,084
<b>Total Liabilities</b>	<b>57,811</b>	<b>59,837</b>	<b>63,620</b>	<b>57,210</b>	<b>58,276</b>	<b>58,819</b>	<b>59,604</b>
Fixed assets	27,828	28,554	28,540	28,390	28,069	27,518	26,811
Capital Work In Progress	2,272	1,424	1,290	620	573	604	635
Other Intangible assets	991	1,866	1,670	1,420	1,420	1,420	1,420
Goodwill	2,921	2,960	2,250	2,280	2,280	2,280	2,280
Investments	1,319	1,096	1,070	960	836	952	1,084
Other non current assets	569	1,695	1,740	3,200	1,282	1,459	1,445
<b>Net working capital</b>	<b>17,251</b>	<b>15,849</b>	<b>20,410</b>	<b>14,600</b>	<b>17,128</b>	<b>18,778</b>	<b>21,744</b>
Inventories	6,264	9,202	8,320	8,220	8,229	8,669	9,021
Sundry debtors	14,514	17,065	18,220	15,980	15,726	17,034	19,203
Loans & Advances	148	45	30	10	56	63	72
Other current assets	19,240	17,151	18,870	16,490	16,031	17,382	19,005
Sundry creditors	(19,437)	(24,200)	(21,520)	(21,780)	(20,129)	(21,515)	(22,305)
Other current liabilities & Prov	(3,479)	(3,413)	(3,510)	(4,320)	(2,786)	(2,855)	(3,252)
Cash	2,484	5,296	5,070	4,030	5,295	4,222	2,451
Other Financial Assets	2,177	1,096	1,580	1,710	1,393	1,586	1,734
<b>Total Assets</b>	<b>57,811</b>	<b>59,837</b>	<b>63,620</b>	<b>57,210</b>	<b>58,276</b>	<b>58,819</b>	<b>59,604</b>

Source: Company Reports, Arihant Capital Research

## Du-Pont Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.7	0.7	0.7	0.9	0.9	0.7	0.7
Interest burden (x)	0.7	0.2	0.5	(0.3)	(0.6)	0.4	0.7
EBIT margin (x)	0.1	0.0	0.1	0.0	0.0	0.1	0.1
Asset turnover (x)	0.7	0.7	0.9	0.7	0.7	0.8	0.9
Financial leverage (x)	3.5	3.9	4.0	3.9	3.1	2.5	2.5
<b>RoE (%)</b>	<b>13.8%</b>	<b>1.7%</b>	<b>11.4%</b>	<b>-3.1%</b>	<b>-3.3%</b>	<b>4.0%</b>	<b>9.2%</b>

Source: Company Reports, Arihant Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	3,802	482	3,150	(730)	(971)	1,614	3,890
Depreciation	2,853	3,255	3,090	3,350	3,441	3,625	3,811
Tax paid	(1,113)	(147)	(840)	90	146	(407)	(980)
Working capital Δ	(2,034)	1,401	(4,561)	5,810	(2,528)	(1,651)	(2,966)
Change in Goodwill	(1,703)	(40)	710	(30)	-	-	-
<b>Operating cashflow</b>	<b>1,805</b>	<b>4,951</b>	<b>1,550</b>	<b>8,490</b>	<b>87</b>	<b>3,182</b>	<b>3,755</b>
Capital expenditure	(3,222)	(3,133)	(2,942)	(2,530)	(3,073)	(3,104)	(3,135)
<b>Free cash flow</b>	<b>(1,417)</b>	<b>1,818</b>	<b>(1,392)</b>	<b>5,960</b>	<b>(2,986)</b>	<b>78</b>	<b>620</b>
Equity raised	(687)	29	(1,584)	330	9,998	(0)	-
Investments	(167)	223	26	110	124	(116)	(132)
Others	1,062	(920)	(333)	(1,340)	2,235	(370)	(134)
Debt financing/disposal	2,246	2,578	3,173	(5,210)	(8,100)	(560)	(1,700)
Dividends paid	(1,378)	(794)	(200)	(410)	165	(242)	(582)
Other items	378	(121)	84	(480)	(171)	137	156
<b>Net Δ in cash</b>	<b>38</b>	<b>2,812</b>	<b>(226)</b>	<b>(1,040)</b>	<b>1,265</b>	<b>(1,073)</b>	<b>(1,772)</b>
<b>Opening Cash Flow</b>	<b>2,445</b>	<b>2,484</b>	<b>5,296</b>	<b>5,070</b>	<b>4,030</b>	<b>5,295</b>	<b>4,222</b>
<b>Closing Cash Flow</b>	<b>2,484</b>	<b>5,296</b>	<b>5,070</b>	<b>4,030</b>	<b>5,295</b>	<b>4,222</b>	<b>2,451</b>

Source: Company Reports, Arianth Capital Research

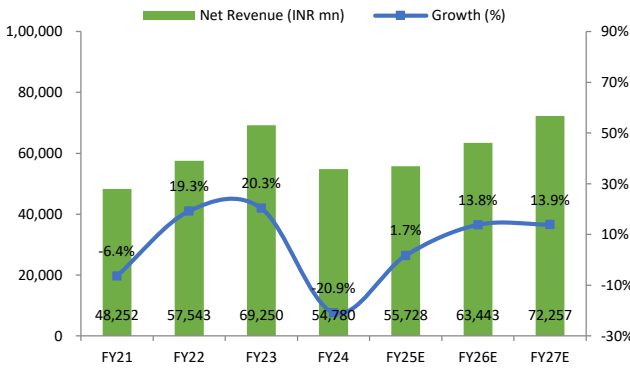
## Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>							
Revenue growth	-6.4%	19.3%	20.3%	-20.9%	1.7%	13.8%	13.9%
Op profit growth	-24.2%	-34.0%	66.4%	-36.0%	-11.2%	45.3%	31.0%
<b>Profitability ratios (%)</b>							
OPM	16.8%	9.3%	12.9%	10.4%	9.1%	11.6%	13.3%
Net profit margin	5.6%	0.6%	3.3%	-1.2%	-1.5%	1.9%	4.0%
RoCE	7.5%	3.3%	7.6%	3.1%	5.5%	8.2%	9.8%
RoNW	13.8%	1.7%	11.4%	-3.3%	4.0%	9.2%	11.8%
RoA	4.7%	0.6%	3.6%	-1.4%	2.1%	4.9%	6.5%
<b>Per share ratios (INR)</b>							
EPS	7.8	1.1	5.4	(0.9)	(1.7)	2.5	6.0
Dividend per share	3.5	2.0	0.5	1.0	(0.3)	0.5	1.2
Cash EPS	14.0	9.0	13.5	6.8	5.4	9.9	13.8
Book value per share	50.1	49.2	52.3	50.6	60.6	62.6	67.4
<b>Valuation ratios (x)</b>							
P/E	18.5	130.8	26.7	-	-	58.5	24.3
P/CEPS	10.4	16.1	10.7	21.4	27.0	14.6	10.5
P/B	2.9	2.9	2.8	2.9	2.4	2.3	2.2
EV/EBITDA	11.0	16.7	10.4	15.6	18.2	12.6	9.6
<b>Payout (%)</b>							
Dividend payout	51.2%	237.5%	8.7%	-64.1%	20.0%	20.0%	20.0%
Tax payout	29.3%	30.6%	26.7%	12.3%	15.0%	25.2%	25.2%
<b>Liquidity ratios</b>							
Debtor days	114	100	93	114	104	94	92
Inventory days	82	99	97	121	110	102	96
Creditor days	153	153	138	161	151	135	128
WC Days	43	46	52	74	63	61	60
<b>Leverage ratios (x)</b>							
Interest coverage	2.6	0.9	1.9	0.6	0.5	1.4	2.3
Net debt / equity	1.7	1.7	1.7	1.6	0.8	0.8	0.7
Net debt / op. profit	4.0	6.1	4.0	5.6	4.4	3.1	2.4

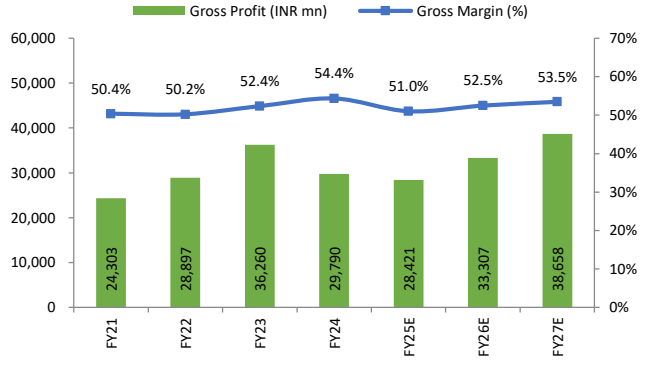
Source: Company Reports, Arianth Capital Research

Story in Charts

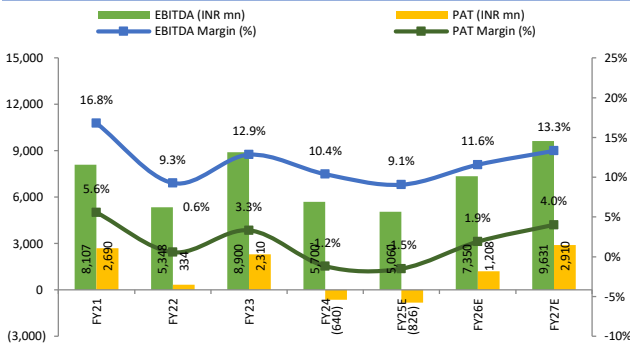
**Exhibit 3: Inventory levels is expected to clear in next 1-2 quarters and demand will be normalize. BharatNet and BEAD would be a key triggers.**



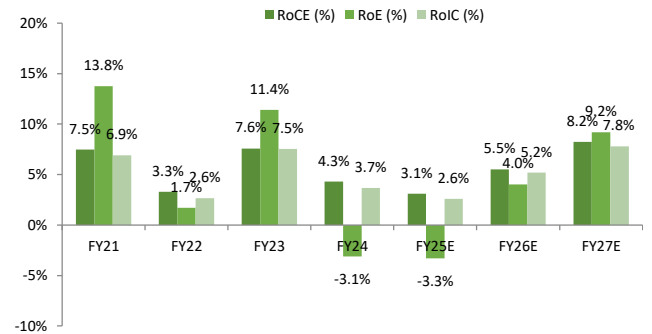
**Exhibit 4: Softening of RM costs will lead to improvement in gross margins.**



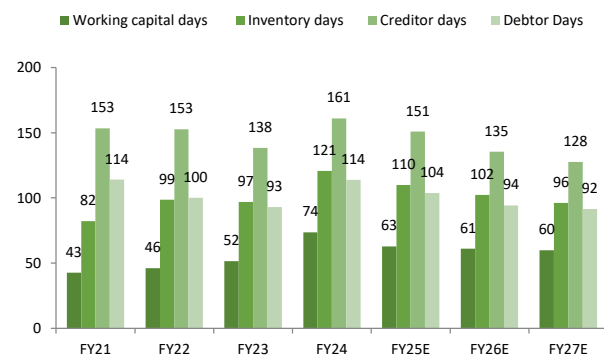
**Exhibit 5: Growth in EBITDA & PAT levels**



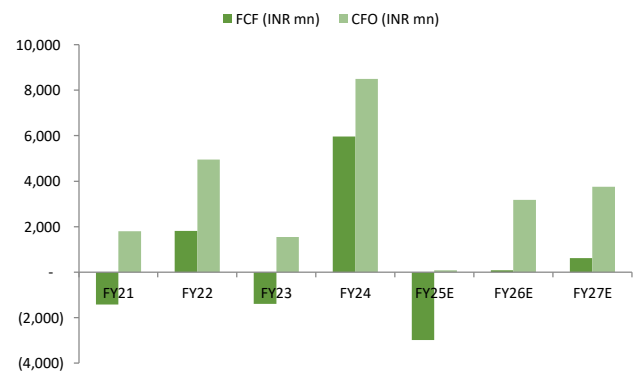
**Exhibit 6: Return ratios to be improve**



**Exhibit 7: Working capital days to be improve**



**Exhibit 8: Cash flows to be improve**

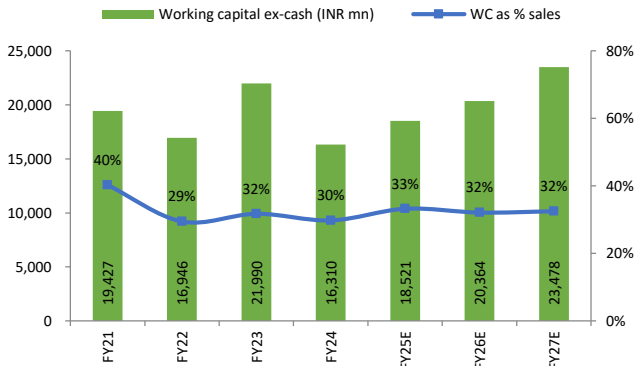


Source: Company reports, Arianth Capital Research

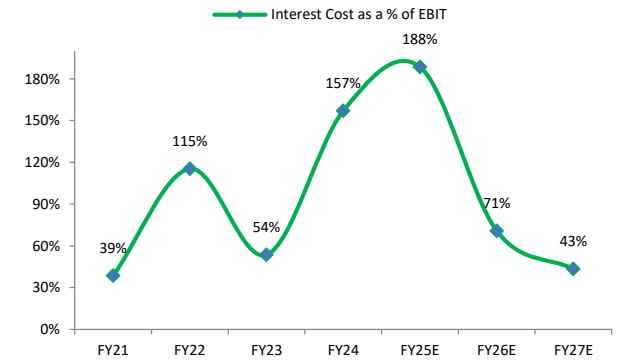


Story in Charts

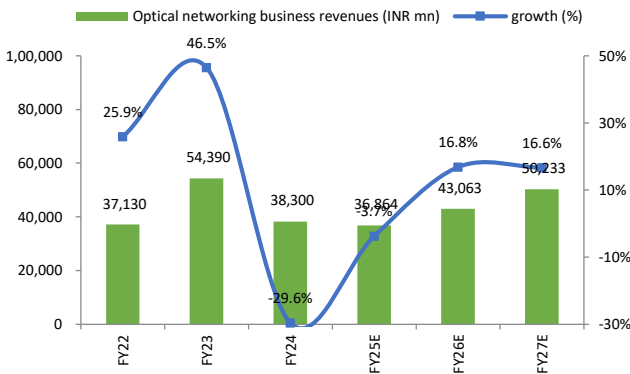
**Exhibit 9: Working capital in-terms of sales is expected to maintain going forward.**



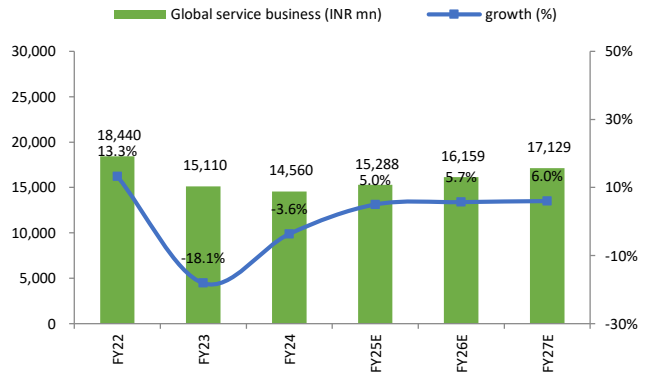
**Exhibit 10: Interest cost as % of EBIT is expected to reduce going forward.**



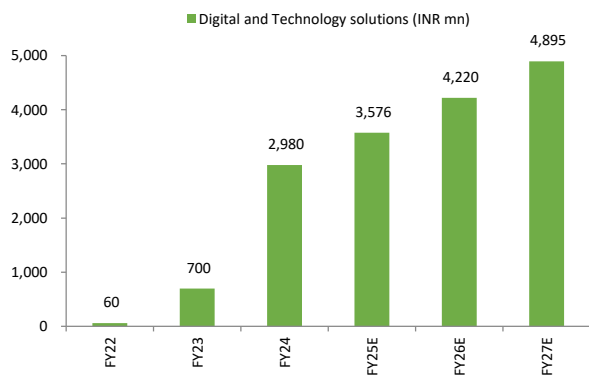
**Exhibit 11: The inventory build-up in North America is expected to liquidate in 1-2 quarters. Post that, Optical networking business is expected to pick-up.**



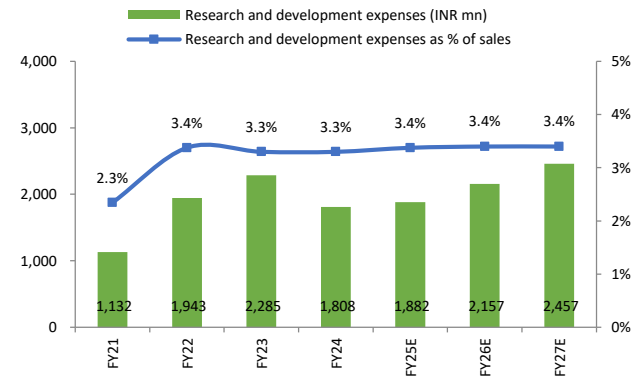
**Exhibit 12: Selective order intake and execution will improve global service business going forward.**



**Exhibit 13: Digital and Technology solutions has strong order book of INR 3.7bn shows potential revenue visibility.**



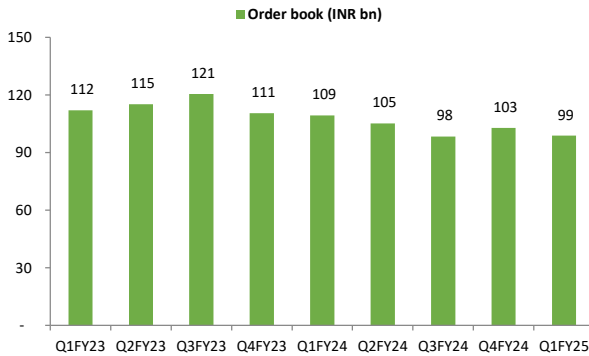
**Exhibit 14: R&D expenses are expected to be 3.3%-3.4% of sales going forward.**



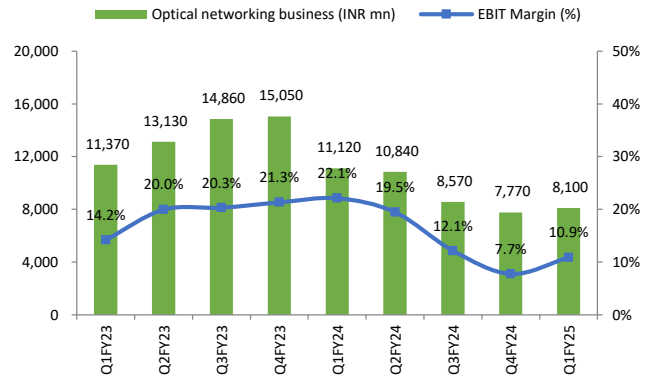
Source: Company reports, Arianth Capital Research

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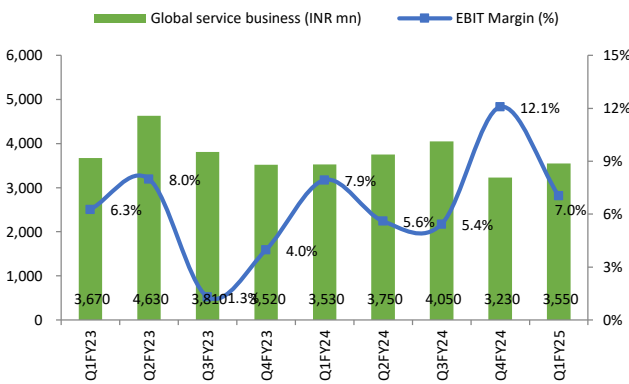
**Exhibit 15: The order book stood at INR 98.8bn (-9.6% YoY/-4% QoQ) as of Q1FY25.**



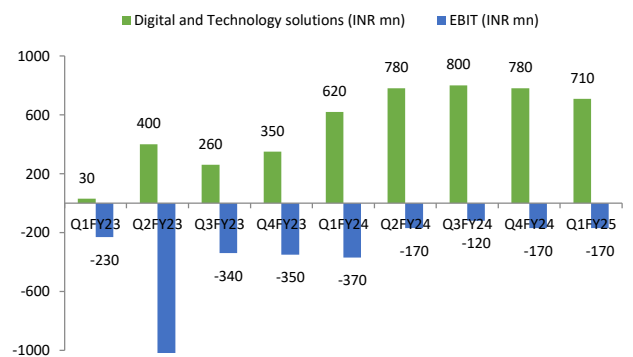
**Exhibit 16: Optical networking margins were impacted due to lower utilization and volumes. The profitability is expected to back at 75%-80% capacity utilization.**



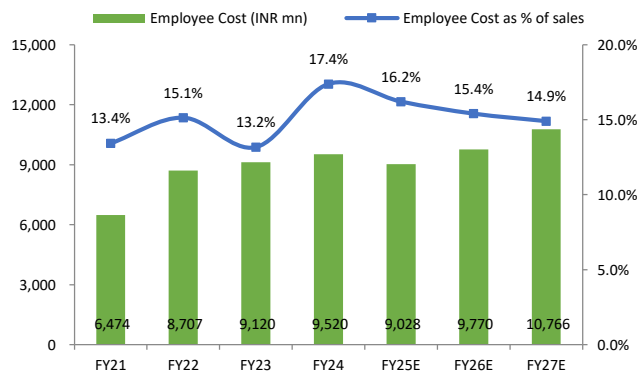
**Exhibit 17: Global services margins are expected around 8%-10% going forward.**



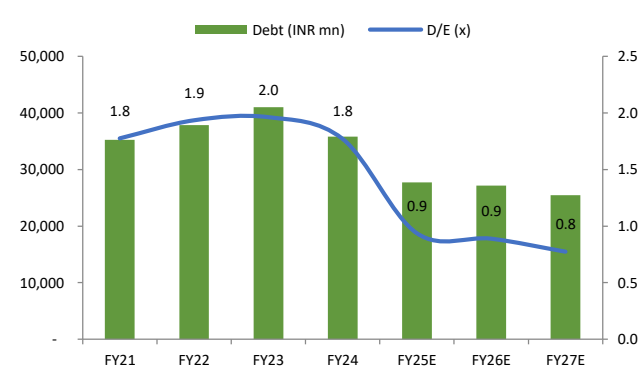
**Exhibit 18: Digital and Technology services are expected to be breakeven by Q4FY25E.**



**Exhibit 19: Employee cost is expected to reduce as a % of sales going forward.**



**Exhibit 20: The company has reduced net debt by 7.69bn would improve balance sheet and reduce interest cost going forward.**



Source: Company reports, Arianth Capital Research

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NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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