

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

**CMP: INR 122**

**Rating: BUY**

**Target Price: INR 160**

**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)	59,484
52w H/L (INR)	163 / 110
Avg Yearly Volume (in 000')	2,970

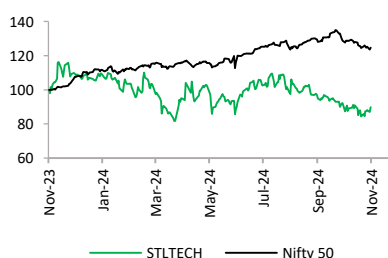
**Shareholding Pattern %**

(As on Sep, 2024)

Promoters	44.17
Public & Others	55.83

Stock Performance (%)	3m	6m	12m
STLTECH	-7.4	-9.0	-10.2
NIFTY	-3.7	7.9	24.7

**STLTECH vs Nifty**



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**Sterlite Technologies Ltd** reported numbers, Q2FY25 revenue de-grew by 5.4% YoY (+16% QoQ) to INR 14,130mn, above our estimates of INR 13,938mn. Gross Profit stood at INR 6,750mn (-17.2% YoY/+9% QoQ); below our estimates of INR 7,568mn. Gross margins contracted by 678 bps YoY (down by 305bps QoQ) to 47.8% vs 54.6% in Q2FY24. The raw material cost in terms of sales stood at 52.2% vs 45.4% in Q2FY24. EBITDA stood at INR 1,450mn (-31.9% YoY/+74.7% QoQ), above our estimates of INR 1,408mn. EBITDA margin contracted by 400bps YoY (up by 345 bps QoQ) to 10.3% vs 14.3% in Q2FY24. PAT stood at INR -130mn vs INR 260mn in Q2FY24; above our estimates of INR -110mn. PAT margin stood at -0.9% vs 1.7% in Q2FY24.

**Key Highlights**

**Optical Networking business improved on QoQ basis:** Optical networking business revenue stood at INR 10,270mn (-5.3% YoY/+26.8% QoQ); volumes were lower on YoY basis and improved YoY basis. EBIT Stood at INR 1,330mn (-37.0% YoY/+51.1% QoQ). EBIT margin contracted by 651 bps YoY (up by 209 bps QoQ) to 13% vs 19.5% in Q2FY24. EBITDA margins are expected to improve once utilization improves from 50% to 75%-80% going forward. The optical connectivity attach rate stood at 22% in Q2FY25. The company continuously working on new product development and commercialization in the optical connect space. BharatNet Phase III opportunity sizes are Capex – INR 650bn, Opex – INR 400-450bn. The cable and cable connectivity opportunity size is INR 40-50bn. The company has participated in 16 packages and tenders are expected to be complete by Q3FY25E.

**Global services de-merger is expected by Q3FY25E/Q4FY25E:** Global service business revenue stood at INR 3,560mn (-5.1% YoY/+0.3% QoQ); EBIT Stood at INR 240mn (+14.3% YoY/-4.0% QoQ). EBIT margin improved by 114 bps YoY (down by 30 bps QoQ) to 6.7% vs 5.6% in Q2FY24. In the global services business demerger, RD/company registrar and final NCLT approval is in progress. NCLT approval is expected in Dec-24/Jan-25 and allotment of shares is expected in Feb/Mar-25.

**Digital and Technology solutions moving towards profitability:** Digital and technology solutions revenue stood at INR 640mn (-17.9% YoY/-9.9% QoQ); EBIT Stood at INR -150mn vs INR -170mn in Q2FY24. STL digital order book stood at INR 3,660mn as of Q2FY25. In the STL digital business, despite the challenging environment, the company has witnessed deal flows from the US and India.

**Order book leads to business visibility over the medium term:** The order book stood at INR 86.3bn (-18% YoY/-12.7% QoQ) as of Q2FY25. Around INR 16.33bn is expected to be executed in H2FY25E and the remaining will be executable beyond FY26E.

**Outlook & Valuation:** Sterlite Technologies profitability has been impacted due to lower volumes led by 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. BharatNet Phase III tender announcement are expected in Q3FY25E and the company is expected to get significant orders. The interconnect attach rates stood at 22% in Q2FY25 and an 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 going forward. We believe BharatNet Phase III, BEAD program, telecom capex for 5G, and the upcoming 6G would provide business visibility. We upgrading to a “BUY” (earlier “ACCUMULATE”) rating at a Target Price of INR 160 per share based on DCF; an upside of 30.8%.

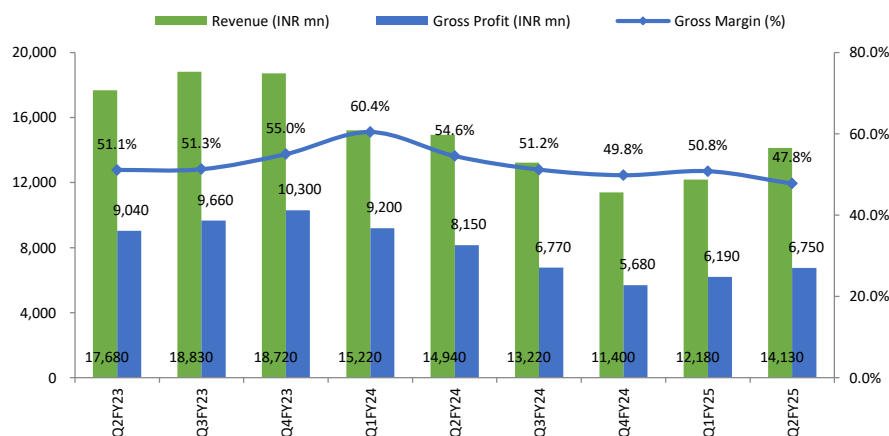
## Q2FY25 Results

## Income statement summary

Particular (INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Revenue	14,940	12,180	14,130	-5.4%	16.0%
Net Raw Materials	6,790	5,990	7,380	8.7%	23.2%
<b>Gross Profit</b>	<b>8,150</b>	<b>6,190</b>	<b>6,750</b>	<b>-17.2%</b>	<b>9.0%</b>
<b>Gross Margin (%)</b>	<b>54.6%</b>	<b>50.8%</b>	<b>47.8%</b>	<b>-678 bps</b>	<b>-305 bps</b>
Employee Cost	2,430	2,030	1,970	-18.9%	-3.0%
Other Expenses	3,590	3,330	3,330	-7.2%	0.0%
<b>EBITDA</b>	<b>2,130</b>	<b>830</b>	<b>1,450</b>	<b>-31.9%</b>	<b>74.7%</b>
<b>EBITDA Margin (%)</b>	<b>14.3%</b>	<b>6.8%</b>	<b>10.3%</b>	<b>-400 bps</b>	<b>+345 bps</b>
Depreciation	850	820	830		
Interest expense	950	710	840		
Other income	30.0	90.0	60.0		
Share of profits associate & JV	20	-	-		
<b>Profit before tax</b>	<b>380</b>	<b>(610)</b>	<b>(160)</b>		
Taxes	120	(130)	(30)		
<b>PAT</b>	<b>260</b>	<b>(480)</b>	<b>(130)</b>	<b>-150.0%</b>	<b>-72.9%</b>
<b>PAT Margin (%)</b>	<b>1.7%</b>	<b>-3.9%</b>	<b>-0.9%</b>	<b>-266 bps</b>	<b>+302 bps</b>
<b>EPS (INR)</b>	<b>0.7</b>	<b>(1.0)</b>	<b>(0.3)</b>		

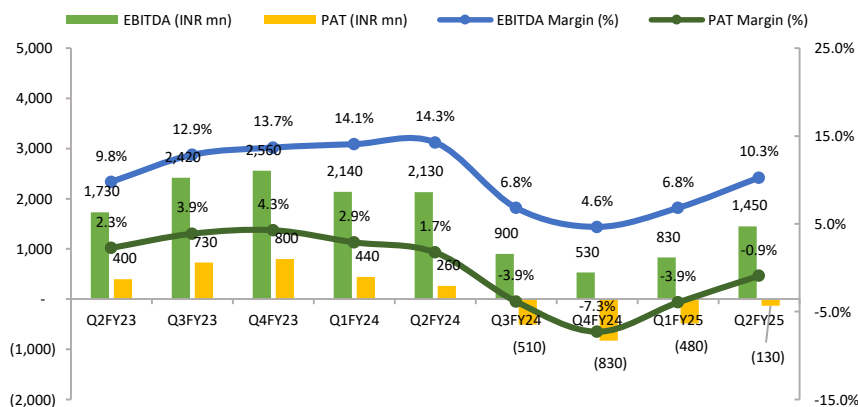
Source: Company Reports, Arianth Capital Research

Exhibit 1: Gross margins contracted by 678 bps YoY (down by 305 bps QoQ) to 47.8% in Q2FY25 due to higher raw material costs.



Source: Company Reports, Arianth Capital Research

Exhibit 2: EBITDA margin contracted by 400 bps YoY (up by 345 bps QoQ) to 10.3% in Q2FY25. EBITDA margin majorly impacted by RM costs, however employee cost and other expenses slightly reduced in-terms of sales.



Source: Company Reports, Arianth Capital Research

**Q2FY25 Concall Highlights****BharatNet Phase III**

- In BharatNet Phase III, the company has participated in 16 packages. The company has participated directly in some of the packages and with partners in some of the packages.
- BharatNet Phase III opportunity sizes are Capex – INR 650bn and Opex – INR 400-450bn. The cable and cable connectivity opportunity size is INR 40-50bn.

**Data Center**

- Global peer's data center revenue share is around 30%-40% in the optical business. The company is targeting 25% of revenue share over the medium term.
- North American data center capacity is expected to grow 10% CAGR over the period of FY24-29E. Europe data center capacity is expected to grow 8.5% CAGR over the period of FY24-29E. The data center will be the key opportunity.

**Market share**

- Global (ex-china) market share 8% in Q2FY25 compared to 6% in H1CY24.

**Optical connectivity attach rate**

- The optical connectivity attach rate stood at 22% in Q2FY25. The company continuously working on new product development and commercialization in the optical connect space.

**Order book**

- The order book stood at INR 86.3bn as of Q2FY25. Around INR 16.33bn is expected to be executed in H2FY25E and the remaining will be executable beyond FY26E.

**Margins**

- EBITDA margins are expected to improve once utilization improves from 50% to 75%-80% going forward.

**Inventory**

- In the US, inventory levels are coming down and it takes another 1-2 quarters to normalize.

**De-merger**

- RD/company registrar and final NCLT approval is in progress. NCLT approval is expected in Dec-24/Jan-25 and allotment of shares is expected in Feb/Mar-25.

**STL digital**

- STL digital order book stood at INR 3.36bn.
- In the STL digital business, despite the challenging environment, the company has witnessed deal flows from the US and India.

**Q2FY25 Concall Highlights****Telangana project**

- Telangana project is completed by 69%. The project is impacted due to the right of way in a forest area in Telangana, which requires necessary approvals from the state and central government. The fund involvement in the project is around INR 7bn.

**Interest cost**

- The increase in interest cost was due to necessary approval from the bank for demerger and expenses charged from the bank for giving NOC. The interest cost is expected INR 750—800mn on a quarterly basis.

**Europe market**

- There is no impact on the supply chain perspective due to Europe's anti-dumping duty and higher profitability is coming from Europe.
- The company expects strong growth in Germany and Poland over the next 3-5 years.

**North America**

- North America and India are projected to grow faster over the period of FY24-28E.
- North America is expected to grow 12% to 15% on an annual basis.

**Other highlights**

- The US Govt funding for broadband infra is around \$97bn which includes the BEAD program of \$42.5bn.
- BharatNet Phase III opportunity size is around 1.39L cr and 65k cr RFP is in progress.
- The company has 730 patents which are filed and granted. 10 new patents filed in Q2FY25.
- The company has launched AI-related products in IMC 2024.
- The company is well positioned to tap large opportunities in BharatNet Phase III and NHA nationwide fibre network.

**Outlook & Valuation:** Sterlite Technologies profitability has been impacted due to lower volumes led by 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. BharatNet Phase III tender announcement are expected in Q3FY25E and the company is expected to get significant orders. The interconnect attach rates stood at 22% in Q2FY25 and an 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 going forward. We believe BharatNet Phase III, BEAD program, telecom capex for 5G, and the upcoming 6G would provide business visibility. We upgrading to a “BUY” (earlier “ACCUMULATE”) rating at a Target Price of INR 160 per share based on DCF; an upside of 30.8%.

### DCF Valuation

#### Valuation Assumptions

g (World Economic Growth)	3.5%
Rf	7.1%
Rm	12%
Beta	1.1
CMP	122

#### Valuation Data

Total Debt (long term borrowings) (2024)	10,510
Cash & Cash Equivalents (2024)	4,030
Number of Diluted Shares (2024)	488
Tax Rate (2025)	15%
Interest Expense Rate (2025)	9.6%
MV of Equity	59,484
Total Debt	10,510
<b>Total Capital</b>	<b>69,994</b>

#### WACC

We	85.0%
Wd	15.0%
Ke	12.5%
Kd	8.2%
<b>WACC</b>	<b>11.8%</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)	1,142	2,646	4,208	5,895	7,193	8,121	9,042	9,926	10,740	11,452	12,032	12,454
Dep	3,441	3,625	3,811	3,939	3,984	4,028	5,178	5,684	6,150	6,559	6,891	7,132
Purchase of Assets	(3,073)	(3,104)	(3,135)	(2,157)	(749)	(741)	(825)	(906)	(980)	(1,045)	(1,098)	(1,137)
Changes in Working Capital	(1,803)	(1,893)	(2,881)	(3,746)	(3,047)	(3,289)	(3,165)	(3,474)	(3,759)	(4,008)	(4,211)	(4,359)
FCFF	(294)	1,273	2,003	3,932	7,381	8,119	10,230	11,230	12,151	12,957	13,614	14,090
Terminal Value											1,68,863	
<b>Total Cash Flow</b>	<b>(294)</b>	<b>1,273</b>	<b>2,003</b>	<b>3,932</b>	<b>7,381</b>	<b>8,119</b>	<b>10,230</b>	<b>11,230</b>	<b>12,151</b>	<b>12,957</b>	<b>1,82,477</b>	
Enterprise Value (EV)	84,260											
Less: Debt	10,510											
Add: Cash	4,030											
Equity Value	77,780											

**Equity Value per share (INR)** **160**

**% Returns** **30.8%**

**Rating** **BUY**

### Sensitivity Analysis

		Terminal Growth (%)								
160		2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%	4.3%	4.5%
WACC (%)	10.8%	174	178	183	188	193	199	206	212	220
	11.0%	166	171	175	180	185	190	196	202	209
	11.3%	160	164	168	172	177	182	187	193	199
	11.5%	153	157	161	165	169	174	179	184	189
	11.8%	147	151	154	158	162	166	171	176	181
	12.0%	142	145	148	152	155	159	163	168	173
	12.3%	137	139	143	146	149	153	157	161	165
	12.5%	132	134	137	140	143	147	150	154	158
	12.8%	127	129	132	135	138	141	144	148	151

Source: Company reports, Arianth 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	53,282	61,893	70,495
Net Raw Materials	23,949	28,646	32,990	24,990	26,268	29,895	33,485
Employee Cost	6,474	8,707	9,120	9,520	8,578	9,532	10,504
Other Expenses	9,722	14,842	18,240	14,570	13,652	15,730	17,744
<b>EBITDA</b>	<b>8,107</b>	<b>5,348</b>	<b>8,900</b>	<b>5,700</b>	<b>4,784</b>	<b>6,738</b>	<b>8,762</b>
<b>EBITDA Margin (%)</b>	<b>16.8%</b>	<b>9.3%</b>	<b>12.9%</b>	<b>10.4%</b>	<b>9.0%</b>	<b>10.9%</b>	<b>12.4%</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	440	511	582
<b>Profit before tax</b>	<b>3,802</b>	<b>482</b>	<b>3,150</b>	<b>(730)</b>	<b>(1,267)</b>	<b>989</b>	<b>3,006</b>
Taxes	(1,113)	(147)	(840)	90	190	(249)	(758)
<b>PAT</b>	<b>2,690</b>	<b>334</b>	<b>2,310</b>	<b>(640)</b>	<b>(1,077)</b>	<b>740</b>	<b>2,249</b>
<b>PAT Margin (%)</b>	<b>5.6%</b>	<b>0.6%</b>	<b>3.3%</b>	<b>-1.2%</b>	<b>-2.0%</b>	<b>1.2%</b>	<b>3.2%</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>(1,077)</b>	<b>740</b>	<b>2,249</b>
EPS (INR)	6.8	0.8	5.8	(1.6)	(2.2)	1.5	4.6

Source: Company Reports, Arianth 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	28,176	28,768	30,567
<b>Net worth</b>	<b>19,874</b>	<b>19,567</b>	<b>20,910</b>	<b>20,230</b>	<b>29,151</b>	<b>29,743</b>	<b>31,542</b>
Minority Interest	981	857	40	-	-	-	-
Provisions	110	253	660	390	146	170	193
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	799	928	1,057
<b>Total Liabilities</b>	<b>57,811</b>	<b>59,837</b>	<b>63,620</b>	<b>57,210</b>	<b>57,817</b>	<b>58,001</b>	<b>58,253</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	799	928	1,057
Other non current assets	569	1,695	1,740	3,200	1,225	1,424	1,410
<b>Net working capital</b>	<b>17,251</b>	<b>15,849</b>	<b>20,410</b>	<b>14,600</b>	<b>16,403</b>	<b>18,296</b>	<b>21,177</b>
Inventories	6,264	9,202	8,320	8,220	7,916	8,600	8,991
Sundry debtors	14,514	17,065	18,220	15,980	15,036	16,618	18,734
Loans & Advances	148	45	30	10	53	62	70
Other current assets	19,240	17,151	18,870	16,490	15,328	16,957	18,541
Sundry creditors	(19,437)	(24,200)	(21,520)	(21,780)	(19,266)	(21,156)	(21,987)
Other current liabilities & Prov	(3,479)	(3,413)	(3,510)	(4,320)	(2,664)	(2,785)	(3,172)
Cash	2,484	5,296	5,070	4,030	5,714	3,984	1,771
Other Financial Assets	2,177	1,096	1,580	1,710	1,332	1,547	1,692
<b>Total Assets</b>	<b>57,811</b>	<b>59,837</b>	<b>63,620</b>	<b>57,210</b>	<b>57,817</b>	<b>58,001</b>	<b>58,253</b>

Source: Company Reports, Arianth 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)	(0.9)	0.3	0.6
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>-4.4%</b>	<b>2.5%</b>	<b>7.3%</b>

Source: Company Reports, Arianth 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)	(1,267)	989	3,006
Depreciation	2,853	3,255	3,090	3,350	3,441	3,625	3,811
Tax paid	(1,113)	(147)	(840)	90	190	(249)	(758)
Working capital Δ	(2,034)	1,401	(4,561)	5,810	(1,803)	(1,893)	(2,881)
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>561</b>	<b>2,472</b>	<b>3,179</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>(2,512)</b>	<b>(633)</b>	<b>44</b>
Equity raised	(687)	29	(1,584)	330	9,998	(0)	-
Investments	(167)	223	26	110	161	(129)	(129)
Others	1,062	(920)	(333)	(1,340)	2,352	(413)	(131)
Debt financing/disposal	2,246	2,578	3,173	(5,210)	(8,100)	(560)	(1,700)
Dividends paid	(1,378)	(794)	(200)	(410)	-	(148)	(450)
Other items	378	(121)	84	(480)	(215)	153	153
<b>Net Δ in cash</b>	<b>38</b>	<b>2,812</b>	<b>(226)</b>	<b>(1,040)</b>	<b>1,684</b>	<b>(1,730)</b>	<b>(2,213)</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>5,714</b>	<b>3,984</b>
<b>Closing Cash Flow</b>	<b>2,484</b>	<b>5,296</b>	<b>5,070</b>	<b>4,030</b>	<b>5,714</b>	<b>3,984</b>	<b>1,771</b>

Source: Company Reports, Arianth Capital Research

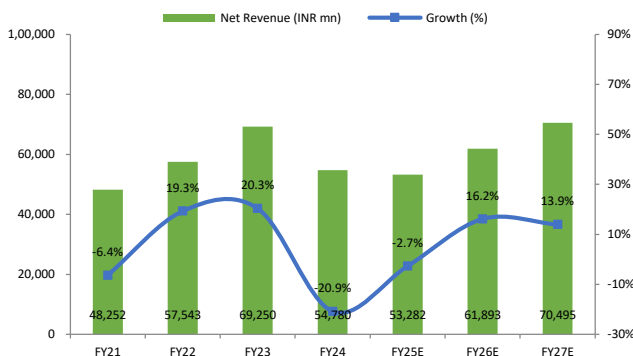
## Ratio analysis

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%	-2.7%	16.2%	13.9%
Op profit growth	-24.2%	-34.0%	66.4%	-36.0%	-16.1%	40.8%	30.0%
<b>Profitability ratios (%)</b>							
OPM	16.8%	9.3%	12.9%	10.4%	9.0%	10.9%	12.4%
Net profit margin	5.6%	0.6%	3.3%	-1.2%	-2.0%	1.2%	3.2%
RoCE	7.5%	3.3%	7.6%	2.7%	4.8%	7.2%	9.7%
RoNW	13.8%	1.7%	11.4%	-4.4%	2.5%	7.3%	11.7%
RoA	4.7%	0.6%	3.6%	-1.9%	1.3%	3.9%	6.3%
<b>Per share ratios (INR)</b>							
EPS	7.8	1.1	5.4	(0.9)	(2.2)	1.5	4.6
Dividend per share	3.5	2.0	0.5	1.0	-	0.3	0.9
Cash EPS	14.0	9.0	13.5	6.8	4.8	9.0	12.4
Book value per share	50.1	49.2	52.3	50.6	59.8	61.0	64.7
<b>Valuation ratios (x)</b>							
P/E	15.6	110.0	22.5	-	-	80.4	26.5
P/CEPS	8.7	13.5	9.0	18.0	25.2	13.6	9.8
P/B	2.4	2.5	2.3	2.4	2.0	2.0	1.9
EV/EBITDA	9.9	15.0	9.4	14.0	16.9	12.1	9.4
<b>Payout (%)</b>							
Dividend payout	51.2%	237.5%	8.7%	-64.1%	0.0%	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	106	93	92
Inventory days	82	99	97	121	112	101	96
Creditor days	153	153	138	161	154	134	128
WC Days	43	46	52	74	64	60	60
<b>Leverage ratios (x)</b>							
Interest coverage	2.6	0.9	1.9	0.6	0.4	1.2	2.0
Net debt / equity	1.7	1.7	1.7	1.6	0.8	0.8	0.8
Net debt / op. profit	4.0	6.1	4.0	5.6	4.6	3.4	2.7

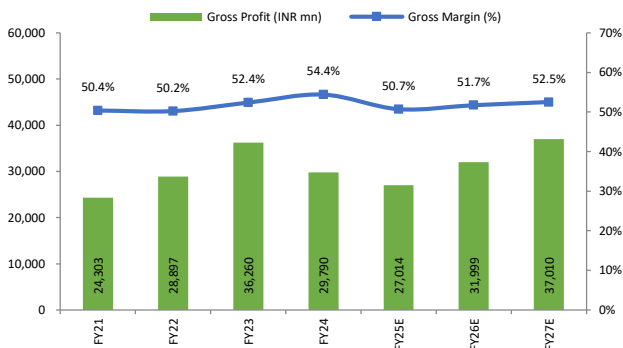
Source: Company Reports, Arianth Capital Research

## Story in Charts

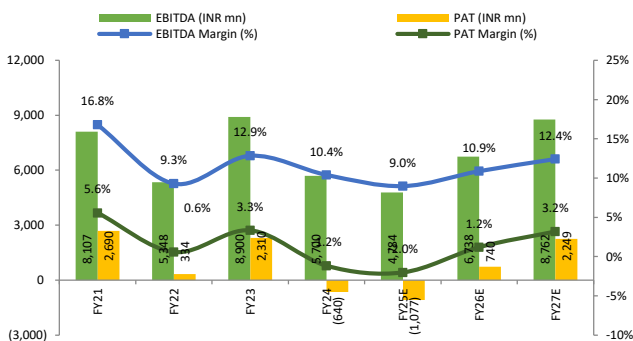
**Exhibit 3: Inventory levels is expected to clear in next 1-2 quarters and demand will be normalize. BharatNet and BEAD would be a key triggers.**



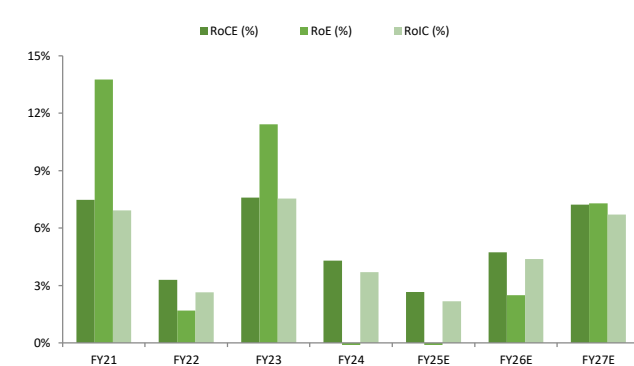
**Exhibit 4: Softening of RM costs will lead to improvement in gross margins.**



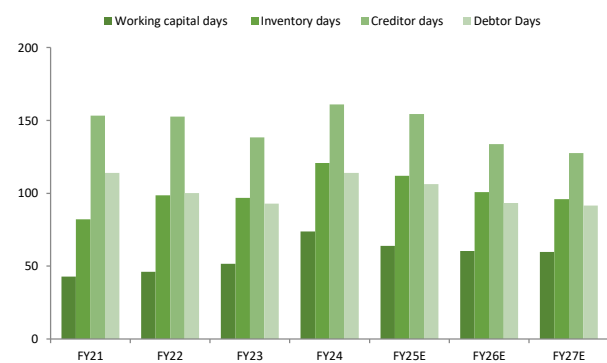
**Exhibit 5: Growth in EBITDA & PAT levels**



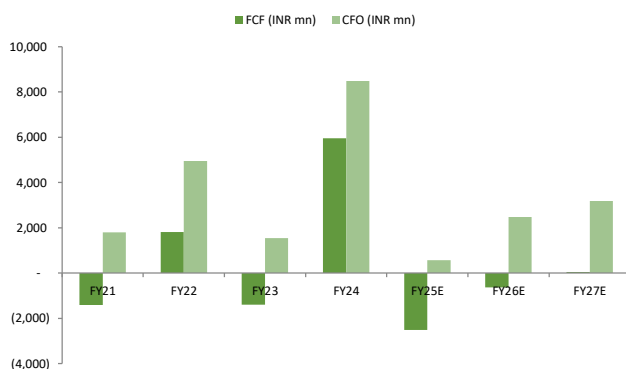
**Exhibit 6: Return ratios to be improve**



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



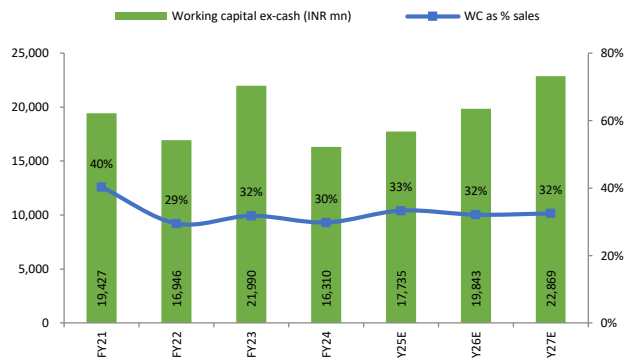
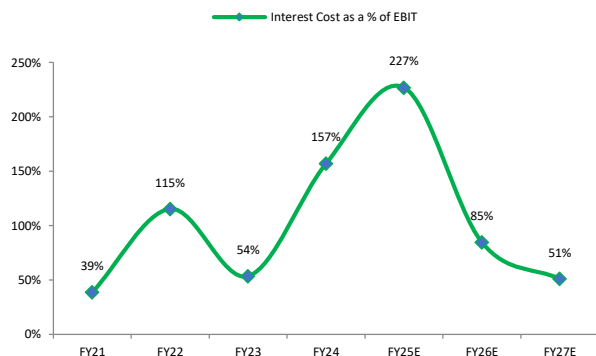
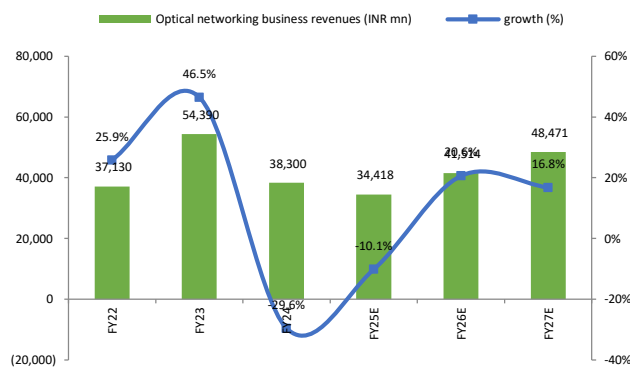
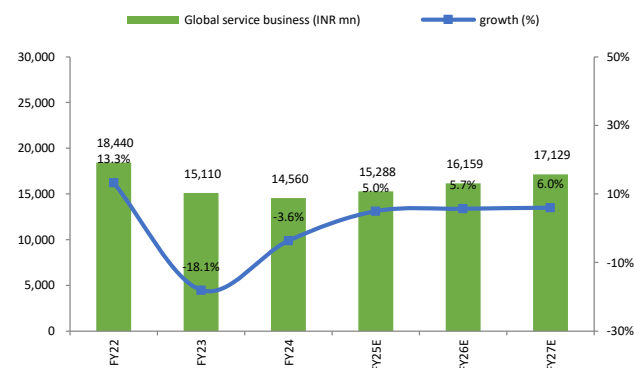
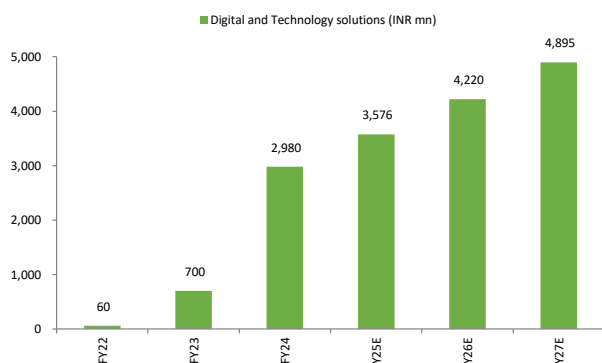
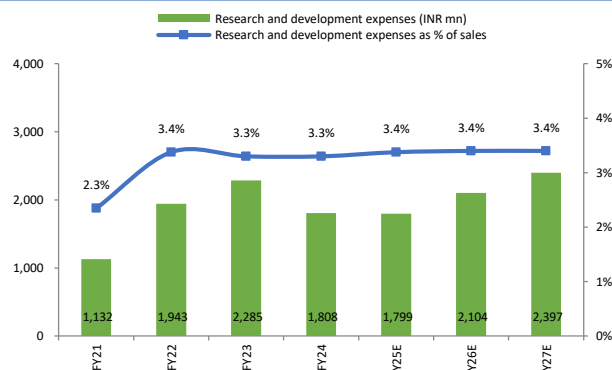
**Exhibit 8: Cash flows to be improve**



Source: Company reports, Arianth Capital Research

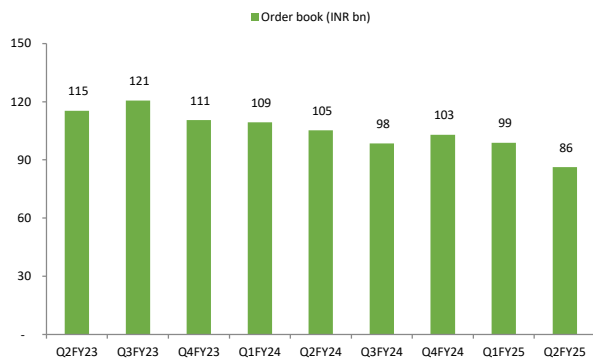
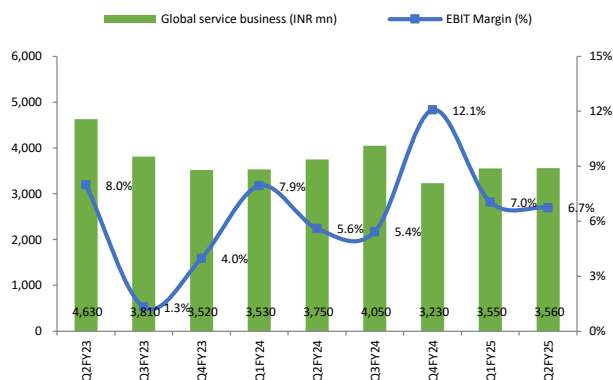
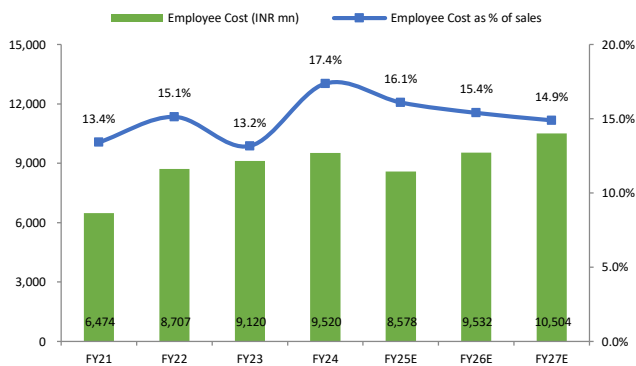


## Story in Charts

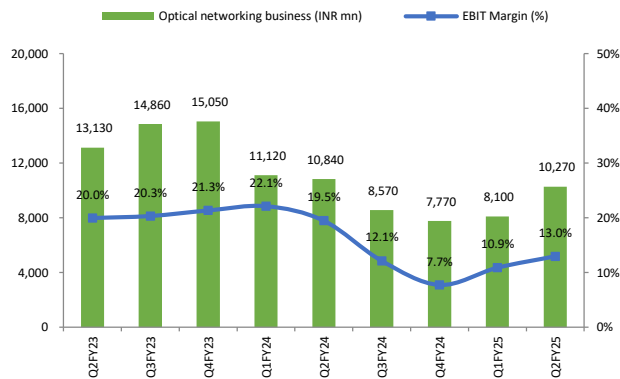
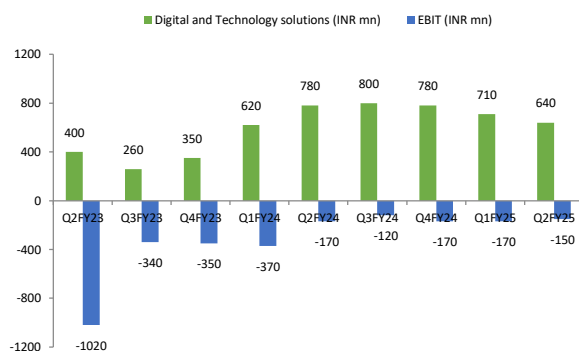
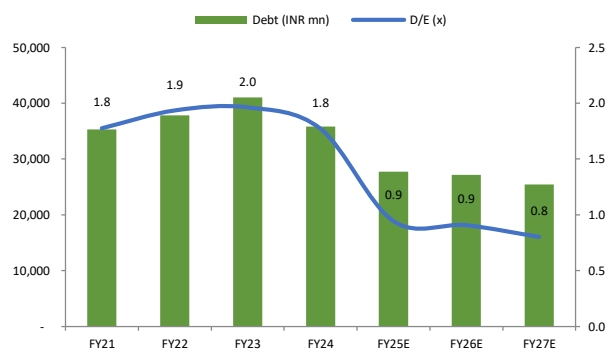
**Exhibit 9: Working capital in-terms of sales is expected to maintain going forward.****Exhibit 10: Interest cost as % of EBIT is expected to reduce going forward.****Exhibit 11: The inventory build-up in North America is expected to liquidate in 1-2 quarters. Post that, Optical networking business 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 3.36bn 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

## Story in Charts

**Exhibit 15: The order book stood at 86.3bn (-18% YoY/-12.7% QoQ) as of Q2FY25.****Exhibit 17: Global services margins are expected around 8%-10% going forward.****Exhibit 19: Employee cost is expected to reduce as a % of sales going forward.**

Source: Company reports, Arianth Capital Research

**Exhibit 16: Optical networking margins were impacted due to lower utilization and volumes on YoY basis and improved on QoQ basis. The profitability is expected to back at 75%-80% capacity utilization.****Exhibit 18: Digital and Technology services moving towards profitability.****Exhibit 20: The company has reduced to INR 21.69bn would improve balance sheet and reduce interest cost going forward.**

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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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