ArihantCapital
Generating Wealth

Q1FY27 Result update
27th Jul 2026

Sterlite Technologies Ltd

Powering AI connectivity infrastructure globally.

CMP: INR 564

Rating: BUY

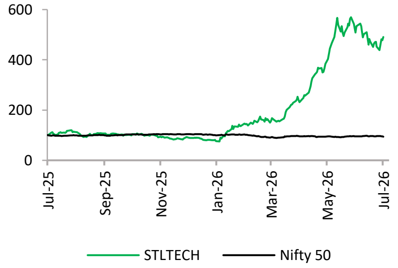
Target Price: INR 931

Stock Info	
BSE	532374
NSE	STLTECH
Bloomberg	SOTL:IN
Reuters	STTE.NS
Sector	Cables
Face Value (INR)	2
Equity Capital (INR mn)	980
Mkt Cap (INR mn)	2,90,871
52w H/L (INR)	684 / 84.6
Avg Yearly Volume (in 000')	4,360

Shareholding Pattern % *(As on Jun, 2026)*	
Promoters	42.29
DII	13.24
FII	19.71
Public & Others	24.74

Stock Performance (%)	3m	6m	12m
STLTECH	21.8	554.2	391.1
NIFTY	-1.1	-5.6	-5.2

STLTECH vs Nifty



Abhishek Jain
Head of Research & Director
abhishek.jain@arihantcapital.com
022-67114871

Balasubramanian A
Senior Research Analyst
bala@arihantcapital.com
022-67114870

Sterlite Technologies Ltd reported numbers, Q1FY27 revenue grew by 87.3% YoY (+32.5% QoQ) to INR 19,100mn, above our estimates of INR 15,060mn, supported by data center execution. EBITDA stood at INR 3,850mn (+191.7% YoY/+97.4% QoQ), above our estimates of INR 2,612mn. EBITDA margin improved by 722bps YoY (+662bps QoQ) to 20.2% in Q1FY27, supported by OFC realization, operating leverage and cost efficiency measures. PAT stood at INR 1,970mn (+1870% YoY/+233.9% QoQ) in Q1FY27; above our estimates of INR 991mn. PAT margin improved by 933bps YoY (+622bps QoQ) to 10.3% in Q1FY27.

Key Highlights

Accelerating growth engine fueled by AI & Data center capex: The company is at the center of a massive, multi-year infrastructure build-out driven by AI, cloud, and data center expansion. The data center segment revenue share stood at 21% in Q1FY27 and is expected to reach 50% by FY27E. It's supported by INR 131bn order inflows, including a landmark $1.1bn hyperscaler deal and multiple $100mn orders for IBR cables. North American data center capacity is set to double to 126GW by 2030, and India's capacity to grow seven-fold to 10GW by 2031; the company is well positioned to capture the data center capex wave. The open order book of INR 186.18bn provides multi-year revenue visibility, with INR 22.28bn executable in Q2FY27E.

Technology & Product differentiation driving margin expansion: The company's full-stack integration from glass to gigabit, backed by 785+ patents, enables superior quality, cost efficiency, and innovation. The company is pivoting to higher-value integrated connectivity solutions, with attach rates improving to 16% (Q1FY27) and targeted at 25% by Q4FY27E. Products like Neuralis, which achieved US Connect certification for MMC Pre-Terminated solutions delivering 3x cable density. CONCAT, a spiceless FTTx solution cutting labor costs by 71%, is a key margin driver. Next-gen fiber technologies like G.654.E (30% lower loss), Hollow Core Fiber (47% lower latency), and Multi-Core Fiber (4-7x capacity) position the company for future AI workloads requiring ultra-low latency and high density. The management is targeting a 23% EBITDA margin by FY27. The company upgraded EBITDA margin guidance to 23% for FY27E (our estimates: 21.1%), supported by better capacity utilization, richer product mix, and scaling connectivity solutions.

Strengthening balance sheet along with scalable execution capacity: The QIP of INR 15bn will be allocated to debt reduction (75% proceeds), capex, and others. The company is deploying INR 5bn annually over three years (~INR 15bn total) for de-bottlenecking and equipment upgrades across glass, fiber, cable, and connectivity, including a $100mn onshore US facility for data center customers. The company is managing raw material pressures on germanium and helium through supplier diversification and technology innovation to improve margins.

Outlook & Valuation: Sterlite Technologies' order book stood at INR 186.18bn (~4x FY26 revenue), showing business visibility. The data center segment revenue share is expected to improve from 21% (Q1FY27) to 50% by FY27E. The optical interconnectivity attach rate is expected to improve from 16% (Q1FY27) to 25% by Q4FY27, along with continuous innovation in next-gen fiber technologies and integrated solutions like Neuralis and CONCAT, which will drive margin expansion. Strategic capex of INR 5bn/annum over three years for de-bottlenecking and equipment upgrades, including a $100mn onshore US connectivity facility, will support capacity growth. A strengthened net debt-free balance sheet supported by a successful INR 15bn QIP and rating upgrades provides strong financial flexibility. With a diversified geographic footprint (54% North America, 25% Europe) and robust global demand across telecom, data centers, and rural connectivity projects, the company is poised for sustained growth, margin improvement, and long-term value creation. We estimate Revenue/EBITDA/PAT CAGR of 31.7%/66.5%/210.2% over the period of FY26-29E. RoCE/RoE is expected to improve from 3.9%/2.6% (FY26) to 23%/25% in FY29E, respectively. At the CMP of INR 564 per share, we maintain our "BUY" rating at a TP of INR 931 per share based on SOTP, an upside of 65.1%.

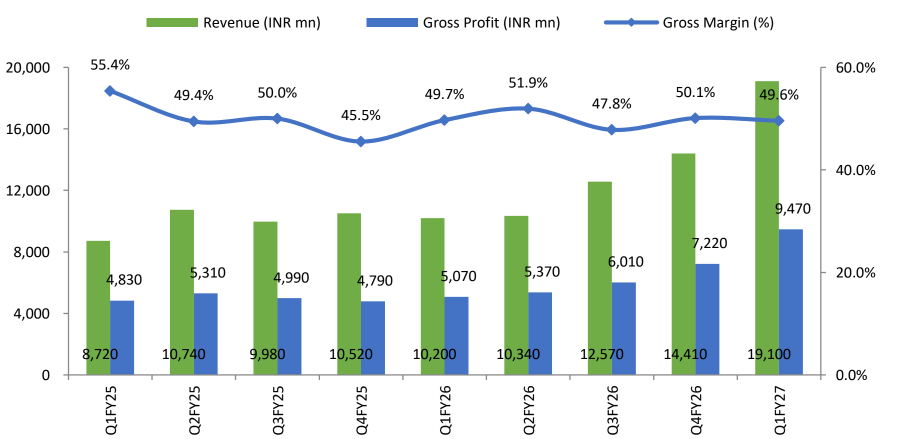
Q1FY27 Results

Exhibit 1: Income statement summary

Particular (INR mn)	Q1FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Revenue	10,200	14,410	19,100	87.3%	32.5%
Net Raw Materials	5,130	7,190	9,630	87.7%	33.9%
Gross Profit	**5,070**	**7,220**	**9,470**	**86.8%**	**31.2%**
Gross Margin (%)	**49.7%**	**50.1%**	**49.6%**	**-12 bps**	**-52 bps**
Employee Cost	1,560	1,780	1,950	25.0%	9.6%
Other Expenses	2,190	3,490	3,670	67.6%	5.2%
EBITDA	**1,320**	**1,950**	**3,850**	**191.7%**	**97.4%**
EBITDA Margin (%)	**12.9%**	**13.5%**	**20.2%**	**+722 bps**	**+662 bps**
Depreciation	770	770	850		
Interest expense	500	630	550		
Other income	80.0	230.0	120.0		
Exceptional Items	-	310	-		
Profit before tax	**130**	**1,090**	**2,570**		
Taxes	30	500	600		
PAT	**100**	**590**	**1,970**	**1870.0%**	**233.9%**
PAT Margin (%)	**1.0%**	**4.1%**	**10.3%**	**+933 bps**	**+622 bps**
EPS (INR)	**0.2**	**1.2**	**4.0**		

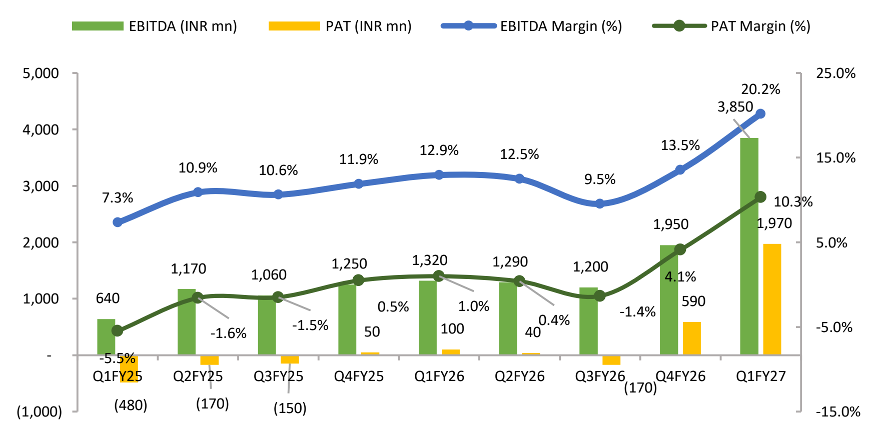
Source: Company Reports, Arihant Capital Research

Exhibit 2: Gross margins contracted by 12 bps YoY (-52 bps QoQ) to 49.6% in Q1FY27 due to volatility in raw material costs.



Source: Company Reports, Arihant Capital Research

Exhibit 3: EBITDA margin improved by 722 bps YoY (+662 bps QoQ) to 20.2% in Q1FY27, due to lower employee costs and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Quarterly results and segments

Exhibit 4: Revenue grew 87.3% YoY (+32.5% QoQ), supported by data center execution, higher realization & capacity utilization. Data center revenue share is expected to reach from 16% (Q1FY27) to 50% by FY27E. Raw materials like germanium, helium remain constraints and expected to normalize in the coming quarters.

Particular (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Revenue	**8,720**	**10,740**	**9,980**	**10,520**	**10,200**	**10,340**	**12,570**	**14,410**	**19,100**	**87.3%**	**32.5%**
Net Raw Materials	3,890	5,430	4,990	5,730	5,130	4,970	6,560	7,190	9,630	87.7%	33.9%
Gross Profit	**4,830**	**5,310**	**4,990**	**4,790**	**5,070**	**5,370**	**6,010**	**7,220**	**9,470**	**86.8%**	**31.2%**
Gross Margin (%)	**55.4%**	**49.4%**	**50.0%**	**45.5%**	**49.7%**	**51.9%**	**47.8%**	**50.1%**	**49.6%**	**-12 bps**	**-52 bps**
Employee Cost	1,640	1,520	1,520	1,420	1,560	1,560	1,690	1,780	1,950	25.0%	9.6%
Other Expenses	2,550	2,620	2,410	2,120	2,190	2,520	3,120	3,490	3,670	67.6%	5.2%
EBITDA	**640**	**1,170**	**1,060**	**1,250**	**1,320**	**1,290**	**1,200**	**1,950**	**3,850**	**191.7%**	**97.4%**
EBITDA Margin (%)	**7.3%**	**10.9%**	**10.6%**	**11.9%**	**12.9%**	**12.5%**	**9.5%**	**13.5%**	**20.2%**	**+722 bps**	**+662 bps**
Depreciation	780	790	800	790	770	800	790	770	850		
Interest expense	560	620	580	650	500	550	560	630	550		
Other income	80.0	20.0	50.0	210.0	80.0	120.0	90.0	230.0	120.0		
Exceptional Items	-	-	-	-	-	-	(150)	310	-		
Profit before tax	**(620)**	**(220)**	**(270)**	**20**	**130**	**60**	**(210)**	**1,090**	**2,570**		
Taxes	(140)	(50)	(120)	(30)	30	20	(40)	500	600		
Minorities and other	-	-	-	-	-	-	-	-	-		
PAT	**(480)**	**(170)**	**(150)**	**50**	**100**	**40**	**(170)**	**590**	**1,970**	**1870.0%**	**233.9%**
PAT Margin (%)	**-5.5%**	**-1.6%**	**-1.5%**	**0.5%**	**1.0%**	**0.4%**	**-1.4%**	**4.1%**	**10.3%**	**+933 bps**	**+622 bps**
EPS (INR)	**(1.0)**	**(0.3)**	**(0.3)**	**0.1**	**0.2**	**0.1**	**(0.3)**	**1.2**	**4.0**		

Source: Company Reports, Arihant Capital Research

Exhibit 5: Optical networking business grew 91.7% YoY (+33.7% QoQ) in Q1FY27, supported by data center, increase in volumes, price realizations and capacity utilization. The optical connectivity attach rate stood at 16% (Q1FY27) and company targets >20% by Q2FY27E and 25% by Q4FY27E. A landmark $1.1bn multi-year deal with a global hyperscaler anchored the momentum, along with multiple $100mn hyperscaler orders for IBR cables.

Segmental Revenue (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Optical networking business	8,100	10,270	9,240	9,790	9,610	9,800	11,740	13,780	18,420	91.7%	33.7%
Digital and technology solutions	710	640	770	780	640	650	860	690	720	12.5%	4.3%
Inter segment elimination	(90)	(170)	(30)	(50)	(50)	(110)	(30)	(60)	(40)	-20.0%	-33.3%
Revenue from operations	**8,720**	**10,740**	**9,980**	**10,520**	**10,200**	**10,340**	**12,570**	**14,410**	**19,100**	**87.3%**	**32.5%**

Segmental Revenue (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Optical networking business	92.9%	95.6%	92.6%	93.1%	94.2%	94.8%	93.4%	95.6%	96.4%		
Digital and technology solutions	8.1%	6.0%	7.7%	7.4%	6.3%	6.3%	6.8%	4.8%	3.8%		
Inter segment elimination	-1.0%	-1.6%	-0.3%	-0.5%	-0.5%	-1.1%	-0.2%	-0.4%	-0.2%		
Revenue from operations	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**		

Segment EBIT (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Optical networking business	880	1330	1190	1,250	1,370	1,360	1,310	2,020	4,010	192.7%	98.5%
Digital and technology solutions	-170	-150	40	50	10	10	10	-	20	100.0%	
Inter segment elimination	0	0	0	-	-	-	-	-	-		
Total EBIT	**710**	**1180**	**1230**	**1,300**	**1,380**	**1,370**	**1,320**	**2,020**	**4,030**	**192.0%**	**99.5%**

EBIT Margin (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Optical networking business	10.9%	13.0%	12.9%	12.8%	14.3%	13.9%	11.2%	14.7%	21.8%	+751 bps	+711 bps
Digital and technology solutions	-23.9%	-23.4%	5.2%	6.4%	1.6%	1.5%	1.2%	0.0%	2.8%	+122 bps	-
Blended EBIT Margin (%)	**8.1%**	**11.0%**	**12.3%**	**12.4%**	**13.5%**	**13.2%**	**10.5%**	**14.0%**	**21.1%**	**+757 bps**	**+708 bps**

Source: Company Reports, Arihant Capital Research

Q1FY27 Concall Highlights

Margin

- EBITDA margin stood at 20% in Q1FY27. The management guided 23% margin in FY27E.
- Operational efficiency and rising capacity utilization are expected to further drive margin expansion.

Revenue share

- North America share surged from 39% (FY26) to 54% in Q1FY27, driven by data center demand. Europe contributed 22% and RoW (22%).

Data center

- Data center revenue share stood at 21% in Q1FY26.
- Data center and enterprise segment revenue share is expected to be 50% (earlier guidance: 30%) in FY27E.

Order book

- The order book stood at INR 186.18bn in Q1FY27. The executable order book is around INR 22.28bn in Q2FY27E.
- The order intake stood at INR 131bn in Q1FY27. A landmark $1.1bn multi-year deal with a global hyperscaler anchored the momentum, along with multiple $100mn hyperscaler orders for IBR cables.

QIP

- The company has completed a QIP of INR 15bn. Around 75% of the proceeds for debt reduction, making the company net debt-free going forward.

Capex

- The company plans INR 5bn capex per annum for the next 3 years (total capex: INR 15bn) across glass, fiber, cable, and connectivity for equipment upgrades and de-bottlenecking.
- The five-year investment of $100mn for a connectivity facility in the US, primarily for data center customers to enable quicker turnaround and customization.

Innovation & Product portfolio

- The company launched CONCAT, a spiceless plug-and-play FTTx solution that reduces labor costs by up to 71% by eliminating field splicing.
- Neuralis, the AI-era data center portfolio, achieved US Connect certification for MMC Pre-Terminated solutions, delivering 3x cable density for high-density AI workloads.
- Next-gen fiber technologies include G.654.E (30% lower signal loss), Hollow Core Fiber (47% lower latency), and Multi-Core Fiber (4-7x data capacity).
- The company won a definitive patent dispute victory against Fujikura, clearing legal uncertainty for the Celesta cable family.

Q1FY27 Concall Highlights

Market share

- Global OFC market share (ex-China) increased to 9%.

Optical connectivity attach rate

- Optical connectivity attach rate improved from 15% (FY26) to 16% in Q1FY27.
- The company targets >20% by Q2FY27E and 25% by Q4FY27E. This attach-rate growth is central to margin expansion as connectivity solutions carry higher margins.

Raw materials

- The company is actively diversifying suppliers for germanium and helium, with confidence in improving availability on a QoQ basis.
- The company is also exploring new technologies to reduce germanium consumption
- The company can pass on a portion to customers through pricing to mitigate input costs.

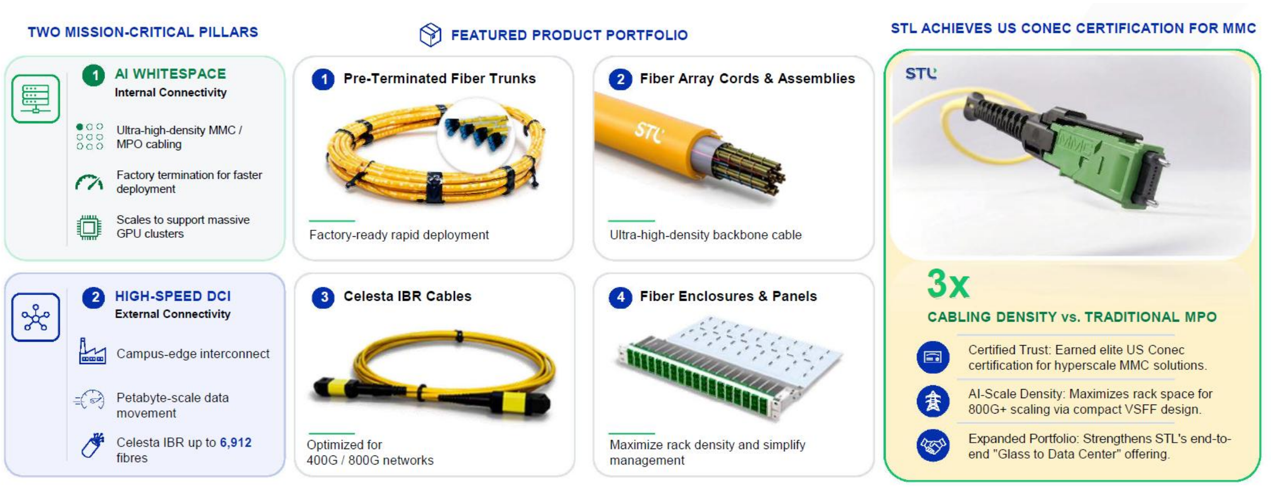
Patents

- Innovation is a key differentiator, backed by over 785 patents, with 9 new filings in Q1FY27.

Industry

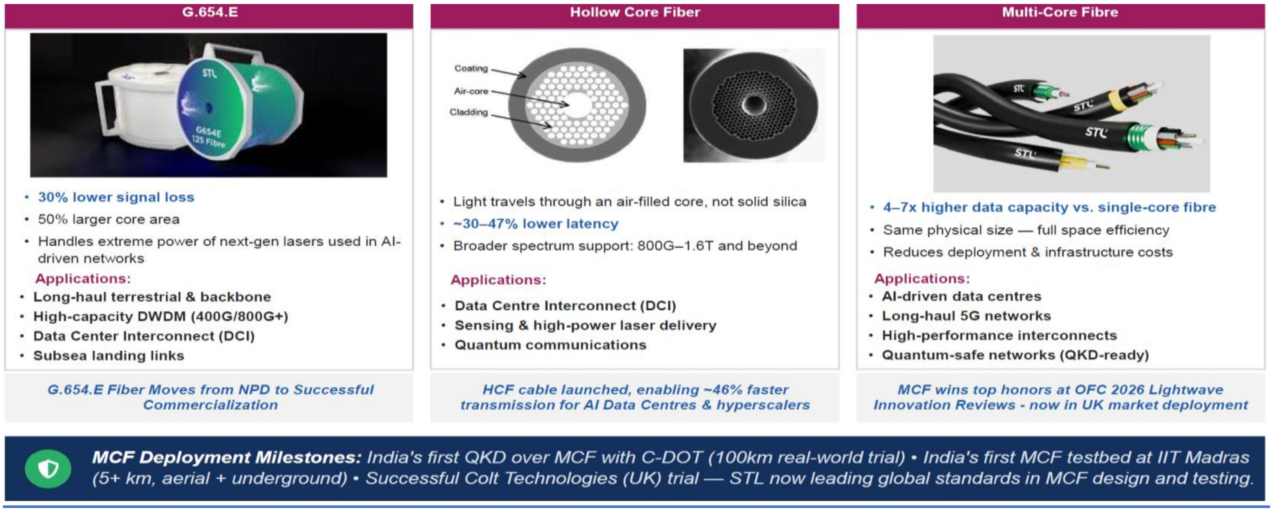
- The company is at the intersection of FTTx, data center, and 5G/6G cycles.
- CRU projects 63% growth in optical cable demand from data centers in 2026 alone.
- North American data center capacity expected to double from 63 GW to 126 GW by 2030.
- India's data center capacity is set to grow ~7x from 1.6 GW to 10 GW by 2031, with investments from hyperscalers and Indian conglomerates.
- Global 5G subscriptions are expected to hit 6.4bn by 2030, and 6G subscriptions to cross 180mn by 2031.

Exhibit 6: STL Neuralis – AI-Era Data Center Portfolio



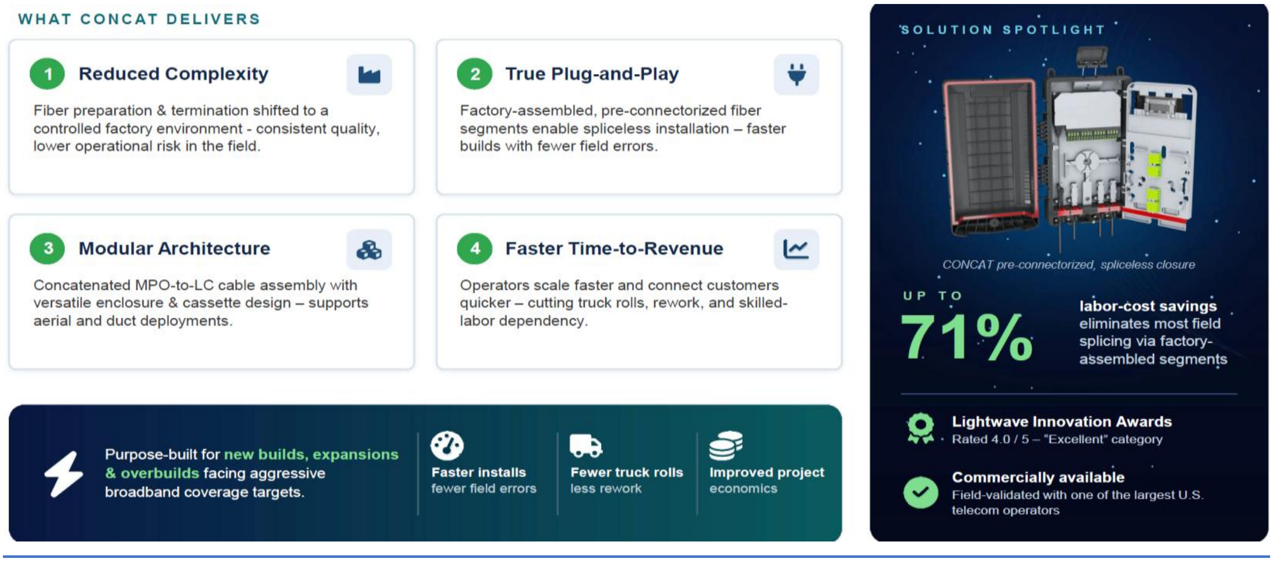
Source: Company Reports, Arihant Capital Research

Exhibit 7: Next-Generation Fiber Portfolio – Engineered for the AI-DC Era



Source: Company Reports, Arihant Capital Research

Exhibit 8: CONCAT – Redefining U.S. FTTH Deployment Economics



Source: Company Reports, Arihant Capital Research

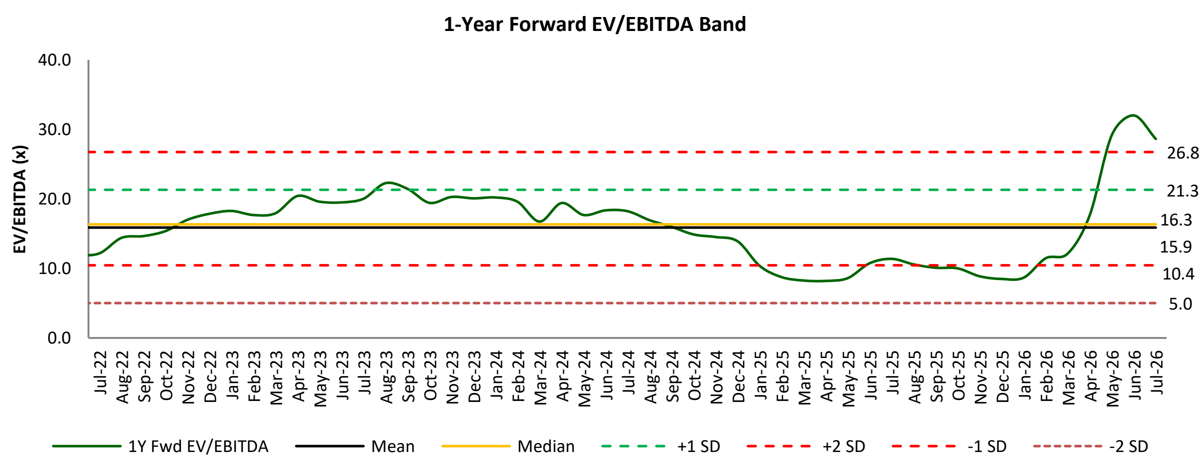
Outlook & Valuation: Sterlite Technologies' order book stood at INR 186.18bn (~4x FY26 revenue), showing business visibility. The data center segment revenue share is expected to improve from 21% (Q1FY27) to 50% by FY27E. The optical interconnectivity attach rate is expected to improve from 16% (Q1FY27) to 25% by Q4FY27, along with continuous innovation in next-gen fiber technologies and integrated solutions like Neuralis and CONCAT, which will drive margin expansion. Strategic capex of INR 5bn/annum over three years for de-bottlenecking and equipment upgrades, including a $100mn onshore US connectivity facility, will support capacity growth. A strengthened net debt-free balance sheet supported by a successful INR 15bn QIP and rating upgrades provides strong financial flexibility. With a diversified geographic footprint (54% North America, 25% Europe) and robust global demand across telecom, data centers, and rural connectivity projects, the company is poised for sustained growth, margin improvement, and long-term value creation. We estimate Revenue/EBITDA/PAT CAGR of 31.7%/66.5%/210.2% over the period of FY26-29E. RoCE/RoE is expected to improve from 3.9%/2.6% (FY26) to 23%/25% in FY29E, respectively. At the CMP of INR 564 per share, we maintain our "BUY" rating at a TP of INR 931 per share based on SOTP, an upside of 65.1%.

Exhibit 9: Sterlite Technologies FY29E based implied valuation

Particular	Optical networking business	Digital and technology solutions	Overall
FY29E EBITDA (INR mn)	29,720	223	
EV/EBITDA (x)	**16.0x**	**1.0x**	
EV (INR mn)	4,75,516	223	4,75,739
Net Debt/(cash) (INR mn) - FY29 end			(4,530)
Market Cap (INR mn)			4,80,269
Share outstanding (mn)			516
Target Price (INR)			**931**
CMP (INR)			**564**
Upside (%)			**65.1%**
Rating			**BUY**

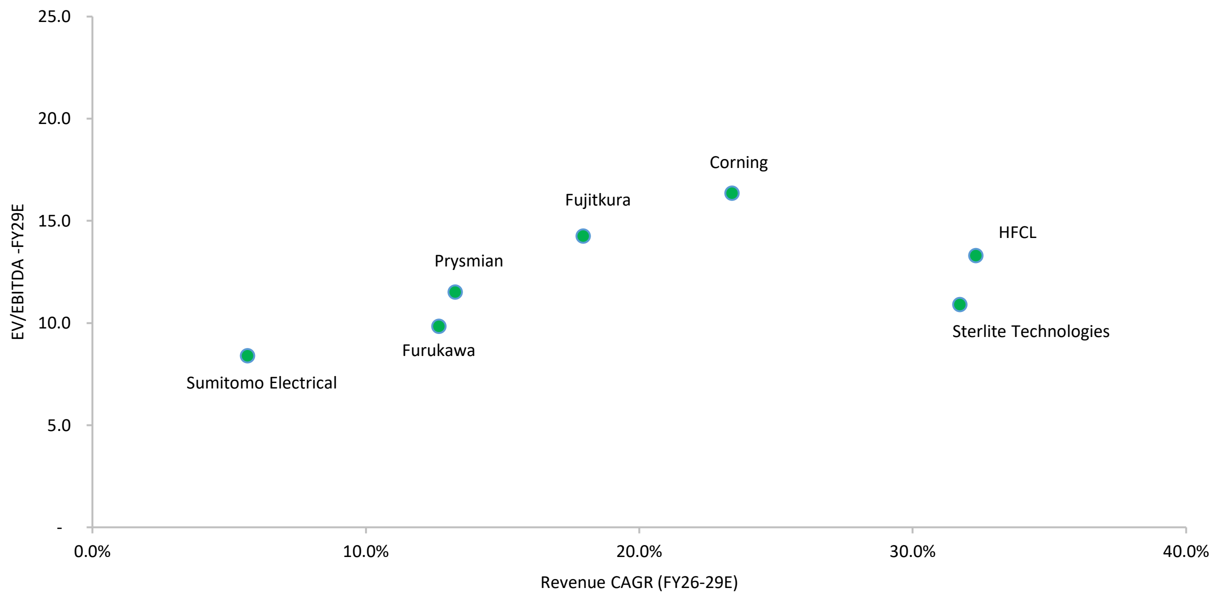
Source: Company reports, Arihant Capital Research

Exhibit 10: We assigned 16x EV/EBITDA (close to Mean & Median of 1-Year Forward EV/EBITDA) to Optical networking business.



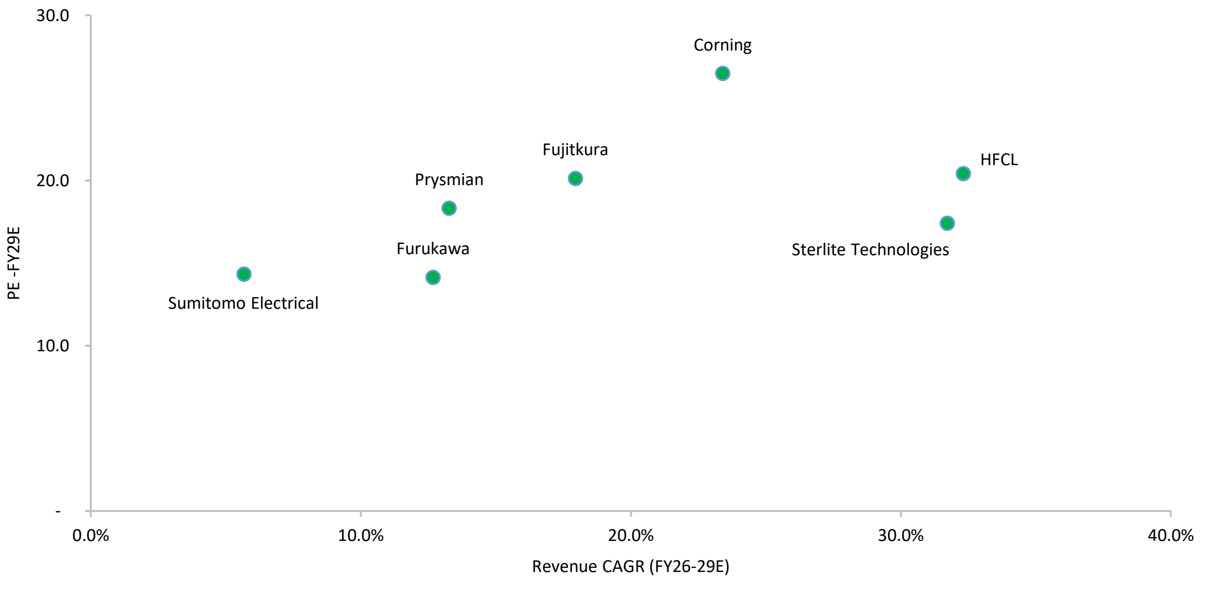
Source: Arihant Capital Research

Exhibit 11: Sterlite Technologies is expected to grow better than peers and available at attractive valuation based on EV/EBITDA.



Source: Bloomberg, Arihant Capital Research

Exhibit 12: Sterlite Technologies is expected to grow better than peers and available at attractive valuation based on PE.



Source: Bloomberg, Arihant Capital Research

Sensitivity Analysis

Exhibit 13: Changes in Optical networking & Digital and technology solutions multiple impact on TP

FY29E Target Price (INR)

Digital and technology solutions EV/EBITDA (x)	Optical networking business EV/EBITDA (x)								
	931	10.0x	12.0x	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x
	1.0x	585	701	816	931	1,046	1,162	1,277	1,392
	2.0x	586	701	816	932	1,047	1,162	1,277	1,393
	3.0x	586	702	817	932	1,047	1,163	1,278	1,393
	4.0x	587	702	817	933	1,048	1,163	1,278	1,394
	5.0x	587	702	818	933	1,048	1,163	1,279	1,394
	6.0x	588	703	818	933	1,049	1,164	1,279	1,394
	7.0x	588	703	819	934	1,049	1,164	1,280	1,395
	8.0x	589	704	819	934	1,050	1,165	1,280	1,395

FY29E Target Price (INR)

Digital and technology solutions EV/EBITDA (x)	Optical networking business EV/EBITDA (x)								
	65%	10.0x	12.0x	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x
	1.0x	3.8%	24.2%	44.7%	65.1%	85.5%	106.0%	126.4%	146.9%
	2.0x	3.9%	24.3%	44.8%	65.2%	85.6%	106.1%	126.5%	146.9%
	3.0x	4.0%	24.4%	44.8%	65.3%	85.7%	106.1%	126.6%	147.0%
	4.0x	4.0%	24.5%	44.9%	65.3%	85.8%	106.2%	126.6%	147.1%
	5.0x	4.1%	24.6%	45.0%	65.4%	85.9%	106.3%	126.7%	147.2%
	6.0x	4.2%	24.6%	45.1%	65.5%	85.9%	106.4%	126.8%	147.2%
	7.0x	4.3%	24.7%	45.1%	65.6%	86.0%	106.4%	126.9%	147.3%
	8.0x	4.3%	24.8%	45.2%	65.6%	86.1%	106.5%	127.0%	147.4%

Source: Company Reports, Arihant Capital Research

Exhibit 14: Target Price range based on PE & EV/EBITDA.

FY29E Target Price (INR)

EPS (INR)	PE (x)							
		20.0x	25.0x	30.0x	35.0x	40.0x	45.0x	50.0x
	28.0	560	700	840	980	1,120	1,260	1,400
	30.0	600	750	900	1,050	1,200	1,350	1,500
	32.0	640	800	960	1,120	1,280	1,440	1,600
	34.0	680	850	1,020	1,190	1,360	1,530	1,700
	36.0	720	900	1,080	1,260	1,440	1,620	1,800
	38.0	760	950	1,140	1,330	1,520	1,710	1,900
	40.0	800	1,000	1,200	1,400	1,600	1,800	2,000

FY29E Target Price (INR)

EBITDA (INR mn)	EV/EBITDA (x)							
		12.0x	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x
	24,000	550	643	736	829	922	1,015	1,108
	25,000	573	670	767	864	961	1,058	1,155
	26,000	596	697	798	899	999	1,100	1,201
	27,000	619	724	829	934	1,038	1,143	1,248
	28,000	643	751	860	968	1,077	1,186	1,294
	29,000	666	778	891	1,003	1,116	1,228	1,341
	30,000	689	806	922	1,038	1,155	1,271	1,387

Source: Company Reports, Arihant Capital Research

Sensitivity Analysis

Exhibit 15: Every $1 change in OFC realization leads to 3%-5% delta in OFC revenue. Sterlite Technologies has advanced products for data center, Ai Infra; where realization are higher. The shift towards to data center (50% of sales by FY27E) related products would improve overall realization going forward.

OFC Revenue (INR mn) - FY29E

OFC Realization ($/f.km)	OFC Capacity Utilization (%)							
89,565	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%	105.0%
$20	60,575	64,902	69,229	73,556	77,883	82,209	86,536	90,863
$21	63,604	68,147	72,690	77,234	81,777	86,320	90,863	95,406
$22	66,633	71,392	76,152	80,911	85,671	90,430	95,190	99,949
$23	69,662	74,638	79,613	84,589	89,565	94,541	99,517	1,04,493
$24	72,690	77,883	83,075	88,267	93,459	98,651	1,03,844	1,09,036
$25	75,719	81,128	86,536	91,945	97,353	1,02,762	1,08,170	1,13,579
$26	78,748	84,373	89,998	95,623	1,01,247	1,06,872	1,12,497	1,18,122
$27	81,777	87,618	93,459	99,300	1,05,142	1,10,983	1,16,824	1,22,665

OFC Revenue growth sensitivity based on realization (%) - FY29E

OFC Realization ($/f.km)	OFC Capacity Utilization (%)							
	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%	105.0%
$21	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
$22	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
$23	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
$24	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
$25	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
$26	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
$27	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

Source: Bloomberg, Arihant Capital Research

Exhibit 16: Every $1 change in OFC realization leads to 3%-4% delta in total revenue. The new contracts are getting renewed with better realization. The company is focused on long-term contracts, which insulates it from short-term price volatility and fosters deeper customer partnerships.

Total Revenue (INR mn) - FY29E

OFC Realization ($/f.km)	OFC Capacity Utilization (%)							
1,08,456	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%	105.0%
$20	79,467	83,794	88,120	92,447	96,774	1,01,101	1,05,428	1,09,754
$21	82,495	87,039	91,582	96,125	1,00,668	1,05,211	1,09,754	1,14,298
$22	85,524	90,284	95,043	99,803	1,04,562	1,09,322	1,14,081	1,18,841
$23	88,553	93,529	98,505	1,03,481	1,08,456	1,13,432	1,18,408	1,23,384
$24	91,582	96,774	1,01,966	1,07,158	1,12,351	1,17,543	1,22,735	1,27,927
$25	94,611	1,00,019	1,05,428	1,10,836	1,16,245	1,21,653	1,27,062	1,32,470
$26	97,639	1,03,264	1,08,889	1,14,514	1,20,139	1,25,764	1,31,388	1,37,013
$27	1,00,668	1,06,509	1,12,351	1,18,192	1,24,033	1,29,874	1,35,715	1,41,556

Total Revenue growth sensitivity based on realization (%) - FY29E

OFC Realization ($/f.km)	OFC Capacity Utilization (%)							
	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%	105.0%
$21	3.8%	3.9%	3.9%	4.0%	4.0%	4.1%	4.1%	4.1%
$22	3.7%	3.7%	3.8%	3.8%	3.9%	3.9%	3.9%	4.0%
$23	3.5%	3.6%	3.6%	3.7%	3.7%	3.8%	3.8%	3.8%
$24	3.4%	3.5%	3.5%	3.6%	3.6%	3.6%	3.7%	3.7%
$25	3.3%	3.4%	3.4%	3.4%	3.5%	3.5%	3.5%	3.6%
$26	3.2%	3.2%	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%
$27	3.1%	3.1%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%

Source: Bloomberg, Arihant Capital Research

Exhibit 17: Changes in revenue & EBITDA margin impact on PAT & EPS levels.

FY29E PAT (INR mn)

Revenue (INR mn)	EBITDA Margin (%)						
16,711	23.0%	23.5%	24.0%	24.5%	25.0%	25.5%	26.0%
95,000	13,438	13,791	14,145	14,499	14,853	15,207	15,561
1,00,000	14,294	14,667	15,039	15,412	15,784	16,157	16,529
1,05,000	15,151	15,542	15,933	16,324	16,716	17,107	17,498
1,10,000	16,008	16,418	16,827	17,237	17,647	18,057	18,466
1,15,000	16,865	17,293	17,721	18,150	18,578	19,006	19,435
1,20,000	17,721	18,168	18,615	19,062	19,509	19,956	20,403
1,25,000	18,578	19,044	19,509	19,975	20,441	20,906	21,372

FY29E EPS (INR)

Revenue (INR mn)	EBITDA Margin (%)						
32.4	23.0%	23.5%	24.0%	24.5%	25.0%	25.5%	26.0%
95,000	26.1	26.7	27.4	28.1	28.8	29.5	30.2
1,00,000	27.7	28.4	29.2	29.9	30.6	31.3	32.1
1,05,000	29.4	30.1	30.9	31.7	32.4	33.2	33.9
1,10,000	31.0	31.8	32.6	33.4	34.2	35.0	35.8
1,15,000	32.7	33.5	34.4	35.2	36.0	36.9	37.7
1,20,000	34.4	35.2	36.1	37.0	37.8	38.7	39.6
1,25,000	36.0	36.9	37.8	38.7	39.6	40.5	41.4

Source: Bloomberg, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**69,250**	**40,830**	**39,960**	**47,450**	**78,911**	**95,320**	**1,08,456**
Net Raw Materials	32,990	16,850	20,010	23,850	39,335	46,882	52,800
Employee Cost	9,120	7,160	6,100	6,590	7,618	9,107	10,254
Other Expenses	18,240	12,080	9,690	11,320	15,044	17,410	19,159
EBITDA	**8,900**	**4,740**	**4,160**	**5,690**	**16,913**	**21,921**	**26,244**
EBITDA Margin (%)	**12.9%**	**11.6%**	**10.4%**	**12.0%**	**21.4%**	**23.0%**	**24.2%**
Depreciation	(3,090)	(3,140)	(3,160)	(3,130)	(3,586)	(3,902)	(4,221)
Interest expense	(3,110)	(2,930)	(2,410)	(2,240)	(1,795)	(1,096)	(894)
Other income	410	530	360	590	852	1,049	1,301
Exceptional Items	-	-	-	160	-	-	-
Share of profits associate & JV	40	40	-	-	-	-	-
Profit before tax	**3,150**	**(760)**	**(1,050)**	**1,070**	**12,384**	**17,972**	**22,431**
Taxes	(840)	50	330	(510)	(3,171)	(4,709)	(5,720)
PAT	**2,310**	**(710)**	**(720)**	**560**	**9,213**	**13,263**	**16,711**
PAT Margin (%)	**3.3%**	**-1.7%**	**-1.8%**	**1.2%**	**11.7%**	**13.9%**	**15.4%**
Other Comprehensive income	(140)	290	200	930	-	-	-
Net profit	**2,170**	**(420)**	**(520)**	**1,490**	**9,213**	**13,263**	**16,711**
EPS (INR)	5.8	(1.8)	(1.5)	1.1	17.9	25.7	32.4

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Equity capital	800	800	980	980	1,031	1,031	1,031
Reserves	20,110	19,430	18,920	21,700	45,401	58,001	73,876
Net worth	**20,910**	**20,230**	**19,900**	**22,680**	**46,432**	**59,032**	**74,908**
Minority Interest	40	-	-	-	-	-	-
Provisions	660	390	410	-	216	261	297
Debt	41,030	35,820	20,220	21,440	11,940	8,440	8,180
Other non-current liabilities	980	770	940	960	1,578	1,906	2,169
Total Liabilities	**63,620**	**57,210**	**41,470**	**45,080**	**60,167**	**69,640**	**85,554**
Fixed assets	28,540	28,390	26,710	26,930	28,534	30,273	31,749
Capital Work In Progress	1,290	620	230	190	640	697	754
Other Intangible assets	1,670	1,420	910	810	810	810	810
Goodwill	2,250	2,280	1,660	1,940	1,940	1,940	1,940
Investments	1,070	960	990	4,970	7,102	9,532	13,015
Other non current assets	1,740	3,200	1,920	1,990	3,156	4,099	4,881
Net working capital	**20,410**	**14,600**	**3,560**	**3,830**	**12,535**	**14,846**	**16,443**
Inventories	8,320	8,220	7,360	9,060	13,471	15,927	17,648
Sundry debtors	18,220	15,980	8,260	10,660	16,431	19,586	22,286
Loans & Advances	30	10	-	230	79	95	108
Other current assets	18,870	16,490	1,740	2,260	4,324	4,962	5,349
Sundry creditors	(21,520)	(21,780)	(10,280)	(10,650)	(15,457)	(18,098)	(20,272)
Other current liabilities & Prov	(3,510)	(4,320)	(3,520)	(7,730)	(6,313)	(7,626)	(8,677)
Cash	5,070	4,030	4,680	3,230	3,082	4,584	12,710
Other Financial Assets	1,580	1,710	810	1,190	2,367	2,860	3,254
Total Assets	**63,620**	**57,210**	**41,470**	**45,080**	**60,167**	**69,640**	**85,554**

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Tax burden (x)	0.7	0.9	0.7	0.5	0.7	0.7	0.7
Interest burden (x)	0.5	(0.5)	(1.1)	0.4	0.9	1.0	1.0
EBIT margin (x)	0.1	0.0	0.0	0.1	0.2	0.2	0.2
Asset turnover (x)	0.9	0.5	0.6	0.9	1.3	1.3	1.2
Financial leverage (x)	4.0	3.9	3.2	2.5	1.8	1.4	1.3
RoE (%)	**11.4%**	**-3.5%**	**-3.6%**	**2.6%**	**26.7%**	**25.2%**	**25.0%**

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profit before tax	3,150	(760)	(1,050)	1,070	12,384	17,972	22,431
Depreciation	3,090	3,140	3,160	3,130	3,586	3,902	4,221
Tax paid	(840)	50	330	(510)	(3,171)	(4,709)	(5,720)
Working capital Δ	(4,561)	5,810	11,040	(270)	(8,705)	(2,312)	(1,596)
Change in Goodwill	710	(30)	620	(280)	-	-	-
Operating cashflow	**1,550**	**8,210**	**14,100**	**3,140**	**4,094**	**14,853**	**19,335**
Capital expenditure	(2,942)	(2,320)	(1,090)	(3,310)	(5,640)	(5,697)	(5,754)
Free cash flow	**(1,392)**	**5,890**	**13,010**	**(170)**	**(1,546)**	**9,157**	**13,582**
Equity raised	(1,584)	400	390	2,220	15,000	-	-
Investments	26	110	(30)	(3,980)	(2,132)	(2,430)	(3,483)
Others	(333)	(1,340)	2,690	(350)	(2,344)	(1,435)	(1,176)
Debt financing/disposal	3,173	(5,210)	(15,600)	1,220	(9,500)	(3,500)	(260)
Dividends paid	(200)	(410)	-	-	(461)	(663)	(836)
Other items	84	(480)	190	(390)	834	373	299
Net Δ in cash	**(226)**	**(1,040)**	**650**	**(1,450)**	**(148)**	**1,502**	**8,126**
Opening Cash Flow	**5,296**	**5,070**	**4,030**	**4,680**	**3,230**	**3,082**	**4,584**
Closing Cash Flow	**5,070**	**4,030**	**4,680**	**3,230**	**3,082**	**4,584**	**12,710**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth matrix (%)							
Revenue growth	20.3%	-41.0%	-2.1%	18.7%	66.3%	20.8%	13.8%
Op profit growth	66.4%	-46.7%	-12.2%	36.8%	197.2%	29.6%	19.7%
PAT growth		-131%	1%	-178%	1545%	44%	26%
Profitability ratios (%)							
OPM	12.9%	11.6%	10.4%	12.0%	21.4%	23.0%	24.2%
Net profit margin	3.3%	-1.7%	-1.8%	1.2%	11.7%	13.9%	15.4%
RoCE	7.6%	3.3%	1.9%	3.9%	20.5%	22.3%	23.0%
RoNW	11.4%	-3.5%	-3.6%	2.6%	26.7%	25.2%	25.0%
RoA	3.6%	-1.2%	-1.7%	1.2%	15.3%	19.0%	19.5%
Per share ratios (INR)							
EPS	5.4	(1.1)	(1.1)	3.0	17.9	25.7	32.4
Dividend per share	0.5	1.0	-	-	0.9	1.3	1.6
Cash EPS	13.5	6.1	5.0	7.5	24.8	33.3	40.6
Book value per share	52.3	50.6	40.6	46.3	90.0	114.5	145.2
Valuation ratios (x)							
P/E	104.0	(537.1)	(531.5)	185.5	31.6	21.9	17.4
P/CEPS	41.8	92.8	113.3	74.9	22.7	16.9	13.9
P/B	10.8	11.2	13.9	12.2	6.3	4.9	3.9
EV/EBITDA	29.4	54.3	70.2	51.8	17.7	13.4	10.9
Payout (%)							
Dividend payout	8.7%	-57.7%	0.0%	0.0%	5.0%	5.0%	5.0%
Tax payout	26.7%	6.6%	31.4%	47.7%	25.6%	26.2%	25.5%
Liquidity ratios							
Debtor days	93	153	111	73	63	69	70
Inventory days	97	179	142	126	105	114	116
Creditor days	138	219	163	91	77	83	85
WC Days	52	113	89	107	90	100	101
Leverage ratios (x)							
Interest coverage	1.9	0.5	0.4	1.1	7.4	16.4	24.6
Debt / Equity	2.0	1.8	1.0	0.9	0.3	0.1	0.1
Net debt / equity	1.7	1.6	0.8	0.8	0.2	0.1	-0.1
Net debt / op. profit	4.0	6.7	3.7	3.2	0.5	0.2	-0.2

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 18: Revenue is expected to grow 31.7% CAGR over the period of FY26-29E. Data center revenue share is expected to reach 50% by FY27E.

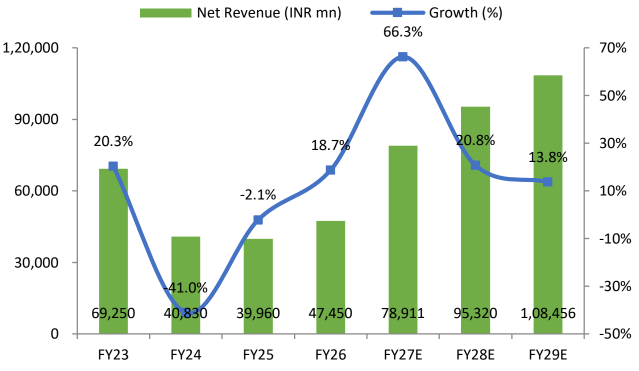


Exhibit 19: Gross margins are expected to recover, supported by diversification & normalization of critical raw material sourcing.

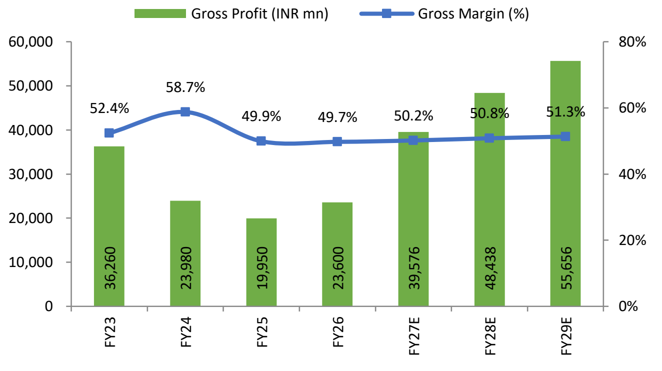


Exhibit 20: Growth in EBITDA & PAT levels

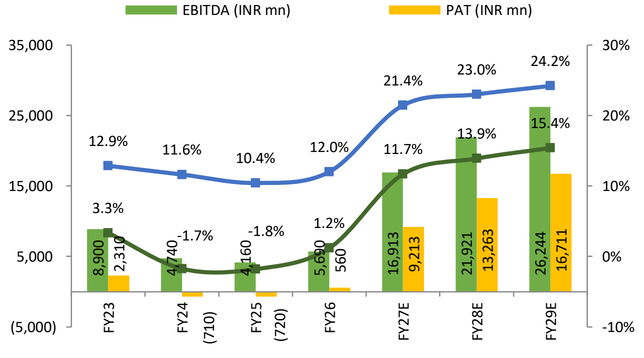


Exhibit 21: Return ratios to be improve

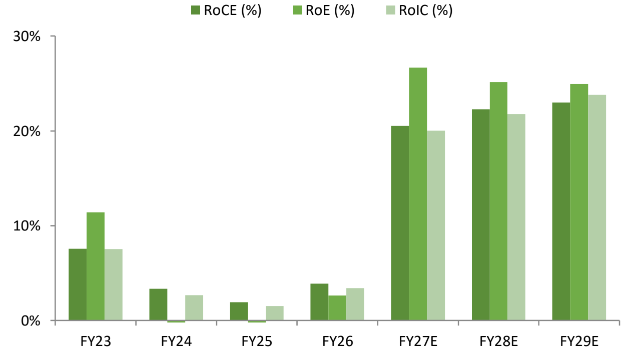


Exhibit 22: Working capital days are expected to be stabilize.

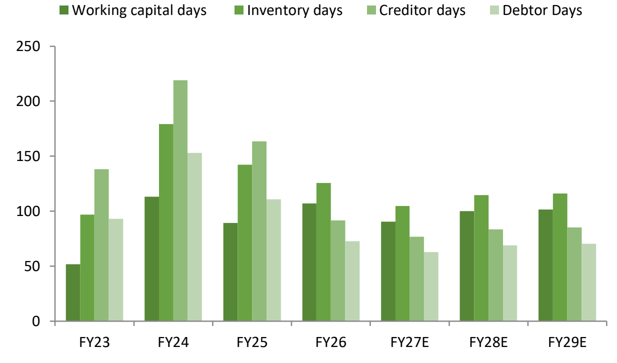
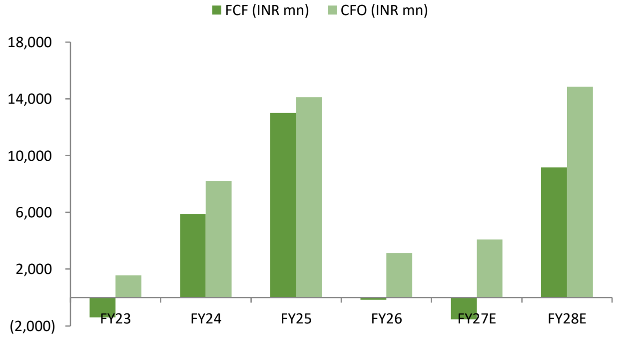
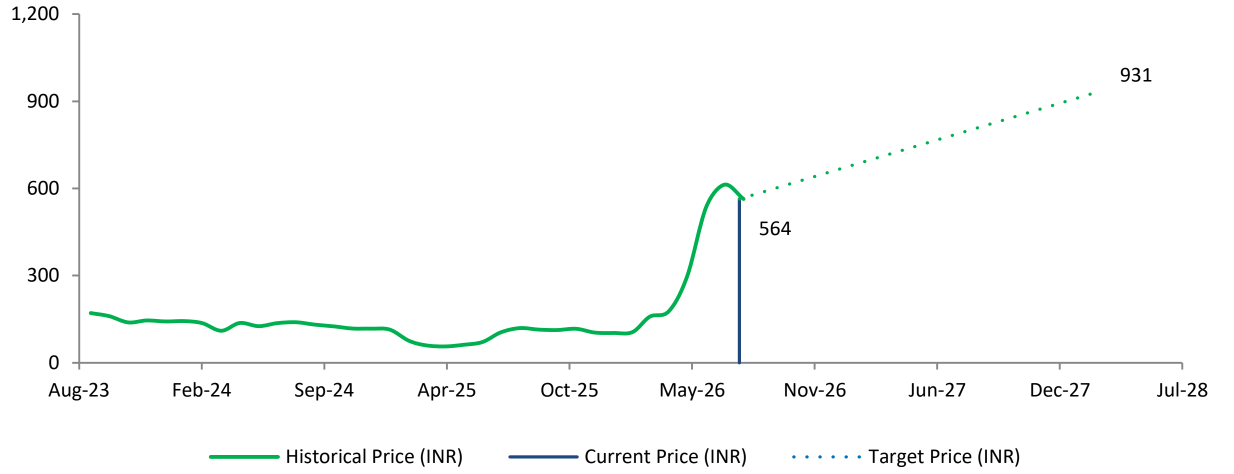


Exhibit 23: Cash flows to be improve



Source: Company reports, Arihant Capital Research

Exhibit 24: Sterlite Technologies Target Price



Source: NSE, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

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

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Abhishek Chhajed Jain
Digitally signed by Abhishek Chhajed Jain
Date: 2026.07.27 08:57:41 +05'30'