

**CMP: INR 88**

**Rating: BUY**

**Target Price: INR 111**

**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)	43,120
52w H/L (INR)	140 / 52.2
Avg Yearly Volume (in 000')	3,583

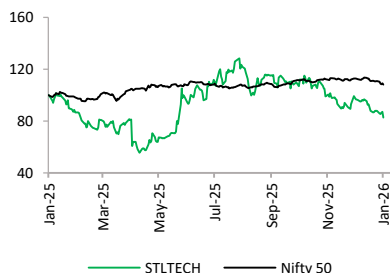
**Shareholding Pattern %**

(As on Dec, 2025)

Promoters	44.45
DII	11.04
FII	10.93
Public & Others	33.56

Stock Performance (%)	3m	6m	12m
STLTECH	-17.8	-25.1	-17.5
NIFTY	-3.5	-0.7	7.9

**STLTECH vs Nifty**



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**Sterlite Technologies Ltd** revenue grew 25.8% YoY (+21.6% QoQ) to INR 12,570mn, above our estimates of INR 10,656mn, supported by volume growth across business segments and regions. EBITDA stood at INR 1,200mn (-116bps YoY/-293bps QoQ); below our estimates of INR 1,322mn, due to raw material and tariff impact (760bps in Q3FY26 vs 310bps in Q2FY26, because of an increase in the North America business). PAT stood at INR -170mn vs INR -150mn in Q3FY25, lower than our estimates of INR 38mn, further impacted (INR 150mn) due to the implementation of the labour code.

**Key Highlights**

**Leader in Next-Generation Fiber for AI & Data Center Boom:** The company's end-to-end "Glass to Gigabit" model and innovations in multi-core fiber, hollow-core fiber, and high-density cables are critical for GPU-dense, low-latency AI infrastructure. The company is targeting the data center business to increase from 20% to 30% of sales over the next 18-24 months. It's a direct beneficiary of hyperscaler investments and the structural, multi-year growth in global fiber demand.

**Clear recovery path on margins, while tariffs remain a challenge:** The operational EBITDA improved to 17.9%, the tariff impact of 760 bps led to an EBITDA margin of 11.2% in Q3FY26. The tariff impact increased from 310bps (Q2FY26) to 760bps (Q3FY26), due to a shift to higher North America business. The company is ramping-up US facility and passing through some impact to customers, while renewals and new contracts.

**Strategic wins and diversification to mitigate risk:** The company has successfully diversified its revenue base across North America (36%), Europe (40%), and Asia, reducing geographic concentration risk. It is winning large-scale contracts with tier-1 telecom and data center customers globally, reflected in a strong and diversified order book of over INR 53bn. Its dual-engine model (Optical Networking and STL Digital) provides balanced exposure to both infrastructure hardware and high-margin digital services.

**Outlook & Valuation:** Sterlite Technologies witnessed a strong recovery in Q3FY26, supported by volume growth and stable prices. The next generation fibers, like multi-core and hollow-core, are aligned with the industry's shift towards higher capacity and lower latency for AI data centers and advanced networks. The company is focused on growing its data center portfolio to 30% and increase in optical connectivity attach rate to drive revenue and margins over the medium term. The tariff impact remains at higher levels (760bps in Q3FY26), and sourcing of critical raw materials like germanium from China remains challenging over the near term. However, the company is passing costs during contract renewals and aggressively ramping up its US facility and evaluating alternative sourcing from its European facilities. We anticipate the next generational fiber technologies capture AI & Data center opportunities; the tariff impact would continue for the near term, and the US verdict remain key risk for the company. We are upgrading to a "BUY" (earlier "ACCUMULATE") rating at a Target Price of INR 111 per share based on DCF, an upside of 26.6%.

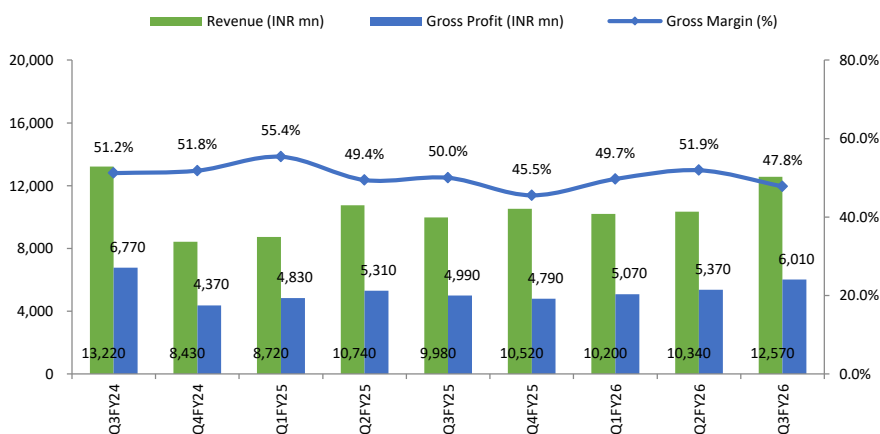
Q3FY26 Results

Income statement summary

Particular (INR mn)	Q3FY25	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Revenue	9,980	10,340	12,570	26.0%	21.6%
Net Raw Materials	4,990	4,970	6,560	31.5%	32.0%
<b>Gross Profit</b>	<b>4,990</b>	<b>5,370</b>	<b>6,010</b>	<b>20.4%</b>	<b>11.9%</b>
<b>Gross Margin (%)</b>	<b>50.0%</b>	<b>51.9%</b>	<b>47.8%</b>	<b>-219 bps</b>	<b>-412 bps</b>
Employee Cost	1,520	1,560	1,690	11.2%	8.3%
Other Expenses	2,410	2,520	3,120	29.5%	23.8%
<b>EBITDA</b>	<b>1,060</b>	<b>1,290</b>	<b>1,200</b>	<b>13.2%</b>	<b>-7.0%</b>
<b>EBITDA Margin (%)</b>	<b>10.6%</b>	<b>12.5%</b>	<b>9.5%</b>	<b>-107 bps</b>	<b>-293 bps</b>
Depreciation	800	800	790		
Interest expense	580	550	560		
Other income	50.0	120.0	90.0		
Exceptional Items	-	-	(150)		
<b>Profit before tax</b>	<b>(270)</b>	<b>60</b>	<b>(210)</b>		
Taxes	(120)	20	(40)		
<b>PAT</b>	<b>(150)</b>	<b>40</b>	<b>(170)</b>	<b>13.3%</b>	<b>-525.0%</b>
<b>PAT Margin (%)</b>	<b>-1.5%</b>	<b>0.4%</b>	<b>-1.4%</b>	<b>+15 bps</b>	<b>-174 bps</b>
<b>EPS (INR)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>(0.3)</b>		

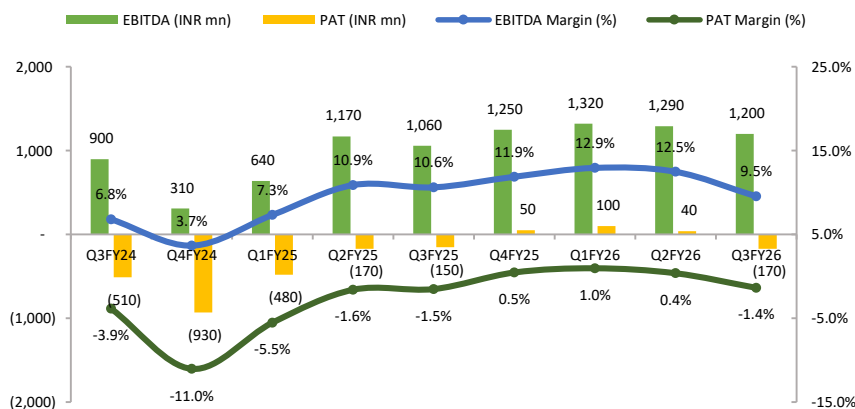
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins contracted by 219 bps YoY (-412 bps QoQ) to 47.8% in Q3FY26 due to higher raw material costs.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin contracted by 107 bps YoY (-293 bps QoQ) to 9.5% in Q3FY26. however employee cost and other expenses in-terms of sales were lower and partially offset gross margin and tariff impact.



Source: Company Reports, Aриhant Capital Research

## Quarterly results and segments

Exhibit 3: Revenue grew 26% YoY (+21.6% QoQ), supported by volume growth across business segments and regions. The existing contracts has impacted due to tariffs (760bps impact in Q3FY26), however the company is passing on some impact to customers for renewals and new contracts. The implementation of labour code led to one-time impact of INR 150mn in Q3FY26.

Particular (INR mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Revenue	13,220	8,430	8,720	10,740	9,980	10,520	39,960	10,200	10,340	12,570	26.0%	21.6%
Net Raw Materials	6,450	4,060	3,890	5,430	4,990	5,730	20,040	5,130	4,970	6,560	31.5%	32.0%
<b>Gross Profit</b>	<b>6,770</b>	<b>4,370</b>	<b>4,830</b>	<b>5,310</b>	<b>4,990</b>	<b>4,790</b>	<b>19,920</b>	<b>5,070</b>	<b>5,370</b>	<b>6,010</b>	<b>20.4%</b>	<b>11.9%</b>
<b>Gross Margin (%)</b>	<b>51.2%</b>	<b>51.8%</b>	<b>55.4%</b>	<b>49.4%</b>	<b>50.0%</b>	<b>45.5%</b>	<b>49.8%</b>	<b>49.7%</b>	<b>51.9%</b>	<b>47.8%</b>	<b>-219 bps</b>	<b>-412 bps</b>
Employee Cost	2,530	1,490	1,640	1,520	1,520	1,420	6,100	1,560	1,560	1,690	11.2%	8.3%
Other Expenses	3,340	2,570	2,550	2,620	2,410	2,120	9,700	2,190	2,520	3,120	29.5%	23.8%
<b>EBITDA</b>	<b>900</b>	<b>310</b>	<b>640</b>	<b>1,170</b>	<b>1,060</b>	<b>1,250</b>	<b>4,120</b>	<b>1,320</b>	<b>1,290</b>	<b>1,200</b>	<b>13.2%</b>	<b>-7.0%</b>
<b>EBITDA Margin (%)</b>	<b>6.8%</b>	<b>3.7%</b>	<b>7.3%</b>	<b>10.9%</b>	<b>10.6%</b>	<b>11.9%</b>	<b>10.3%</b>	<b>12.9%</b>	<b>12.5%</b>	<b>9.5%</b>	<b>-107 bps</b>	<b>-293 bps</b>
Depreciation	840	810	780	790	800	790	3,160	770	800	790		
Interest expense	940	710	560	620	580	650	2,410	500	550	560		
Other income	190.0	130.0	80.0	20.0	50.0	210.0	360.0	80.0	120.0	90.0		
Exceptional Items	-	-	-	-	-	-	-	-	-	(150)		
<b>Profit before tax</b>	<b>(680)</b>	<b>(1,080)</b>	<b>(620)</b>	<b>(220)</b>	<b>(270)</b>	<b>20</b>	<b>(1,090)</b>	<b>130</b>	<b>60</b>	<b>(210)</b>		
Taxes	(170)	(150)	(140)	(50)	(120)	(30)	(340)	30	20	(40)		
Minorities and other	-	-	-	-	-	-	-	-	-	-		
<b>PAT</b>	<b>(510)</b>	<b>(930)</b>	<b>(480)</b>	<b>(170)</b>	<b>(150)</b>	<b>50</b>	<b>(750)</b>	<b>100</b>	<b>40</b>	<b>(170)</b>	<b>13.3%</b>	<b>-525.0%</b>
<b>PAT Margin (%)</b>	<b>-3.9%</b>	<b>-11.0%</b>	<b>-5.5%</b>	<b>-1.6%</b>	<b>-1.5%</b>	<b>0.5%</b>	<b>-1.9%</b>	<b>1.0%</b>	<b>0.4%</b>	<b>-1.4%</b>	<b>+15 bps</b>	<b>-174 bps</b>
<b>EPS (INR)</b>	<b>(1.3)</b>	<b>(2.3)</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>(1.5)</b>	<b>0.2</b>	<b>0.1</b>	<b>(0.3)</b>		

Source: Company Reports, Arianth Capital Research

Exhibit 4: Optical networking business grew 27.1% YoY (+19.8% QoQ) in Q3FY26, supported by volume growth and prices remain stabilized. EBIT margin impacted due to tariffs and increase in North America [25% (FY25) to 36% (9MFY26)] business. Digital and technology business remain at stable growth and maintained profitability.

Segmental Revenue (INR mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Optical networking business	8,570	7,770	8,100	10,270	9,240	9,790	37,410	9,610	9,800	11,740	27.1%	19.8%
Digital and technology solutions	800	780	710	640	770	780	2,900	640	650	860	11.7%	32.3%
Inter segment elimination	(200)	(120)	(90)	(170)	(30)	(50)	(350)	(50)	(110)	(30)	0.0%	-72.7%
<b>Revenue from operations</b>	<b>9,170</b>	<b>8,430</b>	<b>8,720</b>	<b>10,740</b>	<b>9,980</b>	<b>10,520</b>	<b>39,960</b>	<b>10,200</b>	<b>10,340</b>	<b>12,570</b>	<b>26.0%</b>	<b>21.6%</b>

Segmental Revenue (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Optical networking business	93.5%	92.2%	92.9%	95.6%	92.6%	93.1%	93.6%	94.2%	94.8%	93.4%		
Digital and technology solutions	8.7%	9.3%	8.1%	6.0%	7.7%	7.4%	7.3%	6.3%	6.3%	6.8%		
Inter segment elimination	-2.2%	-1.4%	-1.0%	-1.6%	-0.3%	-0.5%	-0.9%	-0.5%	-1.1%	-0.2%		
<b>Revenue from operations</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Segment EBIT (INR mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Optical networking business	1040	590	880	1330	1,190	1,250	4,640	1,370	1,360	1,310	10.1%	-3.7%
Digital and technology solutions	-120	-170	-170	-150	40	50	(230)	10	10	10	-75.0%	0.0%
Inter segment elimination	0	0	0	0	-	-	-	-	-	-		
<b>Total EBIT</b>	<b>1140</b>	<b>420</b>	<b>710</b>	<b>1180</b>	<b>1,230</b>	<b>1,300</b>	<b>4,410</b>	<b>1,380</b>	<b>1,370</b>	<b>1,320</b>	<b>7.3%</b>	<b>-3.6%</b>

EBIT Margin (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Optical networking business	12.1%	7.6%	10.9%	13.0%	12.9%	12.8%	12.4%	14.3%	13.9%	11.2%	-172 bps	-272 bps
Digital and technology solutions	-15.0%	-21.8%	-23.9%	-23.4%	5.2%	6.4%	-7.9%	1.6%	1.5%	1.2%	-403 bps	-38 bps
Inter segment elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
<b>Blended EBIT Margin (%)</b>	<b>12.4%</b>	<b>5.0%</b>	<b>8.1%</b>	<b>11.0%</b>	<b>12.3%</b>	<b>12.4%</b>	<b>11.0%</b>	<b>13.5%</b>	<b>13.2%</b>	<b>10.5%</b>	<b>-1.82%</b>	<b>-2.75%</b>

Source: Company Reports, Arianth Capital Research

### Q3FY26 Concall Highlights

#### Revenue mix

- North America's share increased from 25% (FY25) to 36% in 9MFY26, driven by data center and FTTx demand.
- Europe's share is around 40%. The balanced geographic footprint reduces concentration risk and positions the company to capture growth across key global markets, including India and Southeast Asia.

#### Margins

- Operational EBITDA improved and stood at 17.9% in Q3FY26, driven by a richer product mix and higher contributions from the US market.
- EBITDA margin moderated to 11.2%, due to US tariff impact (760 bps).
- EBITDA margins are expected to reach 20% at optimal utilization levels, excluding tariff impacts.

#### Order book

- The order book stood at INR 53.25bn (+2.6% QoQ) in Q3FY26. Around INR 9.88bn is slated for execution in Q4FY26, and the remaining INR 43.37bn is scheduled for FY27E and beyond.
- The order intake stood at INR 42.63 (+40.3% YTD), driven by large-scale data center connectivity wins, breakthroughs with tier-1 North American telecom customers, and a diversified order book balanced Capex and service contracts.

#### Market share

- Global market share (ex-China) optical fiber cable remained stable at 8% in 9MFY26.

#### Optical connectivity attach rate

- The optical connectivity attach rate moderated from 22% (FY25) to 17% in 9MFY26, due to a higher base from accelerated OFC revenue and project phasing. However, long-term opportunity remains strong. The company is focused on selling integrated cable-connectivity solutions rather than standalone products.

#### Pricing

- Optical fibre cable market pricing remains stable in Q3FY26. The company primarily engages in long-term contracts rather than spot market sales, which provides pricing stability.
- Higher fiber count and value-added cables have higher realizations.

#### Optical networking business

- Optical networking business grew 27.1% YoY (+19.8% QoQ), driven by volume growth across business segments and geographies.
- The optical networking business benefited from multi-year investment cycles in FTTH, data centers, and 5G.
- The company's portfolio is designed for AI and hyperscale environments, featuring high-density, low-latency solutions.

### Q3FY26 Concall Highlights

#### STL Digital

- STL Digital business achieved EBITDA positive (INR 10mn) in Q3FY26. The business added one new customer, taking the total to 34 customers. The company secured a multi-million dollar SAP S4HANA deal with a US-based healthcare major.
- STL Digital order book stood at INR 2.76bn.

#### Data center

- Enterprise and data center business contribute 20% of sales and are expected to reach 30% over the next 12-18 months.

#### New launches and next-generation technologies

- The company launched the world's slimmest 864-fiber ribbon cable and offers a full-stack DC connectivity suite. AI data centers are far more fiber-intensive, requiring up to 36x more fiber than traditional setups.
- The company advanced several next-generation technologies, including hollow-core fiber and G654E fiber. The company completed successful multi-core fiber trials with Colt in the UK and entered into an MoU with QNu Labs for quantum-secure communications. The company also expanded its IBR portfolio to 1,728 and 3,456 fibers for data centers. The innovations supported by a strong IP engine with 780 patents, including new filings in Q3FY26.
- The IBR portfolio expansion supports higher fiber densities required for AI data centers, enabling faster deployment and scalability. It's designed to meet the high-bandwidth, low-latency demands of GPU-dense AI Infrastructure.
- Multi-core fiber allows 4x to 7x higher capacity within the same footprint, making it ideal for AI data centers and long-haul networks. The company has demonstrated live 100 km testing and deployed MCF in both aerial and underground networks.

#### Tariffs

- The company is passing on some tariff costs to customers during contract renewals, ramping up local production in the US facility, and exploring alternative sourcing from Europe.

#### US verdict

- The case has moved to the US Court of Appeals after the defendant appealed the district court's judgment. The company has posted the required bond and currently has no financial payout obligation.

#### Other highlights

- Net debt stood at INR 13.31bn, and net-debt/EBITDA stood at 2.6x, and is expected to maintain the same.
- The critical raw material germanium is largely sourced from China. The company is evaluating alternative global sources and leveraging its China facility to mitigate supply risks.
- Key growth drivers are drivers include FTTH expansion, data center builds (especially AI-driven), and 5G rollouts.

**Outlook & Valuation:** Sterlite Technologies witnessed a strong recovery in Q3FY26, supported by volume growth and stable prices. The next generation fibers, like multi-core and hollow-core, are aligned with the industry's shift towards higher capacity and lower latency for AI data centers and advanced networks. The company is focused on growing its data center portfolio to 30% and increase in optical connectivity attach rate to drive revenue and margins over the medium term. The tariff impact remains at higher levels (760bps in Q3FY26), and sourcing of critical raw materials like germanium from China remains challenging over the near term. However, the company is passing costs during contract renewals and aggressively ramping up its US facility and evaluating alternative sourcing from its European facilities. We anticipate the next generational fiber technologies capture AI & Data center opportunities; the tariff impact would continue for the near term, and the US verdict remain key risk for the company. We are upgrading to a "BUY" (earlier "ACCUMULATE") rating at a Target Price of INR 111 per share based on DCF, an upside of 26.6%.

### DCF Valuation

Valuation Assumptions		Valuation Data			WACC	
g (World Economic Growth)	3.5%	Total Debt (long term borrowings) (2025)	9,330	We	82.2%	
Rf	6.7%	Cash & Cash Equivalents (2025)	4,680	Wd	17.8%	
Rm	11%	Number of Diluted Shares (2026)	490	Ke	11.4%	
Beta	1.1	Tax Rate (2026)	25%	Kd	8.1%	
CMP	88	Interest Expense Rate (2026)	10.8%	<b>WACC</b>	<b>10.8%</b>	
		MV of Equity	43,120			
		Total Debt	9,330			
		<b>Total Capital</b>	<b>52,450</b>			

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase				Terminal Yr	
Particular (INR mn)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
EBIT * (1-Tax Rate)	1,496	1,801	2,288	3,251	3,855	4,419	4,983	5,527	6,028	6,462	6,808	7,046
Dep	3,202	3,405	3,523	3,642	3,763	3,885	4,943	4,422	4,822	5,170	5,446	5,637
Purchase of Assets	(3,082)	(2,608)	(2,129)	(2,150)	(2,172)	(2,194)	(2,859)	(1,382)	(1,507)	(1,616)	(1,702)	(1,762)
Changes in Working Capital	212	(919)	(1,130)	(1,877)	(2,108)	(725)	(2,140)	(2,373)	(2,588)	(2,775)	(2,923)	(3,026)
FCFF	1,828	1,679	2,553	2,866	3,338	5,385	4,927	6,194	6,755	7,242	7,629	7,896
Terminal Value												1,07,620
<b>Total Cash Flow</b>												<b>1,28,065</b>

Enterprise Value (EV)	59,233
Less: Debt	9,330
Add: Cash	4,680
Equity Value	54,583

**Equity Value per share (INR) 111**

**% Returns 26.6%**

**Rating BUY**

### Sensitivity Analysis

		Terminal Growth (%)								
		2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%	4.3%	4.5%
WACC (%)	111									
	9.8%	121	124	128	132	137	141	146	152	158
	10.0%	116	119	122	126	130	134	139	144	150
	10.3%	111	114	117	120	124	128	<b>132</b>	137	142
	10.5%	106	109	112	115	118	<b>122</b>	126	130	134
	10.8%	102	105	107	110	<b>113</b>	116	120	124	128
	11.0%	98	100	103	<b>105</b>	108	111	114	118	122
	11.3%	94	96	<b>99</b>	101	104	106	109	113	116
	11.5%	91	93	95	97	99	102	105	108	111
11.8%	87	89	91	93	96	98	100	103	106	

Source: Company reports, Arihant Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	57,543	69,250	40,830	39,960	46,028	50,091	55,300
Net Raw Materials	28,646	32,990	16,850	20,010	23,787	25,836	28,468
Employee Cost	8,707	9,120	7,160	6,100	6,541	7,068	7,748
Other Expenses	14,842	18,240	12,080	9,690	10,498	11,374	12,502
<b>EBITDA</b>	<b>5,348</b>	<b>8,900</b>	<b>4,740</b>	<b>4,160</b>	<b>5,203</b>	<b>5,812</b>	<b>6,583</b>
<b>EBITDA Margin (%)</b>	<b>9.3%</b>	<b>12.9%</b>	<b>11.6%</b>	<b>10.4%</b>	<b>11.3%</b>	<b>11.6%</b>	<b>11.9%</b>
Depreciation	(3,255)	(3,090)	(3,140)	(3,160)	(3,202)	(3,405)	(3,523)
Interest expense	(2,414)	(3,110)	(2,930)	(2,410)	(2,178)	(2,108)	(2,011)
Other income	593	410	530	360	460	501	553
Exceptional Items	162	-	-	-	(150)	-	-
Share of profits associate & JV	47	40	40	-	-	-	-
<b>Profit before tax</b>	<b>482</b>	<b>3,150</b>	<b>(760)</b>	<b>(1,050)</b>	<b>132</b>	<b>800</b>	<b>1,602</b>
Taxes	(147)	(840)	50	330	(49)	(204)	(408)
<b>PAT</b>	<b>334</b>	<b>2,310</b>	<b>(710)</b>	<b>(720)</b>	<b>84</b>	<b>596</b>	<b>1,193</b>
<b>PAT Margin (%)</b>	<b>0.6%</b>	<b>3.3%</b>	<b>-1.7%</b>	<b>-1.8%</b>	<b>0.2%</b>	<b>1.2%</b>	<b>2.2%</b>
Other Comprehensive income	107	(140)	290	200	-	-	-
<b>Net profit</b>	<b>441</b>	<b>2,170</b>	<b>(420)</b>	<b>(520)</b>	<b>84</b>	<b>596</b>	<b>1,193</b>
EPS (INR)	0.8	5.8	(1.8)	(1.5)	0.2	1.2	2.4

Source: Company Reports, Arihant Capital Research

## Balance sheet summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	796	800	800	980	980	980	980
Reserves	18,771	20,110	19,430	18,920	19,004	19,570	20,703
<b>Net worth</b>	<b>19,567</b>	<b>20,910</b>	<b>20,230</b>	<b>19,900</b>	<b>19,984</b>	<b>20,550</b>	<b>21,683</b>
Minority Interest	857	40	-	-	-	-	-
Provisions	253	660	390	410	126	137	152
Debt	37,857	41,030	35,820	20,220	20,120	18,920	18,320
Other non-current liabilities	1,303	980	770	940	690	751	830
<b>Total Liabilities</b>	<b>59,837</b>	<b>63,620</b>	<b>57,210</b>	<b>41,470</b>	<b>40,920</b>	<b>40,358</b>	<b>40,984</b>
Fixed assets	28,554	28,540	28,390	26,710	26,238	25,415	24,000
Capital Work In Progress	1,424	1,290	620	230	582	608	629
Other Intangible assets	1,866	1,670	1,420	910	910	910	910
Goodwill	2,960	2,250	2,280	1,660	1,660	1,660	1,660
Investments	1,096	1,070	960	990	1,151	1,252	1,383
Other non current assets	1,695	1,740	3,200	1,920	2,071	2,254	2,489
<b>Net working capital</b>	<b>15,849</b>	<b>20,410</b>	<b>14,600</b>	<b>3,560</b>	<b>3,348</b>	<b>4,268</b>	<b>5,397</b>
Inventories	9,202	8,320	8,220	7,360	6,843	6,937	7,253
Sundry debtors	17,065	18,220	15,980	8,260	12,358	13,312	14,393
Loans & Advances	45	30	10	-	46	50	55
Other current assets	17,151	18,870	16,490	1,740	2,522	2,745	3,030
Sundry creditors	(24,200)	(21,520)	(21,780)	(10,280)	(15,659)	(15,770)	(16,017)
Other current liabilities & Prov	(3,413)	(3,510)	(4,320)	(3,520)	(2,762)	(3,005)	(3,318)
Cash	5,296	5,070	4,030	4,680	4,039	2,990	3,411
Other Financial Assets	1,096	1,580	1,710	810	921	1,002	1,106
<b>Total Assets</b>	<b>59,837</b>	<b>63,620</b>	<b>57,210</b>	<b>41,470</b>	<b>40,920</b>	<b>40,358</b>	<b>40,984</b>

Source: Company Reports, Arihant Capital Research

## Du-Pont Analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.7	0.7	0.9	0.7	0.6	0.7	0.7
Interest burden (x)	0.2	0.5	(0.5)	(1.1)	0.1	0.3	0.5
EBIT margin (x)	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Asset turnover (x)	0.7	0.9	0.5	0.6	0.9	0.9	1.0
Financial leverage (x)	3.9	4.0	3.9	3.2	2.6	2.7	2.6
<b>RoE (%)</b>	<b>1.7%</b>	<b>11.4%</b>	<b>-3.5%</b>	<b>-3.6%</b>	<b>0.4%</b>	<b>2.9%</b>	<b>5.7%</b>

Source: Company Reports, Arihant Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	482	3,150	(760)	(1,050)	132	800	1,602
Depreciation	3,255	3,090	3,140	3,160	3,202	3,405	3,523
Tax paid	(147)	(840)	50	330	(49)	(204)	(408)
Working capital Δ	1,401	(4,561)	5,810	11,040	212	(919)	(1,130)
Change in Goodwill	(40)	710	(30)	620	-	-	-
<b>Operating cashflow</b>	<b>4,951</b>	<b>1,550</b>	<b>8,210</b>	<b>14,100</b>	<b>3,498</b>	<b>3,082</b>	<b>3,587</b>
Capital expenditure	(3,133)	(2,942)	(2,320)	(1,090)	(3,082)	(2,608)	(2,129)
<b>Free cash flow</b>	<b>1,818</b>	<b>(1,392)</b>	<b>5,890</b>	<b>13,010</b>	<b>415</b>	<b>474</b>	<b>1,457</b>
Equity raised	29	(1,584)	400	390	0	-	-
Investments	223	26	110	(30)	(161)	(102)	(130)
Others	(920)	(333)	(1,340)	2,690	(262)	(264)	(339)
Debt financing/disposal	2,578	3,173	(5,210)	(15,600)	(100)	(1,200)	(600)
Dividends paid	(794)	(200)	(410)	-	-	(30)	(60)
Other items	(121)	84	(480)	190	(533)	72	92
<b>Net Δ in cash</b>	<b>2,812</b>	<b>(226)</b>	<b>(1,040)</b>	<b>650</b>	<b>(641)</b>	<b>(1,050)</b>	<b>421</b>
<b>Opening Cash Flow</b>	<b>2,484</b>	<b>5,296</b>	<b>5,070</b>	<b>4,030</b>	<b>4,680</b>	<b>4,039</b>	<b>2,990</b>
<b>Closing Cash Flow</b>	<b>5,296</b>	<b>5,070</b>	<b>4,030</b>	<b>4,680</b>	<b>4,039</b>	<b>2,990</b>	<b>3,411</b>

Source: Company Reports, Arianth Capital Research

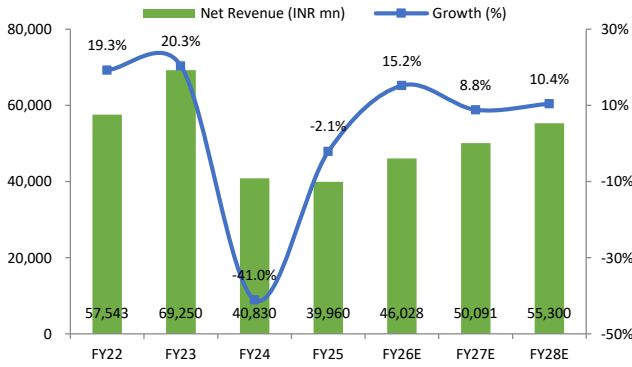
## Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth matrix (%)</b>							
Revenue growth	19.3%	20.3%	-41.0%	-2.1%	15.2%	8.8%	10.4%
Op profit growth	-34.0%	66.4%	-46.7%	-12.2%	25.1%	11.7%	13.3%
<b>Profitability ratios (%)</b>							
OPM	9.3%	12.9%	11.6%	10.4%	11.3%	11.6%	11.9%
Net profit margin	0.6%	3.3%	-1.7%	-1.8%	0.2%	1.2%	2.2%
RoCE	3.3%	7.6%	1.9%	3.8%	5.4%	6.7%	9.1%
RoNW	1.7%	11.4%	-3.6%	0.4%	2.9%	5.7%	9.9%
RoA	0.6%	3.6%	-1.7%	0.2%	1.5%	2.9%	5.3%
<b>Per share ratios (INR)</b>							
EPS	1.1	5.4	-	-	0.2	1.2	2.4
Dividend per share	2.0	0.5	1.0	-	-	0.1	0.1
Cash EPS	9.0	13.5	6.1	5.0	6.7	8.2	9.6
Book value per share	49.2	52.3	50.6	40.6	40.8	41.9	44.3
<b>Valuation ratios (x)</b>							
P/E	79.4	16.2	-	-	516.3	72.4	36.1
P/CEPS	9.8	6.5	14.5	17.7	13.1	10.8	9.1
P/B	1.8	1.7	1.7	2.2	2.2	2.1	2.0
EV/EBITDA	12.4	7.9	13.9	13.9	11.2	9.9	8.6
<b>Payout (%)</b>							
Dividend payout	237.5%	8.7%	-57.7%	0.0%	0.0%	5.0%	5.0%
Tax payout	30.6%	26.7%	6.6%	31.4%	36.9%	25.5%	25.5%
<b>Liquidity ratios</b>							
Debtor days	100	93	153	111	82	94	91
Inventory days	99	97	179	142	109	97	91
Creditor days	153	138	219	163	116	130	119
WC Days	46	52	113	89	75	61	63
<b>Leverage ratios (x)</b>							
Interest coverage	0.9	1.9	0.5	0.4	0.9	1.1	1.5
Net debt / equity	1.7	1.7	1.6	0.8	0.8	0.8	0.7
Net debt / op. profit	6.1	4.0	6.7	3.7	3.1	2.7	2.3

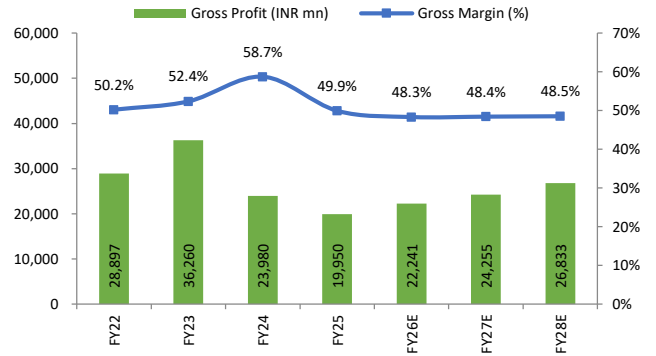
Source: Company Reports, Arianth Capital Research

Story in Charts

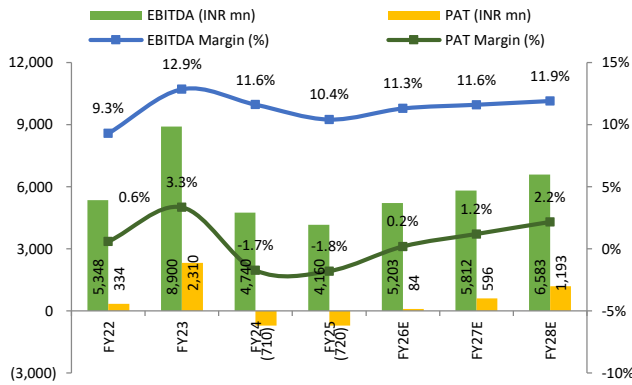
**Exhibit 5: Data centers are contributing ~20% of revenue and opportunity size is huge. Revenue is expected to grow 11.4% CAGR over the period of FY25-28E.**



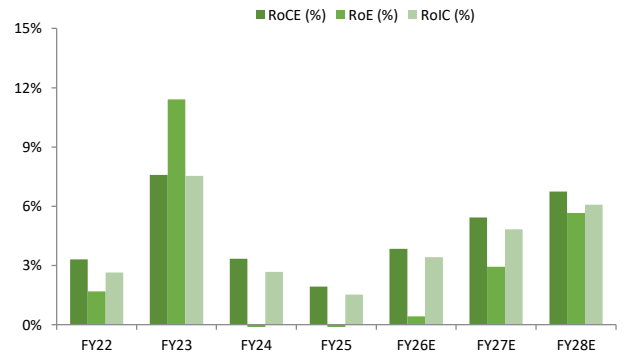
**Exhibit 6: Critical raw material sourcing is challenging which impacted gross margins and expected to recover gradually.**



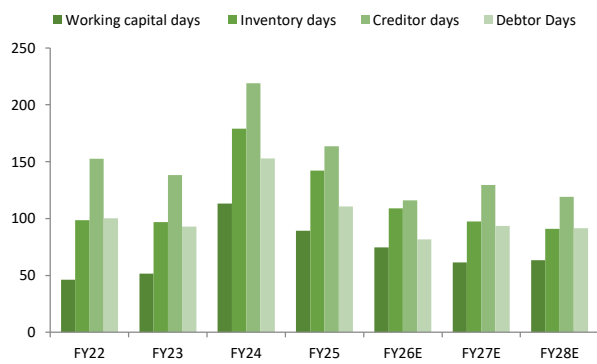
**Exhibit 7: Growth in EBITDA & PAT levels**



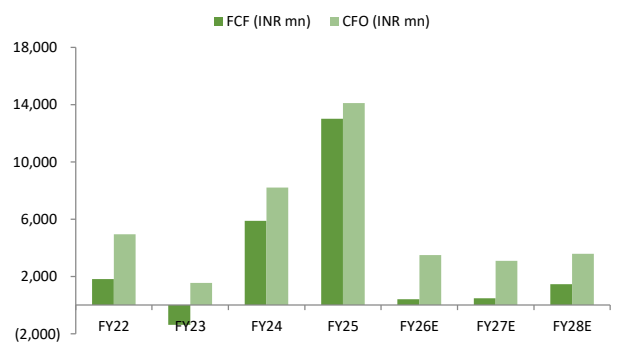
**Exhibit 8: Return ratios to be improve**



**Exhibit 9: Working capital days to be improve**



**Exhibit 10: Cash flows to be improve**



Source: Company reports, Arihant Capital Research

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REDUCE	-5% to -12%
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