Management Discussion

Rahul Darak - Head of Investor Relations, Sterlite Technologies Limited
Thank you, Steve. Good day everyone and welcome to STL's Q2 and H1 FY '27 earnings call. To take us through the results and answer your questions today, we have with STL's senior management represented by Mr. Ankit Agarwal, our Managing Director, and Mr. Ajay Jhanjhari, Chief Financial Officer. Before we proceed with the call, let me remind you that the discussion today may contain forward-looking statements that may involve known or unknown risks uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause future results, performance or achievement to differ significantly from what is expressed or implied in such forward-looking statements.

Please note this also applies to the Lakshya targets that will be discussed on today's call. And we have also uploaded results and earnings call presentation on STL's website and same is also available on the stock exchanges. We will begin today's call with a brief overview of our performance for the quarter and the first half of the financial year, followed by a brief Q&A session.

And with that said, I now hand over the call to our Managing Director, Mr. Ankit Agarwal.

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Thank you, Rahul. Good day, everyone. I'll begin by highlighting a few key takeaways from my investor presentation, and Ajay, our CFO, will then walk you through the financials. STL is a global leader in digital connectivity infrastructure serving data centers, telcos, citizen networks, and large enterprises. Our optical connectivity portfolio spans fiber-to-fiber cables, specialty cables, connectivity solutions. We are also India's number one end-to-end optical manufacturer with about 9% global optical fiber cable market share outside China.

With 35 plus years of leadership and more than 805 global patents filed and granted, and 10 plus advanced manufacturing facilities with zero waste to landfill and zero liquid discharge. STL is leading the next wave of the global digital infrastructure buildup. We are amongst the few companies in the world with presence across the value chain, from glass to gigabit. Starting with the purest grade of silicon, which we transform through advanced processes like silicon tetrachloride formation, chemical vapor deposition, and high-precision sintering, we create ultra-pure glass preforms which is the backbone of optical fiber.

From there, we draw the highest-grade fiber, design high-density cables, and develop reliable connectivity products that power data centers and telecom networks worldwide. This full-stack integration right from the raw material to network deployment gives STL a unique edge in quality, cost efficiency, and innovation across the connectivity value chain. This deep integration also gives us one of the most complete portfolios across the industry. From specialty and next-generation fibers to high-density cables, to plug-and-play connectivity for fiber to the home and AI data center architecture.

Back in September, we laid out Lakshya, our growth roadmap through FY '29, with the ambition of becoming the top five global connectivity players and reach INR20,000 crores in revenue. In FY '27, the first year of Lakshya, we are putting this plan into motion across five clear execution priorities. On the market side, we're actively shifting our revenue mix towards high-value-added integrated connectivity solutions, while rapidly scaling our footprint in data center segment. To maintain our product edge, we're committing 2% of our annual revenue into R&D for next-generation optical platforms.

At the same time, we are driving margin expansion by staying relentlessly focused on cost efficiencies and delivering stronger value to our customers. Finally, to power this entire growth cycle, we're expanding our preform fiber and cable capacities by 50% and building a new greenfield facility for pre-terminated solutions. All of this is backed by an annual capex commitment of around INR1,000 crores per year through FY '29. As you all know, currently we're at the intersection of three powerful multi-year investment cycles. Data centers, 5G and 6G networks, and fiber to the x.

Over the last few quarters, each of these cycles has only become stronger. Data centers remains the fastest growing driver for optical fiber demand. CRU recently upgraded its 2026 demand projections for this segment to 89% year-on-year, up sharply from 63% last quarter. This is underscored by acceleration of investments by hyperscalers and neo-clouds. With Morgan Stanley revising its 2026 forecast upward from $805 billion to $978 billion and projecting $1.5 trillion of investment in 2027.

On mobile networks, 5G adoption continues to scale rapidly, with global 5G subscriptions projected to reach 6.4 billion by 2031, and India alone accounting of 1 billion in the same time frame. On top of this 5G expansion, global 6G subscriptions are forecast to cross 180 million by the end of 2031. Looking at FTTX deployments accelerating worldwide, expanding from 157 million fiber kilometers in 2025 to roughly 166 million fiber kilometers by 2030. In the U.S. alone, more than 140 million new homes will be connected with fiber by 2030, backed by massive government initiatives like BEAD in the U.S. and BharatNet in India. Together, these three converging cycles create a structured long-term demand tailwind for optical fiber and connectivity, positioning STL right at the center of the world's next digital infrastructure buildout.

Moving on, Slide 10 delves into how the AI revolution and rapid data center expansion are creating a once in a generation opportunity for optical connectivity. Global data center capacity is expected to grow from about 82 gigawatts to about 219 gigawatts by 2030, with over 70% of the total demand coming from AI-specific infrastructure. AI is driving a fundamental step change in fiber intensity across three core dimensions. First is scale out, which appears between the racks. Fiber per switch rack has skyrocketed from 500 fibers in the cloud era to 12,000 in today's 72 GPU AI nodes, heading towards 16,000 fibers in the upcoming architectures. Next is scale across, which connects multiple AI clusters, buildings, and data centers so they can operate as one unified AI infrastructure. Every new site multiplies interconnects. Two data centers need one link, but six data centers need as many as 15 or more.

And finally, scale up, which takes place at the GPU rack level. As speed transitions from 400 gig to 800 gig and onwards to 1.6 terabit, copper hits its physical performance limits and making non making optical fiber simply non-negotiable. Together, these three dynamics present a structural step change in fiber intensity. With our Neuralis end-to-end AI DC portfolio, STL is uniquely positioned to capture this multi-year structural growth opportunity across the stack. Looking at Slide 11, let's look at India's infrastructure landscape, which is rapidly emerging as one of our most compelling long-term structural tailwinds. Looking at the capacity rollout, India's live DC capacity has reached approximately 1.8 gigawatts following a record 258 megawatt additions in the first half of FY '27 alone.

Over the next years, this installed capacity is set to increase nearly six-fold to almost 10.5 gigawatts by 2031. What makes this investment cycle particularly powerful is the breadth of commitment across the board. Hyperscalers like Google, Meta, Microsoft, Amazon are deploying tens of billions of dollars. On the other side, we have Indian conglomerates like Tata, Adani, and Reliance laying out

massive long-term capacity plans as well.

Over the last few quarters itself, we've seen massive new announcements coming from Meta and Reliance pushing forward with almost 3 gigawatts of development plans, to Australia-based AirTrunk, which is committing almost $30 billion across Maharashtra and Andhra Pradesh for overall 5 gigawatts of data center capacity. Adding to this momentum are landmark commitments like Adani talking about over $100 billion to build out 5 gigawatts of green AI data centers by 2035, This includes AdaniConneX partnering with CoreWeave to build a 240 megawatt campus in Navi Mumbai, which are powered by Nvidia's Vera Rubin platform.

Overall, a supportive policy environment with state incentives such as stamp duty waivers and 10 to 20 year electricity duty exemptions, power availability, and very importantly, the tax holidays extending into 2047, is further de-risking and accelerating this data center buildout. Every dollar of the data center capex has a direct multiplier on fiber intensity across DCI, metro, and long-haul networks. The next Slide reinforces how big telecom operators and the big tech companies from AT&T, British Telecom, and Airtel to NVIDIA and AWS continue to back optical fiber as the base of digital future across 6G broadband data centers and AI. The takeaway is simple. Fiber remains the core backbone of all digital infrastructure globally.

Now let's take a look at the global market context. We see a clear multi-year upcycle in global fiber demand taking shape. According to CRU, global optical cable demand has been upgraded again and is now expected to reach 851 million fiber kilometers by 2031, reflecting a strong 7.5% CAGR through 2031. Looking ahead, growth will be increasingly concentrated in North America and APAC ex-China. North America continues to be powered by AI-led data centers, DCI builds, and broadband rollouts, while India and Southeast Asia drive incremental growth across APAC ex-China.

In fact, CRU expects AI data centers to capture one-third of total volume share by 2030 in markets outside of China. Overall, this points to sustained multi-upcycle in fiber demand, with STL's focused markets expected to lead demand growth, with CRU projecting 15.7% CAGR in 2030. We're seeing a strong momentum in winning new business, and it shows clearly in our order intake. In the first half of FY '27, we secured orders worth INR32,000 crores, This is roughly 4 times the orders we won in the whole of FY '26.

The largest win this quarter is a new five year agreement with a potential value of $1.2 billion. It is with another global hyperscaler for AI-ready optical solutions. This builds on the $1.11 billion product award letter for optical connectivity that we announced last quarter from another hyperscaler. Together, these give us multi-year demand visibility with some of the world's largest AI infrastructure players. We're also winning across our other core segments. We have signed multi-year supply agreements with major global telecom operators for high-density optical connectivity and assemblies. In India, we've secured a significant optical cable supply contract with a leading telecom operator.

As a result, our order book today is well spread across customer segments, product categories, and geographies. More importantly, it gives us a much stronger visibility on our FY '29 Lakshya targets than what we had even when we announced it. On market position and attach rate trends, our global ex-China OFC market share increased to 9% in H1 FY '27, up from 7% in H -- in first half of FY '26.

Turning to optical connectivity, last quarter we shared that we aim to take our attach rate above 20% from this quarter onwards. I'm pleased to share -- I'm pleased to report that our attach rate has reached an all-time high of 24% in H1 FY '27, up from 20% in H1 FY '26, and this was achieved on a much larger OFC revenue base. We remain fully focused on driving this 25% and beyond for the

current financial year. This performance clearly demonstrates our strategic pivot towards selling higher value-added integrated solutions than standalone products, which is gaining strong traction in the market. Innovation continues to be a key differentiator for STL, and this quarter delivered strong momentum across all these fronts.

On key product developments, we strengthened our Neuralis portfolio with high-density pre-terminated fiber trunks, launched a pre -- a plenum-rated portfolio for inside data hall connectivity, and transitioned a hollow fiber cable into the first commercial pilot phase. On sustainability and next-generation technology leadership, our Chhatrapati Sambhaji Nagar plants transitioned to 100% green power, slashing our fiber carbon footprint by over 80%. We're very proud of this. A standout achievement this quarter was STL's recognition at the IAM's Asia IP Elite 2026 list.

IAM is the global benchmark of IP strategy, and this elite recognition confirms that our deep patent portfolio across glass chemistry, fiber geometry, and connectivity design directly positions STL as an indispensable technology leader in the global AI ecosystem. Our innovation engine is backed by deep IP portfolio of over 805 patents with 49 new filings this quarter and has been recognized through multiple global awards. These advancements reinforce our position as a true technology leader building future-ready capabilities for AI and cloud networks.

Turning to our product portfolio, we're making tremendous progress with Neuralis, our purpose-built portfolio in the AI era of data centers, which addresses two mission-critical needs: AI whitespace connectivity and high-speed data center interconnect, where fiber density, speed, and simplicity matter the most. The highlight this quarter is the launch of our pre-terminated trunk assemblies in September. For our customers, this means faster deployment, fewer issues on site, and data centers that come online sooner.

Put simply, they are factory-built plug-and-play installations. Every assembly is 100% factory tested and arrives ready to install with the latest high-density connector technology. Neuralis is emerging as a central nervous system of the modern data centers, built for AI and ready to serve what's coming next. By leveraging STL's full vertical integration, Neuralis enables faster deployment and massive GPU clustering. It reduces deployment complexity and accelerates time to service. Supported by local manufacturing in South Carolina, this launch strengthens our position with the U.S. hyperscalers and neo cloud providers.

Slide 19 highlights STL's leadership in the next-generation optical fiber portfolio. It directly addresses the optical physics demands of the AI DC era through three flagship technologies. Firstly, our G.654.E fiber is now fully commercialized and delivers 30% lower signal loss. Secondly, hollow core fiber, our HCF cable that offers between 30% to 47% lower latency, had transitioned into first commercial pilot phase. And finally, our award-winning multi-core fiber expanding data capacity between 4 to 7 times within the same footprint.

With successful real-world deployments of multi-core already underway in India and the U.K. alongside partners like C-DOT, IIT Madras, and Core. This portfolio firmly positions STL to power the high-density, ultra-low-latency infrastructure required for tomorrow's AI workloads.

Now, I'll hand over to Ajay to take you through the financials.

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
Thank you, Ankit, and thanks everyone for joining us today. I am happy to take you through our financial highlights for Q2 and H1 FY '27. If Q1 was historic, Q2 has raised the bar again. For the

second consecutive quarter, STL has delivered its highest ever performance across revenue, EBITDA, and PAT. This quarter revenue reached INR2,529 crore, representing growth of 145% year-on-year basis and 32% quarter-on-quarter basis. On an H1 basis, revenue grew to INR4,439 crore, up 116% compared to H1 FY '26. Moving to EBITDA margins, our operational EBITDA for Q2 FY '27 came in at INR685 crore, delivering 27.1% margin, a significant quarter-on-quarter expansion of 624 basis points. On an H1 basis, operational EBITDA reached INR1,082 crore at a 24.4% margin, reflecting strong profitability across the first half.

Note that reported EBITDA for Q2 FY '27 was INR846 crore, which includes a one-time net gain of INR161 crore from a U.S. tariff refund. Excluding this one-off item, our 27% operational margin reflects strong underlying fundamentals driven by higher capacity utilization, a richer product and customer mix, and an increasing share of high-value optical connectivity. Turning to profitability, PAT for Q2 FY '27 reached a record INR517 crore, driven by strong revenue growth, margin expansion. For the first half, PAT reached INR714 crore, up from INR14 crore in H1 FY '26, reflecting the strong operating leverage in our business.

In summary, these results demonstrate strong revenue momentum, expanding margins, and bottom-line execution, setting us up remarkably well for the remainder of FY '27. On the segment side, while telecom and citizen networks continue to be a core pillar, our data center segment shows strong momentum, contributing 33% in H1 FY '27, keeping us firmly on track towards scaling this segment to 50% of revenues in the current fiscal.

From a geographic standpoint, our revenue mix continues to reflect strong global momentum. North America shares stood at 61% in H1 FY '27, driven by robust demand across AI and cloud infrastructure, while Europe contributed 21% and rest of the world represented 18%. While North America remains our key growth engine driven by hyperscaler demand, Our presence across Europe and ROW gives us a strong global footprint to capture market upside. Moving to our order book, our open order book stands at record INR35,274 crore, up 4.6 times from INR7,687 crore at the start of this financial year. This reflects strong order inflows and the confidence our customers are placing on us through long-term commitments.

Of this, about INR3,021 crores is scheduled for execution in Q3 FY '27 and the rest over Q4 FY '27 and beyond. I want to highlight a structural change in how our revenue is built. Historically, a meaningful share of each quarter's revenue came from spot orders won and delivered within the same quarter. As our multi-year agreements with hyperscalers and telecom operators scale up, More of our revenue now comes from the scheduled backlog, and spot business makes up a negligible share. This is deliberate part of our Lakshya strategy. It gives us more predictable revenue, better capacity planning, and more stable realizations through the cycle.

On Slide 25, we have shared an abridged snapshot of our reported numbers for your reference. On the balance sheet, our net cash balance has improved to INR703 crores from INR483 crores reported last quarter, and we continue to be a net debt-free company. I am also glad to share that our strengthened financial profile is now reflected in our credit ratings. CRISIL has further upgraded our long-term rating to AA/ Stable from AA minus and reaffirmed our short-term ratings at A1 plus. With this, both CRISIL and ICRA now rate STL at AA/ Stable. Our disciplined capital allocation entails a mix of brownfield expansion, preformed fiber and cable capacity by 50%, and a greenfield facility for preterm solutions with a total capex of INR1,000 crore per year from 2027 to 2029.

Finally, on Slide 26, on Lakshya growth roadmap, w hen we unveiled Lakshya, we targeted revenue of INR20,000 crores in FY '29, about 4 times our FY '26 revenue, with an EBITDA margin of over

27%. The strong margin expansion we are delivering today, combined with the multi-year visibility from our record order book, gives us stronger confidence to raise the bar.

Accordingly, we are upgrading our FY '29 EBITDA margin target to about 30%, up from 27% earlier, while maintaining our FY '29 revenue target at INR20,000 crore. This performance underscores that we are not just growing, we are building a higher margin, highly scalable business for a long term.

With that, I'll hand it back to Ankit for an update on our social impact initiatives and closing remarks.

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Thank you, Ajay. Our CSR and sustainability initiatives continue to create deep-lasting and measurable impact across healthcare, education, and women empowerment, and the environment. And you will find the details in the presentation. We remain committed to achieve net zero by 2030, and this quarter our factories in Chhatrapati Sambhaji Nagar transition to 100% green power. Together with our commissioned green hydrogen and oxygen plants, we have reduced the carbon footprint of our core optical fiber by over 80% while maintaining zero waste to landfill and zero liquid discharge standards. This disciplined approach to governance and sustainability continues to be recognized and backed by CDP A rating and over 100 ESG awards to date.

Now, before we open the floor for Q&A, I'd like to step back for a moment. When we announced Lakshya in September, we set out an ambitious goal to become one of the top five optical connectivity players in the world. Two months into the journey, the goal is starting to show our results. We've delivered back-to-back record quarters. Our order book has nearly doubled, and our attach rate has reached an all-time high. The confidence from that comes from this performance and has allowed us to raise the FY '29 margin ambitions to above 30%.

The world is building infrastructure for the AI era and the infrastructure runs on optical fiber. With our full glass-to-gigabit integration, deep technology portfolio, and long-standing customer partnerships, STL is well placed to help build it and create it. We are proud of what we have achieved so far, and we remain focused on the execution. There's a lot of work ahead, and we're excited about it. We're excited about India putting India on the global AI map.

Thank you. I'll now hand over to the operator and open the floor to questions. Jai Hind.

Questions & Answers

Operator
[Operator Instructions] The first question comes from the line of Achal Lohade with Nuvama Institutional Equities . Please go ahead.

Achal Lohade - Analyst, Nuvama Institutional Equities
Yeah, hi team. First of all, congratulations on great set of numbers. So three questions, actually. First, with respect to the target Lakshya, INR20,000 crore revenue remained unchanged while the margin got upgraded. If you could help us understand what has driven this upgrade in the margin? Is it largely driven by the the connectivity aspect of the business or something else? And secondly is there any further scope for even revenue target upgrade?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Yeah, hi, Achal, thank you for your question. So I think what we've done for now is basically looked at the order book that we have and the improvements in our order book that we've showcased going

towards INR35,000 crores. So that's given us a source of confidence of how we see our performance going forward. And as we've shared, we've clearly been able to move our mix strongly towards the data center portfolio, which has higher margins. And we've also improved our attach rate. So combine these things and looking at how these are expected to grow going forward, this gave us confidence to improve our visibility from 27% to 30%.

So right now, that's the visibility that we have, and we continue to target the INR20,000 crores, and we continue to evaluate how our order book and execution is moving on our capacities, and then we can update on anything else in the future.

Achal Lohade - Analyst, Nuvama Institutional Equities
Got it. The second question is with respect to the order book. Are there more orders in the pipeline, the sizable orders etc.? How the order pipeline is looking like, if you could give some more color on that aspect especially from the North America.

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
So I mean, I would first put a caveat that we continue to work both with the telecom operators, neutral fiber providers, as well as data center companies. And as we shared in our readout, we're broadly looking at really focusing on long-term partnerships and more and more technology partnerships with these customers. So that's the majority of our conversations that are happening. We clearly want to also have a nice diverse set of customers, both from types of customers, but also geography of customers, and that's also what we've been working on.

So yeah, as we stand today, we feel confident. We continue to have conversations with other data center companies and telecom operators. And we're definitely looking at, as as we get a good sense of their requirements, as some of our capacities come up in the coming two to three years, how we can maximize further partnerships. That's something we're working on.

Achal Lohade - Analyst, Nuvama Institutional Equities
Got it. And lastly, if you could provide some color in terms of how the pricing scenario playing out on the cable and also on the preform and the fiber prices. Ideally in last couple of quarters how it is trended and what is the expectation one would have at this stage?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
So we don't comment on prices specifically. Broadly from our side, our focus has been more and more of the very high-end cables very high-end designs that we've been focusing on. And you would have seen we've launched some of these designed in the last few months as well. So as we move forward, more and more of our sales will be these high-end products, which all come under our Neuralis portfolio. And equally, our focus will be to some of our high-end connectivity products that we've launched, like CONCAT, like MMC connectivity, which are really at the cutting edge. More and more of our focus will be to supply those products into the market.

Achal Lohade - Analyst, Nuvama Institutional Equities
Got it. With respect to the raw material availability, there have been

Operator
Sorry to interrupt, Mr. Achal.

Achal Lohade - Analyst, Nuvama Institutional Equities
I'll call back in a minute .

Operator
Yeah.

Achal Lohade - Analyst, Nuvama Institutional Equities
No problem. Thank you.

Operator
Thank you so much.

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Thank you.

Operator
[Operator Instructions] The next question comes from the line of Rabindranath Nayak with Nirmal Bang Securities . Please go ahead. Rabindranath, your line has been unmuted. Please go ahead with your question.

Rabindranath Nayak - Analyst, Nirmal Bang Securities
Yeah. Am I audible?

Operator
Yes, sir.

Rabindranath Nayak - Analyst, Nirmal Bang Securities
Yeah, thank you for the opportunity and congratulations for a good set of numbers. Sir, two to three questions from my side. So first of all, we got a refund of around INR161 crores. And is there any further refund is expected? That is one question regarding that. And there is an impairment of INR39 crores, and there is an additional depreciation related to that, INR22 crores. What is that pertaining to? And why, despite the reduction in debt, and also the borrowing reduction and borrowing, why the interest cost has gone up by 15% YOY in this quarter?

The receivables have also gone up. So is it a big worry for us? And the final question regarding, if you can share something on what is the DC fiber contribution in this total revenue? And what is the contribution of attached rate revenue on the DC side in the contribution? So total, see, if I'm talking about INR500 crores of attached revenue in this, what is the contribution of DC attached fiber revenue in this attached rate? So if you can answer those questions. Thank you.

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
Okay. Hi, thank you. So firstly, on the refund, so there is a process through which we get all these refunds. Broadly, we have got refund of almost everything. There is a phase 3, which is going on currently, and there is a small amount which we have already applied for. So that depends on getting that refund. In relation to the impairment and the increase which you are seeing in depreciation, that is broadly related to one of our subsidiaries, which is Speedon Network. There we have taken the impairment to square it off in full.

On your question related to finance costs, so broadly, in order to make reduce our gross debt also, we have prepaid few of the loans which were due at a later stage, and there were some penalties

related to the prepayments which we have squared off.

Rabindranath Nayak - Analyst, Nirmal Bang Securities
Okay.

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
Going forward, we'll look forward to reduce the net finance cost subsequently.

Rabindranath Nayak - Analyst, Nirmal Bang Securities
Okay.

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
And that will be visible from Q3 onwards.

Rabindranath Nayak - Analyst, Nirmal Bang Securities
Okay. And about -- okay, the DC contribution, the data center contribution in fiber and also attach rate , can you please comment on this, please?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Yeah, we don't call that out specifically for competitive reasons. What we have called out is of our total sales, how much is coming from the DC segment. And a s we've also shared from our order book as well, you can get a good sense that a good portion of our order book also as we stand today, is from the DC segment, given the two deals we've announced. So hopefully that gives you some sense of of where the value and the margins are coming from.

Rabindranath Nayak - Analyst, Nirmal Bang Securities
Okay. And is the attach rate a part of the order book, or it is not a part of the order book? Attached revenue?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
So to summarize, we call attach rate related to our accessories business. And that also forms part of the order book which we are reporting on a quarterly basis.

Operator
Thank you, sir. The next question comes from the line of Dev Jatia with Seven Rivers . Please go ahead.

Dev Jatia - Analyst, Seven Rivers
Hi, Ankit. Congratulations to you and your team on a stellar set of numbers. My question is more macro in nature. There's a key debate in the U.S. whether the very high level of AI capex can be sustained if bond yields continue to spike, raising the cost for hyperscalers to continue funding this buildout through debt. Now, I appreciate our industry forecasts on fiber demand, but my question is more specific about what happens beyond FY '29. What level of annual global fiber demand growth or AI capex growth would be required for us to continue growing at a strong rate beyond FY '29?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Yeah, hi, Dev, thank you. Look, I mean if we just break it up broadly so far where our conversations with the data center companies, I think broadly there continues to be strong investments from the balance sheet. Even Meta announced its results yesterday and continues to be quite strong around

$140 billion in capex as an example. So, I think your point in terms of longer term, say '29, 2030 onwards. One of the things that we are seeing interestingly from the power side, for example, as a benchmark, is that there are contracts going out on the power side easily into '31, '32 and beyond.

So clearly there is a macro commitment and focus on the hyperscalers to continue to build this out at least for seven to 10 years, with fair level of clarity. And so equally, that gives us comfort as well, and also in our conversations, that these investments, certainly by the larger hyperscalers will continue well beyond 2030.

Dev Jatia - Analyst, Seven Rivers
Got it. Thank you.

Operator
Thank you. The next question comes from the line of Abhay Joshi with Baroda BNP Paribas Mutual Fund . Please go ahead.

Abhay Joshi - Analyst, BNP Paribas Mutual Fund
Hey, hi. Congratulations to team on the great sets of numbers. My first question is on the margin guidance. Of course, you have raised the margin guidance from 27% to 30% for FY '29. But if I look at the margin guidance earlier for FY '27, it was 23% when you delivered 20% margin. Now you are already at 27%. How we should look about the margins for the FY '27, if you can give the color? Because from past two quarters, we have been raising the guidance of FY '27. So just in terms of how we should look FY '27 as a margin per se.

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
So we would definitely like to perform or better, what we have reported in Q2 of this financial year. So the target of Lakshya aligns with the target of what we plan to or try to achieve from Q3 onwards. The reason for increase in margin consecutively is because there is a change in our business mix. A lot of revenue is coming from the data center segment, which is profitable than our normal telco business.

Abhay Joshi - Analyst, BNP Paribas Mutual Fund
Sure. But if I look at your H1 margins is already at 24%, which is higher than your earlier stated margins. So do we

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
23%, yeah.

Abhay Joshi - Analyst, BNP Paribas Mutual Fund
Yeah. Do we expect to deliver better than that? That is my question.

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
Yes, sir, this is what I'm saying. So we plan to deliver results which are in alignment with our project Lakshya, wherein we have already announced to increase it to 30%.

Abhay Joshi - Analyst, BNP Paribas Mutual Fund
Sure, fair enough. And my next question is on the order book. If I look at your -- the net new orders for this quarter, X of the the $1.2 billion contract we had, which is also very strong, INR7,000 crore plus number. So any breakup in terms of what will be the mix here? It is still the higher predominant

data center, or it is the mix of both DC plus telco?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
So outside of what we have shared, then we continue to secure long-term contracts with the telecom operators and also neutral fiber companies. These neutral fiber companies are effectively providing long-term leases and capacities, either to the telcos or to the data centers. So these could be large players in Europe or U.S. as well. And we also announced one large telecom deal in India as well, which is in the public domain. So outside of what we've announced, then we continue to have strong partnerships on the non-DC side as well.

Abhay Joshi - Analyst, BNP Paribas Mutual Fund
Just lastly from myself , what will be any guidance in terms of how much your attach rate will look at for these -- for to reach FY '29 guidance? Like currently 24, how much? Any targets for attach rate?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
No, I mean, I think, look, we've reached a good level now, and clearly we want to keep growing this top line quarter on quarter. So I think we're looking at that closely and more and more, as I guided, we want to sell more and more of our portfolio as a solution, be the cable and connectivity or the cable and termination. So that's what we're working on. We're also building a new greenfield site as part of our capex to increase our termination capability. So there's work going on in the background, but at a macro level, I think we've reached a good stage now, and we'll continue to work with our customers on new products and new solutions to see how we can grow the attach rate from here.

Operator
Thank you, sir. Our next question comes from the line of Aritra Banerjee with Nomura. Please go ahead.

Aritra Banerjee - Analyst, Nomura
Yeah, thanks for the opportunity and congrats for a very good set of numbers. So my first question was regarding this hollow core and multi-core fibers. So by when do you think these can be fully commercialized? And on the industry side, by when do you think the industry applications for these hollow core and multi-core fibers will become mainstream, or at least in the U.S. going forward? If you could provide some color on that, please.

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Yeah, so I think, look, firstly, I'm quite proud. As an Indian company, we've built the hollow core and multi-core. We've also done some trials in the U.K. for multi-core. Most recently, we did a trial for the hollow core as well in in India. So that's something that we are also working on. I think one thing to understand also is not only are there challenges in the manufacturing of it, there are significant challenges for the entire industry around the installation and maintenance of these networks.

So I think those are some of the areas that as an industry, we're all working in partnership to solve for. The performance on the network is very real, very tangible. The latency improvement is anywhere between 30% to 40%. And on the case of multi-core, for effectively the same diameter, you're almost getting 4 to 7 times more capacity. So, it's clearly very, very valuable in various network scenarios. So we definitely are bullish about the growth of these technologies, but I would say that probably it'll be in the timeframe of another 1.5 to 2 years where the scale of these starts improving.

And we are also actively working both internally to improve our production capabilities, but equally with installers and customers to make sure that these can be deployed successfully and ultimately be scaled up in the field.

Aritra Banerjee - Analyst, Nomura
Understood, sir. So my second question is regarding the payable days. So that has seen a very sharp fall over the -- in the past few quarters. So just wanted to understand, is this a level that this will stabilize, or can we expect further reduction going forward? And what were the reasons for the drop in the first place in the payable days?

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
You see, broadly you need to link it to our net working capital days, which has increased slightly in Q2. Broadly, we aim to remain in the range of 45 to 50 days of net working capital cycle. Currently, this is a supply constrained market, so a lot of materials which we have to buy, the payment terms have changed. We broadly expect it to remain stable going forward. Equally, at the same time, we are working a lot on improving our debtors and the inventory levels, which will be reflected from next quarter.

Operator
Thank you, sir. Our next question comes from the line of Dhruv Sitlani with Yamora Capital. Please go ahead.

Dhruv Sitlani - Analyst, Yamora Capital
Sir, thank you for the opportunity to interact with the management today. Firstly, congratulations on a stellar set of numbers and commendable execution. I have a couple of questions I would like to touch upon. My first question is, what was your average utilization for the quarter, and by when do we expect to get full utilization for the current capacities?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Yeah. So thank you for your question. We've not been sharing specific numbers at least recently. Broadly, what we've been talking about are some of our constraints around some of our raw materials. We've talked about things like germanium, helium, etc. So happy to share that we have seen an improvement in our ability to procure our raw materials. We've also seen an improvement in being able to diversify in some of our key raw materials. So overall, as a result of this, our utilization continues to improve quarter on quarter.

And clearly we're in this important period where we are improving our utilization. At the same time, we want to start executing some of our capacity projects and bringing those online in the next few quarters.

Dhruv Sitlani - Analyst, Yamora Capital
Okay, thank you. That is really helpful. My second question is that our company seemed to be at AI DC cloud share of 40% to 42% in quarter two, and our peers seem to already be at 65%. By when do we expect to get at those levels?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
So, I would put it slightly differently. For us what we're very, very focused on is securing long-term contracts and making sure whatever we sell is through long-term partnerships. The second part is, rather than anything that is sold on a -- anything that is commoditized, low-end fiber or cable, that

we are reducing that significantly. So more and more of what we sell into the market will really be at the high end of the specs, whether it's in India, Europe, or the U.S..

So that's really what we're focused on. I think broadly we've guided that we feel confident that our DC share will be closely close to around 50%. And then I think by design that's something that we're driving, that it should be in this 50% to 60% share because we also want to have a good mix of customers both from a geography perspective as well as customer base.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Rahul Agrawal with Everflow Partners. Please go ahead.

Rahul Agrawal - Analyst, Everflow Partners
Thanks, Ankit, and congratulations on those spectacular set of numbers. My question pertains to the attach rate for the business connectivity solutions. Some of the global peers are north of 100% on attach rate. From a longer-term perspective, where do you see the trajectory on the attach rate possibility for us?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Yeah, good question. I think we've been talking about this connectivity portfolio for several years. If you just reflect on how our journey's been, we even acquired a company called Optotec in Italy. We scaled up from there. Then we launched some products, particularly for the U.S. market. Like CONCAT and others recently. And most recently then we started working with the hyperscalers and data center companies to increase our terminations of the cable and provide the full Neuralis stack.

So this has been the journey. Very proud of what we've achieved in a fairly short span. I think some of our global peers have been in this industry for a very, very long time. They are well-established. Manufacturing, they're well-established. Technology , IP, and even the installers and others are really well familiar with their portfolio. So this is the work that we are doing. It's not just about capacity. A lot of it is innovation and co-development with the customer, building things that are customized for their future requirements, not necessarily for today.

So this is something we're very proud of. This progress that we've made is truly remarkable in a fairly short period of time. And clearly we see and understand and respect the benchmark of our global peers. And certainly we would also like to improve our attach rate quarter- on- quarter. But as you can appreciate, a lot of this takes time because it involves a lot of product development and core development. And at some level we have to bet on some future technologies. And that's where we talked about 2% of our R&D, which you can as you can imagine year-on-year will start becoming quite meaningful. So that's how we are focused and look forward to scaling this up with really next generation technologies coming up.

Operator
Thank you, sir. The next question comes from the line of Gopal Krishna with Motilal Oswal. Please go ahead.

Gopal Krishna - Analyst, Motilal Oswal
Hi, sir. Congratulations on the strong results and the [Indecipherable]. My question here is given the recent delays in U.S. in global AI and data center projects, do we see any risks to the delivery timelines of our INR35,274 crore order book or customers procuring as planned?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Yeah, thank you. I mean, look there's three, four things, right? Like one is broadly, I think we're obviously watching the interest rates. We're looking at the balance sheets and what is the cash position of some of the hyperscalers. But also we have to be mindful that there are some local execution challenges around land, power, water and other local opposition.

So I think at a macro level, the investment plans continue to grow and scale up. But there will be execution challenges from time to time. The customers, hyperscalers, also looking to diversify both across the U.S. but also in geographies like the Nordics. Of course, in India we're seeing an expansion, Australia, Mongolia. So I think data center companies are also looking to diversify again with that same ambition of being able to rapidly scale up. I think the macros continue to be the same. There is genuinely a race for adding capacity and with our customers, a good portion of our conversations are around how can we help them and innovate with them to help them speed up their installation, make it error-free and first time right.

So we haven't seen any changes in our conversations, but really it's a unique opportunity for us And again, as an Indian company, to be out there working with them and solving some of their execution timelines.

Operator
Thank you, sir. The next question comes from the line of Sunny Gosar with MK Ventures . Please go ahead.

Sunny Gosar - Analyst, MK Ventures
Yeah, thanks for taking my question, and congratulations on a strong performance. My question is more on the medium to longer term, and in continuation with one question asked by the earlier participant as well. So historically, we have seen optic fiber go through cycles, and, like there are like lots of variations in pricing environment, demand, supply. And this cycle seems to be, at least for now, slightly longer with better visibility. But how are we thinking about our business from more FY '29 and beyond perspective? Are we looking at new areas to diversify the business into something like lots of global peers are doing different things with glass technology. So how are we generally thinking about diversification, or is there anything on the horizon broadly?

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
So look, I mean Sunny, at a simple level, first, in the near term, we're doing everything to secure and make sure that we are stable in terms of our performance, which is looking at long-term contracts with tier 1 customers on the telecom and data center side. And that's something we'll continue to focus on. Second is, I would say, a pretty significant focus on R&D. And this is a big focus for us, building the right team and product portfolio, making some strong bets of where the connectivity will move along with the latest stacks of where Nvidia and everything is going.

And then I think the third part is really making sure that our balance sheet is healthy where we have a strong net cash position to make sure that we're able to sustain the future. And I think, coming to your question of more longer term, we have, as you can imagine, over the last three, four years been through a certain phase where we've actually significantly reduced our focus from non-core areas, where we were looking at wireless and various other things.

I'm very happy that from a focus that we brought into the cable and connectivity and now into data centers, it's been a very focused effort of our team and our technology efforts to get to here. Having

said that, certainly we do see that there seems to be strong tailwinds into the future. We have very, very strong technology, glass technology, I would say amongst the best in the world. So we'll continue to evaluate over a longer period how we can utilize these glass technologies.

But I would still say that in the kind of short-term to medium-term, we're very much. We want to be damn good at what we do. And the mission to be top five in the world in where we are requires a lot of focus, just being very, very close to the customers and building some really next-generation technologies for them.

Operator
Thank you, sir. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Rahul Darak - Head of Investor Relations, Sterlite Technologies Limited
Thank you everyone for taking time to hear us today. We truly believe STL is well- positioned to play a pivotal role in building digital infrastructure for the future, and we remain available to take any of your follow-up questions. You may reach out to us at our official email ID, investors@stl.tech. And once again, thank you. We remain grateful for your continued support.

Ankit Agarwal - Managing Director, Sterlite Technologies Limited
Thank you.

Ajay Jhanjhari - Chief Financial Officer, Sterlite Technologies Limited
Thank you.

Operator
[Operator Closing Remarks]