



“Schneider Electric Infrastructure Limited Q1 FY2022 Earnings Conference Call”

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LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Schneider Electric Infrastructure Q1 FY 2022 Earnings Conference Call, hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you and over to you, sir.

Harshit Kapadia: Thank you, Billal. A very good evening to everyone. On behalf of Elara Securities, we welcome you all to the Q1FY 2022 Earnings Call of Schneider Electric Infrastructure Limited. I take this opportunity to welcome the management of Schneider Electric Infrastructure, represented by Mr. Sanjay Sudhakaran –Managing Director; Mr. Mayank Holani – Chief Financial Officer and Mr. Vineet Jain – Head Investor Relations.

We will begin the call with a brief overview by the management, followed by a Q&A session. I now hand over the call to Sanjay sir for his opening remarks. Over to you, sir.

Sanjay Sudhakaran: Thank you very much, and good evening to all of you. It's a pleasure to be with you this evening. And my name is Sanjay Sudhakaran; I am the managing director for Schneider Electric Infrastructure Limited. And it's a pleasure for me to take you through some of the highlights of our organization, how the quarter has been, and what we feel of the economy going forward.

If it's okay with all of you, I would like to go straight to Page #3 of the presentation, which is a quick snapshot of the economic highlights of India during this period. As you can see that we came out of a very difficult financial year, a year that was unprecedented. And we had never imagined a year to be so dramatic in terms of the pandemic and the implications that it had on the economies, lockdowns, and all of it. We were expecting all of that to be behind us and we were expecting that there could be a good amount of pent-up demand in the economy, which would come back to us favorably as we go into the year. Some of this partially materialized; however, it was also kind of dampened a little bit by the second wave of COVID which began to hit us this quarter that went by. And some regional lockdowns and implications, and I think probably the severity of the health crisis was even much larger than the first wave. However, I think the economy is more resilient, demand is coming back. And we are hoping that the impact of this lockdown will be minimal, and we will be able to recover as we go forward into the quarters in this year.

So, that's the brief outlook that I have on the economy. I will go to the next slide, which is Page #4, and give you a snapshot on how we see our end markets.

As you all know that we have four critical segments, Power & Grid, Transportation, Minerals, Mining & Metals, and Oil & Gas, these are the segments that we term as electro-intensive and has the most run away for our products and services here.

Power & Grid continues to be resilient; I would say there are a number of reforms that are being announced here. There is a big thrust on renewables. India is one of the few countries that are well on track to execute on the Paris Agreement. Our plans of having almost 450 gigawatts of renewable energy installed by 2030 seems to be something which the government is totally committed to. There is privatization happening, there is a big thrust to cut losses in transmission and distribution, introduction of smart metering and digitization projects to enable that. So, all these are very good lead indicators. Though the sector was a little bit plagued due to the COVID wave, the second COVID wave, and the projects were slowed down, you had certain situations where the government spending on healthcare had to be increased, and that sort of saw less funds being diverted into this particular segment and you had a kind of sluggishness in the progress of the projects. But I think this is all coming back, because these are very clear backbone that the country is dependent upon.

On the Transportation side, there are a number of projects that have been announced in terms of urban transportation, bullet trains, high speed trains, and corridors, etc. All these are expected to close; these projects are expected to close in terms of orders for us in the quarters going forward. So, we see a good traction on this segment as well.

Minerals, Mining and Metals, we were kind of having a feeling that the results could be mixed here. However, we see good amount of CAPEX in this particular segment, we have cement capacities being ramped up, steel capacities being ramped up, a number of sustainability driven initiatives in this particular sector, in line with the sustainability goals of the corporations being introduced, and that sort of kind of has picked up the demand here. We see good orders here and we see good orders going forward as well.

Oil & Gas as a sector remain cyclic and the demand is not expected to pick up in a big way during this year. Demand will remain muted and there will be a shift towards renewables as we move forward.

In addition to this, I think the Building segment demand will remain muted because there is not much thrust on return to offices. So, there will be a kind of a slowdown on the building's market. However, there are certain sectors within the buildings market like hospitals and data centers, which are expected to give us good returns. And we are continuously invested on these segments as well.

So, I will now go on to Page #5, that is just to articulate once again our strategy and our commitment to our long-term strategy, which is to lead by software, which is more digital, concentrate on more services and recurring revenues, increase our coverage across India through our licensee partner models, accelerate our resilient segments, and introduce greener products into the market, which is our contribution to the sustainability journey of the country. So, these are our key strategy priorities, and quarter after quarter we ensure that we will remain committed to these particular initiatives.

Going to Slide #6, just to bring about a flavor of how we are going ahead and executing our strategy. Leading with software, I spoke about it as one of our key strategic priorities; we continue to stay invested here. Here is an example of an atomic R&D center in Vizag that we have just completed. It uses our EcoStruxure for grid platform, which is the EPAS platform to be able to provide instant fast load shedding to the customers. We work very intricately with the customer connecting all their medium voltage products and providing them with the relevant software interface to be able to take informed decisions.

I will go on to Page #7. Here again, we would like to highlight the connected product story. We have sold almost 99 AIS insulated panels to a customer in the Power & Grid segment, which is primarily a connected product with temperature and humidity sensors and numerical relays. Another example of how we are taking our digitization journey forward.

I will go on to the next slide, which is Slide #8, our commitment to more services. Here is an example of how we are serving a leading government hospital chain by providing them with remote diagnostics on the electrical powertrain, 24/7 monitoring and predictive maintenance, so that they are able to again take informed decisions well in advance and bring down the pressure on their infrastructure as far as people intensity of maintenance goes. This also leads to lower operating costs and makes sure that the hospital invests in areas where they are supposed to invest, which is patient healthcare and experience rather than in maintenance.

Going forward to our story on increased coverage and our licensee partner program. Here is an example of how our partner in Kolkata turned around a hospital for the government within eight weeks to be able to meet the pandemic pressure that it created on the healthcare infrastructure. So, having more empowered partners, licensee partner products which are licensed by Schneider to them, helps them in making sure that we serve our customers with agility and speed. And we intend to ramp this program even further going forward.

I go to Slide #10. Here we talk about our connected product story. So, in the quarter that went by, we launched three more connected products, which is the connected FBX, the connected transformers, and you also lost the Easy Pact, PIX Rof, which is another connected product. So, I think we continue our journey towards digitization as far as new product launches are concerned as well.

With this, I end the update on the strategy. And I will request Mayank Holani, CFO for Schneider Electric Infrastructure Limited to take us through the financials of the organization. Thank you.

Mayank Holani:

Thanks, Sanjay. So, Slide #12, to the market continues to be uncertain, and as you know, we all need to adapt with the new normal. So, Q1 of current year was impacted by COVID-19 and selective lockdown during April, May, and even in some places in June. Few customer sites were closed and many other customers and EPC contractors were facing liquidity challenges also. And we continue to be cautious in order booking and especially in terms of securing our cash and margins, maintaining the right level of margin. For outside group, order intake for this

quarter stood at around Rs. 2,900 million or Rs. 290 crores, which is up by about 16% over same period last year. And considering current market, we feel it is a reasonably good growth in order.

Now, moving on to sales. We have seen a strong comeback in execution and which is rather more impacted due to the lockdowns because of the site issues and the restrictions on mobility. Still, we had a growth of about 38.6% versus last year same quarter. And this value has mainly come obviously due to the low base impact of last year because April was the mainly impacted in previous year. So, still we have a growth of 38.6% on the sales part and we just come primarily from systems and projects.

Moving to we want to next slide on P&L. Overall, the performance in terms of our profitability is aligned with our strategy. We are focused on margins and cash, and we will continue this journey. The quarter was bad in terms of raw material price movement and the impact on commodity; mainly the commodities which are used in our products like copper and steel have been impacted by the inflation. And their prices have increased significantly. We continue to monitor it closely and proactively approach with all our customers and trying to mitigate those exposures. So, we are working on getting the price amendments wherever required and possible. And still with this, our EBITDA margin improved by about 3.9 points, and is at almost at a breakeven level. And another, if we look at it in perspective, the margin level is the same level as the previous year, the full year, or the quarter four of previous year, this is close to that level or even slightly better. So, we are in the right direction.

I close here, and we will leave the floor open for questions and answers. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Anuj Jain from Globe Capital Markets. Please go ahead.

Anuj Jain: I wanted to know your view on this smart metering kind of thing, how is the government push on this particular thing? And pardon me, because I joined the call a bit late, so if you would have given some light on the same earlier, please repeat for me. So, what is your view on this smart meter thing and how big this opportunity is? And how we are ready to grab this particular opportunity?

Sanjay Sudhakaran: We did touch upon it briefly in terms of the Power & Grid sector as I was doing my presentation. The key aspect here is, the government is very, very keen on driving reforms in this particular sector of power distribution. So, there is a very strong mandate to cut distribution losses, and one of the first areas in cutting distribution losses is to have good measurement. And at the same time, the government is committed to providing consumers with good quality power and 24/7 uptime. So, I think these are some of the thrust areas in the policy and reforms which are leading to the smart metering growth. Now, smart metering growth does not really come only with meters growth, it comes along with software growth as well. Because at the end of the day, when you are installing such large number of meters with consumers, what you need is an interface that can not only measure what's going on, but it can also give you diagnostics and tell you fault

protection and things like that in advance so that you can take corrective actions. So, software is going to be a very key aspect of this group as well. And as you know, we are well poised in this area of software. We have done projects like smart cities of Raipur etc, with advanced metering softwares, which is called the ADMS, which is the Advanced Distribution Management Systems. We have the know-how, we have the technology, and we feel that this provides us with a good runway as far as opportunities of projects as well as the recurring revenues of annual maintenance contracts are concerned.

Now putting a value to this opportunity is kind of difficult because this is going to be a multi-year deployment plan, and such things are not that easy to implement in a country of our size. So, I think as these opportunities come up, we will be able to quantify them. There are a number of such in discussions with the DISCOMs. And the specifications are being frozen, the RFPs are being created, but I think it's hard to put a number on to it right now.

Anuj Jain: Okay, sir. And any plans of raising any capital? I mean, any plans of raising capital in near future? If you would like to touch upon this thing.

Mayank Holani: See at this stage, there is no plan for next few quarters. As soon as something comes up, we will let you know.

Moderator: Thank you very much. The next question is from the line of Viraj Mithani from Jupiter Finance. Please go ahead.

Viraj Mithani: I have a couple of questions; the first question is about the raw materials. When I see this number, how do we plan to mitigate the raw material inflationary pressure in days to come?

Sanjay Sudhakaran: So, on the raw materials, what we would like to highlight is that we have a very strong governance system thanks to the processes of Schneider Electric globally. We have been kind of getting alerts well in advance, highlighting the raw material impact. And we have been taking proactive actions to price up in line with the RMI increase that we have been seeing on different commodities. So, we have kind of on the future-looking contracts, we have managed to price this up and pass on these commodity increases to the market to the best of our ability. Now, you can see that there is another impact of the commodity increases on the backlog. So, on the backlog we have been carefully studying all our contracts. Some of our contracts do have variable pricing clauses incorporated in them in line with the EMA which exists in the country. And we are able to pass this on, but this is a small portion of the contracts.

The second part is of the contracts which are expiring, the contractual obligations are expiring for the orders in the backlog due to whatever delays in sight and execution and things like that. Here we are going back to the customers and renegotiating our contracts or even cancelling them from our backlog in case it is not viable. So, we have been taking very strong actions as far as mitigating the commodity risk is concerned.

Mayank Holani: And just to add to this, what happens based on the forecast which we get from our global teams on a monthly basis, we keep revising our costing for the fresh tenders or quotes which we are

giving, so that our risk is covered. And also, if you see, even with this kind of raw material inflation, the numbers you see, we don't need to go by the exact comparison. The last year's quarter one comparison is not right because due to the lockdown and all the mix had changed. But if you look at this is this quarter's mix, it is more or less similar to the full year mix or even the January to March quarter mix. And this material cost percentage has actually improved. So, it's better than the last year full year metal cost percentage, and even better than the January to March quarter. So, even in spite of all these commodity inflation, we have been able to improve the margin from that side.

- Viraj Mithani:** And sir, this employee benefit expense is because of VRS it has gone up?
- Mayank Holani:** No, that VRS thing comes into the exceptional. So, what happens is the employee cost last year in Q1 when the pandemic hit and the lockdown times, there were certain tactical actions taken for cost saving. So, now those are coming back, and then also there is some impact of the salary inflation which has come and which the total takes it to higher, much higher than the 11.2% increase which you see, which the growth is partly offset by the savings due to the structural changes which we did in last year. So, the impact of whatever VRS and all we have done, the running cost savings are coming in this year.
- Viraj Mithani:** And other expenses I understand is exchange contracts and all which has gone up by Rs. 8 crores, Rs. 9 crores.
- Mayank Holani:** So, other expenses, there are multiple factors. So, there are certain expenses which are linked to the volume, like power and fuel, which is directly or not maybe 100% proportionate but partly linked to the volume. And then there is FOREX impact, then the travel was higher, like last year there was almost no travel in Q1, this year still there was travel going on because business was running so people were travelling in urgency. So, there are multiple factors in there.
- Viraj Mithani:** Okay. My next question is, our competitors like ABB, ABB Power, they have been very bullish on data centers, Railway, cyber security, and power distribution. Do we see any traction in this industry in India or can you give some color on that?
- Sanjay Sudhakaran:** Yes, for sure. I think we I spoke about it in my opening remarks as well. If you see, the data center industry in India, we can be extremely bullish about because of the fact that there's a twin effect here, one is the fact that there is an explosion of data, primarily driven by work from home and all the digital gateways and digital ways of working and payments etc is concerned. The second is due to regulation, wherein the government has mandated that data for the country should rest within the country and should not rest on cloud elsewhere. So, you can see that there is a huge expansion in data center segment and you will see the benefit of that coming into the Schneider Electric Infrastructure business also as we go along in these quarters.
- Viraj Mithani:** Regarding Railway infra electrification, we don't have any part in that, am I correct in understanding that?

- Sanjay Sudhakaran:** No, we have, we have we have some good products like locos which are especially used in urban transportation such as metros etc, and high-speed trains. So, I also spoke about this as one of the segments where we are poised very well for this year in terms of the projects and the pipeline etc. We expect to do very well on the transportation side in terms of urban transportation specifically, like metros, and high-speed corridors and things like that.
- Viraj Mithani:** And sir, about our data centers where do we fit in, like what kind of offerings comes into it if you can just give us some color on that?
- Sanjay Sudhakaran:** Yes, sure. I think data centers are also pretty much electro intensive, if you see the kind of data centers that are being built in India now. The scale is increasing day by day and you can see more and more COLO investments coming into the country. You would have read about Yonder coming in with a private equity firm in India, you must have heard about companies like NTT, Yota and all expanding. We have certain market intelligence about Microsoft and other players also setting up large data centers in India. And data centers is also highly electro intensive because they need to be powered. So, you can see that you have this entire train of medium voltage products which will go into the data centers. In addition to that, you have a software play because data centers are highly sensitive to uptime. So, you need a 24/7 operations, some redundant operations, and things like that, and have to be controlled by software. So, there is a software play in it which we see as a very large opportunity, and multi-year of service revenue business which comes along with software.
- Viraj Mithani:** That would form a part of our medium voltage offering, am I correct?
- Sanjay Sudhakaran:** Yes, that will be the automation of the electrical network, both low voltage and medium voltage put together, we will automate the network and that will help the customer in terms of informed decisions and predictive maintenance etc.
- Viraj Mithani:** Sir, ABB Power for example, has Lambada platform for electric vehicle charging, do we have any sort of offering from our parent in this? This company has any play on this in this EV segment in future.
- Sanjay Sudhakaran:** Our play on the EV segment in India would be around the electrification projects, we have not right now embarked upon the charging equipment as such, but we are actively pursuing opportunities on the electrification and automation space. What is going to happen due to this rapid increase in EV charging is that you are going to now have many charging stations which are in parking lots, which are on the highways etc, which will use a mix of energy, they will use a mix of grid energy as well as renewable energy like solar. So, we will be moving away from a centralized generation and transmission of power to a more distributed network. What this will do is it will add complexity to the grid. And as the grid becomes more complex, you will need more softwares, like the ADMS software that I was talking about, to manage the grid. And this is a good example opportunity for Schneider as it has made a number of acquisitions recently also in the space, we talk about ETAP and things like that which have good software offerings

which will be available to our company to kind of promote in the market for our consumers as well.

Viraj Mithani: And sir, just last two questions. What are the low hanging fruit in this sector, which you can see Schneider would be benefiting coming next two years?

Sanjay Sudhakaran: On the EV charging?

Viraj Mithani: No, EV, data centers, railway electrification, solar power, distribution by the Government of India, where we see our traction in next coming two years in terms of the low hanging fruits? Others, I guess would take a little bit of a medium term to growth. Where do you see the traction happening in the next two, three years, if I have to ask you?

Sanjay Sudhakaran: See, like we spoke about, we see actually traction in all areas, it is not just a single area I can name because we talked about reforms in the Power & Grid segment, we talked about the rapid investment in urban infrastructure on transportation, we spoke about data centers and the complexity that it brings along with software. We spoke about EV charging and the opportunities that it is. So, I think the entire electrification story of India ties into the twin areas of electrification and digitization going forward, which represents a very good opportunity, I would say. It's hard to call out a particular sector to say that this is a low hanging fruit. I think, all of these we are well poised to take advantage of.

Moderator: We move on to the next question, that is from the line of Manish Goel from Enam Holdings. Please go ahead.

Manish Goel: Sir, just would like to carry forward on the on the DISCOM side. So, it's been a long wait, and do think now that from the government side in terms of cabinet approval and other things, most of the things are done and now the ball is in hand of SEVs or the implementation partners? How do you see, when do you see that inflection point coming in and on-ground implementation improving? Also, related question is that I just want to get a sense that now I think we probably see a different mechanism where we will have players offering integrated solutions, like EESL coming in and then offering solutions on basically monthly rentals and things like that. So, for you, who would be the ordering source? And just want to get a sense, how do you see this evolving?

Sanjay Sudhakaran: So, this market is going to evolve, like you said, there will be people like EESL coming in, there will be some software majors who will be coming in because a lot of it would be very similar, what you call, as an ERP implementation process. So, there would be large ticket software players entering this market on the end-to-end digitization. So, all of these could be our customers, our partners, it's not that we are going to do all of this alone, we are going to do this in collaboration with people and the nature of our customers would change, the nature of our partners would change. Some of them would be our strategic partners, while some of them would be our customers. So, I think there's a whole lot of mix that is possible here.

- Manish Goel:** Okay. So, there could be a possibility that we could be part of some consortium and probably look to offer the solutions?
- Sanjay Sudhakaran:** Absolutely. That's how we are going about doing it as well. See, we stick to our core expertise, which is the software platforms. We understand the electrical network, we have the global R&D expertise and software and the solution architects available with us. So, we have experience of doing these projects elsewhere. So, we are open to partner with anybody who has the scale to implement such a project in India. So, I think the landscape has changed in terms of the customers.
- Manish Goel:** And have we started seeing any inquiries, or you expect that it will still take some time?
- Sanjay Sudhakaran:** No, no, we are seeing inquiries and we are actively working on good prospects in this particular area.
- Manish Goel:** Okay. And sir, like in your initial commentary you mentioned that we expect demand to come back and hope to recover lost ground. So, like, would like to get some sense as to what is the intensity of the moment? Like, are we really seeing very strong momentum building up and then we probably on a full year basis we should start seeing double digit growth for us?
- Sanjay Sudhakaran:** So, I would like to comment only on the end markets. I wouldn't like to comment any forward-looking statements on our performance. I would like to say that the end markets are kind of mixed as I mentioned. It also depends upon the health situation in India, the COVID crisis in India, how it pans out in the next few quarters. But we are seeing some very good demand coming back like we spoke about the MMM, Minerals, Mining & Metals industry coming back very strongly, the transportation sector coming back very strongly. And we also feel that with all these reforms and thrusts, I think the power & grid sector should also come back strongly. We spoke about good traction on the data center side, and there the expansion goes on, irrespective of whatever happens on the crisis side and lockdowns, etc, because those projects keep getting executed because you can't stop the work on the data. So, I think all these things should give us reasonable confidence that the things should pan out well in the next few quarters. However, second COVID crisis has taught us that it's hard to have a crystal ball to try and understand what goes forward. So, I think that's the cautious optimism that I would like to talk about.
- Manish Goel:** Sure, sir. And I would like to have some bookkeeping questions if you like, in terms of the breakup of order book, order inflow and revenue shares, like always we share for the quarter.
- Mayank Holani:** So, our order growth, as I told you, it is about 16%. And just to link to your question on the momentum, so even in January to March quarter we had a growth of about 12% on orders, and in the June quarter growth of about 16% comes on a reasonable normal base of previous year, so the order booking was not impacted in previous year and even last year we had about 11% growth in orders. So, that way we can say the orders momentum till now has been there in last two quarters, because last year in September quarter and December quarter, we had seen orders

coming down. So, we hope that this momentum continues. Now on your breakup, our orders in this quarter, about 57% is equipment, 4% projects, 25% transaction and 14% services.

- Manish Goel:** Okay. And within order inflow, can you also give me what was IG part also?
- Mayank Holani:** IG orders in this quarter were 658 million, while last year Q1 it was only 43 million.
- Manish Goel:** Okay. And can you please share the order book, what is the order book and what is the breakup.
- Mayank Holani:** So, order book, our backlog as of June end is about 8,170 million, versus Rs. 7,507 million at the end of March.
- Manish Goel:** And the breakup?
- Mayank Holani:** Breakup is, as of June end, systems 70%, transaction 19%, and equipment 53%, projects 17%, transaction 19% and services 11%.
- Manish Goel:** Okay. And the last piece on the revenue share, what is the IG and then between systems.
- Mayank Holani:** So, the revenue share of IG is 25%, and equipment is 42%, 7% projects, 17% transactional and 9% services.
- Manish Goel:** That does not add up. Can you please repeat, systems and equipment is how much?
- Mayank Holani:** 25% IG, 42% equipment, 7% project.
- Manish Goel:** Okay, got it. So, IG is mostly systems only, so that is how I calculated.
- Mayank Holani:** No, IG and services is also there, so IG is a mix of services and equipment, mostly.
- Manish Goel:** Okay. Because usually always you give the total revenue breakup in systems, transaction, and services, so got confused.
- Mayank Holani:** Okay. You can take at 74%.
- Manish Goel:** Okay, wonderful. And last question, what would be our debt position as on June.
- Mayank Holani:** See, the balance sheet is not reported as of June end.
- Moderator:** Thank you very much. The next question is from the line of Parimal Mithani from Credential Investment. Please go ahead.
- Parimal Mithani:** So, I just have two questions basically. Earlier we had a lot of hurdles or headwinds to our business. Now, since your call you have been saying we got tailwinds to our business. And how do you see going forward, because it's been a long wait for us to get this comment in terms of tailwinds, how do Schneider going ahead in next few years in terms of major things like micro grids, EcoStruxure? And also recently, one of your parents acquired a company called Applied

in U.S., which is in terms of clean energy software, and how do you see we playing a part in those in terms of three players in the field, like ABB, Siemens, and GE, which is to some extent there? How do we see the road ahead? Could you throw light on it because it's been a longer waiting for us.

Sanjay Sudhakaran: Sure. I think, to be very honest, we do seem to have good runway of products, technologies, and software in the pipeline with us. And like you have been saying, the wait has been long, it's always the case, because we have to move, ultimately you can execute only as much as the market reforms. So, the market reforms and the segments that we are talking about are reforming, and people are seeing the benefit of digitization and the adoption of software is definitely going up. So, you can see those benefits coming back to us in the years as we go forward, because we have developed a very good management team, capable of serving our end markets, focused on our end markets and segments very, very well. And we have a good installed base and we are serving those customers as well through services and connected products and diagnostic services. Now, I think the stickiness, we have built the infrastructure around the stickiness as well. So, we should see those benefits coming in. And I am sure we will be able to keep pace with the reforms that are happening in each of these sectors. Now, Schneider, as a group is very much committed to software. So, you can hear about a number of acquisitions that are being made in the global space as far as softwares are concerned. And some of these softwares are very relevant and useful to us in our digitization journey for this organization as well. So, we will have access to those technologies going forward as well.

Parimal Mithani: If you can throw light on EcoStruxure, which is, I think, one of the flagship projects of software, how does it help us and it makes us understand it a much better?

Sanjay Sudhakaran: So, yes, EcoStruxure as a platform has two parts to it. One is EcoStruxure on the edge, which is the edge-controlled software. So, we spoke about some of the projects that we have executed in my opening presentation as well like the EPAS software, which manages the grid, you have ADMS softwares which is the advance distribution management systems. In addition to that, we have now acquired another company which is ETAP, which is more into design as well as electrical networks management, so that is another software that is applicable. So, I think we have a complete suite of softwares like power SCADA and things like that. And on top of that, we have diagnostic platforms of EcoStruxure, which is like the asset adviser, the power adviser, building adviser and products like that, which provide not only which are hosted on the cloud and provide analytics to customers to be able to take preventive action rather than corrective action. So, I think we are bringing this entire suit of products to our customers, saturating them with our offerings, and also providing them with lifecycle maintenance for these products as well.

Parimal Mithani: And sir, is it safe to assume that EcoStruxure is a base platform for you, or it is just one of the plugs in play? Like, what is the base platform for you in terms of...

Sanjay Sudhakaran: EcoStruxure is the overarching theme of our software journey. So, it's built on certain principles like interoperability, open architectures, the capability to put together disparate systems and

integrate with that, not locking in the customer with a particular platform and he not being able to access and integrate any other platform to this and things like that. So, it's a very open architecture, it gives flexibility to the customers, its modular in nature. So, EcoStruxure is the overarching theme of the software and it's like a backbone. And you have different modules that are available, which serve a particular purpose. And on top of that, you have analytics, EcoStruxure platform also enables analytics which take data to the cloud for the customers to build a command-and-control center, control a large number of buildings or a large number of grids from a centralized location. So, these are some of the aspects. So, it's got a wide shoot of products within the same platform.

Parimal Mithani: So, is it fair for my assumption that it is a base for everything in terms of since it is an open architecture, then you just have to customize, just have to take up product from that and you can plug into the other software as well, right, basically?

Sanjay Sudhakaran: It's not one single platform that can be used by any customer. I don't want you to misunderstand on that. It is an overarching theme, it's an operating system, but the modules are independent and perform certain functions. So, it's not that you take just EcoStruxure and you will be able to do everything under the sun.

Parimal Mithani: And sir, you mentioned in your opening remarks that government is committed to the renewable energy part according to Paris Accord, how do you think terms of order enquiries going ahead from here?

Sanjay Sudhakaran: So, we are very well engaged with all the DISCOMs you will see on the digitization journey. We are very actively working with all the DISCOMs in the country to help them navigate this journey towards cutting losses and digitizing their networks and reducing their harmonics and things like that.

Moderator: Thank you very much. The next question is from the line of Viraj from Jupiter Finance. Please go ahead.

Viraj Mithani: I have two questions. One is, coming back to your competitors, they are making India as a base, especially ABB, ABB Power, that's what they have been openly saying it that the parent is committed to India because of supply chain issues, China pandemic. So, does Schneider parent has any sort of plan for this company? That's one. And secondly, does 5G benefit us by any chance, more connected network if you can give some color?

Sanjay Sudhakaran: I didn't get the second question. I understood your first question, I didn't understand your second question.

Viraj Mithani: 5G coming to India, would it benefit Schneider Electric or no?

Sanjay Sudhakaran: I will answer your second question first. I think 5G coming to India will benefit everybody, it will increase the speed of your networks, it will make things much more simpler in terms of data usage and storage and the cloud and things like that. So, it's going to be a huge enabler for

digitization. But it's not something that will benefit only one organization, it is going to benefit all the organizations that are committed to the journey of digitization.

And on your first question, you were asking about the commitments of Schneider Electric as a group in India, right?

Viraj Mithani: Base in India. All these companies' parent is looking to make Indian company as a base of the world, because of China issues, supply chain and all the pandemic all the other things being there.

Sanjay Sudhakaran: Sure. I wouldn't want to go into too many details on this particular front, because today we are speaking on behalf of Schneider Electric Infrastructure Limited. But I would say that Schneider Electric in India as a group has a very huge base. You would have heard of some of the large ticket investments that Schneider has done in this space, including the acquisition of L&T electrical and automation products and the company at large. So, I think there have been some large ticket investments in the space that Schneider has done. Schneider has a large number of factories and a very strong export base out of India with a large amount of investments in R&D and global R&D being done out of India. So, I think there's a lot of investment being done by Schneider as a group in India for the globe as well. So, I think Schneider is extremely committed to the journey in India of localization, moving talent into different roles across the globe, building R&D centers and manufacturing bases in India. So, I think there is no question about that.

Viraj Mithani: And sir, what level of localization our company would be, would be the import content will have today?

Sanjay Sudhakaran: I would say that they are highly localized in India, we are localizing more and more and we want to build more and more products within the country for the country. So, I think we are already highly localized in India. Our idea is, we start with a platform which is available globally, we import, we sell, we look at the market readiness, and then we subsequently put in a roadmap for localization in India, which is on a gated basis we start localizing components and finally we localize the entire product. So, I think that's the journey which we have been following all throughout.

Viraj Mithani: Can you give some numbers to that as of today, is it 50%, 70%?

Sanjay Sudhakaran: I would say that we are almost in the ballpark around 80% localized in India.

Viraj Mithani: And sir, my last question is regarding the smart meters which you spoke about in your concall. As I understand, smart meter forms a part of Schneider's low voltage business.

Sanjay Sudhakaran: That's correct.

Viraj Mithani: And how do we benefit from that?

- Sanjay Sudhakaran:** So, as I spoke to you in the beginning, someone asked that question, how does it benefit us? See, we as an organization, we understand electro intensive markets, we are very close to utilities. So, what this represents to us is not just a play on the meters, the meter decisions can be taken by the customers independently, or they can award us contracts on a turnkey basis for the entire digitization, including meters. But the exciting piece is the software and the services play that come with or without the meters. So, we execute projects like for Naya Raipur, which is a smart city, we have executed these projects, along with the software and the meters etc. So, it's possible to do it with or without, the customer could take an independent decision on the meters, but he could come to us for the integration with the software and the maintenance contract going forward.
- Viraj Mithani:** That revenue forms part of our service revenue in this year?
- Sanjay Sudhakaran:** It would be a project execution and services revenue put together.
- Viraj Mithani:** Do we get fixed annual revenue or it is on the transaction basis, like and more usage of meters or something like that, or how is that?
- Sanjay Sudhakaran:** No, no, it need not be structured basis on the usage of meter, I think that would be a very complex transaction. What we would be doing is, we would be providing service contracts to the customer as far as maintaining the software and the customization of the software and adaptation to his use is concerned. In terms of annual renewal sort of this thing, renewal of the revenue, something like that?
- Sanjay Sudhakaran:** Yes. It's like an annual maintenance contract.
- Viraj Mithani:** And sir, any play for the cyber security part?
- Sanjay Sudhakaran:** Yes. So, cyber security, as you see, it's a big threat across the world. The world spends almost \$1 trillion on cyber security issues globally. So, I think it's a real problem. And I think with digitization you have to live with the problem of circumventing such cyber attacks. So, cyber security is something that we pay very large attention to. We also consult with our customers and provide them the necessary inputs that are required to make their networks and their software's cyber secure. We also spend quite a lot of money on R&D to make sure all our platforms are highly cyber secure.
- Viraj Mithani:** Do we have a product in cyber security?
- Sanjay Sudhakaran:** No, it's not a product that we have in cyber security, cyber security is engraved into our products, I would say. And we provide the customers with the know-how on cyber security.
- Moderator:** Thank you very much. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Harshit Kapadia for closing comments.

Harshit Kapadia: Thank you, Billal. We would like to thank the management of Schneider Electric, Mr. Sanjay Sudhakaran, Mayank Holani and Vineet Jain for giving us an opportunity to host this call. Any closing remarks that you would want to give to investors and analysts?

Sanjay Sudhakaran: Very delighted to be on this call along with all of you. And the interest levels that you have shown in the various aspects that we spoke about. I think the short-term issues of COVID and all that I think are issues that we can surmount and we can work towards it, the long-term fundamentals of the country as well as the company remains solid. So, look towards continuously engaging with all of you going forward in the next quarters as well. Thank you. Good evening, and good night.

Mayank Holani: Thank you.

Moderator: Sure. Thank you very much. Participants, on behalf of Elara Securities Private Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.