



“Schneider Electric Infrastructure Limited  
Q3 FY2022 Earnings Conference Call”

February 11, 2022



**ANALYST: MR. HARSHIT KAPADIA – ELARA SECURITIES PRIVATE LIMITED**

**MANAGEMENT: MR. SANJAY SUDHAKARAN –MANAGING DIRECTOR - SCHNEIDER ELECTRIC INFRASTRUCTURE LIMITED  
MR. MAYANK HOLANI – CHIEF FINANCIAL OFFICER - SCHNEIDER ELECTRIC INFRASTRUCTURE LIMITED  
MR. VINEET JAIN – HEAD, INVESTOR RELATIONS - SCHNEIDER ELECTRIC INFRASTRUCTURE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Schneider Electric Infrastructure Limited Q3 FY2022 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 the conference call, please signal an operator by pressing “\*” and then “0” on your touchstone 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!

**Harshit Kapadia:** Thank you Mike. Good evening everybody on behalf of Elara Securities we welcome you all for the Q3 FY2022 and nine month FY2022 conference call of Schneider Electric Infrastructure Limited. I take this opportunity to welcome the management of Schneider Electric Infra 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 after which we follow with a Q&A session. I will now hand over the call to Sanjay sir for his opening remarks. Over to you, Sir!

**Sanjay Sudhakaran:** Thank you. Good afternoon everybody. I welcome you all to this call to discuss about Schneider Electric Infrastructure Limited’s Q3 Results as well as what we feel on the economy and the macroeconomic situation, how our markets are behaving, and what is our strategy going forward.

Let us go straight to slide #3: On slide #3 you can see some extracts about how we believe that the economy is going to progress in the few quarters going forward as you can see the quarter ending September 2021 the economy has grown almost 8.4% we expect this growth to moderate to around 4.3% in the quarter ending December and 2.1% in the quarter ending March. We can look forward to a few quarters from now with some cautious optimism what I mean by cautious optimism is that there are both headwinds and tailwinds to the economy as you can see right now.

The tailwinds are in terms of the pent-up demand in the economy which could not have been fulfilled through the various waves of COVID that we have seen in the country including wave three which incidentally was not as severe as many of us expected it would be. So there are some tailwinds over there and on the headwind side we see considerable headwinds in terms of commodities, shortages, supply chain constraints, supply chain disruptions, and also customers waiting for commodities to cool off before you can go ahead with the investments and things like that.

It is a mixed bag; however, the Union Budget which was recently announced does have a good thrust on infrastructure, there is a significant capex formation that has been announced also I feel that the infrastructure segment which is primarily the segment that impacts us will see a considerable portion of this capex being pumped into that the Gati Shakti program which has been designed around logistics, tech parks, transportation segments like mobility, EV charging, etc., could also see some good runway for our business as we go forward. So overall I would say we can look forward with some cautious optimism.

I will go to the next slide how we feel that the end markets will behave. This is very much in line with what we had discussed last time I think we do not have much movements in the landscape of our segments as we go from one quarter to the other quarter. Power and Grid the fundamentals remain strong, it is primarily evolving around digitization and modernization of the grid. We also see a strong thrust on solar and renewables here with India's commitment to be almost 50% in terms of solar renewable generation very soon. So I think we can see some considerable investments on the solar side, a lot of investments in smart metering and software and SCADA and things like that which should augur well for us with our strategy as well.

On minerals mining and metals I think the industry like we spoke last time has gone through considerable consolidation price increases, increased demand, mergers and acquisitions all that had to happen in terms of the cost structure has happened, the profitability is good and the cash flows in the segment, most of the companies in the segment see good cash flows. I think they are all planning to reinvest into capex so this should see a good uptick in the quarters coming forward.

Going forward transportation is a segment which will remain strong in India given the low penetration that modern transportation has within the country whether it is high-speed rail or metro networks or airports etc. we can look forward to continued investments on the transport side. Data and cloud another area of strong investment in India going forward because of regulations and the fact that COVID has induced a digital behavior in most of us which includes the use of data, apps analytics, and as well remote maintenance etc. contactless maintenance we see this also growing very fast and well in the coming years. So I think overall the segment landscape remains the same unchanged positive and we can look forward to more growth in these segments going forward.

We will go to the next slide just to ground ourselves on our strategic priorities this is nothing new we stay course on the transformation that we began a couple of years ago the idea is about discipline execution here whether it is more digital, more services or partnerization, focusing on our core segments and diversification into areas that are growing better and also on the green side which with ESG becoming more and more of a corporate responsibility as the right thing to do than a good thing to do I think we will also

be focusing on the green and the both in terms of products as well as advising our customers in terms of software and digital as to how they can contribute towards the overall ESG programs within their organization as well.

Going over to the next slide a few examples on how we are partnering with customers to make things more digital, more modern and more connected and how we can leverage the apps and analytics to be more predictive, etc. a few examples to that extent the first example is of a state distribution utility company where we work the customer and engage early to give them the benefits of a Smart RMU which is a connected product, connected to a SCADA which is probably a thing that is catching on right now more and more customers seem to be adopting to this and our idea is to make sure that the customer realizes the benefit of a Smart RMU in his usage and continues to invest capex on these lines leading to more digitization and better customer engagement.

Going over to the next slide is an example of how we are using analytics on the cloud to make installations better for our customers to be more predictive rather than reactive, predictive maintenance does bring a lot of efficiency to the customer both in terms of optimizing down times as well as for our organization in terms of scheduling and man power resourcing for the service installed base to be more productive. So here is where we are using an eco structure asset advisor as a tool to monitor the medium voltage installed based within the customer to make sure that we can be of help to the customer and trying to be more predictive about what is going to happen with their installed base and taking necessary action prior to those events rather than be reactive about it.

Going on to the next slide here are some of the projects that we are doing on the smart city side, our influencing ability with the customer in terms of what technology they should put in has helped our partners secure business with customers with end users using smart and digital products which is how we are expanding our coverage through the market by more and more partnerization. So this is an example of how we work tripartite between us the customer and the partner to ensure that best-in-class products are deployed with our customers.

Going on to the next slide a couple of success stories one is about the electrification of the country of Bhutan and one is about electrification in our own country we are partnering with EPC in Bhutan. two or three EPC's in Bhutan to ensure that we are able to deploy world-class technology products into the country of Bhutan from our stable and we have continued to serve this customer well even during the challenges that we have had during COVID times where entry was restricted and we had and even during severe supply chain constraints we have managed to keep up to our commitments on delivery and good execution capabilities. So these are some of the examples which we feel will create stickiness between the customer and us for many, many years to come.

Going on to the next slide one thing which we would like to share with you is Microgrids and the changing energy landscape in India. India for a very long time was very traditional in terms of its generation and distribution, generation was always centralized but that is changing, that is changing because of a couple of reasons that is changing because of the mix of energy for both renewables as well as traditional sources. So there is a word that we have coined for that which is called as Prosumer where a consumer can also be a generator of electricity at different points in time during the day. He could be a net generator or he could be a net, but he will always remain a generator as well as a consumer.

The grids will get more complicated because of this and why are customers doing this because at certain times of the day they might not have reliable power or they might have waste energy which can be converted into electricity and Stoll like for example a steel plant or a cement plant etc. or a resort which does not have 24x7 power availability so there could be a number of constraints due to which a person would like to be a generator and a consumer of electricity.

Of course there are ESG considerations as well. People are pushing them to be more and more green and more and more conscious of the environment so they have built this into their mission statements and would like to execute on that this fits in beautifully with our strategy at Schneider Electric because we have access to these customers the core segments that we operate in we have the relationships with the customers and our offers as you can see whether it is consulting, hardware, software and our partner network and our ability to execute these projects and service the customers will come in very, very handy for multiple number of years as the energy landscape in India transforms. So I think that is what I had to talk about on the strategy side now I request Mayank Holani our CFO to take you through the financial update.

**Mayank Holani:**

Good afternoon everyone. I hope all of you are doing well and are fine. Slide #12 moving to orders the market is looking limited and recovering and that shows up in our numbers to our out. OG order intake for the quarter stood at about 292 Crores or Rs.2924 million which is the growth of about 74.8% versus previous year same quarter and for the nine months period the order growth stands at about 44% and with about order growth of Rs.8897 million versus 6197 in previous year same period and this growth has been led by mainly the momentum in mining metals and minerals mobility and other diffused segments.

If you see and if you have been following our results quarter-on-quarter this is a consecutively fourth quarter with positive order growth. So starting from Q4 of financial year 2020-2021 where we had posted about 13% order growth followed by 16% in quarter 1 of this year than 51% in quarter 2 and now 75% in quarter 3 of this financial year. Partly this has been also last year we had some cancellation but even at gross level there has been a very good order growth and which has helped us in creating a healthy backlog and we

continue to be cautious in terms of what kind of orders we accept and in terms of cash security and the margins.

Next slide moving on to sales: Sales for the quarter view at about 27% versus previous year same quarter and actual sales for the quarter is about 600.5 Crores this is the highest ever sales in a single quarter for your company and it is a kind of landmark in terms of and this has been facilitated by obviously the customer project movements and the liquidity which has been helpful in the quarter and if you have seen in the last quarter we had some issues with the customer project delays and as well as the liquidity which led to lot of buildup of inventory which we have been able to liquidate in this quarter and which is showing in our numbers.

Now for the nine months period we have about Rs.11903 million sales which is the growth of 13.4% versus previous year same period.

Moving on to next on the P&L: So this P&L is quite aligned with the way or the strategy we have been working on which remains focused on securing cash and margin and we continue this journey. Margins for the quarter has been impacted to some extent by the raw material inflation which has been troubling since quarter one of the financial year and though to some extent we have tried to mitigate it through price hikes and also renegotiating with customers wherever possible and making price deviation claims on the variable price contracts. So with this in spite of the raw material inflation we have been able to maintain this level of margin and the profit after tax stands at about 524 million versus 333 million in previous years same quarter it is an improvement of 1.7 points previous year.

In next slide, profit for the nine month period the sales growth is about 13.4% and the margin is dropped by about 1.4 point again but mainly impacted by the raw material inflation and at this small extent by mix and the profit after tax level we have a profit of 276 million which is 2.3% of sales versus 102 million in previous year at which was 1% so an improvement of 1.3 points on the net profit level.

In terms of the performance you see we are working on our strategy which seems to be working and working well and we continue to work towards this to achieve the objective of achieving a green bottom line for full year. Thank you. I close here and leave the floor open for Q&A.

**Moderator:**

Thank you Sir. We will now begin the question and answer session. The first question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead with your question.

**Parthiv Jhonsa:**

Good evening Sir. Congratulations on a good set of numbers for this particular quarter. Sir I have got a couple of questions actually to start off with the first one is I was just glancing

through your financials over the last couple of quarters and I have seen that your December quarter is particularly very good quarter over the last three to four years you have made profit only in the month of December quarter whereas the other three quarters during the financial year have been making losses so my first question is can you just help me give me some reason for the same. The second is your raw material expense what I can see over the last five years that is say from 2017, 2016 onwards it has gone up from almost 55%, 60% to now it is 72% in this quarter. So will this pressure continue even for the fourth quarter and going forward for the next one or two years. so can you just help me out to understand the same and what are the measures what company is taking to control your all the other expenses and plus we believe that your debt currently stands at almost about 550, 600 odd Crores. So what are the plans to improve that situation going forward?

**Vineet Jain:**

Let me answer one-by-one first is about the seasonality of the quarter because quarter three or December quarter and that is the reason every year you will see there is a spike high coming in the Q3 just majorly because we are in the electric business and the September quarter usually in India we have the raining season so due to that many of the sites, we are not able to execute and the projects are not able to deliver because of the rainy water issues so it is a seasonality of the business and it will continue the same. We try to minimize the load in the December but spike will be there because of the various season of the business. Second you are talking about the material cost if you see in this business we never have a 60% of this kind of material cost if you see from last 2016-2017 we have 73% of the material cost which reduced to 68% till last quarter. So this quarter is a bit different quarter just because the RMI all the raw materials prices have gone up, in terms of the level supply chain issues, few of the electric equipment are not available so these are the few exceptional reasons which is adding to the high side of the material cost. So it is a temporary issue it is not something that we at the company level facing it is a global issue in almost every company in every sectors getting the similar issues and that you are talking about the other expense if you see generally from last couple of quarters you will see it is in a reducing trend. I will say that company management has done very well in this side and now this under the BAU kind of scenario for these kinds of volume. This is the bare minimum number of our expenditure should be there.

**Parthiv Jhonsa:**

Sir can you just throw some light about your borrowings how you plan to reduce that and considering you have got some very good orders this particular quarter. So what can be the run rate in the last quarter we almost at the mid of these February so just almost about one and a half months ago so can you just give some figures on the run rate and the margins for this particular quarter.

**Vineet Jain:**

Sorry we are not giving any forward looking statement for the margin side and reduction of the loan as concerned so whatever the additional cash flow we are generating in this trading

businesses we are using to pay for the trade payment and loan through which we are reducing and it is in the reducing trend only. Yes I think on the loan part if you look at from the March quarter from the last quarter and it has been on reducing trend.

**Parthiv Jhonsa:** Correct Sir but just wanted to understand that when can we expect to reduce substantial amount.

**Sanjay Sudhakaran:** So substantial amount will take time so once we are going to profitable and the cash collection because what has happened in last couple of financial years actually from 2021 and 2021-2022 of that this impacted the cash flows significantly like last year also in the January to March quarter it was improved then suddenly the COVID second wave impacted so they continuous even in beyond one quarter. So hopefully I mean this quarter wave has not been that severe so we should continue the positivity.

**Parthiv Jhonsa:** Okay sounds good and best of luck thank you so much for all the answers.

**Moderator:** Thank you. We have the next question from the line of Anuj Jain from Globe Capital. Please go ahead.

**Anuj Jain:** Good evening everyone and congratulations on the very good set of numbers I need to understand Sir one thing I mean this quarter we have done exceptionally well so I mean how is the Q4 shaping up as of now I mean and the second question is in the last con calls we have spoken about the orders from the smart meeting side in the Bihar region and UP region so can you give me some color on that and apart from that the EPC order which you have got from Bhutan can you please quantify the exact figure.

**Mayank Holani:** See on your first part on this quarter I think as Vineet mentioned we do not give any forward-looking protection for the P&L but you can see last in terms of backlog we have good backlogs and last year last quarter has been good in terms of order book so we have a healthy backlog of positives from the previous year so that helps in generating revenue and Sanjay you want to address the other part.

**Sanjay Sudhakaran:** So on the smart metering side we have not picked up any orders specifically of meters pertaining to smart meters in the last previous quarter we are working on a few opportunities we are working in a very selective basis through EPCs because what we are actually interested is in the software part of it, the hardware part of it we are actually agnostic even if the EPC kind of buys it from the vendors directly as well.

**Anuj Jain:** Sir can you please quantify the EPC order from Bhutan?

**Sanjay Sudhakaran:** It is very substantial but because of the confidentiality agreement with the customer we are not in a position to disclose that.

**Anuj Jain:** Sir in the last few con calls we have spoken very high on the opportunity in the data center segment. So can you give me some color how it is shaping up?

**Sanjay Sudhakaran:** So it is shaping up pretty decently I think we have had two wins in this space pretty substantial wins in this space again because of the confidentiality agreement with the customers we are not allowed to talk about nature of the project and the names of the customer in public domain but it is shaping up very well and we are making good steps towards skill development in this space.

**Moderator:** We have the next question from the line of Chaitanya Deepak Shah from Silverlight Capital. Please go ahead.

**Chaitanya Deepak Shah:** Good evening. My question is regarding your basic turnover if you could give me a breakup how much of this would be on the hardware or the product side and what would be the software side.

**Vineet Jain:** Actually we are not tracking the hardware and the software differently because we are in the industry hardware and the software both go end-to-end so we are regarding our revenue in the four segments like transitional, service, system and projects. So that way I can give you that the transactional is 14% service is around 12% and this project is around 8% balance is equipment.

**Chaitanya Deepak Shah:** All right that works thank you and so I also wanted to understand I mean the spaces that we are working in they have a lot of competitions like competition with players like ABB and now ABB Power do we have any sort of competitive advantage against them **(inaudible)** **28:40** brief description of why some customers would prefer Schneider over these players?

**Sanjay Sudhakaran:** Definitely I think we have a competitive advantages these competitive advantages we have is the immense portfolio that we have on the product side on the services side on the software side and the skills that we have acquired and the relationships that we have with our customers. So this is the competitive advantage and it is not one specific competitive advantage it is an advantage of doing multiple things correctly and in a disciplined fashion.

**Chaitanya Deepak Shah:** And also I just have one more question what would be our revenue mix in terms of government versus private if you could give that breakup.

**Sanjay Sudhakaran:** See in terms of utilities our business with utilities is close to 40%, 45% is what we do with utilities exactly because we generally work more with the EPCs and also exactly how much

is with government or private that is difficult to tell because our business is large part comes through the EPCs or the contractors. So we do very little direct business with end users apart from some segments like minerals, mining and metals and cloud and service providers a few industries most of the other businesses are indirect.

**Chaitanya Deepak Shah:** Okay all right thank you.

**Moderator:** Thank you. We have the next question from the line of Nalin Shah from NVS Group. Please go ahead.

**Nalin Shah:** Good evening and congratulations for the nice set of numbers in this quarter. My question is only very general that I would like to understand that like many come to the sectors fortunes are related to the growth in the GDP the commercial vehicle they say growth in GDP decides our growth so similarly for Schneider what do you feel that this quarter performance is an excellent one so what are the factors or economic trends with which your fortunes are related and just if you can give us some general idea about, I mean, going forward whether the trend established in Q3 can we take it, I mean, this trend to continue for next three, six quarters or something like that.

**Sanjay Sudhakaran:** See if you see the GDP is a lead indicator it is not the only indicator to the fortunes of our business as you rightly said because we are fortunate enough to have a diverse portfolio and a play in diverse segments so if you see the drivers of each segment are very different for example electrification is the need of the country, electricity is the greenest form of energy, and on top of that you add the diversification that is happening in electricity towards renewables and the investments that are coming in the renewable side. So definitely this piece is going to grow secondly we know that our grids have not been modern there have been losses there have been thefts there have been number of inefficiencies there is privatization on the anvil but the privatization can happen only if the utilities reach a break-even point only that the government will be able to divest these assets. So you see all the indicators on this segment are positive that are not completely linked to GDP. Similarly transportation, transportation is very clearly under saturated, underpenetrated in the country and this government clearly understands that you need to put the infrastructure ahead of growth. So you see the impetus on transportation and this kind of mobility sector is going to happen now automobiles is a mixed bag automobiles sometimes defy the law of economy but then our exposure is not, we are not over dependent upon any one particular segment that is why I told you that we are trying to build a diverse portfolio focusing on different segments and I am sure this diversification will help us through different economic cycles.

**Nalin Shah:** So can we expect this some stability of the Q3 kind of a performance to persist for next at least few quarters.

- Sanjay Sudhakaran:** See as I told you earlier also the Q3 performance has an impact of the pent-up demand in the economy as well there the inventory build-up that had happened and the second wave which had prevented the revenue, so there is a little bit of normalization that you can expect but from a lead indication perspective from the orders growth you can see you can for yourself see whether how it will be without us giving you forward-looking guidance.
- Nalin Shah:** All right, thank you very much and best of luck.
- Moderator:** Thank you. We have the next question from the line of Jeetu Panjabi from EM Capital Advisors. Please go ahead.
- Jeetu Panjabi:** Thank you Sir for the presentation. So I have two broad questions if I look at your order intake numbers which is a number north is that reasonable metric to use to project what is sustainable growth rate over the next year or two.
- Sanjay Sudhakaran:** Is you have to look at it over a period of time actually it is not just about one quarter of the preceding quarter you have to take it over a period of time and revenues right now we must understand that are not completely predictable because of the supply chain shortages there is a huge supply chain prices as far as electronics is concerned there are shortages in terms of the transformer components like CRGO and things like that. So orders and revenue the timings might not happen with the same lag as it used to happen in the past.
- Jeetu Panjabi:** The other question is you sit down as the management team and as the board directs the company how you would measure success over the next couple of years what are the goals that the management team has set based on what the board has given directions.
- Sanjay Sudhakaran:** I think profitability and turning around the situation on cash those are the top most priorities I would say Mayank would you want to add something.
- Mayank Holani:** Yes, you have rightly put it Sanjay so see the conserving cash and improving the liquidity situation and improving the profitability that remains the top priority and if you see even last maybe there is a variations quarter-on-quarter and there was the COVID impact in March 2020 but if you see last two, three financial years whether it is or maybe quarter-on-quarter also there has been consistent improvement so we hope to continue the same trend.
- Jeetu Panjabi:** Just a link especially on that so you from what you are seeing around you and what you are talking to customers and whatever new customers have minding do you have conserve in the next two, three years or four years will be quite different and in terms of good and upward trending business we are looking into the last four, five years which has been pretty chunky.

- Sanjay Sudhakaran:** If you see we remain positive it comes from a few factors about the long-term prospects of India as a country the fact that we are transforming and we see the need for transformation on all aspects like we spoke about on the energy side, on the grid side, the private investments that are coming in, the green investments that are coming in the conscious call that is happening with the corporation India to try and move towards the greener future. I think all these indicate to a brighter future and that is the reason why we continue to stay invested in this particular business.
- Jeetu Panjabi:** Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Nikhil Desai from Karma Capital Advisors. Please go ahead.
- Nikhil Desai:** Good evening Sir thank you for taking my question. Sir two questions one is on a broad industry level situation what would be the total addressable market for the segments and the products that you work with today you mentioned your slide for a presentation the four segments that you work in and given your products and services what would be the total addressable market there and what is the kind of growth you would expect over the next five years I am not saying every year the same growth will continue but generally a CAGR kind of growth for this kind of products and services that you cater to.
- Sanjay Sudhakaran:** So overall I would say in the next three years if you look the CAGR for the key segments that we are talking about electro intensive segments should be upward off around 8% to 9%.
- Nikhil Desai:** And the second thing sir is basically on the margins you have been basically working with about 6% to 8% margins overall annualized. So is that a comfort number do you think that these are the kind of margins that is what the industry or what you have to work with or given your services and products initiatives what would be the margin trajectory and at what range would you be more comfortable with, in a few years time.
- Sanjay Sudhakaran:** See the margin obviously this is a kind of, write down the margin what you see remains stressed due to the extraordinary inflation which we see in the market but we continue to focus even on this you see raw material inflation is beyond our control but we continue to focus on our structural costs and have been optimizing it if you have seen over the last few years and we will continue on that and beyond that beyond the fixed cost and improvement we also continue to improve our mix getting doing more whether it is being more transactional increasing the services mix or software so which gives you increased profitability. So these are some of the levers we are focusing on and continuing to do so to improve profitability in going forward.

- Nikhil Desai:** Sir just a follow-up on that so I mean should we look at double digit kind of EBITDA margins minimum in a few years time or I mean it depends on the external environment of raw material prices as well but in a normalized situation.
- Sanjay Sudhakaran:** We should be looking at that but it will take time it would not happen overnight so it is a gradual process right so difficult to make a commitment as of now but we continue to focus and step-by-step, quarter-after-quarter to improve the profitability.
- Nikhil Desai:** All right Sir, thank you very much.
- Moderator:** Thank you. We have the next question from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Thank you so much and first of all let me congratulate the entire team for the excellent numbers. Excellent Sir. just bear with me a few questions just I wanted to get a perspective like how is the order pipeline building up like in last couple of quarters we did see challenges due to delay in decision making due to COVID like utilities were not fully functional and decision making was delayed so are we seeing that now the momentum picking up and maybe able to give some better perspective or you can quantify like what is the order pipeline you take.
- Sanjay Sudhakaran:** Yes, thank you Manish. See the orders have been picking up in spite of all the challenges and COVID second wave and now third wave. Now probably people are more used to working in this situation and more used to remote working so orders growth has been positive even in this quarter and the order if you make the backlog right.
- Manish Goyal:** Yes that was my next question but I was just trying to get a perspective like has the decision making improved because still our order inflow run rate is somewhere near 300 Crores for the external customers so I am just trying to get a better sense as to has the environment improved and has the momentum improved?
- Sanjay Sudhakaran:** See definitely it has improved the environment because a year back people were still not much used to remote working especially in the utilities government sector and since if the physical meetings or visits was not happening things were getting delayed so we are in much better situation as of now and if you see it is visible in the order numbers as well so even if you see the absolute number of orders for the quarter it is quite good it stands at about 292 Crores, 2924 million and if you see last three, four quarters it is around that average or maybe 4%, 5% plus and minus here and there. So the order booking net in these four quarters has been between plus minus 10, 15 Crores in every quarter. So and in terms of backlog we are at Rs.7023 million which is the growth of about 12% with the same period last year.

- Manish Goyal:** My second question is on related to smart metering in terms of what we see is that probably just couple of days back even ABB announced where they are probably looking to offer apart from normalized meter what they would have been selling they announced launching of smart meters as well as offering the complete management solutions around managing the network. So and even this has been talking about a lot. So just want to get a sense like how are we seeing are we probably seeing that the tender has been floated for or so for procuring such kind of services competition intensity if you can just give us some perspective.
- Sanjay Sudhakaran:** So we have the full basket with us in terms of offers, on software's we have multiple offers we have hardware offers also within the group and we have the capability to do it as well but as I said we want to conserve cash it is not a business where you can conserve cash by because these projects will be very long drawn projects so we want to have an indirect route in doing this business because we would want to conserve cash so that is the key aspect that has to be kept in mind there are tenders there are projects available but our focus would be to create the service stickiness and the consulting opportunity more than anything else.
- Manish Goyal:** Sure because now we are probably seeing that utilities may not directly come and probably float the tenders but we have several other players or people who probably looking to put such a project on our developer kind of a model with the payback of seven to eight years so maybe we are more comfortable dealing with them now.
- Sanjay Sudhakaran:** Yes you are right.
- Manish Goyal:** In terms of new order inflow how are we probably mitigating risk in terms of commodity inflation or shortages of material like and are we probably getting in some price deviation clause building for the new orders what we are getting.
- Sanjay Sudhakaran:** we are price deviation clauses we insist with the customers and we try to get wherever possible but as you know in the typical Indian customers even if I offer a customer say 10% lesser price on a variable cost if they still want a fixed price so or even in case of say tenders where you have no deviation that okay you have to give fixed price and if all the competitors are giving fixed price so you have also no auction either you give a fixed price or you get out of that business. So what we try to do is obviously built in some contingencies for such cases and to manage the volume and the plant loading while having said that we also have initiated the hedging process for commodities since last year I think July, August so that was though in terms of not very significant as of now but that benefit has started coming in and also in terms of orders we have limited our order validity time so for a particular product if the order validity earlier a year one and a half year back used to be say three months so now we have reduced it to one month. So if customers order is not pursued within that period then we give a revised price. So that way we are trying and as

soon as we get the orders we try to block the community and advance procurement of commodities. So that our risk is minimized but obviously all these things the way commodities have been moving all whether it is copper or steel or even now transformer oil or even plastics so if we always have been able to mitigate it partly so otherwise the impact which has been there in last year if we had not mitigated through all these actions then the P&L would have been much worse.

**Manish Goyal:** And Mayank housekeeping questions as usual on the backup of order inflow, order book and revenues.

**Mayank Holani:** Means this transaction system service right.

**Manish Goyal:** Yes.

**Mayank Holani:** So for the quarter our sales for about transaction is 14% services 12% project 8% equipment 49% and 17% IG.

**Manish Goyal:** Okay so but IG is part of the system segment.

**Mayank Holani:** IG is part of system yes. So equipment, project and IG put together is system 74% on orders the split is again this is outside group orders equipment 42%, projects 28%, transaction 16% and services 14%.

**Manish Goyal:** And what would be the order inflow from the IG.

**Mayank Holani:** So IG orders for this year is about 190 Crores, 1905 million in this year, IG orders for the quarter is Rs.1650 million.

**Manish Goyal:** 165 Crores, and last on the order book break up for the systems transaction and services.

**Mayank Holani:** Can you repeat.

**Manish Goyal:** Yes, the same way order book breakup what is transactional product.

**Mayank Holani:** Yes, 42 equipment, projects 28, transaction 16, services 14.

**Manish Goyal:** No that you give for order inflow right.

**Mayank Holani:** Yes.

**Manish Goyal:** No I wanted for order book pending order book.

- Sanjay Sudhakaran:** Backlog okay.
- Manish Goyal:** Yes, backlog.
- Sanjay Sudhakaran:** Backlog is about 71% system of which 49% equipments, 22% project, transactional 17%, services 12%.
- Manish Goyal:** Right wonderful Sir thank you so much.
- Moderator:** Thank you. We have the next question from the line of Surbhi Saravgi from SMIFS Capital. Please go ahead.
- Surbhi Saravgi:** Sir I have just one question and that is can you give some comment on the sustainability of the profit going forward.
- Sanjay Sudhakaran:** Sustainability of the profit going forward right.
- Surbhi Saravgi:** Yes.
- Sanjay Sudhakaran:** See as I mentioned earlier though we do not give any forward looking or collection of payment for subsequent periods, but we are confident of continuing to improve the performance of the quarter.
- Surbhi Saravgi:** Okay thank you so much.
- Moderator:** Thank you. We have the next question from the line of Devam Modi from Hardcore Limited. Please go ahead.
- Devam Modi:** Thanks Sir for the opportunity and congratulations on our great set of numbers. Sir basically we wanted to understand what all entities Schneider has in India and what are the terms for technology transfer and royalty for Schneider Electric Infra with the global entity.
- Mayank Holani:** Sanjay would you like to take the first part.
- Devam Modi:** What are the other growth entities of Schneider are operating in India and if at all possible you can just highlight the gross numbers of the same in terms of the revenues or EBITDA or something of that.
- Sanjay Sudhakaran:** No we cannot give those numbers because those are not in public domain of the rest of the entities but we can give you the type of entities that are there so this is an entity which is focused on the medium voltage category of the business we have entities that are focused on

low voltage part of the business we have entities that are focused on UPS and cooling part of the business we have entities that are focused on industrial automation businesses so this is the broad breakup if I can give you.

**Devam Modi:** So broadly four entities Schneider has these ones at medium voltage from your side. So totally four entities is that right.

**Sanjay Sudhakaran:** I am not trying to classify them as legal entities I am trying to classify them as businesses the kind of businesses that we are involved in.

**Devam Modi:** And if you can, what is the name of these entities that Schneider Electric India apart from Standard Electric Infra if you can share .

**Sanjay Sudhakaran:** I would not know all of them off hand but one of them is definitely Schneider Electric India Private Limited.

**Mayank Holani:** See there are many smaller entities also but here and the big one is Schneider Electric India Private Limited as Sanjay mentioned and the other major one is Schneider Electric IT Business India Private Limited and the third one is Schneider Electric President Systems which has been listed earlier and so there are then few smaller ones also but these three are the real company.

**Devam Modi:** What will be the terms for technology transfer and royalty for Schneider Electric India?

**Mayank Holani:** We do not have any royalty or technology transfer but also we are having the trademark fees that we are paying so that is 2% of the outside with wholesales.

**Devam Modi:** In the interview orders that you get would there be any fixed margins or like it is negotiated announced and how does the commercial come from the intergroup orders work.

**Mayank Holani:** These are based on our transfer pricing policy.

**Devam Modi:** Okay there will be a fixed margin in the commercial which his allocated to Schneider Infra or how will that work.

**Mayank Holani:** So this transfer pricing policy works on the basis of your cost plus a markup so the cost for the product and markup and this is again audited as well by the auditors every year because we have to comply with it.

**Devam Modi:** If you can quantify the markup that is marked over there.

- Mayank Holani:** No so markup I mean it is not one source of project product services import export there are different markups which are applied and it is not the one markup which applies to everything.
- Devam Modi:** Based on the kind of order book that we have currently what kind of book and bill can we expect over this in the next 12 months.
- Mayank Holani:** You mean the order book.
- Devam Modi:** Yes what can basically how much time will it take to execute this order book and sort of fresh orders that one can expect depending on the kind of mix that we are having.
- Mayank Holani:** No, so order booking is depending upon the what kind of order inflow I usually the difference is from three months to up to 36 months of that, that is kind of the order that we are carrying because transaction business will take to three to four months whereas the project business takes up to two or three years as well. So it is not standard that we can say okay how much is good but you can see around 50%, 60% order that which are used in between 69 months of the duration.
- Devam Modi:** Sure I will get back in the queue.
- Moderator:** Thank you. We have the next question from the line of Viraj Methani. Please go ahead.
- Viraj Methani:** Congratulations on the good set of numbers. I have just two questions my first question is like the companies like ABB segments are all bullish on their export base the parent is talking about making the companies base for the world for the southeast Asia at least and they are also bullish about mobility data and building now I understand we also have the same sort of businesses mobility and buildings are we seeing the same traction here or...
- Sanjay Sudhakaran:** yes, we are having very good traction in terms of mobility and buildings as well.
- Viraj Methani:** And data as well we are doing well.
- Sanjay Sudhakaran:** Yes.
- Viraj Methani:** And any thought by the parents on the making India as a manufacturing base or something.
- Sanjay Sudhakaran:** So India for Schneider is a pretty large country in terms of base revenues right now all the businesses put together and a substantial portion of the revenues do come from exports even today so different businesses have different strategies and different hubs through which it is serviced because some pro products travel well some products do not travel well I am

talking of from optimization of freight perspective products that travel well and the entry barriers in terms of taxation etc. do not come into the play I think a lot of exports do happen from the country outside. Unfortunately our products do not travel that well as you can see from the portfolio they are pretty large equipment and things like that but there are plans to transform a portion of the portfolio to India and to work on the exports but those things are right now on the drawing board and we will update you when they materialize, but the plan is definitely on.

**Viraj Methani:** But are we seeing the same traction in medium voltage as there is a means what I understand from companies like Siemens, ABB is that there is a huge traction in the small voltage side of the business so just sense of are you seeing the same traction the medium voltage.

**Sanjay Sudhakaran:** Any particular segment you are talking about on the traction.

**Viraj Methani:** No the medium voltage is industry.

**Sanjay Sudhakaran:** Medium voltage in industry it depends on the type of industry so whenever you have mining metals cement electro intensive industries also and those steel etc. when the capex cycle goes up there you will see a very large uptake in medium voltage.

**Viraj Methani:** Okay that is it from my side. Thank you and all the very best for the future.

**Moderator:** Thank you. That was the last question, I will not hand over the conference back to the management for closing comments.

**Sanjay Sudhakaran:** Thank you everybody for joining this call it was a very interesting meeting and thank you for all the good questions. Let us stay engaged and look forward to talking to you next time. Thank you.

**Moderator:** Thank you very much. On behalf of Elara Securities Private Limited that concludes the conference call. Thank you for joining us and you may now disconnect your lines.