



Schneider Electric Infrastructure Ltd.

FY17 Results Conference Call

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Management: Mr. Prakash Kumar Chandraker – Managing Director
Mr. Arnab Roy – Chief Financial Officer
Mr. Vineet Jain – Investor Relations

Research Analyst: Mr. Deepak Agrawala –Elara Securities Pvt Ltd.

Moderator: Ladies and gentlemen, good day and welcome to the Schneider Electric FY17 Results 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 touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agrawala from Elara Securities. Thank you and over to you sir.

Deepak Agrawala: Good afternoon, everyone. Thanks, Inba. On behalf of Elara Securities, we welcome you all for the FY17 conference call of Schneider Electric Infrastructure Limited. I take this opportunity to welcome the management of Schneider Electric Infrastructure represented by Mr. Prakash Chandraker – Managing Director, Mr. Arnab Roy – Chief Financial Officer and Vineet Jain from Investor Relations. We will begin the call with a brief overview and the presentation from the management followed by Q&A session. I will hand over the call to Mr. Chandraker for his opening remarks. Over to you, sir.

Prakash Chandraker: Good afternoon, everybody. I am Prakash Chandraker – Managing Director of Schneider Electric Infrastructure Limited. I am pleased to connect with you to share an update on the progress of our company and the outlook of the business environment.

Looking back at the financial year 2017, the market continues to be challenging and we saw major financial stress in the industry which was further impacted by demonetization. In the list of top ten stressed loan accounts, majority infrastructure sector companies are there which indicate the stress level in the industry. We are continuously cautious and selective in terms of customers while building the healthy backlog in line with our strategy. We will share with you in terms of our market outlook through some of the slides. So if you can go to slide #3, so this is market outlook. So what you see in utility which contributes almost 45% to 50% of our revenue. The market drivers are aggregate technical and commercial loss reduction initiatives by various utilities that is the top one.

Second one is 24 x 7 affordable power supply which is initiative from the central government and being pushed on all distribution utilities. So there are different initiatives which you are already aware by the government which is IPDS, UDAY and DDUGJY. These are the program continuously on, I would say. We now find bit more focused from these utilities considering some of the states are doing good. Now, UP state also has joined the hand in terms of making 24 x 7 reliable power supply and they have started talking about the feeders where the losses are less to make 24 x 7 power supply which is basically differentiating the good feeders versus not so good feeders and that is what is creating competition now among different circles as well as with other state utilities.

Our channel to market is basically direct as well as indirect. Some cases where there are challenges in some of the utilities, we go through EPCs as well as partners. Where there is digital technology, where there are limited competitions, we go directly. Conventional generation, no significant change has happened I would say over period of time. It remains at the similar level

what it is. Renewable is positive; however, we are selective considering the kind of tariff which is going on. We are not trying to take every order until and unless we are sure about the finance side closure has happened and the price levels are at the right level.

MMM segment which is steel, cements, minerals; investments are happening mostly in OPEX which is on the revamp side as well as services side. Growth is still not visible in this segment because most of the growth is expected thru let say from the real estate or road or ultra-mega power projects which has not happened. So we are not seeing very positive traction on the segment for our business.

Oil and gas segment recovering slowly. There are investments on power supply side to manage their Euro VI norms what is going to come through refineries main is their power supply and some of the ONGC requirement. Transport is positive for us. There are metros coming in different cities for the different phases and we are quite engaged in this particular sector and we see more to come in that including DMIC which is a freight corridor, we are seeing now many of these tenders have started coming up.

Building segment, liquidity is still challenging in real estate. I think we are again selective here. Smart cities is becoming more positive now. After our success in New Raipur development authority, we are getting more engagement from various partners as well as the cities. Water is another segment where we are engaging with many of the EPCs who are doing this Amrut project and we are getting more and more enquiries on this segment.

So I would say in short term, yes there are segments where it is challenging. There are segments where it is positive. We are quite engaged with many of the stakeholders to make sure that we take the strength and drive our business. Where their trends are not so well, we are quite cautious in terms of selecting our customers.

Next one is on just to update you on this Naya Raipur Smart City. So, this is India's first greenfield integrated smart city order where most of the city applications like energy or transportation, surveillance system, digitization of physical assets of the government, water management system, building management system. These are all part of this offerings. Now, these offerings are mostly at the software layers. NRDA per say the city is, I would say the new city has just started. So, we do see this will be growing more, so we are putting all different players of software and this is going to grow more and this is what going to give us an opportunity also to enlarge our scope. So, the good point is in all three layers, the feeder is going to provide the solutions. If you see the layer 3, which is basically connected products layer, we are supplying all these digitally enabled hardware equipment like FRTU which is field RTUs, remote terminal unit, different kind of sensors, cameras. So these are being put at layer 3, then the next level is basically H Control which you call is like a SCADA system which acquires the signal from the layer 3 and manages the different application and the layer 1 is basically analytics layer where basically we provide all those analytics to customer for optimum performance of their assets and to reduce their O&M cost. This also helps them for their future planning. So, I

will say this particular deployment will help us to accelerate the growth for our services business also because it comes with O&M kind of requirement.

There are other upcoming cities where we are quite active like Bhubaneswar, [00:09:03]_____ Gurgaon. We are quite actively working with our customer and they are also quite positive about the integrated kind of smart city offering. We would like to leverage the success in other cities because the kind of applications which we are deploying has really created enthusiasm with other cities and they are asking more and more of demo of the kind of applications which we are going to do for NRDA.

Let us see in the next slide about our dilemma of managing distribution network, from what you see in this slide #5 is basically left side is distribution side network basically and the right side is the consumption side. So in distribution side, the challenges are high ATC losses. The problem or the dilemma with the utilities are more power they supply, more losses they make and this is where the challenge is and this is where the dilemma we are trying to solve it for them through this kind of smart grid solutions which I am going to share with you in subsequent slide how at the grid level our solution is helping them and how it is going to get accelerated because we are finding it more and more customer who are taking keen interest. This will also help them to improve their asset utilization. Today, their asset utilization is only 50%. They are not able to utilize assets optimally because their digitization is only 15%-20%. We want to increase the digitization to higher layer so that they can utilize their assets more optimally.

The network is going to be more and more complex considering the aggregators or consumers and our solution will definitely help them to manage this grid more efficiently. The right side is consumption side challenges which you see power shortage due to infrastructure itself is not adequate for them. Availability and reliability is a question mark. This is where we are trying to help them to make sure that power system what they have becomes reliable and they are able to evacuate the power what they have. So these are the trends, what you see are the complexity where we at Schneider Electric are trying to provide them the solution from power plant integration to power plug to solve the complications and improve the reliability and improve the evacuation of power for maximization of the revenue and asset utilization.

The next slide if you go slide #6, you will see the first one I have shown you is EcoStruxure which is for the city. This is for the grid because the grid is heart of the city to run the city application, so right side if you see this grid applications help them in terms of reduction of power losses, operation cost, improving the power quality and the bottom if you see, there are two circles which reduce the time and cost of integration because we offer open architecture which helps customers to integrate many of their existing digital devices. It also helps in terms of reducing their outage time. So, the EcoStruxure Grid is basically enabler for them to make sure the grid efficiency and reliability increases substantially.

In the next slide, you see this is one of the examples we are trying to share with you. Smart RMU BSCS. The BSCS which is in public domain what you see in this left side box, there are 10,000 distribution transformers, with 35,000 low tension feeders, with 16,000 kilometer of LT line.

Now, it is a quite complex network. What I am trying to say is it becomes almost impossible challenge to manage this network conventionally and this is where we are trying to create differentiation. So, we have received the order to make almost 50 to 60 substations more smarter through our FPI and smart RNUs. So, this will make the secondary distribution more robust, more reliable. So this is the one which will be coming up for execution and this is the kind of example we are sharing now with other utilities to accelerate. Unfortunately, distribution, it will take time, the private distribution utilities are much more faster. What you see here is the network, the kind of network what they have overhead and this is our team who are working for co-innovation with the distribution utilities and they have been able to create solutions jointly if not only solution proposed by Schneider Electric, but based on the pain areas of BSCS we have been able to propose new solution to them which will make their grid more sale filling and that will improve their reliability as well as question of power.

So I finish my presentation about market overview, our offerings in terms of the evaluation what is happening in the distribution segment as well as in the market. Now, I would request my colleague Arnab to take you through our financial result and the details thereof. Arnab, request you to please cover it.

Arnab Roy:

Thanks, Prakash. Let us move to slide #9. As Prakash was pointing out that the market continues to be challenging, however, showing some signs of positive trend, we at Schneider, continue to be selective in our order bookings. Primary objective is to protect our cash and the margins. So as a result of this, our order intake in the year stood at 1100 crores. So if you see in the slide, we are down 14% over last year. Trickle effect of that flowed in the sales as well, the sales was down 10% primarily on account of our selectivity. So if you see in the slides, sales was down 10%, but the good news was that in the EBITDA and if we move because of the selectivity, the fact that we are selective on conventional orders, cautious about our negative margin order. So despite a 10% negative growth in sales, the gross margin has improved by 3.7% and EBITDA has improved by 1.6% which broadly shows that our strategy and the focus is in the right direction. The selectivity is working for thus. Similarly, some of the solutions which Prakash mentioned earlier is kind of enhancing the mix. We are moving more and more towards towards transaction and services. So that is enhancing our mixed part of it. So our normalized result with all of this was at an 89 MINR which was 1% vis-à-vis) -1%) in the previous years.

So, with the key highlights before I go into the numbers is two things, as I was mentioning the rebound strategy of selectivity, focusing on profitability, and stay focused on liquidity which remains the challenge in the industry. So the net income which I highlighted was before the exceptional, so I will cover the exceptional in the subsequent slides. The slide 10 is basically a highlight of the snapshot which you would have seen in the results. So, we will cover that more in the Q&A, but I have kind of already covered the highlights earlier. Let us move to the exceptional items which is slide 11. So if you see in this result, this time we have taken an exceptional provision of about 1687 MINR comprises of primarily two things. So, there was a provision of 1360 MINR which we have taken for debtors. This has been a combination of few things which has led to this provision, one has been a reassessment based on the worsening financial condition of certain customers, so you would have seen some public domain

information also which is coming out on some of the sectors like real estate being one of them, some of the players which you would have seen public domain. So that has been one of the factors which has led to our assessment. Also, there has been some passage of time means some of the debts were sticky. So we have taken a cautious call on that. And our idea on selectivity because since consciously we are pulling out a few markets, so it becomes difficult to collect the debt from where you are consciously pulling out. So that has been one of the factors. So, combination of these has led us to a reassessment of our debtors' position and we felt it prudent to take a provision of 1360 while we continue pushing the cases, but we felt it is prudent to take that charge.

The second one is that we have taken a provision of for litigation primarily on account of old tax forms because again some of this was getting aged, so we felt it prudent to take a provision on that count. Also, there are a couple of small line items like few employee settlements, but those are small line items. So debtors and some tax forms were the primary components of the exceptional items.

So with this, I cover the financial part and would request the operator to kind of hand over for the Q&A session.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Renu Baid of IIFL. Please go ahead.

Renu Baid: So the first thing just asking little more on the financials as we have discussed with respect to the debtors and the provisioning, this is a fairly large number and after a gap of almost 2-3 years, provisions have come back on books. So wanting to understand what type of projects do they relate to and how old has been these debtors which has been sitting on books because since the transfer happened from the Areva T&D, then to Alstom and Schneider, we have been making significant amount of provisions over the last 2-3 years and despite that, you have seen a big bump up coming this year. So if you can share little more color and details in terms of what led to this provision, what type of projects and like?

Prakash Chandraker: So maybe I can comment bit and then Arnab can join. So, some of these projects are like JP, Lanco, AtoZ and all that. Now if you see, we have been doing project with them and we have been getting payment whether JP cement or JP Infratech. So, gradually those payment were released by them, but we find in last one or two quarters the situation really became bad. You may have seen in newspaper report they have started declaring kind of challenges they are going through given the public demonstration about some of those projects. So, this was the, I will say in public domain where we felt that some of these debtors are under risk. It is good to take the call and reflect the P&L accordingly.

Renu Baid: Most of these provisions are related to orders that we have won in the last 1.5-2 years or they also pertain to certain legacy orders which we have been sitting for reasonably longer time.

Arnab Roy: I think it is a combination of both Renu. So roughly about 30%-40% will be from the legacy orders which has been there. That is why we are saying that because of passage of time, now that they are 3-year plus and some of these customers as Prakash mentioned is pretty slow in paying, so we felt that it is prudent that with the passage of time, it becomes a case for provisions, so that is one side of it. The other side of it is the orders which were executed in the last 2-3 years and again there is a sectorial spread of it. So, there are certain sectors like real estate and all where we felt it was more prudent because of some information on the public domain to take stress and so it is really a combination of these two to kind of give you a short answer.

Renu Baid: But one would expect that some of these payments probably would come through over the next 12-18 months if not that the entire receivables have gone bad?

Arnab Roy: For sure and we will keep all our endeavor to collect this money, but at this stage we felt it prudent to provide the risk because it works on a more likely than not concept. At this stage, you evaluate what is more likely than not and that is how that it stays at this stage.

Renu Baid: And what has been the receivables more than 6 months at the end of financial 17?

Arnab Roy: So, we have roughly about around 200 crores which is more than 6 months, but we have done a complete assessment of that, so we felt whatever is the risky part we have kind of covered it, rest is business as usual at this stage.

Renu Baid: Sure. Second question on the business front. We have at least started seeing orders of Smart Grid flowing in. So what is your sense that the average ticket size of project should improve and the cities that you mentioned in pipeline, do we see any progress on finalization in the coming year from some of these larger names, if you can highlight little more related to this aspect of the business?

Prakash Chandraker: So, we are seeing Renu in terms of acceleration in order finalization where funding is done through central government or World Bank. Also, wherever there is a fund is tightened or tied up, there is acceleration on that and some of that city names I have already mentioned in my presentation and those are including even the DMIC, Delhi Mumbai Industrial Corridor, Shendra. These are moving much faster and quite advanced stage we say in terms of order finalization. So we do see the funded projects are moving at positive pace and that should be the trend because this is also creating competition among cities and which was not the case earlier. Even when we are talking about the smart grid, the planning commission or NITI Aayog these days are asking to publish success stories about the benefit to consumer as well as the utilities. So we are trying to organize the kind of seminar with the policy makers as well as state utilities to see some of these investments which they have done how they are getting benefited. So this digital transformation moving, I would say, slightly slower pace than what we would like to have. So to accelerate, we are trying to have more engagement with them and more close interaction to make sure that they understand the benefit and start implementing more in a rapid pace.

Moderator: Thank you. Our next question is from the line of Ankit Merchant from KR Choksey. Please go ahead.

Ankit Merchant: Sir, I would like to understand about this data provision. As you said, 30%-40% was basically, it was around 3-year-old. While I will like to understand that it was 3 year old and there was some problem related to recovery, the other part is GETND had already done this provisions way long back and they have been trying to do since last around a year now. So at that point of time why did not you go ahead with the provisions considering that the clientele were same, so this is my first question I would like to understand on this part more.

Prakash Chandraker: If you remember 2 years back, we did provide partly because some of the cases were still moving and those power plant complexities, let us take example of Lanco which had went through CDR and they disposed of one of their plants in Udupi and all that. So we did receive some of those payments. Some provision we created, but then after that once we did once again analysis of how that is moving what is left out, we found it was prudent to provide for where whatever had been paid, the balance what is going to come will be very slow pace and we thought it is better to take care of it now in our P&L.

Ankit Merchant: So because when we had met in the month of January, I believe you were pretty confident about your debtor part saying that our books are pretty clean on the debtor front and the current provisioning has been a shock for me considering that the expectations that the debtors will improve going forward and I am trying to ask question where there was an surety and then it has turned really bad now.

Prakash Chandraker: Ankitji, I fully understand your concern in point, but if you see this infrastructure segment, all these companies, they have been trying their best to really improve the liquidity situation. We had large project with JSPL just to share with you and we had good amount of inventory. We had choice to stop supply but then inventory would have become really bad inventory and then this would have converted into a bad debt. We engage with the customer, we made an agreement saying that you start releasing progressively, we start supplying progressively and we have progressed quite well. Some of the cases we were engaged, but possibly they could not improve the situation and then this is where we did face the difficulty because of the challenges what they faced on the market because some of the banks really refused to rescue them. So the cases were, I would say, many of the cases were really with the engagement improved, we collected or I was sharing with you some of the, let us say Jindal we still have some payment, but then we are seeing it is moving in positive direction, they have commissioned their Ankul project and it is moving in positive direction. So I am saying some of the sectors which went through tough time we see are slowly improving. But this was a time when there is a newspaper report about particular infrastructure companies. Then I think it is better to take tough call and then maintain engagement. It is a provision, not write-off. So we continuously maintain engagement with them and make sure that we try to get as much as possible from this provision, this subject.

- Ankit Merchant:** And sir question is related to your working capital as well now. The debt has been rising on the short term borrowings front. So what are you trying to do on the working capital front and how are you managing it?
- Arnab Roy:** I think Ankit here, the biggest thing is a continuous focus on collections. So what we are trying to do is we are monitoring the whole order to cash cycle very diligently, trying to recover both that. There are two types of actions. One is engaging on the long term debts to make sure that we are able to liquidate as much as possible. The second is to really work on the entire order to cash cycle to see how fast we are able to realize our current debt. So we are working on a project footing on both the sides. So I think that is the biggest one which we are trying to really work on this one and once we improve on our DSO by at least 8-10 days is what we are targeting at, automatically we will see a relief on the working capital side coming.
- Moderator:** Thank you. We will take the next question from the line of Subhadip Mitra from JM Financial. Please go ahead.
- Subhadip Mitra:** Just wanted to check, as I understand from your PPT I think the large key thrust area that we are looking at are probably power Discoms, smart city, renewable transport. So would it be possible for you to kind of give a ballpark figure as to what is the total size of the market that you would be looking at in each of these and by when do you see the opportunity panning out?
- Prakash Chandraker:** I know, utilities or smart city, transport, almost we will contribute something like 55% of our business and we participate only on the funded projects, not on all projects.
- Subhadip Mitra:** So on a ballpark basis what would be the total market size that you are looking at for say these three segments combined or if you can give us segment wise what is the potential?
- Prakash Chandraker:** Segment wise I will share with you, in terms of, market is quite big, that way if you see I would like to describe bit differently. Government if you see talk about APDRP funding of 50,000 crores and so on. And utilities if you see, in distribution segment at least where we are operating are digitized only 15%-20%, demand side or consumption side. Generation and transmission is digitized almost 80%. So the space where we are in, opportunity is huge because digitization has happened only 20%. 80% is left to be done. Now the funding or the policies are available. The limitation is the pace and the speed of the utilities. How much fund they can utilize is one of the challenge or question mark because they have limitation in terms of their workforce because the same team is responsible for operation as well as the project and their project implementation takes some time considering their engagement in other activities as well as the constraint what they have within their own operations. So that actually puts more limitation in terms of making the real market available for us. The size is quite big.
- Subhadip Mitra:** But any estimated number as to in the next say 2-3 years, do you see some of the states ahead in the race and maybe there you might see a larger chunkier market size available to you?

Prakash Chandraker: Odisha if you see is moving quite fast. In fact, we have already done good number of power distribution project. We are deeply engaged with them in this new smart city space including Bihar. There also driving I am seeing, many of these utilities have MD as enthusiastic guys and they are really driving it. They are the people who are trying to really create a benchmark for their states. And this is where we are getting engaged because they really want the distribution utility to move to a 24/7 reliable power and Gujarat, now Tamil Nadu has also started what we are seeing the secondary distribution in all that Andhra. So at least 25%-30% utilities are moving quite fast what I see.

Subhadip Mitra: Understood. So that was on the discom side of it, if you can move on to say the smart cities, transport and maybe renewables.

Prakash Chandraker: Transport, I see many of the cities like Mumbai Phase-2 to 4, Bangalore Phase-2, Ahmedabad, Nagpur, these are the next wave of metros which are going to come. Good point is in metro we have very good success in most of the places. So these are the one which is happening in a transport segment. On renewable segment, we are more focused. The one where financially we see is a good healthy one and customers have funding tied up. We are participating with good developers or the EPCs. And we are quite successful where we are focusing and in fact our transformer gets the premium over market when it comes to distribution because renewable transformers are very different compared to the distribution utility transformer, it is with high harmonic and thus a specialization of Schneider in terms of giving good quality transformer for renewable, so we are quite positive on that. In smart city I have already shared with you, in fact we are already focused on number of opportunities but there are 3-4 which I have shared with you. Its name was Bhubaneswar city, Shendra-Bidkin, Gurgaon. We are working quite actively on that and this has a large power distribution packages.

Subhadip Mitra: Understood and the addressable market size sir for each of these, say for renewable, transportation, what is your addressable market size?

Prakash Chandraker: When you say it does not mean metro, it is a big market. But if I take power distribution which is relevant for us. We are addressing in this particular segment at least something like 70%-80%. Most of the places where it is there. In case of renewable, we will be addressing may be around let us say 30%-40%, not all the renewables, where we are finding it interesting because we become selective on customer in terms of payment. Ankit was asking about the working capital and that is what Arnab was trying to clarify. That is the one of our focus area, cash and profitability. So we are focusing. We are preselecting some of the customers who give right margins and the right cash and who really care for the quality in long term because I can give you small example. In UP, there is a developer who has taken 3.5-4 years ago renewable with almost tariff of something like Rs. 8 or Rs. 10 at times. We were in competition with them. We were in competition with one of the vendors. They offered maybe 10%-12% cheaper price and now after 4 years this same promoter has come back to us to replace many of those devices, because it is not working. Now with your question and commitment is under challenge. So what I am trying to say is some of the segments where we are living those customers are the customers,

too much conscious on the price hike and compromising on quality and they are burning their fingers where they are not paying attention to that.

Moderator: Thank you. Our next question is from the line of Deepak Agrawala from Elara Securities. Please go ahead.

Deepak Agrawala: Sir a few questions from my side. If you can help us, give us basic data on how the revenue profile amounts transaction solutions and services during this year and quarter?

Arnab Roy: Okay. Current year, the system business was 69%. The transaction was 22% and services was 9%. If you compare this with last year, last year the system was 73%, transaction was 19% and services was 8%. So you could see that there is a clear focus towards moving more towards transaction and services.

Prakash Chandraker: So Deepak just to complement what Arnab said, transaction and service business gives us at least 5%-7% more margins compared to this system. So we are doing more acceleration of transaction and services which reconfirms and that is confirmed by the P&L what you see. Sales was minus 10% while EBITDA growth was 28%. Now this is something, if you see in terms of the directions in terms of the strategy with minus 10%, 28% of EBITDA growth is a very fantastic positive story because normally if we do not control the cost with the lower number of revenue, it can very badly hit the EBITDA which has not happened, so that is a positive part. We are trying to reduce the fee cost structure itself, so that when we have refixed our volume and when we accelerate the growth on that, it gives us much better profitability.

Deepak Agrawala: Okay. And sir in the similar context, then we can very well assume that even in FY18 or '19 this trend of towards more transaction and services will continue to give us a higher margin profile. So in that sense, can you give us some color on the existing order book that we are carrying forward for the next year and which are the major segments in this order book?

Arnab Roy: So Deepak, we usually carry a 7 to 8 months kind of a backlog. More or less the backlog is consistent with what you see here. I mean that has been a conscious focus on the organization to move in this direction and the trend is more or less similar. So you can expect the same amount of, I mean, mix to continue.

Moderator: Thank you. Our next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Madan: Sir, as of now our net worth is just at 80 crores sir. So any plans to augment the net worth, sir?

Arnab Roy: That is something Kirti, which is in the radar I would say. We are closely watching it and we will come back to you subsequently, but that is something which is definitely in the close watchlist.

Madan: Sir will it affect our prequalification at some areas, some places they may said minimum net worth criteria and will it affect that?

- Prakash Chandraker:** Most of the tender prequalifications are more technical in the space where we are operating. These are not very large projects, 200 crores – 500 crores where the qualification is more on size or financial, it is more on technical. So we have so far not faced as such any difficulty, I will say, in terms of our participation in tenders.
- Madan:** Madan here. What will be your total fund and non fund based support? Fund you might not be requiring, non-fund based support for taking orders at this point?
- Vineet Jain:** Vineet this side. So basically when we are talking about the non-funded, so we are very much focused on the payments. So different kind of just like some of through LCs we are taking care. Some through the government funding status is there. So there is no clear cut bifurcation of the customer wise so as to say, gives how much amount is funded and this is not funded, but I can assure that we are focusing on the clear secure payment terms either of the available tools in the market in the financial terms.
- Moderator:** Thank you. We will take the next question from the line of Prashant Kshirsagar from Unived Corporate Research. Please go ahead.
- Prashant Kshirsagar:** Just one small question is regarding Naya Raipur Smart City project, what should be the project size and how much business it would generate for us?
- Prakash Chandraker:** I will answer the second one first. So NRDA is like a benchmark project in this space, not only for Chhattisgarh or NRDA, but for other states also and in fact the old Raipur is also going for now similar projects, tender will be soon out. So this is going to create new benchmark and this is also becoming technical prequalification for other cities which is a quite positive point because the kind of applications they have asked for is quite good and is indicated open architecture. So for us it will open up I will say more opportunities because more city grows, more per point kind of opportunities we get. And this is what we were saying, the service opportunity. We want to grow our services business, so the software piece is the one which we are trying to accelerate the growth and that will bring us more service revenues.
- Prashant Kshirsagar:** So what sort of business should we expect say, in terms of crores, in million rupees or whatever?
- Prakash Chandraker:** It will be difficult for me to just give a figure on that because each city it will vary. It can vary from maybe let us say 20 crores to I don't know 60-70-80-100 crores, depending upon how the funding is and what is their focus areas.
- Prashant Kshirsagar:** But for Naya Raipur how much should it generate, if you can answer the question sir?
- Prakash Chandraker:** Naya Raipur, the energy business will be around 24-25 crores, in the current first phase which we are doing.
- Prashant Kshirsagar:** And what should be the size of the project in totality sir?

- Prakash Chandraker:** Size will be around...because this is in consortium, you know. We have a consortium partner for many of the activities. So they have a part which we don't do as we say, many of those land records, those kind of thing which is being done. So it is around let us say 150 crores of project.
- Moderator:** Thank you. Our next question is a followup from the line of Renu Baid of IIFL. Please go ahead.
- Renu Baid:** Sir on the industrial segment, you did mention that we are seeing some uptick coming from the oil and gas space. So when are we seeing any particular timelines, when we are seeing some of these refinery contracts for Euro VI upgrade. They are ordering to flow through and what could be the average ticket size that we are looking here?
- Prakash Chandraker:** We are seeing the engagement now. It is at the discussion level, where they are trying to establish the size of additional power required to do this new processing. So maybe in few months' time, we should have more clarity in terms of what will be the size of the megawatt, what they need, but this exercise has started some cases they have started doing maybe on ad hoc basis like HPCL and all that where we do see a tender where we have received the requirement, maybe tender size is not very big but it is around say 15-20 crores. This kind of opportunities we see will be coming up for us in oil and gas segment.
- Renu Baid:** But at least these projects should be broadly finalized before the end of the financial year.
- Prakash Chandraker:** We see it will be, maybe 12 – 16 months' timeframe.
- Renu Baid:** And sir secondly apart from the Euro VI upgrade, we are also seeing some refinery expansion works underway. So are we seeing overall as oil and gas as a stream seeing a meaningful uptick by the oil and gas fertilizer combined in terms of market opportunity or you think it is still a little early for the expansion projects to have the preliminary discussions or pre negotiations with the...
- Prakash Chandraker:** So expansion projects, when it comes, we are again value chain will come at less than layer II or III because what happens is first there are big EPCs orders with lots of mechanical, civil and including electrical whereas we work with them on the technology side and then our turn comes. So by the time our turn comes, it takes time I would say. So there will be still time when the refineries, those expansion projects start coming to the shape. Reliance J3, we have done which was a big project. Now they have started talking about J4. J4 will come in full design phase, I don't know may be 2018 or so because 2017 they are going through this commissioning. So 18-19, I don't know. '19-'20 or something are there. So I do see this will be coming up but may be it is bit medium term kind of a project rather than in the short term.
- Renu Baid:** Right. But at least the industrial segment of the market opportunity is now relatively looking up compared to what it was there probably two years back?
- Prakash Chandraker:** Yes. They were not discussing at all earlier. Now they have started discussing. They started initiating the reports. So that has started happening.

Renu Baid: Correct. So within this part, do you see the market opportunity opening up? Have you seen a substantial change in the competitive environment when you are looking at other players be it GE, Siemens and others, have you seen increased aggression from the other MNC peers in this space or probably market on the industrial side is still fairly comfortable with respect to pricing?

Prakash Chandraker: Yes. I will say the discussions are happening but I am not seeing in the RFP level. The proposal level will still take time in terms of coming, they are in drawing board stage, so coming to ground level where they start negotiating, the bids will still take time. We were doing projects let us say in Dangote, which went through this kind of rough weather because of this conditions, the prices of petroleum, now we see started moving in positive direction. So it has taken time almost about 1.5 to 2 years. Now we see a movement in positive direction.

Renu Baid: So what would be our addressable size in the Dangote project in Africa which is going through?

Prakash Chandraker: It will not be right, Renu right now to give the figures because...

Renu Baid: No, because some of your Indian counterparts who are doing the other scope of work, they have already announced project order wins. For example, Thermax has already announced almost 1,200 crores of order win, EIL has been talking about it. So that is why I asked you, what would be your addressable size in which you are looking at this project and when can we expect the Dangote order to flow for you?

Prakash Chandraker: We are positive but I still wait for more green signal from Dangote to really move faster because we did have some auxiliary power supply chain of orders, but then we are holding it until unless we are sure that it starts moving. I will say let us wait for one more quarter and maybe we can have another interaction in the next quarter to see how it moves.

Renu Baid: Just one last question if I can add it. Sir, if you can highlight a little more on the services on the IOT side of the business. How are we expanding services basket and especially on the IOT side some of your other MNC peers have been talking pretty loud with respect to getting a lot of pilot orders. So how is Schneider moving on that side?

Prakash Chandraker: So service part is moving positive direction which was shared by Arnab and in fact if you recall, we talked about Reliance J3 project which we did, now it has started coming in the service phase. We did receive some service orders maybe not big but quite good I will say in terms of value if I see. So the install base which we have started creating in last few years, with digitization have started giving some results because this installed base are quite new. So it will be bit earlier bit still I will say. We have to wait for let us say maybe two years more to get the size where it becomes sufficiently bigger because if you recall we said our vision is to make transaction and service as a 50% revenue mix, in system 50%. This 50% contribution can be really substantially high in terms of profitability. This is where we are trying to drive. So in IOT space, I will say Schneider is one of the leaders, thought leadership is with them considering the various kind of projects what we have executed in different space right from buildings to airport infrastructure to city infrastructure to utilities. So we have good referrals including the Puri what we have

shared with you in the past also. But the challenge what we see is the pace at which this industry is moving. We have to see that there is improvement and this is what I was sharing with you. This is why I was presenting also that we are trying to engage all stakeholders in one plate form where the guys who are using this IOT technology shares with other guys who are not using it. So that gives them the true picture of how they are getting benefited and this is what we are trying to do and there are manufacturer association like EMA, RCII and also I will say supporting this initiative in terms of showcasing those kind of thing to the government that how it can benefit to them.

Moderator: Thank you. The next question is a follow up from the line of Ankit Merchant from KR Choksey. Please go ahead.

Ankit Merchant: Sir just last thing I like to understand on the metro front, so what are the typical order size for metro what we do for the metros and what is the typical order book size in that segment?

Prakash Chandraker: Order book by segment will be it will be difficult to say offhand but maybe you can check that. But just to share with you metro order size varies for expansion project, new project size is quite big, it can be 70 to 80 crores. But when there is a line expansion, it varies from 10 crores to 25 crores, typically SCADA, power supplies, transformers, secondary distribution, like that.

Ankit Merchant: Okay. And sir it would be great if you could add the order book visibility into the presentation as well. I think that could help the analyst community and the investor community at large to understand how is the order book moving and that are the current orders which we have.

Prakash Chandraker: Okay.

Moderator: Ladies and gentlemen, that was the last question. I now hand the floor back to Mr. Deepak Agarwala. Over to you sir.

Deepak Agarwala: Yes. We thank Mr. Chandraker, Mr. Roy and Vineet for giving us an opportunity to host this conference call. We also thank all the investors and analyst for joining this call. Sir any closing remarks you would like to offer?

Prakash Chandraker: Yes. So before closing, I would like to say market sentiment looks to be positive in most of the segments especially on smart grid, smart city metros, and that should give us more positive movement. However, we still see market remains challenging when it comes to liquidity. We are closely watching the development in some of these segments especially in industry where it should start getting transformation in medium term. Thanks again for your valuable time to understand our company and have a very nice evening. Thank you everybody.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.