

“Schneider Electric Infrastructure Limited  
Q1 FY2019 Earnings Conference Call”

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**Moderator:** Good day ladies and gentlemen and a very warm welcome to the Q1 FY2019 earnings conference call of Schneider Electric Infrastructure Limited hosted by IIFL Capital Limited. As a reminder, all participant lines will be in the listen-only mode. 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Renu Baid from IIFL Capital Limited. Thank you and over to you Madam!

**Renu Baid:** Thank you Ali. Good evening everyone. Welcome to the Q1 FY2019 conference call of Schneider Electric Infrastructure and we have with us the management represented by Mr. Prakash Kumar Chandraker, Managing Director, Mr. Arnab Roy, Chief Financial Officer and Mr. Vineet Jain, who is the Head Investor Relations. Without taking much time, I would like Prakash to take charge and give us a brief on the recent performance and turnaround of the company. Over to you Sir!

**P.K. Chandraker:** Thanks Renu. Good afternoon everybody. I am Prakash Chandraker this side, Managing Director of Schneider Electric Infrastructure. I am pleased to connect with you to share and update the progress of our company.

Looking at Q1 of FY2019 the market was positive. In segments like infrastructure, metro, utility was very, very positive; however, segments like oil and gas, minerals, mining, metal is taking some more time to bounce back. We executed our strategy well in line with our rebound plan in last two years. During the quarter we booked some smart solutions order in system, which enhanced our system business contribution in the quarter. We have seen the positive results of transformation, project initiative like order to cash, which was launched last year and has resulted into good performance I will say. The performance and P&L will be presented by Arnab. This has also helped in terms of realizing better cash. We remain focus to build healthy backlog with better mix of business in line with our strategy to create really long-term sustainable P&L.

Today we will present to you a few slides on market outlook as well as update on some of the strategies. Let us go to the presentation. We will go to slide number 3. So slide number 3 indicates energy India market outlook with respect to the business focus area of Schneider Electric Infrastructure, so if you see from this graph almost 70% of market is green, which is utility or renewable, transport, building, data centre, infrastructure and others. Conventional generation remains in red, MMM and oil and gas will take some more time to really come up, so overall we see market evolution is quite positive. Utility today states are actually getting pressurized with 24 x 7 power supply to go for more smart distribution and this is where we say Schneider Electric has real good role play. The system is strengthening up, transmission and distribution is happening; however, there are more focus to go for smart solution.

When we come to renewable, there has been new standard, which is called IS: 1180 and the government has pushed for this is standard to really reduce the losses in the distribution and

improve the quality of transformer and that is also helping us to really push quality transformer for company like Schneider.

When I come to transport there has been new way of metros, Nagpur, Ahmedabad, Pune, Mumbai and we have been the market leader in this transport segment, so we see a transport should give us good business in times to come. Building and data centre, this was not the focus segment for infra business or Schneider Electric infrastructure; however, now we have actually created good access to market through our other verticals and we have been able to at least get our 10% to 12% of business from this segment with differentiated margin, so that is also growing for us. Infrastructure and other, which is smart grid, smart city, water management project, these almost contributes 18% to 20% of market price as well as order for us and that is also quite positive as we say considering the smart solution what is being preferred by most of customers.

So if you can go to the next slide, slide number four, so this is a brief update about our rebound 2.0 update, which we launched almost two, two-and-a-half years back. It is really paying us back because grow transactional what we have identified the area where you wanted to grow and the area where you wanted to be selective in growth, we have been able to really resize the business rightly, so in grow we have three access, transactional business, which is basically standard product, so if you see there are three positives really growth has got accelerated, service also has a positive growth. Service is something, which possibly we see a much better opportunity because we are doing more and more automated kind of assistance job and that we come up for the service activity down the line after warranty period, so go digital we are doing a good in terms of our automation business.

When you come to power system, the profitable growth is the area where we are focusing and this is where we are talking about the smart city or smart grid kind of opportunities, so order also is in double digit growth if you see last quarter and cash is quite positive, is more than sales last two to three quarters, so we see our rebound strategy is really giving us positive result. There was a lack time definitely to create really ecosystem to drive or accelerate the growth for transactional as well as making sure the system will grow where we want.

We can go to the next slide, which is basically success story, which is actually build on what we have been trying to build from last two years. In success story, first one is on Samsung what you see this is opportunity, possibly you see Schneider Electric, which we could win and this was inaugurated by our Honourable Prime Minister, Mr. Modi on July 9, 2018. This is good success story because we could really position Schneider Electric for complete smart power distribution management, so we could push other products, some other business and that gave us a differentiation compared to our competition. Now this success story we are able to really connect with other customers, who are in industrial environment and this is where we are waiting for MMM and cement, oil & Gas, these kind of business and these are the good reference, which is going to help us to create much better opportunity in times to come.

We can go to the next success story, which is new Raipur, we have shared with you when we acquire this order, but now today we have commissioned the phase 1 and this has also been inaugurated by Honourable Prime Minister and the photograph what you see is the left side the photograph of inauguration and the right side is the view of the control centre where all these control devices or a monitoring system has been created by us as well as by our partners.

We can go to the next slide quickly and that is something, which you will find what does it mean by smart city, this is a living index what is shown for the smart city. There are four pillars at smart city, which has been identified by Ministry of Urban Development, the first is institutional where the governance process is actually measured that how the ecosystem has been created for the growth of economy in that city as well as monitoring and control of different infrastructure within the city and their different parameters are measured scientifically through the system and this is where they get the score and the score comes with the system. This is just a typical what you are saying is score is, but in the real time it is happening in NRDA new Raipur. Second is a social vertical where government is trying to do better in different kind of social infrastructure, which can be education, health, safety, security, surveillance and all that.

The economic infrastructure is very important because until economic infrastructure is improved it becomes difficult for the city to really sustain the smart city concept whatever we are talking. Here also we are trying to measure their different income level and the physical infrastructure, which is most important where we could create and help NRDA to develop this infrastructure in two or three phases. These are the few I will say like water, mobility, the energy, waste management, pollution index, all that we are measuring through different sensors and these informations are coming at the control centre level, so government is able to take some of those corrective and preventive actions what is required to bring the physical infrastructure a right level, so that they are able to get the right index to really **(inaudible) 10:52** to show that the city, which they are developing in investing is really ahead of other cities, so that is what is going to also help them to attract new investment, this will also help citizens actually, which will improve the quality of their life because many of the information, which citizens were not getting earlier, if they are applying for new electricity connection when they are going to get it, where is the application, all those informations were not available earlier, but this new system is possible to track online like in the passport system. Similarly somebody is applying for water connection he can do it through the system, in mobile there are applications, so lot of citizen services also has been launched part of this smart city.

We can go to the next one, which is basically more architectural point of view, technological point of view, I will not go too deep, but if you see there are three layers, the first layer, which is in the bottom is basically hardware layer where we made those infrastructure smarter by embedding lot of sensors. These sensors send signal to the next level, which is called edge control. An edge control basically monitors and control each of the city verticals and then send signal to the next layer, which is called command control centre layer and command control centre layer what you see is basically transverse where it has a view of all the vertical of the city like energy, water, building, surveillance system, public governance system and so on and it

monitors as well as it can control depending upon the needs of administration, so if a city can be really operated very, very efficiently it help government also to reduce their operation and maintenance cost drastically, it helps them to predict that how your system is going to work in short to medium term, so overall it helps government to plan well, it helps them to attract new investment, it helps them to make their citizen quite happy and this is what is the concept of smart city. I will now ask now my colleague, Arnab to take you through our financial result details. Arnab can you please take it forward?

**Arnab Roy:**

Thanks Prakash. Let us move to slide number 11. In this slide if you see I think as Prakash already highlighted earlier the order growth for this quarter has been positive. In fact we grew by about 20% and we had Rs.272 Crores order intake, so good solid performance both from the end user side as well as from the contractor side I think it was a steady growth in orders. Let us move to next side, which is sales, so on the sales side a similar performance, the sales was up 19%, we ended up the quarter with about Rs.343 Crores of sales. Again we had a strong backlog here and a consistent execution month on month, which led us to this result. Let us move to the next slide, which is the P&L side. I think here probably this quarter I will have to do a slightly lesser talking because we have been giving you the guidance for the last two to three quarters and the performance is a reflection of what we have been telling you, so if you see here definitely a solid quarter in terms of the topline, so there was a 19% sales growth, but then the other P&L parameters also if you see I think the material costs were steady, which led us to a steady gross margin. Employee cost has been controlled this quarter. We have been telling you even in earlier quarters that we are in a process of relooking at our employees cost, so the process of restructuring we have just initiated in the plant. There is a small reflection of this in this quarter, but in the coming quarters we will be executing the restructuring, so the message here is that we are not stopping at our current cost level, although we are activity positive already, we will continue the journey so that we are in a much more leaner shape and can sustain the performance, so that is the first message I wanted to give you here.

Then moving onto the other expense line as well, we had some good process improvements, which came in, both driven by Augury design, so we did some Augury design on the warrantee side, which gave us benefits. Forex helped us in this quarter and we also started doing the hedging now pretty actively at a purchase ordering stage, so that is helping us on the Forex. Similarly on the debtor side, we were able to recover some old debts, which further helped us in this quarter, so overall I would say the other expenses was quite controlled, which led us to a strong EBITDA, strong EBIT and then to a PBT positive, I think probably it is the first quarter in a long, long time when we had a positive growth, so overall I think it is a good result, so I think as I said I have to do a less talking will be more keen to get your questions and answer, but overall I would sum up by saying that the performance is going in the right direction if the market sustains as Prakash said in his opening comments, I think we should expect the good year going forward. I will close here and leave the floor open now for the Q&A discussion.

**Moderator:**

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sanjay Doshi from Reliance Mutual Fund. Please go ahead.

- Sanjay Doshi:** Good afternoon team and congrats on a good set of quarter. Sir just one question on our profitability, we have seen a very sharp improvement in the current quarter especially other costs are down on a very 35%, 40% on a YOY basis, so can you just throw some more light about how sustainable this is and what are the key factors, which has supported this kind of a decline?
- Arnab Roy:** Sure Sanjay. Thanks for the question. I think as I said during my presentation that there are few things, which helped us on the other expenses. Number one on the warranty side we did Augury design, which gave us a cost come a bit, so that is differently sustainable because the Augury design has been done. The second aspect was Forex, now Forex there are two pieces to it, one is definitely earlier we were not hedging, so now we have started hedging, so the predictability on Forex has improved. Having said that there is another aspect of Forex, which is the market volatility, so this quarter the market volatility has been more under control I would say, so that is a variable piece, we will have to keep watching the Forex. The third piece we collected some old debts here, which was to the extent of about Rs.6 odd Crores in this quarter, so that is definitely something, which we collected this quarter. We do expect to continue this journey on even on old debts, so although we have taken a provision that is not lost, so I think the combination of these three things gave us overall higher or better other expense in this quarter.
- Sanjay Doshi:** Sir what is the change in warranty, can you help us, appreciate?
- Arnab Roy:** So what we have done is, we have completely changed the warranty cost organization, so we have insourced it within the plant, which was a lower cost, earlier it was with a more outsourced third party services organization doing it and that is giving us the benefit, so there has been insourcing of the activity.
- Sanjay Doshi:** There is no one time kind of charge or something or write back or something apart from Rs.6 Crores of whole recovery, which obviously if you have success in the future that will continue, but for the warranty part there is no one time kind of write back?
- Arnab Roy:** There is no one time kind of write back.
- Sanjay Doshi:** Great Sir and the second question would be on your outlook on various industries, I mean the presentation gives us a very good idea that most have turned to favourable leaving aside your traditional Powergen, but given the current scenario what kind of growth rate can we expect on our order book, is there a target?
- P.K. Chandraker:** Market outlook, which I was sharing with you looks positive, so 70% of market we see it is positive and today market is growing around let us say 6% to 8%, so we expect we should be growing in line with the market in some of the area where the smart solution is preferred by the customer possibly we have edge over our competition and that is what has given us more positive growth in the last quarter and that is what I covered also the systems growth with more smart solutions gave us a growth in the last quarter, so this is how we see the market outlook in coming quarters.

- Sanjay Doshi:** Great Sir. Thank you and all the very best.
- Moderator:** Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.
- Manish Goel:** Very good afternoon and congratulations on excellent number Sir. Just to carry forward on the other expenses on Forex if you can quantify what could be the benefits, was it Forex loss or a Forex gain, basically what I mean is deduction in Forex losses?
- Arnab Roy:** Yes, so on Forex it is still a loss, it was not a Forex gain, but the quantum of loss compared to the comparable last quarter was lower, so for example in this quarter we had about Rs.2 Crores kind of a Forex loss versus about Rs.7.5 to Rs.8 Crores in the comparable quarter last year.
- Manish Goel:** On debtors recovery you said Rs.6 Crores?
- Arnab Roy:** Correct.
- Manish Goel:** Also on what I recollect is in the last quarter when we had a marginal decline in sales at that point of time we had mentioned that there was some spillover of sales to coming quarter, so is it that this 19% growth is probably partly resultant of some spillover of sales from the previous quarter?
- Arnab Roy:** Yes you are right because at that stage we had said that there was about Rs.10 or Rs.11 odd Crores, which was a spillover from last quarter, so that is definitely part of it, but having said that this is like a regular phenomena and as the order book is, as you can see we have a 20% kind of an order growth, so we expect kind of this volume to be sustained because there is more order if you are able to execute it there is no dearth of order to execute at this stage.
- Manish Goel:** It was just Rs.10 to Rs.11 Crores only, nothing significant, so ideally as Mr. Prakash did mention that market is growing at 6% to 8%, so can we expect a better growth rate on a topline going forward in terms of or is it that we can probably look forward to a double digit growth like what we saw in the first quarter?
- P.K. Chandraker:** Manish we are fully focused in the market and I specifically called it out also, some of the market, which are dark green, and some of the market, which are orange, so I will say really focus is to accelerate the growth on mix, which we have already restructured towards profitability.
- Manish Goel:** May be would it be possible to give a sense as to how the revenue mix has changed between transactional products and services and systems and has it resulted probably helped on the margins front as well?
- Arnab Roy:** Yes and I think it is going in a positive direction, way we kind of wanted it and I think if you look at it compared to Q1 2018 versus Q1 2019 transactional has gone up by about couple of

percentage points in the overall portfolio, services has gone up by about 1% in the portfolio and system has come down by 3 to 4, so it is moving in the positive direction, I think there is no drastic change about 4% I would say the profitable business.

**Manish Goel:** Sorry 4%?

**Arnab Roy:** 4% in terms of the mix as I said transaction compared to quarter-to-quarter has gone up by 2%, services has gone up by about 1%, 1.5%, so overall the profitable side of the business has gone up by 4% in the mix.

**Manish Goel:** The employee restructuring exercise is what we have started, when do you expect it to kind of probably materialize, would it happen in the current quarter itself and probably what could be the cost involved in it?

**Arnab Roy:** We are in the process, we have just started it, so I would not call out a number at this stage, but we expect the process to get over in the coming two quarters, not in one quarter, but in the coming two quarters.

**Manish Goel:** Last housekeeping question, what is the current order book and what was the comparable number last year?

**Arnab Roy:** So the current order backlog is about Rs.753 Crores and it is similar level, I would say similar level was last quarter.

**Manish Goel:** Thank you so much. I will come back in the queue. Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Nayan B from IIFL. Please go ahead.

**Nayan B:** Regarding the restructuring that you have carried out Sir, can you give some more highlights or colour on the measures that you have taken across plants and facilities that have given the results during this quarter?

**Arnab Roy:** As I just said we have just started the restructuring, so the effect of it will really come in the coming two quarters, so right now basically what we are looking at it and this is what we kind of told you in the last earnings call as well that we are calibrating line by line, when I say line by line all our product lines of the current fixed cost, which we have versus the volume, which we see in the market and we have started to exercise by plant, so just I would say part one or phase 1 has been executed in this quarter, so the bulk of it will happen in the next couple of quarters wherein as and when we progress I think in the next couple of quarters we will give you more outlook, but one thing is there definitely it will move the cost in more positive direction, so you will see a better result coming out of it in the coming quarters, so I will just stop at that because certain things are confidential, so we will have to really see how it progresses.

**Nayan B:** I appreciate that. Could you also share some outlook on the solar and renewable space, which I believe sometime back is to be a key driver for our order inflow, how is the market behaving in those segments?

**P.K. Chandraker:** Solar and renewable for us we see a positive because we have been quite selective last three years on the solar space, we were never too aggressive in terms of taking order for the volume growth, so until and unless cash is secured and until margin at right level we were not picking up, so this year also our pickup has been like this, so if I see last one year we may have contributed to integration of almost about 500 megawatts of renewable integration one, one-and-a-half years I will say and we are quite comfortable because we are selective on that and we continue to manage this kind of volume from the renewable.

**Nayan B:** How is the pricing environment playing out because as you mentioned the order volumes have definitely picked up in this quarter?

**P.K. Chandraker:** So pricing I will divide into two parts, one is for normal product kind of thing or the projects. The pricing is quite tough there. However wherever there is a technology where customer is convinced that he needs a technological solution to really address their pain areas like high AT&C losses or reliability of power supply is the issue or they are going for some kind of reduction of ONM cost pricing is much greater, which will be let us say around one third of the business. I will say one third of the business challenge will be there and one third is average. This is how the market today the phenomena is.

**Nayan B:** How is the working capital levels right now because there had been some concerns raised why other industry players about liquidity crunch with MSME segment especially?

**P.K. Chandraker:** On the working capital as we have been kind of articulating to you we are being very selective and very cautious in our credit offtake and this is something, which we have been doing for the last three quarters or so. So there is a challenging environment definitely, but we have been very cautious in taking our exposures so we do not see too much of pain coming here. Although there are delays in payments, which is there and we will have to keep knocking out doors with the customers, but the way we are selecting our mix we have not seen the effect too much.

**Nayan B:** Sir bookkeeping question if you could just mention the breakup of sales mix looking products you did mention how it has moved just to get a better perspective?

**P.K. Chandraker:** Sure. If you look at by the order intake transaction was at about 15%, the services was around 16% and the system is at 69%.

**Nayan B:** And for Q1 FY2018?

**P.K. Chandraker:** As I said the mix has improved by about 2% in transaction and in services by 1%, so you can do your math.

- Nayan B:** Got it. I will come back.
- Moderator:** Thank you. The next question is from the line of Prashant Kshirsagar from Unived Corporate Research Pvt. Please go ahead.
- Prashant Kshirsagar:** I have a housekeeping question, can you tell us debtors level for Q1 FY2019 and comparable Q1 FY2018?
- P.K. Chandraker:** So Prashant we do not publish the balance sheet in Q1 so I would not take the balance sheet question here. All I can say it is moving in a positive direction.
- Prashant Kshirsagar:** One more question I have is what sort of projects you have in Maharashtra say Mumbai or Navi Mumbai, have you bidded for any project of that Sir?
- P.K. Chandraker:** I do not exactly get your question, what you want because there is a normal Maharashtra is one part of our portfolio.
- Prashant Kshirsagar:** That is what I am saying what projects you have, can you give us details of that or is it confidential?
- P.K. Chandraker:** Often it is difficult to give you quantification like that by state.
- Arnab Roy:** As of now we are not disclosing the state wise or project wise details so overall that details we have shared with you, but as of now because it is confidential until we executed the order so we are not disclosing the state wise and all this.
- Prashant Kshirsagar:** Thanks a lot Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Sabyasachi Mukherjee from IndiaNivesh Securities. Please go ahead.
- Sabyasachi Mukherjee:** Thanks for the opportunity. Could you just mention some of the orders that we have got in this quarter like order inflow of Rs.272 Crores, average ticket size?
- Arnab Roy:** It has been a combination from different sides. There has been orders on the smart cities, smart great space, which Prakash was mentioning so we have good orders from say customers like L&T, we have good orders from utilities like MRPL so similarly we had good orders from like EPC so it is a combination of different sectors, which we have, so L&T, MRPL as I said, so different segments that state utility is like TSTRANSCO, so combination of I would say overall all the sectors.
- Sabyasachi Mukherjee:** What would be the average ticket size?

- P.K. Chandraker:** Ticket size if you see, which Arnab was mentioning somehow those smart solution in the system order comes with a little bigger value, so some are with Rs.40 Crores or Rs.30 Crores, the average can be less there on Rs.10 Crores or so, so there are Rs.2 Crores, there are Rs.10 Crores, there are Rs.20 Crores, Rs.30 Crores, Rs.40 Crores also, so it is quite mix.
- Sabyasachi Mukherjee:** You have mentioned the utility orders you have received, so is it good to assume that it is on the substation automation side?
- P.K. Chandraker:** Utility orders are on smartness side as we say. Large order is more on managing kind of meter data management system or edge control or substation automation what you talked about, so it is a mix of three, four automation solutions for utilities.
- Sabyasachi Mukherjee:** One more thing so you mentioned on the presentation that you have been cash positive then I think cash more than sales, could you just give me the number of cash flow of operations this quarter?
- Arnab Roy:** Again Sabyasachi as I said that balance sheet part let us address in the next quarter when we go and have a more balance sheet published out, but overall as I said the journey is continuing so we have been generating more cash than sales so which obviously means that the debtors balance is going down, so wait for next quarter then we share the balance sheet and we will have reflection of that.
- Sabyasachi Mukherjee:** Could you just help me give the number of FY2018 because last time when I spoke you said the annual report will be out, but still I have not received the published annual report FY2018?
- Vineet Jain :** I will just give you after this call because right now it is not available with me so we can connect offline and will share with you.
- Sabyasachi Mukherjee:** Okay.
- Moderator:** Thank you. The next question is from the line of Rahul Gajare from Antique Stock Broking. Please go ahead.
- Rahul Gajare:** Sir you have got a strong order intake in this particular quarter, is it possible that you can give us some sense as to which are the main sectors or areas, which is driving the strength in the order intake in this quarter?
- P.K. Chandraker:** I will say utility, which we talked about, another area is I will say the smartness side of the cities so NDMC is one of that I can give you specific example where New Delhi Municipal Corporation the distribution 24x7 what is being talked in the state has to be also demonstrated in capital. This is where we find more and more utilities are aiming to make their distribution more robust and reliable.

- Rahul Gajare:** Sir also even PGCIL is basically working towards strengthening the grid and all, so how is the traction that you would have got from SEBC and PGCIL?
- P.K. Chandraker:** Whenever they come with automation solution because automation solution do not work on the primary voltage, which is high voltage for PGCIL, but automaton works on millivolts so for us the interesting area is automation part of it. So whenever there is a substation, the substation automation is a business where we address, but we do not address their substation business because it is a high voltage.
- Rahul Gajare:** One more thing we have been talking about smart cities for a while so how much is a real traction that you are actually noticing in terms of enquiry level, which are the cities, which are the states, which are very proactive in terms of ensuring smart city projects are moving faster. Could you give us some sense on what is really happening in the smart city area in the country?
- P.K. Chandraker:** I will say 100 smart cities, which has been published by the government. All the cities are basically pushing towards that rather than naming one or two cities, I will say most of the cities are actually trying to drive the transformation value chain.
- Rahul Gajare:** But any specific progress that you are actually seeing in terms of timeline also when do we see more traction coming from smart cities projects?
- P.K. Chandraker:** I will say progressing it is moving naming some cities can be competition information, which I will avoid, if you understand the sensitivity of that because we did secure some of those orders, which we shared with you once we secure. So there are other good opportunities where we see in pipeline on the smart city side for a smart distribution of the power. We are working towards that.
- Rahul Gajare:** Right Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sagar Parekh from Deepa Finance. Please go ahead.
- Sagar Parekh:** Congratulations for good set of numbers. Sir firstly on the bidding pipeline could you give us kind of a number that what kind of bidding pipeline do we have and within that how much would be the smart city opportunity for us?
- P.K. Chandraker:** Bidding pipeline also I feel is quite sensitive so I would not comment a specific number there, but we do see the number of tenders have grown and positive and is coming from segment, which I shared with you in fact the market indication what I have indicated green or red is actually based on the pipeline, which we currently see in the market and I see the customers or the stakeholders are quite positive to go ahead with finalization in this segment.
- Sagar Parekh:** So will it be higher than the current order book numbers Rs.750 odd Crores or the total number of bidding pipeline currently?

- P.K. Chandraker:** It will be difficult for me to give any specific numbers, what I am saying is positive.
- Sagar Parekh:** Can we assume that out of the bidding pipeline smart city orders would be performing the majority chunk of it?
- P.K. Chandraker:** It is difficult to say majority or minority, but I have to say is a positive mix what we have compared to last year same quarter going forward we see better mix, this is not solution.
- Sagar Parekh:** Somebody asked the question on breakup between transaction services and system so that 15%, 16% and 69% is the breakup of order intake or sales?
- P.K. Chandraker:** Order intake breakup.
- Sagar Parekh:** Can we get the sales breakup for the same as well because you mentioned 2% and 1.5% differential is for the sale side right because the sales mix improved that is why we got the margin improvement?
- Vineet Jain:** Sir I think what has been happening here since last couple of quarters we have a steady thing so how does the sales are moving now in the similar direction so there is not much of a difference between the order and sales now, it has been a steady flow in both.
- Sagar Parekh:** So about 69% to 70% of your sales also in the current quarter would be system driven?
- Vineet Jain:** Yes it is in the similar direction. As Prakash was mentioning that we have got some good smart solution orders, we will see also part of this that is the reason from our contribution towards the system increase for the smart solutions.
- Sagar Parekh:** So in that particular portion of that smart solutions the margins are better right so even within systems there would be some part where the margins are better than the remaining part of the systems.
- Vineet Jain:** Obviously I think Prakash already told to you whenever there is a technology played the margins would be better.
- Moderator:** Thank you. The next question is from the line of Kranthi Bathini from WealthMills Securities. Please go ahead.
- Kranthi Bathini:** Congratulations for a good set of numbers. I just want to know out of the total 100 smart cities, the government announced what is the market share Schneider is trying to execute their projects and the second one is who are your nearest competitors the peer group for Schneider?
- P.K. Chandraker:** Thanks for asking this question. This is very different kind of market where smart city for different cities have a different meaning, so their prioritization itself is quite different. Some cities are prioritizing towards energy, some cities are prioritizing towards complete solution,

which includes energy, water, surveillance system, e-governance, some cities are focusing only let us say the waste management, some cities are only infrastructure let us say water pipeline and the route, so in progressive management will be happening all the cities are not directly investing in just interesting for Schneider Electric. So it is happening progressive somebody let us say invested in surveillance system is now coming for the energy side, so depending upon their priority and the challenge what they have, they have divided into two or three phases.

**Kranthi Bathini:** I want to know about your nearest peer group in the same solution Sir?

**P.K. Chandraker:** So here the Schneider Electric is actually in unique position when it comes to smart city value chain because we are there in most of the verticals up smart city be it water, energy, surveillance system, command control center, digitization of various infrastructure, so we are there through different verticals, we are able to create a solution where customer can see completely integrated solution where there are competitor we face for surveillance system, we face different competition for energy, we face let us say ABB and Siemens. When it comes to water management system, we face different competition so when it reaches one solution then there is a consortium of the bidder I will say who are in competition with us.

**Kranthi Bathini:** Thank you Sir for the information. I just wanted to know finally recently there was a news Schneider was acquiring assets from L&T, what is the synergy benefit for Schneider Infra because of this deal?

**P.K. Chandraker:** Acquisition being done by the parent company, which is not part of Schneider Electric Infrastructure, so we would not be able to comment on specific, this particular acquisition.

**Kranthi Bathini:** If there is any tangible or intangible benefit to Schneider Infra in particular with regards to India because of this deal?

**P.K. Chandraker:** I would not be able to comment right now as you say any specific one we will see complete acquisition gets completed by the parent, we will have a discussion with them to find out synergy of opportunities.

**Kranthi Bathini:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.

**Parimal Mithani:** Congratulations for the wonderful set of numbers. Sir I just wanted to know in terms of breakup that you have given me in terms of transaction, services and system is there traction for more improvement in transaction and services going ahead?

**P.K. Chandraker:** I think already Arnab has answered that, but just to give you if you see slide #4 where I have already indicated business mix while presenting the transactional growth rate is more than the

growth rate of service or power system, so we are adding more transactional in our business mix, which helps us not only on profitability, but also on cash realization.

**Parimal Mithani:** Sir second question in terms of more cooperation management going ahead or we are done more or less with the cost reduction in the last six months?

**Arnab Roy:** No, as I said the restructuring, which we talked about for the plant, we have just started so that cost reduction benefit is not in the base P&L so that definitely will come as we go forward because as I told you earlier also in this call that over the next two quarters we will be executing that so obviously there will be a cost benefit coming out of that.

**Parimal Mithani:** Thank you very much.

**Moderator:** Thank you. That was the last question. I now hand the conference over to Ms. Renu Baid for closing comments.

**Renu Baid:** Thank you everyone for taking their time to participate in the call. On behalf of IIFL I would like to thank the management for giving us the opportunity to host the call and also this is the last call for Prakash as the Managing Director of the company, so Sir any closing remarks from you?

**P.K. Chandraker:** From my side I would like to thank to all the investors for their valuable time to understand the company. I have really enjoyed interacting with all of you in the last six to seven years. This is my last investor call and Mr. Bruno Dercle who is taking this leadership role, which is part of the company's philosophy that every four to five years we must have leadership change transformation and that is basically to bring in new ideas, new way of doing business, so I will say this has been good (inaudible) 48:01 and Arnab continues his journey along with Bruno Dercle, so I do not see any much issue in terms of understanding the overall direction and lines what we have been adopted. I see the market sense it may look to be positive considering the different digitization drives and initiatives happening from the government side as well as from the market side. We see market should become more positive for Schneider Electric. We will closely watching the evolution at ground level to make sure we capture more growth to create more values for our shareholders. All the best and have a nice evening.

**Moderator:** Thank you. Ladies and gentlemen on behalf of IIFL Capital Limited that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.