

# Schneider Electric Infrastructure Limited

Q2 FY 2019-20

7<sup>th</sup> Nov 2019

# Disclaimer

All forward-looking statements are Schneider Electric Infrastructure Limited (India) management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

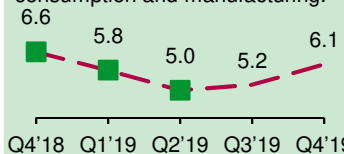
This presentation includes information pertaining to the our markets and our competitive positions therein. Such information is based on market data and our actual sales in those markets for the relevant periods. We obtained this market information from various third party sources (industry publications, surveys and forecasts) and our own internal estimates. We have not independently verified these third party sources and cannot guarantee their accuracy or completeness and our internal surveys and estimates have not been verified by independent experts or other independent sources.



## Broad Economic Indicators

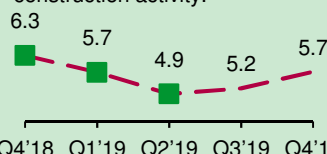
### GDP – Gross Domestic Product

Economy grew at its slowest pace since past 6 years in Q2'19 due to muted growth in private consumption and manufacturing.



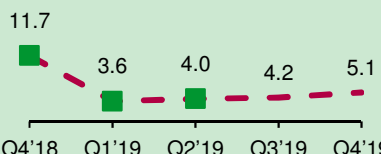
### GVA- Gross value added

GVA growth also slowed down on account of lower growth in manufacturing, agricultural and construction activity.



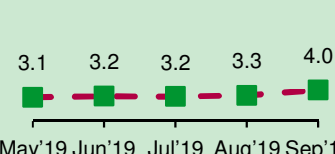
### GFCF – Gross Fixed capital formation

GFCF growth rate has shown signs of improvement with respect to the last quarter.



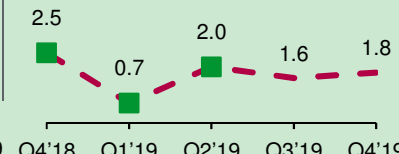
### CPI - Inflation

CPI inflation increased to 4.0%, highest since July 2018.



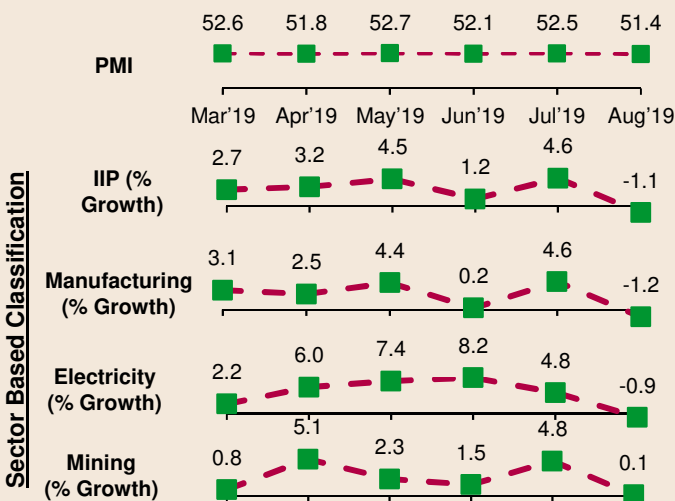
### CAD (%GDP) Current account deficit

India's CAD widened to 2.0% as compared to 0.7% in last quarter.



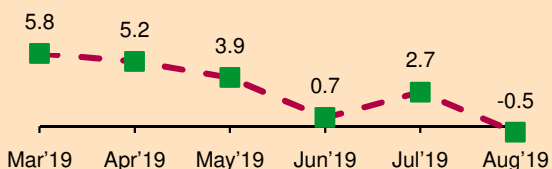
## Industry growth Indicators

IIP growth dropped to -1.1% in Aug'19 owing to de-growth in manufacturing and electricity.



## Core Sector Growth

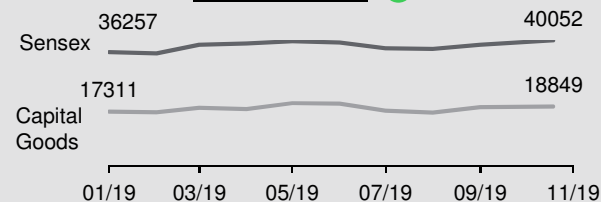
### Core Sector Cumulative



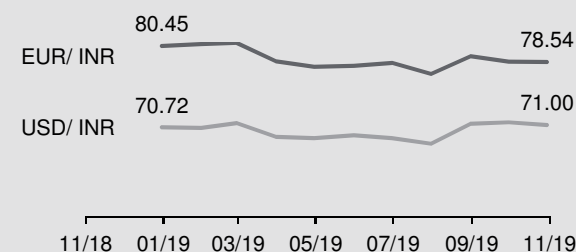
## Global Indices

|                        | Latest       | Previous     | Trend |
|------------------------|--------------|--------------|-------|
| Ease of Doing Business | 63 (2019-20) | 77 (2018-19) | ▲     |
| Competitive rank       | 68 (2019-20) | 58 (2018-19) | ▼     |

## Equity Market



## Exchange Market



## Interest Rates

**CRR 4.00%\***      **Repo Rate 5.15%\***

# Segment Pipeline Evolution

Month on month and Quarter on Quarter there is de-growth in most of the segments

At half yearly and annual basis most of the segment's pipeline is growing

|                            | Pipeline Weightage | M-1 Pipeline Delta (%) | M-3 Pipeline Delta (%) | M-6 Pipeline Delta (%) | M-12 Pipeline Delta (%) |
|----------------------------|--------------------|------------------------|------------------------|------------------------|-------------------------|
| MMM                        | 11%                | -7%                    | -8%                    | 25%                    | 15%                     |
| Oil&Gas                    | 11%                | 1%                     | 10%                    | -5%                    | 71%                     |
| Transportation             | 7%                 | -23%                   | -32%                   | -22%                   | -15%                    |
| <b>Electro Intensive</b>   | <b>28%</b>         | <b>-8%</b>             | <b>-10%</b>            | <b>-1%</b>             | <b>20%</b>              |
| <b>Electric Utilities</b>  | <b>44%</b>         | <b>-13%</b>            | <b>-20%</b>            | <b>-11%</b>            | <b>-7%</b>              |
| <b>EU + EI</b>             | <b>72%</b>         | <b>-12%</b>            | <b>-16%</b>            | <b>-7%</b>             | <b>2%</b>               |
| CIB                        | 7%                 | -3%                    | 8%                     | 17%                    | 53%                     |
| Cloud&Service providers    | 2%                 | -4%                    | 7%                     | -33%                   | 104%                    |
| Food & Beverage            | 1%                 | 2%                     | 9%                     | 13%                    | 176%                    |
| Industry Other MKT-Segment | 7%                 | -6%                    | 3%                     | 2%                     | 25%                     |
| Water                      | 3%                 | 12%                    | 28%                    | 119%                   | 123%                    |
| Others                     | 6%                 | -3%                    | 15%                    | 29%                    | 48%                     |
| Not Present in bFO         | 1%                 | -18%                   | -13%                   | -27%                   | 46%                     |
| Others Segments            | 28%                | -3%                    | 10%                    | 14%                    | 54%                     |
| <b>All Market Segments</b> | <b>100%</b>        | <b>-9%</b>             | <b>-10%</b>            | <b>-2%</b>             | <b>13%</b>              |

- However, for short term order slow down, we have sufficient backlog to balance our sales forecast
- Backlog as of Sep 19 - ~ 7840 MINR (June19 - 7340 MINR)

## Key Facts of Q2 FY2019-20

- We observed a general economic slow down and liquidity crunch in market.
- Our order intake has sharply rebounded , after the dip in Q1 related to elections and slow decision process in government led opportunities .
- Our Sales level was disappointing , due to the flood in Baroda but we also had difficulties to manage big Equipment deliveries with Electric Companies .
- Few orders were not executed/ delayed to site ready ness/ accessibility of site due to flood resulted delaying our Sales ( projects frozen , cancelled , delayed , ...)
- The sales mix improved in the quarter compared to last year resulted in improvement in GM%
- We observe an overall tension on our customers cash situation , burdening our own finance costs , even though we continue collecting more cash than our Sales

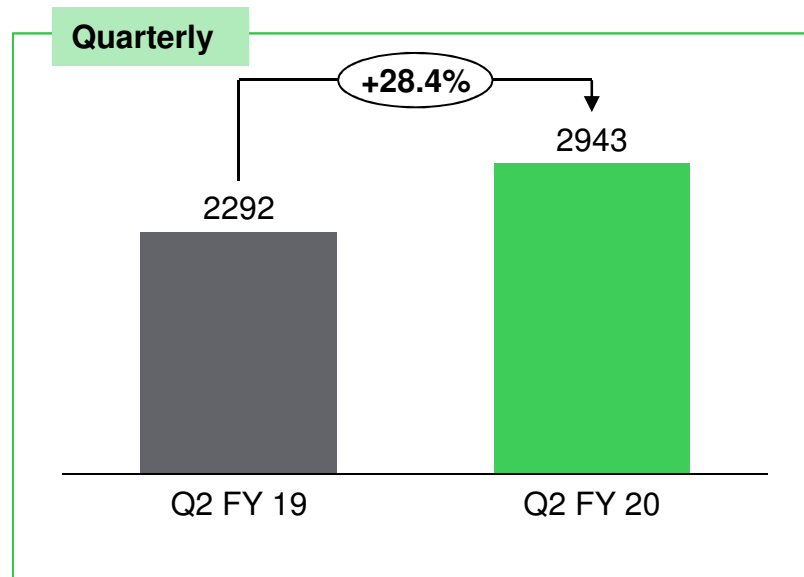
## Vadodara Flood Claim- Update

- Vadodara witnessed unprecedented rains in July & Aug and as a result the entire city came to a halt.
- Water reached our switchgear plant and some areas are flooded, the factory had to be closed for 15 days and we took 15 days to restore the operations
- We filed two Claims:
  - Property Damage (PD) – 64 MINR
  - Business Interruption (PDBI) claim 160 MINR
- Proclaim Insurance appointed as Surveyors
- Survey completed for major damaged material at Plant.
- Claim under discussion & review by group BI expert.
- First installment of claim expected in Nov 19.
- Expected Claim Closure:- 1<sup>st</sup> Qtr-2020

# Financial Update

# Orders

MINR

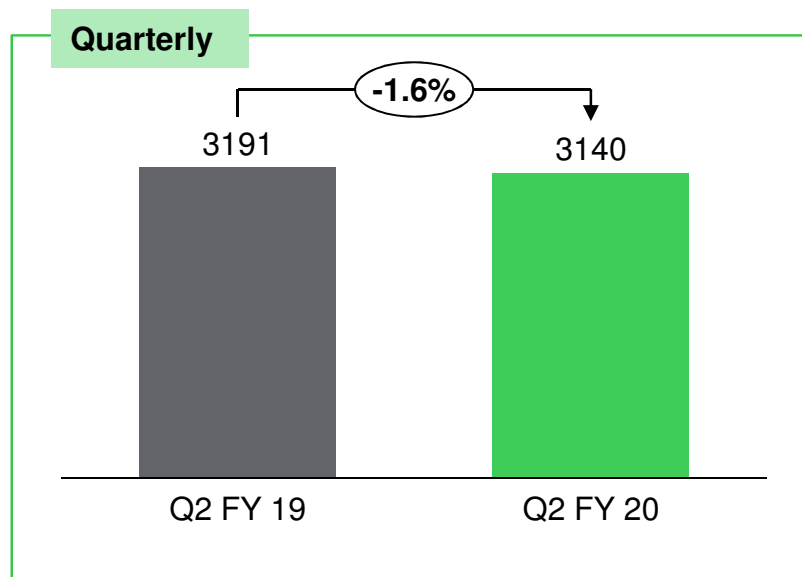


- Business Order intake, +17.9% vs last year same quarter
- Major order in the quarter:
  - End Users: Torrent Power, Alstom Transport, Ultratech Cement, DLW-Varanasi, ITD Cementation
  - EPC contractors: Sterling & Wilson, Samsung C&T, Tata Project, BHEL, Hightension, etc.



# Sales

MINR



- Sales is -1.6% vs last year same quarter.
- Major Sales for the quarter: JSW Steel, L&T (NMDC), BHEL, HCL foundation, Vindhya telel, Mangalore Refinery, Hartek Power, SNS Tech, etc ...

## Financial Results- Q2 FY 2019-20 vs Q2 FY 2018-19

MINR

| SEIL results analysis                  | Q2 (July-Sep 2019) |              | Q2 (July-Sep 2018) |              | YoY (%) Change |
|--|--------------------|--------------|--------------------|--------------|----------------|
|  | MINR               | %            | MINR               | %            |                |
| Sales                                  | 3,140              |              | 3,191              |              | -1.6%          |
| Other income                           | 37                 |              | 29                 |              |                |
| <b>Total Sales</b>                     | <b>3,177</b>       |              | <b>3,221</b>       |              |                |
| Material costs                         | 2,223              | 70.8%        | 2,353              | 73.7%        |                |
| <b>Gross Margin</b>                    | <b>954</b>         | <b>30.4%</b> | <b>867</b>         | <b>27.2%</b> | <b>3.2%</b>    |
| Employee costs                         | 545                | 17.3%        | 506                | 15.8%        |                |
| Other expenses                         | 462                | 14.7%        | 388                | 12.2%        |                |
| <b>EBITDA</b>                          | <b>-53</b>         | <b>-1.7%</b> | <b>-26</b>         | <b>-0.8%</b> | <b>-0.9%</b>   |
| Depreciation                           | 53                 | 1.7%         | 67                 | 2.1%         |                |
| <b>EBITA</b>                           | <b>-106</b>        | <b>-3.4%</b> | <b>-93</b>         | <b>-2.9%</b> |                |
| Interest                               | 133                | 4.2%         | 110                | 3.4%         |                |
| <b>Profit before Exceptional items</b> | <b>-239</b>        | <b>-7.6%</b> | <b>-203</b>        | <b>-6.3%</b> | <b>-1.3%</b>   |
| Exceptional                            | 0                  |              | 69                 |              |                |
| <b>Profit after tax</b>                | <b>-239</b>        | <b>-7.6%</b> | <b>-272</b>        | <b>-8.5%</b> | <b>0.9%</b>    |

- Sales is down by -1.6% majorly due to flood in Vadodara factory (covered in Detail)
- Material cost is improved with the better sales mix
- Employee cost: Savings thru restructuring is offset by WESOP
- Compulsorily deductible from insurance policy 14.7 MINR charged to P&L

## Balance Sheet

| Balance Sheet as at            | Sep 19        | Sep 18        | FY2019        | Sep 19<br>(Reclassified) |
|--------------------------------|---------------|---------------|---------------|--------------------------|
| <b>Equity and liabilities</b>  |               |               |               |                          |
| <b>Shareholders' funds</b>     |               |               |               |                          |
| Share capital                  | 478           | 478           | 478           | 478                      |
| Reserves and surplus           | (630)         | (177)         | (244)         | (630)                    |
|                                | <b>-152</b>   | <b>301</b>    | <b>234</b>    | <b>-152</b>              |
| <b>Non-current liabilities</b> |               |               |               |                          |
| Long-term provisions           | 284           | 106           | 216           | 284                      |
| Deferred revenue               | 11            | 33            | 28            | 11                       |
| Long-term borrowings           | 1,232         | 1,120         | 1,160         | 3,782                    |
|                                | <b>1,528</b>  | <b>1,259</b>  | <b>1,404</b>  | <b>4,078</b>             |
| <b>Current liabilities</b>     |               |               |               |                          |
| Short-term borrowings          | 4,493         | 2,986         | 3,362         | 1,943                    |
| Trade payables                 | 4,327         | 5,357         | 4,720         | 4,327                    |
| Others                         | 214           | 786           | 178           | 214                      |
| Other current liabilities      | 659           | 770           | 742           | 659                      |
| Short-term provisions          | 1,092         | 1,142         | 1,169         | 1,092                    |
|                                | <b>10,785</b> | <b>11,039</b> | <b>10,171</b> | <b>8,235</b>             |
|                                | <b>12,161</b> | <b>12,600</b> | <b>11,809</b> | <b>12,161</b>            |
| <b>Assets</b>                  |               |               |               |                          |
| <b>Non-current assets</b>      |               |               |               |                          |
| Tangible assets                | 3,046         | 3,309         | 3,031         | 3,046                    |
| - Intangible assets            | 41            | 70            | 54            | 41                       |
| Capital work-in-progress       | 67            | 89            | 57            | 67                       |
| Deferred tax assets (net)      | 248           | 207           | 223           | 248                      |
| Other financial assets         | 107           | 19            | 37            | 107                      |
| Other non-current assets       | 720           | 694           | 686           | 720                      |
|                                | <b>4,229</b>  | <b>4,388</b>  | <b>4,087</b>  | <b>4,229</b>             |
| <b>Current assets</b>          |               |               |               |                          |
| Inventories                    | 2,422         | 2,622         | 2,421         | 2,422                    |
| Trade receivables              | 4,328         | 4,417         | 4,137         | 4,328                    |
| Cash and Bank Balances         | 174           | 37            | 184           | 174                      |
| Others                         | 129           | 42            | 13            | 129                      |
| Other current assets           | 878           | 1,093         | 966           | 878                      |
|                                | <b>7,932</b>  | <b>8,211</b>  | <b>7,722</b>  | <b>7,932</b>             |
|                                | <b>12,161</b> | <b>12,600</b> | <b>11,809</b> | <b>12,161</b>            |

| Details             | Reported      | Reclass of<br>loan | Reclassified |
|---------------------|---------------|--------------------|--------------|
| Current Liabilities | 10,785        | 2550               | 8,235        |
| Current Assets      | 7,932         |                    | 7,932        |
| <b>CA- CL</b>       | <b>-2,853</b> | <b>-2,550</b>      | <b>-303</b>  |



Life Is On