



“Schneider Electric Infrastructure Limited Q4 FY’20 &
FY’20 Earnings Conference Call”

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MANAGEMENT: **MR. BRUNO DERCLE -- MANAGING DIRECTOR,
SCHNEIDER ELECTRIC INFRASTRUCTURE LIMITED
MR. ARNAB ROY -- CHIEF FINANCIAL OFFICER,
SCHNEIDER ELECTRIC INFRASTRUCTURE LIMITED
MR. VINEET JAIN – HEAD, INVESTOR RELATIONS,
SCHNEIDER ELECTRIC INFRASTRUCTURE LIMITED**

MODERATOR: **MR. HARSHIT KAPADIA – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Schneider Electric Infrastructure Limited Q4 FY'20 Earnings Conference Call hosted by Elara Securities India 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities. Thank you. And over to you, sir.

Harshit Kapadia: Thank you, Nirav. Good afternoon, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY'20 and FY'20 Conference Call of Schneider Electric Infrastructure Limited. I take this opportunity to welcome the management of Schneider Electric Infrastructure represented by Mr. Bruno Dercle -- Managing Director; Mr. Arnab Roy -- Chief Financial Officer; and Mr. Vineet Jain -- Head, Investor Relations. We will begin the call with a brief overview by the management followed by a Q&A session. I will now hand over the call to Mr. Dercle for his opening remarks. Over to you, sir.

Bruno Dercle: Thank you, sir. So, good afternoon, everybody. I am Bruno Dercle, Managing Director of SEIL. I am pleased to connect with you to share an update of the progress of our company. Today, I will present some slides on the "Market Outlook" and also of course the "COVID-19 Impact" on our company.

So let us go to the presentation. I will start with Slide #4. We have been hit by the impact of COVID-19 crisis starting from February first of all on our global supply chain. Our global supply chain started to be disrupted from February when our imports started to be disrupted, in fact, mainly first from China and second from European plants. So then it has pushed, as a consequence, a lot of our sales to the end of the quarter to the month of March and then we were impacted again in the month of March by the restriction on transportation and movement within the country of India. So, you will see later on the consequence on our performance of this first disruption of the global supply chain. And second, the internal movement within India that prevented our customers to come to the factory and do the factory acceptance test. I will stress later on the importance for us of the factory acceptance test when our customers take in fact our goods or declare them good for shipment. As a consequence right now we continue seeing impact of the lockdown. Most of our end-user projects are delayed by an estimated three months and the best of case, we have three weeks of delay of our customer, of our end user project. In the worst case, we can go up to five to six months of delay for some infrastructure projects. But you can consider that we have an estimated three months on average of project of our end user being delayed. It can be the power station of the plant, it can be in metro station, in rail infrastructure project, it can be all the end user usage of our medium voltage product. Still today, we have major customer sites under lockdown which is also a cause for delay of our sales. It continues, it has not been not concluded with the ease of lockdown that occurred in May and early June.

The good thing is that we see a very strong improvement on the vendor and supplier front. They are still ramping up post lockdown. They face issues of manpower, workforce, but the situation is largely improving. We have seen this all along the month of May first and then confirmed into the month of June. And we continue to see bottlenecks a little bit everywhere in the supply chain in the port, in the air freight, in the truck, in driver and different supplies. And also typically, the Nepal border was closed till one day or two. So this type of bottleneck continued to happen in Q2 and started in February of Q1, Q4 fiscal year.

The good thing is that we start to see a good ramping up of our vendor and suppliers in India. We have good flow of order intake. The order intake is showing very good resilience and thanks to our positioning in sub-segments that has shown very good resilience and competitiveness of our product as well. So the order intake during all along the COVID-19 crisis remained quite good. And also, we observed a change in the customer behavior. Today, it is not unusual to do virtual factory acceptance test when it was the exception until February or March, it is becoming the norm. Our customers pushed by the necessity that they usually do not travel within the country, they entertain to do virtual factory acceptance test, entertain to do virtual negotiations. Your company was ready for that. We have already invested into high resolution video and cameras and tools in order to do virtual test in our plants. It has been a very good use during the months of April and May and it is somehow a new normal. Probably, some of our customers will never come back to the old ways of doing factory acceptance test by traveling to the plant and spending two or three days over there. The new normal will become a virtual way to operate. So that is a good thing also to see customer behavior changing and that will allow us to rebound in the coming few weeks and months and we have started to observe it in the past two months.

We can go to the next slide. So during this troubled period, we had very clearly defined our priorities through this crisis. So, our first priority was to take care of our health and the health of our team. We had to communicate. Everybody was sent home in the end of March and everybody was somehow isolated. So, we had to reconnect all our communities. So, we had weekly communication, very clearly defined country guidance, we also adapted the work force to our workload at some stage. So, taking care of our health, taking care of our teams, ensuring that no one feel insecure and alone working from home. Knowing that all our office workers were already equipped with mobile connection meaning that all our front office has not been disturbed by the lockdown, only the back office in the plant of course was disturbed during the March end, April lockdown.

Second step was to take care of our customers. I mentioned already some examples of operations to virtualize in fact our interaction with our customers moving to the digital, spending a lot of time on the back office task, tendering activity, ensuring as much as possible what we could deliver from the finished goods and also answering to the priorities of some customers. I will give an example at the conclusion later on of getting a hospital example of a very fast reaction from the company to ensure delivery.

We have to take care of our company because the disruption of the business during the month of March was very important and most of the big customers were delaying their payments. So, we had cash to manage. We had to discipline our cost also because COVID-19 generated some extra cost on our supply chain, so we had to manage that as well. We had also to take some action related to the under-absorption that were generated by the lack of volume and delayed sales in our plants. And we used a lot of the months of April for the post crisis to prepare for the rebound which we are currently putting in place.

What does it mean concretely? To take some measures to protect our workers, to protect our people in the plant. So here, I just selected a few pictures out of many that shows before and after in our factory in Baroda. So you can see on the left side, how was one shop floor for a given line of manufacturing before the COVID-19 measures. And after on the right side, you would see the type of thing that we have done in the late March, early April in order to prepare reopening of the plant in safe condition. We need to ensure social distancing in our plant just like we ensure the social distancing in offices and we ensure the social distancing in our private lives. So, this is an example.

You can go to the next one. Here, "Work Position." Workers need to respect a certain distance. When it is not possible due to the type of work which is done, we have to implement a physical barrier in order to limit the possibility of cross contamination. This is an example of what has been implemented in Baroda plant.

And if we go to the third one, here it is a special case also when two workers need to work together, they know the choice and they have to work together in the same assembly position. Here, we equip them with PPE to protect in fact them from each other while letting them work and execute their task. These are examples of what does it mean social distancing in the factories.

And again I said implemented in the month of April in order to be authorized to reopen and to prepare the rebound of the production and the manufacturing starting from end of April, early May.

Many indicators on the global on the overall dashboard. I want to stress on two of them -- One is the FOREX on the right side of the screen you see the exchange of the euro and the dollar and we are sensitive to the USD and euro, especially. So as you know, this indicator but it means somehow some stress on one of our activities where there is a component import. So, it is important that we monitor very carefully this FOREX which is escalating in the months of April and May.

Second indicator that we are following particularly for our company is a manufacturing indicator and the electricity growth indicator on the left side of the screen. And you see on the left side of the screen that electricity consumption was down to almost 23% in April showing the impact of the lockdown on indicator which is extremely important for SEIL effecting in

fact mainly the industry and consumption. So the electricity KPI indicator is absolutely important. The manufacturing indicator just ago is also very important and they are not in a good shape at present. This data is from April.

We just recently got data for May and June. Going to the electricity one is going better in May at (-15) approximately and (-10) in June which is recovering from the dip of April, but it is not yet at the normal level which would be plus a few percent of electricity consumption growth year-on-year.

If I go to next slide, this is the "Segment Dynamic." As we see them from Schneider Electric perspective, you see a few resilient segments that continue to pass orders at appropriate volume. So food and beverage, hospital, electricity company, lot of this segment and companies are very active on the market. C&SP is the Cloud and Service Provider and Data Center. So these are dynamic segments for which we have the right offer.

And then we have other segments like Oil & Gas and triple-M, Mining, Metals which are more as a flattish or downward trend. And mainly Building segment it may be heavily impacted.

These are the way we see them. The good positioning of our company is that we are a particularly well-positioned electricity company. You know that it is sometimes problem to be highly positioned on electricity company because it is difficult to be paid. So our cash situation is always at risk when we work on this electricity company segment. But, in terms of resilience of this segment, in the current context, it is a good thing to be heavily positioned on electricity company because this segment is very resilient and our order intake since the beginning of this year has shown very good resilience of this segment knowing the weakness of this segment, which is the delay in payment and difficulty to manage our cash.

So electricity company is quite important for us. And we have to be careful about the evolution of the oil and gas and Mining Metals, which are also very sizable in our activity. And we monitor very carefully the investment plan of the major actors of the two segments.

We can go to the next slide. I will go further a little bit complete and complex. I think you will have it in the communication pack in the slide deck. It shows our vision of the evolution of the electricity company segment from traditional vision of transmission generation. Generation segment for the past few years has been heavily modified by the renewable generation arriving. So, the blue side of the screen on the left is what used to be a traditional electricity company market. And we are positioning our offer more and more on the future growth is the green side on the right side of the screen with the prosumer on the localized production, localized generation and much more attention to efficiency and cost management with the smart component and connected offer, much more present now in the mind of the electricity company than before it was mainly a matter of how do I bring the power to see development. Now, it is much more at what cost and which efficiency do I bring the power to the consumer

and how many prosumer will appear in my market. So this change starts to be visible and that is why we have positioned several of our new offer on this path.

Our key priority to serve the utility electricity company. I have summarized them on this slide. It is more automation, more digital, moving up the digital value chain, we are developing offers for that, we have a large market some offer recently in that domain. More services, increased transactionalization. We have now several licenses using the Schneider Electric Medium Voltage technology which are now up and running and promoting our offer. So, for us, it will be a transactional business, much more agile and flexible and which would remain Schneider Electric brand and Schneider Electric technology. We have worked on the market coverage. There are some portions of this market of electricity company which are still not yet well covered. We are working on that. And we also work on the synergies among our different divisions within Schneider Electric in order to maximize the basket and all that within our organization.

This slide, you will have also on the slide deck. You see at the bottom part of this slide, the orange color is what is traditional way to address the electricity company market to get it MV/LV substation, typically SCADA DNS, all this, we have offered which is traditional offer for us. We are now launching the other boxes in terms of new growth area which can be related to other offer and different go-to-market as well, lot of it through partnering and licensing. So I will go faster because time is running out and I want to keep pace for questions.

I will conclude my presentation with an example of what has happened to support one of our customers, a prestigious customer on AIIMS in New Delhi. We had delivered six months ago... that was already several months before the crisis we had delivered some goods and some low-voltage panel to this hospital for development plan. Suddenly, with the crisis when it erupted in March, the customer asked us in emergency to commission. Despite the difficulties of movement of transport at that time, which was in the middle of the lockdown, but they asked us to support them and to commission within 24-hours and all these devices that have been supplied. So, it was not a manufacturing, it was a service and commissioning effort, it was done within the 24 hours. So our team was extremely active and it has been extremely well appreciated by AIIMS as a customer for the activity that our company has demonstrated on that example.

So now I will ask Arnab to "Update on the Financials Indicator and Performance."

Arnab Roy:

Thank you, Bruno and good afternoon, everyone. Just to translate some of the comments which Bruno made in his initial part into numbers. So, we had a resilient order quarter as you can see from the numbers. So, in spite of the sluggish March, we still managed a 5% growth in orders for the quarter and overall, on an annual basis, we had a 1% growth on orders. So the segments which we operate in contributed us to maintain the order momentum.

So if I move to the next slide on “Sales” as Bruno was again indicating earlier for us, the disruption started earlier than March. So disruption started depending on the product and depending on the supply chain somewhere from February, somewhere from end January and you can see the impact of that in the results; so about 20% we had a revenue dip. So actually the total COVID impact in terms of turnover was slightly higher than that because we were anticipating some growth, but we ended up with a 20% kind of a degrowth situation for the quarter. And due to that overall on an annual basis, we had a flattish year which otherwise we would have had some amount of growth in the year. So that is the overall story.

Moving on to the “Financials.” Due to this revenue dip, overall it had effect on the entire financials. But standalone, if you see the elements of the financials like material cost or the employee cost or the other expenses, there was no abnormal items in this quarter. It was more or less in a trend. It was just the top line effect which led to that bottom line effect which you see in the results. So barring that, there was nothing abnormal to report in terms of expenses in that quarter. But due to this lower top line of the lockdown impact was about in the range of Rs.75 crores to Rs.80 crores. So with that kind of a top line impact, the bottom line reflection is there in the quarter results.

Moving on to the “Annual Results from Three Months.” So if you see on the annual results, again as I said we had a flattish result overall in the turnover. But then if you look into the other components of the financials, the material cost, thanks to the mix and thanks to transactional, showing some effect. The material cost is showing a downward trend. Other incomes, if you recollect last year we had a significant collection from old bad debt. So, this year was a more normal year. So, we did not have that advantage. So, that is the main delta which is coming between the FY’19 and FY’20 performance. If one has to compare on an annual basis, it is the old debt collection of almost... you can see the quantum there, almost around Rs.30 crores that is impacting the results. Other than that, if you see the other perimeters, it’s more or less in a control situation. So there is nothing abnormal per se to report in any of the other lines. It is just a lower top line effect, the missing other income of last year and which is leading to this number there.

Possibly, I will get one more question during the question sessions, but I would like to upfront cover it. So, you will also recollect that in this financial year, we had that flood effect in Baroda. So we had to take a significant hit in this fiscal year. Now, due to this lockdown and the insurance companies moving slow both in India as well as France, we were not able to realize the insurance benefit of this. And as I had reported to you in the earlier quarters that we have a VI Claim to the tune of about Rs.11-12 crores, which we are currently discussing with the insurance companies which we will only account when we get the cash. So, clearly in mind, when you are looking at the results, there is that impact which this current fiscal is hit and which will come in the coming quarters.

So, with that, I will pause here and would open it for questions.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of HR Gala from Finvest Advisors. Please go ahead.
- HR Gala:** Can you just help me with what is the pending order position as on April 1 which we are starting the year?
- Arnab Roy:** The order backlog as on 1st of April is to the tune of about Rs.892 crores.
- HR Gala:** How is it broken up between different user segments if you can help us?
- Arnab Roy:** So the systems piece out of it is around 69%, transactional is about 18% and services is about 13%.
- HR Gala:** And in terms of the users like industry, electricals, railways, etc.,?
- Arnab Roy:** See, we do not get into that kind of a micro, but overall if you see, as Bruno said, the resilient segment for us is the Electrical Utilities, Transportation.
- Bruno Dercle:** In terms of backlog, we have approximately 60%-plus in utilities in electrical.
- HR Gala:** And sir, any orders are we getting in the newer areas which you have highlighted in your slide with the black border?
- Bruno Dercle:** A lot of it is in this part because whenever we sell smart avenue, connected device, connected avenue, which is a medium voltage product, it is part of this new activity. It helps the utility; it helps electric company to have a better efficiency of the network when it is connected.
- HR Gala:** Like what kind of pipeline do you have at present?
- Arnab Roy:** So, we have a healthy pipeline as far as electrical utilities and those kind of segments are concerned. So, it is a healthy pipeline. And I already gave you the backlog number. So you can see that it is quite decent; it is almost about seven, eight months of sales.
- HR Gala:** So overall sir what is your sense for FY'21 in terms of revenue growth and margins, etc.,?
- Arnab Roy:** We will have to take it as the quarter emerges, I mean, we all know that the country was in a complete lockdown for the full month of April and part of May and we are slowly bouncing back and that also, there are 29 different answers depending on which state you are in. So, it is moving in a direction. So, we will have to first live this quarter... of course, the expectation is that there will be a resilience and bounce back coming from the July onwards but we will have to live with it in this kind of situation.
- HR Gala:** Any major CAPEX in this year?

- Arnab Roy:** No.
- Moderator:** Thank you. The next question is from the line of Manish Kayal from Nippon India. Please go ahead.
- Manish Kayal:** I have two questions: First is you mentioned that we were looking for a growth in Q4. So, can you share the number, the difference between the internal budget and the actual revenue in Q4? And secondly, any reduction that we can expect on the other expenses for this year on a sustainable basis?
- Arnab Roy:** Thanks, Manish. Answer to your first question, I think I partly mentioned it. So if you see the delta between last year to this year, we are having about Rs.66 crores lower top line. But as I said, due to COVID, we got impacted to the tune of about Rs.77, 78 crores. So, otherwise, we would have Rs.12, 13 crores growth in the quarter without the COVID impact. So that is on your first question. On the second question, yes, there are a lot of things which is work in progress. A lot of actions have already been taken because when you are having this kind of revenue dip and the current quarter is also not helping, so we are very closely scrutinizing all aspects of cost and we are taking action in that direction. It is quite significant. Obviously, I mean, it will not be prudent for me to give a complete number because lot of actions are in work-in progress. But possibly, as we firm it up in somewhere in the next quarter, once we are able to announce the restructuring, we will come back to you with a more defined number at that stage. But, at this stage, bear in mind, there are a lot of work-in progress actions going on.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** In the opening remarks, it was mentioned that due to rupee depreciation, there is some impact. So going forward like how are we covered in terms of RR, do we have a clause in our contracts to cover up the FOREX impact or how do you see it going forward impacting our margins?
- Arnab Roy:** So I think this topic we have deliberated on our earlier calls as well. So if you see we do our hedging. So whatever we are reporting, most of it, we take a forward cover, but forward cover comes also with the limitations, but most of it is covered, so we do not see a significant impact coming in terms of the results because of moving of FOREX. Some contracts which are very long-term. There are some provisions of FOREX adjustments or kind of an indexation. But most of it, I think in our nature of business, it is in the tune of between six months to a year, year and a half and the forward cover takes care of it.
- Manish Goyal:** On the revenue mix side, like, I just wanted to get a sense of what was the contribution from intergroup for the Q4 and for the full year?
- Arnab Roy:** I will answer both the parts because I'm sure there will be a question on the other mix is also. So, if you see from a full year perspective first, so for FY'20, the overall systems business was

around 74% and 22% was the IG content in the systems mix. So overall, that is the first answer, the 22% was IG content with an overall systems of about 74%. Transaction was about 15% and Services was 11%. And the same math if you have to do for the quarter, which is Q4 systems was about 78% with the IG component in that around 36%, Transaction was 15% and Services was 7%.

Manish Goyal: So service has been so much volatile?

Arnab Roy: It is mainly because of the shutdown in March. So practically the country was almost on a lockdown in the month of March and that reflects on the service side. Anyway the backlog burning is happening. So, that is the reason for the quarter you see more systems happening.

Manish Goyal: On your order inflow number, Arnab, that is the external order inflow number, right. So whatever turnover you do on a quarterly basis for IG, that would be the additional order inflow we should factor, right?

Arnab Roy: Yes, you are absolutely right. So when we report an order, we report the OG our outside group. IG is on top of it.

Manish Goyal: Arnab, just for record purpose if you can give us the IG number comparable for Q4 and last year as well please?

Arnab Roy: So the year before, the IG was about Rs.430 crores for the full year and comparable quarter previous year was around Rs.60 crores. So for the quarter we had a growth, but for the full year we are slightly lower.

Manish Goyal: I missed the current year current quarter number.

Arnab Roy: Current year, current quarter is Rs.80 crores.

Manish Goyal: Arnab, the note also mentions about the incremental borrowing, the results to accounts. So, now Rs.100 crores the enabling resolution what we have taken. So what is our gross debt in the current year and now net worth been turning negative, do you see challenges going forward in terms of bidding for the orders or things like that?

Arnab Roy: So first of all, we still manage to keep a slight positive net worth. So if you see from the March balance sheet, so it was not negative, it was marginal positive. We had a gross debt of about Rs.490 crores end of March and because of COVID we were fearing that the cash situation will get stressed in the next few months and that is the reason we took the contingency, but that does not mean that we are going to use up the entire things. Obviously, the endeavor is on keeping the cash momentum as much as possible. But definitely, we have taken a contingency in case situation worsens. So that Rs.100 crores was more a contingency planning.

- Manish Goyal:** And out of this Rs.490 crores, how much would be say from the parent and how much would be say from the other sources?
- Arnab Roy:** Bulk of it is from the parent, other sources are very nominal. It is mostly intergroup.
- Manish Goyal:** So just on the current situation, we did mention that we are seeing improvement in terms of order inflow which is quite good and the supply chain is getting back. So, as on June-end, just to get a sense that from a normalized perspective at what run rate we are back to like -- are we at 50%, 60% or just broadly like at what level are we in terms of our operating activities?
- Arnab Roy:** See, as we kind of discussed during the presentation, April was zero, so there was no activity happening. Towards the end of April, we started getting permissions to open the factory. May, the ramp-up was going on; we were at about 35%, 40% level in May. June, we are back to close to about 85-90% level. So, you can get a broad sense of how the quarter would have progressed with this. But definitely, in June, we have mostly come back to 85%, 90%, and we expect that momentum to continue.
- Manish Goyal:** So when we say 85-90% is in terms of both on production side as well as on the dispatches side?
- Arnab Roy:** On both.
- Moderator:** Thank you. The next question is from the line of Viraj from Zebra Finance. Please go ahead.
- Viraj:** In the opening remarks, you mentioned a good order flow intact. Which sector that would be?
- Bruno Dercle:** Good order flow in utility electricity company segment. Data center, but still representing a small percentage, but good order flow in this quarter is on electricity company and data center. And regular flow of orders, more than usual, but regular flow in oil & gas and mining and metals, steel industry and cement in the quarter end of March.
- Viraj:** My second question is now in terms of this global pandemic, how we see orders in terms of intergroup from parent? And what support parent is giving us in this time, any sense on that?
- Bruno Dercle:** The support from the parent company, as Arnab mentioned, is mainly in ensuring our cash and avoiding us to pay high interest rate on the market. This is the support that we obviously get. In terms of business, we received several, I will not say divagation, but green light to quote and help and support our Indian EPC and contractors to go abroad because we have observed since the beginning of the year very strong aggressivity or development of the activity of Indian EPCs to work in Middle East, Africa, South America. And we decided cautiously with our group to support this Indian EPC in their exports. So, we call it re-export towards these geographies with the "Make in India" strategy and competitive positioning.

- Viraj:** What would be our intergroup sales for this year would be -- more or less same or higher and any sense on that? I do not want a number. I just want a sense on the intergroup sales for the whole year, a rough sense on that.
- Arnab Roy:** There are some product lines where we are getting qualified as global sourcing. So I think Bruno touched upon it in the last quarter or the quarter before. So the primary switchgear, there is one particular product where we are going to export. So that will bring you some additional sales coming in from that. Other than that, we do not expect a kind of a lower number coming in because there is no indication. But that particular line where we are a source for Africa and some parts of other part of the world, we can expect some growth.
- Viraj:** Arnab, my one more question is since there is the global pandemic and a lot of western countries are suffering, especially European countries, so would there be a cost cutting on the parent side to export from India or other countries to the parents in terms of maintaining their profitability there, do you get any sense like that on this?
- Arnab Roy:** Not really because we have not seen at least for Schneider, that any of the European plants has been very badly impacted. I think everybody is more or less in the same situation.
- Viraj:** What is your capacity utilization as we speak today?
- Arnab Roy:** We are back in June to the 85%, 90%.
- Moderator:** Thank you. The next question is from the line of Riya from India Infoline. Please go ahead.
- Riya:** Sir, actually I wanted a sense on the working capital and the cash position and how do we expect what is the expenses and our cash position?
- Arnab Roy:** See, on cash, in the month of March, since the lockdown started, there was some pressure. Just going a little bit forward, April, definitely we had a stress. But we are bouncing back from May onwards, I would say. So as we speak, it is an upward graph curve and you will see more reflection when we come to the next quarter. But the graph is upward in terms of collection; May was better than April, June was better than May. So, we are bouncing back. Definitely, the cash position is tough in the market. There is no denying that. But we are slowly bouncing back as I would say.
- Riya:** And what will be a proportion of fixed cost in our total expenses that is not depending on the variation of the capacity utilization?
- Arnab Roy:** So if you are looking at without material, I think it is in the range of two-third, one-third roughly; two-third will be fixed cost, one-third is variable cost.
- Riya:** Going forward, there is a directional approach like you said that electricity utilities are very resilient and data centers are coming out. What else do you think will be the next driver for us

in the next six to 12-months what will be coming up if you can just give a direction qualitatively?

Bruno Dercle:

The way we see it from the decision of the government and from also the flow of tenders that we see electricity company continues if not at a better volume at least at constant volume. This is driven by the requirement to improve the efficiency of the distribution network which is a very strong underlying trend. Then we see data center with digitization, with virtualization, with all what we have seen we see the big giant coming to the country and investing big time in the country. Data center, cloud and service provider should continue to develop at a much higher pace than the rest of the market. What we see on the big stress is mining, metal, cement, steel segment where we see projects not being canceled but being postponed. And if the big customer postpones their project by six months, for us on a yearly basis it is a big impact on the potential order intake in the segment mining metal, segment steel factory and steel plant and cement plant for us. We see mixed signals in Oil & Gas because the upstream segment of the Oil & Gas can be hardly hit, but the downstream segment benefits from low price of oil which is a raw material for them. So we see different signals. Refinery segment downstream is still very active and the upstream research and production is almost stopped.

Riya:

For the electricity utilities, how do you see the collections and the payment during the lockdown phase and post lockdown phase because considering they are government utilities, so did we see any constraints in payments or retention level increase?

Arnab Roy:

If you see our exposure to electricity company, it is a mixed bag like part of it is where we go direct, part of it is through distributors. So we have correlation, but for only that part of the segment which is direct for the one with distributors it is independent. So, there is a positive correlation, not a one-to-one correlation. But yes, there is definitely some delays where there is a one-to-one correlation.

Bruno Dercle:

The segment which is having a long payment cycle we know it. This has not changed.

Riya:

No, I was more of asking during the COVID crisis, has the payment most deteriorated or is it at the same level?

Arnab Roy:

State-to-state the answer varies, I would say.

Moderator:

Thank you. The next question is from the line of HR Gala from Finvest Advisors. Please go ahead.

HR Gala:

Your major items like maybe copper, aluminum, zinc, etc., how do you see the pricing scenario on materials?

Arnab Roy:

As far as copper, aluminum, those kind of things, it moves with the metal index. So I think you can get a sense and it is fluctuating, I mean, a couple of months back, it was lower, it is again

bouncing back. But I do not think a dramatic change you see over say six to nine months period. Obviously, in one or two months period, if you see there were some fluctuations. But more or less, I think in six to nine months it is where it was.

HR Gala: So are we properly covered for execution of the orders in the coming months?

Arnab Roy: Wherever we have a long cycle, we do take a cover there. So we do not keep it exposed.

HR Gala: My next question is are there any customers who are asking to renegotiate in these difficult times or something like that?

Arnab Roy: Nothing significant at this stage, some proposals.

HR Gala: How are we now going to manage the debt situation although our parent company is supporting us, but do you see any substantial improvement in the coming year so that the debt level can go down?

Arnab Roy: See, the business if you see, fundamentally barring of course a few blips which we had this year, so if you take a step back and see the last fiscal year, one quarter we had the blip of the flood and now in one quarter we had the blip of the COVID and I think the April to June quarter also, we will see the impact of the COVID. So barring those two or three blips which you see is because of external events, I think fundamentally the business is moving in the direction where we have been telling you in the last five to six quarters. And with the bounce back happening from July onwards, mid-to-long-term, we do not see a reason why we should be in a pressure situation there. Situation should definitely improve. Short-term? Yes, April to June quarter, under stress.

HR Gala: My broader question will be, may not be now, but maybe in FY'22 or '23, can we look at our EBITDA margin in double-digit from the current level of say around 2% which is not at all representative because you did not have much volumes?

Arnab Roy: See, we do not give a forward outlook as we have been telling in multiple calls, but you can do the math with whatever fundamentals you are seeing. My only thing is when you are doing your modeling, I mean, tick the abnormal out and do the normal and I think if you follow the transcript over last four to six quarters you will have enough data points to do that extrapolation.

HR Gala: You said about restructuring. Are we planning to have any some VRS or something like that?

Arnab Roy: It is work in progress. So I would comment on that next quarter.

Moderator: Thank you. The next question is from the line of Harshit Kapadia. Please go ahead.

- Harshit Kapadia:** The stress sectors which you highlighted, like MMM and Oil and Gas, how much of that would be sitting in our order book which can see a considerable delays for this year in terms of execution?
- Arnab Roy:** Approximately about 10-12% of our business is MMM and this kind of segment where we expect some challenge. But as Bruno was highlighting, there are other growing segments like data center and all which has picked up. So overall if you see we do not expect there is too much of a stress happening. Although for this segment is 10-12%, there will be some delay, but there are other growing segments which should compensate for this.
- Moderator:** Thank you. The next question is from the line of Anshul Saigal from Kotak Portfolio Management Service. Please go ahead.
- Anshul Saigal:** I just want to know what is the order inflow outlook for the coming say three to four quarters?
- Arnab Roy:** Backlog is about Rs.892 crores as on 1st of April and which is approximately seven to eight months of sales and that is something which we will be executing and of course there are some parts of transactional business which will be short-cycle orders which we will book and bill. So it will be a combination of both.
- Anshul Saigal:** How much time does it take for us to complete an order typically?
- Arnab Roy:** Depends on which product line you are talking about. There are some product lines where it is three months, some product lines are six months, some product lines like the gas insulated switch gear and all is about nine to ten months.
- Anshul Saigal:** So safe to say that most of our product lines would complete in a year?
- Arnab Roy:** If you do an average, it is around six months.
- Anshul Saigal:** I am also looking at your gross margin structure. That has been in the range of 27%, 28% for the last few years and have also been higher than 30% in prior years. Where do you think this is going to settle? And also, if you look at the mix that you have shared between systems, transactions and also services, what would be the margin structure between the three segments?
- Arnab Roy:** First of all, when you are comparing say for example FY'19 with FY'20 take the other income out and do the percentage because if you see in that, other income is lower by about Rs.30 crores which is the bad debt reversal which I said. That is a first thing you need to do -- take it out and do the percentage. Gross margin, the way it is presented, sales is including other income. That is the reason I am commenting there, okay. So your material cost will give you a better idea. If you look at the material cost per se which is what I was commenting, so you can see that the material cost is down by 1%. So, it is moving in that direction. So, obviously the services will be the most profitable followed by transaction, followed by systems. So, that

would be the pecking order in terms of profitability. And what we have been telling you in the last few quarters, directionally we are moving in that direction. So again, we do not give a forward outlook, but definitely, you will see that with all the change of business mix, the change of go-to-market which we have been highlighting, definitely, we are moving in a positive journey in that area.

Anshul Saigal: So if we were to go back say four or five years, what would be the percentage of systems in our revenues which is 74% today?

Arnab Roy: It is not right now available. Can you just write back to me so I will check and revert. Is that fine?

Anshul Saigal: Yes, please. Could you also just give some clarity on what services and transaction revenue line include what kind of businesses are these?

Arnab Roy: Transaction is when we are selling a component. So when we do full solutions or full panel, that is what we call systems. When we are doing say a breaker inside the panels, that is what is transaction and services is when you are doing either a retrofit or you are doing a modernization kind of an activity a Brownfield, that is what is service.

Anshul Saigal: Going forward, transactions and services are the business lines which are going to enhance the proportion of sales? That would be the correct understanding?

Arnab Roy: Directionally, yes.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I will now hand the conference over to Mr. Kapadia for closing comments.

Harshit Kapadia: We would like to thank the management of Schneider Electric Infrastructure, Mr. Dercle, Mr. Roy and Mr. Jain for giving us this opportunity to host this call. We also thank all the investors and the analysts for joining this call. Any closing remarks, sir, that you would like to give?

Bruno Dercle: I would like to say that after the current quarter, sentiments looks to be positive in medium to long term. Few segments will take time to come back as I mentioned already. Few segments are also rebounding fast. So, we are closely watching the position of all that at ground level to capture more growth in line with our strategy. So thank you. Have a nice evening.

Moderator: Thank you very much. On behalf of Elara Securities (India) Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.