

# Schneider Electric Infrastructure Limited

Q1 FY 2019-20

19<sup>th</sup> Aug 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.



# Market Dynamics

**2X**

Increase in Electrical Energy Demand in next 10 years

Source: Bloomberg report

## Trends

### Digitization

Expanding energy consumerism (smart homes, self generation)

### Decarbonization

Focus on renewable sources of energy such as Solar, Wind, Biomass & Waste

### Decentralization

Prosumer challenge:  
Bidirectional flow of power & consumers becoming power self-sufficient

## Key Strategic Imperatives- continue the business repositioning to profitable technology & service driven business

1. More favorable market environment will be an opportunity to facilitate the business transformation
2. With the foundation after Rebound, “back to the core” under Energy Management is a catalyst to animate the next stage transformation
3. **This will be achieved with 5 key strategic pillars:**
  - ✓ Accelerate growth through partners, our most profitable GTM model
  - ✓ Reposition utilities business to more service and “core technology driven” businesses
  - ✓ Medium strategy requires a strategic rethink on how and where to play
  - ✓ Continue to drive system excellence to be “Service Ready” with digital as a key differentiation
  - ✓ Rebrand image of MV we are “Green and Digital” using the SF6 Free battle

## Core Focus Area for SEIL



### Technology

- We're the MV technology leader who enables end-to-end energy management solution to targeted customer segments
- We're the MV/LV architecture trendsetter

Green & Digital



### Segments

- We're the SE Power "face" (GTM) to utilities and electro-intensive customers
- We prescribe differentiating segment applications to pull thru full SE portfolio
- We excel in projects and equipment biz. model

The "Face" to selected customer segments  
Specialization in Systems



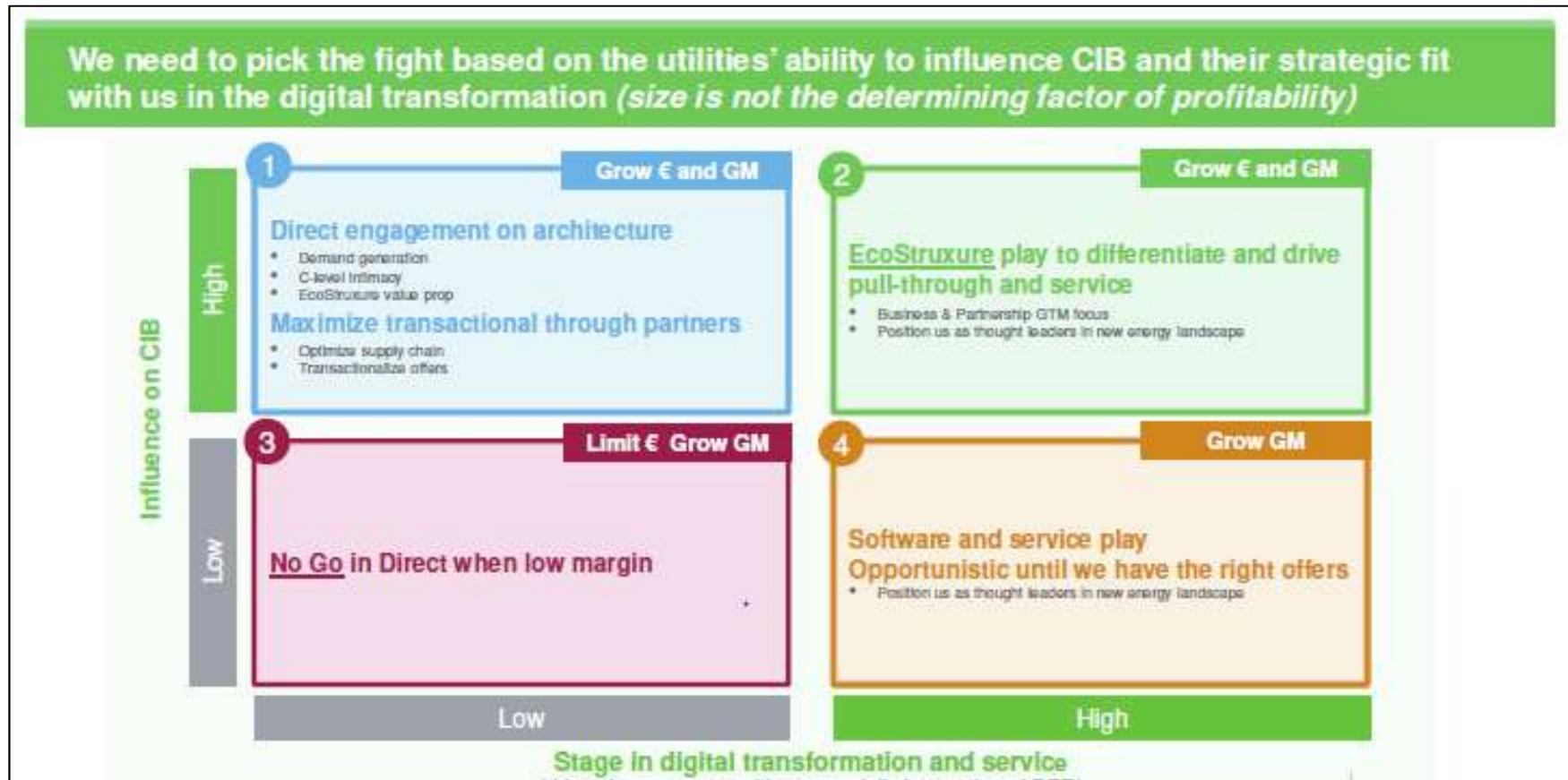
### Channel

- We want to become the most Partner "friendly" MV player vs. competition to differentiate our approach in market (design for Partner, sell through Partner)

Partner "compatible"

As part of the core of Energy Management, we are the electro-intensive power segments expert and aim to become the MV technology trendsetter to help Energy Management grow

# Utility Repositioning



# Utility Repositioning

Reposition strategic utilities for more technology-driven business and service  
Go through partner for non-strategic accounts

<b>Reduce</b>	Discontinue dilutive Frame Agreement (e.g. translo) and push go through partners model
<b>Push</b>	Service boost plan (IB + digital) → leader in asset management
<b>Develop</b>	Transactionalise through partners, including non-strategic accounts
<b>Leverage Digital</b>	SA + CTA focus: Demand Creation (sales force training + EcoStructure) Position ourselves as thought leaders in 3D (focus on ren. value prop & grid integration)

## Key success factors

- ✓ Keep thought leadership on digital identity but leverage partners options in targeted places
- ✓ Accelerate asset management value proposal with Aveva support
- ✓ Maintain pace of transactionalized offers

**EcoStructure™** For Utilities  
Innovation At Every Level

Become **the preferred partner of utilities to enable their digital transformation journey**

- Industrialize pre-defined use cases
- Develop specific value proposition and architecture for partner channel
- Build the asset management offer

## Software: the Critical Roadblocks

### Structural offer gaps:

- A modular, scalable and multi-fluid DMS system
- Asset Management
- Software services (ADMS/GIS/AMI)
- Industrialization of our smart Grid offer (platforming, interoperability)

### Marketing gaps:

- We need to enforce our EcoStructure value proposition on asset management

### Tendering & execution bottleneck:

# Drive Profitable System Growth

Drive “Service Ready”: Prescribe + Trace & Connect + Convert = End to End



## Conclusion: We are ready for the next stage of our journey

### 1 “Back to the core”

- a) *Grow transactional through Partners thanks to EM*
- b) *Utility repositioning for better profit*
- c) *Build a Medium strategy ?*
- d) *US conquest*

### 2 System Excellence

- a) *Drive profitable system*
  - *Differentiate with MV/LV architecture*
  - *Be service ready*
  - *Drive solution sales through partners?*
- b) *Agile and competitive delivery model*

### 3 Innovate for the future

- a) *SF6 Free to regain leadership in secondary*
- b) *Leapfrog in digital panels and systems*
- c) *US and China innovation hubs*

Mix management

# Financial Update

## Financial Results- Q1 FY 2019-20 vs Q1FY 2018-19

MINR

SEIL results analysis	Q1 (Apr-June 2019)		Q1 (Apr-June 2018)	
	MINR	%	MINR	%
Sales	3,575		3,433	
Other income	43		115	
<b>Total Sales</b>	<b>3,618</b>		<b>3,548</b>	
Material costs	2,642	73.9%	2,466	71.8%
<b>Gross Margin</b>	<b>976</b>	<b>27.3%</b>	<b>1,083</b>	<b>31.5%</b>
Employee costs	531	14.8%	457	13.3%
Other expenses	372	10.4%	356	10.4%
<b>EBITDA</b>	<b>73</b>	<b>2.0%</b>	<b>270</b>	<b>7.9%</b>
Depreciation	54	1.5%	70	2.1%
<b>EBITA</b>	<b>19</b>	<b>0.5%</b>	<b>199</b>	<b>5.8%</b>
Interest	118	3.3%	106	3.1%
<b>Profit before Exceptional items</b>	<b>-99</b>	<b>-2.8%</b>	<b>93</b>	<b>2.7%</b>
Exceptional	-	0.0%	17	0.5%
<b>Profit after tax</b>	<b>-99</b>	<b>-2.8%</b>	<b>77</b>	<b>2.2%</b>

- OG sales is up by 13% mainly with Equipment and Project business.
- IG sales is down by 22% mainly due to LV panels.
- Material cost is adversely impacted by few projects like MRPL, JSW, OPTCL etc ....
- Employee cost: Savings thru restructuring is offset by Inflation, Variable pay provision, One time PF settlement



Life Is On

Life Is On

**Schneider**  
Electric