



“Schneider Electric Infrastructure Limited  
Q3 FY 2023 Earnings Conference Call”

February 14, 2023



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**MODERATOR:** **MR. HARSHIT KAPADIA – ELARA SECURITIES PRIVATE  
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**Moderator:** Ladies and gentlemen, good day, and welcome to Schneider Electric Infrastructure Limited Q3 FY '23 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero 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 Private Limited. Thank you, and over to you, sir.

**Harshit Kapadia** Thank you, Lizann. Good evening, everyone. On behalf of Elara Securities, we welcome you all for the Q3 FY '23 and 9-month FY '23 conference call of Schneider Electric Infrastructure Limited.

I take this opportunity to welcome the management of Schneider Electric Infrastructure represented by Mr. Sanjay Sudhakaran, Managing Director; Mr. Mayank Holani, Chief Financial Officer; and Mr. Vineet Jain, Head of Investor Relations. We will begin the call with a brief overview by the management followed by a Q&A session.

I'll now hand over the call to Mr. Sudhakaran for his opening remarks. Over to you, sir.

**Sanjay Sudhakaran:** Thank you very much. Good evening to all of you. Ladies and gentlemen, a warm welcome. I'd like to take you through the affairs of the organization of Schneider Electric Infrastructure Limited. Without wasting any more time, we will go straight to Page number 3, which is the economic outlook. Nothing's changed much on the economic outlook, the macroeconomic outlook as we proceed into this quarter.

The geopolitical situation across the world remains fluid, though the world has kind of learned to live with it. The sounds of global recession are getting louder. But the good news is that the Indian economy continues to be resilient, driven by domestic demand and also rebalancing of supply chains that the world is witnessing so the opportunities for export and industrial production and export out of India looks stronger.

All this represents a strong opportunity for India as we enter the calendar year 2023. We also see that the balance sheet of the banks are much stronger. So credit offtake should be better. We also see manufacturing at more or less at capacity and all the industrial houses having a better balance suite. So we should see investments coming in from the private sector as well in addition to the investments promised by the government.

So all-in-all, the situation looks pretty decent for India, and I think that should give us confidence that the quarters coming in the future, we should be able to see it with more predictability. So we'll go on to the next slide, which is Page number 4. Here, we'll give you an update about our key segments, which is Power & Grid; Mining, Minerals & Metals; and Transportation. We'll also give you how the budget dovetails into these segments and what impetus would be provided by the government in terms of the segments?

And what opportunities it presents for us in the future? So the most important segment that we represent, which is Power & Grid. Electricity continues to have a stronger demand driven by manufacturing and also retail consumption. The government is pretty much committed to transformation in this segment, both by digitization and also changing the energy mix more towards renewables and greener sources of energy.

The budget allocates more money, almost INR 350 billion to achieve India's net-zero goals. This should translate into more digitization opportunities and more renewables and changing the energy mix and thus bringing in more of microgrids, etcetera, into the foray. Also there is an allocation towards green hydrogen, which we are tracking very closely with corporates to see how we can convert these requirements into real-time business. On Minerals, Mining & Metals, the key driver seems to be the government infrastructure spend, which will be primarily around metros, around infrastructure projects and steel and airports, etcetera.

So all these will spur the demand for cement, and we should see more capacity increase -- capacity additions happening on the cement side. We also see that the steel capacity additions will also be around 50% by '30-'31, which should also present some good opportunities for our business.

The Transportation segment is a key segment, which is where most of the spend is going to happen in terms of modernization of the railways, the metro networks and airports that are going to be built, and we have a strong position here. So all-in-all, I would say the budget highlights provide a good impetus to growth of our key segments, and we should see positive uptake coming from these segments in 2023.

Let's go to the next slide, which is a brief overview on some of the emerging segments. As we know, EV charging and E-Mobility presents a strong opportunity for Schneider and its products and services. The Cloud & Services Provider segment, which is the data center segment is something that we have been focusing on very strongly, and we've been having a good run here.

Also, the Renewables segment is something that is very important to us in terms of the changing energy mix of the country. The budget also allocates a good amount of impetus to these segments. The 5G rollout should further strengthen the Cloud & Services segment. And we should have E-Mobility also maturing into a strong business proposition as we see the mix change from -- for passenger vehicles from conventional petrol and diesel to more electric vehicles and the charging facilities that are coming around the country.

And a strong focus by the government to ensure that the charging facilities are in place to be able to absorb this growth in EV segments. So overall, I would say, a positive trend in terms of both our traditional segments as well as our emerging segments. We'll go on to the Slide 6, which showcases some of our key wins going forward. I would say that we are helping the country of Nepal build its robust power and distribution system.

We recently won a major order from this customer, leveraging our strengths of digital and software, combined with transformers, which will give them predictive analysis. So this is the first of its kind of an installation within Nepal, and we are expecting strong repeat business from

them as well. We'll go to the next slide, which is a win with a Cloud & Services Provider. This is to provide LV and MV equipment to them. This is a repeat customer who has been repeating us for almost 2 to 3 years now, and we see strong traction here in years to come with this customer and more pull-through for our products and services as we go forward.

We'll go to Slide number 8 on Minerals, Mining & Metals, is one of the world's top glass manufacturers who has repeated us with another order which is to provide electrification for their new facility, and we expect more pull-through and orders from them coming forward as we execute this project as well. The key strength that we displayed in this particular project was, of course, our execution capability, the way we execute our projects with both quality and meeting stringent timelines.

We go to Slide number 9, as our diversification continues into segments, which I have earlier been untapped, one of the top global food and beverage company has contracted with Schneider to provide them with MV and LV panels along with the Sandwich Bus Duct with our Transformers. So this is a complete package, which we will provide to the customer. And this gives us a proposition to also put in some of our digital enablers here and with EcoStruxure, provide them with end-to-end solutions. Going on to the next slide, which is Slide number 10.

One of the major cement companies in India who has been regularly buying our products has also patronized our EcoStruxure service plan, which is an asset advisor in combination with intelligent products, which will help them move their maintenance from more of a routine maintenance to more of predictive maintenance, thus improving the uptime of the equipment.

So this is eventually the journey that we want to move along, and I will also touch upon briefly as to what we are doing next to be able to leverage these solutions with our customers in a more holistic manner. So that's where we come in with active ranges. Active ranges are products, which are shipped out of the factory with sensors enabled with cloud connectivity natively, which connect natively to EcoStruxure Asset Advisor, providing predictive maintenance and analytics to customers.

So our endeavour in the future would be that every banner shipped out of the factory would be an active product and the customer would be able to subscribe to our services in a monthly or in a yearly fashion, by which they would be able to exploit the full value of our analytics and thus, improve their uptime and reduce their maintenance costs.

So this is the eventual model which we move into. Of course, it will be a journey. We will slowly start with certain customers, and we've already had our first win. Going on to the next slide, which is Page number 12. We are working with 30 such customers. And we have also upgraded our manufacturing facility with bearing tools, which will enable us to quickly configure these equipment to be able to be active-ready in the field, so that it requires minimum intervention at a field level to be able to connect to the cloud.

So going on to Slide number 13, a brief update on how we are doing on the transactional piece. As we have mentioned time and again, transactionalization of our business and digitization of

our business are 2 key pillars of our transformation journey. So we spoke about digital briefly. Now we'll talk about transactions.

So our distributor business has grown 50% in this period, which we are talking about from Q1 to Q3. Panel builders have grown substantially in terms of our license partners and our core component partners which sell our breakers, which are also up 30%. So we see good amount of traction in our transactionalization journey, thus increasing the reach of the organization across the country and also providing us with the necessary reach to new and new customers.

So now I will request Mayank Holani, our CFO, to give you an update on the financials.

**Mayank Holani:**

Thanks, Sanjay, and good afternoon, ladies and gentlemen. So Slide number 15, our OG order intake for the quarter is higher by about 6.7% versus same quarter last year, while year-to-date 9 months order intake is about 10% higher versus last year. So that's a kind of growth. And primarily the segments which have grown during this period in the quarter are Mobility and a few segments, while for the 9 months period, the growth has been coming mainly from Mining, Metals & Minerals and Diffused segment. And next slide. On sales if you see, our sales for the quarter is down by about 4.3% from the same quarter previous year.

And here, I would just give a background. So last year was a very higher sales than this quarter coming with a low performance in quarter 1 and quarter 2, which were impacted by second wave of COVID. And effectively, we were also carrying a lot of FG where customer projects were delayed. So this year, if you see till September in H1, our growth versus last year was more than 34%. So -- and then coming from that this quarter is -- has such a big number growth.

In absolute terms, it's a big quarter, but yes, in percentage terms lower than last year. In 9 months period, if you see the sales growth is about 14.8%, good solid growth. And in terms of segment, if you see, for the quarter, Oil & Gas, Mining, Metals & Minerals and Mobility contributed to the sales mainly with the growth in sales. And in 9 months period, if you see, the growth has been coming mainly from Mobility and Mining, Metals & Minerals and Diffused segment.

Next slide, please. So now coming to P&L. If you see our gross margin has improved by 100 basis points, primarily due to the better sales mix, while as we see in the market, the raw material inflation has also moderated a bit from the extreme level or the movement which were seen in the previous year. Then the profit before exceptional items and even net profit after tax is about INR 435 million versus INR 524 million in previous year.

You'll see some increase in employee cost slightly above, because the production in the quarter has been higher, while the last year was impacted by the old inventory, which we have been carrying for debt weight, not -- but it's a reasonably good performance. 9 months period, if you see, our gross margin is again higher by about 100 basis points, primarily due to the better sales mix and raw material and inflation moderation. And profit before exceptional items is about 4.6% at INR 629 million versus INR 276 million in previous year and almost double in terms of percentage.

And after exceptional items, the profit is -- net profit of INR 788 million versus INR 276 million. One point I would like to highlight here is, this is, again, the successfully fifth quarter where we

have been in profit. We are now in terms of momentum in the quarter -- quarter-on-quarter performance, we have been able to deliver profitable performance quarter-after-quarter, in line with our strategy and continued focus on cash and margins. And we'll continue this journey.

I'll close here and leave the floor open for Q&A. Thank you.

**Moderator:** The first question is from the line of Nikhil Abhyankar from DAM Capital.

**Nikhil Abhyankar:** So my first question is regarding our margins. The margins have improved by almost 2 percentage points over the 9 months. So is this trend sustainable? Or where do you see the margins stay next year?

**Mayank Holani** So Nikhil, in terms of the overall margin, we hope to see -- continue the same momentum. And obviously, we would like to improve from this, while we don't give any indicative number or forecast for the subsequent period as such. But yes, we intend to continue and improve this momentum. And obviously, the margin improvement had to come because last year, the few quarters have been turbulent with the raw material inflation and COVID, all these impacts and which impacted the volume as well as the profitability.

**Nikhil Abhyankar:** Understood. And I've got a very basic question. So how does our product suite is different than the unlisted Indian entity?

**Mayank Holani:** So we in this entity, we are into medium-voltage product, while those products are mostly not there in the other entities, except for few overlaps in terms -- but there is nothing. We are into medium-voltage products, which are into the ETO products or engineered-to-order while in the unlisted entity, you have different and we have more than 1 entity, so you have UPS, low-voltage products and industrial automation products, which has not...

**Nikhil Abhyankar:** Okay. So our entity is basically catered to medium voltage and the other entities cater to the high voltage and low voltages?

**Mayank Holani** Yes.

**Nikhil Abhyankar:** Okay. And sir, there has been a scheme, the RDSS scheme has been launched and it has been given us substantial capital expenditure plan regarding it. So do you see the private capex and the distribution capex impacting our order inflows? And how are we targeting it?

**Sanjay Sudhakaran:** So if you really see, Nikhil, there is an intent by the government to spend through the RDSS scheme, but if you really see how much money is flowing into the DISCOMs right now, I think that will take some time.

**Nikhil Abhyankar:** Okay. So you're saying a few quarters or years?

**Sanjay Sudhakaran:** Yes, maybe a few quarters. That's what we are expecting, yes.

**Moderator:** The next question is from the line of Raaj from Arjav Partners.

**Raaj:** Yes. I wanted to know how do you think FY '24 year leads to pan out?

- Sanjay Sudhakaran:** Sorry, can you repeat your question?
- Raaj:** Yes. How do you think FY '24 is going to look like looking from the business perspective?
- Sanjay Sudhakaran:** So you're asking about the financial year '23-'24?
- Raaj:** Yes, yes.
- Sanjay Sudhakaran:** So like Mayank mentioned before, we do not want to give a forward-looking guidance on the business as of now. We refrain from doing that. But if you look at all the parameters from our key, which I spoke about in my opening address as well. If you look at the economic outlook of India, we could expect India to be more resilient, given the factors that I mentioned already. So the macroeconomic outlook seems to be good, though unpredictable, it looks to be good.
- From the key segments that impact our business, also we touched upon the 6 segments that could be important to us, and we see that these segments seem to be resilient and infrastructure investments in India would not abate either through government spending or to the private spending. We could feel positive about that. So if you triangulate all these external factors, you could probably feel confident that we should be able to have a good '23-'24 as well in line with these parameters.
- Moderator:** The next question is from the line of Apoorva Bahadur from Goldman Sachs.
- Apoorva Bahadur:** Sir, I think in one of the slides you had mentioned that there's a large opportunity coming from Renewables and basically the entire team Cleantech, sort of an ecosystem. So can you please share your thoughts like what's the size of opportunity that you see over there? Which are products which specifically cater to this? That would be very helpful.
- Sanjay Sudhakaran:** If you look at the energy mix, you have seen that the government of India wants to clearly move its energy mix from traditionally non-green sources of energy such as coal and oil to more of greener energy sources like wind, like solar, etcetera. So you will see new capacity additions happening in these particular segments and anywhere where you have investments happening in terms of energy production, you would need to evacuate the energy, and that represents a good opportunity for us to supply our products.
- Now we want to fully tap into these segments because we see that all future investments, most of the future investments in terms of generation would be directed towards these segments. So we'll be developing and investing in products, etcetera, and software and expertise around management of these assets digitally. So we will be investing in those areas, which should help us take a decent market share in these particular areas. That's the strategy.
- Apoorva Bahadur:** Sorry, sir. So this will be more on the grid digitization and management side of things?
- Sanjay Sudhakaran:** Yes. And also on the evacuation side, you would have the medium voltage equipment which are required, right?

- Apoorva Bahadur:** So sir, I believe the CEA had come out with, I believe, an INR 2.3 trillion - INR 2.4 trillion plan for the 500-gigawatt power evacuation transmission infrastructure requirement. So could you share what would be the size of PAM for Schneider over here of this INR 2.4 trillion?
- Sanjay Sudhakaran:** So I wouldn't be able to put a number to it because every project is quite unique. And it's sometimes very difficult to put a PAM depending upon -- it's not a straight line. So it would be difficult to put a PAM number on to an investment of that particular site. But we can definitely see that there is an opportunity for growth.
- Apoorva Bahadur:** Understood, sir. Sir, then of all the projects that have been developed so far, can you share some of the major ones or what sort of contribution have we made in terms of the equipments that was supplied or something of that sort?
- Sanjay Sudhakaran:** So we have been supplying power transformers to these facilities. We have been supplying medium voltage equipment like AI and switchgear, etcetera, to these facilities. We have certain product gaps and technology gaps as far as this is concerned in India, but we do have it in our global stable. So we will be kind of transferring those technologies, etcetera, to develop more and more products, which can cater to this segment.
- Apoorva Bahadur:** Okay. So the parent is okay with this transfer of technology, and it won't happen with the unlisted entity, right?
- Sanjay Sudhakaran:** No, no, no. We are very clear on the strategy. That's the all developments as far as medium voltage and investments are concerned, will happen through this entity only.
- Apoorva Bahadur:** Fair enough, fair enough. Sir, also, I believe you had mentioned something on green hydrogen front. So over there as well is the opportunity linked to the renewable energy, which is required? Or is it anything specific to electrolyser or the hydrogenic ecosystem as well?
- Sanjay Sudhakaran:** Yes. It's related to the latter which you mentioned.
- Apoorva Bahadur:** Okay. But with the electrolyser as well?
- Sanjay Sudhakaran:** Yes.
- Apoorva Bahadur:** What sort of equipments will be supply over there now?
- Sanjay Sudhakaran:** So we won't be supplying the electrolyser. We will be supplying the power equipment, which is reset to manage the energy.
- Apoorva Bahadur:** So transformer, rectifiers, etcetera?
- Sanjay Sudhakaran:** Yes.
- Apoorva Bahadur:** And have we done any agreements for that, sir, or any plan of action over there?
- Sanjay Sudhakaran:** We have had a couple of wins. Unfortunately, we cannot disclose the name of the customer in the public domain without their due permission.

- Apoorva Bahadur:** And sir, lastly, I think also on the E-Mobility side, so what will be a play over here in EV charging infrastructure?
- Sanjay Sudhakaran:** So on the EV charging, our main play would be the packet substations, the medium voltage and the low voltage equipment and the grid management software, which will be required for this.
- Apoorva Bahadur:** And this will be sold to the DISCOMs or EV charging?
- Sanjay Sudhakaran:** Not necessarily. I think this will not be -- it can be sold to, say, for example, vehicle manufacturers like truck manufacturers or bus manufacturers. Someone could get into a turnkey contract to operate a network of buses for a state government, and that would require electrification of their charging stations, right? And that represents the opportunity.
- Moderator:** The next question is from the line of Sanjaya Satapathy from Ampersand.
- Sanjaya Satapathy:** So my question is that in this quarter on a year-on-year basis, your revenue declined somewhat and you have given the reason that it is because of base effect. Can you just explain that is it just base effect? Because if you cannot grow on this base then what would you say about the future? And the second thing is that you have this massive seasonality from quarter-to-quarter. And the March quarter last year was pretty much lower compared to December quarter. So can you just give us some sense of the seasonality?
- Mayank Holani:** So on the first question, see, last year, if you see June quarter was badly impacted by Wave 2 of COVID and then even the effect continued in the September quarter. So if you go back and see the numbers for June and September quarter, the sales was very low whether even negative from the previous year.
- So September 2021 quarter, sales were lower than even the 2020 quarter when the first wave effect was there. And what happened is due to the project delays and all, we were carrying a lot of inventory or fixed finished goods at the end of FY '20. Debts are published in balance sheet. So if you see from September '22 to versus September '21, our FG at the end of September '22 was lower by about more than INR 50 crores, right?
- So that what happened is last year, we had manufactured, but we were carrying all those FG because customers where -- there were delays at the customer end or things like that, which we could ship in the last quarter 3. This year, our sales growth till December because there was a low base effect and the sales growth in first 6 months, if you see, it was 34%.
- Sales growth in both the quarter, June quarters and September quarters even individually was more than 30% and average for 6 months were 34%. So the debt has gotten more normalized. So this number, which is about 4.5% low. So it's not a loan sales or decline. It's just kind of evening out of the -- because last year, you had 2 very low quarters, and then the number went up in December quarter.
- So I don't see any challenge and if you see the order growth overall for 9 months period. With quarter-on-quarter, you may have sometimes you have a higher growth or lower growth. Even

our order growth for the 9-month period is double digit. Sales growth also is quite solid. So I don't see any challenge or any concern on that.

Now coming to the fourth quarter, December quarter has always been higher than compared to the other 3 quarters like in the past all the years. So that's how it has been. And we hope to have a good quarter in the March also.

**Sanjaya Satapathy:** But December will still be the biggest quarter and March quarter will not be as big, right, sir?

**Mayank Holani:** Yes. I think because of the value chain where we are placed, it's because of that it is seen. Because what we have sell in the December quarter usually take another 1 or 2 months to install in the site. And every company has a financial year to margin in. So people want us to supply in December end, so that they can install in the same quarter and get the revenue capitalized capex what they are doing. That's the cycle that we are in, and that's the reason we are having the highest quarter. And the same the reason for the March quarter, because we are in the last part of it. So people used to fight on the existing equipment but they have to install, and that's the reason seasonality of Q4 is comparatively bigger than Q3.

**Sanjaya Satapathy:** And sir, my last question that I just wanted to get a sense from you is that last 12 months, this is your EBITDA margin has improved to somewhere around 7%. And there has been a remarkable improvement almost every year for the last 3, 4 years now. So going forward, will we see further upside to this kind of margin performance? Or the way the company will target, it will be more a top line driven growth? Or it will be something which you are still not too confident about margin, and so you'll be continuing to remove low-margin business and achieve the bottom line performance driven by cost reduction?

**Mayank Holani:** I think you have mixed a couple of questions. So let me answer you one-by-one.

**Sanjaya Satapathy:** Sorry, I couldn't articulate it better.

**Mayank Holani:** It's okay. So let me just answer one-by-one. First, as the management communicated many times that we are not giving any forward-looking direction. So I will not comment on the margin movability, how it will move. But you can look at in the past trend and the management will look at the focus on the similar journey we are trying to do. And if you're coming on the management focus is on the top line as well as the bottom line. So our major focus on whatever the business we are doing, we should be coming with a profitable margin. So we are not grasping any of the contract, which is a loss-making or where the payments are not secured.

**Sanjaya Sudhakaran:** And cash security. Yes, that's what I was about to comment.

**Mayank Holani:** That focus area is there. And journey will continue and you're talking about that the cost control and all. So that part, I will say that 90%-95% of the journey is already over. So now we are preparing our organization for the upcoming opportunity. So we will not see much of the cost cutting on that side. So almost that our cost-cutting part is over. And now we are reinvesting the organization for the future-ready perspective.

**Sanjaya Satapathy:** Understood. So basically, your top line-driven story is what it will be from here on?

- Moderator:** Mr. Satapathy, may we request that you return to the question queue? The next question is from the line of Digant Haria from GreenEdge Wealth.
- Digant Haria:** Sir, my question is slightly more basic that you mentioned that we won an order from a cement major. So if that order value was, say, 100, if you can just break it down as to what revenue would we get from the component sales like a transformer, switchgear or a panel? And what component is the AMC and what component will be the cloud kind of solutions that we use for monitoring and automation?
- Sanjay Sudhakaran:** So roughly, the equipment would be around 50%. Services would be around 30%. And everything balance, for example, the AMC and the services and the cloud connectivity, etcetera, would be the balance.
- Digant Haria:** So 30%, which you said services, that would be the installation charge or installation of the EPC charges?
- Sanjay Sudhakaran:** Yes, yes, yes.
- Digant Haria:** Okay. So only the 20% would be recurring, which we will get every year.
- Sanjay Sudhakaran:** Correct. Correct.
- Digant Haria:** Okay. Okay. And does this making of -- do we make these transformers, which gets all the equipment that we need for these electricity solutions in-house or are we are looking to get out of, say, transformer manufacturing or any of those manufacturing intensive part?
- Sanjay Sudhakaran:** We make most of it in-house. But the casting and now, we will do not do it ourselves. The castings and all are through vendors, and we do the core stuff in-house.
- Digant Haria:** Okay. Okay. Okay. So does that explain that our employee costs are, say, 15% of the total revenue? Because for a similar kind of company, the employee costs can actually be much lower. So just wanted to check that. And when you said the cost efficiency part is over.
- Sanjay Sudhakaran:** So what kind of industry are you benchmarking with in terms of 15%?
- Digant Haria:** I was just comparing with, say, an ABB or a Siemens somebody who makes components also and who give solutions also.
- Sanjay Sudhakaran:** So if you have a mix of products, as Mayank mentioned, we are an engineered-to-order company, right? Most of the products in this particular portfolio and this legal entity are engineered-to-order. You could have, say, the organizations that you compare with would have a mix between engineered-to-order and highly standard products. So if you have a highly standard products, which are mass manufactured, you could have a different wage mix. Whereas if you have an organization which is primarily engineered to order, which could be a subset of their business. So it is not exactly comparable.
- Mayank Holani:** Exactly, if you see ABB or Siemens, and both, feels it's not comparable. Any company, it's not comparable.

- Digant Haria:** Okay, okay, okay, I get it. So we are probably at the optimum level where we should be. So I get that.
- Moderator:** The next question is from the line of Rajesh Kothari from AlfAccurate Advisors.
- Rajesh Kothari:** My first question is, if I look at from the order inflow perspective, for the full year basis, about, say, 14% kind of growth. But if I look at the many growth drivers like data center and all those new segments, if I look at the industry, the growth has been quite higher than 14%. I'm looking out 9 months basis because quarter-on-quarter, it becomes difficult to compare. So why it is like that? Why only 10% growth in order compared to any other segment, if I look at any large companies or data center, they all are growing at 25%, 30%?
- Sanjay Sudhakaran:** So you should also look at the fact that we have a certain mix of business, right? So there are some traditional segments, which have a larger weight and you have some emerging segments, which have a lower weight. So the emerging segments based on your strategy, we could have a higher growth, but say, a segment like Power & Grid, as someone was asking me as to whether the RDSS scheme, the money is actually flowing into it and are the investments happening in real time. So you see that those segments are growing at around 5% to 6% and which have a larger weight on the overall business.
- Harshit Kapadia:** So do you think -- I think that's true for any engineering company. I mean I don't think even the comparable companies, whether you look at ABB Siemens. So for that matter any company, I don't think any company is only 100% the new base, am I right? Legacy is always -- that's how the transition moves. But still, if I look at on the totality basis, the order intake growth of most of the other companies, having 18%, 20%, 30% kind of a growth, and that too only a 3-year CAGR basis, not only 1-year, but on 3-year CAGR basis.
- Sanjay Sudhakaran:** What I'm telling you that you need to look at every organization from the mix perspective also. If you have -- you will have to detail out the businesses by product segments. And then you would have to compare it because if you lump everything put together, which is a high mix of transaction business and infrastructure business, you will not be able to get the right picture.
- Rajesh Kothari:** I understand. But what I meant was that, it means that the new segments for them is compensating for the low growth of the traditional segment?
- Sanjay Sudhakaran:** I would urge you to do a product mix allocation also. If you have their financials, broken up into that particular categories, which you will not be able to find as well.
- Rajesh Kothari:** Absolutely. So -- but -- I mean, I didn't ...
- Sanjay Sudhakaran:** Unless you do that analysis, you cannot ask me this question as well.
- Rajesh Kothari:** But we don't have even your product mix, sir, where you will not give...
- Sanjay Sudhakaran:** So that's what I'm saying. I do not have information about somebody else. Similarly, I wouldn't be able to comment on that.

- Rajesh Kothari:** Okay. Okay. So let me put it this way, over next 2, 3 years, do you think the new growth drivers, the weightage in your business will basically make it substantial enough to offset for the low growth drivers and make strong double-digit order intake growth?
- Sanjay Sudhakaran:** Yes, that is the endeavour. That is the reason why you allocate resources and attention to segments that are emerging and high growth.
- Rajesh Kothari:** Okay. So when you say that endeavour, but are you seeing the on-ground realities resulting into conversion of those opportunities into the actual delivery?
- Sanjay Sudhakaran:** Yes.
- Rajesh Kothari:** Okay. So hopefully, next year, should we see those fruits?
- Sanjay Sudhakaran:** Hopefully, yes.
- Rajesh Kothari:** Okay. Fine. And one more question from my side. From the competition intensity perspective, particularly on those new growth segments, how do you see that? And how do you see the relative competitive positioning of Schneider in right to win market share?
- Sanjay Sudhakaran:** So competition exists in each and every segment that we operate in. And I would say that we are at no disadvantage as far as the market is concerned.
- Rajesh Kothari:** Okay. Okay. Fine. Any large orders basically, which are in pipeline in terms of the -- or might being pipeline even in the last 9 months, which might have skewed these numbers including...
- Sanjay Sudhakaran:** Unfortunately, I can't share those details, forward-looking details.
- Moderator:** The next question is from the line of Shyam Maheshwari from Aditya Birla Mutual Fund.
- Shyam Maheshwari:** Sir, I just wanted a breakup of our revenue into different end user industry. So for example, for every INR 100, how much of our dependence is on the different sectors in the old economy as well as the new economy sectors?
- Sanjay Sudhakaran:** We'll give you a broad breakup between old economy and new economy. So it will be somewhere around INR 80 and INR 20. But we wouldn't be able to give you more granularity on segment-wise performance.
- Shyam Maheshwari:** Okay. Is there any particular sector in which we have some sort of higher dependency?
- Sanjay Sudhakaran:** We have already mentioned that, right. With the traditional segments of Power & Grid and Minerals, Mining & Metals, we have a higher dependency.
- Shyam Maheshwari:** Understood. And sir, just one more question from my side. So do we also export some of our products to the parent entity?
- Sanjay Sudhakaran:** Very little, yes.
- Shyam Maheshwari:** Very little, but not substantial? Wouldn't be meaningful.

- Sanjay Sudhakaran:** Not substantial.
- Moderator:** The next question is from the line of Viraj from Jupiter Finance.
- Viraj Mithani:** Yes, can you elaborate on this being subscription rent [inaudible 0:44:03] does it mean ...
- Viraj Mithani:** Yes. So my question is you talked about this active rent subscription. Does it mean that is it increase our subscription revenue going forward because you said every product would be probably connected?
- Sanjay Sudhakaran:** So I didn't get the last part of your question can you repeat?
- Viraj Mithani:** No, no, no. Can you give more color on your active rent subscription? Like would it increase our -- some sort of subscription revenue in days to come?
- Sanjay Sudhakaran:** Yes. Yes. That's the idea. Yes, you're absolutely bang on. It will increase your subscription revenues and year-on-year recurring revenues.
- Viraj Mithani:** So does it mean we'll be doing analytical sort of a business or the clients like analysing certain data and giving them certain feeds and certain output?
- Sanjay Sudhakaran:** You're right. You're right. It will come up with different -- it will have different service plans which the customer can subscribe to. We will have a vanilla plan, which will give a certain set of features. And then if you have a plan, which is slightly bigger than that and better than that, you would have to pay more and you would get some more of the services. And then you will have a top end plan, if you subscribe to, you will get analytics, you will get 1 hour service support. So it's like that. So it's tailor-made to suit customer requirements.
- Viraj Mithani:** So I understand this will be the high-margin business. Is that correct to think?
- Sanjay Sudhakaran:** It would be higher-margin business. I wouldn't say high-margin business. It would be a higher-margin business. But the value proposition is not just around the margin. The value proposition is around the customers, adding value to the customer, the stickiness with the organization and the ability for the customer to repeat us.
- Viraj Mithani:** Okay. Sir, my next question is on business, there's a report that there's a shortage of transformers in the world. So does it benefitting us by any chance because the suppliers are very few.
- Sanjay Sudhakaran:** The global supply chain continues to throw up even new surprises every quarter. But I think we're finding a way through that. So every quarter, it seems to be a different commodity that seems to be in short supply. Totally unpredictable. So because of our leverage of a global organization and the global supply chain, we are positioned okay and we will be able to overcome these challenges. But as you rightly said, if there is a shortage, there is a shortage and the shortage is for everybody.
- Viraj Mithani:** Okay. Sir, any plans for increasing Indianization of our product? And any capex plan?
- Sanjay Sudhakaran:** Increasing what?

- Viraj Mithani:** Indianization of our products. We import a lot of things from a -- from other countries. Any plan to improve the Indian content in your products?
- Sanjay Sudhakaran:** Yes. So depending upon how the volumes pan out and the ability of the suppliers to invest on behalf of us in terms of products, in terms of raw materials and components that meet the quality requirements, we will progressively localize more and more as we go forward. You already heard of the plants on the expansion in Calcutta that we put forward. Similarly, as volumes keep rising and we reach a certain scale, we will localize more and more of those components in India. The idea is to move towards -- mostly move towards 100% localization for India.
- Viraj Mithani:** Okay. And sir, my last question is any -- just one question -- just one question more, mam.
- Moderator:** Sir, there are participants waiting for their turn. The next question is from the line of Aditya Deorah from Divisha investments.
- Aditya Deorah:** Sir, in the presentation slide, you have mentioned that in Slide number 7 that there is this order that you have won from one of India's top list services company. And there would be maybe INR 34 crores kind of a run rate for next quarter and around INR 1,200 crores for next 2 to 3 years. So can you elaborate a bit more on this order?
- Sanjay Sudhakaran:** So this is an order for electrification with the cloud and services provider, one of the top cloud and services provider in the country.
- Aditya Deorah:** And like what will be our margin profile for this order? Like would it be similar to the company margin or a bit better?
- Sanjay Sudhakaran:** I cannot disclose those details of individual orders.
- Aditya Deorah:** Sir, during this year's AGM in the presentation -- in one of the slides, you had mentioned that you're doing some capex to improve the productivity of the employees and the efficiency of plants. And today, during the con call, I guess you have mentioned that the productivity of employees part of it has been taken care of. So should we expect some improvement from efficiency of the plants to improve hereon?
- Mayank Holani:** See, obviously, what we meant is, with the ongoing production and the volume increase, we expect productivity to improve. But there is not any -- beyond this any drastic or drastic change, which we expect in the immediate future.
- Aditya Deorah:** Okay. Okay. And sir, any update on the expansion, like how much capex we have done for the INR 138 crores expansion?
- Mayank Holani:** No, not significant. As such, effectively nothing. Just in the process of agreement and all for the lease and then it will go on.
- Aditya Deorah:** But we are still within the time line, right? That you have mentioned.
- Mayank Holani:** Yes. We are within the timeline.

- Moderator:** The next question is from the line of Aditya Sawant from Shreeji Finserv.
- Aditya Sawant:** So my first question is on the debt. The company has around INR 400 crores of long-term borrowings. So what are your plans to reduce the debt? What are some opportunities that can help you reduce this living in long run?
- Mayank Holani:** See, long run, I mean, difficult to comment. But yes, see, the debts are there. And as you also know that we have been making losses for many years and then the COVID also impacted the cash flow. But we are back on profitability from last year and until 9 months also, you'll see the performance is much better than previous year. Our cash flow has also been good last year, and this year, you know what we reported in September. So once now we are since -- once we are on track in terms of profitability and generating cash. So obviously, we'll be looking at reducing the debt.
- Aditya Sawant:** And do we expect the coming quarters to be in profitability?
- Mayank Holani:** Pardon, can you repeat?
- Aditya Sawant:** And we expect the coming quarters to be in profit like after a long period of losses?
- Mayank Holani:** So you are seeing we have been able to deliver last 5 quarters consistently in a with the profitable P&L. So we should hope to continue doing the same. That's what I can say, not more than that.
- Moderator:** The next question is from the line of Rajesh Kothari from AlfAccurate Advisors.
- Rajesh Kothari:** Just one small question I had. In Slide number -- I don't see a slide number here, in that order of successful execution of INR 34 crores next quarter and then INR 1,200 crores over the next 2 to 3 years. What is the meaning of this? Because your orders slide says INR 978 crores. And this itself is INR 1,200 crores. So I'm slightly confused. What is this INR 1,200 crores number is to be executed over 3 years? This is over and above INR 978 crores.
- Sanjay Sudhakaran:** This is a customer investment actually. This is not...
- Mayank Holani:** Opportunity, potential opportunity.
- Sanjay Sudhakaran:** This is the investment by the customer. This cannot be read as our numbers.
- Rajesh Kothari:** Okay. This is the investment by customer. So what can be the opportunity for us in this?
- Sanjay Sudhakaran:** So you can say that roughly 10% is the opportunity that exists for us.
- Rajesh Kothari:** Understood. And this would be part of the INR 978 crores?
- Sanjay Sudhakaran:** Sorry, can you repeat?
- Mayank Holani:** When we are talking about opportunity, how can it be part of your current order book. The opportunity is the future.
- Rajesh Kothari:** Understood. And this order slide, this is the order intake, am I right?

- Mayank Holani:** Yes. On outside group order intake, yes.
- Rajesh Kothari:** Group order intake. So what is that current order book?
- Mayank Holani:** So current order book is -- just a minute. It's about INR 817 crores.
- Rajesh Kothari:** INR 817 crores?
- Mayank Holani:** Yes.
- Moderator:** Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Harshit Kapadia for his closing comments.
- Harshit Kapadia:** Thank you, Lizann. We would like to thank the management of Schneider Electric Infrastructure for giving us an opportunity to host this call. We would also like to thank all investors and analysts for joining for this call. Any closing remarks, Sanjay, sir, you would want to share with the investors?
- Sanjay Sudhakaran:** I'd like to thank all of you for taking the time out and talking to us regarding the organization and its future growth prospects. Thank you very much and look forward to meeting you next time on this call as well.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Elara Securities Private Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.