



“Schneider Electric
Q2 FY2023 Conference Call”

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Moderator: Ladies and Gentlemen, good day and welcome to the Schneider Electric's Q2 FY2023 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 '*' 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 Private Limited. Thank you and over to you Sir!

Harshit Kapadia: Thank you Chris. A very good evening to everyone. On behalf of Elara Securities we welcome you all to the Q2 FY2023 and H1 FY2023 conference call of Schneider Electric Infrastructure Limited. I take this opportunity to welcome the management of Schneider Electric Infra represented by Mr. Sanjay Sudhakaran, Managing Director, Mr. Mayank Holani, Chief Financial Officer, and Mr. Vineet Jain, Head, Investor Relation. We will begin the call with a brief overview by the management followed by Q&A session. I will now hand over the call to Mr. Sudhakaran for his opening remarks. Over to you Sir!

Sanjay Sudhakaran: Good afternoon everybody. This is Sanjay Sudhakaran, Managing Director of your company Schneider Electric Infrastructure Limited. I hope all of you are doing well and we will go straight to page number three where we have a small glimpse about the economic outlook for India. As you can see India has been performing pretty well during these turbulent times. I think it is one of the most attractive economies as you can see globally probably because India has managed to insulate itself from the energy crisis which many countries like in Europe are facing and at the same time the prudent fiscal policies have also paid off in terms of a stable economy. We feel that from the overall macroeconomic statistics that India will continue to have a good run going forward; however, these things are a little bit unpredictable given the global economic situation that we are facing. There are talks of global recession in the US, there are talks of uncertainty in Europe, we have heard about the UK issue and things like that and we need to be cautious about the fact that the economy cannot be decoupled from the world economy in general so I think we should look forward to the next few quarters with cautious optimism.

We go to next slide which is page number four taking off from the macroeconomic scenario into what it means for us for our core segments that we operate in. Power and grid was looking to be a very promising story with the government linked incentives towards modernizing the grid, etc., but there seems to be a little bit of a slowdown in the actual deployment of funds that one would expect into this segment given the mandate that was given to more or less privatize the power and grid utilities and also to modernize the grid in that process. However we feel that even with the time lag there will be investments flowing into this sector in the next few quarters so we are optimistic about the segment. Though there might not be an upside that we anticipated it to have. On the mobility side, I think investments in infrastructure continue to grow especially on the metros that is urban

transportation, tunnel projects as well as new airport infrastructures that are coming up. On the minerals, mining and metals I think the story has been pretty good so far; however, we can expect some amount of slowdown in the steel sector primarily because of the incentives to this sector that were provided in terms of higher duties on exports out of the country. There is consolidation also happening as you would have read about with Holcim exiting India and Adani Group taking over. However there does seem to be sufficient capex that is flowing into the cement industry so we expect cement to grow for some more quarters as we go forward. Industry and buildings have been kind of muted especially due to the COVID but we feel that investments in this area will come back strongly and vacancy rates are falling across the country in terms of commercial buildings, people are coming to offices so we would expect rebound in the buildings industry as well. Driven by the data loss I think the cloud and service providers or the data centre industry continues to flourish with more and more multinational players coming into the country and also we see good amount of interest amongst some Indian real estate developers also to capitalize on their land bank and their ability to develop real estate pretty quickly so we see many joint ventures by real estate companies going into the cloud and service provider segment so we expect this market to grow as well so overall I think for our core segments the outlook is positive.

Just to give you some glimpse of the kind of orders that we have been bagging I think we got a pretty large order from Bhutan where we are helping the country with its electrification needs and this is a repeat order something of the similar magnitude which we had last year, we continue to serve the customers in a very engaged manner despite all the challenges of supply chain as well as COVID and we have managed to get a repeat order for 33 Kv and 11 Kv package substations. A large order from a global data centre customer for 33 Kv GIS package. This is the second order a repeat order from the same customer in quick succession. I think our strengths here have primarily been faster deliveries and making sure that we execute the projects flawlessly so positive news here as well. On minerals, mining and metals we have a large order from the steel industry of fully connected product with integration with software so an intelligent solution in line with our strategy to digitize more and to be able to deploy more and more ecostructure solutions with the customers.

We go to the next slide which is industry and building. This is for a government establishment building of pretty good infrastructure and again in terms of digital and connected where we have transformers, HT panels, ring main units and package substations, all connected products and we will be able to leverage cloud analytics here as well as we are creating a roadmap for that as well so this is a good win in the building sector that we can be proud of. Another area which is of keen interest to us I would say is centralized building management where we continue to deploy our software assets like advisory layers on clouds to be able to move buildings from being managed building-by-building into more of a central command centre. This will help organizations and the building industry to move towards their objective of net zero, being able to manage their assets proactively with predicted maintenance, etc., so this is a huge step forwards with one of the IT companies that we have done in

deploying our asset advisory solutions on to other solutions as well from the Schneider basket including building management and connected products.

We will go to slide number 10 which is again on services. Here is an acquisition that we Schneider made globally which is for a transformer analytics company. It is not a transformer manufacturing company it is a purely analytics company with sensors and software, which will help customers predict the lifecycle of their transformer assets, be able to take proactive actions and extend the life of the product as well as make sure that the transformers perform to better uptime and efficiencies. So this is a global acquisition which we are actively working in India for pilots, etc., to be able to deploy quickly in the country.

Let us go to slide number 11. I think we are at different maturity levels as far as our accelerating digital is concerned. This includes digitizing our products, being able to connect it to cloud and being able to provide a capex to opex conversion so we see that the power and grid sector continues to be highly regulated because it is a national infrastructure so there are restrictions on connecting to cloud so our deployment has been slow here but we have many other edge control solutions which need not be connected to cloud so we which we are deploying with these customers here. On the transportation side we are working with key metro customers to be able to provide them with more and more digital solutions. We have spoken about certain reference projects that we have won on the steel side and minerals, mining and metals where we are digitizing the entire power train. Of course industry buildings and cloud and service providers also remain our focus as far as digitization is concerned. So ecostructure asset advisor which is primary software layer which is on the cloud which is what provides us with the service stickiness and lifecycle revenues with our customers which is profitable and accretive to the company as well as helps our customers in bringing down their operational cost and better efficiency and asset productivity is the key thing that we are trying to promote and provide in the market place.

Going to slide 12 all these initiatives on the digital side should be able to take up our revenues in terms of maintenance and digital contracts which we call as recurring revenues so recurring revenues we expect to move from a 12% in 2020 to around 22% in 2025. This is key to executing our strategy on digitization. This will enable us to be associated with our customers across the lifecycle of the product; it will provide us with better stickiness in terms of customer relationship and also pull through business that will come through from the customer in terms of spares, modernization and other Greenfield projects which will follow through a satisfied customer base.

Going on to slide 13, what we want to do here is that on services we want to reinforce the core that is being able to get more and more service contracts, modernization projects and spare parts with special emphasis on maintenance contracts. We also want to accelerate the growth on digital and consulting services. Track our installed base more carefully and also grow our business through partners to be able to cater to a larger geography within India so I think these are the six strategic pillars that we are

trying to work on, on the services side. This is the fundamental for our pursuing digitization and cloud services to customers. Your company has been pretty much active in the mindshare with key customers. We have held a number of events with key accounts, with Ministry of Civil Aviation, many power and grid customers such as Ministry of Power, Ministry of Energy Department in Karnataka, strong event in Kathmandu, event in Dhaka and also a number of events with the airport infrastructure that is coming up with GMR, etc., we have been kind of very active in our thought leadership trying to build a good positioning for ourselves with our innovative solutions and what we can do to decarbonize and digitize the power drilling as we go forward. So with this I hand over to Mayank Holani, your CFO to take us through the financial update.

Mayank Holani:

Thanks Sanjay and good afternoon ladies and gentlemen. Operator please move on to slide 16, so on orders for the quarter there was slight drop in orders about 3% lower than the same quarter previous year owing to the shift in some of the major orders finalization to the next quarter but if you look at the half year or six months period we have a good growth of 11.6% in the outside group orders for this financial year.

Moving on to sales continuing with the momentum we had seen in the previous quarter this quarter also we have about 39.5% growth in sales. We are at about Rs.420 Crores versus Rs.301 Crores in same quarter previous year and with this the sales for half year stands at Rs.792 Crores which is about 34% growth versus same quarter previous year and we see good momentum in almost all the segments in that sense.

Now moving on to P&L for the quarter we still see continued fluctuation in the raw material prices. Some of the commodities keep going up and down so at the overall quarter level if you see our gross margin is 31.1% versus 32.4% in the previous year and also the mix also plays a role here and the profit after tax if you will see is about Rs.87 million versus a loss of Rs.87 million in the previous year which is the delta of about 500 basis points and there is an exceptional item which is a gain of about Rs.33 million, which is due to the sale of we had some assets nonoperational lease land in Naini it was the plant closed long back that has been disposed off and this exceptional gain is coming due to that.

For half year our gross margin has improved to 32.4% versus 32.1% in the previous year and profit before exceptional items is Rs.193 million versus loss of Rs.248 million in the previous year first half and if you look where the exceptional items the profit after tax stands at Rs.352 million versus the loss of Rs.248 million in the previous year. That is it from the P&L side and finance side. I will close here and open it for question and answer. Thank you.

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait a moment while the question queue assembles. Our first question is from Rajesh Kothari of AlfAccurate Advisors. Please go ahead.

- Rajesh Kothari:** Thank you Sir for providing the opportunity and really good set of numbers. Is it possible for you to give a little bit more insights into which are the segments where we see strong traction from here on and how do you see the order win over the next six to 12 months?
- Sanjay Sudhakaran:** So on the segment side as I mentioned I think mobility, data centers and a mix of I think certain portions of the power and grid and cement should be strong as we go forward.
- Rajesh Kothari:** If you look at the next 12 to 18 months kind of an opportunity how do you see that from the order book perspective?
- Sanjay Sudhakaran:** So as we went through the presentation I have been articulating that the markets seem to be doing well and despite the turbulence in the global economy I think India should be able to tide over it and given the fact that we also are well positioned with a solid product offering with adequate digitization content, etc., I think we have every reason to feel positive about that.
- Rajesh Kothari:** So recently I think one month back there was an announcement of Rs.80 Crores kind of a capex for increasing capacity and I think there is more of the parent company probably trying to shift from Germany to India manufacturing plant can you little bit further elaborate on that and do you see more such opportunities?
- Sanjay Sudhakaran:** So I think there is a factory which is based out of Kolkata which is primarily making vacuum interrupters and this is a factory that caters to as a core component factory which caters to India as well as for many countries across the globe so I think the rationale behind the investment is primarily to increase our exports out of India and to cater to more and more geographies as well as to cater to the growing demand in India as well so it is a futuristic investment that we are doing given the strong demand that we are seeing across many global markets and this is an additional infrastructure that we have announced.
- Rajesh Kothari:** So how this will be funded Sir?
- Mayank Holani:** Funding will be billed through partly borrowings and partly through internal accruals.
- Rajesh Kothari:** So this will be spread over?
- Mayank Holani:** This Rs.138 Crores capex is not going to happen in one go maybe in the next quarter or next two quarters, if you had read the announcement about three years so that will be fully functional by 2026 end right end of FY2027 so it will be a phased investment.
- Rajesh Kothari:** You mean December 2026 the capex will get over?

- Mayank Holani:** Yes March 2027 financial year.
- Rajesh Kothari:** Is like phase wise sector will open or the full entire capex will come on stream only from January 2027?
- Mayank Holani:** No the capex will start probably from next financial year and partly some operations may start in say 2024-2025 but it will take time moving because operating the factory there will be some movement from existing setup also so the fully functional will be by FY2027.
- Rajesh Kothari:** Do you see any more such opportunities because there are many companies particularly in Europe they are basically making more investments or more sourcing from their Indian subsidiaries because energy cost definitely is becoming little bit pain point for the global companies, are you seeing such opportunities apart from the Kolkata what you are looking over the next six to 12 months?
- Sanjay Sudhakaran:** The Company is in a constant evaluation phase on their supply chain so as and when they find something viable in terms of investments I am sure they will consider that.
- Rajesh Kothari:** Like from global perspective can you share in terms of the competence of our company when they look at their subsidiaries across the globe, which are the areas where we believe that Indian companies are one of the most competitive when it comes to the reliability of the supply as well as the cost competitiveness?
- Sanjay Sudhakaran:** I think across the areas I think there are a lot of engineering services that are being outsourced to India. There is manufacturing base which can be created in India which you can see the investment in Kolkata has a very significant investment in that direction. There can be investments on certain other products as well so we will intimate you as and when those efforts fructify.
- Rajesh Kothari:** Perfect. Great Sir. Thank you. I will come back in the queue. Wish you all the best.
- Moderator:** Thank you very much. The next question is from Shubham Agarwal of Temasek. Please go ahead.
- Shubham Agarwal:** Thank you for taking my question. My question is slightly related, I just wanted to understand if you can comment on the current utilizations and how are you thinking of capacity expansion going forward if any and may be if you can throw some light on both specific to the company and the industry in general?
- Sanjay Sudhakaran:** You mean capacity utilization the plant capacity utilization right?
- Shubham Agarwal:** Yes.

- Mayank Holani:** I can say about 85% you can say on the overall basis in terms of capacity utilization but obviously there are fluctuations and if you have more load the capacity you add the shifts and there are also kind of capacities distributed across different product lines so that keeps fluctuating because sometimes in some quarter or some year you have more load in one product line and then others so that keeps moving around and if when the load is more as you have seen typically in December quarter we have a higher volume so then probably we used to do an extra shift.
- Sanjay Sudhakaran:** There is something called as a five year planning exercise so what we do is we look at the project and CAGR of the market, our new product introductions at our plant, existing business as usual, what is the CAGR that can come thorough that and all this we plot to try and find out as to at what point in time we need to trigger a capacity expansion and what form the capacity expansion could take, it can be in terms of certain amount of outsourcing, to certain amount of in sourcing, plant and machinery, people, etc., so this is a very robust process which is followed by the company every year where we plan for N plus five years.
- Shubham Agarwal:** Understood and given the demand which has revived quite a bit and given the fact that we are already at 80% to 85% capacity utilization do you see like near to midterm you get expansion plans or do you think as you mentioned earlier that in December quarter you just end up in extending shifts to make up for the increased demand so measures like that would open up?
- Sanjay Sudhakaran:** Analysis does not show any immediate trigger to do something very radically different. We have a roadmap to be able to cater to that demand through adjusting various other parameters.
- Shubham Agarwal:** Got it. Thank you. That was my question.
- Moderator:** Thank you. The next question is from Rajrishi of DCPL. Please go ahead.
- Rajrishi:** I would like to know the detailed offerings of Schneider your parent is it fall in this listed entity?
- Sanjay Sudhakaran:** So as you know we have an execution arm which is in terms of projects and in terms of services. Now all digital offerings are accessible by the execution arm as well as the business arm of the company so we have the ability in terms of products and the capability in terms of integration to be able to deploy these products and services primarily focused on digitization of the powertrain.
- Rajrishi:** I did not get you primarily focused on?
- Sanjay Sudhakaran:** Digitization of the powertrain. You see digitization can be processed; digitization can be building automation so we stick to our core which is digitization of the powertrain.

- Rajrishi:** Okay and any conflict of interest between say the listed entity and other subsidiaries of the parent in India or it is like defined what each will do?
- Sanjay Sudhakaran:** I think it is pretty much clearly defined.
- Rajrishi:** How do you see data centre as a business opportunity for you, people are talking about like massive the growth potential over a period of time so there seems to be energy intensive and labors both of which should be good as far as India is concerned?
- Sanjay Sudhakaran:** I think it is a good opportunity for the business as far as medium voltage and solutions are concerned and I think I spoke about it at length both in terms of the segment dynamics as well as the digitization opportunity there.
- Rajrishi:** Any timeframe to retire the borrowings which you have from the other subsidiaries or the parent, do you have any like strategy or something?
- Mayank Holani:** If you see we have started into getting into the profitable June from last financial year this quarter is the fourth consecutive quarter otherwise we used to have in between you will see some quarters with profits and again losses so once we are back on profitable growth on a consistent basis then obviously that will help reduce the borrowings when we generate the cash from operations.
- Rajrishi:** But Sir you also said that the capex which should be done would be from internal accruals plus borrowings, the internal accruals from the capex then how will you retire the borrowing?
- Mayank Holani:** There are different things we are working on and the capex is also as I mentioned not going to happen on day one right it will be spread over the next three to four years.
- Moderator:** Thank you very much. We will move on to Viraj Mithani of Jupiter Financial. Please go ahead.
- Viraj Mithani:** Good afternoon Sir and very congratulations on a good set of numbers. First two accounting questions, one is that employee cost has been constantly high between 15% on quarter-on-quarter and 18.5% half yearly coupled with 70% of material cost I do not understand why our employee costs are so high are we expanding or is that we are the only company having such a high employee cost?
- Mayank Holani:** The employee cost for the quarter if you see is high because this quarter there is the cost of employee share options plan which gets booked in this quarter so on an absolute number **(inaudible) 31:58** the September quarter and employee cost going up from the previous quarter. Annual if you see year-on-year the increase is due to the normal inflation while we continue to work on optimizing and restructuring based on the business evaluation.

- Viraj Mithani:** So what would be the ideal and employee cost would be working in future with just to get a fair idea into that?
- Mayank Holani:** Actually our business is on the cyclic and H1 is usually lower than the H2 so if you are looking at the percentage in H1 it is looking a bit high, but on year-end level if you see it is not 15% or 17% it is hovering between 12% to 13% so looking at the current opportunities what we are seeing in the market, so as of now we are not seeing any much decrease in terms of the employee cost number but yes definitely it will help us to increase the sales volume. I hope I was able to answer your question.
- Moderator:** Thank you Sir. Our next question is from Nikhil Jain of Galaxy International. Please go ahead.
- Nikhil Jain:** Thank you for the opportunity. I just have one question so I just wanted to get a view on what is the kind of EBITDA margin that this business can actually deliver so it has been quite reliable and we have been improving but what will be let us say sustainable EBITDA margin that the business can actually deliver over a reasonably long term so can we say 10% to 12% and 8% to 10% something like that if you can give a view what do you think about that?
- Mayank Holani:** If you look at the numbers for last few quarters this P&L has been impacted a lot by the fluctuations which we have seen in the commodities right so which has made it a bit unpredictable and sometimes going up and down so our focus is to continuously improve and that is where we do lot of selectivity in terms of what kind of orders we pick up and the focus is always on picking up orders with better margin then with focusing just on the topline so our focus is to consistently improve EBITDA margin on a year-on-year basis. Quarterly numbers may vary based on some mix of different products and projects because that is something which you cannot manage on a quarterly basis exactly to the numbers but our focus is to improve it on an ongoing basis, but yes last few quarters if you see last two financial years obviously these were impacted by the supply chain challenges whether it is electronics or raw material prices and even the freight so the debt has impacted EBITDA margin and that is why on a quarterly basis you will see very big fluctuations though I will not quote any numbers but we are working on consistently improving and that is where if you see the numbers for last two financial year also we have improved in the last financial year also by about 0.7% in spite of the raw material and supply chain issues.
- Nikhil Jain:** So can we say in a normal world is it difficult to predict that in a normalized world we can say look forward at some point of time an EBITDA margin of 10% to 12% kind of a rise?
- Mayank Holani:** From today we are 10% to 12% is quite a distance so we will continue pushing for a better margin and focusing on it but yes it will take time, it is not going to happen say in one year or a few quarters like one year.

- Moderator:** Thank you very much Sir. The next question is from Sanjeev Zarbade of Dreamladder Investment Advisors. Please go ahead.
- Sanjeev Zarbade:** Thanks for taking my question. Sir my question was again on the debt side because if we look at our debt compared to other companies we are so much on the higher side and if we want to grow then our working capital will also increase and we also have a capex plan going ahead so would like to know what kind of vision we have, where we want to see this debt say three years down the line and the second thing is another way to reduce the debt is if we can increase our margin so on that also to some extent you have answered but would like to know to what extent the material prices have to go down or something or where we want our execution to reach so that our margins reach somewhere around 10% to 12% still lower than the parent margin which is around 15% so some thoughts on that?
- Mayank Holani:** You have rightly mentioned that our margins are on the lower side in comparison to the parent side so yes we are working to minimize the gap as much that we can do given the Indian market. In terms of the debt you are saying currently the management has a view to reduce the debt from our operational and if we find any other further opportunity to optimize and reduce the debt definitely we will work on this and at the appropriate time we will communicate to the market.
- Sanjeev Zarbade:** Sir regarding the order intake is it possible for you to quantify roughly the amount of orders that would have spilled over to the current quarter?
- Mayank Holani:** Close to Rs.450 million to Rs.500 million would have spilled over to this quarter.
- Moderator:** Thank you. The next question is from Sanjaya Satapathy from Ampersand Capital. Please go ahead.
- Sanjaya Satapathy:** Sir in this quarter the raw material cost went up compared to the June quarter but despite the fact that the key raw materials like copper and most of the things they went down so how do you really explain this Sir?
- Mayank Holani:** Even in the last concall also we have specifically mentioned that the raw material cost for the last quarter was abnormally low just because of few of the orders are mixed and secondly the impact of the raw material up and down will not immediately impact on the quarter because we are in a business where at least you need at least three to six month period to actually **(inaudible) 39:18** the order and to convert it into sales so in this quarter when we have purchased the material was in the higher side and post that this impact is coming so definitely in the future quarters you will see the impact of downside of this raw material and all the matters that are going down but because it is a cyclical business this impact is coming and secondly it is also mixed with some of the forex side because some of the important matter in the project side which has further impact on the raw material side.
- Sanjaya Satapathy:** Sir on the forex side I will assume that you import mostly from Europe right Sir?

- Mayank Holani:** Not mostly but yes.
- Sanjay Sudhakaran:** Part is from Europe but we have imports from China as well, China and UK other parts.
- Moderator:** Thank you. The next question is from Manish Goyal who is an Individual Investor. Please go ahead.
- Manish Goyal:** Thank you so much and very good afternoon Sir. Sir like we have been talking about adopting digital offerings and in today's presentation we have spoken about our vision 2025 on the services so would it be just possible to give us perspective like how has been journey like in terms of how the revenue contribution has increased probably in the recent past and how do we see it going forward because we have given a breakup about maintenance and digital contracts revenue increasing from 12% to 22% but I believe that is part of the overall services so may be if you can give us a perspective how do we see this revenue shares increasing going forward and what does it implies for our margins as well that is the first question Sir?
- Sanjay Sudhakaran:** So I think the information that is there on the actual data and the vision that we have we have shared with you I am not able to understand.
- Manish Goyal:** Like in overall revenues what could be our revenue from both digital offerings and services what we are aiming to grow that, as a layman or a shareholder how should we kind of benchmark?
- Sanjay Sudhakaran:** So the idea is to grow services share in the overall business to a better contribution and within that to grow digital and recurring to a higher contribution within the services mix so both these mixes because of the higher operating margins should be accretive to the gross margins story.
- Manish Goyal:** Sure but any aspirational numbers Sir say by 2025 what should we kind of expect to services revenue to be Sir?
- Sanjay Sudhakaran:** We do not want to give a forward looking guidance with so much of granularity so please excuse us for that.
- Manish Goyal:** Sure okay and on employee cost ESOP last quarter I believe we had Rs.8.1 Crores as an ESOP cost so what would be in the current quarter?
- Sanjay Sudhakaran:** I think it is in the same range Manish.
- Manish Goyal:** At around Rs.8 Crores and how do we see the supply chain challenges on say like availability of the semiconductor chips and has it eased out and do you see that it has probably not hampered our revenue growth going forward and we probably have our peak December quarter coming up so just want to get a perspective?

- Sanjay Sudhakaran:** So we have been managing this crisis all throughout now for almost six to seven quarters I think. With the support of our global parent we have been kind of being able to manage our global relationships with suppliers to be able to manage that. The challenges are real. We have been supported by our customers as well in this journey so I would like to thank all our stakeholders whether it is our customers, whether it is our suppliers, our parent company and everyone for supporting and making sure that we are able to kind of continue to deliver on the topline that we have been projecting.
- Moderator:** Thank you Sir. The next question is from Jatinder Agarwal who is also an Individual Investor. Please go ahead.
- Jatinder Agarwal:** I had just one question and this is related to Schneider Electric India Private Limited. Can you please explain me in layman's terms what is the big difference in terms of the business of the listed entity and this one?
- Sanjay Sudhakaran:** I did not get your question can you repeat your question?
- Jatinder Agarwal:** So there is another listed company which is Schneider Electric India Private Limited right of the group?
- Sanjay Sudhakaran:** No.
- Jatinder Agarwal:** Sorry?
- Sanjay Sudhakaran:** Schneider Electric India Private Limited is not listed.
- Jatinder Agarwal:** No it is an unlisted company of the group right?
- Sanjay Sudhakaran:** Yes.
- Jatinder Agarwal:** Yes and the only question is I would like to know what is the differentiation in terms of business of the listed entity versus the unlisted and if you could just explain that more in layman's terms as an outsider to better understand the differentiations and the overlaps if there are any?
- Sanjay Sudhakaran:** So Schneider Electric the unlisted entity holds a number of other businesses which are like the UPS business or the automation business, home and distribution business, low voltage business, etc., so there are a number of entities in India which belongs to Schneider Electric not just SCIPL so there are a number of entities in India that cater to different, different segments of the market. This particular entity is focused on the medium voltage electrification needs of customers.

- Jatinder Agarwal:** There are no overlaps between the listed entity and the business?
- Sanjay Sudhakaran:** There would be a very small overlap in the company between some of the portions that have been acquired from L&T, etc. There will be a very small overlap in that segment but that is a separate brand that is not operated under the Schneider Electric brand.
- Jatinder Agarwal:** So when we look at some financials obviously I have taken this from third party sources but when I look at last 10 years revenues in that business have almost become like 3x and the listed entity obviously has they have been managed about 1.5x in 10 to 11 years over this 10 to 11 years are the segments that have got interchanged or whatever in the entity?
- Sanjay Sudhakaran:** No the segments interchange does not affect the business because the medium voltage technology business rests entirely with this company so it does not rest but these things are not comparable because Schneider has had both organic as well as inorganic growth and it has a number of product lines that are operating in India.
- Moderator:** Thank you very much. Our next question is a followup from Rajesh Kothari from AlfAccurate Advisors. Please go ahead.
- Rajesh Kothari:** Thanks for providing the opportunity again. My question is the direction of the margin you say that your efforts will be to improve the margins, if you have let us assume say three year kind of a roadmap that how do you plan to improve this margin one you talked about the services business is going to increase from currently where are we, what are the other various steps we are going to take to improve the margins because your capacity utilization is already 80% to 85% so at 80% to 85% if you are operating at 6% kind of a margin then basically I am just trying to understand where is the leverage will come from?
- Sanjay Sudhakaran:** So there are a number of actions that one plans for this particular activity. One is to probably localize more and more in the country, reduce reliance on imports, enter new segments of the market with newer product introductions, business selectivity, digitization, services growth, recurring growth, transactionalization of the business so there are a number of such levers that are being applied. Along with the transformation that customers are going through. We must remember that the market is also changing, the market is also asking for more and more solutions which requires decarbonization and electrification and digitization so I think the needs of the customers are changing and with the technologies that we have we should be favorably placed in the market place so some of the factors that will contribute to the margin expansion.
- Rajesh Kothari:** Okay so for example the first lever you said is the localization so currently how much we import versus localization?

- Sanjay Sudhakaran:** So it is not just a matter of how much we import versus the market also will change right. The market will be going for more and more high end products so when you localize those products in India and you transfer those technologies into India the ability to get more margins so the mix change also happens along with localization.
- Rajesh Kothari:** I think everybody is just focusing on this call and that is really a great job the company management has done so everybody is just trying to understand that from here to your roadmap and I am sure you will be able to meet your target, what are the various things and a little bit if you can share few details on that, that currently where are we and what are the exact directionally what we are planning to do with some probably hard facts then that gives probably more as an extra minority shareholder we get a little bit more color into that?
- Sanjay Sudhakaran:** So I am not sure if I can provide you with more granularity than the overall strategic direction that we are applying going forward otherwise it will look very specific in terms of forward guidance.
- Moderator:** Thank you very much Sir. The next question is from Viraj Mithani of Jupiter Financial. Please go ahead.
- Viraj Mithani:** Sir I would like to get some color on your ecostructure platform in terms of EBITDA and PAT margins have growth and your digital consultancy which you talked about in your slide?
- Sanjay Sudhakaran:** Digital consultancy is all about certain acquisitions that have been made globally in terms of our ability to digitize the power train and provide customers with insights as to how to optimize the powertrain so we are building that competency within the company to be able to leverage those acquisitions into value propositions for customers so the idea is to have agnostic consulting with customers to be able to help them optimize and that increases the stickiness of the customers with us so that is the idea of consulting and what is the second piece of question. I just missed it.
- Viraj Mithani:** So in the consultancy does it mean the margins would be in the higher side verifying the same question; we will be having the much higher margins compared to our product and all right now?
- Sanjay Sudhakaran:** Consultancy per se if you see as a product line might have higher margins but it is not just the benefit of that which accrues it is also a benefit of increased customer loyalty which would come and then being a trusted advisor and having the first right of refusal to a project so these are some of the benefits that come in terms of both topline and margin expansion in the existing products as well.
- Viraj Mithani:** So my next question is on the ecostructure, can you throw some more light in terms of growth prospects there and margins which we can enjoy I understand you were sharing arrangement with the parents?

- Sanjay Sudhakaran:** So ecostructure margins are per se not measured as a product or a product line. You know this is a bundle solution that you provide to the customer and when you bundle the products it is your ability to price up based on the value proposition that you have with the customers so it is not a measure directly in terms of what is the margin on this product line and what is the cost that is associated with it and what is the drop through that you get out of it. It is not measured in that way it is measured in terms of your ability to sell a project to a customer at a particular price and margin.
- Moderator:** Thank you Sir. The next question is from Manish Goyal an Individual Investor. Please go ahead.
- Manish Goyal:** Thank you again for the opportunity. If I can get what is the outstanding order book and the breakup of the same and also similarly for order inflow and the revenue share for Q2?
- Mayank Holani:** So in terms of backlog it is around Rs.1000 Crores and ratio is around 63% is term, 21% is transactional and 16% around is services.
- Manish Goyal:** On the order inflow you can also give me the IG what was the order inflow and the breakup of directional inflows please?
- Sanjay Sudhakaran:** IG will be around Rs.90 Crores this quarter and the breakup in equipment is 48%, project 12%, transactional 22% and the services around 18%.
- Manish Goyal:** For the revenue breakup please?
- Mayank Holani:** Equipment is 43%, project is 10%, transactional is 20%, services 8% and the balance is IG.
- Manish Goyal:** Thank you so much.
- Moderator:** Thank you. The next question is from Akshay Kothari of Envision Capital. Please go ahead. We will move on to the next question from Sanjeev Zarbade of Dreamladder Investment Advisors. Please go ahead.
- Sanjeev Zarbade:** Thanks Sir for taking my question for the second time. Sir I just wanted to know were there any revenue mix changes in this quarter because of which the margins declined on a quarter-on-quarter basis?
- Mayank Holani:** Yes there is a mix change compared to obviously because last quarter margin June quarter margin was abnormally high if you see it from any of the previous quarters also.
- Sanjeev Zarbade:** So this time may be the services component would have declined and more of project would have increased?

- Sanjay Sudhakaran:** Yes Sir.
- Sanjeev Zarbade:** Okay great Sir. Thanks.
- Moderator:** Thank you. The next question is from Dhavan Shah of Alfaccurate Advisors. Please go ahead.
- Dhavan Shah:** Sir I have just one question and that is related to that order flow which is a spill over so can you share that number again what is Rs.45 Crores to Rs.50 Crores?
- Sanjay Sudhakaran:** Yes it is opportunity which was not closed in the previous quarter.
- Dhavan Shah:** That was Rs.45 Crores to Rs.50 Crores the number is correct right?
- Sanjay Sudhakaran:** Yes.
- Dhavan Shah:** That is all from my side. Thank you.
- Moderator:** Thank you. Ladies and gentlemen I would now hand the conference over to Mr. Harshit Kapadia for some closing comments.
- Harshit Kapadia:** Thanks to you Chris. We would like to thank the management of Schneider Electric Infrastructure Mr. Sanjay Sudhakaran and Mr. Mayank Holani and Mr. Vineet Jain for giving us an opportunity to host this call. We will also like to thank all investors and analysts for joining for this call. Any closing remarks Sanjay Sir that you can want to share.
- Sanjay Sudhakaran:** I would like to thank everyone for taking their time out and participating along with us in this discussion that we just had. Thank you everybody and have a good day please.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Elara Securities Private Limited that concludes today's call. Thank you for joining us. You may now disconnect your lines.