"Schneider Electric Infrastructure Limited Q1 FY 25 Earnings Conference Call"

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MANAGEMENT: SCHNEIDER ELECTRIC INFRASTRUCTURE LIMITED :

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Moderator: Ladies and gentlemen, good day and welcome to the Schneider Electric Infrastructure Limited Q1 FY '25 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, Steve. Good morning, everyone. On behalf of Elara Securities, welcome you all for the Q1 FY'25 Conference Call of Schneider Electric Infrastructure Limited. I take this opportunity to welcome the management of Schneider Electric Infrastructure represented by Mr. Udai Singh, Managing Director and CEO; Mrs. Suparna Bhattacharyya, Chief Financial Officer and Mr. Mohit Agarwal, Head of Investor Relations. We will begin the call with a brief overview by management, followed by a Q&A session. I'll now hand over the call to Mr. Singh for his opening remarks. Over to you, sir.

Udai Singh: Thank you so much and good morning to everyone. And again a warm welcome into this call and thank you for taking out your precious time to hear to us. And I'm joined by my colleagues, Suparna as Harshit said and also Mohit to actually address and take you through as to what the Q1 of your company has been. And I would like you and request you to go back to -- I'll go slide by slide so that there's an easy referral.

And if you refer to Slide 1 which is actually just wanted to share you. I don't know how many of you have seen, but this is our transformer factory in Vadodara where aerial shot has been taken and we'll keep on showing you other factories as we move on in the next quarters. So turning now to Page number 2 is actually is just to set forth as to what the vision and the mission which your company is driving at.

So we have a vision which is very clearly to lead the new digitized energy world and offering all our esteemed clients and partners alike, the most innovative connected products and solutions and therefore at any point in time be ready for the then emerging power distribution elevated expectation.

Now we are trying to do this by balancing our business models, offering superior quality and efficient supply chain and keeping our growth and profitability, resilient and sustainable. While this is the vision which we have for the company we also have a mission to be a digital partner for sustainability and efficiency and we strongly believe that life is On everywhere for everyone at every moment.

I turn to Page 3 which is something which all of you may be aware as to how India landscape has been evolving. And now we just heard the Honourable Finance Minister trending out the budget for Modi 3.0 first session. Now if you see the highlights which has been there for this budget is one positive note as we are talking about INR11.1 lakh crores being invested in the

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budget. That is a good increase and that is something which helps the business to be positive around this.

Now other things if you see what we have also seen is actually we expect that the GDP would perhaps grow at about 7-ish, 7.5, 6.75, 7.25%, but about 7-ish. And we have been able to contain the inflation also to about 5.4%, 5.3%. We see the same trend getting continued. The other highlights as you perhaps see and what we have also done for your ready reckoner is we have tried to actually separate them out segment-wise. Just to give you a feel as to how the budget announcement will be impacting these segments which I mentioned in the table which you find as renewable transportation, infra, Semicon and E-Mobility.

And I start off with this what -- if you look at renewables about INR19,000 crores is allocated by Ministry and what I want you to make a note of is the emerging focus on the PSP. PSP is nothing but the pump storage project and this is going to gain momentum in times to come. Countries like China, Malaysia, Sri Lanka have already been using it and there is a future for India as we see.

Today, we are actually sitting at about 4 gigawatts and that's something which needs to get done as we move on and this is something which we are trying to focus upon to actually propel the renewable growth in the country. What we have also been hearing around is a firming up of on policies which are actually towards emission targets which Honourable PM had announced earlier for reducing the intensity to about 45% and the evolving taxonomy for climate finance.

Now this is something which is I would say a very positive development which government has been working and trying to clarify draw a proper framework around this so that there's a clarity and things get proposed. At the same time, if we talk about transportation we see that money is being infused here also. We have about INR5 lakh crores being done in transportation where just the metros have got about INR21,000 crores a location. And then we have railways itself about INR2.7 lakh crores.

So these are all which I would say is something which is positive for the company because we operate in these segments and we have been operating here for quite some time. The other one which actually if you see is the infrastructure which is a continuous boost which is being driven. There's allocation being done here as well about INR2.6 lakh crores has been rolled out -- I mean rolled out for rural development which is actually also keep on propelling the industries like cement, steel and other energy requirements therefore will also soar and we will come in the picture.

As a matter of fact there are about 100 industrial parks which are being announced in cities which is about 100-odd cities in partnership with state and private sector to boost manufacturing. And there are a lot of big corporates who are actually already initiated work on this. Semiconductors government by themselves besides the private people who are infusing money, government itself has actually allocated about INR6,900 crores for development of semiconductor and display manufacturing units and not only this, we also see the new tariff lines for products used in Indian Semicon machinery. It's actually being rolled out so that it further promotes the competitiveness of our own Make in India products in global markets.

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E-Mobility is a very interesting landscape. It's something which is the future which I would say, along with the energy storage system based on batteries. So cell manufacturing, EV is going to carve out the future for India. There's the most challenging landscape, which perhaps we will see in coming times. And it is getting support by the government in terms of you know that they are PLI which actually has been rolled out for advanced cell chemistry, cell manufacturing.

What has been additionally done now is exemption of basic custom duty for critical minerals which are like nickel, cobalt, cadmium and lithium so that the EV -- the cells which are being made is with becoming more affordable here, and therefore a boost and to EV manufacturing would happen because of cost will the cost gap between the ICE and EV vehicles will -- is planned to go down.

And we have -- the same continues. Same is nothing but the faster adoption and manufacturing of there's a program which is getting rolled out that incentivization continues and we actually see government infusing about INR2,600 crores in this. Now while we see that all these announcements are good, they actually -- they -- we can relate to these announcements. Now what we are trying to do here if you see and I would like to draw your attention to take it on the right side of the slide where we have listed out as to what we are trying to supply, the company is trying to supply, company is trying to supply the basic equipment which are digitalized as I have been mentioning which are all the basic core equipment which we do which gets centralized and therefore digital.

Then we have a set of other digital devices which sort of collate data from various things on the field. And then at the top, we have something which is a beautiful application there which actually helps the user to gain and get an access to the contemporary data which is on-time data and also an advisory stack.

Now this is something which is clearly making ourselves differentiate from other players in the market. And this is where our customers see and look up to us for supplying these products and associated services around it. Now if I ask you to go to the next slide which is Slide number 4 where we actually are going to talk about in Slide 5 as to what has been about wins and we call them breakthrough orders and why I say as breakthrough orders because of the reasons which I'm going to tell you now.

If you look at the left side picture which you see a box that is something which we have developed. We call it a powertrain module. Now this powertrain module to tell you in very simple words is a scalable box, I would call it, there's an electrical box which houses and which can house depending on the customer requirement all the peripherals of what is required for receiving power and giving out power. Everything is put in a box.

This typically gives out one particular MVA of power, it can be 2, 2.5, 3 and then the idea is that if we are actually -- if the user is trying to get the distribution -- power distribution being set up in a very I would say a speedy manner, this is something which comes very handy to them because if suppose you want 18 megawatt of power, you just pick up say, 9 boxes of 2 megawatts each and then box it up, connect them and actually take the power instead of setting up the conventional substation and things like this.

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So this is something which is gaining momentum and the segments where this will certainly work is the data centers because data centers are, as you know, is actually -- has a very bright future in India for was extensive usage of 5G and also the artificial intelligence, which are actually expanding by every night and day.

So this is one product, which is from our side, which the company offers and which is actually getting accepted very widely, I would say, in data center space. Now the second and third are the items which we have actually done first time and why are -- actually, we have mentioned here because just to tell you that your company is actually now fully geared up to address the entire solar needs of complex, high-dated power plants which are based on solar.

And we have now products which we sold in the center which you find is the first time to one of the solar developer and also on the right you find something which is by far is one of the most compact 11 kV distribution primary AIS. And this is -- when I say most compact it has got one of the least footprints which is available in this space which we have -- actually we wanted to share with proudly that this first orders of the second and the third one which we had just launched we concluded with one of a few of our customers in the relevant field.

If I request -- if you turn to the next page which is Page number 6 is we wanted to share again here because we -- if you recall we did mention about we being highly digital and be the digital partner for our all customers and this is a testimony of what you see the three cases which we actually have done in the digital space where we actually have put an analytical SCADA in one of the prestigious semiconductor projects in India.

These are nothing, but this is all loaded with hardware and the associated software which is doing a lot of jobs which you see in acronyms are being explained at the bottom which is nothing but the EcoStruxure Power Operation and advanced reporting dashboard. Then we have at 765 kV where we had sort of at this place we had held back for reasons known to us. We have now reinitiated this and we actually have taken this order as well in one of the states.

If you see the third one is something which is I would like to -- it's for report and this is the equipment which we have supplied and this has got digitalized switchboards which is actually being supplied to them with something which you will recall, I was explaining last time as the EcoCare piece, which we have just, I would say, inaugurated or launched about 4 months ago.

So this first order is something which we have got for the port which is for digitalize and along with the EcoCare subscription as well. If I request you to go on Page 7 which is nothing which we wanted to share with you as to what we have done and how things have been changing. Typically, there are a lot of clients, users -- end users, I would say, in Middle East and Africa, who actually have started accepting India-origin goods.

And this is because the quality of -- the perceived quality of India is going up. The support has been coming great. And therefore we also have leveraged this situation by booking 3 orders in 3 countries, one -- the left one, the first one is for Nepal where we have actually supplied transformers. And these are all -- with our expert -- transformer expert, one of the large value contracts which we have done for Nepal.

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Then the second one is a large value order which we have actually taken for one, I would say, a player in Australia in Western Australia which is into petrochemicals and is the largest transformer export order. Then we also have been able to get it roads in Qatar in a few projects which they are doing at Qatar Gas where again, transformer has been supplied. So in net-net, what I was trying to share you all is we are also trying and exploring whether and how we can actually supply to countries outside India for cases which are getting engineered and finalized in India for outside territories.

If you go on Page 8, it is something more about -- the first thing we recall which I explained to you a couple of slides ago, a much more deeper insight into the electrical box which we call as powertrain module. If you see the value proposition is very clear. It saves time and cost. The other benefit which comes around handy is, this is extremely flexible. So if a user wants one particular type, he can get it. If he wants to keep something -- some requirements within it, it is possible, for example, do you wants to scale up, scale down, possible.

Do you want to change the rating, possible. If you want to make it the conductor -- bulbs, wires aluminium, copper, possible; the transformer variety is possible. So actually what we are trying to do is we have actually tried to come up with the product which actually can be changed, modified, altered as per the requirement and then the user is very, I would say, content and satisfied that he is getting the way he wanted at earliest possible time and maybe with a drop of cost.

Now as I mentioned, data center is a clear-cut fuller for this. We have been also attempting whether in a few of the metros and other high-end industries where this can be put along with the building. Now with that, I would like to go to Slide number 10 which tells you as to how we have performed in this quarter, how your company has done. We have grown by about 19% in orders, and we stand at INR531 crores. And in sales we actually have grown by 19.7% and stand at INR593 crores which is the quarter 1 results.

Now at the same time, I'm happy to share that the momentum of order intake has been good, and we are sitting at a backlog of about INR1,300 crores which is typically about 15.5% to 16% up than what it was last year at the same point in time. Now we have been able to do this and drive sales while managing a good mix of transactions and services business.

Now I would request my colleague, Suparna to go more deeper into P&L and try to take you along with the various components of P&L and would like to share with you. Over to you, Suparna.

Suparna Bhattacharyya: Thank you, Udai. Good insight which I could also gain further, despite my day-to-day working with you, and I'm sure the people on the other side of the call have also gained a lot of information about the way the company is operating in the right direction, in the right momentum to maximize value for our shareholders.

Having said that, a very good morning to everyone and I'm pleased to share the quarter 1 results of this financial year. While we've already had a look at the numbers, I would still be happy to

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read them out and -- with my points in between. So sales for quarter 1 this year at INR592.9 crores have been on the rise from the corresponding period of the last year.

We are up by 19.7% this quarter. At the material cost level, we are up by only 13% as compared to the 19.7% growth in sales. And then coming to the gross margin or the material margin level, we are up by 3.6 points, which is basically a resultant of the price and volume mix and the cost optimization measures that we have taken.

At the expense level, overall increased by 18%, putting the employee and the other expenses cost together. Our focus is definitely to maximize profitability by increasing sales. Having said that, we are pleased to share a high EBITDA growth by almost 63% in absolute numbers, and it is actually up by 3.8% over last year.

EBIT, again similar, almost similar growth, 68% in terms of absolute value and similar traction of 3.8 points growth over last year, same quarter. PBT is at INR65.3 crores, which is again a very high growth of 86.9% over last year, up by 4 points. And finally, at the PAT level we are up by 38.8% growth by 1.1 points.

So according to us, it's a good quarter, good sales growth, good growth and profitability. And we've -- overall, as a strategy, we've had a good product mix. The order pricing has been good. We are looking at operational efficiency across the product range and, of course, focus to grow our services part of the -- all the pieces or all the sections across all the market segments where we operate. Thank you very much. Over to Harshit.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sagar Gandhi from Invesco Mutual Funds. Please go ahead.

Sagar Gandhi: So my question is more on the product side. While you have highlighted a lot of products in your presentation. My question is what I can see and understand and part of my limited understanding here is your AIS portfolio. But what we understand from players in the power transmission space, especially Power Grid Corporation of India is that there is a lot of gaps and supplied associates on the GIS portfolio. Can you highlight if you have a portfolio there and how differentiated your portfolio is then in that segment?

Udai Singh: Thank you for raising this. And I'm really surprised if someone has a perception that there is a gap. There isn't a gap in GIS and GIS portfolio, we do have for quite some time. And the only thing is perhaps the point which we are trying to make or someone has been saying is we operate up to 36 kilovolt.

That's the range where we are. There are GIS which are available for ratings, which are beyond 36 kV also where we are not present worldwide. So our range stays at 36 kV or 33 kV and we have all the variance which are possible with all the technical specifications which are available. We can -- we do have them, and we have them for quite a while.

Sagar Gandhi: Sir, can you highlight the demand scenario there that you are envisaging?

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Udai Singh: See, the demand scenario of GIS is, of course, picking up because if I look back and see as to where it was 10 years ago versus where it stands today, we see a lot of change and this change is primarily because of 2 things. GIS is deemed to be a maintenance free equipment and also pretty optimum in terms of the footprint.

Now with -- as more and more urbanization is happening, the distribution will eventually move to GIS. I would not say when, but the journey is only commenced.

Sagar Gandhi: Okay. And sir, within the product market that you've already highlighted, can you highlight -- I mean, you've already done for one or two products, but probably niche areas where Schneider has an edge over other competitors?

Udai Singh: Difficult to highlight such niche areas, but we are working closely and our effort has been in all areas whether you call it niche or unniche as to what more we can bring to a customer which perhaps our friends are not able to bring and how closely we work and understand their requirements which are either stated or unstated.

Sagar Gandhi: Okay. Thank you so much sir.

Moderator: Thank you. The next question is from the line of Praveen Motwani from Bank of India Mutual Funds. Please go ahead.

Praveen Motwani: Sir I have a couple of questions. The first is sir Q1 FY '25 growth rate of close to 20% year-on-year. So if you could just help us to understand what led to this growth which all product segments did well for you in this quarter? And are these numbers on profitability front are sustainable going forward?

Udai Singh: See we actually have been trying to make a strong order book. And if you realize that we made this strong because one, to drive the sales in coming quarters and also be clear because we are into project business. And there's always a level of uncertainty when you handle projects. So our focus has been backlog building which we have been doing. And I'm sure you have seen our performance in previous quarters as well.

So this growth we have been able to do because of the backlog which we had. And if you really ask me, is it cyclic thing? I would be wrong if I say okay in this segment in this quarter, we did great because if I do, in a segment A in 1 quarter maybe perhaps because of the cyclicity it will come up with some other segment as well in the next quarter. So we are, in fact, prevalent. Strongly in all those segments, which are electro-intensive, as we call them.

And it may so happen if you typically see, quarter-wise, it will not be a good, I will say, interception. But if you look at the year, that's what we perhaps see as to which segment actually was, we were able to do better. But very generally speaking, I think all electro-intense segments, we do good -- a few go not just higher, few stays at not just lower, but otherwise, it is all balanced. And the last question is, of course, we are hopeful that we would be able to continue something very similar.

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Praveen Motwani: Okay. The second question is, sir, if you can just understand the market of powertrain module. Is this technology coming from the parent or we have done this product? Just some color on that front would be really helpful for us?

Udai Singh: It's actually India for India, I would say, it's something which we have tried to understand the needs, which are slightly different than what perhaps people have globally. And because I think time is the essence, and also because of the emerging the pace at which data centers are evolving in India record that we should be able to do this.

And while I say that, it is always supported by some technology which actually comes from our brands, but it is more getting shaped up because of India for India situations and needs.

Praveen Motwani: Understood. Okay thank you and all the best.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Funds. Please go ahead.

Mahesh Bendre: Sir, data center, I mean, you showcase the products for data center and data center is into a demand as of now. So what proportion of our sales for the quarter sales has come from the data center?

Udai Singh: Difficult to say, Maheshji, we're not ready further, but data center is, of course, one of the main drivers of business.

Mahesh Bendre: Okay. And sir, apart from the existing products, any new products we're planning to launch given the demand in -- across power side and data center side?

Udai Singh: What we are trying to do is we are trying to augment the products which we already have and maybe perhaps upgrade or make it more efficient. This is our continuous impetus on that. For example, products which were not having any sensors, we are trying to sensorize because it goes a long way for serving our end users better and they can run the plant much better way. They can maintain the asset in a much better way. They can optimize their running costs.

So our effort has been for quite a few quarters, I would say, as I look back and it is still on as to how do we make things more digitalized, how do we make items which are already digitalized more enriched in terms of it so that it can give you more features, more support, more insights. So this is the work which we are on. And parallely we're also trying to see if there is something which has not been digitalized yet is there a need of that getting digitalized and whether will it add any value to the user and basis which we are also deciding to digitalize a few of those elements which have not yet digitalized.

Mahesh Bendre: And sir, last question from my end. Our sales during the quarter grew by 20%, but other expenses have grown by 27%. I mean, the last 2, 3 quarters, our other expenses are going up. So is there any one-off or any warranty or related expenses?

Suparna Bhattacharyya: Well, yes, agreed to your point that our sales is growing up a little bit higher than we had anticipated. There are a number of reasons. Sometimes there are one-off reasons. Sometimes

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there are cases where we have to take some expenses in our P&L with respect to increasing our efficiency in the long run.

So that is the kind of operational decisions that we take time to time and park them in our expenses. But our main focus is, again, growth in sales. And when I say sales, it has to be profitable sales. So that's what I would like to assure you with respect to our focus.

Mahesh Bendre: But ma'am, what would be the possible reason for this? I mean, other expenses to go up...

Suparna Bhattacharyya: Yes, as you rightly said that sometimes it's a warranty case, sometimes it's a provisioning case. Sometimes it's another expense case, which we build. We often -- because the company you've seen is now doing much better as compared to yester years. And we are trying to make it sustainable. So that is why we have some expenses that we incurred just to secure the future and improve the operational efficiency of the company.

Mahesh Bendre: Sure. Thank you so much.

Moderator: Thank you. The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Great set of numbers. My first question is, sir, is it possible to bifurcate the order inflow, the utilities interstate, intrastate and distribution or is the intrastate and distribution and industrial, yes, if possible?

Udai Singh: It may not be ready-made answer, sir, but typically our exposure to the distributions is maybe because we connect directly and indirectly, but typically see about 35%, 40%, I'm not very sure, but this is a typical number which we'll have for industry.

Mohit Kumar: Understood, sir. My second question, sir, of course, Schneider is very strong in data center offerings and of course the other group companies have other products. So my question is do you participate along with the group companies to participate in a single data center opportunity. Is that right understanding?

Udai Singh: Yes, we do, because if we can give them full enterprise solution why not? That's what customers also look up to us. So for example, there's something which is sold like any component which Schneider does we sell that also.

Mohit Kumar: My last question sir are you seeing the SCADA demand...

Moderator: Sorry to interrupt sir Mr. Mohit could you please call back in the question queue for further questions. Thank you. The next question is from the line of Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: So my question is on the -- can you give me the employee account for FY '23 versus FY '24? And if possible for Q1 FY '25 as well?

Suparna Bhattacharyya: I didn't get your question. Can you please repeat?

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Sanidhya: Employee count for FY '23 versus '24?

Suparna Bhattacharyya: You're talking about the employee expenses.

Sanidhya: Employee count, ma'am?

Suparna Bhattacharyya: Employee count. So it was 1,267 in June '23 and now it is 1,292.

Sanidhya: Okay. And secondly on the other expenses side, so last con call also, management gave the commentary that they should be somewhat in line with the current guidance for FY '24. So it was kind of 11% to the total revenue. But now we see it rising to almost 13% this quarter. So should we see a similar trend for the year like 13% or more than that or will it be in line with the previous guidance of near about 10%, 11% of the total level?

Suparna Bhattacharyya: See, as I said that we are building this organization to create this organization to be more sustainable. We are taking decisions at the operational level and at the strategic level with respect to making the organization stronger. So we cannot say what is exactly the right to be a percentage of sales, but whatever decisions that we take and take the expenses, that's all justified with a view of short-term or long-term objectives of the organization.

So I would really say please leave that to us and please look at the growth -- the market growth that we are driving, the profitable sales that we are driving and a good value in terms of -- at the PAT level. So probably I would like to put a focus on that..

Sanidhya: And lastly on the R&D-related expenses for the last year and what are we planning for this year?

Suparna Bhattacharyya: So R&D is generally managed by global and we basically don't do any big R&D activities over here. So the expenses...

Sanidhya: Any royalty or anything we pass on to the global?

Moderator: I'm sorry to interrupt, sir. Could you please fall back in the question queue for further questions. Thank you. The next question is from the line of Nil Oswal from Bajaj. Please go ahead.

Nil Oswal: I'm not sure if I missed this data point, but previously, you've also provided the breakup between equipment, services and projects and transactions. So can you please provide that breakup?

Suparna Bhattacharyya: So the composition of the quarter 1 sales, basically, we put it into the -- I'll tell you the categories and the proportion of the sales. For the transactional part, we are 19%; services, 13%; equipment, 39%; projects, 8% and inter-companies -- within group sales is about 22%. So all these put together make it 100%. So this is basically the split between the different activities that we do.

Nil Oswal: Understood. Thanks for the information.

Moderator: Thank you. The next question is from the line of Prathmesh Salunkhe from PL Capital. Please go ahead.

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Prathmesh Salunkhe: Sir, given the data center growth in the country, the data center capacity is expected to double, plus there is like 5 gigawatts of additional capacity expected in the next 5 to 6 years. So just wanted to know what would be our addressable market if you could put a number to it?

Udai Singh: Sir, I don't know why data center is always exciting. But data center, what we -- and I think more than 5 giga, I keep my fingers crossed, it should happen. And we are now actually be putting about 1 gigawatt as the turn of the year. And it's very difficult to answer this question. Why? Because the way data centers are being developed, it really depends on what sort of redundancy is being sought, what has been their parental design? What sort of distribution they are taking at which voltage, plus, how they are panning out the various flows in which they want to keep servers.

So it will be very difficult to have a ballpark number saying that you put x money and then you get y money, okay, for a business. But generally speaking, typically, what I would like to state here is the data centers are actually now coming. And my sense is it will start coming in those cities as well which they haven't been there until now.

So like, for example, you have a large concentration in Mumbai, we have in Chennai, we have in Hyderabad, we have sorts of in NCR, but we'll see that this actually will get in at other places also. And there I think the entire tomography will change and all our calculations of someone is investing x crores and which will give us -- your company y crores, that won't apply.

So it will be difficult to answer your question, but then the only right side is the data center is in and is going to be there for quite a while.

Prathmesh Salunkhe: Understood, sir. So sir, another question was on transformer side. Considering currently, we have about 7,000, 8,000 MVA of capacity. Are there any expansion plans on the book, considering the demand scenario right now?

Udai Singh: There's nothing which I'm aware of, no. And we are -- what we are trying to do is there is a demand, and we are trying to find whatever capacity, which you said is slightly more than what we actually have. But what we are trying to do is we are trying to find out as to who are those users and buyers who really are appreciated for a quality product, which is consistent and also maybe have more levels of digitalization.

So in fact, we are now into something which we call as greener transformers which doesn't have mineral oil, but which has got veg oil. And also, we are inserting sensors where you can, in fact, have the performance of the transformer actually coming on your mobile through a cloud app.

So this is what we are trying to do. And there are people who are accepting this and who are really appreciating this and those are the people where we keep on supplying our transformers. So while the transformer market is growing, and it's not been growing at so much slow pace because the other third-party data will tell you that number, but it's a large market, and we are trying to operate with perhaps similar capacities and serve those customers who really appreciate what we'll give it to them.

Prathmesh Salunkhe: Understood sir. Thank you so much for answering my questions.

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Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Goldman Sachs. Please go ahead.

Apoorva Bahadur: Congratulations on good results. Sir, I wanted to check about the gross margins last, I think previous quarter and this quarter as well has been quite strong around 40% range. What's driving this strength? And how sustainable this is?

Suparna Bhattacharyya: So this good quarter, gross margin is basically coming from our product mix, order pricing, operational and operational efficiency with cost optimization. So that's -- and also, this is kind of, I would say, for the entire product range. So our continuous endeavors to improve and do profitable sales is actually getting reflected here.

Apoorva Bahadur: This is now sustainable around 30% and 40% should be...

Suparna Bhattacharyya: We think so unless there is something which is beyond our control.

Apoorva Bahadur: Fair enough. Secondly, I wanted to check about the Kolkata factory. What's the update over there? When can we expect commissioning?

Udai Singh: We are working hard to make it work from, say, beginning of next year, next fiscal.

Apoorva Bahadur: Financial year '26 onwards.

Udai Singh: Yes. So sometime in April is what we anticipate will go on full swing.

Apoorva Bahadur: Understood, sir. Lastly...

Moderator: I'm sorry to interrupt sir. Could you please fall back in the question queue for further questions. Thank you. The next question is from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: So my question is on the powertrain module. The new products. So is this only for India market or we are also open for the export business as well?

Udai Singh: We are open for export as well.

Dhavan Shah: And I think you mentioned that we got some 3 orders from the export during this quarter. One is from Nepal, Australia and Qatar. So any ballpark number you can share, how much was the export order inflow during this quarter? And how much does that contribute, I mean, the overall export order backlog as on first quarter '25 and what is the order pipeline from these 3 geographies?

Udai Singh: So you had said -- you were asking about the numbers. We -- typically, this would be, if I would say maybe about 7% to 8% of backlog, which we hold. And going forward, we are trying to see -- we are not making it a generic line, but wherever we have an opportunity, we actually want to serve those international customers from India, if they accept India advisory.

General

So we are not chasing it because we do have teams outside also, other part of Schneider. And where we find cases which are getting concluded because you'll appreciate that a lot of these people look up to India as one of the large sourcing basis and have also been making back-end design centers.

So which means that in entire conceptualization, the feed, the engineering is happening here and so is the commercial evaluation, along with the supplies coming out of India. So these cases were those cases. And this is -- today, it is about 7% to 8% of backlog.

Dhavan Shah: And how is the order pipeline numbers from this Nepal, Australia and Qatar? Is there any number you can share or bidding pipeline?

Udai Singh: No, we are not in a position to share that.

Dhavan Shah: Okay sir. That's all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Raj Rishi from DCPL. Please go ahead.

Raj Rishi: Could you elaborate on how AI benefits a company like Schneider especially in India?

Udai Singh: So it's a wonderful question. I can finish the call with this. But it's interesting. You see there are a couple of things which are happening around the demand and supply side. To tell you very shortly, what we are trying to do is all the manufacturing process, which we have undertaken, we are trying to see as to how does AI enable us to making a more consistent, higher-quality product.

That is number 1 on the manufacturing side. Second, on the supply side, if you really see, all this AI and especially in data center space, when you use extensive data, I don't want to say how many bites of data, which you know more than me, is actually -- is driving the server capacities. And therefore, in a very layman term, if you have something which eats more data or consumes more data, you require servers of larger capacities and volumes.

And therefore, the data center business is going to expand much more exponentially as what it was when only 5G were there. So typically, that is something which helps us to drive that AI thing on the data center side and also on the side of -- within the company when we do manufacturing activities.

Raj Rishi: Okay. And this would definitely give you an edge vis-a-vis your competitors, right, should be India?

Udai Singh: Yes.

Raj Rishi: Okay. And sir, just going for -- it's a connected question. I was just waiting for list and Schneider was listed as the 42nd highest market cap company in the list of tech companies like it was under the category of tech companies. So would you classify this listed entity as a tech company or that would be incorrect?

Udai Singh: So that will be correct, but I cannot comment upon the 42nd position, which you mentioned.

General

Raj Rishi: No, that's the global level. So the products which the listed entity has, would you say it's not incorrect to classify this listed entity also as a tech company or somewhat a tech company?

Udai Singh: It depends on who are the set of people who are defining the tech company. If I was the one who define a tech company I would have perhaps said, yes, it is a tech company.

Raj Rishi: Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Shanatnu Pawar an individual investor. Please go ahead.

Shanatnu Pawar: Am I audible?

Udai Singh: Yes.

Shanatnu Pawar: My first question is towards the guidance on revenue growth for the data center business, particularly both year-on-year and quarter-on-quarter. And also, I was wondering if you could please give guidance on the order book as well for our data center?

Udai Singh: We do not have a very specific number, so to say, Shanatnu, but what I'm saying is that what we were at this point in time last year, we are better off in this -- I would -- when I look back last 2 quarters, when I see and compared to likewise periods in last year, we are better off in data center because more and more data centers also coming and our numbers are also more in terms of absolute value. But if you ask me about the absolute numbers that we would not be in a position to share with you as of now.

Shanatnu Pawar: Right. Thank you sir. My next question is about the synergies.

Moderator: I'm sorry to interrupt sir. Could you please fall back for question queue for further questions.

Shanatnu Pawar: Sure.

Moderator: Thank you. The next question is from the line of Shyam Maheshwari from Aditya Birla Mutual Funds. Please go ahead.

Shyam Maheshwari: Congratulations on a good set of numbers. I had a question on the export business. I wanted to understand if these sales are to other, you spoke about exclusive to 3 countries, are these sales to other group entities of Schneider? And or are there any other geographies that you guys can particularly cater to? So how is the export strategy here? Is it largely to the group companies or you can independently win all those in other countries as well?

Suparna Bhattacharyya: So while the business across the world is kind of mandated between the different entities. We do export orders directly to customers in few cases. And also, we are quite active in the group company sales overseas. So it's a mix of both.

Shyam Maheshwari: Understood. So exports are typically about 10% to 15% of our overall sales with you guys maybe trying to win more orders on your own, do you see this increasing as a percentage of sales? Is it like a direct strategy?

General

Suparna Bhattacharyya: Yes. We do explore such orders. And as I said, while the different geographies have different mandates to in the kind of sales or the revenue or the reporting structure, we do explore these opportunities and if they come, we happily execute that.

Shyam Maheshwari: Understood. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Viraj from Jupiter Financial. Please go ahead.

Viraj: Am I audible?

Suparna Bhattacharyya: Yes.

Viraj: Okay. Congratulations on outstanding number to the team. My question is, when I look at the year-to-year trend, we're broadly growing in double-digit sales and our net margins are inching up. So now with all this momentum continuing, is it fair to assume we are on that journey path? I know you don't give guidance, but you can just give direction?

Suparna Bhattacharyya: Viraj ji, every company here today, working in the Indian environment is looking for higher revenues, better growth, better opportunities, profitable growth. And I will say we are no different.

Viraj: No. I know that, ma'am what's your sense you're looking at the business and the opportunities around? That's what my question is?

Suparna Bhattacharyya: We do see a lot -- a lot of opportunities coming up with trust and infrastructure, et cetera. And definitely, we'll pick up the opportunities from the market. We are building ourselves to gather higher amounts of revenue, be agile and take -- I mean, whatever the market trends are, grab the opportunities and grow the organization. So that's what I can surely say as a general comment from our side.

Viraj: Broadly order inquiry and other things are robust, right? Is it fair to assume, right?

Suparna Bhattacharyya: Yes. We are seeing good traction.

Viraj: Okay. Thank you ma'am and all the best.

Moderator: Thank you. The next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: Am I audible?

Suparna Bhattacharyya: Yes.

Naysar Parikh: So my question is, can you give a broad split of your sales or orders by different industries? And what's the outlook between P&D, industrials, data center, whatever mobility, whatever industry is in fact, if you can give us a split and outlook that will be very helpful.

General

Udai Singh: See, I answered this question before. is -- see, our focus has been primarily to work on those industries and the customers -- our customers typically reside on those people who are what we call as electro-intensive. Therefore, the people who come in there is data centers, is metals, minerals, mines, mobility and of course, power and grid.

Now the composition of this keeps changing. It keeps changing that typically if you really ask me, 30%, 40% is power and gas, then we have about 10% mobility, maybe about 10%, 12% MMM, maybe about industries and oil and gas put together maybe about 25%. The data center is basically about 7% to 12%. So it changes. It's very difficult to actually navigate and this composition will keep on evolving and changing as we move on.

So it will be very difficult to actually conclude a number, but what perhaps we see as it stands today the power and grid is highest. The other set of mobility is typically 10%, MMM is about another 10%. So this composition may change as we move on.

Naysar Parikh: Got it. And from your order inflow point of view for you the strongest top one, top two sectors right now are?

Udai Singh: As I said, power and grid and maybe industries and building space. People who actually consume power are the people who buy equipment from this company. So it's like this.

Naysar Parikh: Okay. Got it. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to Mr. Harshit Kapadia for the closing comments.

Harshit Kapadia: Thank you, Steve. We also would like to thank the management of Schneider Electric Infrastructures Limited and opportunity to hold this call. We also would like to thank all investors and analysts for joining this call. Any closing remarks, Udai sir, you want to share with investors?

Udai Singh: No, I would like to thank everyone for joining this call and asking us questions which actually help us to navigate our path as we move on. So I wanted to re-ensure that what we are trying to do is trying to see that we are not lagging in the technology which we can bring. We are trying to see as to how do we elevate the customer experience which they might have when they use us. And of course trying to internally organize ourselves so that we can make things and deliver things more profitably while chasing the top line. So thank you, again and have a great day.

Moderator: On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

General