

SCHNEIDER ELECTRIC INFRASTRUCTURE

Strong quarter, leveraging its strengths

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Schneider Electric Infrastructure Ltd (SEIL) witnessed a strong quarter across all parameters continuing with its journey of consistent performance. It remained better than anticipated on all fronts with revenues growing at 30% driven by P&G, MMM, Mobility and other electro-sensitive segment while EBITDA improved 87% YoY and APAT jumped 2.1x YoY on better product mix. Stable RM cost and better product mix helped gross margins improve 607 bps YoY while margins improved 460bps YoY and also improved 220bps sequentially. Gross margins expected to sustain at the similar levels given stable raw material as the current order book has high margin orders. Ordering momentum remained strong for the quarter and notched up higher by 34.5% YoY in Q3FY24 and 38.8% for 9MFY24 driven by power and grid (P&G), mobility and electro-sensitive segments. The overall order backlog too improved 24% for 9MFY24 providing healthy outlook ahead. Overall, management remains positive on the business outlook across its traditional and emerging segments providing more avenues for digitization and expects momentum to continue.

The company has been receiving breakthrough orders across its Ecostruxure platform and building on it with newer initiatives like Ecostruxure Transformer Expert or initiatives like ECOCare (membership program to help you revolutionize customer equipment's servicing needs having different suites) launched in Q3FY24. Initiatives like this substantiates the fact that company also remains focused on its service business and providing native connectivity to bridge Capex & Opex to unlock service growth and recurring business in the long run. SEIL remains well positioned across its core segments and adequate digitalization opportunities helping it in better market penetration and repeat order wins from its customers and partners along with efficient supply chain. Further, company's performance has been consistent for FY22, FY23 and H1FY24 wherein execution has remained strong after and expects it to continue with strong order book and pipeline ahead. Overall company remains optimistic in the short to mid-term with support from the government in the form of investment, reforms and policies. Considering the strong 9MFY24 performance we are increasing the estimates and target upwards given strong beat across revenues and margins. We also introduce FY26 estimates. Hence, we maintain BUY with a revised TP of ₹690.

Key Financials	FY22	FY23	FY24E	FY25E	FY25E
Total Sales (₹ mn)	15,303	17,772	22,360	26,752	31,262
EBITDA Margins (%)	5.6	9.4	12.8	12.8	13.1
PAT Margins (%)	1.8	7.0	9.9	10.0	10.7
EPS (₹)	1.2	4.5	9.4	11.2	14.0
P/E(x)	491.7	130.2	62.4	52.6	42.2
P/BV (x)	390.5	93.4	37.0	21.7	14.3
EV/EBITDA (x)	169.3	86.8	50.5	41.8	34.3
RoE (%)	139.3	132.1	83.4	52.1	40.9
RoCE (%)	14.6	28.0	38.1	34.8	32.6

Rating	BUY
Current Market Price (₹)	590
12 M Price Target (₹)	690
Potential upside (%)	17

Stock Data

Sector :	MNC
FV (₹) :	2
Total Market Cap (₹ bn) :	143
Free Float Market Cap (₹ bn) :	34
52-Week High / Low (₹)	643 / 146
12M Avg. Dly Traded Volume (in lakh)	9
BSE Code / NSE Symbol	534139 / SCHNEIDER
Bloomberg :	SCHN IN

Shareholding Pattern

(%)	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	75.00	75.00	75.00	75.00
FPIs	1.85	1.32	0.67	0.48
MFs	1.33	1.42	1.43	1.26
Insurance	0.71	0.64	0.52	0.32
Bodies Corporate	2.36	2.31	3.01	2.73
Others	18.75	19.31	19.37	20.21

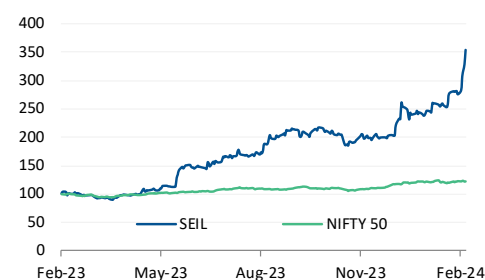
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
SEIL	45.4%	79.4%	107.0%	254.6%
Nifty 50	1.1%	12.3%	11.0%	21.7%

* To date / current date : February 9, 2024

SEIL vs Nifty 50



Q3FY24 / 9MFY24 Summary

SEIL witnessed a strong quarter and PAT remained in the positive territory for the ninth consecutive quarter. Revenues improved 30% YoY (Services-12%, Transactional is 21% and system is 67% in which equipment is 40%, project -11% and IG -16%) while gross margins at ~36% have remained in the similar levels from last four quarters were higher by +607bps YoY given stable RM cost and better product mix. EBITDA improved 87% and EBITDA margin improved 460bps YoY to 14.8% which were better than estimates. Gross margins expected to sustain at the similar levels given stable raw material as the current order book has high margin orders as indicated. Higher operating leverage led to APAT at ₹910 mn (+2.1x YoY). Order inflow at 744 mn was higher by 29.5% YoY driven by strong momentum in orders in all segments. For the 9MFY24 Revenues/EBITDA/PAT improved 27%/108%/114% while gross margins at 35.7% improved 510bps while margins improved 500bps at 12.8%. Overall order backlog at ₹10 bn for 9MFY24 (+24% YoY) providing healthy revenue visibility ahead. Order booking improved 39% YoY. Good momentum in orders driven by P&G, Mobility and other electro-sensitive segments.

Outlook and Valuation

SEIL has tripled its market capitalisation since our initiation of coverage vindicating our stance that the street would continue giving premium valuations since it was truly representative of the emerging India Story. Business momentum remains positive across its traditional and emerging businesses and we expect this to continue as core data improves which reflects on the overall business it operates in with adequate digitalization opportunities and positive outlook ahead. Further, company's performance has been consistent for FY22, FY23 and 9MFY24 wherein execution has remained strong with consistent margin improvement and expects it to continue with strong order book and pipeline ahead including focus of management remains on collections and cash. Overall company remains optimistic in the short to mid-term with support from the government in the form of investment, reforms and policies. Considering the strong 9MFY24 performance we are increasing the estimates and target upwards given strong beat across revenues and margins. We also introduce FY26 estimates. Hence, we maintain BUY with a revised TP of ₹690.

Risks:

- A slower-than-expected recovery in overall GDP growth, leading to sluggish capex and, in turn, a weak recovery in India's investment cycle;
- A slower ramp-up in high-growth urban infrastructure segments such as transportation and renewable energy;
- A sharp increase in crude oil prices, which could reduce the government's flexibility to step up public investments.

Market Outlook

Interim Budget Implications

- Historic high Capex budget to boost economy | INR 11.1 lac Cr
- Growth in Mobility | Boost in Roads, Airports, Railways & EV infra
- Focus on renewables to boost P&G sector
- Higher infra spend to have positive impact on Steel & Cement sectors

Real GDP Growth Rate : GDP¹ grew by +7.6% in FY Q2 driven by Govt. capex, construction & major turnaround in manufacturing sector
Forecast: GDP to grow at 6.6-6.9% in FY24

Capex Growth Rate : GFCF² grew by +11.0% in FY Q2 driven majorly by Govt investment in Railways, P&G, smart cities, ports & roadway logistics

IIP : IIP³ (7.6%) driven by IIP³ Mining & Electricity

Segment Trends



Power & Grid

- Govt push on loss reduction, modernization of Discoms
- Focus on modernization & improvement of operational efficiency for fossil power assets
- Thrust on renewable energy addition of 15-20 GW per year



Metals, Mining & Minerals

- Major expansion for key Cement player
- SAIL Units Set to be Modernized in the Next Phase of Vision 2030
- Green glass & Green Steel projects to gain prominence



Mobility

- Global Semicon players investing in semicon fabs in India
- Strong Movements in EV battery and EV car manufacturing plants
- 40,000 coaches to be upgraded to Vande Bharat standards



Cloud & Service Provider

- Data localization mandate by RBI to boost DC boom
- Enterprise digital transformation fuelling DC growth
- Investments by Real estate players in DC



Industry & Building

- Growth in Waste water treatment & Defense opportunities
- Boost in CPG⁴ segment due to Make In India policy
- Govt focus on new energies | Green H2, Biofuels

¹ Gross Domestic Product
Sources: a. FY24P GDP Projection numbers from CMIE, IMF, RBI

² GFCF: Gross Fixed Capital Formation

³ IIP: Index of Industrial Production
b. GFCF, IIP projections from CMIE

⁴ CPG: Consumer Packaged Goods
*Jul-Sep'23 GDP growth for - US: 5.2%; China:4.9%; France: 0.1%

Life Is On



Source: SEIL Investor meeting Q3FY24

EcoCare

EcoCare : Redefining Customers' Maintenance Strategy



EcoCare is an exclusive membership program to help you revolutionize your equipment's servicing needs

EcoCare Essential

Available when you need us

As EcoCare members, you have **exclusive access to resources and expertise** from Schneider Electric to **resolve issues faster** and **improve the resiliency and efficiency** of your business and operations.

EcoCare Advanced

You are fully empowered

We **empower your teams** to run a resilient, safe, efficient and sustainable operation by anticipating and remotely helping you **reduce downtime**

EcoCare+ Advanced

Maximum uptime

We anticipate potential issues to give you the **right support** at the **right time** and we optimize the lifecycle of your assets to **maximize your business continuity**

Value proposition

Key features
(non exhaustive)

- Priority remote access to experts
- Exclusive EcoCare rates on all services
- On-site intervention within 8h
- 24/7 Monitoring & Alarming

- + Consultancy from our experts, with advanced analytics

- + Dynamic maintenance schedule as per asset health

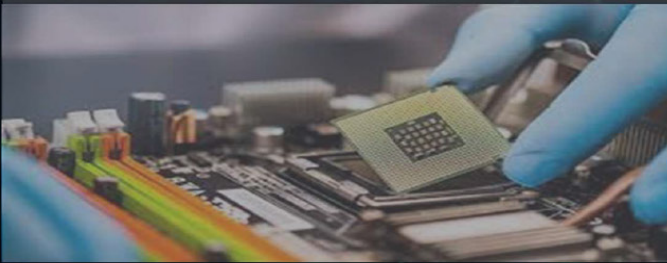
Life Is On



Source: SEIL Investor meeting Q3FY24

Order wins - Emerging Markets

Contributing to one of India's initial **Semicon** projects



SE Solution

- Supply, Installation, Testing & Commissioning of 66KV 90 MVA & 33 KV 15/18 MVA Power transformers with PD¹ monitoring & online DGA²
- 33 KV GIS and 6.6 KV AIS system

Outlook

- Created reference for upcoming Semicon projects

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Investor Meeting Q3, FY23-24 | Page 8

Powering India with **Renewable** energy



SE Solution

- 8.8MVA 33/0.6X2KV Inverter Duty Transformer
- 2 EcoStruxure Transformer Experts with 1 year subscription

Outlook

- Strong reference creation that can be replicated with other renewable segment users to enable their digital transformation journey

1. Partial Discharge, 2. Dissolved Gas Analysis
Public

Life Is On | **Schneider Electric**

Source: SEIL Investor meeting Q3FY24

Order wins - Market Penetration

Biggest supplier of Trafo in SE manufactured range for Nepal Discom



SE Solution

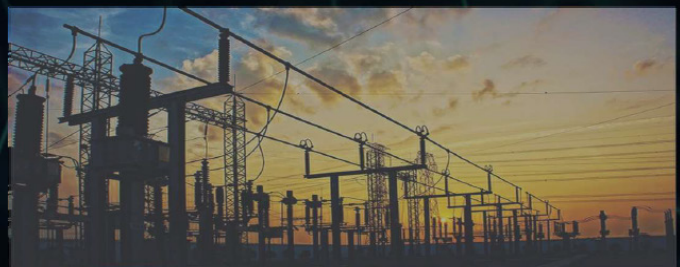
- 20/24 MVA Power Transformer

Outlook

- Multiple upcoming opportunities for Transformers

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Largest Install Base of Smart RMU in a major North Indian Discom



SE Solution

- 11kV Smart Secondary GIS

Outlook

- Upcoming modernization opportunities for Equipment

Public

Life Is On | **Schneider Electric**

Source: SEIL Investor meeting Q3FY24

Order wins - Digital Transformation

Penetrating market through **New Offer - EcoCare**



SE Solution

- 50kA AIS
- Easergy relays, Internal Arc Protection System with Arc sensors, Asset Connect System for Temp & Humidity monitoring
- EcoCare with Extended Warranty

Outlook

- Strong reference creation in Services for pitching EcoCare in future projects

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Helping our Oil & Gas clients achieve **digital transformation**



SE Solution

- EcoStruxure Power Operation (EPO)
- Saitel DP*

Outlook

- Strong reference creation for upcoming Digital opportunities across multiple Oil & Gas sites

*Saitel DP is a data concentrator which collects data from various devices & communicates it to SCADA
Public

Life Is On | **Schneider Electric**

Source: SEIL Investor meeting Q3FY24

Order wins - Catering to customer needs

Acquired **new** Data Centre **customer** by meeting high end requirements



SE Solution

- 11 kV AIS
- Highly engineered solution with PRP communication network

Outlook

- Focus on new customer acquisition through strong reference creation

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Addressed Cement customer needs through **Trust & Confidence** building



SE Solution

- AIS Panels in compliance with IEC Standard
- Micom relays and Power Meters

Outlook

- Maintain strong connect with customer through excellent service to get preference for multiple upcoming projects

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Source: SEIL Investor meeting Q3FY24

Quarterly performance

(₹ mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	9M FY24	9M FY23	YoY (%)
Revenue	7,439	5,744	29.5	4,958	50	17,349	13,667	26.9
Gross Margin(%)	35.1	29.1	610 bps	36	-90 bps	35.7	31	510 bps
EBITDA	1,105	590	87.3	626	76.4	2,225	1,067	108.5
Margin(%)	14.8	10.3	460 bps	12.6	220 bps	12.8	7.8	500 bps
Depreciation	58	46	25.9	57	1.2	165	134	23.3
Finance Cost	124	136	-8.9	124	-0.2	365	387	-5.7
Other Income	16	27	-39.7	17	-5.2	57	83	-31.3
PBT	940	435	115.9	463	103	1,752	629	178.6
PAT	910	435	109	463	96.6	1,722	629	173.8
Adjusted PAT	910	435	109	463	96.6	1,722	629	173.8
Pat Margin(%)	12.2	7.6	470 bps	9.3		9.9	4.6	530 bps
Extraordinary income	-	-		-34.2	-	-34	159	
Reported PAT	910	435	109	429	112.2	1,688	788	114.2
Adjusted EPS	3.8	1.8	109	1.8	112.2	-	-	
Order inflow	4,198	3,121	34.5			13,589	9,789	38.8

Source: Company, LKP Research

Key Highlights

- Order Wins around semiconductors, renewables, discoms, pharma, cement, data centers, cement in the quarter.
- New offering: EcoCare - aimed at customer ease/benefits and subscription model in 3 different value add packs. It got a good success in 90 days.
- Order inflow - composition 50% from Power and Grid (distribution companies like power discoms/renewables etc.) while rest from others like mobility, cloud and services, Industry and Building, Metals. Mining and Minerals.
- Aiming for conducive growth as Indian economy is growing.
- New plant in Kolkata - facility on track and moving early on it. Expected to commence by early FY25.
- Growth coming across divisions and well diversified across its product portfolio.
- SEIL is leveraging its EcoStruxure family strength with its multiple stacks providing different set of services across different domains.

Profit and Loss Statement

(₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Total Income	15,303	17,772	22,360	26,752	31,262
Raw material Cost	10,814	12,085	14,377	17,202	20,008
Employee Cost	2,104	2,359	2,683	3,264	3,845
Other expenses	1,525	1,651	2,437	2,862	3,314
Total operating Expenses	14,443	16,095	19,498	23,328	27,167
EBITDA	861	1,677	2,862	3,424	4,095
EBITDA Margins(%)	5.6	9.4	12.8	12.8	13.1
Depreciation & Amortisation	173	185	227	272	306
EBIT	688	1,492	2,635	3,153	3,789
Interest	485	530	501	469	424
Other Income	99	122	125	140	150
Recurring PBT	302	1,083	2,259	2,823	3,515
Add: Extraordinaries	(26)	153	(40)	-	-
PBT	276	1,236	2,219	2,823	3,515
Less: Taxes	-	-	-	141	176
Share of Associate	-	-	-	-	-
Net Income (Reported)	276	1,236	2,219	2,682	3,339
Adjusted Net Income	276	1,236	2,219	2,682	3,339

Balance Sheet

(₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Assets					
Total Current Assets	8,564	10,211	13,307	17,006	21,801
of which cash & cash eqv.	361	196	978	2,060	4,483
Total Current Liabilities & Provisions	6,351	7,371	9,592	11,237	13,286
Net Current Assets	2,214	2,840	3,715	5,769	8,515
Investments	-	-	-	-	-
Net Fixed Assets	3,085	3,199	4,473	4,701	4,895
Capital Work-in-Progress	48	140	140	140	140
Goodwill	-	-	-	-	-
Total Assets	5,347	6,179	8,328	10,610	13,549
Liabilities					
Borrowings	4,985	4,668	4,518	4,118	3,718
Deferred Tax Liability	-	-	-	-	-
Minority Interest	-	-	-	-	-
Equity Share Capital	478	478	478	478	478
Face Value per share (₹)	2.0	2.0	2.0	2.0	2.0
Reserves & Surplus	(117)	1,033	3,332	6,014	9,353
Net Worth	361	1,511	3,810	6,492	9,831
Total Liabilities	5,347	6,179	8,328	10,610	13,549

Key Ratios

(₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Per Share Data (in ₹)					
AEPS	1.2	4.5	9.4	11.2	14.0
CEPS	1.9	4.7	10.2	12.4	15.2
BVPS	1.5	6.3	15.9	27.2	41.1
DPS	-	-	-	-	-
Growth Ratios (%)					
Total Revenues	18.0	16.1	25.8	19.6	16.9
EBITDA	35.0	94.8	70.7	19.6	19.6
PAT	-	347.6	79.5	20.9	24.5
AEPS	-	347.6	79.5	20.9	24.5
CEPS	113.2	148.5	119.2	20.8	23.4
Valuation Ratios					
P/E	491.7	130.2	62.4	52.6	42.2
P/BV	390.5	93.4	37.0	21.7	14.3
EV / EBITDA	169.3	86.8	50.5	41.8	34.3
EV / Sales	9.5	8.2	6.5	5.4	4.5
Operating Ratio					
Raw Material/Sales (%)	70.7	68.0	64.3	64.3	64.0
Other exp/Sales (%)	10.0	9.3	10.9	10.7	10.6
Effective Tax Rate (%)	-	-	0.0	5.0	5.0
NWC / Total Assets (%)	34.7	42.8	32.9	35.0	29.8
Inventory Turnover (days)	53.8	61.1	60.0	62.0	62.0
Receivables (days)	108.4	112.1	112.0	112.0	112.0
Payables (days)	109.5	111.0	111.0	112.0	112.0
D/E Ratio (x)	13.8	3.1	1.2	0.6	0.4
Return/Profitability Ratio (%)					
RoCE	14.6	28.0	38.1	34.8	32.6
RoNW	139.3	132.1	83.4	52.1	40.9
Dividend Payout Ratio	-	-	-	-	-
Dividend Yield	-	-	-	-	-
PAT Margins	1.8	7.0	9.9	10.0	10.7
EBITDA Margins	5.6	9.4	12.8	12.8	13.1

Cash Flow Statement

(₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	276	1,236	2,259	2,823	3,515
Depreciation	173	185	227	272	306
Chng in working capital	274	909	(93)	(971)	(323)
Cash flow from operations (a)	1,204	946	3,104	2,492	3,747
Capital expenditure	(204)	(392)	(1,500)	(1,000)	(500)
Free cash flow	1,000	554	1,604	1,492	3,247
Chng in investments	-	-	-	-	-
Other investing activities	(254)	(376)	(1,500)	(500)	(500)
Cash flow from investing (b)	(253)	(376)	(1,500)	(500)	(500)
Dividend paid (incl. tax)	-	-	-	-	-
Interest paid	(268)	(372)	(501)	(469)	(424)
Others	2	(67)	(355)	(435)	(355)
Cash flow from financing (c)	(818)	(706)	(856)	(904)	(779)
Net chng in cash (a+b+c)	133	(136)	747	1,087	2,468
Closing cash & cash equivalents	361	196	938	2,020	4,483

Source: LKP Research

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