Schneider Electric Infrastructure Limited

"Schneider Electric Infrastructure Ltd Q3 FY20 Results Conference Call"

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MODERATOR: **MS. RENU BAID – IIFL SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Schneider Electric Infrastructure Limited Q3 FY20 Earnings Conference Call hosted by IIFL Securities 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now have the conference over to Ms. Renu Baid from IIFL Securities. Thank you and over to you ma'am.

Renu Baid: Yeah, thank you. Good Afternoon, everyone. On behalf of IIFL, I would like to welcome you to Schneider Electric 3Q FY20 Earnings Call. Today, we have with us from the management Mr. Bruno Dercle -- Managing Director, Mr. Arnab Roy -- CFO and Mr. Vineet Jain – Head, Investor Relations. I would request Bruno to start with his presentation, give us a brief about the Market Environment and the Quarter Gone By, thereafter we will start the Q&A Session. Thank you and over to you, Bruno.

Bruno Dercle: Thank you, Renu. Good afternoon, everybody. I am Bruno Dercle, Managing Director of Schneider Electric Infrastructure Limited. I am pleased to connect with you to share an update on the progress of our company. Today, I will start with a few slides on our market outlook, and first of all with some macroeconomic indicators that you can see on the first slide.

So we had a tough 2019 summer period of Q1 and Q2 of the fiscal year with a year of election first and a quarter of transition just as a whole, during which we could see some economic slowdown on the overall economy. We touched the bottom somewhere in September, October and we start to see some strong sign of recovery in terms of investment, CAPEX announcement and not only Indian GDP growth rate showing sign of recovery, but also rebound, but also the composite index which is Schneider Electric sector-specific index computed by our economic department is also showing a strong rebound now for 2020 compared with 2019. So we expect 2020 to be better. We could start to see Q3 some strong sign of rebound after difficult mid-year in Q1 and Q2 fiscal year. We proceed with caution because in this environment we are still expecting the rebound to transform into a pipeline of opportunity, but with optimism.

I can share also with you a certain number of indicator. I would like to stress on the one that is bottom left which has adapted to our sector and segment of activity. You know that we have a very strong part of our activities in the mining metals domain directly security companies segments in the manufacturing industry segment. So, bottom left indicator are very sensitive for us and

(Inaudible) 4:22 and we see that in the month of November last figures that we have published which is that we start to go back to the positive evolution for the manufacturing but we are still negative for the electricity consumption which is quite an important indicator for us as a medium voltage and low voltage switchgear manufacturer.

So I just want to stray from that. We probably touched the bottom somewhere in September and now we are in upward trend on globally and macroeconomic figure. I would like to share with you very-very emblematic project that we are proud to have won in last quarter which is for HPCL, Mumbai refinery. It is not a Greenfield project and it is a Brownfield project that we take advantage of the modernization and investment for) HPCL, Mumbai which is an existing refinery to propose full EcoStuxure solution to answer the need of profit and modernization of the refinery. EcoStrucure for us is a flagship in terms of affair or in terms of interconnected and digitized offer. You can see on the right side the architecture of EcoStrucure with some connected product that is at a bottom. So, in this case, most of the products already existing in the existing refinery of HPCL. We connect them to control and monitoring system, what we call the “Edge Control” with different systems to collect the data from the connected products at the bottom of the year, and doing to control and monitoring functions at this level, so which is the local control at (Inaudible) 6:51 level and then rest of the year you can see on the right side of the screen which is the application and I repeat, with some asset performance management system, (Inaudible) 7:07 resource center. So, quite interesting analytics and software designed for not only operation and control which is the edge control a year, but the improvement of the operations and the improvement of the maintenance and lifecycle of the world refinery, thanks to the analytics and functions which are this layer of EcoStrucure. Using that are coming from the shield, most of them already existing in HPCL system. But with the addition of the edge control and the analytics layer, lot of improvement can be done by HPCL on its operations. So, I would not go into all details. It is quite an interesting technical of echelons that has been won by your company in November, early December last year which is supposed to be commissioned before the end of this year in 2020. So, quite an interesting once it will be commissioned, knowing especially that HPCL has a big program of investment in its existing refinery for its future development. So, this is the global architecture of the project it says and you can see the different products coming from different parts of the organization of Schneider Electric. Not everything come from SCIL, part of it also come from AVEVA which is a sister company of Schneider Electric with the aim of being a sharp improvement of the organization of the Russian HPCL.

So, in the past three months to summarize, we have several economic slowdowns with some of its own at the end of the quarter, it has slightly affected order intake, you would see the figure later on. The good thing is that the services and energy automation order are confirmed in Q3 that after early stage of Q1 and Q2, but in Q3 it has been confirmed and medium voltage switchgear order were also steel dynamic. You remember that we had some flood event in Baroda in our main plant in the end of July 2019 which has affected our Q2 sales lever, we could catch up in Q3 boost very healthy quarterly level of sales in this quarter but also catching up the delay that we experience with the flooding in Q2. So we can be quite happy with the set level of Q3.

As a consequence of the economy slowdown, we observed some tension on the customer cash situation. It has some impact on the finance cost that we will share this with you later on. But we still collected more cash there, so which is quite a good performance in our daily operations and cash management.

We have done some of the progress on our life sponsor program and core component partner program. In the past three months, we launched one new offer of license for medium voltage pitch and we launched it in December. We have signed two licenses with this new offer already, which are not yet operational, but transfer of knowledge is happening. We have two additional DX Avenue license case. Again, it would take a certain number of months to have them operational but we have bagged two partners and signed the contract agreement with two additional partners for (Inaudible) 12:04 which was an offshore that we launched into previous quarter and we have two of our partners, one, which we signed license agreement for participation, what we called, PSS, two of our license contract came into force and rarity with the prototype being validated in December. So that is quite an important program for us, core component and license program because of the change of needs that we enter different application of our plant and enter the sorts, thanks to our partner of network. This will be pay off into coming quarter.

With this being said, now gives a floor to Arnab to update on the "Financials."

Arnab Roy: Thank you, Bruno. So, we will start with orders and sales, just continuing from where Bruno left. We had a challenging quarter in terms of the overall economy, that is very clear. But in that context, if you see the order number is slightly lower compared to the corresponding quarter last year. We had some deferments of some large orders which we are expecting to get this quarter. But it is a fact that the economy and in terms of the pipeline there has been some challenges on the order side which we are catching up. But from a full year perspective, if you see, we are almost at a flat performance with respect to the corresponding nine months' period. Within the nine months or three months' period, we have some good orders; one of them Bruno highlighted, but there are some good orders from EPCs, from end-users, from partners all around.

I move on to the next slide now which is on sales. Healthy performance on the sales. We had a double digit growth quarter-on-quarter. Thanks to a very strong order pipeline which was there with us which we told you in the last call, as well as some catch up which happened from the previous quarter to this quarter because we could not produce everything due to the flood. So, combination of these two effects led to a very strong quarter of Rs.480 crores and you will see the effect of this in the P&L when I go to the next page. For the nine months' period also, we had a very strong revenue performance; we had a 5% growth. Overall, all the segments, be the equipment business, services business, transactional, everybody has progressed well. So, a good revenue quarter and a good revenue nine months.

Let us move to the P&L with this. So when I come to the P&L, you see the effect of the strong top line and the bottom line. We also had a very good improvement on the gross margin. Thanks to the big revenue quarter, the factory was fully loaded, so we could get full leverage of the cost. So that is one of the contributing factor for the margin. The mix was what we wanted. So, combination of a full factory as well as a desired mix led us to the 3.5% improvement in gross margin which is what we have been telling you in the past few quarters and you could see a translation of that in the financial in this. So, it is not by default, it is by design is what I would say.

Stable quarter from an employee cost perspective. So if you have to read it, whatever annual inflation we had, we were able to mitigate it through the restructuring which we have been telling you in the past quarters. So, again, you can see a translation of that in the numbers.

Other expenses on the face of the P&L, you see slightly higher. But last year we had two factors with the other expenses; there was a bad debt recovery of about 80M INR there and there were some FOREX gain of about 40M INR. So, if you nullify these two factors, other expenses are also in a similar level, and this quarter, we had a more normal year. So, with all of these, we had a double-digit EBITDA for the quarter. And with the depreciation being more or less stable, we reported Rs.30 crores profit for the quarter. So overall a very strong quarter. And you can see the effect of this also when I go in the next page in the nine months' period.

So let me go to the next page, which is a nine months' period. You can see here, I have already spoken about the revenue, so 5% revenue growth, directionally the gross margin is at a similar level because if you remember in the earlier two quarters, we were lower in the transactional business. So this quarter has revived it a lot and we are at a flat position from a gross margin perspective for the nine months' period.

Every other item in the P&L is more or less in the same trend. And because of the Rs.30 crores quarter for the nine months level, we are only at Rs.(-3.8) crores EBITDA, and we are working for next quarter to see how we can catch up on this one. Otherwise overall I would say a good nine months and good three months and we will talk more when we are in the question-answer sessions.

One important aspect I want to touch before we finish it and open it up. So, last quarter, we had reported to you that the net worth had become negative. So, the first message in this slide when you see the balance sheet is from the negative networth, we have come back to a positive networth of about Rs.30 crores. Thanks to the profit for this quarter as well as there is Rs.17 crores classification impact in this because some of the short-term loans which we had, we classified it as long-term and as a result there is accounting impact which has flown into this.

The other concern we had in last quarter was on the current asset versus current liability. And as you can see, we have caught up on that the current assets and current liabilities in the same level now.

So, recovery on the networth. Current asset and current liability ratio fixed is the message I would like to give you in the balance sheet. And with this, I would take a pause and open it up for questions.

Moderator: Sure, thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nimish Shah from Fortune Financial Services. Please go ahead.

Nimish Shah: Want to know what is the growth outlook for the next year, year and a half?

Arnab Roy: We do not give a specific outlook, but Bruno gave you the GDP trend you could see and we do not expect to lose market share is what I can tell you.

Nimish Shah: Anything specific in terms of the product line that are seeing far higher growth than your co-product lines?

Arnab Roy: I think most of the products we are on a stable situation and that is the reason you could see the translation in this quarter. So we do not expect any particular product line to degrow. W expected steady performance with the desired mix which we have been telling you.

Nimish Shah: And any order book figures or something that you have?

Arnab Roy: Yes, for sure. If you look at the overall backlog what we have on 31st of December, is about Rs.744 crores. The corresponding number for September was Rs.784 crores. And the composition of this Rs.744 crores is 69% systems, transactional is 17%, and services is about 14%.

Nimish Shah: So no degrowth in any of these three lines of businesses you see?

Arnab Roy: No, degrowth.

Moderator: Thank you. The next question is from the line of Vivek Agarwal from Shiv Sagar Investment. Please go ahead.

Vivek Agarwal: I just want to know you have two, three unlisted subsidiaries of Schneider in India. So what is the difference in product line and what is the scope of scalability in this business, the listed one and the non-listed one?

Bruno Dercle: So, yes, it is true that we have a certain number of legal entity resulting a part of Global Standard I think SE has grown by acquisition and as a consequence we innovated from a certain number of legal entities. Mainly we can consider that we have legality for medium voltage switchgear and automation which is CIA, very focused on a few segments that I have listed, and is the transportation segments, mining metal segment, the electric company segments where the bulk of the orders come from. There is another entity for low voltage either equipment or product which is the CIP, which is not listed and there is a set of three, four process automation which also is a result of former acquisition, more designed for software and solutions for industrial process and in oil and gas segments especially.

Vivek Agarwal: What is the normal margins we can expect from your listed company; it is 10% margin business or what is the ideal margins we can expect on revenue?

Arnab Roy: See, you can see the reflection of a normal quarter which is this quarter, and we do not give a margin outlook again, so you will have to kind of…

Vivek Agarwal: Like what is this industry benchmark what we look at?

Arnab Roy: Again, that is an outlook question. So we do not give an outlook. You can see a reflection of how we have done in the last three quarters, the transcripts are there with you and we would expect you to form your own judgment.

Vivek Agarwal: And what is the scalability of this business like, what is the market size we cater to and is it an export market for what we do?

Bruno Dercle: We are currently developing best of activities with exports but it remains for the time being, limited best of activities. We are massively catering to the Indian market and we are currently developing the export market for many, what we call the fix all on flow product which is the medium voltage switch gear that we export to Africa, Asia and Middle East pocket.

Moderator: Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.

Manish Goel: Just to carry forward from the last question on the exports, I just missed which are the countries we are looking to export?

Bruno Dercle: So we are looking on the medium voltage switchgear to Africa, Middle East and Southeast Asia.

Manish Goel: Basically if you can give us some sense as to what is the export revenue and how has it been growing sir?

Arnab Roy: Today, Manish, the export revenue is relatively small; it is sub-100 crores. As and when we are getting qualified on the products, and as Bruno said we are in a direction of getting more and more of our products qualified for those countries.

Manish Goel: If you can give me the revenue breakup in terms of external sales and intergroup sales for the current quarter and comparative number as well please?

Arnab Roy: If you look at the current quarter, Manish, the overall intergroup is about 15% and 85% was outside group sales which was external customer sales.

Manish Goel: And also if you can please give us the revenue break up in terms of systems, transaction products and services?

Arnab Roy: So this I am giving you a full scale of hundred without bifurcating OGIG. So systems are 70% transactions is 16% and services is 14%.

Manish Goel: And comparative number for the quarter December ’18?

Bruno Dercle: Comparative number, system was 71%, transactions was 17%, services was 12%.

Manish Goel: So just trying to get a sense that so probably this quarter we had very good improvement in gross margins. And what I see from the numbers what you share now is that ideally your mix is not much different from what it was. So what has led to improvement in gross margins and is it very particular project-specific where your margins are good or now we can probably look forward to a secular number going forward?

Bruno Dercle: First of all, we stabilize activity at high level. It allowed us to have good utilization factor of our plant. So the growth of the volume in each and every for the client has contribute to the good figure but also we have been engaging into pricing up of our product and we have merged with the quality of the backlog and margin on backlog than we used to add. So, we have flushed most of the orders that we have taken and that we have in our backlog at low margin in previous quarters and now we have a much better quality backlog with much better margin on backlog.

Manish Goel: So the Rs.343 crores order inflow number is pertaining to only external customer or it includes the IG also?

Arnab Roy: This is the external customers.

Manish Goel: Please can you share the IG number as well?

Arnab Roy: IG is stable, IG is about roughly Rs.115 crores, so, that is the number overall.

Manish Goel: If you can please break up the order inflow in terms of systems, transaction and services, please.

Arnab Roy: It is a similar number, Manish, just a marginal percentage here and there but similar to the sales one.

Manish Goel: You referred to that you had a FOREX writeback and provision writeback in the previous quarter. So, FOREX was roughly 4.8 crores you said and what was the provision writeback number in other expense last quarter?

Arnab Roy: FOREX was about Rs.4 crores, Manish, and provision writeback was about Rs.8 crores in the quarter. So, this quarter we had a more normal performance, so there was no abnormal from that perspective.

Manish Goel: So, this quarter we do not have much on the FOREX and writeback, both at the material level as well as other expenses level?

Arnab Roy: Yes, you will be remembering that I have been telling you that we have started hedging the contracts wherever we had to hedge. All the effect of the hedging is getting reflected. So we are neither getting a gain nor a loss.

Manish Goel: And last question on the employee cost. Now, do you think that this number of quarterly Rs.54 crores which is probably there for a similar number for last few quarters will continue with this run rate?

Arnab Roy: Broadly, I think this is the run rate which we will continue. I do not expect too much of a variation. There may be a quarter here and there. So the ESOP gets paid or stuff like that. Other than that I think a phenomenal run rate.

Moderator: Thank you. The next question is from the line of Navraj Mithani from Jupiter Finance. Please go ahead.

Navraj Mithani: I have two questions only. Any update on this Schneider takeover of this L&T, any chance of any flows coming to us?

Bruno Dercle: So first of all, legal entity involved in the L&T acquisition, this is another legal entity, it is SEIL and second the closing has not taken place yet. We are getting close to the end, but it is not yet done.

Navraj Mithani: And this systems, transaction and services, can you explain more clearly like what are the components it would be nice, I sort of got confused with that?

Arnab Roy: Services is very clear. So here we are doing retrofits and we are doing spares, so that is service. On the transactional, see, we have two ways of selling a product; either we sell a full equipment like switch gear in its entirety or a transformer in its completeness or we sell a component of the switch gear, say for example, we may be selling a breaker or we may be selling a loose relay. When we are selling a breaker or a loose relay, this is what we call our transactional products

Bruno Dercle: Which will then be integrated into an equipment by the partner.

Navraj Mithani: What is our major inter groups exports are in which area, would be transactional or system?

Arnab Roy: It is mainly panels…systems.

Navraj Mithani: How the direction going forward? Would we close this year, any chance happening, what is your sense?

Arnab Roy: Again, you are asking me for an outlook which we normally do not give. But as I said, we are so close as you can see in the nine months' period, just Rs.3.8 crores and we will try everything possible to get to your expectation.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: You mentioned that you will try to keep the market here intact. So, what is our current market share in an addressable market?

Bruno Dercle: Depending on the product range we are in the range of 10% to 12%.

Giriraj Daga: So, basically we are looking at a sizable.

Bruno Dercle: Lower than 10% in transformer because that the medium voltage transformer, there are a lot of players in the Indian market. So, our market share is lower. We capture the top end market of transformer, but higher in medium voltage switchgear.

Giriraj Daga: So basically you are indicating total addressable market is about like Rs.15,000 crores?

Bruno Dercle: We can do the math.

Giriraj Daga: Second, like are we expanding on our product lines like is there possibility that that addressable market goes up? And just a related question to that, is any of the Schneider global, either sister companies also there is overlap between our product and their products?

Bruno Dercle: So, we are expanding that always being selective and our main target is not top line, but bottom line. So, we are always selective in our expansion. We take the highest part of the market whenever we can in order to achieve our profitability at the right level. So, this is our guideline for expansion. Regarding positioning of Schneider India versus other plants in the world and potential of all, we do have some offers that are Schneider India is in the center of excellence, typically in some medium voltage switchgear, we intend to export from the center of excellence of India to Africa, Middle East and Southeast Asia as I mentioned before, because this offer is only made in India, it is an offer which is designed for a certain type of market and very competitive on the geography I mentioned.

Giriraj Daga: My question was related to other Indian entities, what product we are supplying in the market, is there overlap between what we supply and what other Indian companies supply?

Arnab Roy: I think that question was already answered where Bruno has talked about the low voltage and medium voltage. This entity is focused on medium voltage switchgear and transformer. The other entities are mainly low voltage.

Giriraj Daga: My last question is a follow up there. The parent decide to give the new products line basically, is that clear that all the related products what we are supplying will we be getting or there can be some things there also?

Arnab Roy: The segregation is very clear; the medium voltage business of Schneider is what is getting done by listed entity.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: So, my question is more pertaining from end market perspective. So, the first question is to understand the utility market side demand offtake which was pretty challenging for the last year, year and a half. So, what is the view in terms of the demand outlook from the sector, does cash flow from the end consumers and distribution companies are equally challenging or have we started seeing some green suits and inquiries from the recently announced distribution franchises in the PPP happening in the space?

Bruno Dercle: On distribution companies, situation is not that bad, because there is a massive plan in India to improvements of urban distribution network in cities and I am not talking only about Smart Cities program, I am talking about a massive investment into improvement of the distribution network in cities in urban area. This has translated into a very strong demand of underground medium voltage switchgear, underground network because when you have an underground network you have a much better quality of supply than when you have an overhead network, and we have the right product for that which is called the DX Avenue that we can see growth in the second half of 2019 and we continue to see the growth on this program. So, the distribution company business for us is driven by two factors; first, what I just mentioned the improvement of the urban area secondary network for which were the high products and digitization and smart component input a little bit everywhere is agreed on which we also have the right offer with sufficient permission. This is all in all, we see approximate growth of the digital market by 4% projection for 2020.

Renu Baid: And how would you quantify the size of the digital market, expecting 4% growth what is the estimated size of the market?

Bruno Dercle: We estimated 25% of the total for discom companies with the focus on growth, but I do not have the figure right now of the absolute value.

Renu Baid: Okay, no problem, I can get back on this. Second would be, apart from the distribution, the utility side of the business, we also draw significant demand from the industrial legs, you have material handling segment oil and gas is another space. So, one is the industrial leg and the second would be the infrastructure leg of the business where we have business from data centers, commercial building. So, if you can share your insight in terms of the demand outlook from these two other end markets also, how have they panned across and how is the competitive environment in end markets that are competing today?

Bruno Dercle: So, we divide roughly between four major segments, electric company, approximately one-third of a total accessible market, (Inaudible) 40:59 mining metals, oil and gas, transportation and mobility, another sale of our own accessible market upon, (CIB) Commercial Industrial Building, small cost there approximately of our plan and data center growing but still low, okay, just a few percent of the total plan, they are growing fast. We are positioned in each of these four major segments, but in a different way. We address the CIB segments through partners, we address electric company through licenses, and we address (Inaudible) 41:57 through direct. Why? Because (Inaudible) 42:00 segment tend to demand higher reliability and higher quality level of products, and as a consequence the competition is usually limited to the big three. Electric company is again much more open to many local players or local manufacturers, and as a consequence, we address it through licensee partners and CIB where a different type of demand and the response and the lead time, we address it through partners.

Renu Baid: Recently, there was an announcement that Siemens had decided to acquire CNS, another Indian local company with strong presence in the low voltage switchgear and components which get into the switchgear part of the business. So, does this kind of acquisition you think we are seeing some kind of consolidation in the switchgear market, the players are trying to secure their supply chain partners in the space, so, anything to read from this acquisition for the market dynamics and supply chain environment in India or nothing material in your view?

Bruno Dercle: No, it is clearly to sustain logic which is that when Schneider Electric decides to acquire the low voltage activity of L&T switch gears, it is the same movement of consolidation at a lower scale. Siemens agreement is acquiring the low voltage activity of CNS and not the medium voltage. We expect that somebody else will acquire the medium voltage activities of CNS. But what is at stake here is an overall consolidation of the digital markets like we did with a bigger scale within switchgear.

Renu Baid: So probably should one look at over two to four years or probably in five years timeframe eventually the switchgear market would be in the hands of few MNC companies, be it Schneider, Siemens and others and market would be probably much better from a competitive standpoint than what it is there today?

Arnab Roy: Anybody's guess.

Moderator: Thank you. The next question is from the line of Sagar Parekh from OneUp Financial. Please go ahead.

Sagar Parekh: First question on the gross margins. You mentioned that this quarter had some good margin orders in the order book due to which gross margins were better. So incrementally, this new order inflow is coming at similar kind of gross margin level?

Arnab Roy: Fundamentally, as we have been telling you for the last few quarters, we are continuously pushing the envelope up. So directionally, that is where we are progressing. And as Bruno articulated earlier, there are some of the low margin legacy orders which we have, have now been all flushed out. So, the new orders which we are coming, the thresholds are at better level. And as he was explaining the positioning in the market, as you can see, there is a very clear strategic positioning which is happening, where do we go direct, where do we do licensees, where do we go to partners, so that is helping in the gross margin. So we are not vacating any market, but we are addressing the market differently.

Sagar Parekh: Can we assume that the Q3 gross margin levels will be sustainable for the next year FY'21?

Arnab Roy: I would say so, I mean, I do not see a reason why not.

Sagar Parekh: And secondly, on the export market, you mentioned that we are focusing on getting products qualified in Middle East, Africa and Asia. So I believe right now, export is less than Rs.100 crores for us in terms of top line, but how big can that be, once the product approvals are in place, let us say two to three years down the line, can it be like Rs.400, 500 crores business for us?

Bruno Dercle: So plan is to keep the quantity of switch gears being exported.

Sagar Parekh: At the moment, I mean, there is no kind of clarity in terms of our expectations are aspirational export number that we look at?

Arnab Roy: As you know, in a global organization, this will be a function of the global supply chain consolidation. Directionally as he told you, it is a 3x outlook in the next three years, but one has to mature, one has to stay competitive, compete with other plans so that one gets the right allocation.

Sagar Parekh: In terms of margins, would that export markets be similar for us or it will be at higher margin?

Arnab Roy: We will have to see that. For sure one thing you can expect when you have an export volume, it gives you a better consolidation and leverage of cost. So, there will be a leverage effect which will definitely come into the overall business because the plant will be better utilized, margins, we will have to see, I mean.

Sagar Parekh: So, at the moment export is more opportunistic?

Bruno Dercle: Now like export is open to a limited number of products range. I mentioned fixed cost, the current flow which is a medium voltage here that we intend to triple in terms of quantity in two years. So it is not opportunistic, it is a clear strategy for one product range to go from the time to use capacity in India to sell some specific markets in some geographies.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Ms. Renu Baid for closing comments.

Renu Baid: Thank you. On behalf of IIFL, I would like to thank the management of Schneider for giving us the opportunity to host this call for you and the investors present. Bruno, would you like to make any closing remarks before we sign off?

Bruno Dercle: Before closing I would like to say that as the market sentiments looks to be positive and medium to long term and also considering the digitization driving most of our market segments for which we have the right offers. We are currently watching the evolution at the ground level. That is what I said at the beginning and we are cautious in our development plan right now. But we want to capture more growth in line with our strategy. So have a nice evening.

Moderator: Thank you. On behalf of IIFL Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.