

SCHNEIDER ELECTRIC INFRASTRUCTURE | MNC

...getting its act together



Schneider Electric Infrastructure Ltd (SEIL) witnessed a descent quarter and PAT remained in the positive territory for the fifth consecutive quarter. Revenues declined marginally by 4.3% on high base (+15% for 9MFY23) while gross margins at 29.1% was higher by +105bps YoY on lower material cost (+100bps YoY for 9MFY23). EBITDA margins was lower by 90bps YoY on higher employee cost while it is 200bps higher for 9MFY23 and have seen good improvement and expected to improve the overall margin profile for the full year. APAT at ₹435 mn (-17% YoY) while its higher by 34% for 9MFY23 and has been in the positive territory for fifth consecutive quarter. Order inflow at ₹3.1bn was higher by 6.7% driven by Mobility, Diffused and P&G segment and was 10% higher for 9MFY23 at ₹9.8bn. Management remains positive on the business outlook across its traditional and emerging segments and expect momentum to continue as core data improves which reflects on the overall business it operates in. It expects positive opportunities further supported by the recent Budget which highlights impetus to growth for SEIL key segments across its traditional (Power & Grid, Metals, Minerals & mining and Transportation) and emerging segments (E-Mobility, cloud & service provider and renewables) and providing more avenues for digitization.

SEIL remains focused on its service business and providing native connectivity to bridge Capex & Opex to unlock service growth and recurring business ahead. Overall SEIL remains well positioned across its core segments and adequate digitalization opportunities with positive outlook ahead. Further, company's performance has been consistent for FY22 and 9MFY23 wherein execution have remained strong after a long hiatus and expect 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 9MFY23 performance we have tweaked our estimates accordingly and remain positive ahead. Hence, we maintain BUY with a revised TP of ₹245 as we roll forward our estimates to FY25E.

Outlook and Valuation

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. Recent Budget too highlights impetus to growth of SEIL key segments. Further, company's performance has been consistent for FY22 and 9MFY23 wherein execution have remained strong after a long hiatus and expect it to continue with strong order book and pipeline ahead. Overall company remains optimistic with support from the government in the form of investment, reforms and policies. Considering the 9MFY23 performance we have tweaked our estimates accordingly and remain positive ahead. Hence, we maintain BUY with a revised TP of ₹245 as we roll forward our estimates to FY25E.

Key Financials	FY21	FY22	FY23E	FY24E	FY25E
Total Sales (₹ mn)	12,971	15,303	18,295	21,814	25,357
EBITDA Margins (%)	4.9	5.6	7.3	7.3	7.4
PAT Margins	(0.1)	1.8	4.9	4.2	4.1
EPS (₹)	-	1.2	3.1	3.8	4.4
P/E(x)	-	135.8	52.5	42.5	37.2
P/BV (x)	-	107.9	30.9	17.9	12.1
EV/EBITDA (x)	74.0	54.2	32.1	26.5	22.1
RoE (%)	-	126.2	52.0	53.3	38.7
RoCE (%)	11.5	14.4	21.9	23.8	25.3

Rating	BUY
Current Market Price (₹)	163
12 M Price Target (₹)	245
Potential upside (%)	50

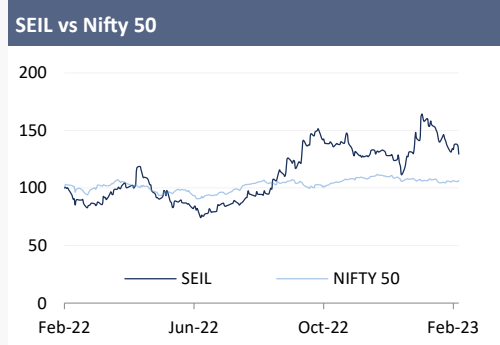
Stock Data	
FV (₹) :	2
Total Market Cap (₹ bn) :	39
Free Float Market Cap (₹ bn) :	10
52-Week High / Low (₹)	210 / 92
2-Year High / Low (₹) :	210 / 87
1Y Avg. Dly Traded Volume (in lakh)	13
BSE Code / NSE Symbol	534139 / SCHNEIDER
Bloomberg :	SCHN IN

Shareholding Pattern				
(%)	Dec-22	Sep-22	Jun-22	Mar-22
Promoter	75.00	75.00	75.00	75.00
FPIs	1.00	1.01	0.27	0.27
MFs	1.28	1.47	1.68	1.68
Insurance	0.36	0.43	0.52	0.52
Bodies Corporate	2.71	2.37	2.69	3.02
Others	19.65	19.72	19.84	19.51

Source: BSE

Price Performance				
(%)	1M	3M	6M	1YR
SEIL	-18.0%	1.1%	36.7%	29.4%
Nifty 50	-0.1%	-2.2%	1.3%	6.5%

* To date / current date : February 14, 2023



Key Highlights from Earnings call

- Management remains positive on the business outlook across its core segments and expect momentum to continue as core data improves which reflects on the overall business it operates in.
- Budget highlights impetus to growth of SEIL key segments
- EV charging provides strong opportunities ahead
- Overall positive trend for traditional and emerging segment
- Got key order from important customers and expect strong repeat orders from them
- Strong traction seen with repeat customers
- Diversification continues with untapped segment like food and beverages etc where it is providing them with end-to-end solutions
- Focus to remain on digitalisation and services through its native connectivity (Active Ranges)
- Next step for Active ranges are products shipped out of the factory connected with cloud connectively natively which connects natively to EcoStruxure providing predictive maintenance and analytics to customers and endeavour is to ensure that every panel shipped out of the factory would be an active product and the customer would be able to subscribe through services by which he would be able to exploit the full value of analytics and improve their uptime and maintenance.
- Transaction Business Update: Distributor >50%, Panel builders >100%, core component partner >30%
- Order Intake +6.7% in Q3FY23 and for 9MFY23-10% YoY
- Segments grown in the quarter are mobility and diffused segment while for 9M growth has been coming from mining, metals and minerals and diffused segment
- Sales -4.3 % due to high base coming from low base quarter in Q1 and Q2 due to second wave and delay in order dispatch.
- Expect margin to see continued momentum and intent is there to maintain it.
- In EV charging, opportunities like-package subscription and grid management software which could be sold to vehicle manufacturers.

Quarterly performance

(₹ mn)	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)
Revenue	5,744	6,005	-4.3	4,208	36.5
EBITDA	590	673	-12.4	189	212.6
Margin (%)	10.3	11.2	-90bps	4.5	580bps
Depreciation	46	45	1.8	40	14.7
Finance Cost	136	124	9.4	145	-6.2
Other Income	27	20	36.9	51	-46.5
PBT	435	524	-16.9	55	696.1
PAT	435	524	-16.9	55	696.1
Adjusted PAT	435	524	-16.9	55	696.1
Extraordinary income	-	-	-	33	-100
Reported PAT	435	524	-16.9	87	398
Adjusted EPS (₹)	1.8	2.2	-16.9	0.4	398

Source: Company data, LKP Research

Profit and Loss Statement - Consolidated

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
Total Income	12,971	15,303	18,295	21,814	25,357
Raw material Cost	8,963	10,814	12,715	15,161	17,623
Employee Cost	1,847	2,104	2,378	2,836	3,296
Other expenses	1,524	1,525	1,866	2,225	2,561
Total operating Expenses	12,334	14,443	16,960	20,221	23,481
EBITDA	638	861	1,336	1,592	1,876
<i>EBITDA Margins(%)</i>	<i>4.9</i>	<i>5.6</i>	<i>7.3</i>	<i>7.3</i>	<i>7.4</i>
Depreciation & Amortisation	221	173	183	184	189
EBIT	417	688	1,153	1,408	1,687
Interest	482	485	521	459	419
Other Income	185	99	110	130	130
Recurring PBT	120	302	742	1,080	1,398
<i>Add: Extraordinaries</i>	<i>-130</i>	<i>-26</i>	<i>160</i>	<i>-</i>	<i>-</i>
PBT	-10	276	902	1,080	1,398
Less: Taxes	-	-	-	162	352
Less: Minority Interest & Share in associates	-	-	-	-	-
Share of Associate	-	-	-	-	-
Net Income (Reported)	-10	276	902	918	1,046
Adjusted Net Income	-10	276	902	918	1,046

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
Assets					
Total Current Assets	9,216	9,377	11,461	13,778	15,989
of which cash & cash eqv.	230	361	819	1,391	1,776
Total Current Liabilities & Provisions	6,073	6,351	7,700	9,165	10,641
Net Current Assets	3,143	3,026	3,761	4,613	5,349
Investments	-	-	-	-	-
Net Fixed Assets	2,198	2,273	2,190	2,106	2,016
Capital Work-in-Progress	77	48	48	48	48
Goodwill					
Total Assets	5,418	5,347	5,998	6,766	7,413
Liabilities					
Borrowings	5,382	4,985	4,735	4,585	4,185
Deferred Tax Liability	-	-	-	-	-
Minority Interest	-	-	-	-	-
Equity Share Capital	478	478	478	478	478
Face Value per share (₹)	(1.0)	-	1.0	2.0	2.0
Reserves & Surplus	(443)	(117)	785	1,703	2,749
Net Worth	35	361	1,263	2,181	3,227
Total Liabilities	5,418	5,347	5,998	6,766	7,413

Source: Company, LKP Research

Key Ratios

Y/E Mar	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data (in ₹)					
AEPS	0.0	1.2	3.1	3.8	4.4
CEPS	0.9	1.9	3.2	4.6	5.2
BVPS	0.1	1.5	5.3	9.1	13.5
DPS	-	-	-	-	-
Growth Ratios (%)					
Total Revenues	(6.3)	18.0	19.5	19.2	16.2
EBITDA	136.5	35.0	55.2	19.2	17.8
PAT	-	-	226.6	1.7	14.0
AEPS	-	-	226.6	1.7	14.0
CEPS	-	113.2	70.3	44.1	12.2
Valuation Ratios					
P/E	-	135.8	52.5	42.5	37.2
P/BV	-	107.9	30.9	17.9	12.1
EV / EBITDA	74.0	54.2	32.1	26.5	22.1
EV / Sales	3.4	2.8	2.3	1.9	1.6
Operating Ratio					
Raw Material/Sales (%)	69.6	67.4	41.5	41.5	41.5
Other exp/Sales (%)	11.7	10.0	10.2	10.2	10.1
Effective Tax Rate (%)	-	-	-	15.0	25.2
NWC / Total Assets (%)	53.8	49.8	49.1	47.6	48.2
Inventory Turnover (days)	62.0	53.8	54.0	54.0	54.0
Receivables (days)	120.0	105.7	109.0	109.0	110.0
Payables (days)	120.4	109.5	110.0	110.0	110.0
D/E Ratio (x)	152.0	13.8	3.7	2.1	1.3
Return/Profitability Ratio (%)					
RoCE	11.8	14.6	22.3	24.1	25.6
RoNW	(41.6)	139.3	111.1	53.3	38.7
Dividend Payout Ratio	-	-	-	-	-
Dividend Yield	-	-	-	-	-
PAT Margins	(0.1)	1.8	4.9	4.2	4.1
EBITDA Margins	4.9	5.6	7.3	7.3	7.4

Source: Company, LKP Research

Cash Flow Statement

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	(10)	276	742	1,080	1,398
Depreciation	221	173	183	184	189
Chng in working capital	(765)	274	(277)	(280)	(351)
Cash flow from operations (a)	76	1,204	1,168	1,281	1,303
Capital expenditure	(140)	(176)	(100)	(100)	(100)
Free cash flow	(64)	1,028	1,068	1,181	1,203
Chng in investments	-	-	-	-	-
Other investing activities	(96)	(254)	(100)	(100)	(100)
Cash flow from investing (b)	(94)	(253)	(100)	(100)	(100)
Dividend paid (incl. tax)	-	-	-	-	-
Interest paid	(289)	(268)	(521)	(459)	(419)
Others	(26)	2	(158)	(355)	(355)
Cash flow from financing (c)	108	(818)	(679)	(814)	(774)
Net chng in cash (a+b+c)	90	133	389	367	430
Closing cash & cash equivalents	229	361	746	1,108	1,533

Source: Company, LKP Research

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