

SCHNEIDER ELECTRIC INFRASTRUCTURE

Strong quarter, outlook positive

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Schneider Electric Infrastructure Ltd (SEIL) had a strong quarter, continuing its track record of consistent performance. The company exceeded expectations on all fronts, with revenues growing 15% YoY, driven by a better sales mix and growth in both Transactional and Services. Normalizing raw material costs and a stronger product mix helped improve gross margins by 260bps YoY, while overall margins increased by 150bps YoY to 16.4%. PAT grew 22% YoY, and after adjusting for an exceptional item (reversal of interest provisions), APAT was up slightly by 2% YoY. In Q3FY25, order growth slowed to 5.3%, a typical trend for the quarter, but total order inflow for 9MFY25 rose 14%, reflecting strong momentum across all segments. Management is optimistic, expecting order growth to pick up next quarter and build a strong backlog by FY25E. With a healthy deal pipeline and no major obstacles, the company is confident in its growth. SEIL is expanding its transformer manufacturing capacity at the Baroda plant from 5,500 MVA to 7,000 MVA with an investment of ₹136 mn, expected to be completed by FY 2025-26E. The company is also exploring opportunities in the nuclear energy sector, aiming to supply equipment and software for nuclear power plants, including small modular reactors.

During the quarter, SEIL launched several innovative products, including SF6-free switchgear, inverter-duty transformers, and green transformers. It also introduced digital solutions like EcoStruxure and XROA to improve efficiency and sustainability. Management remains positive about business prospects across both traditional and emerging segments, with strong government support through investment, reforms, and policies. Given the strong performance in 9MFY25, we have adjusted our margin and earnings estimates and introduced FY27 projections. We are rolling forward our estimates to FY27E and maintain our **BUY** rating with a revised target price of ₹800.

Q3FY25 summary:

Revenues were up 15% YoY on better sales mix and growth in both Transactional and Services revenues for 9MFY25 improved 18.2% YoY. Gross margins which were consistently at ~38% since last three quarters were higher by +260bps YoY, while overall margins increased by 150bps YoY (400bps improvement QoQ) to 16.4%. Margin expansion was attributed to better product mix, order pricing, volume leverage, and operational efficiency. PAT grew 22% YoY and after adjusting for an exceptional item (reversal of interest provisions for ₹177 mn), APAT was up slightly by 2% YoY further supported by a 4x jump in other income.

Key Financials	FY24	FY25E	FY26E	FY27E
Total Sales (₹ mn)	22,067	26,158	30,710	35,928
EBITDA Margins (%)	13.4	15.4	15.8	16.5
PAT Margins	8.2	10.7	10.3	10.9
EPS (₹)	7.4	11.7	13.2	16.4
P/E(x)	92.6	58.3	51.8	41.5
P/BV (x)	55.1	28.3	18.3	12.7
EV/EBITDA (x)	56.6	41.2	33.9	27.3
RoE(%)	80.6	64.1	42.9	36.2
RoCE(%)	39.1	43.8	39.2	37.2

BUY

Current Market Price (₹)	683
12M Price Target (₹)	800
Potential upside (%)	17

Stock Data

Sector :	MNC
FV (₹) :	2
Total Market Cap (₹ bn) :	162
Free Float Market Cap (₹ bn) :	40
52-Week High / Low (₹)	980 / 525
BSE Code / NSE Symbol	534139 / SCHNEIDER
Bloomberg :	SCHN IN

Shareholding Pattern

(%)	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	75.00	75.00	75.00	75.00
FPIs	2.98	2.66	1.96	1.93
MFs	2.16	1.94	1.75	1.58
Insurance	0.77	0.76	0.76	0.73
Bodies Corporate	1.84	2.08	2.31	2.51
Others	17.25	17.56	18.22	18.25

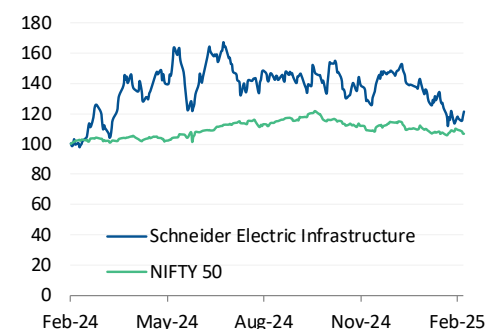
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
SEIL	-5.5%	-10.3%	-17.2%	21.1%
Nifty 50	-1.6%	-3.5%	-5.3%	6.6%

* To date / current date : February 12, 2025

SEIL vs Nifty 50



In Q3FY25, order growth slowed to 5.3% to ₹4.4bn, a typical trend for the quarter, but total order inflow for 9MFY25 rose 14%, reflecting strong momentum across all segments. Management is optimistic, expecting order growth to pick up next quarter and build a strong backlog by FY25E. (Current order backlog of ₹10.9 bn). With a healthy deal pipeline and no major obstacles, the company is confident in its growth. The company aims to have a balanced business model that delivers superior quality and an efficient supply chain, which will keep growth and portability resilient and sustainable.

Quarterly performance

(₹ mn)	Q3FY25	Q3FY24	YoY(%)	Q2FY25	QoQ(%)
Revenue	8,572	7,439	15.2	5,997	42.9
RM Cost	5,339	4,825	10.6	3,761	41.9
Gross Margin(%)	37.7	35.1	260bps	37	40bps
Employee cost	770.5	733.6	5.0	706	9.1
Other expenses	1,061.2	775.6	36.8	788	34.7
EBITDA	1,402	1,105	26.9	742	88.9
Margin(%)	16.4	14.8	150bps	12.4	400bps
Depreciation	68	58	18.2	63	7.6
Finance Cost	109	124	(11.6)	123	(11.0)
Other Income	73	16	349.7	89	(17.9)
PBT	1,298	940	38.1	645	101.1
Adjusted PAT	929	910	2.1	543	71.1
APAT Margin(%)	10.8	12.2	-140bps	9.0	180bps
Adjusted EPS	4.6	3.8	21.5	2.3	103.7
Extraordinary income	177	-		-	-
Reported PAT	1,105	910	21.5	543	103.7

Source: Company, LKP Research

Outlook and Valuation

Schneider Electric is well-positioned to capitalize on India's growing infrastructure and energy development initiatives. With the Indian government's focus on expanding solar capacity, ramping up nuclear energy and investing in green corridors, Schneider's expertise in energy management and automation aligns perfectly with these goals. The company can play a pivotal role in the power sector transformation by providing sustainable solutions for solar integration, energy storage and smart grid technologies. Additionally, Schneider's digital solutions, such as EcoStruxure, aligns with the government's push for AI, clean tech and urban infrastructure development. As the country advances towards e-mobility with a target of 30% EV penetration by 2030, Schneider's EV charging infrastructure and solutions are poised to support the transition, further enhancing its position in the rapidly growing market. Further, company's strong order book and healthy order pipeline provides healthy visibility ahead. Given the strong performance in 9MFY25, we have adjusted margins and earnings, along with the introduction of FY27 estimates. We maintain our **BUY** rating with a revised target price of ₹800 (48x FY27E EPS).

KTA's for Earnings Call Q3 FY25

Capacity Expansion:

- SEIL is expanding its transformer manufacturing capacity at the Baroda plant from 5,500 MVA to 7,000 MVA to meet growing market demand.
- With the current capacity running at 96% utilization, this ₹136 mn investment will ensure the company keeps up with industry needs.
- The expansion is expected to be completed by the end of FY 2025-26 and will be funded through internal accruals and/or borrowings.

Order Book:

- The order backlog is ₹10.86 bn, which is up 7.3% compared to the previous year.
- In Q3 FY25, order growth stood at 5.3%, reflecting a slight slowdown due to the traditionally lean nature of the quarter.
- However, the company remains optimistic, expecting order growth to pick up in the next quarter, building a strong backlog by the end of the fiscal year.
- With a healthy deal pipeline and no foreseeable roadblocks, the company is confident about its growth trajectory.

Key Product Development and Initiatives:

- SF6-Free Switchgear: SEIL has developed SF6-free switchgear, replacing SF6 gas with pure air, and has started selling pilots of this technology at two locations in India. This initiative aims to reduce potent greenhouse gases, aligning with sustainability goals.
- Inverter Duty Transformers: The company has developed special inverter duty transformers for solar projects, aiding solar farm developers and creating strong references for investments in renewables.
- Green Transformers: SEIL is providing green transformers equipped with sensors for predictive maintenance, enhancing efficiency for green steel manufacturing.

Digital Solutions:

- EcoStruxure Platform: SEIL is leveraging its EcoStruxure platform to provide digital solutions.
- Extended Reality Asset Advisor (XROA): The company has demonstrated XROA, a digital solution that uses extended reality to enhance safety and operational efficiency in substations.
- PowerLogic P7S Merging Units: The company has introduced P7S series merging units for efficient communication and simplification of control wiring in power and grid systems.
- Partial Discharge Measurement: SEIL is offering a partial discharge measurement technology within its EcoCare subscription service to monitor asset health in substations.
- Sensor-Equipped Equipment: SEIL is providing transformers and other equipment equipped with sensors and analytics for real-time monitoring and predictive maintenance.
- The company is exploring opportunities in the nuclear energy sector, with a focus on supplying equipment and software for nuclear power plants, including small modular reactors.

Macro Outlook:

- Indian economy is projected to grow at a real GDP rate of 6.3-6.8% in fiscal year 2025-2026.
- There is a strong commitment to infrastructure development from government, with a projected ₹11.2 tn in capital expenditure. This is an increase of 10% from the previous year's revised estimates for FY25 to the FY26 budget estimate.

- The government is aiming to curtail the fiscal deficit to approximately 4.4%, which is seen as a positive sign of economic management.
- The government is making significant strides in infrastructure and energy development. The power sector is set for a major boost, with plans to expand solar capacity from 98 GW to over 300 GW and ramp up nuclear energy to 100 GW by 2047, alongside investments in green corridors and hydrogen initiatives.
- Transportation is seeing rapid growth, with 62 new Vande Bharat trains in 2024, expanding urban rail networks, and the addition of 120 new airports to serve four crore passengers over the next decade. Ports are being developed with a focus on shipbuilding and repair.
- In tech and data centers, rising AI adoption and mobile usage are driving demand, with ₹5 bn allocated for AI development and a push for clean tech manufacturing.
- Urban infrastructure is also a priority, with a ₹1 tn Urban Challenge Fund to enhance city development, electricity, water, and sanitation. Lastly, the auto sector is accelerating towards e-mobility, targeting 30% EV penetration by 2030 with strong incentives for EV and battery manufacturing.

Market Outlook

Highlights – FY24-25					
Macro Highlights & Forecast		Fueled by : Reforms		Forecast FY25-26	
~7% increase in Capital Expenditure 9.5 Lac Cr (FY24) → 10.2 lac Cr (RE ¹ FY25)		~10% increase in Capital Expenditure 10.2 Lac Cr (RE ¹ FY25) → 11.2 lac Cr (FY26)		6.3-6.8% real GDP growth (2025-26 Forecast)	
6.4% real GDP growth (2024-25 Forecast)		4.4% Fiscal Deficit (BE ² FY25)		4.4% Fiscal Deficit (BE ² FY26)	
4.8% Fiscal Deficit (RE ¹ FY25)		Destination : Viksit Bharat			
Major Investment (BE ² values provided for FY)	Power & Grid	Transportation	Semicon & Data Center	Infrastructure	Auto & E-Mobility
	MNRE ³ : 19K Cr (FY 25) → 26K Cr (FY 26) FY25 Est Util. – 90% ; YoY BE ² - ↑ 39%	MoR ⁴ : 2.5L Cr (FY 25) → 2.5L Cr (FY 26) FY25 Est Util. – 100% ;	MeitY ¹¹ : 21.9K Cr (FY 25) → 26K Cr (FY 26) FY25 Est Util. – 80% ; YoY BE ² - ↑ 18%	JIM ¹² : 70K Cr (FY 25) → 67K Cr (FY 26) FY25 Est Util. – 32% ; YoY BE ² - ↓ 5%	MHI ¹⁴ : 7.2K Cr (FY 25) → K Cr (FY 26) FY25 Est Util. – 63% ; YoY BE ² - ↑ 6%
	MoP ⁴ : 16K Cr (FY 25) → 18K Cr (FY 26) FY25 Est Util. – 96% ; YoY BE ² - ↑ 12%	Metro: 25K Cr (FY 25) → 34.8K Cr (FY 26) FY25 Est Util. – 115% ; YoY BE ² - ↑ 40%	Semicon & Display Manufacturing 6.9K Cr (FY 25) → 7K Cr (FY 26) FY25 Est Util. – 55% ;	Defense: 4.8L Cr (FY 25) → 5.8L Cr (FY 26) FY25 Est Util. – 100% ; YoY BE ² - ↑ 8%	
	24.5 GW Solar & 3.4 GW Wind added in CY 24	62 Vande Bharat added in CY 24 998 km of Metro Lines under construction in various cities	Establishment of National Data Center in Delhi, Pune, Hyderabad & Bhubaneswar	5853 km NH ¹³ made in 9M FY-25 17K+ km Water Supply System monitored through SCADA	~19L (+27%) EV added in CY24 ~24k Charging Station installed till 2024
	100GW Nuclear Energy by 2047- Amendments to Existing Acts National Manufacturing Mission for Clean Tech 600 Cr allocation for GH2 ⁵ and GEC ⁶	UDAN ⁷ : Regional connectivity to 120 new destinations and carry 4 cr passengers in the next 10 years Exemption of BCD ¹⁰ on raw material for Shipbuilding	Focus on CleanTech Manufacturing PLI scheme for mobile phones increased by 55% to 9,000 crore Focus on India AI Mission & cybersecurity Projects	Urban Challenge Fund of 1 lakh crore for 'Cities as Growth Hubs,' 'Creative Redevelopment of Cities,' 'Water and Sanitation' 50 Tourism Sites Across Country	BCD ¹⁰ exemption for EV battery manufacturing on 35 component Various PLI schemes ~ PM E-Drive (4,500 Cr), Auto PLI (2,818 Cr), ACC ¹⁵ PLI (155 Cr)
Focus Area	1. Nuclear Energy 2. Renewables 3. Green Hydrogen 4. BESS ⁷	1. Metro 2. Rolling Stocks 3. Airports 4. Ports	1. Data Center 2. Semicon Plants 3. Solar PV Cells	1. Water & Desalination Plants 2. Defense	1. Local Manufacturing of EV/Auto 2. Demand Creation~ EV Infra
SEIL Readiness	✓✓	✓✓	✓✓	✓✓	✓✓
With our Diverse Product Portfolio, Innovative EcoStruxure Platform & Strong presence across India, we are well equipped to address GoI Focus Areas and Partner in India's Growth					

Source: SEIL Investor presentation

Income Statement

(₹ mn)	FY24	FY25E	FY26E	FY27E
Total Income	22,067	26,158	30,710	35,928
Raw material Cost	13,979	16,035	18,733	21,916
Employee Cost	2,711	2,877	3,532	4,060
Other expenses	2,419	3,217	3,593	4,024
Total operating Expenses	19,109	22,130	25,857	30,000
EBITDA	2,958	4,028	4,852	5,928
EBITDA Margins(%)	13.4	15.4	15.8	16.5
Depreciation & Amortisation	221	252	299	380
EBIT	2,737	3,776	4,553	5,548
Interest	689	531	505	423
Other Income	93	230	150	130
Recurring PBT	2,141	3,475	4,198	5,255
Add: Extraordinaries	41	177	-	-
PBT	2,182	3,651	4,198	5,255
Less: Taxes	380	855	1,049	1,323
Share of Associate	-	-	-	-
Net Income (Reported)	1,762	2,620	3,148	3,932
Adjusted Net Income	1,803	2,797	3,148	3,932

Key Ratios

YE Mar	FY24	FY25E	FY26E	FY27E
Per Share Data (in ₹)				
AEPS	7.4	11.7	13.2	16.4
CEPS	8.5	11.3	14.4	18.0
BVPS	12.4	24.1	37.2	53.7
Growth Ratios (%)				
Total Revenues	24.2	18.5	17.4	17.0
EBITDA	76.4	36.2	20.4	22.2
PAT	45.8	55.1	12.6	24.9
AEPS	45.8	55.1	12.6	24.9
CEPS	81.4	33.3	27.9	25.1
Valuation Ratios				
P/E	92.6	58.3	51.8	41.5
P/BV	55.1	28.3	18.3	12.7
EV / EBITDA	56.6	41.2	33.9	27.3
EV / Sales	7.6	6.3	5.4	4.5
Operating Ratio				
Raw Material/Sales (%)	63.3	61.3	61.0	61.0
Other exp/Sales (%)	11.0	12.3	11.7	11.2
Effective Tax Rate (%)	17.4	23.4	25.0	25.2
NWC / Total Assets (%)	37.8	40.5	39.7	37.4
Inventory Turnover (days)	60.0	60.0	60.0	60.0
Receivables (days)	108.5	105.0	108.0	108.0
Payables (days)	73.4	79.0	79.0	79.0
D/E Ratio (x)	1.6	0.8	0.5	0.3
Return/Profitability Ratio (%)				
RoCE	39.1	43.8	39.2	37.2
RoNW	80.6	64.1	42.9	36.2
PAT Margins	8.2	10.7	10.3	10.9
EBITDA Margins	13.4	15.4	15.8	16.5

Balance Sheet

(₹ mn)	FY24	FY25E	FY26E	FY27E
Assets				
Total Current Assets	11,485	15,607	19,771	25,314
of which cash & cash eqv.	473	1,710	3,003	5,534
Total Curr. Liabilities & Provs	8,098	9,621	11,448	13,378
Net Current Assets	3,387	5,986	8,324	11,936
Net Fixed Assets	4,012	4,260	4,760	4,880
Capital Work-in-Progress	318	318	318	318
Total Assets	7,718	10,564	13,402	17,134
Liabilities				
Borrowings	4,692	4,742	4,432	4,232
Deferred Tax Liability	64	64	64	64
Minority Interest	-	-	-	-
Equity Share Capital	478	478	478	478
Face Value per share (₹)	2.0	2.0	2.0	2.0
Reserves & Surplus	2,484	5,280	8,428	12,360
Net Worth	2,962	5,758	8,907	12,839
Total Liabilities	7,718	10,564	13,402	17,134

Cash Flow

(₹ mn)	FY24	FY25E	FY26E	FY27E
PBT	2,141	3,475	4,198	5,255
Depreciation	221	252	299	380
Chng in working capital	321	(1,362)	(1,044)	(1,082)
Cash flow from operations (a)	3,202	2,082	2,909	3,654
Capital expenditure	(1,212)	(1,000)	(800)	(500)
Free cash flow	1,990	1,082	2,109	3,154
Other investing activities	(1,212)	(500)	(800)	(500)
Cash flow from investing (b)	(1,212)	(500)	(800)	(500)
Dividend paid (incl. tax)	-	-	-	-
Interest paid	(689)	(531)	(505)	(423)
Others	(1,019)	192	(305)	(195)
Cash flow from financing (c)	(1,708)	(340)	(810)	(618)
Net chng in cash (a+b+c)	282	1,242	1,298	2,536
Closing cash & cash equivalents	473	1,710	3,003	5,534

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