

Transforming Energy Management with

DIGITISATION

Schneider Electric Infrastructure Limited
Annual Report 2019-2020

www.schneider-infra.in

Life Is On

Schneider
Electric

Table of Content

1	2	3	4
Transforming Energy Management with Digitisation	Schneider Electric Infrastructure Limited at a glance	Financial Highlights	Executive Messages
8	9	10	
Board of Directors & Key Managerial Personnels	Corporate Information	Business & Strategy	
27	38	71	98
Management Discussion & Analysis	Board's Report	Report on Corporate Governance	Business Responsibility Report
105	106	111	120
Financial Statements Schneider	Independent Auditor's Report	Annexure	Balance Sheet as at March 31, 2020
121	122	124	125
Statement of Profit and Loss for the Year Ended March 31, 2020	Cash Flow Statement for the Year Ended March 31, 2020	Statement of Changes in Equity for the Year Ended March 31, 2020	Notes to Financial Statements

Forward-looking Statements

Statements in the Annual Report detailing the Company's objectives, projections, estimates, expectations, or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Since these statements are based on certain assumptions and expectations of future events, the actual results could differ materially from those expressed or implied. The important factors that could make a difference to the Company's operations include the economic conditions affecting the domestic demand-supply conditions, prices of finished goods, the changes in government regulations because of the tax regime, etc. The Company assumes no responsibility to publicly amend, modify, or revise any forward-looking statements based on the subsequent developments, information, or events.

Transforming Energy Management with Digitisation

'The only constant in life is a change' might be an old cliché but continues to be relevant even today, especially in the world of the new normal – a world more dynamic and complex than it was a few months ago. We believe that major sectors of the economy are all undergoing transformations that will fundamentally change the way people will live, work, and play.

In the complex world of today, connectivity and energy are the new constants to ensure that 'Life Is On'. These helps us access to education, access to our network, access to our business and professional network leading to a decent and better life. Of course, the demands for these new elixirs of life are itself going through a sea change. The demand is for clean, sustainable energy. The demand is to generate energy in a highly efficient way. The demand is for reliable connectivity. Importantly, the requirement for reliable, clean and sustainable energy and connectivity is coming from individuals, companies, communities and even nations.

Even as the demand is on continuous growth trajectory, technology is playing a key role and is being continuously adopted and adapted to achieve individual, business and environmental goals. Further, we continue to witness the astounding productivity gains and cost savings when technology aligns with business.

To achieve reliable, clean and sustainable energy, we have to start thinking of new ways about energy management and industrial automation. Electricity is currently one of the best options for decarbonisation, while automation technologies can bring tremendous efficiency opportunities. Therefore, the only truly sustainable future will be both digital and electric.

Digitisation allows us to remove the human factor from hazardous situations, as well as safeguards us in emergencies. This dramatic improvement in reliability allows us to produce at capacity or more while still reducing carbon footprints. Beyond having a significant impact on carbon footprint, digitisation is reinventing the way we produce, distribute and use energy and is driving benefits in CapEx, OpEx and beyond. Technological innovations in energy management is bringing about a paradigm shift and shape a new world, where energy is more stable, accessible and cost-effective.

The digital transformation movement in energy management is accelerating globally and this needs to reflect in the Indian utility sector and other heavy power consuming segment including transportation, metals, minerals, commercial buildings, etc. Technological advancement in the energy management space with advanced analytics systems, coupled with the access to real-time analytical data, is strengthening the march of digitisation amongst the power distribution companies and heavy power users. Digitisation is playing a major role at both the operational and consumer level, which has led to companies like us to invent a complete portfolio of smart, connected products. At Schneider Electric, we have developed new technologies that enable distributed and connected energy that will redefine the way we live. We have created products which aid in the interconnection of Information Technology (IT) and Operational Technology (OT) to produce actionable information for better business results. We help sustain customer resources, reduce CO₂ emissions and better manage and ensure more livable environments. We build and deliver safe, reliable products and solutions — from the simplest of switches to complex operational ecosystems. All this with a simple objective... we support our customers' journey to achieve better energy and process efficiency in their cities, businesses, plants, buildings and homes with solutions that are simpler to use.



Schneider Electric Infrastructure Limited: at a Glance



2019 Annual General Meeting with shareholders

Schneider Electric Infrastructure Limited (SEIL/ Company), manufactures electricity distribution, and control apparatus (electrical apparatus for switching or protecting electrical circuits e.g. switches, fuses, voltage limiters, surge suppressors, junction boxes, etc). We are ahead of the curve with innovative products and solutions, empowering our customers to achieve best-in-class performance from their electrical infrastructure.

At Schneider Electric, we believe that the future will be electric.

These changes around us, have inspired us to create our core offer - the EcoStruxure™ platform, which helps thousands of our customers worldwide to drastically reduce their energy usage and improve their energy efficiency. The EcoStruxure™ platform also supports our commitment to shift to 80% renewable energy.



Commitment

We are committed to building efficiencies in our consumption of energy and bringing that to our extended ecosystem as well.



Responsibility

Our responsibility though extends beyond our ecosystem to the world. We are focused on supporting the world to take urgent climate action.



Our Mission

Life Is On everywhere, for everyone and at every moment.



Our Parentage

Schneider Electric is a leading company in the Digital Transformation of Energy Management and Transformation. Schneider Electric has built leadership positions in each of its businesses worldwide, leading the digital transformation of Energy Management and Industrial Automation. Schneider Electric as a Group has a presence in more than 115 countries and employs more than 135,000 people globally. As of 2019, it generated a top line of Euro 27.2 billion with a bottom line of Euro 2.41 billion.



Our Strategy

As a pioneer in technologically advanced Medium Voltage (MV) solutions, the Company has a mission to improve the lives of our consumers by offering better connectivity, sustainability, efficiency, reliability, and safety in all the energy domains.

Financial Highlights

₹ in Million*

Particulars	FY 20	FY 19	FY 18	FY 17	FY 16
Revenue	13,844	13,903	13,140	12,631	14,026
EBITDA	390	738	58	(992)	560
PAT	(296)	(244)	(647)	(1,687)	(182)
Total Equity	14	234	525	1,144	2,388
Non-Current Assets	3,882	3,755	4,445	4,259	2,414
Inventory	2,185	2,421	2,717	2,201	2,288
Cash & Bank	133	184	510	210	13
Ratios					
Earnings per share (EPS)	(1.2)	(1.0)	(2.7)	(7.4)	(0.9)
EBITDA Margins (%)	2.82%	5.31%	0.44%	-7.85%	3.99%
PAT Margins (%)	-2.14%	-1.76%	-4.92%	-13.36%	-1.30%

*Figures rounded off to nearest one.

A Statement from Chairman Vinod Kumar Dhall



Dear Shareholders,

I am happy to present to you our Annual Report for the financial year 2019-2020 (FY2020).

With the global outbreak of COVID-19 pandemic and its impact on India, the last few months have been extremely challenging for almost everyone.

I hope all of you and your family members are healthy and safe, and are following government healthcare guidelines to emerge from these critical times.

FY2020 began on a cautious note as the country was heading for a general election even as a continuing undercurrent of the crisis around Non-Banking Financial Companies still prevailed. Your Company performance was further stressed due to flooding in our Vadodara plant impacting the operations of our switchgear factory in the city. It took us nearly a month to get the plant running and able to execute many orders and projects. Your Company has to remain prepared in the face of continuing uncertainty arising from the virus. While we did see a glimmer of positiveness in the economy for Q3 and beginning Q4, the spread of COVID-19, the black swan event from mid-Q4 onwards left individuals, companies and governments across the globe scrambling and this hit, every stakeholder, hard. The financial year ended with the economy performing at 4.2% as India's economic growth hit an eleven-year low. The Indian government has announced several measures to meet the economic, health and social impact of the crisis. Your Company was impacted by slow economic growth and COVID-19 resulted in flat revenues.

However, despite the poor performance of the economy, there was a silver lining - the energy demand for FY2020 was higher by 1.2% year-on-year. Further, the installed capacity saw an increase by 3.9% to close the year at 370 Gigawatt (GW) capacity. It is equally interesting to see that renewables continued to post strong growth numbers. An Institute for Energy Economics and Financial Analysis report mentioned that renewable energy delivered more than two-thirds, or 9.4 GW of India's new generating capacity additions in FY2020, while new thermal power plants delivered 4.3 GW, net of the 2.5 GW removed due to end-of-life plant closures.

This is a paradigm shift that we are witnessing in the Indian power sector. While the government is continuously supporting the country's move towards

clean and green energy, another important reason which will ensure the continuous growth of renewables is the availability of domestic and global finance. It is clear that renewables will lead the charge in creating energy and therefore 'connectivity' across the country.

This fundamental change will imply a complete transition of the power industry and its infrastructure and we are ready to help Indian utilities navigate this challenging transition especially in turbulent times. With our commitment to the 'New World of Energy', we continue to lay emphasis on the need to Decentralise, Digitise and Decarbonise and support them to attain an energy infrastructure which is more efficient, sustainable, reliable and connected.

Globally, we continue to invest heavily in key areas like Internet of Things, Artificial Intelligence, Data Centers and Big Data Analytics among others and in India, we are working extensively with customers to offer them optimal solutions based on EcoStruxure™, our next generation of active energy management and automation architecture innovations, to help them do a seamless switch in their digital journey in the energy management space.

FY2021 has begun on a challenging note, however, we have started the year with a healthy pipeline with order book position of around ₹ 9,000 million. Further, we are sharply focussed on the good cost and bad cost to ensure that we sail through the current 'new normal' financial year. However, my team and I are confident that we shall overcome this 'new normal' and find many opportunities where others find challenges.

I remain hopeful that government, organisations and individuals working together can and will overcome this great challenge to humanity.

I would like to sincerely thank all our shareholders, customers, suppliers, communities and other stakeholders for their continued and unstinted support to the Company during the year.

I would also like to thank all the employees and my colleagues on the Board of Directors, for their tireless commitment to enhancing the performance and health of the Company.

Discussion on Indian energy management, digitisation, creating new supply chain and SEIL

Featuring Bruno Bernard Dercle, Managing Director & Chief Executive Officer and Arnab Roy, Whole-Time Director & Chief Financial Officer



Energy accessibility has greatly improved over the last decade in India. Energy management, though, has to go a long way. How do you view energy management evolve over the next three-five years, in India?

Bruno: In the past few years, we have started seeing the process automation and digitisation in the energy management space in India and I don't see any reasons for a slowdown in this in the coming years. I see all energy management equipment will be connected products and further aid in automation and digitisation. Further, I do not see any particular segment taking a lead in the digitisation like power distribution utilities but it will evenly pan out in practically all segments including buildings, metro, airports... any place where power is used.

The second big trend I see, which is an outcome of the automation and digitisation, is remote availability. Given the COVID-19 pandemic experience, we are realising the importance and the dire need of remote

accessibility of our networks. While our customers have been asking for connected products and solutions, I think the pandemic will further accelerate the demand for them to ensure that they are in control of their networks, even if they are facing a lockdown situation.

Power is an essential requirement for each one of us. In fact, I don't think we can think of economic growth if individuals and companies do not have access to competitive, reliable and efficient electricity. So the opportunities in India are tremendous. Looking at the next 3-5 years, I see demand for connected energy management products coming from the traditional segments like real estate, transportation (metro, railways, highways, airports), power distribution, metal, cement, steel and also new segments like data centers, e-commerce players and cloud service providers.

What are the inherent incentives do such frameworks bring for various stakeholders?

Bruno: I think there are enough examples coming out of the current lockdown which are good case studies for investing in digitisation and automation. It has been seen that Discoms, which have deployed smart meters have seen a billing efficiency of 95% through the use of smart meters during the lockdown, resulting in a 15-20% average increase in monthly revenue per consumer. Imagine the discoms who did not invest in such automation and digitisation initiatives would have lost so much cash as they could not invoice their customers.

Another example and closer to home is our investment in creating a virtual Factory Acceptance Test (FAT). We sell really complex machines with several stages of design and equipment being manufactured in our multiple factories. At the end of the entire process, the equipment has to be tested in the presence of the customer. During the lockdown, as the customers could not come to test the equipment, we created the virtual FAT where we can showcase the entire process virtually. This has helped us generate positive customer engagement.

Given the rapid strides being made by India on renewables, how do you see the renewables changing the paradigm in the power sector?

Bruno: I agree that renewables are making strong inroads in the Indian power sector. I see three major themes emerging in the Indian power sector. First, there is a clear shift from thermal to renewables and this is evident in the numbers of FY2020 where we see that the growth in the power generation in India has been led by the renewables segment. The next theme emerging from the renewables is the nature of the distribution. Unlike traditional power generation where we have a single point of generation, of course renewables will see a single point of generation due to the mega projects. However, the big difference will be the availability of distributed generation as we see individuals and companies setting up rooftop solar units. And this leads to the other theme in the segment. We are seeing the new types of players (individuals, large land owners, private equity, entrepreneurs, etc.) in the market and this will impact the entire decision-making process and the rationale for setting up the power generation unit.

Global supply chains witnessed its first major disruption of nearly two decades, in 2020. How has this impacted the Company? What changes/realignments do you foresee taking place in the supply chain, going forward?

Bruno: I think the trend of regionalisation was already there before the COVID-19 crisis. Regionalisation of the supply chain has been taking roots for some time now as companies are understanding the importance of having a flexible, regional supply chain. COVID-19 has only further strengthened this, given our dependence on a single country and the consequent impact we are witnessing today. Looking forward, I think we will see a higher migration by companies building flexibility in the supply chain as the shift towards regionalisation continues.

Arnab: While the global supply has seen massive disruption in recent times due to COVID-19, the Indian supply chain has seen an additional impact due to the prevailing geopolitical situation. We saw the impact of COVID-19 as early as January 2020 with the lockdown in China. Even as China recovered, we saw the pandemic spread to India and the subsequent lockdown. So in the last quarter of the FY2020, we started seeing delay of 4-6 weeks in the arrival of our raw material, impacting the Company significantly.

However, even as the supply chain disruption continued, we saw an added impact in the past few months due to the geopolitical situation which added to the woes in the supply chain. The Government of India has given directions for its tenders like disclosing the source, but it is still a wait and watch situation for us

as we are trying to understand the various government directives.

I agree with the flexibility in the supply chain trend mentioned by Bruno. Infact, I see the shift happening within the country as well. For example, earlier we were dependent on the Nashik region in Maharashtra for some of our raw material but now we are developing newer sources across India.

The new normal is the buzzword these days. How do you view your operating landscape changing with the new normal?

Bruno: The new normal has created a different acceptable behaviour for all of us. In the new normal, we are finding new ways of working and interacting with our customers. Today, we have accepted that you do not have to be physically present in the office to do an efficient work; customers are understanding that we can connect with them virtually and the show will go on. Infact, we have done many webinars, virtual presentations for a small group or a large audience. We have organised webinars for over 200 members of our community including partners, distributors and specific customers. Again, the new normal will require investment in automation and digitisation.

Arnab: With the new normal, I think we are questioning traditional wisdom about the need for square feet office space. I see companies having compact footprint in terms of office space as an outcome of the new normal. A lot of work areas like customer interactions, office space, physical presence in the office, increased usage of virtual technologies and higher investment in related technologies, are getting redefined with the new normal.

How has SEIL's journey in India progressed since going public? Where do you see the opportunities for the Company?

Arnab: The energy management market has had an interesting trajectory. If you look a few years back, the segment was largely dependent on the government utility, steel companies, etc. Hence our dependence was extremely high on government-led customers and few private customers. This led us to a situation where we had large receivables on our books. So in early 2017, we decided to provision around ₹ 2,000 million and in a way restarted our journey in India. Since then, we have focussed on building a distributed portfolio and today we cater to multiple segments including mobility, oil and gas, data centers, etc, either directly or through our partners.

Bruno: Beyond the diversification of our customer portfolio, we have changed the way we do business. Earlier, we would be focused on selling equipment. Given the technology play in the energy management

In the past few years, we have started seeing the process automation and digitisation in the energy management space in India and I don't see any reasons for a slowdown in this in the coming years. I see all energy management equipment will be connected products and further aid in automation and digitisation. Further, I do not see any particular segment taking a lead in the digitisation like power distribution utilities but it will evenly pan out in practically all segments including buildings, metro, airports... any place where power is used.

space, we have restructured our business as we now focus on solutions and services. To take the complete benefit of our equipment, it is important to customise as per the specific customer requirement and hence our shift towards service.

Arnab already mentioned about the new segments we cater to. One of the important things to consider from the opportunity aspect is the number of private players entering either new areas or even the traditional businesses like power distribution. I think the new players appreciate the advantages of technology and are willing to make a higher investment in technology for better customer experience and higher returns. Importantly, this raises the expectation level and will put pressure on the public sector utilities to invest in technology for an equal play in the sectors.

How significant does India appear in the global scheme of things for the parent, Schneider Electric?

Bruno: Let me be absolutely clear that for Schneider Group, India is one of the most important markets. This is not only from the perspective of large market potential, but also from the skill sets available, technology and manufacturing, in the country. I had spoken about bringing in flexibility in the supply chain and our Indian operation is emerging as an important element of our global supply chain. Today, the operation is a manufacturing hub for many products like Medium Voltage Switches which are being exported to South East Asia, Africa, etc.

What do SEIL's key stakeholders expect from the Company in the coming years?

Arnab: The key message to all our stakeholders is that we are committed to the overall vision of the Company and have a clear strategy and milestones in place to achieve the vision. Since 2017, we have refocussed and now are in a steady recovery. It is imperative to understand that we are in the long-cycle recovery business and working towards the recovery in a structured way. We have made good progress in various aspects like portfolio rebalancing, offering the latest and most advanced technology in energy management to our customers, focusing on pruning our fixed costs and ensuring high employee motivation. If you look at the FY2020 where we saw two abnormal events like the flooding of our plant and the COVID-19 pandemic and normalise these quarters, you will realise that we are moving ahead in the promised direction. The effects of some of these initiatives are already visible in some areas of business and others will be visible as we go ahead in the next 12-18 months.

From our customer perspective, we are committed to bring in the best-in-class connected technology, products and services, backed by our global Research & Development powerhouse. Importantly, given our understanding of technology, we are confident that our offerings are safest, secure in all dimensions including the Cyber security.

Board of Directors and Key Managerial Personnels



Mr. Vinod Kumar Dhall
Chairman, Independent, Non-Executive Director



02.
Mr. Bruno Bernard Dercle
Managing Director and
Chief Executive Officer

03.
Mr. Ranjan Pant
Independent,
Non-Executive Director

04.
Mr. VS Vasudevan
Independent,
Non-Executive Director

05.
Ms. Namrata Kaul¹
Independent,
Non-Executive Director

06.
Mr. Anil Chaudhry
Non-Executive Director

07.
Mr. Sugata Sircar
Non-Executive Director

08.
Ms. Bidisha Nagaraj
Non-Executive Director

09.
Mr. Piyush Pandey²
Whole-Time Director

10.
Mr. Arnab Roy³
Whole-Time Director &
Chief Financial Officer

11.
Ms. Bhumika Sood
Company Secretary
and Compliance Officer

Brief Profile of Board of Directors can be accessed at infra.schneider-electric.co.in/investor/boardofDirectors.

¹ Ms. Namrata Kaul- appointed on the Board as Additional and Independent Director with effect from November 6, 2019.

² Mr. Piyush Pandey - appointed on the Board as Whole-Time Director with effect from May 22, 2019.

³ Mr. Arnab Roy - appointed on the Board as Whole-Time Director with effect from June 16, 2020.