



12<sup>th</sup> August, 2020

National Stock Exchange of India Limited  
BSE Limited

**Scrip Code –**

National Stock Exchange of India Ltd.: SIEMENS EQ  
BSE Ltd.: 500550

**Intimation of Schedule of Analyst / Institutional Investor Meeting under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sirs,

With reference to our yesterday's call with Analysts / Institutional Investors, please find enclosed a transcript of the said call.

The said transcript is also being uploaded on the website of the Company at: [www.siemens.co.in/investorcommunity](http://www.siemens.co.in/investorcommunity) in accordance with Regulation 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the above information on record.

Yours faithfully,

For **Siemens Limited**

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“Siemens Limited Q3 FY’20 Earnings Analyst Conference  
Call”

**August 11, 2020**



**MANAGEMENT: MR. SUNIL MATHUR, MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER, SIEMENS LIMITED  
DR. DANIEL SPINDLER, EXECUTIVE DIRECTOR AND  
CHIEF FINANCIAL OFFICER, SIEMENS LIMITED  
MR. VENKATESH S, HEAD - RISK & INTERNAL  
CONTROL AND INVESTOR RELATIONS, SIEMENS  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Siemens Limited Analyst Conference Call for Q3 FY'20 Earnings. 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 call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Venkatesh S. Thank you. And over to you, sir.

**Venkatesh S:** Hello! Good morning. Trust all of you and your loved ones are safe and in good health. On the call, we have with us Mr. Sunil Mathur -- Managing Director and Chief Executive Officer and Dr. Daniel Spindler -- Executive Director and Chief Financial Officer of Siemens Limited.

Before I hand it over to Mr. Mathur, let me begin with the Safe Harbor statement.

Point #1, Siemens Ltd. (or "company") cannot give assurance to the correctness of forward-looking information and statements. These forward-looking information and statements can generally be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use terminology such as targets, beliefs, expects, aims, assumes, intends, plans, seek, will, may, anticipate, would, could, continues, estimate, milestone, or other words of similar meaning and similar expressions or the negatives thereof.

Point #2: By their very nature, forward-looking information and statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the company to differ materially from any future results, performance or achievements that may be expressed or implied by the forward-looking information and statements in this talk. Should one or more of these risks or uncertainties materialize or should any underlying assumptions prove to be incorrect, the company's actual financial condition or results of operation could differ materially from that or those described herein as anticipated, believed, estimated or expected.

Point #3: Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of these forward-looking statements.

Point #4: No part of this transcript nor the fact of its distribution should form the basis of or be relied on in connection with any contract or commitment or investments decision whatsoever. Advice must be sought on specific situations from well informed legal, investment, tax, financial and management professionals.

And the last point, the transcript and its contents must not be distributed, published or reproduced. This transcript does not constitute a recommendation regarding the securities of the company.

With this, I request Mr. Sunil Mathur to address all of us. Mr. Mathur, please.

**Sunil Mathur:**

Thank you, Venkatesh, and a very good morning, ladies and gentlemen to all of you and thanks for joining the Q3 Analyst Call today. We are now into I think 147th day of the COVID period. So, there have been tremendous challenges in the last couple of months. I do hope all of you and your families are keeping safe and healthy. More importantly that you are all taking the requisite precautions even though I hope many of you are working out from home. But it is important to ensure that you are maintaining all the precautions even while being at home.

Let me just move quickly into the “Performance of Q3.” Our performance in Q3 has to be seen in the context of the economic environment that we were operating in at that point in time or in the last couple of months. It is clear I think to everyone that contraction is to be expected in the quarter-ended June 2020. The results are not yet out. But primarily coming out of the lockdown and slowing down overall in the economy, particularly since a lot of manufacturing and a lot of the economy was actually on a standstill for between two to three months.

If I look at the capital goods segment that are critical to our business in particular, I think it is fair to say that while government spending continued during the lockdown period, it was at a much slower pace. The values of orders were much smaller, but there was also a lot of slippage that occurred simply because of practical reasons. A lot of people in government were busy dealing with the COVID crisis. And then there were practical reasons about contracts not being able to be physically signed and digital is not yet recognized. So there were those practical issues there.

On the private sector side, basically, it was at a standstill, so ordering was at a standstill in the last couple of months. A lot of the ordering also has moved into the reordering and renegotiating stage looking at pricing, looking at terms and conditions, payment terms and so on. But overall I think that was the difference between the government ordering and the private sector ordering.

Having said that, the short cycle business was particularly impacted because of the poor offtake from OEM, machine builders, for example, which was caused by slowdowns in segment such as automotive to a large extent over there.

On the other hand, water, food and beverages, pharma, fertilizers did do a little bit better than the rest on the private sector side.

In terms of the government ordering, while a lot of the generation from the utilities was really not ordered. Industrial steam units, particularly in areas like metals, chemicals, fertilizers, a lot of where the CAPEX was already part committed prior to the lockdown period, a lot of that did get ordered; however, new investment decisions such as waste heat recovery and cement, etc., are all now being deferred.

If I look at the major energy segments, generation, as I mentioned, nothing much happened over there whereas power transmission and distribution continue but with smaller volume ticket sizes,

even though some of the tender dates did get slipped over and indeed some of them continue to get slipped by a couple of months.

Railways and metros ordering continued across the country, again, there for the standard electrification signaling orders, not too much in the large ticket rolling stock, etc.,

So I think it has been a mixed bag. A lot of it delayed around the COVID site over there.

Now, if I look at what were the factors that really impacted us in the company, I think the major factor was, of course, the country was under a complete lockdown until mid-May and then it started easing out. But the challenge thereafter was there were partial lockdown cycling in and out across the country in various cities, in various towns around the country. So that had a major, major impact on supply chains, on our factories, on our projects.

From the perspective of our factories, as you are aware, 10 of our 22 factories are in the state of Maharashtra and many of them concentrated primarily in the Thane Kalwa area here in Greater Mumbai and in Aurangabad and in Nashik. And as you know the worst affected areas in the country have actually been in these two areas particularly in and around the Kalwa area as also Aurangabad. So, that really impacted our factories which were shut one to three months with almost no offtake and no manufacturing activity. Actually, they started coming back in a very small manner, starting really actually from early June, mid-June onwards. And today all of them are up and running at capacity levels of between 20% to 70%, particularly, I think it is obvious that the Kalwa factory is the worst impacted and therefore is not running at very high capacities.

The same is actually applicable for our project sites, which have also been gradually reopened. But we have had a mixture of customers not being ready, health and safety norms not being in place, migrant workers slowly coming back, I mean, starting mid May, we started with migrant worker levels of about 15%, 20%, they are slowly coming back, today we are at about 60%. But that is really the situation depending on which part of the country you are in.

The other area that really impacted us was our entire logistics, our major warehouse is in Bhiwandi. And as you are aware, that has also been a containment area for quite a long period of time. And many of the people working in the warehouses there are migrant workers who all left and went home. So, it took us time starting mid-May onwards and even today we are not running at maximum capacities there because all the migrant workers are not yet back. So that has been a major, major bottleneck.

We had challenges also with clearance of import shipments at sea ports and airports in the initial stages, but then there was the knock on impact where for a couple of days things were put on hold because of the China issue as well over there. So that has disrupted.

I think overall because of these intermittent local lockdowns, because of migrant worker issues, because of indeed health and safety concerns with containment areas being in and around a lot

of the factories, these have impacted not only our own factories, but a lot of the supply chain over a period of the last quarter. I think today it is fair to say our supply chains are now more or less back and are reliable now. But, of course, the containment areas and the lockdown concerns keep on cycling in and cycling out.

Linked with all that of course, since we had to have health and safety as a priority, we had to spend a substantial amount of costs to prepare our factories, our project sites to make them absolutely safe for the return of people back into these factories and the project sites, and that was obviously a very high expenditure that went with that.

So effectively, our priorities in the last quarter were basically concentrating first to ensure that we really had the health and safety of our employees and all our stakeholders very clearly as a focus, but then we were also looking at business continuity with the supply chain, etc. And lastly, of course, we had to start a very concerted cost out and cash management program and Daniel will talk more about that in his speech later on.

Having said that, we are pretty proud that we were able to get a couple of very good orders in the last quarter. So if I start from the energy space, we were able to get a supply contract for about 900 circuit breakers for delivery to a utility in South Africa. This is a four-year frame contract, Rs.180 crores value. We got a contract to supply GIS to Bangladesh, Rs.150 crores contract over there.

One order that we are particularly proud of is our ability to deliver electric battery-driven propulsion for 23 ferries to Kochi Metro, Our complete decarbonization program and this is actually going to be the first of a large number of similar projects that will probably be opened for tendering around the country.

We were able to provide India's first CT Scanner in a container. And this is something where we work together with our healthcare colleagues and different businesses within the company to commission a CT Scanner in a container, which can then be moved around depending on where the requirements are, and we were able to deliver that to a couple of customers.

We won a large order for the automation of the world's largest API manufacturing facility. And this is of an Indian pharma major who in turn is a contract manufacturer for a global pharma company.

If I look at our mobility area, the first prototype of the 9,000 HP electric locomotive, was approved by the Indian railways in the last three months period over there. And this is of course, as you know, it is a step into the next generation. And this will open the doors for hopefully a lot of ordering from the Indian Railways. We were able to provide uninterrupted service to hundreds of locomotives as the Indian Railways diesel locomotive sheds in Hubli and Siliguri.

We also were able to provide digital solutions in our mining segments and into cement customers for kiln process controls for wagon tippler solutions over there. And what we are particularly proud of as well was our ability to prove to do remote commissioning of the Kaleshwaram pump house which is as you know the largest pump house and we were able to do the Kaleshwaram start-up converter over there and commissioned that by remote.

So a lot has actually been done. Even though we were in the lockdown period, we did a lot of remote factory acceptance tests, using our own software surveillance for export customers as well as local customers. And this is going to be really the trend in the future. Customers need not now come into our factories to carry out factory acceptance tests. We can do them actually digitally and that has enabled turnover to happen out of our factories much quicker at a time when there were a lot of restrictions in the country. So I think we are proud of what we were able to achieve under very difficult circumstances.

But let me now hand over to Daniel to give an Overview of the Financial Numbers of the Last Quarter, and maybe walk you through the numbers over there. Daniel, over to you.

**Daniel Spindler:**

Thank you, Sunil, and good morning, ladies and gentlemen. A very warm welcome also from my side. Hope you are all well and your families are keeping healthy and safe.

Now, let me walk you through the “Financials of our Fiscal 2020 Q3 Performance.” Hearing what Sunil was already alluding to, I think we can say this is expected that with the ongoing pandemic in India and its impact on the economy across all industry sectors, what are the reasons to be below prior year primarily as is mentioned to COVID-19 but also continued lower large contract wins in mobility and gas power primarily. In total, we booked consequently lower new orders in Q3 compared to the Q3 of last financial year.

“Order Bookings.” I think that is a very important and exciting point, however, translate into a solid order backlog of Rs.13,142 crores or Rs.131.4 billion, which is also remarkable order range because it is well above one year. Revenue decline was 59.5% to Rs.12.6 billion or Rs.1,260 crores and that was mainly impacted from COVID-19 related shutdowns, also supply chain disruptions at customers over a broad range of our industries. This of course delayed delivering of products and rendering of services some throughout India during the entire Q3.

But also, in addition, lower demand in our short cycle industry related businesses like in digital industries and smart infrastructure were also clearly visible. This was partially compensated by revenue growth in service. And here especially on our energy side respectively gas and power segment, which has some evidence for resilience in our portfolio even during very challenging times.

Against this backdrop in revenue, we have reported a loss from operations in Q3, amounting to Rs.82 crores. Our net loss after considering interest income stood at Rs.5 crores.

Important to mention and Sunil already also alluded to that one, this needs to be understood in the perspective of approximately Rs.230 crores of COVID-related impacts that is in the current quarter and we have disclosed this number. That comes in addition for the Rs.20 crores that we have already reported in the previous quarter.

If you may ask what all this impact coming from, they are starting primarily from under-recoveries in our factories and project sites as well as from increased cost of installations. Nevertheless, as capacity utilizations are increasing this unabsorbed cost will proportionally decrease. And also stringent health and safety measures in the company led to additional cost burn.

The company initiated consequently a stringent cost saving program with the early identification of cost saving areas and starting also very stringent execution of structural and discretionary cost measures. And thus were able to limit adverse impact on our bottom line and only saw admittedly modest costs if I may comment.

Sunil already announced beforehand, over the next few minutes I give you some more details on our cost initiatives. For the pandemic, we had an immediate curtailment or at least a reduction of discretionary spend, travel expenses, conferences, training, seminars are reduced, and we also continue to drive productivity by further digitalization in our processes. So, not only externally, but also internally.

But some amount of things may not be fully sustainable in some areas rather temporary; however, we expect a significant push to save permanently also going forward.

Secondly, we also had optimization of fixed costs and overheads. To give an example, office space, lower rents, reductions in electricity, repairs, maintenance, transport costs, and so on and so on. And one of the key initiatives Siemens decided to implement a new normal working model and so that resulted in significant savings related to office space and building maintenance. In addition, we have some employee-related cost control measures and coming from hiring freeze, also lower payments for incentives.

Now, let me touch on a very clear highlight in the quarterly performance of our company, which is our cash conversion, and this is very satisfying. So we are pleased as a good results from ongoing several capital initiatives that have been initiated there in India. And I take some pride to say that our teams have done outstanding good job in terms of making sure that our liquidity is well-maintained even during the Q3, which we all know was a very tough environment. Our intensified focus to drive cash flow and reduce the seasonal backend loaded pattern is finally bearing fruits. Our team is pulling all levers to improve working capital and is fully supported across all our segments. So there is none of our segment which is not contributing to this. Everyone is pulling the strings, all the teams are driving towards cash collection, towards improving and maintaining our liquidity situation.



I have already talked quite a bit about cost measures and on cash. Let me also elaborate on some measures on what it is. What we called ‘Cash War Room’ was established. There is some intense monitoring of all cash inflows and cash outflows on a daily basis. So we were at every given point of time very well aware of our liquidity situation and we are monitoring this very tightly as I said already on a daily basis throughout the entire quarter flow and of course, we will continue to do so.

We also needed to prioritize some billings that will liquidate possibly and the secured payment terms. Of course, has also continued focus on receivables and collection of overdues.

So, let me summarize. One of Siemens India powering strength is our healthy financial position, which shows a very strong net available liquidity.

Let me now go into the different segments of Siemens Limited India and like here to start with performance of our segment of digital industries which faced in an increasingly tough environment in this quarter and that is also reflected in the top and bottom line. And here we face a revenue decline of 71% and it is also a strong downward trend in the quarter due to the discrete automation on broad-based lower demand led by example, automotive machine building, and Sunil already spoke more about the vertical. Loss stood at Rs. 24 crores which is a 13.0% decline.

Now, coming to the next segment, which is called Smart Infrastructure. Smart Infrastructure was heavily impacted as well in all businesses by COVID-19 effects, such as a further cool-down in short cycle industrial product demand and also restrictions to access customer sites we had that already. And here revenue was down by 66% throughout all its businesses and for Smart Infrastructure we saw an even more intense profit impact out of COVID-19 in the third quarter and therefore resulting in a loss of some Rs.73 crores or minus 23.6%

Now, let me come to ‘‘Mobility.’’ In mobility, the sales funnel is still very strong for fiscal ’20. Even so, we must expect some projects shifts into fiscal ’21, I think those are not coming as a big surprise. So, as a result, revenue declines was 61%. However, here very remarkable March-end performance was very solid; is a positive 3.4% or Rs.3 crores. So, that was one of our segments where we were recording positive profitability in the last quarter.

Next segment I want to talk about is our Gas and Power segment. And here let me also chip in with one more sentence and this will be renamed into Energy in future, for quarter three, we still call it Gas and Power. Going forward, there is some global carve out of Siemens energy will also be renamed to Energy here in India. So Energy saw the stronger resilience against the pandemic with a revenue drop of 52% only. And here as well like in mobility very, very positive to mention that has a profitability in the positive level of 4.2% or Rs.23 crores.

To summarize all this, I would say, India performed considerably solid in the third quarter of fiscal '2020 in its bottom line and is well positioned especially even as the economic consequences of COVID-19 had huge impact on our operations and our top line financial results.

Okay, then let me summarize our five key assumptions for fiscal '2020. Number one, our results need to be reviewed in the light of COVID-19 restrictions which were of course in place in the last quarter and that also led to an under absorption of Rs.230 crores as already outlined. On the other hand, capacity utilizations in our project sites and factories are gradually improving. We said it already have been very much in tune. Insofar these costs will also reduce substantially going forward.

We do have a strong and very healthy order backlog position with a reach of above one year. Company has initiated stringent cost saving measures and I gave you some more insights about that one. So to ensure that resources are fully aligned to the expected business volumes, cash continues to be our prime focus, and I think we have done a very good job in Q3, expectation is that will continue also in Q4.

And finally, point five, as Sunil has always maintained our stated objective of profitable growth remains unchanged. So that is it from a financial perspective.

And with this, I would like to hand back to Sunil who will give us his perspective on the next few quarters. Back to you, Sunil.

**Sunil Mathur:**

Thanks, Daniel. And I think it is important as Daniel has mentioned to highlight that revenue reductions have been due to factories being closed, our logistic centers being closed, our warehouses being closed to a large part of the last period over there which has had an impact naturally on the revenue volumes because we could not get that out, but has also naturally had an impact on under-absorption, which is what Daniel has pointed out.

So if I look at the environment moving forward, I think it is fair to say we have started seeing the first green shoots of encouraging sign. As you all know, there has been an uptake in the power consumption, GST collections have recovered almost to over 80% of January levels, E-Way bills and railway freight is back to almost 80% pre-COVID time, largely the scales of the supply chain is beginning to function, agriculture economy has picked up, the monsoon has been good, tractor sales have gone up, and we are expecting all that to have an impact, rural areas have gone up as well. So, I think that will have an impact on food and beverage, on automotive, tractor sales were beginning to see the first uptick also on the automotive, passenger and commercial vehicles. Now, also, of course, the stimulus that has been given by the government on Atmanirbhar Bharat, all those are areas that we are beginning to see right now kicking in, of course, pharma, fertilizers, chemicals, etc., those are businesses that never really slowed down and we are expecting to see a turnaround over there including the first signs of an uptick on steel and cement. So I think we do not know yet, it is a little bit early days, whether this is pent up

demand or whether this is something that will be more sustainable. But let us put it this way, June and July have been encouraging and what we see of August is so far has not been too bad.

And the most important thing is that slowly the factories have come up and continue to come up to speed, as also our project sites; we now have almost 60% people there, our logistics are beginning to ramp up as well. So, we will be able to get more out the door from our warehouses. However, the flip side of that is, we do not know what the impact or the continued impact of COVID will be. And what kind of an impact that will have on supply chains in the future, on lockdowns that may be intermittent, that may be cyclical, move around the country and impact supply chains, customer sites, our factories, etc., But excluding that factor, I think I do hope that with the reopening, we are now on the right path there. Strategically though we are concentrating or continue to concentrate on our digital portfolio, Industry 4.0 has never been more relevant than today. We continue to see good interest from the MSME segment, but also from large customers who have now really began to appreciate from the experiences of the last couple of months the power of digitalization and how we can actually bring benefits to them. And as I mentioned earlier, customers are concentrating primarily on saving cash, saving cost and saving CAPEX. And in a way that is what we are doing is well within Siemens, and in a way, digitalization can provide solutions for all these three elements. We will continue to look at our electric vehicle infrastructure business, and that is something where we are slowly beginning to make progress, we are looking at new technologies in generation with green hydrogen, for example, we are looking at energy battery storage, our smart buildings in digital offerings over there, fire safety, security, building automations are gathering traction and more interest as the focus comes on saving electricity costs, for example, and the cost of utilities. We do see the market in metros continuing to be there and we will continue focusing on metro market as also on the transmission and distribution areas. And as and when the industrial steam starts growing, we are of course very, very present over there. So, I think it is a mixed bag.

When I look at our priorities now just for the near future they are in short. The following of course, the first priority will be the health and safety of every employee. And we will have to take this very seriously when we start looking at ramping up our factories or our project sites to make sure that they are safe for our employees to return.

Business continuity and stabilizing our factories and project sites will be the next priority. Digitalization and our remote diagnostic and remote service portfolio which is gaining traction will continue to be focused. We have kind of addressed hundreds of customers over the last couple of months remotely to try and understand their needs and provide solutions over there. We will continue to optimize our cost structures and keep a very strong focus on cash flows as Daniel mentioned.

So we are targeting a strong finish taking into account the fact that roughly one and a half quarters during the year have been severely impacted. But we will try and see that we can provide an ambitious finish for the year and also for the year ahead as we see visibility and as we see the

economy growing. But of course, the underlying factor is how the COVID will pan out and how the government's focus on infrastructure does pan out. I do believe that if demand has got to increase in the country and a fair amount has been done on the supply side, but I do believe we do need to bring back demand in the country. The only way to do that will be infrastructure spending by the government. I know the government has started looking at those areas. And if infrastructure does come back and is given the next thrust to raise demand, I think that will have a very positive impact on the economy in general, but on Siemens business in particular.

So I would like to stop there and happy to take any questions you may have.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

**Renjith Sivaram:** I just wanted to understand what is the impact of FOREX in the overall financial this quarter -- was there any loss or gain?

**Daniel Spindler:** Thanks, Renjith for raising this question. Foreign exchange impact compared to previous Q3 last fiscal year, we see a positive impact. We are happy of course with the development of the rupee compared to US dollar and euro and we do have quite a significant amount from imports and exports, we are quite pleased to see that we have seen a slight positive impact, but as already mentioned, it is not significant.

**Renjith Sivaram:** When we look at auto as a sector, how big is auto for us -- is it more than 15% and when do you see auto reviving as per what you are talking to customers?

**Sunil Mathur:** So, our automotive business is not more than 15% in totality. As you are aware, we are not directly involved in the supply there. We provide automation and electrical solutions and digital solutions to automotive manufacturers and their respective supply chains. But I think just to answer your question, as I said, the tractor sales has gone up quite substantially in the last couple of months primarily coming out of the good monsoon that has happened. I understand passenger and commercial vehicles have also started going up in the last month or two. I do not yet believe we are near the levels that were pre-COVID or actually already as you know the automotive segment was very badly impacted even pre-COVID. So I think it will take some time there. I cannot predict how long.

**Renjith Sivaram:** Was there any provisions that we did in any of the segments because digital industries, smart infra, the losses have been very sharp?

**Sunil Mathur:** Prime impact was coming from under-absorption. So with the continued lockdown and shutdown consequently from factories as well as project sites, and on the staggering reopening, of course we have a huge under-recovery, and that is primarily the sector why our segments are showing losses. It is not amount of some provisioning. So cash collections for instance was very

positive. We do not see any provisions on defaults. It is more coming from the operational side which as already said due to shutdowns. That was the main factor. Additionally, Sunil had already spoken about that one, we had of course, also made some investments into the health and safety and also making sure that our factories and sites are safe when they are getting reopened, that was, of course also leading to quite some substantial costs. So these two factors are the main contributing factors to the losses of our businesses.

**Sunil Mathur:** So I think just to just to expand on what Daniel mentioned exactly, one of the largest number of factories allocated to smart infrastructure business as also a very large number of project sites. So the under absorption resulting from a complete lockdown has hurt terrifically over them.

**Moderator:** Thank you. The next question is from the line of Sujit Jain from ASK Investment Managers. Please go ahead.

**Sujit Jain:** A quick question on a) the value of the Kaleshwaram Project if you can quantify? The C&S deal was pretty good. So obviously, now the revenue, EBITDA, PAT targets have been I am sure postponed. Is there adjustment in consideration that we are going to pay and by when we are going to close the deal? Mobility has shown positive margins and that is great, but on a Rs.97 crores top line. So what explains that performance of mobility? And one last question is that 24% of Siemens Limited moves now to an entity which is going to hold the energy business. But eventually when Siemens group goes below 50% once that entity gets listed, we have a particular situation because the listed entity will have energy businesses across the globe, but will hold a stake in the entire Siemens India portfolio through its holding in Siemens Limited. So how long we can keep the energy business in Siemens Limited?

**Sunil Mathur:** Thanks for the question. So on Kaleshwaram, have not disclosed the number, but this is a business in the portfolio company business, so in the POC business there, where we are supplying converters and drives to them. It is within the three-digit number. On C&S look, right now. C&S is a separate company and they continue to do their business. The matter is right now with the CCI and we are following up with the CCI. And once that approval comes and we will take the C&S story further and decide what needs to be done. Right now, they are following their separate path and we are sticking to a very strict regime of maintaining arm's length over there with them.

**Daniel Spindler:** Thanks for raising as well this question. Indeed, mobility has some positive profitability despite the revenue shortcoming and of course there was a partial or full lockdown of our factories and project sites as well as mobility. But noteworthy is here that we have quite a good base business. So, for instance, in our rail infrastructure, rail automation sector where we for instance, doing interlocking stations for signaling, which has made quite a decent profitability. Of course, I also would like to mention that there was some claim settlement that had our business to be profitable and avoidance of Non Conformance costs. So there is also huge cost awareness in our mobility

environment. A lot has contributed to the positive profitability, but also the LC-based business that we have seen outside of the large projects.

**Sunil Mathur:** So, let me take the question on the shareholding. As you are aware, Siemens AG shareholding has come down to 51% and they sold 24% of their share to Siemens Energy. So, we now have both the promoters; one 51%, Siemens AG and one 24% Siemens Energy. So, that is the way it is. We also have a representative of Siemens Energy now on the board of Siemens Limited. So, we have equal representation or adequate representation of both the promoter companies on our board. Now, I cannot speculate at this point in time what shareholders decide between themselves to do at what point in time, whether they will want to sell or not want to sell. But I think it is fair to say that right now, with Siemens Energy having a substantial interest in Siemens Limited, we have got a good working relationship established between Siemens Energy and Siemens Limited right now, the customer will feel no different at the front end over there and we are hoping that the Siemens Energy business in India will continue to grow because at the back end, all the processes, procedures and documentation have been very clearly and very neatly aligned and set in place.

**Sujit Jain:** C&S deal, is there a provision of adjustment and consideration when you sign the deal?

**Sunil Mathur:** I do not want to go into the details of the deal at this point in time.

**Sujit Jain:** And one last quick question on the mobility business. Globally, the JV between Siemens and Alstom was stalled by regulator. What is the progress there globally within the group?

**Sunil Mathur:** Yes, you are right the Siemens AG and Alstom merger were stalled by the regulator. And as you probably are also aware, Alstom, has announced that they will now go in for an acquisition of Bombardier and that is their view. Siemens AG has said that they are now redefining their strategies or reviewing their strategies and they will announce these in the course of this calendar year sometime. So once that is announced, we will let you know.

**Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

**Abhishek Puri:** Just quickly on the digital industries business, was this performance that has taken a hit, is it because of the orders or is it because of only the factories that were into the containment zones and hence we were not able to really work on them? And the business environment was supposed to be better for these companies, especially in the COVID lockdown related environment where the remote monitoring and remote operations should become better. So how are the inquiries coming in on that side, if you can brief on that sir.

**Sunil Mathur:** So, Abhishek, on the digital industry, the revenue is down because the warehouse is down. And that was the prime reason. It's not that they didn't have an order backlog, they needed to take a lot out the door. But basically, their revenues are down because their major warehouse is in

Bhiwandi which was closed over there. So that is something that has impacted them, to some extent also the imports that initially took time to get out and to get cleared etc., also had an impact. So that was, I would say, the major impact over there. Yes, digitalization has seen an increase interest. But please remember, during the last quarter, all our customers were also down, their factories were also closed, a lot of their operations were also on hold until the end of May, early June. And I think it was just basically a slowing down of operations over there at the customers end that impacted them majorly on the order income side.

**Abhishek Puri:** In terms of the new inquiries, if you can touch up on that, coming in from which sector, or has there been an increased interest from that side?

**Sunil Mathur:** So, as I mentioned, yes, pharmaceuticals are showing an uptick, to some extent, because of the tractor situation the automotive and, therefore, the machine tool business, and the mold has also started showing an uptick. So, yes, we are beginning to see an uptick in a lot of the segments that they are in. As I said, it's still early days, it is just a month, month and a half now, but their businesses are primarily water, pharma, chemicals, automotive, machine tools. And I think in all these areas, we have begun to see an uptick already. So, if we are not impacted further, then we hope that this is not only pent-up demand, but this is also a real sustainable interest there.

**Abhishek Puri:** Thank you. My second question is on the railways business. In last year's annual report and your commentary in the previous analyst meet was that this year is going to be good for the railway segment or the mobility segment. We have seen a few metro orders, but I think the pricing competition has been high and we have not seen much of signaling contracts yet coming in, which can be a major potential for you. So, what is the update there? And when do we expect that business to pick up?

**Sunil Mathur:** So, as I mentioned earlier, Abhishek, I think it is fair to say signaling and electrification tenders have been coming up. The government has been tendering, metros and railways have been tendering, signaling and electrification, particularly the ETCS2 and so on. So those have been coming. Yes, there has been a slow down on rolling stock ordering. And that is where the large volumes come in from. But I think we have won some signaling and electrical orders and we have lost some, the competition is pretty high. There are many players in that area and many more are getting in. So I think that's basically it. I don't see a substantial slowing down in signaling and electrification, it's more on the rolling stock side.

**Abhishek Puri:** Thank you. If I may, just on the level of order book that we have today, and the factories how they are operating as of today, would we be able to get back to the pre-COVID levels in the current quarter? Or if we move on to maybe the quarter later?

**Sunil Mathur:** Actually difficult, I mean, it's a good one, Abhishek, let me say. And obviously, we can't give a guidance. But let me put it this way. If I look at an annualized basis, obviously, we will suffer with a one and a half quarters of slowdown that happened. But if the current trend continues and the ordering continues, and we are able to continue ramping up our factories and our project sites,

and more importantly, our warehousing also, I think we definitely do expect substantially better results in quarter four than quarter three. Of course, the measures that Daniel spoke about, are also linked into it. Pre-COVID levels is different, so you have got a September end pre-COVID level, we have got a March end pre-COVID level. And there's obviously been a difference over there. But let's put it this way, we hope that we are over the worst. And that now our focus really is to get back to business as usual, putting in all the measures possible to get back to the levels that we believe we should be at.

**Moderator:** Thank you. The next question is from the line of Jonas Butta from PhillipCapital. Please go ahead.

**Jonas Butta:** Sir, two quick questions. Firstly, Daniel touched upon cost saving initiatives that the company stated. So wanted to know if we can quantify the likely benefit of cost take outs over the next 12 to 18 months? And how much of that is likely to be structural in nature? And some of which will obviously come back as activity levels come back to normalcy. So if you can just help us try and get a better perspective on the cost take outs. That's my first question.

**Daniel Spindler:** Jonas, thanks for raising this question. As you can imagine, and as we have tried to explain, cost saving measures on the forefront of all thinking right now and this shortcomings in revenue, and the continued pandemic on cost saving is very important to us. So when you are asking to quantify it, of course, it is a bit difficult to quantify all the cost saving measures because they are basically going through the entire organization. So we are turning around every stone and we have so many levers to look at, and a few of them I mentioned, some also starting from corporate allocations functions, overhead functions through the entire value chain, SCM, IT cost, outsourcing potentially, and so on and so forth. So there is a huge variety in order to quantify, let me phrase it that way. And we are looking into our revenue protection and profit forecast. And there one of the previous question was, when do we return to pre-COVID levels. Of course, which my target is to secure our profitability that we had on previous quarters before COVID. And that will also then guide us in cost saving measures. So we are looking there from quarter-to-quarter regularly, and seeing how our business develops, how the markets are developing, how our customers are behaving. And then we are driving the cost saving measures. I think the team has done a pretty good job starting this initiative in quarter three, they will continue, and we will see more in quarter four. We are also looking into sustainable measures, of course, traveling is down to zero but it will also not return to 100% pre-COVID as it was before. So, we will also make sure that at least partially it is sustainable. And when you are coming to structural initiatives, it also depends on the development of the business. So if it's only of temporary nature, then we will not look into the structure. And temporary means, if it is COVID impacted and we see light at the end of the tunnel, then we will not do any structural adjustments, only when it is really necessary. That we will do also on a case by case, segment by segment level. We are observing the situation very closely and diligently, and we are taking the cost saving measures as we deem them to be necessary.



**Jonas Butta:** Sure. I know I am <not clear> but if at all one were to put a number to it, at least the structural cost, would it be like 1% of sales going forward? No time limit in place, but yeah.

**Daniel Spindler:** It's difficult to say, because we don't know the impact yet of COVID, and how long it will last for us. And I think that is important to understand that nobody right now can predict how severe the COVID pandemic will hit India and for how long it will last. And also with the macroeconomic shifts and political tensions that we also see in downturn of the Indian economy and global economy, you know that we are also very dependent, of course, on export business and as well as on import, FOREX plays a huge role and also a lot of factors that play a role. But ultimately, as I said, and that is our guiding principle, we would like them to come back to pre-COVID profitability levels. And in so far, some of these measures also need to be from permanent nature. And that is what we are looking at.

**Jonas Botha:** That's helpful. And my second question is, Mr. Mathur, if you can elaborate on, I know it's still early days, but any major trends that you are seeing from customers that make you believe that either the digitization portfolio needs to be localized faster than the initial timelines that you had set out? And does that warrant localization of factories of products in the digital industry space faster in India, which used to at one point or at least until last year lead to a high amount of import, and it sort of then make the company a net importer and also gives us visibility on localization of products. If any such trends are coming up in your initial discussions with clients.

**Sunil Mathur:** So, firstly, I think on products, we are facing neither price pressure nor a problem by importing a couple of components that we are doing from our factories, global factories around the world. So, hardware wise we are not disadvantaged. On the software side, as you know, digitalization crosses boundaries and has no restrictions on countries. So, we have got now over 150, almost 200 cases now, where we are of digitalization, we continue to add-on over there of solutions that we have provided, small, medium and large, all of our discussions that we have had, etc. And so, I think our challenge is not localization, our challenge is now providing the benefit to the end customer. And the customer now becoming more willing to look at that in a much more open manner than pre-COVID days. And I think that is what we are beginning to see. As I mentioned, a lot of it now depends on how the private sector reacts, right. So, private sector is not going in for CAPEX at this point in time, when capacity utilizations pre-COVID were below 70%, post-COVID much lower. And at this point in time, there will not be substantial CAPEX additions in the private sector in particular. And this is why I come back to the point that I believe, if demand has to come back into the economy, it will have to be done by government spending on capital goods, in other words, on infrastructure.

So, I think coming back to the to the private sector segment over there, because the private sector does not have that visibility, fresh uptick will not happen. The alternative, therefore, that they are now looking at is, how can I save cash and how can I save my cost. And this is where we are in major discussions with lots of customers to try and provide them the benefits and the various

solutions on how digitalization can actually support them in streamlining their cost center and their cash position.

**Moderator:** Okay. Thank you. The next question is from the line of Lavina Quadros from Jeffreies. Please go ahead.

**Lavina Quadros:** Sir, just two questions from my end. One is, on your order book, have you all had a chance to assess it and decide how much of it has a risk of possibly cancellations or maybe slow moving in nature? I might have been missed it, in case you discussed it earlier. That's one. And two, sir just on C&S electric, I mean, I read the press releases you all had issued on the advantages we all can see on synergies. But if you could discuss the acquisition a bit more in terms of how you are looking at it, that would be great. Thank you.

**Sunil Mathur:** So on the order book, I think it's fair to say we do not have a major concern on the quality of the order book, it continues to be strong. And our teams are continuously in discussions with customers, etc. So, we do not have a major concern on the size or the quality of the order book. As we have always said, we will be very, very restrictive about the kind of orders that we take, they have to meet our margin hurdles. And that is what, what has been happening over the last couple of years. And that reflects in the quality of our order backlog as well. So I am not too concerned on the size or the quality of the order book.

On C&S, look, low voltage is a huge market in the country. And it is a market where we were primarily active on the utilities side whereas C&S is primarily active on the industrial. Sorry, the other way around, we are more active on the industrial side and they have been more active on the utility side. And this is where we see the real synergy, they are also into the infrastructure segment and so on. So, there are markets that they have access to, that we were not present in. And there are markets that we had access to that they were not present in. So I think that is where we see the synergies. We also see major synergies abroad, and these are products that we can start using and they do not have a very large export content. Whereas Siemens, with our global presence, will be able to provide that export linkage to them. So, I think that is basically the major reason and that is what will bring the synergies. As we are able to export more and as we are able to broaden our market reach here in the domestic market.

**Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:** A few questions from my side. First is, Government of India under the self-reliant mechanism has announced benefits or measures for 12 industries, which could be phased manufacturing plan of increasing import duty or there could be some subsidies as well. The question here is, what are the areas where Siemens India stands as a beneficiary in terms of the sectoral exposure? That's the first question.

The second question is, on the overall mix of the business of Siemens Ltd., Siemens being a net importer with the current situation and the geopolitics in terms of the trade wars, on a longer-term basis, is there a potential change in the strategy of more localization or increase exports potential that you could see for Siemens over a two three year basis? It's not a one year piece, we understand one year could be uncertain.

And the last question is on the energy portfolio, given that we have two promoters where we have two legal entities globally. The question is on the supply and flow of the technology, if you could give more color on that, it will be useful. Thank you so much. These are my questions.

**Sunil Mathur:**

Okay. So, let me talk about the sectoral exposure as well as the new announcements of the government. Look, every industry, irrespective of in which area it is, it will require electrical equipment, it will require automation and it will require digitalization. And we are present in all these areas. In some areas if you take, some of them even require large campuses around it, and we are even present in that area with micro grids etc., etc. So, irrespective of which these sectors are and which businesses they are in, if they require more electrical equipment, we are present from everything from generating power right down to the switch and the socket. And we can do everything in between with our drive and our switchgear and our generation equipment as well. If you look at the automation, we are present in 23 market verticals in in our automation segment, as also in our digitalization segment. And we have got tailor made solutions for each of these market sectors, which are globally available to us and locally adapted to the local conditions here in the country. So to be honest, I am not too worried about which segments, irrespective on the announcements that have been made, some segments will do better than others, etc. But for us, we are there in all these segments and present in everything.

In terms of being a net importer, etc., look what we import is primarily components, we are very largely self-sufficient here in the country and our localization levels are pretty high already. What we are importing is very little of finished goods and more of components. And a majority of these components are taken from Siemens factories around the world where, of course, we look at the most optimal cost condition and the global organization looks as the most optimal cost condition in order to enable us to meet our local market requirements and the price levels here. So, I am not too worried about the component levels that we have. We have an ongoing program of localization and we will continue to localize in every part of our business, and it may be localizing our component at some point in time, it may be a larger product, or we may actually take a global product and localize it to Indian conditions over here. But this is something that we are doing in all our factories on a continuous basis. And our CAPEX plans are adjusted to that requirement.

Coming to the energy, and the fact that there are two promoters there. Look, as I said earlier on, we do not see any impact to our customers here within the country. We are also exporting some products, energy products out of India, some directly to third-party customers around the world and some via Siemens offices around the world, and Siemens Energy offices now around the world to end customers. And this process will continue depending on the cost competitiveness

that we have here in the country. We have full access to all their supplies, at transfer pricing conditions. We have full access to all their technology as we did prior to the separation of the legal entity globally. We have full access to the knowhow that is there. Our people will continue to exchange information, our people will continue to be active in projects globally that we are given responsibility to execute, partly or wholly by the global organization. And we will have full access to all the experts of Siemens Energy global here in India as well when we need them for our customers or for ourselves within our own factory. So, effectively, there should not be any impact. This is all very tightly aligned and worked out with all the respective stakeholders.

**Bhavin Vithlani:**

Sure. Sir, just a follow-up on the first question. The government is actually de-emphasizing imports wherever there is local manufacturing present, any of the measures in our businesses and if you could help us identify some of that and how could that benefit Siemens? It happened in case of transmission distribution, any such examples that will be useful for other businesses.

**Sunil Mathur:**

So, there have been, as you are aware and as you mentioned, there have been products that have been manufactured in India, but have been also imported by competition and supplied over there at rates which has not been competitive to the Indian suppliers. We still have to see what the impact of that is going to be as it plays out. We are not concerned because, as we said, a lot of what we have is actually localized in any case, and we believe we can meet the local market requirements with what we have right now. And what we don't have, we continue to localize. So we do see, yes, we do hope to see, particularly in the energy space, increased opportunities coming out of the focus on localization.

**Moderator:**

Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:**

Sir, my question is on the EV infrastructure, which you touched up earlier in the opening speech, if you can elaborate a little bit more on what Siemens will do there. And also, your view on running private train, so will Siemens be looking at it actively?

**Sunil Mathur:**

So, on the EV infrastructure, what we mean by the infrastructure is, we are in the energy space in any case, so the real issue is getting the last mile connectivity from the grid to the charging station. And that is what we do, because the charging station by itself is now becoming a commodity. But the technology really includes the battery storage, includes the transmission, includes the distribution, going from high-medium to low, right into the charging station. And that is what we do and those are the discussions that we have started having with a couple of customers.

On the mobility segment and privatization of trains, look, we are not operators, we are technology providers. So, we do rolling stock, we do electrification, we do signaling, we do the propulsion of the trains and we look at the entire technology part that goes in the train. So we will be looking at operators who may be interested in getting involved in this privatization angle and looking to see how we can tie up with them or how we can supply to them even if there's no tie up initially.

**Parikshit Kandpal:** Equity outgo on both these businesses, right, EV infrastructure and private trains, even the tie up will not include any equity participation from your side?

**Sunil Mathur:** I am leaving it open. The tie up could include everything, we have access to funding, we have a strong financial position as well, so I am not ruling anything out. It could include equity, it could include financing, it could be plain EPC, it could be just plain suppliers. So we are looking at all options.

**Parikshit Kandpal:** Okay. Sir, just lastly on localization. So if you can touch upon what is the extent of localization now? And how much of import is reliant on supply chain or import is reliant on China for us?

**Sunil Mathur:** Are you talking about Siemens in totality of our a particular segment?

**Parikshit Kandpal:** No totality, for Siemens India.

**Sunil Mathur:** So again, our China imports are primarily components from our own factories, and they are absolutely negligible in proportion to our total imports that we have in the company, negligible. So, we do have some third party imports out of China, but there are alternatives for those as well. But primarily, it is a question of some components which are critical to maintain the quality as well as performance standards that we want to deliver to our customers globally. And to meet the global standards, we have some factories. And I think the important factor to understand over here, particularly as far as global multinationals is concerned, is true not only for Siemens, but we are a global player present in over 200 countries around the world. And the supply chain is a network of factories which is around the world, which produce our products to highest technology and quality standards and enable us to deliver a differentiated product to the customer, not only for our own consumption, but also for global consumption. Now each factory has got feeder factories, may have feeder factories in other parts of the world and correspondingly mine 22 factories are also feeding into our factories globally. And this ensures the most competitive cost using the latest technologies that we are able to offer globally. So we have been present here, we have got a manufacturing presence which is over 60 years in this country, with over 22,000 employees and 22 factories here. And we are very closely integrated into the global supply chain network, both as suppliers, as well as receivers. So there are some critical components that Siemens imports, and also exports, to its factories in China. But the majority, and the vast majority of these products are local. So we are not substantially concerned about that. It is important, however, for us to realize that when there are critical components they may need to continue importing them from wherever in the world if the continued levels of performance and qualities are to be guaranteed.

**Parikshit Kandpal:** Okay. Just on the localization, the last part, I think you missed it. What is the extent of localization for the India business?

**Sunil Mathur:** So, I can't give you an average localization level, because it varies from large steel products to medium steel, to mobility etc., it varies from a product to a product level. So I can't give you an average number for that.

**Moderator:** Thank you. Participants, we will be extending the call by another 10 minutes. We take the next question from the line of Charanjeet Singh from DSP Mutual Fund. Please go ahead.

**Charanjeet Singh:** My question is around the exports and services part of the business. Why, you know, domestic market will take some time to ramp up, but on the exports front, how are you seeing and which product categories you are seeing that we can see the good ramp up? Also on the services, what is the proportion of services right now? And how would we see the services business scaling up in this kind of environment where people might go in for more efficiency improvements and those aspects? Yes, that's my first question.

**Sunil Mathur:** So the export market is, let me put it this way, broadly, also slow right now. And that is because as you know, the impact of there is recession in Europe, there is a substantial slowdown, recession possibly also in the US. So the markets have slowed down even for export business. We believe that could have an impact on our export business to some extent. Right now we still have a very strong supply order backlog which includes exports. And we will be concentrating on executing that. And also looking to other markets, Southeast Asia where we have got a good presence, Middle East where we have got a good presence as well to explore further opportunities over there. What was your second question?

**Charanjeet Singh:** The services business.

**Sunil Mathur:** Yes. So the services business is varied. As we mentioned, if I look at the energy service business, that is doing fairly well, primarily because we are doing remote diagnostics and remote maintenance of power plants over there, also of substations and so on. If I look at our smart infrastructure business, which is primarily medium voltage and low voltage, there is not too much service business over there. Our digital industries business I have spoken about and there is interest particularly on increased plant maintenance, that is happening there. Although, some customers are now choosing to do plant maintenance on their own, rather than have service providers do that basically to save costs. So that is also coming in. So overall, I think service is stable. I don't see a major growth right now, but it is stable as it was pre-COVID days.

**Daniel Spindler:** Maybe I can add one or two sentences, Sunil. So, our service business, as you may remember from previous meetings that we had, was around 20% in fiscal 2018 and 2019. Of course, our target is to increase the service portion because it gives some resilience to the business and also as a strong profitability. The portion in quarter three of service has considerably increased and simply due to the fact that, Sunil already explained, that the business is stable in services and whereas the product business was heavily impacted by shutdowns and closures of sites, etc. But it also gave us some nice profitability in gas & power, respective energy segment, whereas maybe other segments where there is less service business, like in DI and SI, they see a bigger impact.

Of course, we would like to see service business to grow because it gives us a good solid baseline business that helps us also to navigate through crisis.

**Charanjeet Singh:** The next questions from my side is on this import of components. So when we see the import data, there's a lot of imports on the motors, drives and the power transmission equipment. And with a lot of emphasis on the domestic manufacturing, Siemens having its own very strong domestic manufacturing base, so do you think that there could be lost import substitution which doesn't happen in these products? And how is our cost competitiveness versus maybe these imports? And can we bridge that gap in terms of maybe doing more automation? Yeah, that's all from my side.

**Sunil Mathur:** So I think I have answered the import question. I do see an increased opportunity for us resulting from import substitution to local. A lot of the competition that is out there has been negatively impacting prices. And I believe that, that will be arrested to some extent. So I do see an opportunity for us in that area. I do not have a concern with increased localization because we are competitive in the Indian market, being fully localized or importing some components that are required. We are still competitive, we are winning good jobs. And as with every tender, you win some and you lose some, when you get a couple of hungry competitors, who for various reasons may want to drop the prices. But overall, I think and that's another point that I would like to make, I think we are beginning to see a stabilization in the price levels in the T&D segments in particular on the market.

**Charanjeet Singh:** And sir, just if I may ask one more question on the short cycle product business. Sir, you mentioned that there has been a significant weakness in that business. So what proportion of our business is right now short cycle product? And how do you see the trajectory of ramp-up for these business? Thank you.

**Sunil Mathur:** So, I think on the product and project, it varies. So if you take an average of 50:50, I think we are more or less okay on that. Sometimes it becomes a little bit more, sometimes a little bit less. But also a lot of the short cycle product business goes into private sector customers. And I think that is primarily the reason why there has been a slight slowdown there. A lot in the product business also goes through dealers and distributors. And for the last couple of months they have been closed and are now concentrating on running down inventories. So it's a mixed bag there, I think in a month or two when the business continues to grow sustainably and the demand does start increasing, I see that this product business could slowly start ramping up again.

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

**Renu Baid:** Sir, I have only one question. This pertains to broad CAPEX cycle. Now, if we look for the last seven years, it's been the same scenario that we haven't seen much of greenfield CAPEX coming through. And most good companies have been surviving on some kind of OPEX or brownfield CAPEX. So, where do we see opportunities coming, which will help drive volume growth for

us? I agree services and digitalization can help improve margin profile overall, but where do we see opportunities for volume growth for the portfolio?

And do you also see a possible opportunity that the end markets from a CAPEX perspective has probably shifted from the large Tier 1 companies to Tier 2, Tier 3 companies which need not be at the main helm of the affairs but who are expanding the portfolio and capacities?

**Sunil Mathur:**

So, Renu, I think let's go back to the volume growth. You are absolutely right, there has been very little of greenfield that has happened in the last couple of years. I believe, though, that that will change and for various reasons. But coming specifically to the opportunities, I think, if I were to outline broadly where I see the opportunities, I see a clear opportunity in the T&D segment, transmission and distribution, both at the state level as well as at the central level. T&D will definitely have to be ramped up, particularly in the States. We will need to have more smart grids, we will need to have a transmission system, which is much more robust. Many states, as you know, do not have the right level of distribution in there. And so I see that as being a clear area.

Let me also, I think we shouldn't write-off the generation space too soon. While the government is moving into renewables, and has done quite a lot in the area of renewables, I think it is fair to say that India's energy requirements of over 300 megawatts, as you know, come from generation by conventional power plants. Now, many of these power plants have reached end of life, over 30 years. Many of these power plants will reach end of life in the next couple of years. Also, there are a whole lot of power plants which have not yet been completed, are in limbo for various approvals, etc., financing approvals, etc., etc. Linked to all this, all the capacities, major part of the capacities that we have put in place do not comply with the COP21 norms. So, we are going to have to revamp these power plants and bring them up to COP21 compliance.

And that means, at some point in time, we are going to have to go to ultra-supercritical or advanced-ultra-supercritical, we don't have gas. So combine size of gas base does not make sense. Our requirement will be coal, and that is where we see the future where you get into advanced supercritical, and ultra-supercritical. So that is going to be something that would probably also come. And then as you move up that scale over there, and you are looking at renewables and so on, hydrogen is something that will be becoming increasingly attractive as an area. Storage is becoming increasingly critical and will change the entire transmission and distribution space. So I see these areas as technologies coming in.

The other part is, of course, and you know this, Renu, we have discussed this in multiple rounds, analysts rounds over here, is the mobility space. A lot needs to be done on the railways still. While we are looking at, rightfully so, at signaling and electrification, we do need to look at rolling stock in a big way. You can't still be at 6,000 horsepower, carrying low weight loads, running at an average speed of whatever 40, 50 kilometers an hour now. When technologies are available that are twice, thrice as efficient, can increase your speed and load bearing capacities.



And if we have got to improve logistics in this country, which is a given, and you have got the DFCs and like, you have got all these freight corridors coming up, we are going to have to invest much more in technologies in rolling stock as well. So I see a lot of that happening.

I think the DFCs and the corridors that we are looking at, the freight corridors that are coming up as being huge opportunities, I see the Tier 1, Tier 2, Tier 3 cities becoming increasingly conscious of the fact that they are that they are low on their infrastructure requirements. And when you look at healthcare and the experience that we have had in our healthcare requirement, I do believe hospitals will come up in a big way, but they will need to be modernized much more. So I see all these areas of smart infrastructure, and I think it's not as secret. India spends \$16 million per capita on infrastructure. The global average is \$100 million dollars per capita on infrastructure. And China spends \$116 million on infrastructure. So, even if I were to grow at the global average of \$100 million, and we are at \$16 million, that is the extent of work that needs to be done.

I believe also, and as I mentioned earlier on, that if we have to get demand back in the system, that will come only through infrastructure spending. And it will need to come in all areas which will feed cement, steel, etc.

**Renu Baid:** Correct. Sure. Which essentially means still a couple of years for meaningful uptick to be seen in physical terms?

**Sunil Mathur:** I don't necessarily think so, because if you are looking at setting up a power plant, for example, a new power plant, the tendering has got to start now. It will take five years to construct, right, so you have got to start tendering it sooner than later. If you are looking at revamping your trains, the tendering has got to start now. So a lot of it will depend on, and to be honest, this privatization of trains is a very good step in that direction. I don't think we will wake up one morning and see a major jump in infrastructure. But the signals are already there, it is beginning to happen. And the fact that electrification and signaling did not slow down in the last three, four months is a sign that, that is something that is very clearly focus. The tender that has come out for privatization of trains is another signal over there. So I think things are beginning to move. And we will need to just watch this space very, very carefully. But I wouldn't say that we don't have anything or no opportunities in the infrastructure space for the next three to five years. I think that, that would be too pessimistic.

**Moderator:** Thank you. Ladies and gentlemen, we take the last question from the line of Ankur Sharma from HDFC Life Insurance. Please go ahead.

**Ankur Sharma:** Thanks. My questions are answered.

**Moderator:** Thank you. That was the last question. I now have the conference over to Mr. Venkatesh S. for closing comments.

**Venkatesh S.:** Thank you very much, everyone, for joining the call. Have a great day. Stay safe and healthy.  
Thank you very much, once again. See you.

**Sunil Mathur:** Thank you very much. All the best.

**Moderator:** Ladies and gentlemen, on behalf of Siemens, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.