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July 27, 2022

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Mumbai 400 051
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Dear Sirs,

Subject: Transcript of the conference call with Analysts/ Investors held on July 21, 2022

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the conference call that was organized with the Analysts/Investors on Thursday, July 21, 2022 and the same can be accessed at https://www.hitachienergy.com/in/en/investor-relations/analyst-section

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For Hitachi Energy India Limited
(formerly known as ABB Power Products and Systems India Limited

HITACHI ENERGY INDIA LIMITED (Formerly known as ABB Power Products and Systems India Limited)

Poovanna Ammatanda
General Counsel and Company Secretary

Encl: as above

Hitachi Energy India Limited Q1 FY23 Earnings Conference Call

MANAGEMENT	**MR. VENU NUGURI –** MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, HITACHI ENERGY INDIA LIMITED **MR. AJAY SINGH –** CHIEF FINANCIAL OFFICER, HITACHI ENERGY INDIA LIMITED **MR. POOVANNA AMMATANDA–** GENERAL COUNSEL, COMPANY SECRETARY AND COMPLIANCE OFFICER, HITACHI ENERGY INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Hitachi Energy India Limited Q1 FY '23 Analyst Conference Call. 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. N. Venu – MD and CEO, Hitachi Energy India Limited. Thank you, and over to you, sir.

Venu Nuguri: Thank You, Good evening everyone. Thank you for joining us for the call. I hope all is well at your end and you continue to take all necessary precautions to keep safe. While the pandemic seems to have eased recently, we reached the 200-crore milestone of cumulative doses administered in the country. However, there are dangers still looming just beyond the horizon. The economy is on the path of recovery to pre-pandemic levels. There is a healthy momentum with demand and economic activity picking up and business confidence had started to improve the last time we spoke. However, multitude of factors continue to impact the growth numbers. We believe these are short-term challenges, which would flatten out in the longer term. We have uploaded the Presentation in BSE and NSE website which I am going to use for your ease of reference. We kickstarted the quarter on an optimistic note but were also cautioned by supply side constraints such as increasing commodities prices, freight and logistics cost, semi-conductor crunch, all of which were acerbated by the turmoil.

This has impacted economies and industries, affecting the entire ecosystem, including our profitability as well as that or our customers and partners. In these challenging times, Hitachi Energy India scored some significant wins. In the quarter ending 30 June, we received orders worth INR 3,054.6 crore, up 309.7 percent YoY. As a pioneering technology leader, well entrenched in the market with a long-standing partnership with the customers. Our value-driven engagement with customers helped at driving some of the key order wins this quarter.

The order for a 1000 MW HVDC link between Kudus-Mumbai reiterates customer confidence in our technology expertise. The game-changing 1,000 MW HVDC link will increase the supply of power to the city by almost 50 percent, paving the way for utilities in the country to adapt to the grid of the future.

Our long-term fundamentals appear solid, India continues to be a fast-growth market with strong potential and as a market leader, we continue our engagement with the customers to collectively emerge out of this uncertain market situation.

Our work is underpinned by Safety, Integrity and Quality - our licenses to operate. And it continues to resonate with our customers through our high service ethics. We have continued organizing regular training sessions for our employees, contract staff and partners to arrest the spread Covid, reduce site hazards and avert any issue arising.

We conducted special sessions to spread awareness regarding Risk Management and Life Saving Rules, summer readiness at sites, and so on, to ensure our people and adapt to new norm measures and bring Safety & well-being into routine practice as a way of life in all our premises.

Moving to the next slide, Slide #5. As an organization we take a holistic approach in growth of the organization, our employees, our ecosystem and the community we serve across the country. We won milestone orders such as the Mumbai infeed HVDC, expanded our export footprint for high voltage offering and executed projects from various industrial and infrastructure segments. We contributed to policy shaping conversations at platforms like CII, IEEMA and industry thought leadership forums such as the Karnataka Energy Conference 2022, Sweden India Dialogue on Sustainability. To further share our technology expertise, we inaugurated the smart electric lab in NIT Warangal, which is aimed at driving smart electric grid technology education, skills development and research activities. We also re-initiated Hitachi Energy Technology Conference on-ground face-to-face event at Lucknow and another held in partnership with CEA. Marking environment day, we conducted a sustainability drive at our manufacturing facility in Gujarat. This was an employees-led initiative and they planted over ~1300 saplings at our Vadodara premises.

Moving to the Slide #6. Last year, we announced our 2030 carbon neutral goals. We had set milestones defining our journey for operations in India, as well as around the world. We modeled our strategies to implement this both ground up and top down, to meet the urgency and pace of change required to reach a carbon-neutral future.

In the last three months, we conducted energy assessments across our manufacturing locations. We have nominated location leads who will undergo BEE Certified Energy Manager course. STECOs with location ownership and management buy-ins helped ensure cadence and continuity in our sustainability plans. Achieving the promise means integrating renewable energy by overcoming capacity issues and reducing waste. We continue to maintain 100% fossil free electricity consumption. Furthermore, the insights from the assessment also helped us identify the potential to reduce 62% CO_2 emission by end of this fiscal year.

As a responsible organization, we keep proactively doing our bit towards a sustainable future with the first one being our Business Responsibility and Sustainability Report, a non-financial disclosure done for the FY21-22 period. And this is also first among the many companies to set ourselves in the leadership position we have come out of the report, which we have published as part of our annual report.

Moving to the next slide, Slide #7. In terms of the pandemic, we are not out of the woods yet. The Caseload has decreased from where we were a year ago, but the concern remains. There has been a gradual improvement across indices such as the Index of Industrial Production (IIP), and core industries. Earlier this quarter, India’s power demand touched an all-time high of 210 GW. According to analyst reports, electricity demand in just a few months of this year, is exceeding the demand anticipated for the year. Analysts estimate Indian GDP in this fiscal year to be in the range of 7-8%. While India is largely a consumption-driven economy, we are not isolated by the global headwinds.

Inflation remains high above 6% against the global double-digit inflation. It is projected at 6.7% for FY22-23. Our currency further depreciated against the dollar. Just earlier this week, we touched Rs 80 per dollar, the lowest in the history. The shortage of semiconductors continued to worry the industry.

Moving to the next slide, Slide #8, There are multiple factors at play leading to the present semi-conductor crunch that we are facing. For one, there is spiraling growth in the demand for semiconductors with the increasing digitalization and consumption of electronics and automotive. This couple with lagging impact of Covid disruptions and geo-political tensions have reduced semiconductor supply to a trickle. But we are working through the problem by reassessing certain strategies that will help us steer through the turbulent time in the long term. One of the first strategies is reducing our dependency on the chips by redesigning products and increasing our focus on product lines that do not depend heavily on semi-conductors, such as COMBILFEX, RTU, enterprise software and network control.

We are collaborating with global teams in business unit operations and supply chain teams on stock-sharing and material allocation. We are proactively stocking some of the fast-moving electronic items to provide temporary hedging from the sky-rocketing product prices.

While the global semiconductor manufacturers and the global supply chain organizations are continuously working towards striking the balance of demand and supply, it will take some time to reach ideal scenarios. Analysts are predicting that we are yet to hit the upper limit of demand, and that the material costs especially for semiconductors might further rise by 10-15% in the near-term owing to ongoing inflationary pressures.

Moving to the next slide, that is Slide #9. If you look at the breakup of the orders, demand in this quarter was driven by orders from across the segment including industry, rail & metro, all led by T&D. While the HVDC order win accounted for the large jump in the utility order, we saw robust growth in the industry segment, growing 100% compared to the same quarter last year. This also explains the sharp rise in the number of orders handled through direct sales.

A considerable portion of our orders pertaining to renewable energy, align with the central and state priorities for capacitors and reactors. Some of the marquee orders are Railways, Datacenter, and industries such as a couple of orders for traction transformers from Indian railways and Private rail equipment manufacturer. All in all, this quarter has been one of the biggest quarters in terms of the order inflows for our company and orders came from transmission sector, Industry and Railways, Metro and Infrastructure in that.

Moving to the next slide, Slide #10. If you recall one of our key enablers for the growth and bottom line has been service and exports, let me touch on the service and exports. Exports was roughly

23% of total Hitachi Energy in India's orders in this quarter from markets such as Uganda, Saudi Arabia and Azerbaijan. We have a mid-term target to bring around 20-25% growth in order and revenue from exports market and we have comfortably stayed in this corridor for the last 3-4 quarters now. This is also important for us as the on-going global supply chain constraints and the geo-political issues are compelling global customers to look at alternative supply chain routes and partners. In our view, India has the potential to make its mark as a resilient partner offering high-quality products to different market globally.

Our service portfolio continued to deliver with 10% growth year-over-year. We see the scope to increase in certain markets. We are adding new customer names to our portfolio with service orders from PSTCL, Vardhman, ST Telemedia. And as small steps of leveraging synergies with Hitachi Group, we booked the first order for Modular Switchgear Monitoring from Hitachi Japan and for servicing the group company's GIS switchgear as well.

Moving to the next slide, Slide #11. Financial performance. Our long-term strategy, put in place to combat the global headwinds will take us through the uncertain market conditions. Even amidst the ongoing tribulations, we have delivered a sustained performance. The company booked orders worth INR 3,054.6 crore, up 309.7 percent YoY. Revenues rose 24.4 percent YoY reaching INR 991.3 crore for the quarter ended June 30, 2022. Supported by world-class project management, the company commissioned several substation and switchyard projects for utilities, industries and infrastructure sectors.

In the quarter, profit before tax was at INR 2.1 crore, profit after tax at INR 1.3 crore, while Operational EBITA stood at INR 15.3 crore. The quarter witnessed rising cost of commodities and supply chain bottlenecks, creating a drag on margins. Various measures are being adopted to reduce the impact, with a special focus on semi-conductors. On the order backlog, we have a healthy pipeline that provides around 20 months of revenue visibility. During the quarter, we received the large HVDC order that has further strengthened our order book which stands at INR 6777 cr. This helps us plan for the future and prepare accordingly.

Moving to my last slide, Slide #12, priorities for the financial year '22, '23. COVID still remains a matter of concern, and we are determined to ensure that we continue supporting the healthcare infrastructure for our employees and their family and the community. We continue to cover tried and tested 3-pronged strategy that is protecting our people, preserving business continuity and preparing for the new normal.

We will focus on high-growth segments. In addition to our traditional segment as we have been talking about high growth segments, where we have a very good value proportion to offer to our customers yielding a very good result. We continue to focus on that, building a sustainable operation to tide us through the short-term supply side challenges.

We tried to capture a large share of the market with our localized portfolio, developing business competencies and new business models, so we need partnerships. As you know, our strategy is to grow higher with the market as we are taking several leading initiatives, and that is helping us to grow higher than the market continuously for the last several quarters. We will strengthen our leadership position to grow -- continue to grow fast in the market with a single focus on cash over revenue.

We believe this is possible with our emphasis on growing the high-growth segments, namely Rail, Transmission, Renewables, Data Center, HVDC, Power Quality and Automation. We will continue leveraging our growth. So, digital solution, traditional service offering and portfolio and exports leveraging our local presence. As you know, today, we are manufacturing more than 80% of our globally manufactured portfolio, we manufactured locally here.

We would like to leverage this local manufacturing not only for the domestic market but also the export markets. We have and will continue to invest in the planet, people, peace and partnerships with our commitment to making our operations carbon neutral and sustainable. That's the reason we have announced our carbon neutral strategy 2030, and we have also announced all the teams. The teams and the locations are working towards ensuring that we will meet our targets of carbon neutral in our own operation by 2030.

We believe diversity and collaboration equals great innovation. And therefore, we promote peaceful and inclusive society for a sustainable development. In the whole of last year, we have added 30% more female employees in our company. And this is our commitment that Diversity 360 will definitely bring diversity and collaboration to leverage innovation with that. We will be working towards building a more sustainable and profitable company over a period of time.

Thank you, ladies and gentlemen. I would now like to open the channel for your questions. Thank you.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Renjith Sivaram from Mahindra Mutual Fund. Please go ahead.

Renjith Sivaram: Congratulations on the order win. If you can just throw some more light like how much was the difference between us and the L2?

Venu Nuguri: So, thank you, Renjith. As you know, this is a tender where we have submitted, and unlike in PTCL, it is not a public tender. So, we do not have the information of L2. So, what we believe is that we are - when we submitted our tender, we are both technically and the commercially competitive.

Renjith Sivaram: So, it's more of a negotiated tender or what?

Venu Nuguri: No, it's not negotiated. It's like international competitive bid where we have submitted our bid and then they have announced that we are the successful bidder.

Renjith Sivaram: Okay. And sir, how much is the value of this Adani order because I think you haven't mentioned that.

Venu Nuguri: As you know, as part of a request from our customers, so we don't share the exact value as the details were not shared publicly. But any of the HVDC projects are very large projects and runs into several years.

Renjith Sivaram: So, what's the timeline for this? When will it commence?

Venu Nuguri: Commencement has started and we have to complete in 38 months.

Renjith Sivaram: 28 months from this August 1 or this month?

Venu Nuguri: No. 38 months. We just booked during the last quarter, so 38 months from June 2022.

Renjith Sivaram: From June. Okay. Sure. And sir, just if I can ask, why the margins were a bit lower this quarter. Is it only to do with commodity prices? Or you feel the competitiveness has been higher? Or it's something to do with the product?

Venu Nuguri: Renjith, I think there are multiple reasons in this quarter, that is the quarter that has gone, which is basically I would put it in a 4, bucket. One is that the revenue of product mix. The second one, as I talked about semiconductor shortages. As you know, we use a lot of semiconductors in grid automation and also in the HVDC product lines. And the third one is supply chain disruptions leading to increasing freight and logistics costs and also sometimes non-availability, etc. And the fourth one is exchange and commodity price fluctuations in that. So, these are the primary 4 reasons due to which the margins got lower.

Moderator: The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: Sir, I believe the next large order that the industry will have its eye on is Power Grid's Leh transmission. So, any update on that by when can we expect the ordering? What would be size? And also do we intend to participate in the storage element of that order as well?

Venu Nuguri: Yes. Thank you for your question, Apoorva. And yes, Leh-Kaithal is a very key project. And as you know, HVDC, Hitachi Energy is pioneering this technology. More than 50% of our installed base, including the new projects around the world, including India, runs through our technologies. So, we are very keen. We have been working with our customers on this. And we believe that the tender would come shortly. We will not be in a position to tell exactly when as we don't have any information, but you know that, that is the next HVDC project being awarded.

As you recall, some time back, we were saying with so much of renewable coming in, so much of energy transition, our forecast has been that every year, one HVDC tender will come up for bidding in this country for at least next 3 to 4 years. So, we have been great there. We're doing a lot of localization of our equipment. For your information for HVDC Mumbai projects, almost 80% of that particular project will be manufactured in India locally.

Apoorva Bahadur: Sir, on the storage component for the Leh project as well, do we have the technology tie up for it?

Venu Nuguri: yes, we do have right now. We do the storage as a battery energy storage, we do that. However, our customers want for plan for the HVDC first and later they will look at the storage. But in any case, we have the technology.

Moderator: We'll move on to the next question that is from the line of Amit Mahawar from Edelweiss. Please go ahead.

Amit Mahawar: Congratulations for the large project win. Sir, the first question is basically on, in this quarter, how much is the Forex risk we have? And if you can comment on also the royalty and technology fees. Generally, is it higher than the last year average as a percentage of sales? So, some color on that. And generally, on profitability metrics because Q1 was a very sharp impact, and this is despite your gross margins, which are relatively stable. It seems the overheads are basically on multiple points impacting the profitability. So, if you can comment on the profitability and the details.

Venu Nuguri: Thank you, Amit. I'll ask our CFO, Ajay, to answer part of it, then I'll come back and comment on the profitability.

Ajay Singh: Thank you. Thank you for the question. The first part, if I understand correctly was more on the profitability side and the royalty fee side. So, let me first answer the royalty part. So, royalty fees is we are hovering around the 4%. So, it is the same level. So, we do not see any increase compared to the earlier part. That is one. Coming to the Forex for this particular quarter, yes, we have been impacted by exchange and commodity price fluctuation and that is basically, if I talk about roughly, Rs. 13 crore is the total value that I can attribute for this particular impact for this particular quarter.

Venu Nuguri: So, just to add to our CFO, royalty fees is extremely important because we are a global company. The whole energy landscape is changing so much and all of our portfolio needs to be updated. And on top of that, we need to bring a new portfolio in that. So, it's extremely important that this is like our investment for getting the new technology, new products, new offerings, et cetera, in this changing landscape of the energy transmission in that. That's super important.

As I commented, basically the whole ecosystem is impacted with the supply chain constraint. The supply chain constraint includes new semiconductor issues. If you take the semiconductor issues, and how it is impacting the world? Initially, the prices were higher. Then the delivery issues came out. Today, it is about the availability. So, from high prices, non-availability of not committing the deliveries to non-availability of semiconductors.

So, you've seen my slide also, how the global semiconductor industry is facing that. So, that is the reality. So far, we were able to manage from our safety stocks. But while the safety stocks were there, we have exhausted those safety stocks and the inflows were actually reducing. So, we have several actions in place to mitigate this particular challenge being faced here.

So, while we are also engaged with CXO level of these companies. At the global level, we're also working with our other companies to have sharing of those things. And we are also redesigning some of our products where the availability of semiconductor is easier or better in there. So, all these actions could not happen overnight for sure. It would take some time. And those are the actions, at least from a company standpoint, we are there.

Amit Mahawar: And second and last question is on basically, do you think high-speed rail ordering now that EPC is largely going to be over in the next couple of months, one can assume that high-speed rail equipment ordering for you will happen in the next 12 to 14 months? And also on the upcoming tenders for Vande Bharat and other railway tenders, generally, your assessment of the offerings, 2, 3 large equipment specs that Hitachi will benefit from?

Venu Nuguri: So, as we have been talking about, we talked about HVDC, we have booked HVDC in the last quarter. So, similarly, the high-speed rail, which is funded by the Japanese government is definitely in our radar, it's our targeted opportunity, and we have been working on that. And our estimate or at least our assessment is that the tendering will go last quarter of this financial year.

So, that is very, very clearly in our radar and we are working because we have a lot of our portfolio, which is locally manufactured can go into this particular segment in that. So, similarly, there are many other rail projects, for example, Train 18 is the one such megaproject, Vande Maatram trains. All these things, we are working very closely with train, the manufacturers, and we have a huge portfolio which go into that. As and when it comes to that, we will inform you, but this is the most targeted segment for us as a company.

Moderator: We'll move on to the next question that is from the line of Varun Basrur from Julius Baer Wealth Advisors. Please go ahead.

Varun Basrur: So, my question is just a continuation of what the previous participant asked. On the other expenses, was the ForEx impact Rs. 30 crore?

Venu Nuguri: It's Rs. 13 crore.

Varun Basrur: Rs. 13 crore. And if you can just sort of if you could -- are there any other unusual or one-off expenses, which you can quantify in the current quarter?

Venu Nuguri: No. I think just to add here, we don't have any other one-off things. I talked about basically the 4 things, relevant to our product mix, semiconductor shortage and supply chain disruptions, which has also increased our feed and logistic costs. And finally, the exchange and commodity price fluctuation.

Varun Basrur: And sir, regarding our order book, what percentage of our contracts allow us to pass through any cost escalations that we encounter?

Moderator: Ladies and gentlemen, thank you for patiently holding. We now have the lines of the management reconnected. Over to you, sir.

Venu Nuguri: Sorry, Mr. Varun, please go ahead and ask. The line got disconnected.

Varun: Yes, sure, sir. So, my question was what percentage of our contracts allow us to pass through cost escalations? And one more question, if I may is, how would our EBITDA margins look in this financial year?

Venu Nuguri: So, let me answer you the first one. See, over 65% of our portfolio has escalation clause. But you need to understand that there is a traditional escalation clause either through provisions or formulas or something else. But what we are facing right now is unprecedented. For example, we have a freight cost. Those kind of costs are not covered in that, which is unusually very high. For example, our overseas freight is huge. It's not a percentage of increase, but it is in terms of X. So, those kind of things are very, very difficult to quantify and do that.

So, that's the one and we will not be giving you any guidance on the EBITDA margin for the quarter. What I can say is that I can give you a little bit of color to you that we have been consistently saying that now we have a clear strategy to grow in the market. That growth, as you have already seen, we have a huge order backlog, Rs. 6,770 crore with the fixed cost of our thing when the revenue comes, then naturally, you will have a margin accretion over a period of time. And then we also have a strategy on the exports. We have a strategy on our service offering, digital offering. All this would get us into a double-digit EBITDA margin by end of 2025 financial year. So, last year, you see they are very close to 9% of EBITDA margin.

Moderator: We'll move on to the next question that is from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited. Please go ahead.

Manish Dhariwal: very Good Afternoon, My compliments to the team for securing a very good traction on the order inflow. Now given the fact that we are living in turbulent times, higher orders also bring with them some risks as we have seen this quarter's profitability. So, I request the management to give us a flavor of what kind of profitability matrix can be expected? And what kind of escalation clauses that have been put so that this continuing volatility in the exchange rates, in the supply disruptions, et cetera, do not cause further impact on the profitability.

Venu Nuguri: As you know, as our strategy not this quarter, but last several quarters, we have taken a strategy that we do not accept any projects which has no escalation clause, or any order which does not have an escalation clause, or any order which go into a long gestation period do not have an escalation clause. So, with that, all the orders whatever we are securing, we have a clearly the escalation process building and also there are several force-majeure clauses also we have kept as part of some of the orders, semiconductors non-availability also in some contracts we have brought in as part of the force majeure, which is a unique way to protect our margins and our contracts also in that. So, as a company, we have seen this coming in. It's not that it's supply. Only in the last quarter the impact is a surprise but otherwise, we know these challenges, and we were taking all the actions to face those challenges in there.

Manish Dhariwal: So, see, now some of the customers, they are like very highly leveraged. And what kind of debtor cycles that we have on these contracts, meaning the payment terms that we have a read on that, meaning are we taking any risk on that?

Venu Nuguri: No, sorry, you were not clear. Can you repeat once again Manish?

Manish Dhariwal: Sir, the payment ability of the customers it's also a risk. So, given the fact that the leverage, the position of some of the customers is like very high, so how are our payment terms covering those kinds of challenges that may happen?

Venu Nuguri: Right, as you know, this is always a risk here. And that's the reason we also have a clear strategy that, we also negotiate the payment terms, which is like, for example, we'll have a large contract, large orders do have a good level of advance payment and the rest of the thing is covered so that they confirm your credits with that. So, we have been doing this. And so far, we have been flexible. There could be some percentage of portfolio order book may have a direct credit, but by and large, most of our orders come in with clear and committed payment terms and payment security.

Moderator: The next question is from the line of Viraj Mithani from Jupiter. Please go ahead.

Viraj Mithani: Sir, my question is with continuation of the previous participant. So, listening to your comments, is it fair to say that we have fairly learned about in this quarter. So, a lot of things will be taken care going forward from here, in terms of escalation clauses, commodity pricing, other things?

Venu Nuguri: What I was telling, Viraj, is that certain things, even though we have learned, for example, semiconductors we have learned, it's not possible for us to overcome that challenge if the supplies are not coming in, right? So, while we are taking a lot of action to redesign the things, that will take time. That will not happen overnight in that. So, when it comes to the semiconductors, you have also probably seen this. The best estimate is that it will definitely improve, but to normalize it anywhere, it'll go into the 2023 or so in that. It will improve from quarter-to-quarter, but really to normalize to the level where we used to see, and that is not going to be before the year 2023.

And still in the case, what we have done in escalation clause, traditional escalation clauses have been built in that, for example, the copper, the oil in the transformer, and steel seen in that. But the escalation when it comes to the freight cost, when it comes to our overseas because we do a lot of exports now, as a strategy, we have built in exports, right? So, those things will take more time to stabilize.

Viraj Mithani: Sir, my like is the orders which you received are margin accretive or we have been sacrificing some margin to penetrate the market? Like, if you can give some sense on that.

Venu Nuguri: As you know, in the case of HVDC, we are a pioneer in that technology, right? We never take any order to sacrifice our margin to get an order. We don't want to book an order for the sake of booking order.

So, for us, every project, we always look at risk-reward portfolio. What is the risk and what is the reward it will give? And once it fits into our strategy, then only we for in that. So, that is our clear strategy we have and we adopt for every project we look at, including this one.

Viraj Mithani: And sir, my last question is we supply to the government utilities. So, do we take into account the better cycle? Sometimes government, state unit in particular take long time you pay. So, do we take precautions when we provide to them, whatever service or products we provide to them?

Venu Nuguri: Viraj, can you please repeat if you don't mind because the line is not very good.

Viraj Mithani: We supply to a lot of utility companies, the power companies, which is probably the central government, state government. So, when we supply to them or offer services to them, do we take care of the things that the payment terms are very clear so that our payment don't get postponed, which is a case with the government?

Venu Nuguri: Absolutely. The moment we see any risk, we don't even go for that particular project at all. In some electricity boards, where we see a huge amount of delay, then we will always take a decision on that. But most of our contracts, which are with the central utilities like PGCIL or Indian Railways, like CLW, DLW, where we see our payments are fairly accurate as per the payment schedule.

Moderator: The next question is from the line of Vishal Biraia from Max Life Insurance. Please go ahead.

Vishal Biraia: So, my question was pertaining to Europe and to exports mainly. We had set a target of 25% exports of revenue in a few years. So, where are we on that? By when do you plan to achieve it? And the other is, are we seeing any near-term traction on exports because of the chaos that we are seeing in Europe because of the energy crisis and other aspects?

Venu Nuguri: Yes. I think when it comes to the exports, I think we ourselves set a midterm target of between 20% to 25%. And last year, we were in the range of 23% of our revenue and our orders came from exports last year. And this quarter also I was telling you that we reached exports 23%. So, we have a 3-pronged strategy on exports. One is the direct. Here, we export some of the products. We have a global feeder factory, some of the factories we have a global factory like our circuit braker and Combiflex, they go everywhere around the world. And then second strategy is that we also have a global fleet of factories where we will sell the components to some of our global factories. And the third one is we do the direct sales to customers like in Africa or in the Middle East and also in South America, etc. And we have a very clear strategy to bring it to 25%. And we believe that we already reached a mid-corridor of our thing, even though we kept 3-year target, but we have reached and continue to grow on this strategy.

Vishal Biraia: Have you seen any near-term delta in exports or inquiries from Europe or from the feeder factories because of the chaos in Europe where the production has been affected?

Venu Nuguri: Yes, there is. I don't want to say there is chaos, but we are going as per our strategy. We have a very clear strategy to bring some of the products to the local manufacturing. And that's the reason we have been expanding. We have been also telling that we have a clear Capex to support the exports. We have inaugurated one factory last quarter, and then we also have several factories lined up as part of that thing. In one of our conference calls, we have also told what are the factories we are investing and expanding in or coming up with the new greenfield projects as well.

Moderator: The next question is from the line of Kunal from B&K Securities. Please go ahead.

Kunal: Sir, when I look at some of your end markets like data centers, railways, renewables, they all are quite high growth markets. So, I just wanted to get your view on what can be the medium-term or long-term growth number that one should work with in each of the sectors like utilities, industries and transportation, as you classify it. Is it right to assume that all of these are mid-teens kind of a growth sector? Would like your views on this thing, sir?

Venu Nuguri: So, Kunal, thank you for your question. If you really look at the Indian power sector is really going for a huge transformation, right? The growth in the energy or power demand is phenomenal, right? We probably reached the 210 gigawatt. A lot of renewables is coming in, and it needs a lot of technology support to the grid and the rest of the industry associated with that. So, our growth spectrum is definitely the transmission and the renewable, right? So, this will be our higher growth. And I say everything will grow, but these are the growth, they grow up higher than the normal market average in that.

So, transmission, for example, HVDC is one example in that. Previously we get, one HVDC project for 3 to 4 years. Now we expect at least every year one HVDC project or every 1.5 year, one HVDC project. So, that is the kind of developments that are taking place, and that's the reason we are also localizing a lot of equipment which we used to bring it from our overseas companies.

So, we are manufacturing everything here, in fact. So, that's one aspect of it. And the second thing is we see the industrial CapEx -- we have seen industrial CapEx, a lot of industrial CapEx we have already announced it. Maybe due to the current macro situation, there could be some delay in decision-making, but we are seeing our pipeline is very robust at this point. Our pipeline in terms of transmission, in terms of the renewable, in terms of industry CapEx, whether it is steel and cement and aluminum, they are really going for expansion and also the data centers. So, they are the high-growth segments, they are growing higher than the market average, and we have a clear strategy to grow above the market. And that's the reason we have seen our orders in the last quarters reflecting our strategy.

Kunal: Just a quick follow-up on that one, sir. You mentioned about localization. So, currently, what would be the level of localization across the company?

Venu Nuguri: I would call as it depends again product to product, things like that. What I was saying is that whatever we are manufacturing, we are manufacturing 100% of our portfolio, 80% of that we are manufacturing locally. So, that means everything is available locally in line with Make in India, bringing the new technology. Last quarter, we announced opening of a new factory, which is a resin cast, resin integrated polymer bushing, which is the first time 400kv transformers that kind of machines what we manufacture here. This is a very high technology intensive products, we got it cleared and we are manufacturing it here itself. But this is just to give you a flavor of it.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was our last question. I now hand the conference over to Mr. N. Venu for his closing comments.

Venu Nuguri: Thank you, ladies and gentlemen. Thank you for taking your time on attending to our call and appreciate very much. Due to lack of time, I think we could not answer any more questions, but please reach out to us any time, and we are happy to answer your questions, if any. So, meanwhile, please take care of yourself, your families and your colleagues and stay safe and stay strong. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Hitachi Energy India Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.