

November 9, 2022

BSE Limited  
P.J. Towers  
Dalal Street  
Mumbai 400 001  
(Atten: DCS Listing)

National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor  
Plot No. C/1, G Block  
Bandra-Kurla Complex, Bandra (E)  
Mumbai 400 051  
(Atten: Manager Listing Department)

**Ref: BSE Scrip Code: 543187, NSE Scrip Symbol: POWERINDIA**

Dear Sirs,

**Subject: Transcript of the conference call with Analysts/ Investors held on November 4, 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 Friday, November 4, 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)

**Poovanna Ammatanda**  
**General Counsel and Company Secretary**

Encl: as above

**Hitachi Energy India Limited**

(Formerly known as ABB Power Products and Systems India Limited)

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## Hitachi Energy India Limited Q2 FY23 Analyst Conference Call - November 04, 2022

**Management: Mr. N. Venu – Managing Director & CEO, Hitachi  
Energy India**

**Mr. Ajay Singh – Chief Financial Officer, Hitachi  
Energy India**

**Mr. Poovanna Ammatanda – General Counsel &  
Company Secretary, Hitachi Energy India**

**Moderator:** Ladies and gentlemen, good day and welcome to the Hitachi Energy India Limited Q2 FY23 Analyst Conference Call. As a reminder, all participant lines will be on 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. Thank you and over to you, sir.

**N. Venu:** Thank you operator. Good evening, ladies and gentlemen. Thank you for joining us for the call. And I hope you're all doing well, taking care of yourselves and your families.

Last year around this time, if you recall, we unveiled our new identity rebranding ourselves by the Hitachi Energy. This name reflects the breadth of opportunities where we can contribute our competency, expertise and solutions portfolio and support the acceleration towards sustainable energy future and societies. Through our first year, we invested in capabilities to cater to the evolving energy landscape; strengthening our foundation of talent, expanding our manufacturing footprint and building a brand that we all know today. As Hitachi Energy turns one, we will continue and deliver results with strategic expansion to drive high growth segments. We have uploaded this presentation which I'm going to refer, already in BSE and NSE. For your benefit, I'm going to refer the slide numbers, in the next 20 - 30 minutes I will take you through our performance during the quarter ended September.

So, let me move to the Slide #3, Consistent performance and a stronger order pipeline. In this quarter ending 30th September, we received orders worth 1278 crores up 30.6percent year-on-year the continued order growth momentum was driven by key wins and renewable industries and rail segments as you know that these are our high growth segments. We have been driving this continuously, consistently for last several quarters. The revenue stood at Indian Rs.1815 crore up from 31 percent year-on-year. While PAT was up 8.3 percent year-on-year consistent focus on execution, close customer connect and various mitigation efforts tampering the impact of tight supply chain on earnings. Some of the notable order win during the quarter were NTPC, renewable energy orders for the transformers and the rail segment from the BLW and BNC power, mining and data center and some of the industrial orders such as aluminum, smelter and the steel orders etc. I would like to take a moment to talk about the orders from NTPC Renewable Energy Limited to supply power transformers for their upcoming 4.75 gigawatt renewable energy park in Gujarat. And once it's completed, it's going to be one of the largest renewable power anywhere in the country. We would be providing transformer manufacturer at our factory in Vadodara and this will be the single largest rating of transformer used for solar power evacuation in the country so far. These orders validate how we continue to gain traction from customers in the high growth segments such as renewable, railways, data center and substation, and industries.

As Hitachi Energy, we have followed the three pillars namely Safety, Integrity and Quality which are our licenses to operate. We have been continuously investing in our employees, including contract staff, to ensure they understand and inculcate the fundamentals and live by these principles.

We continued organizing regular training sessions for employees; while these have focused on physical health and safety aspects, we have been steadily increasing our focus on sustainability. This has been visible to customers who have acknowledged and appreciated our work with rewards and recognition.

While imbibing these in our operations and business process, we are also taking the message forward promoting importance of safety and quality with our outreach efforts. During the quarter, we organized Road Safety programs in association with Hero MotoCorp. This included 23 Road Safety Program Sessions with more than 2000 participants across locations.

Moving to the Slide #5. As a pioneering technology leader, we collaborate with customers, partners, and stakeholders to enable a sustainable energy future. We strive to be customer centric, and we work to build and maintain trust for long term partnerships with our stakeholders across the sectors.

One of the orders bagged during the quarter included, the first order of 100 MVA Scott Transformer. This is the first for Hitachi Energy globally, and I am proud to share that from the product design to product engineering, our engineering team in Vadodara will be driving this project from design to manufacturing and commissioning. These projects are examples of how we are accelerating the evolution of world's energy system by collaborating with customers and bringing a new age solution to the fore. And efforts to do so with transparency and integrity were recognized for excellence in Corporate Governance 2022 Award, a reaffirmation of our confidence.

We are also driving the conversation on energy transition and industry thought leadership forums, taking the message to our customers across India and also nearby countries like Nepal, Bhutan, Bangladesh, etc. With industry leaders we are also readying talent equipped to tackle this transition. We are committed to supporting all of our customers, addressing the needs of industries and societies, as a part of our continued outreach to the communities around us, we supported the pediatric ICU, in Mysore district hospital under our CSR initiatives, providing infrastructure that will enable the hospital to provide care that was not possible until now.

Moving to Slide #6. Hitachi Energy is making timely progress with its portfolio that is strengthening, expanding and evolving power system. The business is focusing on continued localization, it's a global portfolio, building indigenous capabilities and products as well as creating new jobs. We are continuously evaluating the energy and

demand, landscape and necessary steps we must take to keep ourselves relevant to deliver cutting-edge solutions to our customers in India and around the world.

In August, our greenfield manufacturing facility for high voltage power quality products was inaugurated by the honorable Chief Minister of Karnataka, Shri. Bommai. This facility doubles the existing production capacity of advanced capacitors units, banks and other products which are very critical for the power quality. These products find application, power utilities, industries, renewable transportation, rail segments to improve efficiency and reduce energy waste.

Along with power quality products, we also initiated a manufacturing of next-generation switchgear operating mechanisms and expanded dry bushing for transformers. These factories have low environmental impact production principles, and iterating on technologies that improve reliability and flexibility of the grid. We are participating in the country's growth story continuing to bring industry leading experience, deep domain knowledge and pioneering technologies that support our stakeholders with accelerating the global energy transition.

Moving to the next slide, Slide #7, Hitachi Energy in India has placed sustainability at the heart of our purpose. Focused on advancing a sustainable energy future for all, the most significant impact that we are making is accelerating the energy transition in India. As you know, last year, we adopted an ambitious target under sustainability 2030 program to become carbon neutral in our own operations by 2030.

After reaching our first milestone in December 2021, that is switching to 100 percent fossil fuel in our operation. We looked at innovative ways to optimize energy generation and consumption. As stated last quarter, we are targeting 60 percent reduction in CO2 emissions within financial year 23 and have reduced operational carbon footprint in this quarter by 40 percent compared to the last year, same period.

We also implemented greenhouse gas standards and are in the process of adopting smart metering across our 18 factories and 19 sales touch points and other facilities. From the top leadership to location heads and business leaders, everyone in the organization is committed to these goals and they have the target of monitoring on a month-on-month and quarter-on-quarter basis.

Moving to the next slide, Slide #8 and you will know these factors better than me. During this quarter, inflation climbed to 7.4 percent against the 7 percent inflation in the previous quarter and then the rupee depreciated at a record low of 82.3 for USD dollar, which is the lowest in the history. The threat of recession looms larger than US economy and its impact on other economies such as India is yet to be seen fully. The shortage of semiconductors chips, etc., continue to worry the industry even though supplies have improved slightly, the overall base is still challenging. There has been a gradual improvement across the indices such as the index of industrial production and core

industries, etc. The overall economic indicators are starting to look better, and India appears to be slowly getting back on track and the Indian economy remains one of the fastest growing economies in the world.

And moving to the next slide, Slide #9. As you see we continue to gain traction from customers in our high growth segments and we have been driving this high growth segments since several quarters now and these are renewable industries, transport, data centers, HVDC, etc., some of the high growth segments and the total orders with the efforts of various activities, the total orders are up by 30.6 percent year-on-year and orders such as the one from NTPC, Renewable Energy Limited supply more transformers are resulting from the nation's target to have a 50 percent electricity generation from renewable resources by 2030. So, these are the commitments and offshoot of those commitments or some of these projects getting finalized in that.

Orders were heavier on products from end-user and evenly split between utilities and transport followed by industries in the sector, sectors transport and infra was stronger this quarter with the push towards the data localization regulations and data center policies, we expect healthy growth. In railways, for example, we are looking at opportunities such as 2x25 kV electrification of High- Density Corridors and the upcoming 8-10 metro projects which are expected to be awarded in current fiscal year.

Moving to the next slide, Slide #10. With ~25 percent of the order book, exports remained healthy and do you recall our strategy from the last more than one year to bring the exports to the 25 percent corridor, which we are happy to share that we almost reached our targeted corridor and with 25 percent of order book, the orders from established export markets from our nearby countries such as Nepal, Bhutan, and the Middle East, and also the Americas understanding the market requirements. Hitachi Energy has been proactively augmenting its manufacturing facilities to meet changing demand. Today more than 80 percent of Hitachi Energy's portfolio is locally manufactured in India and the manufacturing base in India also caters to the global requirement for product. And you have seen successfully for last several quarters we are opening up the new factories or expanding the new factories in this direction.

Service orders remained strong from a healthy mix of base orders for retrofit and space and utilities including some breakthrough orders for GIS bay extension and substation automation systems. As a partner across customers' plan-build-operate lifecycle. Hitachi Energy in India continue to provide technical expertise, services such as renewable studies for utilities and engineering advisors, advisory for mining industries, etc. And the annual potential market for service averages around INR 2000 crores for Hitachi Energy in India. We are leveraging our install base to expand in exports and service. I will talk more about this in the upcoming slide.

Moving to the Slide #11. As you can see from the table, the company's efforts towards mitigating the impact of macroeconomic factors have been yielding benefits by

softening the impact of external challenges. We continue to face semiconductor shortages, which is a very critical thing in our Grid Automation business, the commodity and freight prices increase, and foreign exchange volatility. This was reflected in Company's performance in the short term, the Company booked orders worth around 1,278 crores up by 30.6 percent in comparison to the same quarter last year, and the profit before tax stood at 50.2 crores and the profit after tax is 37.2 crores. I would like to bring your attention to the last column if you see the year-on-year comparison of the Company performance between the first half of a fiscal year 2022 and the first of the previous year, the growth has been more than 150 percent in the orders and indication of the consistent growth performance and a strong order pipeline. With a large orders of HVDC in Mumbai, which has been booked, order backlog crossed Indian Rs.7000 crore mark and provides as a revenue visibility of more than 20 months.

And moving to the next slide, Slide #12. As you all probably seen the news that Hitachi announced acquisition of remaining shares from ABB ahead of schedule further supporting Hitachi Energy's 2030 plan. The joint venture company was launched and began operations as Hitachi ABB Power Grids on July 1, 2022 and that allows the change of company name and brand to Hitachi Energy on July 1, 2021. The progress in the Company has been possible by bringing together a passionate global team of 40,000 Hitachi Energy employees and 2500 employees in Hitachi Energy India Ltd. This acquisition will provide opportunities for accelerating the synergies between businesses and functions especially in R&D, IT transformation programs, common shared services and various synergy businesses such as rail, smart grids, etc. It has also helped us move forward and continue with trusted partnership and collaboration with customers, partners, which is essential to finding the solution a world needs.

Moving to the next slide, the Slide #13 which is an important slide to give you a little more information on how we are seeing our high growth segment focus going forward. The growth momentum in market and economy is helping us stay cautiously optimistic about our high growth segments. We are making strong improvements in high growth segments such as solar, wind, data center and rail HVDC. The renewable market with present installed capacity of a solar at 60.8 gigawatt and wind energy at 41 gigawatt is priced for 5x and 3x growth respectively. To meet the commitments of the governments in a year 2030 scenario, we are offering for the renewable market such as Electrical Balance of System (EBOS) and grid connected substation, evacuation substation, energy and grid management automation and various transformers including Dry-type transformers, and so on so forth.

To efficiently transfer clean energy across the vast geography of the country, government is discussing projects to make the national grid more flexible and secure. Over the next 8 to 10 years, we anticipate HVDC connections for utility scale solar generator at Badla, Leh, Kargil, etc.,

The data center market in India is expected to add 45 data centers panning about 13 million square feet and more than 1000 megawatt of IT capacity over the next three years. And this is our focus segments where we have a very high market share as of now. We provide substation, GIS automation, Dry-Type Transformer solutions, data center etc.,

Let me dive deeper into one of the growth driver for us. The Indian Railways, world's fourth largest railway network you all know that is undergoing a massive upgradation and expansion led by electrification of rail and adoption of energy efficient system. They have already announced the various sizeable tenders for high density corridor or Mission Raftaar and also the 12000 HP LOCO Project and also the 9000 HP LOCO Project Hitachi Energy has been a longtime partner of Indian Railways and we see a huge opportunity here for our products and services directly as well as to the OEMs of this particular projects.

We have a large installed base in the country when it comes to the service. And we have been here more than six decades and this gives us a good market for leveraging service portfolio. Like I mentioned before, the annual potential market for service is in the range of 2000 crores for us and with our portfolio of digitalized Classic Services, advanced Services and more of Servitized Solutions. Those are the things where we're going to focus on that. We expect services to account for 10 percent to 15 percent of our orders similarly for exports without manufacturing, expansion of our footprint. We have been clocking a quarter of our orders from exports, over the last few quarters and expect to build on this trend going forward. We believe that the Company is also well positioned to support the growing electrification and transportation industry and building segments with a purpose driven growth plan.

Moving to my last slide, Slide #14. We are supporting customers across the value chain throughout the full lifecycle along the value chain, right from the planning stage of an asset through the building phase of an asset until operation and maintenance phase of it. Advancing a system energy future is not achieved purely by making best in class and pioneering technology products. It takes the relationship and collaboration delivered through committed experts and support to ensure the right solutions, the best flexibility, efficiencies, reliability and availability through their entire lifecycle. We know this because today we are trusted partner with responsibility for existing assets commissioned over 100-plus years of technology leadership globally. And we strive to take an integrated view on the plan, build, operate and maintain phases to design and provide sustainable solutions to our customers, partners helping to advance the world's energy transition. As we move forward with our Hitachi Energy 2030 purpose driven growth, we will continue to focus on strengthening our power grid core business. The core business is our transformer business, our switchgear business, our HVDC business, our grid automation business they are our core business as we are doing.



Doubling up on digital and services as we talked about and expanding at the edge of the energy system. It could be battery energy storage, data centers, etc., and lastly exploring opportunity for innovation, synergies and partnerships to accelerate the growth.

On this note, I will close the presentation to open the house for questions but I want to share another positive announcement that, I'm happy to say we are planning to organize an in-person analyst meet in our state-of-the-art facilities in Baroda, where we have experience center, where we have EnergyTEC, both digital and other technology centers out there in the beginning of the next year i.e, year beginning 2023 And we shall share those further details soon once we have completed our planning stage. This will enable you to understand how the digitalization is shaping up in a very big way in this industry and how our new products, new portfolio can enable even faster acceleration of customers in energy transitions in that. So, with that, ladies and gentlemen I really thank you for joining us today and I would now request the operator to open the channel for your questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Any one who wishes to ask a question may press "\*" & "1" on the touchtone phone. If you wish to remove yourself from the question que you may press "\*" & "2". Participants are requested to use their headphones while asking the questions. Ladies and gentlemen we will wait for a moment while the question que assembles. Reminder to the participants, anyone who wishes to ask the question may press "\*" & "1" at this time. The first question is from the line of Dinesh Mahajan an Individual Investor. Please go ahead.

**Dinesh Mahajan:**

As per recent media reports, there have been reports of transformers shortages in the North American market like utilities are facing transformer shortages, because of increase in electric vehicle charging infrastructure. Do you see similar trends in world over or in the Indian market. And second question is pertaining to are we into high-speed rail transformer business like the bullet train business. Is Hitachi Energy catering to that business. Thank you.

**N. Venu:**

Yes. So, thank you for your question. If you really look at the North America market, you rightly said you're right in the media so same is the case. And there is a huge amount of demand arising out of energy transition there. One is that, and also strengthening the grids and resilience of the grids, all those things are creating a huge amount of demand for lots of products and in addition to that, as you rightly said the electrical vehicles is also another growth segments. So, some of the components which go into the multiple segments since the demand has come up in a same time. So, naturally there is always a challenge from the supply and demand standpoint in that and we expect the similar kind of trend to continue in our other countries including India, even though we have a very robust capacity for the transformers. So, the question is that the ability depending upon on how fast we plan early, the early our customers plan,

so we are in a better position to plan and then deliver in that. So, in this regard we are engaging with our customers to make them aware about the need to plan early on to their requirements, so that they will not get into these challenges of supply and demand gaps in that.

And the second question on the high speed, our Hitachi Energy portfolio goes into high speed rail things, whether it is a traction transformer, whether it is track side transformer, whether it is Scott transformer as I talked about is a new transformer which we have actually designed and built for the railways in that. So, as you know that we are monitoring this high speed rail project, and then as and when it gets materialized we will be happy to share more information with you.

**Moderator:** Thank you. The next question is from the line of Amit Anwani from Prabhudas Lilladher. Please go ahead.

**Amit Anwani:** My first question sir is on the data center as we mentioned that there is a potential of 1000 megawatt data has built up how much is our addressable kind of product which we have been supplying, out of the total CAPEX?

**N. Venu:** Thank you for the question. We have been telling that our portfolio goes into grid connection and then over evacuation and the strengthening of that particular things and automation and then high voltage and then dry tech transformers, etc., in that So, all these things put into depending upon the size of the data center whether hyperscale or not. So, it in the range of 15percent to 20percent is our addressable market.

**Amit Anwani:** Okay, thanks sir. With respect to exports, as you mentioned we are targeting the range of around 25 percent of orders in coming year also. So, could you elaborate more with geographies, what exports makes sense / kind of will look like in next let say one, two year and which kind of products we are targeting in exports?

**N. Venu:** In the beginning of the 2021 we have set ourselves a target of reaching 25 percent of the total order by 2023. And we are happy to tell you that we have reached to target much ahead of our own ambition in that so, we have a three-pronged strategy when it comes to exports. The first one is, we have some global feeder factories such as our 66 KV circuit breaker and then COMBIFLEX, etc., where we will be supplying to globally because that is, those five products are going to manufactured only in India. That's number one and the second one is, we have some allocated markets for most of our products and those allocated markets, where we are having a strategy go to market strategy, we are also deploying our sales resources, we are working with our country, sales organization, and then start selling those things directly to our customers that's the second strategy. And the third one is, we also have global feeder factory, where we will be supplying some other components to our factories around the world, whether it is in operating mechanism, whether it is coals, etc., like that. So, combination of these

three strategies will get us into 25 percent which we already achieved, then we will once again we will review it and then see where we need to go upper band of that.

**Amit Anwani:** Thank you sir. My last question on the margins, so as you already explained in your initial remark, so now with respect to semiconductor shortage, when are we expecting this to some view on normalizing at least specific to Hitachi and what would be the normalized margin in the coming quarter if things normalize?

**N. Venu:** So, the semiconductor is a global challenge and we have been continuously working with there and taking a lot of mitigation actions as you have seen compared to last quarter and this quarter, various mitigation actions have come in play and then we have softened the impact due to that. So, when it comes to normalizing the supply chain in our view it will take at least couple of more quarters and we have a lot of mitigation actions for example we are focusing on the product line which do not depend heavily on the semiconductors like we have a COMBIFLEX, RTV, etc., in that and we also have a collaboration approach on stock sharing with some of our Hitachi Energy factories around the world. And so, I doubt so we are giving early forecast to our suppliers to secure this material, we are placing the early orders in anticipation of that. So, this is basically an industry-wide situation and in my view, all players facing the similar challenge when it comes to semiconductor impacting their supplies in that.

**Moderator:** Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

**Mahesh Bendre:** Sorry, I missed your opening remarks, but I just wanted to know what is a sustainable margin going forward over the next two -three years. What kind of synergies we will get into because you are into currently scaling up your business? So, what could be sustainable margin over the next two, three years we would like to achieve?

**N. Venu:** So, we have various levers, for example we have taken several initiatives upfront and then our go to market strategies are very solid, we have a focus on the various high growth segments, all those things are enabling us to grow higher than the market and in addition to that, we also have an exports, we have exports as well as service strategies to take us where we would like to do that. So, basis which we have also told last time that our midterm strategy is to bring the EBITDA margin to a 10 percent level by 2025 is what have said that and we still committed to that, and we believe that, that's the sustainable margin going forward.

**Mahesh Bendre:** Sure, thank you. And sir export side, I think we all seem to be doing well so, what is the outlook for that and which are the countries we are exporting currently and what is the outlook for that over next two, three years?

**N. Venu:** We said, we have actually in the beginning of last year set ourselves a goal because that time it was a 15 percent to 17 percent of our exports, we said we will take these

exports to 25 percent of our total order value by 2023. We have achieved ahead of the curve at least by more than one year and right now, we would like to stabilize this and then we take a call on that, we also announced opening up the new factories all these factories would enable us to take further exposure into the exports, but we want this to stabilize but before we take a next jump on that.

**Mahesh Bendre:** Sure, and sir the last question, just a broader question compared to a thermal power plant for renewables, how much the investments in T&D goes up, higher T&D required for renewable plants solar and wind compared to thermal?

**Management:** When it comes to thermal you have only point to point connection of a T&D requirements. Like you bring a power from the point of generation to the load centers. In fact, the renewable is highly interpretive and decentralized. It needs more of T&D required grids, you need to bring, you need to evacuate and also ensure that the grid resilience is extremely important because you don't know when the sun shines, you don't know when the wind blows. In this kind of situation how do we ensure that the grid resilience, there is also a lot of T&D equipment like a power quality, like automation, those equipment's will go into this one. In my view, it's thermal to renewable it's not about going down on the T&D expenditure, well rather it should increase more, make the grid more resilient, enable the grids to penetrate more and more renewables going forward in that. So, that's what the visible, in fact if you really look at previously I was also saying we used to have a one HVDC project for every five years or so. Today the outlook or requirement is one HVDC project per year or per one and a half to two years. And more and more these technologies will enable we have received. In the last quarter, we announced the HVDC project for Mumbai from Adani, this is a one example for a different application to make city infeed more robust. So, this connection when it is ready to bring some more power to the city of Mumbai to make it more resilient and more secure when it comes to the energy standpoint.

**Mahesh Bendre:** No, sir I was asking from the angle is that if more T&D required for solar and wind.

**Management:** That's what I am saying, compared to the thermal it's more T&D required for solar and thermal.

**Mahesh Bendre:** So, there will be more growth opportunity for us?

**Management:** Absolutely.

**Mahesh Bendre:** Sure. And sir last question, from e-mobility side what kind of opportunity we see in terms of setting up charging stations and so on?

**Management:** So, in terms of the e-mobility we have a technology what we call it a Grid-eMotion™ Flash and Fleet charging, and this technology enables buses to get a boost of charge in less than 20 seconds. And we have been working on this. As you know that these

kind of technologies, if you really want to make it work in India, it needs to be affordable. That's the reason we are right now focusing on localizing these technologies. As we speak, we are running a pilot in IIT Madras with other reputed bus manufacturers on that. So, we are doing all that to make this technology localized and indigenized so that we are able to reach the required enterprise band and make this technology more affordable in this country. Thank you.

**Moderator:** Thank you. Mr. Bendre may we request that you return to the question queue for follow up questions. We will take the next question from the line of Mohan Krishnaswamy an Individual Investor. Please go ahead.

**Mohan Krishnaswamy:** I am referring to the Slide #13 which we have just shared on the service income, where we have mentioned that annual potential market of 2000 crores. Now is this with the target annual revenue, which we are looking at for Hitachi Energy, because right now we are clocking about 10 percent to 15 percent of our revenues from services which could be to the order of INR 400 to INR 500 crores. So, is the understanding correct, that we're looking at a significant increase over time next three to five years?

**N. Venu:** Yes. So, thank you Mr. Mohan for your question. And so, what we are saying is that, with more and more digitalizing of our networks of the power system, so the service potential is going to grow based on our installed base calculation. Because of all the installed base we have in our system, we estimate that 2000 crores will be annual service potential in that. So, it won't happen overnight to reach that level is that so, definitely it will take couple of more years. So, but we are estimating that with so much of digitalization, so much of advance services like your asset management, asset performance, and also workforce management, enterprises, all those things and vegetation management, all those things will enable us to get you there. We are not giving any target as of now for when we reach there but right now our immediate target is to reach 10 percent to 12 percent. But right now we are saying that's the kind of potential based on our installed base can be achieved over a period of time.

**Mohan Krishnaswamy:** Sure. And sir, the next question is on the Lumada offering of Hitachi, which is for the digital side, how are we leveraging that in India because clearly, that holds potential as well and we are using Hitachi strength's here so can you just throw some color on that?

**N. Venu:** We will become globally 100 percent owned by Hitachi once the deal completes by this December. So, the very purpose of Hitachi as advanced this taking a balanced stake from the global organization is to bring the synergies between Hitachi and Hitachi Energy, Lumada is one of the well-known IoT platform and we would like to leverage that platform to offer Hitachi Energy's Enterprise Software, talked about asset performance, enterprise performance and the workforce management and the vegetation management and all those things. We will be in a position to offer in this Lumada platforms going forward. Basically, talking about IoT and the cloud. As we speak, we are running a lot of pilots with the various customers both private and

government customers. We are coming on this in a very big way and they are working what are the things we talked. Lot of the things they need to do that because with so much of renewable it is extremely important that the entire fleet, entire network need to be digitalized. They need to have a more real-time basis information to take care of the required actions basis the generation mix.

**Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla:** Just a clarification, what is the current royalty and technology even making for the parent?

**Management:** Sorry, if you can repeat there was a bit echo.

**Alisha Mahawla:** I wanted to know what is the royalty and technology fee pay out that we are doing to the parent.

**Management:** Thank you for this question. As you are aware that we are a group company and we are very much dependent upon the technical knowhow of the group company so currently, the royalty that is going off payout is approx. around 3.5 percent that we're doing at the moment. But also, we need to understand that this is extremely important for us because the whole energy systems are undergoing a tremendous transformation. This needs a lot of investments from the R&D standpoint, to modernize our fleet, modernize your technology, providing the best-in-class technology for example, everyone is talking about sustainability, net-zero scenarios and carbon-neutral strategies. In that scenario, whatever the product they buy, that also need to meet those kind of requirements for example, we use SF6 gas in our GI substation, or our air insulated breakers, etc. And you all know that SF6 is 23,000 more potent than CO2 when it comes to the greenhouse emissions potential. So, this will not be sustainable, we need a lot of investment to come out of the alternative that and we are very happy to leverage our global technology, global scale, we already announced EconIQ™ portfolio which is more sustainable than CO2 in that. So, these are all extremely important while the energy transition is undergoing a tremendous transition and these are the technologies absolutely essential for us.

**Alisha Mahawla:** Sir, understood just a clarification, is there any pay out that is going to ABB?

**Management:** No. There is no payout goes to ABB as part of the royalty or technology.

**Alisha Mahawla:** Any other kind of pay out going to ABB?

**Ajay Singh:** Yes, we are having a TSA that we call technical service agreement on the usage of the IS infrastructure. So, as you know that our operating now on a standalone basis and the highest separation required a lot of infrastructure and the resources and the capability and skill set. So that needed a bit of time so, we are having a Technical

Service Agreement with ABB for which we are using their services at the moment and that is all those payments are going to basically ABB at the moment, mostly on the IS related support.

**Alisha Mahawla:** And is it possible to quantify what percentage of revenue is going under this TSA agreement?

**Ajay Singh:** It is difficult to quantify because it depends upon the services that will take in, so gradually if you ask me we are trying to come out of your services. So, every month every quarter, we are coming down, we are adopting our technology, our infrastructure and gradually it is coming down. So, as a percentage it will be very difficult, we expect this to come in next six months or so, 2023 we are expecting it to come down.

**Moderator:** Thank you. The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

**Harshit Patel:** Sir, we are localizing heavily in the country. On top of that we are also introducing new products from time-to-time. So, could you throw some light on what are our CAPEX plans for the rest of the year, which is the second half of FY23 and for the full year FY24?

**N. Venu:** So, we have been discussing this in the last two years. We have been investing here because we believe that we need to bring a lot of products and to meet the local requirements we need to locally manufacture not only for the local market, but also for the market outside of that, because we have a huge footprint here. We have a huge opportunity to leverage the existing talent, existing engineering base, existing manufacturing base to do that. We have been continuously upgrading Greenfield power quality facility, for example, I talked about we have doubled our capacity of existing power quality factory from 10,000 MVR to 20,000 MVR in Bangalore, Doddaballapur. Then we also had a brownfield addition of next generation operating mechanism of high-voltage switchgear and we also inaugurated our state-of-the-art bushing, dry bushing factory, which is the first time we are bringing this technology for 768 kV to India in that so. Between facility upgrade and greenfield investments we anticipate an annualised CAPEX run rate of around 100 crores to ensure we continue to deliver to the needs of evolving energy landscape.

**Harshit Patel:** Understood sir. Secondly, on the HVDC project that we had won in the last quarter so, have we already commenced the execution and by when you plan to complete the execution?

**N. Venu:** Which HVDC is that?

**Harshit Patel:** The Adani HVDC, that we won in the last quarter.

**N. Venu:** Right. So, Adani HVDC we have already commenced execution as these kinds of projects when you say commence execution means first you will start the engineering and the load flow analysis. System study analysis will start and then we will slowly be getting into the site activities. And after that the manufacturing of the various equipment's start coming to the site. So we have around the close to 36 months to complete from the date of the booking of that, that is on track as on today.

**Harshit Patel:** Could you comment on what would be the quantum of revenues that we would have booked in this particular quarter from that project?

**N. Venu:** No, we will not be able to tell you about the project, but right now the project is a very initial phase and engineering. So, generally the revenues will pick up after three to four quarters of that, but we will not be able to give you project-wide revenues.

**Harshit Patel:** No, problem sir. Just a little follow up on this, so could you comment on the margin that we will make from this project, whether that will be higher than the present company level average or the lower than the present company level average?

**N. Venu:** I am afraid I will not be able to share the project level margins and that, what I told you our guidance for the margin for mid-term strategy after 20-25 years is to reach the double-digit EBITDA level so all these things will add up to that.

**Moderator:** Thank you. Ladies and gentleman that was the last question for today. I would now like to hand the conference over to Mr. N. Venu for closing comments.

**N. Venu:** Thank you once again for your interest and active participation. I am really looking forward to host you physically in our state-of-the-art world-class Hitachi Energy Experience Center and our world-class factories in Baroda. I hope that we will work out a suitable date, all of you can join us. With that, once again thank you, please take care and if you need any more information do not hesitate to reach out to us and we are happy to provide whatever information you are looking forward. Please take care and stay safe. Thank you.

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