

May 25, 2021

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

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

Dear Sirs

Subject: Transcript of Analysts/Investors call held on Wednesday, May 5, 2021 as per Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref : BSE Scrip: 543187 (POWERINDIA) NSE Symbol: POWERINDIA

Please note that as per our intimation letter dated April 29, 2021, and in furtherance to letter dated May 5, 2021 wherein we had shared the copy of Investors presentation and Press release, a conference call was organized with Analysts/Investors on Wednesday, May 5, 2021 at 4:30 pm.

We are now enclosing the transcript of the said conference call held with Analysts/Investors which is also being uploaded on the Company's website at:

<https://www.hitachiabb-powergrids.com/in/en/investor-relations/financial-results--reports-and-presentations>

You are requested to take the same on your record.

Thanking you.

Yours faithfully,
For ABB Power Products and Systems India Limited

Poovanna Ammatanda
General Counsel and Company Secretary

Encl: As above



**“ABB Power Products and Systems India Limited
Q1 2021 Analyst Conference Call”**

May 05, 2021



ABB POWER PRODUCTS AND SYSTEMS INDIA LIMITED MANAGEMENT:

**MR. N. VENU – MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER - INDIA, HEAD - SOUTH ASIA
REGION**

MR. AJAY SINGH – CHIEF FINANCIAL OFFICER

**MS. MANASHWI BANERJEE – HEAD OF
COMMUNICATIONS**

Moderator: Good day, ladies, and gentlemen, and welcome to the Q1 2021 Analyst Conference Call of Hitachi ABB Power Grids, listed on the stock exchange as ABB Power Products and Systems India Limited. 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 – Managing Director and CEO, India, Head of South Asia Region at Hitachi ABB Power Grids. Thank you and over to you, sir.

N. Venu: Thank you, Steven. Good evening, ladies, and gentlemen. Thank you for joining us for the call. I hope all is well at your end. It is a difficult time for every one of us given the widely spreading second wave of infections, and the ongoing health crisis in the country, we have to stay cautious, we cannot lower the guard, nor we can make guesses about recovery. What we can do is leverage the learnings from the previous year to march on and stay resilient. We are tougher than the crisis and we will remain resolute and perseverance to build back better. We have uploaded the presentation in the stock exchange, I am sure all of you have it. I will be referencing the slide numbers as I talk to you.

I am right now on Slide #3. In this unprecedented crisis, protecting our people is our chief goal. We are mobilizing our resources pan India to help affected employees, and their families, with beds or oxygen. We are setting up teams of doctors and paramedics, arranging PPEs for frontline workers, and increasing the frequency of awareness sessions for our workforce and their families. We are also in talks with NGOs to expand existing healthcare facilities to handle more patients.

We have continued voluntary mass testing of employees to identify asymptomatic carriers and will be initiating the vaccination drive for our younger employees at our various locations as our associate hospitals and healthcare centers give the green light. Meanwhile, through concerted efforts of our crisis team, more than 85% of employees over 45 years of age and 100% of our frontline staff have been vaccinated.

Since we support essential services and our offering is manufacturing-led, we cannot switch 100% to remote work. However, we are ensuring COVID-19-appropriate behavior across sites to limit the spread of infections. Safety is our license to operate. We have also achieved 12 million safe, incident-free man-hours – or five years – in the Grids and Power Quality Solutions or the substation business execution across 135 project sites.

Going to the next slide. Despite the unparalleled crisis, we have achieved a stable top-line in the first three months of the year 2021, that is from January to March 2021. We booked orders worth Rs. 848 crores, driven by industry and Railways. We were also the preferred partner for supplying transformer for the Indian Railways and Bangalore Metro. Nonetheless, about Rs. 135 crores of orders where we are L1 were deferred by our customers.

Driven by the extensive use of remote management and digital solutions, our revenue increased 26% year-on-year, reaching Rs. 1,023.8 crore. This was coupled with diverse product mix, which

ensured resilience in performance in challenging market conditions. Profit before tax – there were no exceptional items this quarter - was INR 53.7 crore, driven by an unwavering focus on operational excellence and strategic cost-out measures that strengthened our cash position. Profit after tax at INR 39.4 crore at the close of the quarter was up 34.9 percent YoY.

Moving to the next slide, Slide #5. We utilized all levers to drive industry dialogue and transition to economic recovery and clean energy. We hosted segment-specific virtual customer engagement conferences under our flagship Energy and Digital World banner – the first of 2021 – with participation from over 600 customers. We won a key industry order to ensure reliable power asset performance and were chosen for a cybersecurity audit by a large city distribution company. We also commissioned a project for Tata Power in Mumbai with a transformer using ester fluid instead of mineral oils, upholding environment-friendly power generation and reducing fire hazard.

On top of this, we set up a state-of-the-art remote monitoring and reliability service center – PowerREC – in Bangalore to strengthen our digital capabilities. As you recall our strategy of 2025 where we would like to provide more digital products, system, services in line with our strategy we are investing in these kind of capabilities. The Center will offer our customers an advanced maintenance platform to improve their power assets' overall reliability and uptime.

We also partnered with Sikshana Foundation under our corporate social responsibility program to launch the Women-in-Engineering program. This initiative will facilitate education for girls aspiring for a career in engineering. Women are often under-represented in the academic and professional spheres of engineering. With Sikshana and our employee volunteers, we will advance inclusive talent development for a better and brighter tomorrow.

Moving on to the next, very important information on Slide #6. Now more than ever, pioneering technologies are needed to enable a future carbon-neutral energy system. We have committed ourselves to help our customers accelerate their energy transition.

In April, we had the global launch of EconiQ a portfolio of products, services and solutions, that will contribute toward a carbon-neutral future and accelerate the green energy transition.

As the first big step forward, the EconiQ high-voltage portfolio contains no SF6. It has been proven to reduce more than 50 percent of carbon footprint throughout the total lifecycle.

Through sustainability-oriented design, EconiQ will further evolve beyond the high-voltage products to a portfolio of products, services and solutions across Hitachi ABB Power Grids to deliver superior environmental performance compared to conventional solutions.

While we initiated all this, it has clearly not been easy.

Moving to the Slide #8. You all know we are all dealing with the second wave of COVID-19 in a certain way. The daily number of cases continues to rise, it has already touched 400,000 cases.

We are facing supply chain disruptions again due to the lockdowns and curfews. As a result, industry growth is affected. We all know that during times of uncertainty and volatility, investment is held back. We are also seeing that while power demand is solid, generation is coming under greater and greater load. Business activity is flat. Inflation, in contrast, is rising.

The pandemic has delayed the recovery process, but we are optimistic that it will not dent the long-term story of the country.

Hopefully, we will soon overcome the ongoing healthcare crisis – the shortage of vaccinations and healthcare facilities – and the rate of infections will plateau. We could then anticipate the beginning of the respite we are longing for. We could then start moving toward normalcy in day-to-day life and in business.

Moving to Slide #9. In the first three months of this year, COVID-19 headwinds notwithstanding, we remained the partner-of-choice for our products. We were also entrusted with some highly challenging projects not just within the country but also outside. The majority of orders came from industries and the transport segment through direct engagement or the EPC route.

Areas such as power quality, renewable integration, e-mobility, and datacenters are essential drivers of our business growth and form part of our near-term vision.

For these, the government's ambition of 24/7 power for all, higher penetration of renewables, push for 100% rail electrification by 2023, 30% EV penetration by 2030, and vision of Digital India with more and more datacenters provide the tracks for Hitachi ABB Power Grids journey.

We have continued to make progress in each of these to varying degrees, even during the second wave of the pandemic. Be it through ensuring renewable power utilization for key industry players, increasing electrification for transport, ensuring quality power for datacenters or bringing Indian Railways closer to its carbon-neutral ambition.

Moving to the next slide. Orders driven by, as I told you, industry and railways have sequentially grown 2.8% q/q. Compared to the last year we are down, as you know, last year we had a big order of IOCL. While I am happy to say that we are very resilient on the growth of the base orders. These orders came from renewables, railways, data centers in domestic and export markets. And as you can see, the revenues also came close to the pre-pandemic level. Current quarter we see the disruptions across the value chain and that remains a risk for the coming quarters.

Moving to the next slide, on the Slide #11. Services and exports, as you know, are the key cornerstone of our strategy. And in the first quarter, services and export orders continue to be in the range of 15% to 20% each of total orders. While exports are in the higher band of 15% to 20%, services are in the lower band. We were chosen for automation solutions for solar integration by a state utility in western India, for enabling business continuity through GIS

substation service for leading industry players, for transformer repair and for a cybersecurity audit by a large city distribution company in one of the metros.

Services for cybersecurity is a key element of our future growth strategy. By March, we had achieved the IEC 62443 certification, reaffirming our commitment to deliver products and systems that meet the highest cybersecurity standards. In continued efforts to provide cutting-edge technologies, we also conducted power system studies and virtual instructor-led training for top power generation and transmission companies.

Exports demand for our products, systems and services came from Africa, South and Southeast Asia, Latin America, the United Kingdom, and many other regions.

Moving to the next slide. As of 31 March, our order backlog was Rs. 4,777.7 crores, indicating future revenue stream. And profit before tax, as mentioned earlier, is Rs. 53.7 crores while profit after tax is Rs. 39.4 crores. Operational EBITDA, which is another of our key parameters, in the January to March quarter was Rs. 75.9 crores, up 34.1%, improving the EBITDA margin. Solid cash collections and other measures ensured we are debt free. We also maintained our AAA stable rating from the rating agency CRISIL.

Moving to the next slide, which is also another important slide. We are invested in India for the long-term. While we aim to introduce new products to capture a bigger share of the market, our aim is to localize our portfolio to build indigenous capabilities. We will continue to make in India for India and for the rest of the world.

In the first three months of the year, we made investments in portfolio expansion in Savli in the GIS space, in feeder factory module assembly and in traction transformer line expansion, among other projects. We have also been expanding our factory for power quality products to integrate all presently fragmented operations under one roof to serve an ever-growing power quality market both domestically and overseas.

In addition to this, I have already mentioned to you the launch of our remote monitoring and maintenance center in Bangalore – PowerREC.

For us, these investments will bring operational efficiency and improve our market competitiveness. They will also generate additional volume and margins for Hitachi ABB Power Grids in India.

Moving to the next slide, Slide #14. In the near term, we do anticipate disruptions across the supply chain emanating from the second wave. But our primary focus at this point is protecting our people – employees, partners and communities, to together navigate this maelstrom of the COVID-19 pandemic.

Sectors driven by government investment such as transmission, rail, metro and renewables are expected to continue to bring us new opportunities, enabling us to further strengthen our leading market position.

We will focus on high growth segments and accelerate growth through services, digital solutions and exports. We have a comprehensive portfolio of future-ready and state-of-the-art products, software, and services to cater to them. Continuous quality improvement, commitment to lowering the carbon footprint of our operations, product localization, digitalization of the grid will be a part of our yardsticks to measure our success.

Nothing is complete without people; hence we relentlessly work towards their safety, through testing and vaccination among other things, their growth, and their up-skilling. And that's where you see we are taking a lot of actions in the direction. We will also strive for building diversity in our various functions and balance the mix of competencies across businesses.

So, ladies and gentlemen, moving on to my last slide. You would have probably now heard me saying this several times that the carbon neutral future is electric. We believe that our future world must be a more sustainable world. There should be an accelerated shift from fossil-based power production towards renewable power generation, we are already seeing the target set by the Government of India, the 450 gigawatt of renewable by 2030. In addition to that, growing electrification of transportation, industry, and building. And last, a rise in sustainable energy carriers, for example, green hydrogen. We see that electrification will soon form the backbone of the entire energy system.

The road to decarbonization everywhere is built on much more electrification. It is the most reliable route to achieve carbon neutrality.

In this Energy Transition, we see ourselves playing a leading role through our digital and energy platforms. We aim to equip customers and partners with intelligent solutions for a sustainable energy future and contribute to the Sustainable Development Goals.

Ladies and gentlemen, thank you very much for listening to me. I would now like to open the channel for your questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session.

First question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

Sudhir Bheda:

Sir, in spite of our focus on the high growth area like renewables, rapid transport, data center, and also we are now leveraging Hitachi's expertise, still we are not able to build a significant order book. Example, our order book on Q1 2017 was Rs. 847 crores and Q1 2021 we have order book of Rs. 849 crores. So, while we are not able to build a significant order book in spite of our

focus on the high growth area and also we are leveraging the Hitachi's expertise? And my second question, when we will reach the double-digit EBITDA margin. So, these are the two question. And thanks for the opportunity.

N. Venu: Thank you. Sudhir, I think, very, very interesting questions, and thanks for those. While I fully agree with you, while our focus is on high growth segments, but we also need to consider the market situation we are in. The situation with COVID. As you have seen since last year, it's going up in various parts of the country, and also various parts of the world. You need to understand that compared to the last sequential quarter, this quarter we have improved the order book by around 2.8% quarter-on-quarter in spite of the challenging situation we are in. Nevertheless, we take your point, but you need to understand how the market is moving. Take for example renewables, last year against a target of 14 gigawatts there is less than 5 gigawatts of that this year. So, it's a quite challenging in terms of execution for everybody, in terms of all these things we need to factor. While the focus remains the same, COVID is definitely an issue.

And the second question is about your double-digit margin. As you know, our focus, our strategy in 2025 is always to grow higher than the market, if the market is growing x percent then we want to grow higher than the market. And right now, on the margin standpoint, we are in single-digit margin, so our aim is to move towards the double-digit margin progressively. Thank you.

Sudhir Bheda: So, sir, will that affect the current year's growth projection, because of lower orders and COVID situation?

N. Venu: We are in line with our strategy, and I think that we are able to navigate the COVID situation.

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

Renu Baid: I have two-three questions. The first question is a bookkeeping question to understand the reason for sharp jump in the other expenses. Sequentially if you look, other expenses are almost at same levels. So, last quarter if you remember, there was Rs. 70 crores cost overrun which was provisioned for. So, can you help us understand the reason for increase in these other expenses, any FX impact, or any other takeaways here?

N. Venu: Thank you, Renu. I think maybe, Ajay, our CFO, can answer that question.

Ajay Singh: Thanks for the question. So, as you discussed the other expenses, mainly the increase is coming on the freight and forwarding expenses that we have incurred in this particular quarter. And also, as you know that we are spending on the IS cost, we are working on the new ERP system that is going to come shortly, and basis which we are coming away from the ABB's system. So, as of now, our IS infrastructure, basically we are using the ABB's IS infrastructure, so we are running a transactional service agreement on this particular piece. So, going forward, we plan within the three years we will come out of these IS infra charges that we incur from ABB. We are in a transition phase. So, in a transition phase, while we build up our own infrastructure, initially we will be incurring a cost, but gradually in the coming period we will be out of that. So, to

summarize, major is coming from the freight and forwarding, and basically on the IS related expenses.

Renu Baid: Because these expenses were there in the previous quarter as well, so is there a substantial jump in the infrastructure building investment that we are incurring? Will it be possible to quantify? The reason I am trying to ask is, last quarter we had a Rs. 70 crores cost overrun related provision because of which other expenses were Rs. 240 crores. This time on a similar kind of revenue base, we have a similar expenditure base, and which is without the cost overrun element. So, I am just trying to understand that the ERP or the IT expenses which were there on a sequential basis, have we seen a Rs. 30 crores, Rs. 40 crores kind of jump on a quarterly basis for those investments?

Ajay Singh: No, not Rs. 30- Rs. 40 crores jump, because then we have to look into the other elements. So, I have given you a broad explanation because there are other elements as well. There is increase in the insurance cost, in the freight cost, and I talked about the IS and, also since the revenues are on the higher side basis which we have an increase on the royalty. So, these are the major things that have come.

Renu Baid: So, basically now one-off elements of non-recurring items in your view, and this should be the broad run rate, at least on this kind of revenue base that we are looking at?

Ajay Singh: Correct. So, what we are talking about, these are the major four or five heads that you have incurred in the cost.

Renu Baid: Sure. My second question was to Venu to understand a bit more in detail how should we look at the addressable market for ABB Power Products & Solutions, especially in the industrial automation space. As in, last quarter we discussed Lumada offering strengthening the industry automation footprint. So, which type of industries are we focusing on? Are these discrete or process automation side of the business? And how is Hitachi ABB Power Grids placed versus ABB India's ability solutions or Siemens milestone solutions here, given that those companies have customized process solution offerings as well as products for these four sectors. So, how is our portfolio positioned versus some of the other automation peers in the market?

N. Venu: As you know, our portfolio is primarily on the energy side, so right from energygeneration, transmission, distribution, and the consumption side. So, we are basically looking at wherever the energy intensive industry is, whether it is across industries, steel, aluminium and so on and so forth, and also data centers, and that's where we come into picture. So, the whole idea is that we will deploy our technology with the products, services, everything, and in addition to that we will also run on the Lumada IoT platform. Hitachi, has been investing in it. So, all of our software solution, whether it is SCADA, workforce management, asset management, we will be running on that. Just for your information. We have received an order in the last quarter from Bangalore Metro, in addition to providing our power technology. So, this is the first time deploying our workforce management as part of our SCADA solutions there. So, these are the things where we

will be deploying heavily on going forward in utilities, industries, and infrastructures, including industries.

Moderator: The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Congrats on this set of numbers. Just as a follow up, of the other expenditures particularly in the IT expenses, like, recently there was a deal with HCL by our parent. So, will that help us in reducing the overall IP cost going forward now that we are gradually coming out of the ABB related deals?

N. Venu: So, you probably would have seen the announcement from HCL standpoint, and you know that we are building up our organization globally as a standalone company. As part of that, we are also creating our own infrastructure so that we can delink from ABB. So, we will be building up our own standalone IT infrastructure and also on the ERP. So, there will be costs in between, but over a period of time the cost will come back to normal where it should be.

Renjith Sivaram: Okay. And sir, sorry in EV recharging space, do we have any new products for the two-wheeler and three-wheelers market and what could be the opportunity size here if we had something?

N. Venu: So, as you know, EV market is one of our growth segments. And you also know that EV market right now in India is at a nascent stage. And we have the product for four-wheelers at this point, flash charging technology as well as the feet charging technology. And we also tied up with Ashok Leyland under a pilot. In a couple of months from now, the pilot will be running in an IIT campus. While we are having this portfolio, we are also looking at the portfolio of the rest of the four-wheelers. So, please do understand, when we are talking about the charging equipment here, we are talking about the charging equipment, which also improves the grid resilience.

Renjith Sivaram: Sir, what will be the broad opportunity size, if you have to pick a number?

N. Venu: As I said, the market is in at a very nascent stage, just imagine 2 million buses on the road, how long it will take to convert is anybody's guess. As you know, government has put out a contract, so there are a some buses being converted into electric. So, we are working on that.

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

Harshit Patel: Sir, my first question would be on, if you remember, in July 2020 the Government of India had banned the Chinese imports in the high voltage and medium voltage power transmission and distribution equipment. So, from all the new tender onwards the Chinese imports were not allowed. So, how this situation is helpful to us? I mean, how it has benefited us? Have we gained any market share in some of the new tenders? If you could give some outlook on it, it will be very helpful.

N. Venu: Yes. Thank you for that. See, as you know, the government has come out with a particular circular on the border countries. So, when it comes to by Hitachi ABB Power Grid, we have been manufacturing in India for the last six decades, and most of our equipment is meeting the requirements of the local content. And so, actually with the government's renewed push for Make in India and self-reliant India, the clause gives preference to suppliers that are meeting a local content requirement of 50% applicable in all the government contracts. We have also seen some limited advantages of this for sure. We have seen private players also now ask for the local content. With the above, in our view, we may stand to gain in certain parts of our portfolio, while we are still in the process of indigenizing some other product ranges. But changes like these only push forward our long-term view of building India as a manufacturing and export hub.

Harshit Patel: Sure, sir. Sir, my follow-up question on that would be, sir, you have previously mentioned that we have more than 80% localization as far as finished products are concerned. So, sir, what would be our blended localization even including the components? So, I believe there will be some components that we would be importing as of now, so including everything, what would be our blended localization label as of now? And when can you expect we could reach 90%-95% kind of a number, how many years that would take?

N. Venu: If you really look at our whole Hitachi ABB Power Grids, so 80% is localized, in excess of 80%. As part of our supply chain process, we do also have multiple country sourcing that wherever any particular border country is not applicable, we always engage our supply chain process to get the equipment imported from the countries of accessibility.

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

Jonas Bhutta: Congrats on a decent set of numbers. Two quick questions, one, from the recent annual report we just gathered that APPSIL derived almost Rs. 1,150 crores, that is about 35% of sales from ABB India in CY 2020, against Rs. 450 crores in CY 2019. So, that's a massive jump, about 35% of your sales came from ABB India. So, was that for a particular project? And do you expect this level of dependency on ABB India going forward? This is about almost one-third of your sales.

In addition to the same question, our IT and management fees in the related party is almost Rs. 220 crores, which has almost doubled Y-o-Y in CY 2020 over FY 2019. While you did mention that you are in a transition period where you are moving from the erstwhile ABB ERP to your own, can you at least give us a glide path as to how long will this Rs. 220 crores or equivalent amount be charged over the next two to three years, we expect this number to sort of sustain here or increase? And my second question is on export strategy. Maybe I will come back to that once you answer this question.

N. Venu: Thank you. Maybe I think, let me answer your first question and Ajay will come next. So, I hope you would have seen from our annual report and from the related party transactions, right?

- Jonas Bhutta:** Yes, sir.
- N. Venu:** Yes. So, as you know, when we have demerged in line with NCLT order, . In the process many of our existing contracts were not novated. Many of our contracts will continue to be in the name of ABB. However, by order of the NCLT then we have become a standalone company. The arrangement between us and ABB is that all the novated contracts will continue to run through the revenue under ABB's name because they are related party. But there is not any margin which goes through ABB. So, that's the reason you are seeing the huge thing, which is Rs. 1,135 crores, which basically is all Hitachi ABB Power Grids. The name of the contract was not novated still to our APPSIL, it still remains under ABB. So, that's the reason you are seeing that there is a dependency. Ajay, maybe you can comment on that.
- Ajay Singh:** So, basically, we are doing the related party transactions with ABB India. And the only thing that we are using ABB for is the pass-through transactions. And probably if you are referring to the annual report, if you compare from the prior period, that number will be for nine months, whereas in December 2020 the numbers will be for 12 months. So, that could be one delta you are seeing. But otherwise, we are using ABB only for taking the pass-through transactions for the customer orders which are yet to be novated. And as we speak, we are already quite ahead on the novation piece.
- N. Venu:** Yes, probably I can add. We have more than 90% of our contracts have been novated in our name now.
- Ajay Singh:** Correct. So, to the IT again, the earlier expenses cannot be compared because those are nine months expenses. And as we explained that we are developing our own IT infrastructure, and presently we are having a transitional service agreement with ABB, and we see that this agreement will continue for the next three years. So, that is the time period that you see at the moment. And then going forward, we will see how we are placed.
- Jonas Bhutta:** So, the CY 2020 number can be assumed, right, the Rs. 220 crores run rate can be assumed going forward?
- Ajay Singh:** Yes, Rs. 220 crores can be assumed. And as I told you, we are also working on the ERP projects that is going to come, basically to harmonize with our system end-to-end processes. So, that is what initially we are spending more, and the benefits will come maybe after two, three years down the line.
- Jonas Bhutta:** Sir, my second question was more strategy related because you did highlight that growing export is one of the key growth areas for the company. So, just wanted to get your understanding, exports today account for almost 18% of sales, so under the new management of Hitachi ABB, is there a change in mandate where you have come up with a number that you want to take this exports to, say 25%, 30% of sales? Is there a mandate change into how exports were first nominated on to India under ABB and is that changing under Hitachi ABB? Any such thing, so there was also talk about Hitachi ultimately helping us in getting project level finances for our

clients and thereby pushing exports. So, any roadmap that you can share on how you plan to grow exports, that will be great.

N. Venu: So, we have a very clear strategy, with exports right now in the range of 15% to 20%, we have plans to take to 20% - 25%. As part of our CAPEX, we are also expanding the capacity. So, basically all these things focus not only for the domestic market but the export market. So, that's where right now we are in the in the range of 15% to 20%, but we are starting to move to 20%-25% over a period of time.

Moderator: Thank you. The next question is from the line of Shubhadip Mitra from JM Financial. Please go ahead.

Shubhadip Mitra: Sir, in the beginning of your presentation you did mention that your key focus areas in terms of future growth remain T&D, renewables, hydro, etc. If it is possible for you to paint us a picture that over the next two to three years scenario how do you see the market size of each of these segments panning out? And when you think the inflection in terms of growth?

N. Venu: Yes. So, I think we don't give the market size sector wise. Let me start first with rail, then I come to the transmission. Rail will definitely have a huge opportunity, not only the 100% electrification of the remaining 27,000 circuit kilometers by 2030, there we will in any case have opportunities. In addition to that, regional high-speed rail is also a focus area. And then we also see in the next two, three years the project of the bullet train, that is Mumbai to Ahmadabad taking shape, as you probably would have seen, the civil works part of that has been already awarded. So, that's a quite a big project, we see opportunity in. Then we also have the metros.

And the next one is renewables. Renewables as you know, with a 450 gigawatt target set by the government, even if you take a factor of that, it's a huge opportunity. We have been adding in the last four, five years 8 to 9 gigawatts. To reach that there is a big opportunity for us, both on the grid side, on the generation side, on the digitalization side.

The next one is data centers. With data privacy laws, data centers is a very big opportunity area in India. As we speak, a lot of data centers are being set up. As you know, every megawatt anywhere between Rs. 30 crores to Rs. 40 crores of a CAPEX per megawatt of the data center is there. Hyperscale data centers need a lot of grid connection, grid stability, resilience. And you would have seen our last analyst call that we have the complete portfolio of that particular market.

So, in addition to that, I think we also look at in a limited way a very select greenfield investment in the industries, especially on the core industry segment. Because as more and more these things happen they need more and more energy and digitalization, both of them have to go hand in hand. We can bring opportunities from an energy platform as well as the digital platform side.

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

Sujit Jain: A few quick questions. What is the size of Hitachi's business which is unlisted and current areas of operation? As per the contours of the current deal between ABB India and Hitachi ABB, after eight years can you then enter into LV, MV products which you right now cannot? And when you talk about energy storage, which you have spoken about in your previous presentations, what exactly that opportunity is?

N. Venu: Thank you. As you know, we are a separate independent company, globally run standalone company, continue to be headquartered in Switzerland, and then we have our own listed company in India, and we have a separate door. So, we cannot comment on Hitachi because that's a separate legal entity, it's not listed and information is not publicly available, so we will not be willing to comment on that. That's number one. And can I know your second question, please, can you please repeat that?

Sujit Jain: After eight years of this agreement, which is where there is no compete, can you enter into LV and MV products, which you right now cannot?

N. Venu: Well, let me just clarify, since this is a very good question. In these kinds of deals, there will be always a non-compete only from one side, not the other side, otherwise it will never be approved by the antitrust. At this point in time, we do not have any non-compete clause on us, that means if we want we can do medium voltage, we can do low voltage. So, the compete clause is only on ABB, not on the Hitachi ABB Power Grids. Having said that, our strategy remains on the energy standpoint. Our strategy as you know, we want to be a partner of choice, enabling our customers stronger, smarter, and greener grid. So, that's where we would like to focus on. So, we retain that focus and that's exactly what we are looking at, it is not about competing under low voltage or medium voltage, which was in any case not part of our strategy.

Sujit Jain: And energy storage when you mention, what exactly would you like to highlight in terms of the opportunity, related with EV sales etc.?

N. Venu: As you know, with more and more renewable energy, especially the solar, with so much penetration, definitely the grid needs to have more storage. So, the inertia of the systems needs more of a battery energy storage system or any other form of the storage system there. We have quite a good offering on the micro grids or energy storage, we have the battery management as part of our portfolio. So, we have a grid connection for the grid scale energy storage plants. This is another big opportunity in India, the energy storage.

Moderator: Thank you. The next question is from the line of Alok Ranjan from L&T Investment Management. Please go ahead.

Alok Ranjan: Sir, you have highlighted in your presentation that this quarter we have got around Rs. 18 crores of orders especially in the data center. And we have highlighted in the annual report as one of the emerging growth areas. Could you give more sense on the opportunity size that is available for a data center of size of 50-megawatt, what kind of opportunity that comes to our company? And how is the competitive aspect there.

Second question is on grid automation. Could you give some things on which states are more active on this grid automation? And how the intensity of the automation differs between the DISCOMs which is operated by the private player compared to the one which is operated by the state agency? That's all my questions.

N. Venu:

Okay. Thank you. I think your first question on the data center, with the data privacy laws kicking in, there's quite a lot of opportunities on the data centers and data center as a business. So, many players have been setting up their projects here. So, we have got one order from one of the largest conglomerates in India venturing into data centers. Similar to that big tech companies are also setting up. They are hyper scale data centers, talking about 50 megawatt to 100 megawatts of energy consumption. So, from an opportunity standpoint, we have a grid connection, basically substation automation, grid automation, and also the availability and maintenance. For data center, reliability of power is extremely essential. So, we bring a lot of automation solution to the data centers in addition to our traditional power technology. So, reliability is there. And thereafter, we can also look at energy savings. Energy is one of the biggest cost elements in a data center, so we can also look at the optimization of the energy cost. Those kind of things are opportunities for our company.

And second question of yours is especially on grid automation. Grid automation business starts from the traditional control and substation automation. And then you are talking about the communications, enterprise software and battery energy storage is also part of the grid automation portfolio. We make these kinds of automation solutions in almost every part of the value chain of energy. And in addition to that, we have the SCADA networks for the metros, we have a SCADA network for the transmission substation, we have a distribution automation for the DISCOMS..

So, last question about private versus state utilities. For sure, private utilities, they are ahead in terms of deploying automation. And there are also a couple of government agencies catching up now. But I think private utilities are far ahead in deploying automation.

Moderator:

Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal:

I have two questions. One, the annual report mentions about that for growth of exports we have identified five products for global sourcing. So, would like to know what's the potential size and what kind of revenue contribution can be expected? What are these products if you can provide some insights? That is number one question.

And number two question is just to clarify on is there any overlap between ABB and Hitachi ABB in the areas of data centers and EV space? Like on EV like we provide charging solutions, but we don't make charges, so how would be the go-to-market strategy? Like do we go along with ABB and provide the entire solution or how would it be going forward, number one, on EV? And number two, on data centers, like even ABB is having a presence, so is it that they

would be providing the inside the data center low voltage and medium voltage, and we would be focusing more on the outside and how would we approach the market? Thank you.

N. Venu: The first question was on the annual report and the exports, right?

Manish Goyal: Yes. Five products we have mentioned that have been identified for global sourcing.

N. Venu: Correct. Our export strategy is very consistent. And we are making progress in line with our strategy. Our exports presently are in the range of 15% to 20% and we are taking initiatives to move to 20% to 25% over a period of time. So, that's the reason we are investing in it as you can see from our CAPEX and also the local footprint. As part of exports strategy, some of the products we manufacture only here. There are no other such plants in Hitachi ABB Power Grid. For example, our 66 kV circuit breaker is a global feeder factory. So, we sell those circuit breakers in any part of the world from here. So, that's one strategy in that, then also the feeder component strategy; and the third one, we also sell directly to the customer with an existing Hitachi ABB Power Grid sales network. We have a multi-channel approach.

Moving to your second question on the overlap. Let me first talk about the EV space. Let me clarify to you, we do have the chargers, but we don't only make chargers, we make chargers and charging systems. And we do it for large scale applications. For example, a mass rapid transit system like buses, bus depots, where you need resilient charging systems, and also chargers in that. Our flash charging technology, for example, enables a bus to charge in less than 20 seconds. So, this is high power, the bus doesn't need grid for hours to get charged. We have the technology; you can get the charge to 30 seconds and keep moving. And thereafter again you do it, and when you come back to the depot, you get the full charge. So, chargers and charging systems. Our go-to-market strategy is very clear, as you know, we have told you also, we have tied up with Ashok Leyland, we are setting up now a pilot and we are going to run this particular bus using this technology, using our chargers, in IIT Madras in few months from now.

And the last question of our data centers. See, as I told you, for Hitachi ABB Power Grids data center is one of our biggest growth segments. We do complete electrical right from the grid connection to the last thing. We do not have the products like low voltage and medium voltage part, that is there with ABB. We do grid connection, we do all the transformers required in the data center, we do all the power system models in that, and we do the automation. So, that is how we are working with the data center. Our power quality for the data center is another very important thing; power quality for the data center is extremely important. So, we have the complete offerings for the data centers.

Manish Goyal: Sir, you mentioned about Rs. 30 crores to Rs. 35 crores per megawatt, so is it your addressable market or minimum investment in a data center?

N. Venu: No, that is a CAPEX for the data center.

Manish Goyal: What would be your addressable market roughly of that Rs. 30 crores, Rs. 35 crores?

N. Venu: In any place these kinds of things tend to be 10% to 15%, depending on the specifications, slightly higher, that will be the addressable market.

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

N. Venu: Thank you once again for taking your time and listening to us. I really, really appreciate very much. And I really want to thank you once again and want to wish you a very good health, please take care of yourselves, your families, your colleagues. Stay safe. And we all need to collectively navigate this particular wave two which is right now in full force in all parts of the country. Thank you once again.

Moderator: Thank you. Ladies and gentlemen, on behalf of Hitachi ABB Power Grids, that concludes this conference. We thank you all for joining us. And you may now disconnect your lines.