

July 28, 2023

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)

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

Dear Sirs,

Subject: Transcript of the conference call with Analysts/ Investors held on July 25, 2023

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 Tuesday, July 25, 2023 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 Q1 FY24 Analyst Conference Call - July 25, 2023

Management: Mr. N. Venu - Managing Director & CEO, Hitachi Energy India Limited

Mr. Ajay Singh - Chief Financial Officer, Hitachi Energy India Limited

Mr. Poovanna Ammatanda - General Counsel & Company Secretary, Hitachi Energy India Limited

Ms. Manashwi Banerjee - Head of communication, Hitachi Energy India Limited

Moderator: Ladies and gentlemen, good day, and welcome to Hitachi Energy India's Q1 FY '24 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 star then zero 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.

Nuguri Venu: Yes. Thank you, Zico. Good evening, ladies and gentlemen, and thank you for joining us for today's Analyst Presentation Call. And I hope you are all doing well.

Today, we announced our results for first quarter of the financial year 2023-24. And in the next 20 or 25 minutes, together with our CFO, I will take you through our performance during the period ending June 30, 2023. I will also read out the slide numbers for ease of reference. I hope all of you are doing fine. We have already uploaded this presentation on our website, and I'm also sharing with you.

And with me today, I have our CFO, Ajay Singh, General Counsel & Company Secretary, Poovanna Ammatanda, and Manashwi Banerjee, Head of Communication.

As we entered the first quarter of financial year 2023-24 our focus remained on balancing the operational complexity and the supply chain issues, efficiency to preserve Hitachi Energy India's growth momentum. And whilst persistent delays in chips and electronics led to lower revenues in the quarter, sustained operational excellence efforts provide visibility in the near term. We continue to convert opportunities germinating from energy transitions across India and also rest of the world.

And if I move to the next slide, slide three. As we review the quarter, I want to recognize and express our gratitude to our most valuable assets, that is our employees. Our commitment to their safety has been unwavering from offices to factories and on-site locations, and they returned this with their ownership on safety matters, from subcontractors to trainees, continued immersive training cascaded for the teams by specialists to continually reiterating our license to

operate. When it comes to safety, you all know that they are basic license to operate, and we never look the other way.

Our consistent efforts were acknowledged and recognized for excellence in health, safety and environment practices by our discerning customers across verticals. We have received a certificate of appreciation for our contribution towards improving virtuous culture in one of our project sites, MP Power Transmission Package and also received a letter of appreciation for our good HSE practices during warranty period of HVDC station, Raigarh. So, these are just samples, and we have several of these to show how we drive safety in letter and spirit in all of our workplaces, be it factories or project sites or our offices, etcetera.

Moving to the next slide. The journey to Net Zero 2030 requires consistent efforts and it's encouraging to see various teams initiate considerative programs. In addition to company-wide actions at our largest manufacturing location, Maneja, some of you have visited during our physical analyst meet. We conducted sustainability master class for developing a larger pool of specialist who can advance Net Zero in our operations.

At our HVDC project site in Mumbai, which we recently started the site, as you can see from the picture on the right side of the PPT, we have installed 15-kilowatts rooftop solar, which will help us avoiding close to 500 tons of CO₂ per year. We have also installed solar-based mobile charging facilities in rest sheds of the workforce colony at the site that can power multiple devices at a time. Along with this, we are transitioning to the services of EV cab provider starting from our Delhi NCR region. As we have placed sustainability at the heart of our partners, advancing sustainable energy future for our partners and customers.

With all these initiatives, some of these examples, since embarking on our journey towards Net Zero in 2021, we have achieved a 45% reduction in our carbon footprint to enable a sustainable energy future, not only for today's generation, but those to come.

Moving to the next slide. During the quarter, we received orders worth INR 1,147.5 crores, which is up 6% year-on-year without considering the HVDC order, which we have booked last year, corresponding last year's same quarter. And some key order wins in this quarter include over 200 traction transformer by BLW, CLW utilities and new industries led orders for various ratings of GIS, dry type transformers in India and also in the region.

Power transformer orders from data center and other EPCs and traditional power and renewable integration utilities continue to drive orders for AIS substations and the GIS orders for some of our export orders. While a focus on portfolio led to a diversified order growth, revenue was INR 1,043 crores for the quarter ended June 30, 2023.

Performance in this quarter is primarily affected due to continuous delays in chips and electronics, a lower revenue base and operating fixed costs impacted profitability. Profit before tax stood at INR 3.4 crores and profit after tax is INR 2.4 crores. Despite the short-term challenges, we remain optimistic with the continued order momentum and stay focused on increasing operational efficiencies, while expanding our portfolio in high-growth segments.

The accelerated energy transition presents a medium to long-term opportunities for power technologies, particularly in our high-growth segments, including renewable data center, HVDC transport, etcetera. At the close of quarter, order backlog stood at INR7,024 crores, providing a revenue visibility for the coming quarters.

Moving to the next slide. The energy transition represents one of the most significant opportunities of our time, and we are championing the urgency and the pace of change needed to reach Net Zero. With our pioneering technologies and solutions, we are helping to accelerate the carbon-neutral future, improving quality of living for today's generation and those that to come.

By applying the intelligence of digitalization, we are enabling customers to plan ahead, make better informed decisions and create more value in a rapidly evolving landscape. During the quarter, we saw a significant rise in demand for our digital services, also staying ahead of the curve, we successfully type tested our prototype unit of 765 kV 500-MVA transformer to meet new specification criteria by Central Electricity Authority.

Collaboration is central to making the energy transition possible. Through the quarter, we continue to partner with various industry stakeholders, from technology interactions with customers and stakeholders to them visiting our factories to understand our capabilities, leading industry discussion not only on technology but also highlighting the importance of diversity to tangibly contribute to Indian energy industry. We also conducted training and learning programs for over 50 students from Industrial Training Institute (ITI) at our Maneja facility, ensuring that all stakeholders are working in tandem towards the same goal.

Our continued efforts are further cemented our reputation as a reliable partner and a pioneer in power technologies, which was recognized by ET Energy Award this quarter.

Moving to the next slide, slide number seven. India remains - you all know better on the left-hand side but let me also dwell a little bit more on the right hand. India remains one of the fastest-growing major economies in financial year 2023-24. RBI predicts that country's GDP is expected to grow at 6.5% for financial year 2023-24. The inflation was also dropped 2 years low in May 2023. Furthermore, GST collections for June rises 12% year-on-year to INR 1.6 lakh crores.

So, there is a decline in IIP's Electricity Index for the period of April to June 2023, but the growth drivers for the industry remain intact and tracking upwards. For example, the planned investment of INR 1.5 lakh crores as incentives to 12 states for sectoral reforms.

As we have discussed before, the long-term growth drivers are intact. On the renewable front, 30-gigawatts has to be added annually to reach 290-gigawatts solar target by 2030. Whereas in the transmission segment, 1 HVDC project expected every year. Similarly for industry, their revival of private capex is likely driven by government policy and various schemes, PLIs, etcetera. Metro, high-speed rail, rail electrification, cross country electrification, rolling stock upgrade, tuning the growth of Transport segment and tremendous opportunities in data center segment as the industry is expected to doubling its capacity by 2025. And discount upgradation and modernization and RDSS teams will lead to distribution growth over a period of time.

Moving to the next slide, slide number eight. I just want to provide some color on the orders received in this quarter. Various solar power plant projects under the 500-gigawatts renewable generation capacity by 2030 are generating demand for grid integration technologies. This is complemented by a comprehensive plan to strengthen the nation's transmission system with green energy corridor to bring clean energy to households and industries have been driving robust growth opportunities for the company during the quarter.

We are already contributing to various projects and have made significant strides in this direction, securing cumulative orders for the integration of 1 gigawatt of solar power during the quarter and 130% rise in the orders from the previous quarter.

With data centers remain a high-growth segment in our strategy, year-on-year growth has shot up to over 200%. That's to push for 5G in India, data localization, regulation, data center policies to drive the growth. With the sheer potential of the market, we see the trend continue for a couple of more quarters and years.

Moving to rail and metro. Indian Railways commitment to achieve Net Zero by 2030, aligned with the electrification of high-density corridor and also the rolling stock modernization have been another significant area of growth for us with a 7% to 9% year-on-year growth in that. Reflecting the nature of customers' order this quarter, we saw an uptick in direct to customers and also the spread is equal between utilities, industries and transport infrastructure.

Moving to the next slide. As we are talking about service and exports, our two growth levers in addition to the domestic various high-growth segments. Our order mix reflects our diverse portfolio across our installed base and our focus on leveraging our key growth markets and capitalizing on market opportunities. We successfully secured in our key market wins, providing us with a solid and steady momentum, especially in services and exports.

Service orders have continued to hold a positive trajectory as we posted a 40% year-on-year growth. One of the key wins or FEED study order for our upcoming Leh-Kaithal HVDC project. We won the HVDC spare orders from the state utilities and GCB spare order from a mining giant. We also secured our first order with a digital search counter and leakage current mounting system from a steel major. And when it comes to the exports in this quarter, our exports contribution grew to over 30% of total orders. Orders from renewables and rail segments in Africa and demand of our quality products from U.S. and Chile to Iraq illustrated a world in energy transition.

Some of the key wins during the quarter were for GIS orders are 400kV on power utilities in Singapore and agro-tech industry in Greece. We also received our 245 kV AIS switchgear order for Tanzania Rail and transformer order for wind farm in Morocco. Also, our newly established factory in Doddaballapura for HV Power Quality and Chennai for HVDC are expanding their export order contribution.

So, with that, now I hand over to Ajay Singh, our CFO, to walk us through the next slides on the financials. Over to you, Ajay.

Ajay Singh:

Thank you, Venu, and good evening all and hope you all are doing well at your end. Well, we have been navigating the unstable market conditions using our

long-term strategy in place to manage the impact of the global macroeconomic challenges. So, during the quarter, the company booked orders worth INR 1,147.54 crores, which is a modest increase of about 6% Y-on-Y without HVDC order in the corresponding quarter.

Revenues for the quarter was INR1,043 crores, which is again 5% growth Y-o-Y. However, the profit before tax basically stood at INR 3.4 crores and profit after tax, basically INR 2.4 crores, which also demonstrates a double-digit Y-o-Y growth on the lower base.

Operational EBITDA, if you see, it is INR 9.4 crores for the quarter. Compared to the last quarter, revenues have come down, which has impacted the bottom line. Even in the face of the persistent difficulties with consistent order growth, the order backlog stood at INR 7,070.9 crores, providing us a visibility of 20 months of revenue, and we are optimistic of the stronger growth basically in the long term.

If you go to the next slide, basically, we see that we have been discussing the ongoing macroeconomic issues over the past several quarters. I will share an update on how the numbers fared during the last 3 months. Let me take a moment to walk through the specific slides in further detail.

If you see the table, it gives a clear picture of our relentless pursuit for improving the bottom line and a progressive margin recovery. If you see the material cost, it is around 16.9%. The personnel expenses are INR 111 crores, which is lower than the last quarter. Other expenses have increased INR 260 crores. Our depreciation, there is a slight increase in depreciation and interest cost basically is more or less at the same level.

So, the chart on the right side of the table serves as a bridge, breaking down the change in the PBT quarter-on-quarter and the main elements affecting our profitability if you see were continued delays of chip and electronics and along with the fixed cost on the lower revenue base. So, if you see the range, where we see roughly, we have been impacted in this particular quarter, across INR20 crores on account of the shortage of chips. And we have a further delta on account of the lower base where we got impacted with the base volume mix and the material cost impact is around INR29 crores. So, this is how we have reached to INR3.4 crores in this particular quarter.

So, with this, I'm handing back to Venu for the closing slide.

Nuguri Venu:

Thank you. Thank you, Ajay. And going to the next slide. As we move ahead -- it is my last slide before we open the floor for the questions. So, as we move ahead, our growth levers remain consistent, and we will continue to focus on high-growth segments, which we have been talking about high growth segments is renewable transmission, data center, HVDC, industrial, etcetera, that align with our core competencies and the evolving needs of the sector. We continue our investments in talent and capacity for the high-growth segments, leverage our newly established factories to strengthen footprint and grow market for service, digital through pilot and adoption, POC adoption and familiarity, etcetera.

In our operations, we continue to reinforce the culture of health, safety and environment sustainability in all of our spheres of our businesses. These remain what we call our license to operate through which we deliver significant technology progress and value creation for customers bringing strong societal, economic, and environmental impact. In our view, we are all well positioned to capitalize with bringing operational agility and productivity by continuously optimizing our operational efficiencies, focusing on cash over revenue and building business resilience.

As we enter the final phase of the ongoing shortage of chips and electronics, we are well positioned to capitalize on the pent-up demand, sequentially improving our performance on the revenue and on the bottom line.

Our purpose remains to advance a sustainable energy future for all and we look forward to delivering this with a profitable and sustainable growth.

With this, I close my presentation and open the channel for the questions. Thank you very much, ladies and gentlemen, listening to me. Operator, please open the floor for the questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * & 1 on their touchtone telephone. If you wish to remove yourself from the question que you may press * & 2. Participants are requested to use their handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal:

Venu, so my first question is on chip shortages. I just wanted to understand, contractually with a customer, how is this issue taken care of since -- in case of

a chip shortage, is the cost taken on us? Or does the customer invoke any liquidity damages or LDs and you have to bear the losses?

Nuguri Venu:

Thank you, Parikshit. I think if I understand you correctly, how our customers are treating on these delays, right? So yes, as you know, this issue is, in our view, is across the industry. Some people may be -- some companies may be slightly better or lower. So that's what is the thing. But otherwise, this is an industry-related issue in that.

And we have been very open and transparent with our customers, and we have been always notifying to them with the latest update. And fortunately, most of the customers do understand and we are also trying to prioritize it wherever customers are really requiring this commissioning purpose, etcetera. So that way, we are able to manage in a much more orderly manner, I would say, in that.

So far, we are not seeing any major LD on account of this, by imposing the customers. We are very open, upfront with our customers, transparently telling them. And wherever the customers are requiring, so then we are able to divert some of those chips, make those panels ready and ship those substation automation systems, etcetera.

Parikshit Kandpal:

This INR 20 crores negative impact on profitability and chips what is the more of an accounting treatment, or purely a cash treatment?

Nuguri Venu:

Maybe I think Ajay, why don't you answer that?

Ajay Singh:

Yes. Thank you. This INR 20 crores impact on profitability is mainly because of this chip shortage, we have lost roughly revenue of around INR 68 crores, which has impacted the bottom line. And as Venu was mentioning, the chips in the -- basically in the industry market, we still see that on the supply side, there is a strain basically on the analog and MCU part where we see the chip shortage still continues, and that is where we have got impacted. And that is how this impact has come in this particular quarter also.

Nuguri Venu:

We could not revenue that, and that's the reason it is coming.

Parikshit Kandpal:

But it is not a cash loss, right? I mean it's not actually a cash loss. So we will recover that as and when the supply gets --

Nuguri Venu:

It's not a cash loss. It's timing basically.

Parikshit Kandpal: Okay. And my second question is on demand side. So, you said on a slide, you have given various segments where the demand continues to remain very strong. So, on the supply side, if you can help us understand how is the industry capturing capacity utilization right now? And given such a strong pipeline across all these segments which you operate in, so when do you think you run out of the capacity and maybe some pricing power will then come, so this can help us meet our maybe 15% kind of a long-term EBITDA margin?

Nuguri Venu: So again, we've been -- if you're talking about the capacity utilization of our factories, Parikshit, if I understand you correctly?

Parikshit Kandpal: Industry as well as your factories for giving the context of how the industry capacity, your capacity when given the demand scenario, which seems to be very robust. So how will the pricing power and the margins play out from near to midterm?

Nuguri Venu: Right. So, I don't give you any forward-looking guidance for our company. But let me give a little bit of industry back data, so that you understand it correctly in that. So, you probably all of you would have read the recent Central Electricity Authority revised targets, where it has set 777 gigawatts of installed capacity by 2030, and they're very clearly quantified out of the 290 gigawatts of solar presently 68 gigawatts. So, we basically want to do at least more than 4 times to do that, okay?

And so, on a wind standpoint, from 43 gigawatts to 100 gigawatts and the 40 gigawatts of battery energy storage and 500 gigawatts of our interstate transmission things. So, these are all quite a big to reach that. You've got to do depending upon what whether it is the wind or solar or other transmission anywhere between 2 to 4 times what we have been doing it now. So that's a bigger picture of that.

So, taking from that, some of our factories, for example, some of our lines for large power transformer, we are full in more than 18, 20 months in that. So, we are also looking at expanding it organically to remove some bottlenecks in our production processes, etcetera, and doing some quick investments in improving our capacities. That's the one part. But as you know, we have seen this picture at least much ahead of the curve, and that's why we have inaugurated 3 new greenfield factories in the last financial year.

And those things will come handy in handling the requirements in that, right? And we have been -- if I talk about ourselves, we have been in India and investing in India, and we remained committed to that for a long run. And we

have been continuously looking at both setting up greenfield factories versus also expansion of the brownfield factories.

Moderator: Sorry to interrupt Mr. Parikshit. May we request that you rejoin the question queue for follow-up questions as there are several participants waiting for their turn. Participants connected on the webcast please click on the audio question button below the media player to ask a question. Ladies and gentlemen in order to ensure that the management is able to address question from all participants in the conference, please limit your questions to 1 or 2 per participant. Should you have a follow up question we would request you to rejoin the queue. Our next question is from the line of Renu Baid from IIFL Securities.

Renu Baid: Hi, good evening team and thanks for the opportunity. My first question is, clearly highlighted a very strong jump in services and probably that is reflecting in high gross margin this quarter. Can you also throw some light in terms of how is the status in some of those projects which were on a higher cost basis and carrying lower margins? Are all those old orders behind in terms of execution and can we incrementally expect on annualized basis gross margin improvement to sustain?

Nuguri Venu: No. I think -- can you repeat, Renu? It's not very clear. Can you please repeat, if you don't mind?

Renu Baid: Sure. Sir, my question is, first, if you look at this quarter, services, as you mentioned, have seen a very sharp growth, which probably is also reflecting a higher gross margin profile of almost 39%. So, was wanting to ask, are the old low margin orders completed in terms of execution? Or are they still continuing in the backlog? And on an annualized basis, can we expect the gross margin mix to start improving from last year's move?

Nuguri Venu: So let me answer in 2 parts. So, what we have shown on the services and exports is basically those are the orders we have secured in this quarter. So, revenue of that will come over a period of time. So that's what we are seeing. As you recall, our focus on exports that in the beginning of our company, we started it was 15%, and we set ourselves a target of 25% of exports.

And then you recall, we already reached last financial year, and we continue to maintain that even though this quarter is slightly higher, but we believe that we will be in the -- if we take the overall year, we will be in the 25%. And same is the case on the services point, we said services, we were having a high single digit as part of the thing.

So, we are moving towards a double-digit, close to 15% over a period of time. That was our strategy, and we are working towards that strategy, and you can see the results of that. And the revenue of that will follow through over a period of time in that.

Renu Baid: Sure. Secondly, in terms of -- can we share some status of the HVDC order execution. You mentioned that have started mobilization at this time. But by when do we expect the timeline for the hardware supplies and the EPC construction at site in the subsequent 2 years? Any clarity on that will be helpful.

Nuguri Venu: Right. As you know, HVDC project, which has -- it will take more number of years to complete. So, we have started after completing our engineering and, of course, engineering is going on. And the project, as we speak, the project site is a lot of civil works, etcetera, is happening in that. So, we will see end of this -- the last quarter of this financial year is where we see a lot of our equipment like a transformer, GIS start coming in in that. So, we do a lot of services now completing the civil, etcetera, auxiliaries and other things, but then the equipment will start coming end of this financial year onwards.

Renu Baid: Got it. And lastly, if Ajay can also share some inputs and throw some light on how has the net working capital at the end of the quarter been and update us on the debt and the cash position in the books?

Ajay Singh: Thank you Renu for the question. Net working capital at the end of the quarter, roughly were bidding around 21% to 21.3%. That is a number that we are bearing. And if you talk about the cash, so cash basically, we are sitting around INR150 crores roughly is the cash that we see on our balance sheet. So that is where we are placed on overall -- and since you talked about the net working capital, yes, we continue our drive on our receivables, we are focusing.

And as a management, we are taking all the actions that we need to drive the receivables, and that is on the clear focus on the management. That is how basically -- I'm also -- we are collecting advances from our projects. So, all these elements are supporting us in driving the net working capital on the overall basis.

Nuguri Venu: But also, just to add to Ajay, but we also consciously, we are also starting up something like, for example, we created a feeder factory. So, the feeder factory model is that we should be in a position to complete and sell the revenues at a quickest possible time, which we need inventories slightly higher than the normal level of inventories.

So that's the one. And then now we also have started ordering all the chips which is required for us on a yearly basis, which will also add up to all those things. So, it's a combination of that, while we continue to drive on the rest of the things, but we're consciously keeping the demand in mind. So, we are also increasing our inventory.

Moderator: Thank you. Sorry to interrupt. Ms. Renu, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. May I request all the participants to use handsets for optimum audio quality while asking your questions. Thank you. Our next question is from the line of Mr. Mohit Kumar from ICICI Securities.

Mohit Kumar: Good Evening sir, thanks for the opportunity. My first question is on the order inflow. I saw the inflow for Q1 was little subdued, especially Q-o-Q and Y-o-Y, if you do the HVDC -- if you include the HVDC. So, while you believe that outlook of investment in underlying industries improving materially or has improved, my question is, are you seeing the inquiry pipeline, especially in the transmission, especially for the upcoming tenders? I believe the tender pipeline has moved to INR500 billion as you speak today.

Nuguri Venu: Thank you, Mohit, for your question. We are talking about orders. You would have seen -- you say subdued if you consider HVDC project, but you know that we can't get HVDC project every quarter because these are the large projects. So that's the reason we always track our order inflows without these kinds of mega orders. These are not large orders; these are mega orders.

So, if you -- without that, we have a 6% growth on a year-on-year, yes. We could have done better, but I understand that. But then if you really look at our pipeline, our order pipeline is very robust. Order pipeline, one is on the renewables. That's where we do a lot of grid reconnections of solar and the wind, solar especially is a very solid pipeline.

And the second one is the transmission. The transmission is not only the traditional transmission, like 765 kV AC, our 400kV, GIS etcetera, but we see a lot of tariff-based biddings are coming with our STATCOM tenders, and that's where we have a huge play there.

The third one is we also see a very good pipeline on the rail and infrastructure standpoint, where the rail is not only like a high-speed rail, also the cross county regional rail electrification, metro electrification and then rolling stock modernization like Vande Bharat trains, etcetera, are also seeing a very good growth of opportunities.

Mohit Kumar: Okay. So, my second question is about the signaling invested opportunity, railway signaling. My question is, are you qualified for electronic interlocking and automated block signaling? If you are not, are we trying to build that capability over the next 12 to 18 months?

Nuguri Venu: No, we are not into the railway signalling at all. So, we don't have a railway signaling portfolio as part of that, nor we want to enter into the railway signal portfolio.

Mohit Kumar: When you say you're participating high-speed rail tender, it is for electrification. Am I right in saying that?

Nuguri Venu: Yes. High speed rail tenders are basically electrification, our transformer of GIS, our substation automation etcetera.

Mohit Kumar: And if I'm not wrong, the electrification tender is out, right, if the bidding is happening. Am I right in saying that?

Nuguri Venu: Right.

Moderator: Our next question is from the line of Mr. Vinod from BOB Caps.

Vinod: So, I had one question regarding the high-speed rail. What we understand is JICA has specified that the high-speed rail contract should go to Japanese companies. And I guess, Hitachi is one of the names which has been talked about. So, will there be any rub off impact for us? Any benefit coming from Hitachi winning some of those high-speed rail orders, which can accrue to Hitachi Energy, the local entity here?

Nuguri Venu: Thank you, Vinod. I go based on the qualification requirements put in the high-speed rail tenders. And based on that, we have seen -- we do qualify for a major portion of the power technology, which go as part of the electrical tender in there. So, we have submitted our bids to the EPCs and other people, and we will wait for that. Since it is -- the tender is on, so we don't want to discuss more on that.

Vinod: Okay. So, the other thing we learn is that train sheds necessarily have to be sourced from some of the Japanese players. So, 3 names came out, Mitsubishi, Kawasaki and Hitachi. So, I was just thinking if the parent wins this high-speed rail contract, would there be anything percolating down to the Indian entity, the listed entity here?

Nuguri Venu: What we are saying in that particular tender is that Hitachi Energy products do qualify for that, certain products, not all of them for sure, certain products, and basis which we have given offers to whoever is participating on a turnkey basis.

Moderator: Our next question is from the line of Bhalchandra Vasant Shinde from Kotak Life.

Bhalchandra V. Shinde: Sir, regarding this chip shortages, if we see peers wise, we have not been -- that has not been reflecting into their execution. Where exactly we are getting constrained on the supply. And based on this, your earlier target of reaching to double-digit margins by FY '24 end or FY '25, will it be get shifted by 1 or 2 quarters? How do you see it? Because we have been seeing the slippages in execution for last 2, 3 quarters continuously.

Nuguri Venu: Yes, you are right. Actually, the chips and electronic shortages which are primarily our industry relevant topic, so we are also facing. Most of them, we also import. And we are Tier 2 or Tier 3. We don't directly import from the chip manufacturers, right? So, they will give it to someone else, they will add value addition. And so that's the things. The focus in the beginning, it was across the -- there was a shortage across all the things.

But there has been improvement, for example, in auto industries, etcetera. But whereas the chips pertaining to other industry, especially the substation automation and IEDs, relays, etcetera, have impacted, because the volume -- globally, if you have somebody is manufacturing, the bulk of that is going to the, let's say, auto sector or some other sectors. But our industry sector is below. So, we have taken several actions. For example, we had guidance with the CEOs of those companies.

We have started ordering advance. We also looked at alternative manufacturers. We also looked at what we call redesigning of our things. So, we looked at both in the short term, maximizing our forte; in the midterm, securing the supply, launching, ordering, etcetera. And then long term also, we are looking at the derisking of that. So that's the reason I said we're now -- we are seeing the visibility. We are still not, say, 100%, we're going to out of that. But I think it's now becoming better, I would say. So that's where we come back.

So, if I come back to our long term, as I told you, we have several initiatives on the demand and also exports and the surveys and also operational exercise. And based on that, we said we will reach 10% EBITDA by end of financial year '25. And this is what we said, and we are sticking to that. We will sequentially improve from now to reach that level, whatever we have been committed.

Bhalchandra V. Shinde: Got it. And in this -- as per earlier interactions, like as we said that every year, 1 HVDC order is likely to happen. Based on that growth trajectory wise, how you see -- will we be able to continue with a healthy growth or execution wise, it will be like spikes and then flattish then spikes, something like that?

Nuguri Venu: Sorry, execution-wise, you said something?

Bhalchandra V. Shinde: It's like execution will be normalized growth or it will be like an intermittent growth happening over a period of time?

Nuguri Venu: No. As I said, we have a very robust portfolio of INR 7,000 crores for all of our industry segments where we talked about. And then we also said that the market is opening up with energy transition-related demand, including HVDC, like, for example, one HVDC project has already come into the market for bidding. So, we are also acting on that.

On the execution side, barring these chips, I think more or less, our portfolio is very stable, and we don't see any issues on that. And that's the reason we said, our growth story going forward will be profitable and sustainable. And we want to grow higher than the market. So, these are the 3 things we have been consistently saying, and we have been also following on that.

Moderator: Our next question is from the line of Apoorva Bahadur from Goldman Sachs.

Apoorva Bahadur: Hi sir, Thank you for the opportunity. Sir, two questions. Firstly, on the export side, if you can share how -- what was our export sales for this quarter and last quarter? And also how are the export markets tracking? And secondly, sir, on the benefit of the commodity down cycle now, by when should we expect that to start kicking in into our margins?

Nuguri Venu: Apoorva, thanks for the question. So, on the first one, if you recall, when we started our company after carving out, our exports were in the range of 15% of our total portfolio or total orders. So, we set ourselves as a strategy. As part of that we said, we will take some 15% to 25% by 2023. And then we have reached this target at least 1 year ahead of the curve.

And we are continuing with that thing. So, our export strategy is a 3-pronged strategy. The first one is we have certain products within Hitachi Energy, where we have global feeder factory. That means those products, we only manufacture in India for rest of the world. That's number one. The number two strategy is that we have allocated market and that markets are growing up.

And then those markets, we will nurture, we will take care and we will develop those markets. We have a go-to-market strategy together with those countries, etcetera, and then we sell our products. And the third one is we also have the feeder factories, some of the components we manufacture here. Those components are meant for our factories around the world, and that is what it is.

This three-pronged strategy will take -- is already we are in 25%, and then we will continue to remain in that level even though this quarter, that means the quarter which we are discussing last quarter, we have slightly higher export orders. So -- but overall basis, if you take a 1-year basis, we are saying we will be in the range of 25%.

Apoorva Bahadur: Sir, can we share a percentage of the absolute revenue amount in terms of exports, please?

Nuguri Venu: So, I think that we have not been giving that as part of our thing. But generally, you can say this will follow the same trend going forward.

Apoorva Bahadur: Understood Sir, and how are the export markets tracking given the slowdown that we are seeing in certain economies?

Nuguri Venu: Yes. I think on energy transition opportunities, Apoorva, I can say that every market we are talking about is -- they're all committed in the investments. At least we are not seeing a slowdown of our exports. While I understand where your question is coming from, there's a slowdown of exports in the country as an overall basis. But when I see our pipeline of exports projects, our pipeline of things, we have not seen yet.

Apoorva Bahadur: Right. Sir, that's very useful. And lastly, on the commodity benefit, sir. When do we expect that to start coming in our margins?

Nuguri Venu: Maybe Ajay, why don't you answer this?

Ajay Singh: If you see in this quarter, we do not have any impact, as far as commodity is concerned. If you see in last quarter and previous quarters, we were discussing on the commodity impact, but we are -- our projects are basically hedged and that is how, at least in this quarter, we don't see any commodity impact that we have faced.

Moderator: Sorry to interrupt Mr. Apoorva. May we request you to rejoin the queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Mr. Akash from Dalal & Broacha Stock Broking,

please go ahead. Mr. Akash your line has been unmuted request you to please go ahead.

Akash: So, sir, my question based on the point of view. So how is the industry outlook currently? Sir, I mean how do we sort of seize the orders, order flow coming in in the coming, let's say, next 4 to 5 quarters for Hitachi Energy?

Nuguri Venu: So, Akash, thank you for the question. As you know that we don't give a guidance on the forward-looking information. But what I can definitely tell you about the industry thing. I just talked about a couple of pointers for you to understand how the market is going up in India. So, energy transition demand is quite robust in India and also in some of the export markets where we operate in that.

And as you know, recently, the Central Electricity Authority has announced that 777 gigawatts of installed capacity by 2030. And out of that, 290 gigawatts from solar and 100 gigawatts of wind and another 40 gigawatts of battery energy storage. So, all those things to reach that, one needs to do at least 2 to 4 times depending upon what happens. For example, wind went from 43 gigawatts to 100 gigawatts, which is more than 2 times. Solar, 68 gigawatts to 290 gigawatts, which is more than 4 times what we are to do that.

Yes, there are certain constraints, supply chain constraints, for example, on the solar standpoint, modules availability, etcetera. We'll have some limiting thing in that. But by and large, we see that. Same is the case on the transmission standpoint. For example, TBCB, you take a year before, there are 11 projects have been awarded. Last year, there are 22 projects have been awarded, and we see the pipeline is very robust now.

Already a huge amount of tender pipeline has already come for bidding or in the process of bidding. So, all those things would definitely -- in addition to the traditional infrastructure, rail projects what I talked about, so those things should get us a good order inflows.

Akash: Got it, sir. And also, on the -- one more question on the -- from the execution point of view. So, you said there's a 3-pronged strategy that you are basically focusing on for, focusing on the exports, taking -- now that we have the feeder factories and all the expansions that we needed to do and the greenfield capex and all is also done. And thirdly, we already have the demand and order book in our hand. So, going forward, our execution should only be better and upwards, right? I mean do we see any further execution challenges or blips going forward.

Nuguri Venu: Yes, our endeavor, all our management and our endeavor is to see that we execute what we have it. And whatever the constraint we have within our reach, we will do it. But some of the constraint beyond our control, for example, in this case, the chips, which is beyond our control, so those things we also have some challenges to that. But we will definitely -- if you are able look at the outlook of the chips, we see a good visibility on that. Same is the case we expect to improve our performance.

Moderator: Our next question is from the line of Venkatesh Subramanian from LogicTree Investment Advisors Private Limited.

Venkatesh Subramanian: Good evening, sir. Thank you for the opportunity. I have two questions. Sir, one is I have been reading a little bit on Hitachi India and its strategic plans. And so, what kind of synergies is that between Hitachi India and Hitachi Energy? And that is there -- I mean, if you could just highlight a little bit on that. And number two, in terms of the opportunities globally, if you see Hitachi Energy globally, they would have a growth plan. What does it -- where do you think we could be as a share of the global revenue, let's say, in 5 to 7 years' time?

Nuguri Venu: So, first of all, ever since we become part of Hitachi ownership, so we continue to look at the synergies between the Hitachi various entities with Hitachi Energy. So, for example, Hitachi is the old T&D install base. For example, they used to have the GIS transformer, so we started serving them wherever it is there. So, these kind of things we started.

And then we are also looking at Hitachi Rail, working together with them wherever it is possible. And the third one is where we are really working together with Hitachi, is that Hitachi has a digital portfolio as part of the global logic. So, we are looking at to offering some of our solutions together with the Hitachi's digital platform.

Hitachi has a very well-known IoT platform called Lumada, where -- so they have invested lots. So those things, we are working and doing some of the pilots with some customers to see that how we can scale it up, etcetera. So those are the synergies we are looking at it.

Venkatesh Subramanian: And a question on globally, where do you think Hitachi Energy can be, let's say, 5, 7 years down the line, so say 2030, if that's a big number that you're looking at?

Nuguri Venu: Right. So globally, from a global Hitachi Energy standpoint, India is the center of the strategy, right? It's not only from the demand standpoint but also the

supply standpoint. So, we have, as I told you, we have a lot of feeder factories which are feeding to the global organization, global factories like that's the one way of doing it. Lot of engineering happens here.

And the second is from the market standpoint, India is around at least a top fifth or top sixth globally for Hitachi Energy in that. So, it's both from the demand and supply and availability of the skills, resources, etcetera, is quite an important market, important entity from a global energy standpoint.

Venkatesh Subramanian: Fine, sir. A quick one, sir, if I can squeeze in again on chips and electronics. Considering that India is building an eco-ecosystem of fabs, semiconductors, quite a lot of attention is being given. While I'm sure you're looking at a lot of alternatives and all that, do you think at some point of time, we will broadly be self-sufficient in this area where this does not continue to be some sort of a weakness for us?

Nuguri Venu: Yes, I think -- I'm not sure what kind of chips they're going to manufacture. At least that's a long story, in my view, manufacturing, those things which are required for our kind of portfolio. But it's quite possible also.

Venkatesh Subramanian: Okay. But as a company, we are looking at self-sufficiency?

Nuguri Venu: Yes. Some of the very important semiconductors, for example, HVDC, lot of semiconductors. So that we have our own in-house factory in Switzerland. So that we have a full control. Whereas in some of the grid automation, the electronics, those things are very small components, electronics. So that will depend on things. So there, we are not looking at manufacturing our own chips and electronics over there because the volume, all those things will not make business cases.

Moderator: Thank you Mr. Venkatesh. We move to our next question. Our next question is from the line of Ms. Renu Baid from IIFL Securities.

Renu Baid: My questions have been answered. Thank you.

Nuguri Venu: Operator, we can close now.

Moderator: Thank you, sir. That was the last question of our question-and-answer session due to paucity of time. I would now like to hand the conference over to Mr. N. Venu for closing comments.

Nuguri Venu: So, thank you very much, operator, for moderating in a nice way. And ladies and gentlemen, thank you once again for attending to our conference call.

Appreciate very much. If you need anything more or anything you want to talk to us, please write to us. We are happy to engage with you. And please take care and stay safe. Thank you.

Ajay Singh:

Thank you.

Moderator:

Thank you. On behalf of Hitachi Energy India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.