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February 16, 2022

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(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, February 09, 2022 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 January 27, 2022 and in furtherance to our letter dated February 09, 2022 wherein we had shared the copy of Investors presentation and Press release, a conference call was organized with Analysts/Investors on Wednesday, February 09, 2022 at 5:00 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:www.hitachienergy.com/in

You are requested to take the same on record.

Thanking you.

Yours faithfully,

For **Hitachi Energy India Limited**
(formerly known as ABB Power Products and Systems India Limited

Pawan

Poovanna Ammatanda
General Counsel and Company Secretary
Encl:As above

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

Hitachi Energy India Limited - Q4 Analyst Call

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

Management

Mr. Venu Nuguri – Managing Director & CEO
Mr. Ajay Singh – Chief Financial Officer
Mr. Poovanna Ammatanda– General Counsel and Company Secretary

Moderator: Ladies and gentlemen, good day and welcome to Hitachi Energy India Limited Q4 analyst call. At this moment, all participants are in the listen-only mode. A question & answer session will be conducted towards the end of the call. At any time during the call, you may click on the audio question tab below the media player and join the queue to ask questions. Please join the queue early in the call to ensure we address as many queries as possible. Please note that this conference is being recorded. I now hand the conference over to Mr. N Venu, Managing Director and CEO, Hitachi Energy India Limited. Thank you and over to you, sir.

Venu Nuguri: Good evening everyone and thank you for joining us for the call. I hope all is well at your end and hope all of you are keeping safe during these unprecedented times and taking all necessary precautions to keep yourself and your family safe. We have just uploaded the presentation that I am going to refer in the BSE website and I am also now sharing if you are able to see that. Then, I will also refer the slide numbers for ease of convenience for all of you.

Moving to the slide No. 3, The October to December quarter is typically marked by a festive mood in the country. The nation was also trying for normalcy after a bleak first half of the year. In this period, we also witnessed significant orders from leading power players toward solar and wind projects and in grid strengthening, as well as toward electrification of Indian Railways.

We were awarded a project to set up a central command unit called 'Remote Operations and Nerve Centre' for India's largest private transmission company to monitor and control their power substations in Rajasthan. Further, we hope to convert ~INR 200 crore worth of delayed orders where Hitachi Energy India was L1 in the coming time.

But, concurrently, we were facing challenges that you all will be aware of. Globally, commodity prices have been reaching record highs and a shortage of semiconductors has been challenging supply timelines, gridlocked ports have been delaying shipments of critical material.

With this backdrop, we managed a credible performance, staying resilient amidst tough market realities. We put unwavering efforts at stabilizing our supply chains, building stronger processes and improving efficiencies. As you can see from the slide, we have more green arrows.

Moving to the slide No. 4; Safety remains our primary license to operate. And to ensure a culture where people take as priority ownership of their and their colleagues' health and safety, we continued our efforts towards spreading awareness and building capabilities at our offices, factories and project sites. We have been conducting regular training sessions and consultations for our people and partners to combat the spread of the Covid-19 virus, prevent ailments arising out of the new normal and reduce HSE hazards at workplace or worksites. As more people return to workplace, we partnered with various agencies to provide defensive riding training and conclude helmet distribution to ensure road safety to all our employees at all our locations. Our uncompromising safety standards and consciousness were not only appreciated by customers, but also garnered leading industry recognition which is Golden Peacock Award we have received in this quarter for exemplary efforts towards ensuring a safe workplace at our locations.

Moving to the slide No. 6, Lending our support to augmenting public welfare and healthcare amenities is a natural extension of keeping people safe. After all, we are only as safe as our homes, neighborhoods and community.

As the government cast a wider net on vaccinations, we conducted inoculation drives for employees' children and dependents. Applying the learnings from waves one & two of the pandemic, we swiftly activated our crisis teams, strengthened partnerships with medical services and re-enforced the use of PPE to tide through wave 3. While we are glad that omicron did not cast as dark a shadow, we continue to exercise caution and keep our people at the heart of what we do. And as you can see, 99% of all our employees have already got 2 doses of vaccination and we continue to have the strategies around testing, tracing, treatment, and vaccinating to ensure that our employees are safe and business continuity is maintained.

Moving to the next slide No. 7 It was no doubt a milestone quarter for us. We transitioned into our new identity – Hitachi Energy – from ABB Power Products and Systems India Ltd. We were joined by key leaders from government and industry in the inaugural celebrations, which of course were measured to ensure utmost health and safety compliance.

With our new identity Hitachi Energy India – we will be able to effectively position our pioneering technologies and services to existing and future customers expanding beyond the grid – opening up a breadth of opportunities in areas such as sustainable mobility and smart life, and contributing further economic, environmental and social value. We look to 'advancing a sustainable energy future for all'.

Moving to the next slide No. 8 In the first half of 2021 we had released our 2030 carbon neutral goals. We had set short, medium and long term targets to advance the energy transition underway in India and we had committed to 100 percent fossil free electricity in our own operations by March 2022.

I am happy to share that we achieved 100 percent fossil free electricity in our offices and factories by December 2021 itself.

We also implemented rooftop solar for green electrification of a project site office. Designed by our engineers, this plug-and-play solution will negate the carbon footprint of 4,000 liters/year of diesel at each site it is used at.

As we strive to achieve our goals, we constituted an Environmental, Social and Governance (ESG) Committee of Directors to track our performance and provide an outside-in approach to help us with an urgency also reflected in the government's commitment on climate action at COP26. As our company's portfolio which provides the mission critical technology to our customers in enabling carbon neutral operations, we thought we would be taking a leadership position and walking the talk, especially in ensuring that our own operations and our own footprint will be a carbon neutral going forward.

Moving to the next slide No. 9, We echoed the shared goal of accelerating a carbon-neutral future across our business actions.

From leading the conversation on key issues such as electric mobility at prominent forums to co-creating solutions that benefit society, we continued to deliver social, economic and environmental value.

Besides commissioning nation building projects such as the Kanpur Metro, we also worked with local authorities to ensure that social infrastructure was robust enough to cater to local needs.

We collaborated with customers to address the needs of an evolving energy landscape such as evaluating reliable integration of renewables in the energy mix of many private utilities and up-skilling the human capital to manage an increasingly digital grid. Example of that is, as you can see in this, we have signed an MoU partnership with Tata Distribution company to shape the future talent using our technology, our portfolio, and our footprint.

Moving to the next slide; expanding value through digitalization. Digitalization is steadily percolating through the grid – in our own operations as well as of that of our customers in industries and in T&D utilities.

In the three month period, we conducted over 150 remote factory acceptance tests – a process where customers can virtually test the products such as transformers, HV, GIS or automation, before signing off for delivery; a tool essentially in a world with travel restrictions. And we have started this process since wave one and we continue to engage with our customers with this remote factory acceptance test.

With a steel major we entered into a digital partnership agreement facilitating a combination of asset management software with our expertise, enabling equipment and O&M managers to reliably and cost-effectively optimize system performance and protect crucial assets.

And the third example -- setting up a Remote Operations and Nerve Centre (RONC), or a central command unit, to monitor power substations in Rajasthan. The State is a leader in solar energy and aims to add 30 GW worth capacity by 2024-25 which will introduce more intermittence into the grid. The RONC will offer real-time monitoring, control and protection of mission-critical power assets via intelligent electronic devices. It will help power operators take timely, even pre-emptive, actions to maximize product efficiency and prevent costly disruptions. These are just examples to show how our foray into digitalization of the entire value chain, not only from our own operations but also customer assets.

Moving to the next slide No. 11; In the Oct – Dec quarter, with the launch of IdentiQ we added another milestone product in our digital portfolio. Principally a digital twin for HVDC and power quality, it is best described as an “umbrella” solution for all relevant site information and analytics for high voltage sites, which are critical for ensuring grid reliability and stability.

This game-changing digital solution uses an identical digital replica, which models accurately the behavior of the respective power asset, solution, or process for HVDC and power quality; providing clear visualization and remote access on any device - for the complete life cycle.

Moving to the next slide No. 12; I think this slide you are all familiar about at the macro level and maybe you know more than me, but let me just give you my perspective on this. The last time we met, India appeared to be on a recovery path and then the omicron wave brought with it a set of uncertainties, delays in decisions and strain on supply chains. However India continues to be one of the fastest growing major economies in the current financial year at 9.2 percent yoy GDP growth and 8-8.5 percent in the next financial year. This growth rate is expected to sustain in the next couple of years.

The Purchasing Managers' Index for services is back to pre-Covid levels. A similar growth trend is reflected in various core sectors contributing to IIP. While this is a positive sign, we have to view the escalating fuel, commodity and freight prices in balance. Global semiconductor shortage is another headwind that continues to influence operations across geographies, and we will see how the situation unfolds, along with uncertainties related to Covid.

Moving to the next slide; Notwithstanding the headwinds I just discussed, we remained the partner-of-choice for our products, services and software. Utilities drove about half the order book, through product orders for grid strengthening and power quality, products and automation for monitoring and integration of renewables.

We won major orders from leading power players toward solar and wind projects as well as toward Indian Railways’ electrification and metro rail, in line with our key focus areas for business growth and Vision 2025. On a year-on-year basis, orders from data centers declined due to a high base. Yet, with the proposed reclassification in the recent budget of data centers as harmonized infrastructure, coupled with rising demand, we are confident that the sector will normalize in the coming quarters.

Products led our order book, especially through direct sales, indicating our shifting center of gravity towards more technology-driven solutions and our end customers' evolving preference.

Moving to the next slide No. 14; exports, as we have been talking almost every quarter, continue to lift orders contributing approximately 25% to the order book in the December quarter with an increased contribution from our feeder factories. As you recall, our strategy of exports is to take from 20% to 25% over a period of time and I am happy to report to you that we have already reached 25% in this quarter Solid demand came from key utilities in South Asia and South America for our high voltage products and grid integration projects. Despite current logistical log jams and increasing freight costs, export orders clocked a third consecutive quarter of yoy growth, steadying our progress towards the goal of 20-25 percent range of order book.

Traditional retro-fittings, diagnoses, spares and extensions from utilities, steel majors and metro customers continued to contribute to our service portfolio order book. Some of these orders were secured through synergies with Hitachi as well. In addition, we received remote and on-site service and maintenance orders from a steel major and other heavy industries for their electrical devices.

Our consultancy business continued to draw demand for renewable studies from India and around the world and system studies for petrochemicals, mining and automobile industry houses.

From existing installed base to the newly diversifying, we saw immense trust from our customers to be their partner of choice even during turbulent market conditions.

Moving from exports and service to profit & loss statement in the next slide, we were able to reliably deliver on their faith through these challenging times by sticking to our three-pronged strategy put in place at the peak of the pandemic -- protecting our people, preserving business continuity and preparing for the new norm. Even amidst commodity market and supply line tribulations, we delivered a credible and sustained performance.

As of December 31, 2021, our order backlog stood at INR 4,733.6 crore, which is expected to unlock revenue streams in the coming months.

Recovering to pre-pandemic levels, revenue was at INR 1,137.6 crore, up 9 percent yoy. Profit before tax (after accounting for a one-time reimbursement of reorganization expenses) was INR 83.4 crore, up 10.3 percent yoy.

Supply chain disruptions emanating from port delays weighed on process timelines. This, coupled with increased commodity and freight costs, slowed our march towards target margin corridor.

Operational EBITA stood at INR 89.5 crore in the December quarter, with EBITA margin at 7.9 percent.

Moving to the next slide No. 16; you have seen the union budget and I am sure all of you are aware about it. Let me also just give a snapshot from our perspective looking into this union budget 2022-23. Basically broad vision for the Indian economy for the next 25 years, through four pillars of development - PM Gati Shakti, Inclusive Development, Climate Action and Energy Transition. It is a budget for change, growth and for the future.

It definitively touched on all levers to multiply growth and opportunity, using public funding as a lynchpin to attract private sector spending. A climate responsive budget – there is a lot of focus in energy transition, where we operate.

An additional Rs 19,500 crore for PLI for manufacturing high-efficiency solar modules and an allocation of Rs 1,400 crore for 123 MW hydro & 27 MW solar projects in FY23.

Issuing of Sovereign Green Bonds in public sector projects to reduce carbon footprint initiatives in the economy.

Steps to trigger adoption of Electric Mobility included policies on Battery Swapping, charging interoperability and large-scale charging stations.

400 Vande Bharat trains with higher efficiency for passengers will be developed in the next 3 years and interconnected, standardized urban transport metros. In our view, all these things are the play areas for our company to be actively participating and going forward in that.

Coming to the last slide; priorities, it is crucial that we take on the challenge of accelerating the pace of change to reap the benefits of this energy transition. We see ourselves playing a leading role through our digital and energy platforms, as the partner of choice for our customers and for the industry.

Our key focus will remain protecting our people and preparing ourselves to tackle the vagaries of the pandemic induced new norm shaping an agile supply chain, being selective in our contracts, and revisiting long-term agreements with customers and suppliers as the price trajectory of commodities and freight remains uncertain. You all know that these kinds of elevated commodity prices are…. We have not seen these kinds of things in the last several years and these are the unprecedented changes taking place especially on the commodities, freight, and port logjams.

As I often say, we are invested in India for the long-term. We will continue to build indigenous capabilities in high-growth segments such as rail, datacenters, transmission, renewables, automation and HVDC, that are also pillars in the government's forward-looking budget. And leverage the same for expanding our export base – to make in India for India and for the world.

And to do so sustainably, we will invest in ourselves – towards reaching net zero in our own operations as well as developing a diverse talent pool that is equipped to nurture the rapidly evolving energy landscape.

As the pioneering technology leader, we will continue to collaborate with customers and partners to advance a sustainable energy future – for today's generations and those to come.

We would like to grow the organization to be more sustainable, flexible, and secure.

With that, I really want to thank all of you for your attention. Ladies and gentlemen, I would now like to open the channel for your questions.

Moderator: We will now begin the question & answer session. To ask a question, please click on the audio question tab below the media player, click on OK on the pop-up to mute your webcast and proceed with the Q&A session. The operator will announce your name when it's your turn to ask a question. Please unmute your microphone while proceeding with your question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: The current quarter results are definitely not as good as they were expected. My first question is hitting at the core of 3Q results, trying to understand the gross margin weakness. You did highlight raw material price pressures and fixed price contracts. If you could provide some more inputs in terms of what was the impact of cost inflation on the operating margins and to what extent was it led by change or adverse mix? Aligned with this, what percentage of the backlog that we have today sitting on fixed price contracts which could have a potential impact on margins as we move towards CY23 or next fiscal in terms of orders?

Venu Nuguri: First of all, let me just give you an overview of that. It is not a one particular challenge we have been facing. We have been facing on increase in commodity prices, on top of that semiconductor shortage, and on top of that the freight cost. Some of the freight costs especially on export – as you know where our exports are – the cost increases in excess of 50% to even 100%. So, revenue growth is fueled by higher project execution and also product delivery, but the margin has been impacted due to execution mix as well as rising commodity prices, freight and logistic cost increase in that. We roughly estimate that in the range of 1% to 1.5% contributing all these costs like rising commodity prices, freight costs, etc., in that. That's answer to your first question.

The second question is, in our order backlog if you take, around 60% of our order backlog is having variable contracts, i.e., variable prices. We have the price variation clauses, etc., and remaining 30% to 35% of the backlog, we have the fixed contracts. But we must be mindful about here because when you are talking about the variable, it's a normal variable, but this is unprecedented, right? You don't get our contracts covered with the freight charges. You don't get our contracts covered with these kinds of things. Normally, we cover with a normal price escalation of major commodities like copper, aluminum, etc., in that.

Renu Baid: This is where I have the question because if you look at the freight expenses, etc., they will be largely housed under Other Expenses which is higher but still manageable at that Rs. 198 odd crores, but material cost per se or RM to sales if we see, it has significantly spiked to 68.5 which means that typically where we were making almost close to 39% to 40% gross margins, our gross margins contracted sharply to just 31% which was the reason why ex of freight or all these expenses which sit in the Other Expenses, on the core raw material, we seem to have taken a very sharp impact which is almost 10 percentage points.

Venu Nuguri: That is also due to our project mix of execution in that particular quarter.

Renu Baid: So, if you can help us as in what percentage was largely because of fixed price contracts and commodity increase and what percentage of gross margin compression was led by mix changes? Do you have that kind of number?

Venu Nuguri: No, I don't think I have it readily because we have the annualized basis.

Renu Baid: But broadly, as we move forward at least for the next 6 to 9 months while some of these inflationary impacts are likely to continue, do we expect gross margins to improve back from say March quarter or probably the impact will remain for a couple of more quarters in the similar 30% to 35% range?

Venu Nuguri: Renu, as you know our company well, we normally don't give any long-term view on that. We also don't give any forward-looking statements, but what I can tell you is that the unprecedented things what is happening in our view will continue for some more time. The question is that how long it's going to be. We are also looking at all the options. The management, the company is taking all the actions to go back to the customers, renegotiate with the contracts, will be more selective, and we are also looking at some more exports. All those actions are also there. How much we are going to mitigate and what kind of mix we will bring in, that all makes the difference.

Renu Baid: Secondly, can you also help us understand now that we have moved to Hitachi Energy as a brand name and the entity as well, the royalty and trademark fee which you were paying to ABB, does that continue in the same context or probably that 4% or 4.4% kind of range of revenues, does that also undergo change with the change in the marketing brand name which we have undergone?

Venu Nuguri: As you know, when talking about the royalty, our core technology when we were part of the ABB has also moved to our new company, Hitachi Energy – the R&D spend, the technology. Those things if you really want, for example, I have shown you the new product which we have launched in the last quarter that EconiQ, all those things need investments. So, we need to continue to provide because the energy transition is a very big thing taking place in that. We really need to make sure that our products and our offerings have to be up-to-date and ensuring that we are bringing the differentiation to our customers by investing in that. Those things will continue to be there.

Moderator: Our next question is from Parimal Mithani from Credential Investments. Please go ahead.

Parimal Mithani: Sir, first the budget announcement in terms of CAPEX on the infrastructure side, you already highlighted in your presentation. But if you can throw some light in terms of the opportunity size for Hitachi Energy in specific to the entire thing and the addressable market basically? Secondly, in terms of the order book…

Venu Nuguri: The first question on the budget, as you know, it's a CAPEX-led budget where the government has increased the CAPEX to 35% compared to the previous year. All these things, especially the areas where the government is focusing on that are the play areas for Hitachi Energy. Take for example, the renewable penetration. We have quite a big addressable market in the renewables whether it is solar or wind. We have the grid connection, we have the balance of systems, and we have the automation of the renewable in that. Same is the case with the wind. When it comes to the data centers, as you know the data center and the grid level energy storage included in harmonized list of infrastructure which will facilitate easy credit availability to these things. And then we have a very good robust offering data center right from the grid connections to the automation and the electrification of that. That's also another big market there. And we have been telling you the rail segment is one of the core segments. We are supplying our portfolio to the fixed installation as well as the rolling stocks. For every third Shatabdi you touch, it will be powered through our transformers and every second fleet loco is powered through our transformers in that. So, we have quite a big place there, and the whole budget if you see here, especially sunrise sectors are focused, and the Hitachi Energy portfolio is exactly in that. So, what we are saying is that we are enabling a sustainable energy future for all, and our portfolio whether it is grid integration or grid automation or high voltage and sometimes it goes into entire sectors of that.

When it comes to the second question, if I understood you correctly, our order backlog is around Rs. 4,700 crores which has a visibility of quite a good number of quarters going forward in realizing the revenue from the order backlog.

Moderator: We have our next question from the line of Rahul Paliwal from Shefa Family Office. Please go ahead.

Rahul Paliwal: At Shefa Family, we have been following the Hitachi Energy since its inception or demerger. We have this question about the narrative which is being said in terms of our capabilities, new-age businesses which we are covering, digital opportunities and parental legacy, that's somehow not matching with the numbers and order book and in fact with margins so far. We need your comments on the same.

Venu Nuguri: As you know, we have carved out from ABB and then we have become part of the Hitachi Energy from 2020 onwards. Then, we had to also navigate the pandemic, and at the same time, we are also working ever since we became part of Hitachi globally, i.e., on July 1st 2020, right? And that's where we are looking at more synergies on that – the synergies on the digital capabilities merging. These are the things, it won't happen overnight. This will take a long time. It needs a lot of things, proof of size, lot of places where we need to do the pilot study, etc., in that. That's where if you have seen my presentation under the digital capability, I just gave you a couple of examples to that. In this quarter, we won these digital orders whether it is a Remote Operation Nerve Centre or the RelCare for the industrial houses. This will take an enormous amount of time, proof of concept, pilot projects coming on that. These things will start. Once it will start, as you know in the digital thing that it will keep on repeating. In our view, these are the most challenging times we are facing. On one side is dealing with the pandemic, the other side dealing with the highly elevated commodity prices and the port challenges, and despite that, we believe that we have delivered a kind of resilience in our performance in the difficult environment. That is my comment, Rahul.

Rahul Paliwal: We have these capabilities in terms of e-mobility like Flash technology. I think in India, the kind of initiative being taken on the EV side, I think are ready for these kinds of products because I think that these EV stations are being now freed of any kind of regulations. So, e-mobility side, then your IdentiQ, EconiQ side, power semiconductor side, carbon trading opportunities, energy storage solutions, and data centre side, what are the key initiatives being planned in the next couple of years so that we can get the advantage of scale in terms of exponential growth? That's my second question.

Venu Nuguri: In case of e-mobility, the whole segment is at a nascent stage in India, right? It has started to grow up and we have announced last year itself a pilot project together with IIT Madras and Ashok Leyland to run our pilot Flash-charging technology in IIT Madras. It took a long time due to the COVID and other related, but now the pilot is getting ready. We are hopeful to run this pilot in the next 6 weeks or so in IIT Madras. That is where we are working on that localizing of those kinds of things, how do we ensure that this technology is fully indigenized locally and build the local capability. That is where it takes time to do that. But we have a clear plan that will play a very, I would say, active role in our share of the e-mobility going forward where e-mobility is that we create a complete charging network of our Grid-eMotion Flash and Grid-eMotion Fleet technologies where we can create a mass charging technology. It's like a depot charging or airport charging or so on and so forth, not only for the buses but also 4-wheelers. That plan anyway is on.

And the second one is data centre. We have been already telling you that data centre is one of our focus areas. We have taken a major share of data centre orders being finalized. Minimum one out of three data centres we are powering at this point in time. You name whether it is global data centres or the local centres. When it comes to the energy storage, it is also another key area. All these things are at very nascent stages. They are coming here. We are working behind the doors to look at what is the technology we have to bring in. Here, the technology needs to be affordable. So, we are bringing it to see that we localize it, we customize it, and we bring it to the price point which is saleable in the Indian market. All those things are actions and they are all very clear growth dimensions and we are at it.

Moderator: We have our next question from the line of Priyank Chheda from Standard Chartered Bank Securities. Please go ahead.

Priyank Chheda: My question is with respect to the order inflows. Broadly, the order inflow has remained in a flat range of Rs. 900 crores to Rs. 1,000 crores quarterly and given the tailwinds and the priorities of

2022-23 that we have, what can be the size of order inflows one should expect and particularly also if you can guide us on the HVDC order that we were expecting to come and we had 1 order under bidding, what can be the size of that order and by when we can expect the outcome of that?

Venu Nuguri: As you know, we don't give any guidance or forward-looking statements, but what we can definitely give you which we have been continuously saying that we are taking several initiatives, and with those initiatives, we will be in a position to grow faster than the market even though last quarter, we have grown around 13% compared to the previous quarter. And if you really look at the market, market is not growing like that. If you take annualized 1 year, we are almost close to double-digit growth in the orders. The market is not growing that kind if you really take the whole of the market. There may be some segments growing higher, some segments are growing lower, but if you really look at the whole market, the market is growing in the last year in the range of 4% to 5% whereas we are growing almost double than that. That is the strategy we have adopted. We want to grow higher than the market, faster than the market. As we have taken several actions upfront, we will like to maintain the same thing. We are adding more products, we are also expanding our factories, and we are also now looking at exports more intensely. Those things will continue to be there. When it comes to the HVDC project, maybe you are talking about the Leh project which is almost 5 gigawatt capacity. What we understand now is that the Government of India has asked the PGCIL to execute this project. This is a big project, close to anywhere between Rs. 11,000+ crores of project and in a very complex environment. This is the opportunity all of us…. especially our company is looking at it. This also needs a lot of local manufacturing and that's where we are gearing up, setting up our factory to see that we bring more and more local content for this project to offer in that.

Moderator: Our next question is from the line of Renjith Sivaram from Mahindra Manulife Mutual Fund. Please go ahead.

Renjith Sivaram: Venu sir, just wanted to check with you now if you look at Mumbai Metro, the propulsion system is supplied by Hitachi Energy and the traction transformers for that is done by Hitachi design. Is it supplied by our factory the traction transformers for the Mumbai Metro? Just wanted to understand when going forward for the high-speed rail and other large projects, Hitachi can play a major role. Does that open up a huge opportunity for us as a company?

Venu Nuguri: I will just clarify to you that the propulsion system we don't manufacture. Our range of products for the railway segment is the traction transformers and trackside transformers and fixed installation SCADA and automations in that. As I told you, rail segment is one of the biggest growth segments for us and we continue to grow in the rail segment. And then when it comes to the high-speed rail, it's also one of our focused projects. We have a huge opportunity in the high-speed rail going forward. That is the one project where we are looking for synergies with Hitachi. As now we are part of the Hitachi, we are also qualified for a STEP component to leverage as part of that.

Renjith Sivaram: As a followup to that, it is as per Hitachi design. In that case, whom do we pay the royalty for and what will be the amount? Because now it's more of a Hitachi company, right? And what is the range of royalty now? Is that reduced if you can throw some clarity on that?

Venu Nuguri: Our company which is Hitachi Energy in India; our parent company is Hitachi Energy Ltd head-quartered in Zurich and Hitachi Energy is part of Hitachi Group. The royalties we continue to pay to Hitachi Energy Switzerland, Zurich. And our products are technology based and that's what I was explaining which require our Hitachi Group technology for bringing out the new products and new systems for which we need to pay royalty and technology fees because resultant technology holder is the global company and accordingly the royalty is paid to the global company, i.e., Hitachi Energy Switzerland Limited in Zurich. Currently, royalty paid is approximately around 4.1% of our revenues. And we believe that with so much changes taking place, so much of new products we will have to come, especially on the sustainability of EconiQ brands and those kinds of things, we continue to pay these kinds of royalties which is very important for us to be in the leadership position in this particular portfolio and technology.

Moderator: Our next question is from the line of Rajrishi from DCPL. Please go ahead.

Rajrishi: Any plans for taking advantage of the PLI scheme? Do you qualify for any of the schemes which have been announced?

Venu Nuguri: We are looking at the electrical vehicle charging equipment. That qualifies for the PLI scheme in some states and we are actively looking at it.

Rajrishi: You have a number of entities in India which are Hitachi entities, one of which is the listed entity, right?

Venu Nuguri: Yes.

Rajrishi: How do you segregate the business so that duplication kind of stuff doesn't happen?

Venu Nuguri: Business-related entity is only one entity, i.e., Hitachi Energy India Limited. We do have another entity which is Hitachi Energy Technology Services Private Limited where we house our backend offices, engineering centre, and also R&D and those kinds of things.

Rajrishi: I understand, sir, that all the business will come in the listed entity including all the digital and everything, right?

Venu Nuguri: Correct.

Moderator: Our next question is from the line of Sujith Jain from ASK. Please go ahead.

Sujith Jain: Is the understanding that the 2% royalty that we were paying to ABB is over. Is that understanding correct?

Poovanna Ammatanda: We have been paying trade mark fee to ABB upto June 30, 2020 From July 01, 2021 upto June 30, 2022 is the royalty-free tenure for trade mark fee given that we have substantial expenses post demerger.

Sujith Jain: No, still not clear. Till when do we pay royalty to ABB 2% per annum? When does it stop?

Poovanna Ammatanda: July 01, 2021 upto June 30, 2022 is the royalty-free tenure for trade mark. . So, we will negotiate and agree trade mark fee for the future years after June 30, 2022.

Sujith Jain: So, that payment will come down but we still have to pay?

Poovanna Ammatanda: We will negotiate and agree for future years.

Sujith Jain: Till when?

Poovanna Ammatanda: As said, that is something that we will need to negotiate.

Sujith Jain: The other way to put this is, how long we can use ABB brand under the agreement in 2020?

Venu Nuguri: ABB brand as per the agreement, the joint venture period globally is for 3 years. And from 3 years, another 5 years is what we can use the ABB brand. That means total 8 years from the day #1, i.e., July 1st 2020 onwards, 8 years we can use ABB brand's on our products. That means, in our products, the transformer we ship or the switchgear we ship, it will have ABB brand in that.

Sujith Jain: Got that, but which also means that for these 8 years, we cannot compete with ABB in their lines of businesses. For example, in Lumada, we can practically offer our solutions; not just in high voltage, they can be even in low and medium voltage, but till then, we cannot offer in India, right?

Venu Nuguri: You know that in M&A, noncompete is not both ways, it is only one way, right? So, we don't have any anti-competition. So, we continue to supply our products to all the segments where we are operating.

Sujith Jain: My question is, can Lumada enter into spaces where ABB Ability is offering solutions eventually 8 years out, i.e., 2028?

Venu Nuguri: yes.

Sujith Jain: Today or after 2028?

Venu Nuguri: From last year onwards, we continue to offer. There is no issue there.

Sujith Jain: One last question on shareholding. The shareholding of 75% in this listed entity, Hitachi Energy Ltd, is fully owned by Hitachi Japan or this entity is 80:20 between Hitachi and ABB?

Venu Nuguri: The entity in Zurich called Hitachi Energy Ltd and that is holding 75% in our company in India.

Poovanna Ammatanda: Just to clarify further, Hitachi Energy Ltd is further held by ABB Ltd and Hitachi Ltd in the ratio of 19.9% and 80.1% respectively.

Moderator: Our next question is from Varun Basur from Julius Baer. Please go ahead.

Varun Basur: Sir, in the earlier earnings call, there was a commitment to take the operational EBITDA to a double-digit range over a period of time. I understand factoring in the earlier commentary on inflationary pressure that next 2 or 3 quarters might be a little bit difficult. But if you could just solidify by when this can be achieved – this double-digit EBITDA? And how it would be achieved? Also, what kinds of investments are needed to achieve the growth in the top line?

Venu Nuguri: Again, as you know, in this quarter, i.e., October-November-December quarter, our EBITDA percentage is 9.8%. And if you take a 12-month period, our EBITDA is 9.1%. So, we have almost come very close to what we talked about that. This is despite the challenges we are facing – headwinds, rise in commodity prices, or freight and logistics expenses, etc. But coming back to the second question, we are setting up greenfield factories in Bengaluru, we are setting up a greenfield factory in Chennai, and we are expanding our factories in Vadodara. These are the investments that will take us into more localizing our equipment, bringing up our footprint, adding Make in India to take the tailwinds being provided by the budget, etc. Those things we are investing, and over a period of time with a combination of our levers, i.e., focus on high-growth segments which I talked about renewable, data centres, mobility, and HVDC automation, etc., one side, and the second one is exports, and the third one is the service. All these things put us to take us through the double digit. We are already very close to the double-digit EBITDA margin and then we are in the right direction to go there where we would like to.

Varun Basur: If I could just come back, this quarter if I add back the Other Income, the operational EBITDA was Rs. 77 crores which is just a shade under 7%.

Venu Nuguri: We are talking about EBITDA. Operational EBITDA is Rs. 111.7 crores.

Varun Basur: So, how much we achieved? That the EBITDA is 62+. If you take the Other Income, that is 15.

Ajay Singh: If you see for the current quarter, our operational EBITA is 89.5 that is 7.9% and operational EBITDA is 111.7 that is 9.8%. That is how we are placed.

Varun Basur: Can I take this offline?

Venu Nuguri: Yes, sure. Please do that.

Ajay Singh: No issues.

Moderator: Ladies and gentlemen, due to paucity of time, that would be our last question for today. I now hand the conference over to Mr. N Venu, Managing Director and CEO, Hitachi Energy India Limited, for closing comments. Thank you and over to you, sir.

Venu Nuguri: Once again, ladies and gentlemen, a very big thank you to all of you for actively participating in the analyst call. And we are happy to provide help if you need any further clarification or anything. Happy to engage with you. I am really hoping that in the coming quarters, we would like to host a physical investors' call or take you all to one of our locations. I am really hoping that the COVID would help us so that we will see each other, but until then, please reach out anytime for anything you need to, we are happy to engage with you. Take care and stay safe.

Moderator: Ladies and gentlemen, on behalf of Hitachi Energy India Limited, that concludes today's session. Thank you for your participation. You may now exit the meeting.