

June 03, 2022

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

National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor  
Plot No. C/1, G Block  
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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 May 27, 2022**

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the conference call that was organized with the Analysts/Investors on Friday, May 27, 2022 and the same can be accessed at <https://www.hitachienergy.com/in/en/investor-relations/analyst-section>

Kindly take the same on your records.

Thanking you,

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

  
**Poovanna Ammatanda**  
General Counsel and Company Secretary



Encl: as above

**Hitachi Energy India Limited**

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

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# Hitachi Energy India Limited Earnings Conference Call

May 27, 2022

**MANAGEMENT: MR. N. VENU – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, HITACHI ENERGY INDIA LIMITED**

**MR. AJAY SINGH – CHIEF FINANCIAL OFFICER, HITACHI ENERGY INDIA LIMITED**

**MR. POOVANNA AMMATANDA – GENERAL COUNSEL AND 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 Limited Analyst Conference Call. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. N. Venu – MD and CEO, Hitachi Energy India. Thank you, and over to you, Sir.

**N. Venu:** Thank you, operator. Good evening, ladies and gentlemen. So, thank you for joining this call. As probably you've seen, we have published the results and filed with the stock exchanges along with the presentation, which I'm going to go through now.

So, I'll take the reference of the slide numbers. So, in case if you are following via phone, so that's easy for you to go through that. In the room, together with me, I have our CFO – Ajay Singh; and Poovanna – General Counsel & Company Secretary ; and Manashwi Banerjee – Head of Communication.

Thank you for joining us and I hope you are keeping well. It has been a welcome relief to see consistently declining COVID cases in the country. But on the other hand, what is first a humanitarian crisis in Ukraine, is set to cause the "largest commodity shock" since the 1970s (World Bank). From food to fertilizer to energy, all prices are expected to rise further in the coming months.

But first let us shift our gaze to the quarter gone by

We are on Slide 3: Strong performance in uncertain markets; The January to March quarter is typically sees accelerated pace of business and as the nation was also witnessing a period of normalcy, we saw good demand from utilities and industries. State and private utilities placed large grid strengthening orders while there was a pick-up in metal industry capex. In some sectors there were a few project deferrals, as you can see rail orders are conspicuously fewer than what we reported in the previous quarters

However, the same period also witnessed supply side challenges – continuing semi-conductor shortages, spiraling commodity prices and rising freight costs, coupled with the long-drawn geopolitical crisis and a fresh wave of Covid-19 in China that have further disrupted the supply-chains.

On balance, through relentless efforts of the team, keen customer engagement and a steady conversion of receivables, we were able to report favorably across all financial parameters in Jan to March 2022, with double digit growth compared to the Jan-Mar 2021 period.

Moving to Slide 4: First principle: Employee health and safety; Over the past two years, the entire organization, supported by the crisis teams, demonstrated exemplary efforts to tackle the global pandemic by protecting people and preserving business continuity. As business started operating in the new norm, we are leveraging all the learnings and persist with our cautious approach. We have commenced booster dose vaccination drives for all eligible employees and their family members.

To ensure a culture where people take ownership of their and their colleagues' health and safety as priority, we continued our efforts towards spreading awareness and building capabilities at our offices, factories and project sites. The trainings covered a wide range of topics – from first aid, electrical safety, fair trade practice, etc. to cater to the spectrum of audiences addressed.

As we always say, Safety, Integrity, Quality, remain our license to operate; our customers too continue to appreciate our culture.

On Slide 5: Sustainability milestones in our 2030 Carbon Neutral targets; When we had launched our 2030 Carbon Neutral Goals eleven months ago, we had set ourselves short, medium and long term targets. We had a few early wins – achieving 100% fossil free electricity across all our facilities by Dec 2021, and now we are implementing process changes to help us monitor and manage the steps to reduce our carbon footprint.

We have defined carbon neutral operation year wise targets for next 3 years which have the potential for reducing more than 70% of CO<sub>2</sub> emission. In this quarter we have built on waste and water management plans, and implemented smart metering across facilities and standards for SF<sub>6</sub> management. As you may be aware, SF<sub>6</sub> is ~23,000 times more potent than CO<sub>2</sub> as a greenhouse gas.

We will continue to explore various technological options to accelerate and phase out fossil fuel in other parts of operations.

Moving to Slide 6: Sustainability milestones: Building capabilities; As the energy landscape evolves, we strive to help talent and manufacturing to keep pace.

This month we launched the Smart Electric Grid Lab at NIT Warangal. This state of the art facility provides an opportunity for experiential learning, complementing the unique Master's in Smart Electric Grids, offered by the institute. There was a distinct gap in the industry and so we collaborated on this first of its kind course by NITW and Hitachi Energy to ready future electric grid professionals, researchers and innovators in utilities, industries and institutes for developing and managing smart grids, which will be a critical contributing factor in India's carbon neutral commitments.

On the right, you see us at the inauguration of the dry bushings factory. The need for these bushings in the Indian grid was voiced by a key customer, and even though there were some delays, we established the first manufacturing facility in India producing Resin Impregnated Paper bushings up to 400kV voltage level. This dry technology improves the thermal, electrical and mechanical performance of transformer bushings, making transformers more resilient and reliable.

Moving to Slide 7: Tracking all facets of sustainable growth; We echoed the shared goal of accelerating a carbon-neutral future across our business actions.

We won orders to strengthen grids and making them more efficient and reliable and also booked orders to improve energy management and efficiency of energy intensive sectors such as steel and mining.

With a pandemic catalysed shift to automation, it has been an insightful experience partnering with customers to co create and pilot digital solutions such as bay augmentation and digital products such as CoreTec®, CoreSense™ to upgrade all makes of transformers.

These technology offerings, along with execution of milestone projects like the two-way Raigarh-Pugalur UHVDC link and digital processes to overcome the limitations imposed by COVID were all recognized through multiple Innovation Awards bestowed on us by India Smart Grid Forum - a public private partnership initiative of Ministry of Power, Government of India.

And the last tile is about an initiative that is particular interest to me – and is beginning to bear fruits. While it is a long road ahead, over the past year various campaigns have helped notably increased the diversity among our new hires.

Moving to Slide 8: RoadPak: Our newest innovative solution for emobility applications; In the previous slide and in the next two, we touch upon Hitachi Energy's state of the art energy technology, automation and engineering, developed by the global R&D team.

I am pleased to share RoadPak the newest innovative power semiconductor module in our diverse range of semiconductors for all e-mobility applications. By using state-of-the-art silicon carbide (SiC) technology, RoadPak achieves exceptional levels of power density for faster charging, reliability over the vehicle's lifetime, and the lowest possible power losses for the longest possible driving range.

On Slide 9: OceaniQ – innovative solutions designed for offshore environment; We have a growing range of products that have been designed and engineered to deliver in demanding offshore marine conditions without compromising on performance.

As offshore wind farms become the norm in our shift to a sustainable energy future, technologies that can withstand high seas, wind, vibration, corrosion will be key to ensure their efficiency and reliability.

Combining cross-industry competence from the power and marine sectors, the portfolio addresses applications for fixed platforms, floating structures and sub-sea power systems for wind, marine and other offshore operators.

You'll know this better than we do - Slide 10: Geopolitics and COVID19 risks cast a shadow on India's recovery; The Omicron wave and the set of uncertainties, delays in decisions and strain on supply chains it brought along with it was thankfully short lived. The trickle-down economic impact of geopolitical crisis became evident from the end of February, and shows no signs of abating.

While on the one hand GDP growth estimates remain at a healthy 7-8%, power demand increases, industry parameters such as e-way bills reach all time high and IIP recovered compared to last year, the inflationary impact of the war will soon be felt.

As discussed earlier, rising prices of oil, commodities and freight will impact margins in the coming times. Also, the main impact of the semi-conductor shortage is currently on cost as we continue to consume our existing safety stocks, we become more dependent on the evolving market situation in the months to come. The lead time for semi-conductor manufacturers to ramp up capacity means that respite is at least a quarter or two away.

In Slide 11: Transmission orders drive growth; In the Jan – Mar 2022 period, order growth was driven by utilities – public and private – as they strengthened the transmission grid. The datacenter market witnessed a lot of activity and it translated to growth in orders from the sector. And while we continued to book renewable orders, it couldn't keep pace with a year ago as some decisions are anticipated in the Apr-June quarter.

Reflecting the sectoral demands listed above, projects' contribution to our order book increased from the previous year as we delivered directly to the end users.

Moving to Slide 12: Growing orders in disruption filled period; Exports continued to lift orders, contributing approximately 25 percent to the order book in the March quarter, with an increased contribution from our feeder factories. Solid demand came from key utilities in South Asia and North America, followed by Africa for our power quality products. Substation projects in neighboring Bhutan coupled with service orders from Bangladesh helped us clock a fourth consecutive quarter of yoy growth and reconfirmed our goal of 20-25 percent range of order book.

Traditional retrofittings, diagnoses, spares and extensions from utilities, steel majors and metro customers continued to contribute to our service order book. In a slew of firsts, we were successful HVDC SCADA HMI integration for additional GIS bays at Pugalur, booked order to conduct system study of grid connected battery energy storage system by private utility and another for Dry type Transformer enabled with TXpert solution, from healthcare major.

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.

On slide 13: Financial performance; In the quarter ending 31 March, we received orders worth INR 1,043.6 crore, up 22.9 percent YoY. This put the order backlog at INR 4,672.3 crore, at the close of the year, which is expected to result in sustained revenue in the coming months. Revenue in the quarter rose 11 percent YoY reaching INR 1,142 crore. Profit before tax was INR 70.7 crore, up 31.7 percent YoY, despite high commodity and other supply challenges. Profit after tax was up 31.2 percent YoY to INR 51.7 crore. Through continued focus on efficiencies, Operational EBITA stood at INR 77.1 crore in the quarter. However, supply chain disruptions emanating from port delays weighed on process timelines, coupled with increased commodity and freight costs, slowed our march towards target margin corridor.

Moving to slide 14: Based on the company's performance and encouraging market outlook, the Board of Directors recommended a dividend of Rs. 3 per share,(150%). This is, of course, subject to the approval of the shareholders at the forthcoming Annual General Meeting. In addition, the

Board also reappointed the MD and CEO and the Independent Directors for another period of 5 years, again, all these appointments are subject to the approval of the shareholders.

Moving to my last slide. Our priorities for 2023, our key focus will remain protecting our people and preparing ourselves to tackle the new norm and best manage impact of the fast-evolving crisis in Europe. We will focus on shaping an agile supply chain, being selective in our contracts, striving for the price excellence, and revisiting long-term agreements with customers and suppliers as the price trends of commodities and freight remains uncertain. We closely track the semiconductor market and manufacturers as they ramp-up capacities. There could not be a louder signal for switch to sustainable energy systems than the crisis we face today to reduce dependence on geopolitical system while also reducing pressure on the ecosystems. We continue to drive our high-growth segments, whether it is the rail, data centers, renewable, HVDC, service, and service and exports are other 2 levers where we believe that and then we have a very good portfolio to offer to our customers in the geographies we operate. We will continue to build and strengthen our operations along our pillars of carbon neutrality and diversity. We are invested in India for the long term and developing these capabilities will help us grow along with India's green ambitions. As we expand, we will take our stakeholders along with us from raising quality standards at suppliers to reducing the carbon footprint of our customers. As the pioneering technology leader, we will continue to collaborate with the customers and partners and grow the organization to be sustainable, flexible, and secure in the face of advance.

I'm pleased to inform at Hitachi Energy India is advancing sustainable energy future for our customers. Ladies and gentlemen, thank you for listening to me, and I would now like to open the channel for your questions and comments. Thank you.

- Moderator:** We will now begin the question and answer session. We have the first question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.
- Rajesh Kothari:** Sir, my first question is, what is your current order book?
- N. Venu:** Current order book is at 4,000--
- Ajay Singh:** Rs. 4,548 crore.
- N. Venu:** Yes.
- Rajesh Kothari:** I thought that is order intake. Is it the order intake or order book?
- N. Venu:** Order book. Rs. 1,043.6 crore what we talked about is the order intake for the quarter January to March.
- Rajesh Kothari:** So, the order intake is Rs. 1,043 crore for the quarter and order book is Rs. 4,548 crore, correct?
- N. Venu:** Yes, right.

- Rajesh Kothari:** And sir, in the data centers, I think the opportunity is huge. But if I look at your growth, you're talking about 7% growth, this I assume is the order intake growth for fourth quarter for data center?
- N. Venu:** Order intake growth for that particular quarter. You're right, Rajesh.
- Rajesh Kothari:** So, what would be the transmission contribution to your full-year revenue?
- N. Venu:** As you know, transmission is one of the segments. So, we are talking about the full year revenue. Transmission is one of our key segments. And we normally don't give the thing, but it is a sizable thing. As you know, if you really look at our orders, it's a transmission and also the transportation and the industries are equally spread in that. Yes. We talk about the orders, for example, the split of the transmission is in the range of around close to 50%.
- Rajesh Kothari:** For the fourth quarter. And for the full year, how the split will look like for the full year order intake?
- N. Venu:** It follows in a similar range, 40% to 50%.
- Rajesh Kothari:** So, 40% to 50% is transmission. And how the other part will look like?
- N. Venu:** Yes. So, the balance, another 60% to 50%, depending upon what you take, is basically our infrastructure, which is data, rail et cetera, and also industries.
- Rajesh Kothari:** Data, rail is 15% to 16%. And?
- N. Venu:** And the industries.
- Rajesh Kothari:** So, each basically will be 15%, 16%. That's what you're trying to say?
- N. Venu:** Right. It will be little more or little less.
- Rajesh Kothari:** Sir, my second question is with reference to the growth areas. How do you see the growth outlook from here on? And in terms of considering there are supply chain issues, the constraints, how do you see the revenue for the current year as well as the profitability?
- N. Venu:** So, Rajesh, as a listed company our policy is that we don't give any forward-looking statements. So, there are challenges, there are headwinds. Challenges in terms of commodity prices increase, challenges in terms of nonavailability of the semiconductors, and challenges in terms of high inflation. All those things are headwinds we know. But at the same time, our long-term demand drivers remain intact - the need to have quality power, need to electrify whether it is electrical mobility, need to digitalize the grid, all those things. In our view, the long-term demand drivers are intact.
- Rajesh Kothari:** So, the commodity price is impacting your margins. By when you think you will be able to offset that?



- N. Venu:** We will not be in a position to predict when exactly we will be able to offset. As I told you that in my commentary, it will take couple of months or couple of quarters as the global supply chain stabilizes.
- Moderator:** We have the question in the queue, a web question, from the line of Viraj Mithani. Please, go ahead. As there is no response from the current participant, we'll move on to the next question from the line of Bhavin Vithlani. Please, go ahead.
- Bhavin Vithlani:** Congratulations on numbers amidst the difficult times. It seems like a very good performance on the gross margin side.
- N. Venu:** Thank you, Bhavin.
- Bhavin Vithlani:** So, my question is, if you could just help us understand what are the signs of the total end-user industry? What is the total market size and the way you are dissecting transmission, which is the utilities, the industries market, if you could just help us understand?
- N. Venu:** Yes. See, as you know, we do not give the exact market sizes. But let me also give you a little bit of color to the whole thing - what you're talking about. So, if you really look at the areas where our company portfolio will go. It will go into the traditional sectors, such as transmission, distribution and then also the industries standpoint, such as industrial application, industrial grid connections, et cetera. And the new emerging sectors - the new emerging sector is data centers, as you talked about, energy storage and a grid connected renewable is, of course, the bulk of our portfolio. In addition, also our portfolio goes into the transportation sector. Take, for example, Indian Railways. Every third Shatabdi you see, it is powered through our technology. Our technology also goes into the metro rails. Nine out of the 10 metro projects in India have been powered through our SCADA systems. So, that is how we track. Predominantly, the transmission is the biggest portfolio followed the rail and infrastructure, and then the new emerging sectors like data centers and other things.
- Bhavin Vithlani:** So, one of the peers in their earnings call mentioned the total addressable market in India to be around Rs. 16,000 crore in fiscal year '22. According to you, would this be a fair number because there will be some products which they may not be addressing like for Hitachi.
- N. Venu:** Sorry, what was the question? According to --?
- Bhavin Vithlani:** Sir, one of your peers in its earnings call mentioned that the total orders placed in the T&D segment was around Rs. 16,000 crore in fiscal year '21-'22.
- N. Venu:** In our view, the addressable market is much higher than this.
- Bhavin Vithlani:** So, actually just wanted to try to understand the size of the addressable market in the year gone by. And given that Power Grid is now talking about ordering from the clean energy corridors, plus there are 2 or 3 HVDC projects which are coming up. So, I would just like to understand, how do you see the market growth going forward.

- N. Venu:** So, again, the market growth has 2, 3 dimensions to it. One is that the market is growing in the traditional transmission sector. As you rightly said, this is led by the green energy corridor and then also the large HVDC projects. I think that market is really going as per our expectations. And remember, we have said in our previous analyst call that while earlier HVDC projects used to come once in 4 years or 5 years, now we envisage at least one HVDC project per year for next 3 to 4 years. So, that is the kind of growth opportunities coming in that sector. And that's why the Make in India and other things, the reason why we are expanding our factories, inaugurating factories is to take care of these kind of opportunities. That's about the traditional transmission. We also operate in the data center. Data center demand really growing exponentially. Drivers such as data privacy laws and so on and so forth, are fueling the growth in data center. And the third one is the rail. As you know, Indian government has target of net zero by 2030 and complete electrification by 2023, and those things are fueling the growth opportunities for us in that.
- Bhavin Vithlani:** The second question is on the exports side. What is the share of export as a percentage of the last 4 quarters of revenue?
- N. Venu:** So, the last 4 quarters is around 24%. We set ourselves a target of 22% to 25% by 2023. So, I'm happy to share that we already reached the higher end of our target corridor by this year, by consistently driving the export growth in the last 4 quarters.
- Bhavin Vithlani:** And if you could just give us a flavor on the export. Are some of these project orders the effort of Hitachi Energy India efforts of getting, or is it like exporting to some of the parent's factories globally?
- N. Venu:** Yes. So, when it comes to the Hitachi Energy in India, our export strategy is a 3-pronged strategy. The first one is we have global factories for some products - we will export those products globally, either through other Hitachi Energy factories or directly to the end customers using the existing sales channels. That's number one. Number two is, we have allocated market, so such as the markets in Africa, such as markets in South Asia, and some markets in the Middle East. And those allocated markets, we will develop the market through our sales channels as well as in those countries' sales channels, and we will sell our products directly. And the third one is we have the feeder factories for some components, for the global feeder factories. And those things we will sell it to our companies around the world. So, these are the 3 strategies we have deployed for the exports.
- Bhavin Vithlani:** Just last question from my side. So, on the competitive intensity in the country, so about 1.5 year ago, the government put non-tariff barriers on some of the Chinese. So, after that, in the current round of the biddings in the recent past, how is the competitive intensity that you are seeing? And do you believe that with the increase in the order traction that you highlighted, there is a scope for expansion of the margins?
- N. Venu:** Yes. So, talking about the impact of restrictions of imports from China, I think the renewed push for Make in India, self-reliant India, clauses giving preference to supplier with meeting the local content requirement of 50% is now applicable in all government contracts. We have seen some limited advantage of this. But private industry players may also give preference to Indian suppliers. So, we have seen a few private players also now ask for a local content, in some selective cases. So,

with above, we may stand to gain in certain parts of our portfolio. But we are looking at being a long-term player here, we are building our capacity. We are manufacturing for the last 6 decades. We continue to expand. As we speak, a month back we have inaugurated a new technology RIP bushing factory in Vadodara, the only factory to manufacture 400 kV rated dry bushings in India. So, all those things we believe that will give us much more of a competitive advantage going forward, irrespective of those restrictions in the longer term.

**Moderator:** We'll take the next question from the line of Viraj Mithani. Please go ahead. As there is no response from the current participant, I have muted the line.

**Manashwi Banerjee:** They can reach out to us. If they do have questions, we will try our best to answer them. Venu, would you like to have any closing comments.

**N. Venu:** So, first of all, thank you for joining, and I see that some of you may not be able to raise some questions, but we are very open any time. If you want to have any discussions and questions, please reach out to our Investor Relations portal or directly to Manashwi, we are happy to answer your questions. So, we sincerely regret if this is a case of technical issues. Thank you once again, and please take care and stay safe. Thank you.

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