

November 23, 2020

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

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

Dear Sirs

Subject: Transcript of Analysts/Investors call held on Tuesday, November 10, 2020 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 November 6, 2020, and in furtherance to letter dated November 10, 2020 wherein we had shared the copy of Investors presentation and Press release, a conference call was organized with Analysts/Investors on Tuesday, November 10, 2020 at 4:30 pm

We are now enclosing the transcript of the said conference call held with Analysts/Investors which is also being uploaded on the Company's website at:
<https://www.hitachiabb-powergrids.com/in/en/about-us/investor-relations/financial-results--reports-and-presentations>

You are requested to take the same on your record.

Thanking you.

Yours faithfully,
For ABB Power Products and Systems India Limited


Poovanna Ammatanda
General Counsel and Company Secretary



Encl: As above



**“ABB Power Products and Systems India Limited Q3
2020 Analyst Call”**

November 10, 2020



ABB POWER PRODUCTS AND SYSTEMS INDIA LIMITED MANAGEMENT

MR. NUGURI VENU – MANAGING DIRECTOR

MR. AJAY SINGH – CHIEF FINANCIAL OFFICER

**MR. POOVANNA AMMATANDA – GENERAL COUNSEL AND COMPANY
SECRETARY**

MS. MANASHWI BANERJEE – HEAD OF COMMUNICATIONS

Moderator: Ladies and gentlemen, good day. And welcome to the Q3 Analyst Conference Call of ABB Power Products and Systems India Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. N. Venu – Managing Director, ABB India Power Products and Systems India Limited. Thank you and over to you, sir.

Nuguri Venu: Thank you, Aman. Good afternoon, ladies and gentlemen. Thank you all for joining us today for this call. I hope you are all staying safe and taking care of yourself and steadily adapting to the new norm. This festive time of the year we are all looking forward to some news to reignite our collective optimism. Before I get into the nitty-gritties, allow me to mention that the Q3 performance slide deck which I am going to refer for my call has already been uploaded on the stock exchange. You can also refer to that and those of you are connecting phones I will be calling the slide numbers for easier reference as we go through the presentation.

We can all acknowledge without a doubt that this has been a very unusual difficulty year, one that none of us would have fathomed. It has not been easy for anyone. Business across the board, across the nation was affected, companies in the capital goods segment were hit harder than some; manufacturing stopped, supply chain disrupted, and exchange of goods halted or delayed. In this time, we also learnt something about ourselves, our resilience and passion to persevere. At the start of the quarter, the global transaction between ABB and Hitachi concluded, Hitachi ABB Power Grids came under Hitachi's ownership. Through the quarter we continued to build on our passion for innovation, ambitions, and other people. We persevered, kept our focus, and marched on in these challenging times.

I am now referring to Slide #3. Today, it gives me some comfort to say that we have calibrated to overcome the challenges. On this slide, you will see our investment in our people and their well-being, our strategic business continuity measures, our continued customer engagement and adaptation to the new norm have begun yielding results. After an uneasy second quarter, where half the quarter we did not work due to the strict lockdowns, the second half of the year is showing some return in business activity and demand, revenue moving closer to pre-pandemic level.

I am now on Slide #4. This would not have been possible without the united effort and due diligence of our crisis teams, and country and locations, and collective adherence to safety guidelines of our entire workforce. Various measures were put in place to engender a culture of awareness and action, leaving little to chance. Alongside mandated health, safety and environmental measures, we have been conducting stock training on self-protection essentials, arranging COVID-19 awareness sessions for employees and their families and even keeping our partners and customers up-to-date on due safety protocols through virtual forums. We have been cognizant as well of the efforts of our frontline workers and COVID-19 warriors. We have recognized their service and sincerity, letting them know that we value them greatly and that they have our full support.

Whilst all this, we have also continued up-skilling our people and identifying top talent to join our company. Hiring continued even during the lockdown. We made efficient use of digital technology to onboard new joiners and ensure they were oriented properly with their new company. As I have often said, people are our top priority, and we see them as our pillars of strength. They have been and will always be an important part of our journey and growth story.

I am on Slide #6, macroeconomic snapshot. Most of you know more than us that the pandemic has meant that we are conducting business amid a rather challenging and unpredictable environment. The Indian economy has contracted a record 23.9% in the April and June quarters. It is likely to contract around 10% in the financial years 2021. Industrial production plummeted, inflation on the other hand has already surpassed the RBI's 6% policy limit, making further monetary policy easing a difficult call. Lower tax collection can also impede government spending.

If I move to the next slide; the good news however is that the pandemic appears to be receding for the first time; it is still not over yet. Cases have been steadily dropping for the past consecutive weeks now. We used to be in the range of 90,000 to 100,000 per day cases, which has now fallen to 45,000 to 50,000. Also, key indicators such as Manufacturing PMI index, fuel and power consumption are retracing on an upward trajectory. Car sales are showing signs of recovery in the pre-festival season. There is even then a looming risk of second or third wave of COVID-19 infection as winter and festive season starts. We have also seen similar kind of things in other countries. Much will depend on community efforts to remain cautious, that's why the short-term outlook remains uncertain across the board, even though these indicators show we are at pre-pandemic levels. So our view is cautiously optimistic and sustained economic revival in India.

If I go to the Slide #8, the order distribution. With this backdrop, as you can see, majority of our orders were for our state-of-the-art products and systems and services with a leaning towards the high growth segments identified in our strategy. And in the second and third charts, you can see that the largest share of orders came from utilities and industry through direct sales. What we must note here is that decisions on over Rs. 190 crores worth of orders where we are L1 have been delayed to the next quarter, mostly due to the pandemic, as our customers could not complete the necessary paperwork and the necessary approvals.

If I move to the next slide, Slide #9. In the current climate, Hitachi ABB Power Grids in India has been focusing on preserving business continuity. We have continued to strengthen our position to the best of our abilities, engage with customers and make efforts to recover lost production days. Our concerted efforts have helped us secure big projects in India and also exports that you can see on this slide. A Rs. 100 crores order to strengthen mission critical powers infrastructure for HPCL Rajasthan Refinery's Barmer refinery. Breakthrough transfer orders cumulating to Rs. 200 crores from Torrent power and Mega Engineering, a Rs. 10 crores renewable energy monitoring automation order from a leading power transmission company.

On this slide, I am on Slide #10. Strong relationships with our solid customer base and our world-class manufacturing capabilities ensured that export orders remained firm, led by orders from Asia, Australia and Africa. Among these were Rs. 30 crores traction transformer orders for petmetro in Australia, a Rs. 34 cores power quality orders from Dangote Refinery in Nigeria. Expanding our income from service is part of our 2025 Vision and a lever we continue to focus on this quarter as well. This quarter we booked our largest ever high-voltage service order for extension and refurbishment of GIS substation for SembCorp. Adopting to the new demands, we even launched a new product line of virtual instructor-led training.

Moving to the Slide #11. Our ally in this unprecedented time has been a digital technology. We activated its use to engage with customers, with stakeholders, conduct webinars, hone employee skills, and win big projects. In the July to September quarter, we energized the first phase of Raigarh-Pugalur 800 kV ultra-high-voltage DC link, that is capable of bringing power to 80 million people, conducted numerous remote factory acceptance tests to strengthen infrastructure across industry, organized and participated in various high-quality virtual events, deep dived in technical session for decision makers as well as thought leadership positions.

If I move to the next slide, Slide #13, financial summary. We did our best and more to swiftly adapt to the new norm and see it bore fruits. Despite the restricted business activity and mobility, orders in the July and September quarter were up 57% quarter-on-quarter to INR Rs. 890 crores compared to the previous quarter. And here you may recall, exactly Rs. 191 crores worth of orders were deferred by customers and are in the pipeline. As I said earlier, this was driven by multi-pronged customer engagement and product and service delivery strategy, along with accelerated use of digital technologies across operations. It facilitated major order wins from utilities, industries, even amid tight economic conditions. As of September 30, 2020, our order backlog was Rs. 5,175 crores, which will provide visibility of future revenue.

Our determined order conversion brought us 46.9% jump in revenue to Rs. 932 crores, to near pre-pandemic levels. Our cash over revenue approach, continuous quality improvement initiatives for better customer experience, accelerated use of remote management solutions and strategic cost reduction resulted in a significantly strong cash position. In the current market environment, such credible performance is worth underscoring for any company, but especially so for us, as we started our standalone operations a year ago with no cash reserves. Strong cash collection also helped in full repayment of all of our borrowings by the close of the quarter.

I am on Slide #14. As you can see from here, operational EBITA, excluding exceptional items, in the third quarter was Rs. 68.1 crores, returning operational EBITA margin to pre-COVID range. Profit before tax, before exceptional item, was Rs. 69.3 crores. In line with our strong focus on good governance, Hitachi ABB Power Grids continuously reduced its contracts and receivables. In light of payment delays in a few cases and our analysis, a one-time provision aggregating to Rs. 60.48 crore was made in the quarter. This provision will reduce the potential burden on the business balance sheet in the medium term, yet it impacted profit after tax in the July-September quarter, which stood at Rs. 4.8 crores.

Moving to Slide #15, I also wanted to give an update on our recently concluded open offer. As you all are aware, the acquirer has made an open offer to the public shareholders under SEBI regulations, which concluded last quarter. And we are happy to inform you that only 179 equity shares were tendered in the open offer. This seems to demonstrate a clear indication of investors' confidence in our fundamentals, in our growth strategy and future growth by stakeholders and shareholders.

Moving to Slide #16. For us, COVID-19 was not a time to wait and watch. It was a time for introspection and analysis of our future opportunities. Our long-term growth drivers are intact. For a sustainable transition to clean energy, India needs to prepare for a rapidly rising shares of wind and solar, cyber threats, and extreme weather events. Investments in the grid and other key parts of electricity systems will also have to rise.

At Hitachi ABB Power Grids, we launched products and solutions that can nurture the whole power ecosystem. You may be aware that in Q3, we introduced our TXpert ecosystem. It's the complete suite of products, software, services, and solutions that work together and have the capability to integrate with the new and existing digital equipment. It is designed to drive data driven intelligence and decision making in the operations, maintenance of transformers and power grids, allowing millions of dollars in savings through greater flexibility, efficiency, and resilience in electricity networks.

Hitachi ABB Power Grids globally signed a definite agreement a U.S. based Pioneer Solution LLC, a provider of industry leading front to back office commodities, energy trading, and risk management solutions. This expansion will give the business the most comprehensive offering in the market. It will expand energy market operations offering and empower energy market participants, with the leading digital capabilities to navigate the evolving regulatory environment and renewable energy goals.

Moving to Slide #7, probably you have seen this slide in the previous quarter. To summarize, as many of you are aware, Hitachi ABB Power Grids serves utility, industry and infrastructure customers across the power value chain – products, software, systems and services. We collaborate with our customers through entire lifecycle, right from the planning stage and engineering phase, through operation and maintenance. Our strong footprint scale, largest install base and local capabilities give us the strength and expertise to power India's sustainable energy future.

Moving to the Slide #18. Hitachi ABB Power Grids brings together the best of two highly respected companies. Hitachi's leading digital technologies merged with world-class power grid solutions will help us to actively support the global transformation and de-carbonization of the energy system. The new ownership will facilitate growth opportunities in emerging areas such as mobility, smart cities, industry, energy storage, and data centers. Synergies and complementing technology, expertise will bring us new market opportunities, and enable us to deliver greater customer value while harmonizing social, environmental and economic value.

So that was a summary of our performance in July to September quarter. Now we can open the floor for your questions. Thank you for listening.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sujit Jain from ASK Investments. Please go ahead.

Sujit Jain: Hello Venu and team. In the contract where this Rs. 60 crores receivable for which you have taken a provision, what is the total amount of the contracts? What is the bank guarantee amount involved? What is the ageing of the receivables, is this the full provision? Then apart from this, what is the order pipeline that we expect in two to three years? The royalty post CY 2020 to both ABB and Hitachi, you'd clarified on last con-call that 4% is the royalty for this year to ABB. Is it safe to understand that traction transformers is something that remains with us, traction motors and drives goes to ABB India Limited? And some balance sheet details in terms of receivable days, net working capital days compared to H1, the cash and the cash flow from operation for nine months. And just to have full numbers on Slide #8, you just have given a pie chart. Thanks.

Nuguri Venu: Thank you, Sujit. So, you have multiple questions. Let me just answer as many as I can. So, first of all, the question on traction transformers - the entire transformer, including traction transformer, is part of our Power Grid portfolio, okay. So, whatever was part of the Power Grid portfolio, which is basically the entire transformer portfolio, entire high-voltage portfolio, entire grid automation portfolio and entire grid integration, both HVDC and substations and power quality, are a part of our portfolio.

And with respect to the provisions we have made, we are basically talking about just two contracts. One is an EPC, another one is the other segment of the contract. So, it was quite old, more than one year. And based on that we have taken decision.

And third question probably, Ajay, you can take a couple of questions.

Ajay Singh: Sure, Venu. So, I think one of the questions was about the contract value. So I will say that the contract value would be hovering around Rs. 450 crores. That is the total contract value on which we are talking about. And then we have already covered the aging part, so that is already covered.

Nuguri Venu: Basically other questions, mainly he is talking about royalty and other things.

Ajay Singh: So, royalty, come again, what is the exact question on the royalty?

Sujit Jain: See, the question was, in the last con-call it was clarified 4% royalty to be paid for CY 2020 to ABB, so it continues in CY 2020. But beyond CY 2020 what is the percentage of royalty to be paid to ABB and to Hitachi as well?

Ajay Singh: So, the royalty will be hovering around 4% to 4.5%, that is what we see at the moment. So, it will be within that range itself.

- Sujit Jain:** To ABB?
- Ajay Singh:** We are talking about the group companies, yes.
- Sujit Jain:** Okay. And a quick clarification on the bank guarantee amount involved for these contracts, Rs. 450 crores.
- Nuguri Venu:** Sorry, Sujit, we will not be in a position to give you exactly the bank guarantee amounts and other things. The whole idea is, as you know that at Hitachi ABB Power Grids we take a very conservative look, and the moment we'll see any issue we will take suitable action on our provisioning side, while our efforts to collect the money will continue.
- Sujit Jain:** But in case it is encashed then the amount of recovery goes up to that extent, not just Rs. 60 crores, but the amount the bank guarantees encash, so to that extent your recoveries may be outstanding.
- Nuguri Venu:** We don't expect that kind of a situation, Sujit.
- Sujit Jain:** If you can name the clients?
- Nuguri Venu:** No, we will not be in a position to name the clients. We respect the customers' privacy on that, we do not name any contracts like that. Thank you.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Congratulations for a reasonable operating performance, though at the provision level it does impact the growth. Sir my first question is just to understand, now that you are sitting on almost Rs. 5,100 crores of order book, this seems to be pretty reasonable. And your comments did indicate that most of the COVID related headwinds are behind. So incrementally, as we move towards fourth quarter and next calendar year, should a double-digit growth be now very much comfortable on the current visibility of book that we have? Or you perceive there could be any execution headwinds, both on domestic and export markets front? That's the first question.
- Nuguri Venu:** So, thank you, Renu, for your questions. After gradually opening after the lockdown, today we are more than 95% of our pre-COVID level, okay. All our factories are working and all our project sites are working more than 95% of pre-COVID level. We also see from our customers with whom we have the existing contracts the need to pick up the materials. So, that's the reason we are reaching almost 95% of the level. Having said that, COVID itself is a big uncertainty, right, like we have seen in other countries, wave two, wave three are coming. We are hoping that we will be in a position to navigate and assuming that the same situation what we have seen in September and October will continue, then I think probably we can reach definitely a pre-pandemic level top-line.
- Renu Baid:** Sure. Sir, second question would be more in terms of, you did highlight that there was a cash flow driven execution strategy, but at the same time if we see, interest costs have gone up

sequentially as well. So if you can help us understand that how has the balance sheet moved in terms of working capital and cash and debt on book? At the same time, on the order inflow side, are we now looking at the pipeline maturing, given many orders are lined up in the pipeline for the next six months? So if you can give some colour on the order inflow pipeline as well, along with the balance sheet details?

Nuguri Venu: Sure, I will do that. But before that, let our CFO, Ajay, talk about the interest costs.

Ajay Singh: Yes. So, the interest cost basically in this quarter has gone up because we had significant borrowings in the earlier quarter. And as already we have mentioned that we had a very good collections in this particular quarter, where we are now able to repay all our short-term loans. So it is basically the interest incremental cost coming on account of the borrowings that we had in this quarter.

Renu Baid: So, at the end of the current quarter, what is the net debt on book? Are we net cash or debt free, how is it?

Ajay Singh: So, at the end of this particular quarter, we are debt free actually, we do not have any debt.

Nuguri Venu: That's what I mentioned, Renu, on 30th of September we were a debt free company. And once again, let me reiterate, our cash-over-revenue approach is helping us to drive our receivables which are pending with our customers.

Renu Baid: Sure. If you can just comment on pipeline, and that's the last question from my side.

Nuguri Venu: Yes. We are definitely seeing a robust pipeline compared to the previous year in the same quarter. But what is concerning here is the decision making, okay. While we know there is a good pipeline, especially on the transmission side, the central transmission side, and also TBCB projects and the green energy corridors and the renewables. And on top of that, some of our high growth segments such as the metro, rail, power quality, and also the digital capabilities are really coming up. The key is the decision making. And we believe that with the relaxation of the economy, there will be enough time from the customers to get this finalized and get going in that. So all in all, I think we are continuously monitoring this and continuously engaging with our customers through our digital technology, using digital technologies. And we are really getting ready as and when the customer wants to decide in a particular segment of the order.

Renu Baid: Sir, would it be possible for you to quantify the value of this order pipeline for the next six months which could materialize, a quarter earlier or later, but what is the broad size of the pipeline?

Nuguri Venu: No, unfortunately, Renu, I may be disappointing you. But what I can definitely give a little bit of color is, renewable is definitely a big portion of it: renewable and the rail segment as a whole. Rail segment which includes the traditional rail segment and the metro rail and also the corridors which are being built. They are quite a big chunk of the pipeline.

Moderator: Thank you. We move to the next question, that is from the line of Nikunj Doshi from Bay Capital. Please go ahead.

Nikunj Doshi: Just one question, can you provide some granularity on the order book position that we have? So what percentage is exports, what's domestic orders and what kind of industries or the segments are we getting these orders from?

Nuguri Venu: Thank you, Mr. Doshi. I think we have been also maintaining our exports in the range of 15% to 20%, and then we have service of around 10%. Right now, utilities are a big chunk, in the range of 60% or so, and the rest is industries. As you have seen this quarter, we won a big industrial project from HPCL Rajasthan Refinery, Rs. 100 crores project we have won from an industrial customer.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Congrats for a decent set of results. Sir, just wanted to check one in terms of base orders, what will be the quantum in the current quarter? And second, in terms of the growth that we have seen in the services and exports, **(Inaudible)** if you can also talk about Y-o-Y growth. And lastly, in terms of strategy for the India business, given that buyback has not been successful and how does the parent company look at this now? And in terms of specifically from an exports perspectives, are we adding any new products or categories here, which can be used for making India as an export hub in future?

Nuguri Venu: Okay. So before I answer other question, I just want our General Counsel, Poovanna, to answer on the open offer.

Poovanna Ammatanda: Thanks, Venu. Abhishek, in terms of the open offer that was made, this was triggered by virtue of an indirect acquisition that was exercised by Hitachi. And this was a mandatory open offer that was made. So it doesn't mean that it was not successful. The very fact that only 179 equity shares were tendered by the public demonstrates the faith in the industry and the company. So, it may not be correct to say that it did not succeed. Over to you, Venu.

Abhishek Puri: Thank you. My apologies. So, my question was related not regarding the success of the buyback, it was more how the parent sees the country as an opportunity.

Nuguri Venu: I got the essence of your question, Abhishek, in case you are not able to talk. From our new parent, which is Hitachi, I think they see India as one of the key growth areas, one of the key manufacturing bases they would like to leverage. It's a key market and leverages our existing engineering footprint, existing manufacturing footprint, existing design capabilities for India and also the rest of the world. And then your another question was on exports, is that right? Can you please clarify on that a little more, Abhishek, are you able to hear me?

Abhishek Puri: Yes, I can hear you, sir. So, I think the key point here was, are you making India as an export hub? Like for ABB India, they are trying to get a lot of products into India and making that as

an export hub. For you, how would that strategy be from Hitachi, since the parent company has changed?

Nuguri Venu: We have also been telling you from the beginning, if you are following us, we would like to make India one of the key export hubs, and not only for the nearest countries or the African countries, but also the rest of the world. We have four or five products where we have global feeder manufacturing facilities in India, where those products are only supplied from us. So, from that perspective, export is one of our key levers to grow in India.

Abhishek Puri: Thank you. And lastly, what were the base orders, if you can just highlight that? And I will join back in the queue. Thank you all the best.

Nuguri Venu: We will not be giving a split between the base and large orders, Abhishek, because normally we will take all orders in one thing. And as you see, this quarter we had only two large orders, one is HPCL refinery and other one is a transformer order. Barring those, rest are all base orders.

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

Harshit Patel: Sir, my first question would be, the Government of India has banned the imports of power equipment from the neighboring countries, including China, for all the new tenders. So, what kind of an opportunity that provides us with? If you could quantify the Chinese imports in high voltage and the medium voltage categories, and the incremental opportunity size for us, then it will be very helpful.

Nuguri Venu: Okay. Let me give from our perspective. So, you all know the renewed push for Make in India and Self-Reliant India clause giving preference to suppliers that meet local content requirements of 50% - it is now applicable in all government contracts. And we have seen some advantage of this. And private industries, players may also give preference to Indian suppliers. And we have seen the private players also now ask for local content. With the above, we may start to gain in certain parts of our portfolio, while we are still in the process of indigenizing some of other product ranges. Changes like these only spur forward our long-term view of building India as a manufacturing and export hub. And at the end of the day, what we as a company, we are a global company, we always look forward to level playing field when it comes to competition, whichever country they are, as long as we believe that we have a level playing field and we have a right value proposition to our customers to win over that.

Harshit Patel: Thank you. Sir, you just highlighted that you would be stepping up investments in few of the areas where the indigenization levels are a bit lower than the rest of the portfolio. So sir, what these areas would be? And sir, if you could give us a sense on what would be our blended localization levels in India, including the components as well, then it will be very helpful.

Nuguri Venu: As you know, we have been in this country manufacturing for the last six decades. And we continue to leverage our global supply chains, and to indigenize them. We quickly adapt to the needs of the authorities. Our localization investment plans are on a continuous basis. We are

always looking forward to have more local value add in the country, in our entire portfolio, entire product range.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Just one question from my end. What would be the proportion of the RP 800 left? And would it be possible to share what was the share in the revenue in the calendar year to date? And will that cause a little bit of a base impact for next year?

Nuguri Venu: Yes. So thank you, Bhavin. I think as we talked also probably in the last or last to last quarter. RP800 project has been booked in 2016 with a completion of 36 months. So we are in the fag end of completion. As you have heard from my opening comments, as well as the press release we have given, we already commissioned first phase of the link. And right now the whole project is under commissioning. So the bulk of the revenue has already been completed much before.

Bhavin Vithlani: Sure. Would there be some base impact because of this in the following year?

Nuguri Venu: There is a bit of a residue, but not that much. The bulk of it is already over.

Bhavin Vithlani: Okay. And sir, if I may. Like given a higher share of the revenue from RP800 in the current calendar year, which could be absent next year as we don't have any HVDC, would that lead to a lower growth rate in the next calendar year?

Nuguri Venu: That's what I am saying. What I am trying to say is that, this year itself is not much of RP800.

Moderator: Thank you. The next question is from the line of Henil Bagadia from Equicorp. Please go ahead.

Henil Bagadia: Sir, can you briefly touch upon the potential of the new growth segments like data centers, smart cities, e-charging solutions, what is the market change right now and the possible growth in the next five years?

Nuguri Venu: Yes. So, definitely, these are very high growth segments from our perspective and has a huge potential. And also, from our technology and products and portfolio standpoint, we are fully gearing up to do that. So let me start from the EV charging. As probably you have heard from us that we have signed an MoU with one of the largest bus manufacturers, Ashok Leyland, in India in the beginning of this year to use our flash charging technology for bus mass, rapid transit systems. So, we are right now working on the pilot of this. And electrical vehicle is one of the key growth enablers for the government, and then we are really positioning, and we have a complete portfolio on this, not only the flash charging but also the fleet charging. And we are right now assessing the exact market size.

The second one is data center. As you know, with 4G and now 5G coming up, the need for more and more data centers is common knowledge. So, we have a complete value proposition for our customers, and not only from grid connection and the technology standpoint, but also on the

automation part. So, there again we are well positioned and doing data center projects. And another high growth segment is definitely the rail. The rail is both on the rail for cross country electrification side and the loco side where we have our products, traction transformer, power quality side as well as on the metro side where we have our SCADA and other things, this is definitely a growth area in the coming quarters and the coming years.

Henil Bagadia:

Okay. Sir also on the product side, so what would be our cost competitiveness, given the export orders? And sir, what would be the margins on the exports compared to the domestic orders? Sir, I was actually coming from the point where in you said that you have got an ambition to make ABB Hitachi Power Grids a manufacturing hub and supply a lot of orders from India. So from that side, the cost competitiveness part.

Nuguri Venu:

Yes, that's right. So when we are talking about the cost competence, we look at two things, one is productivity. That's where we have a lot of initiatives to see it is really world-class from the quality standpoint. And then we have complete technology to suit every part of the market. I will not be able to give you what kind of price differential there is between the export market and the domestic market, but again we will be at a level playing field; we would always like to have a level playing field, and to that extent we will position our products.

Henil Bagadia:

So, given that there is a lot of digitalization content that is added to the products, that is AI, using AI, using automation and several other tools, so what is the focus of the company, given that there are a lot of security breaches that's happening and given that as the data consumption increases the breaches could also go up. So, in terms of security solutions, in order as well as to the customers for whom we had already executed the orders, how will that segment pan out?

Nuguri Venu:

I think, we see interest in digital technologies from both the utilities, industries and infrastructure. And we have seen demand for digital substation from utilities and the number of such opportunities will likely increase going forward. And cyber security is one of our key value propositions to our customers. And whatever digital technologies we are deploying, cyber security is always part of our offerings. And we are also taking a lot of engagement with our customers on how networks need to be more cyber proof. And this is exactly our value proposition and this is where we can clearly add a differentiation with respect to others by offering the most cyber secure digital solutions, whether at the transmission level or the distribution level or at the consumption side. Thank you.

Henil Bagadia:

So, sir, does that give us a completely new segment or do we get that particular segment just within the order itself?

Nuguri Venu:

It is basically, I would say, a two pronged thing. One is that, as you rightly said, it is from the existing customers. And there is also the new segment.

Moderator:

Thank you. The next question is from the line of Rahul from Shefa Family Office. Please go ahead.

Rahul: Sir, my question is regarding now the parent has acquired and been six months, have we identified any vertical or new segment from the Parent's portfolio? Question number one. Question two, down the line how would the parent would like to envisage Hitachi India? Right now we are into power segment, most of the things are into capital goods segments. How Hitachi would look in next few years? And how the growth will come, will it be through CAPEX only or we will be able to serve in case of tailwinds come? Thank you.

Nuguri Venu: Okay. So, if you could please repeat your question, if you don't mind.

Rahul: Sure. So my question one is, now Hitachi is our parent. Have you identified any new vertical, new product portfolio through the parent's portfolio side? Question number one. Question number two, how would we want to look like down the line three years, from a capital goods or power segment company to how we are envisaging from the parent's perspective? And the growth target for next three to five year or maybe more? And how it will kick in, is it like through CAPEX which we are already doing or can be served some tailwinds if it comes, can you serve it without CAPEX? Thank you.

Nuguri Venu: Okay. Thank you, Rahul, for the very interesting questions. So let me just give you a little bit of background, even though we are now part of Hitachi, we continue to operate as a standalone company headquartered in Zurich. We are part of the Hitachi's ownership, but we as a company have a clear strategy and we have a clear vision. And as you will see from our 2025 Vision where we want to go, how our portfolio we want to achieve, where we want to grow, it's very clearly done there. Having said that, we have traditionally the power grids, and we are concentrating on the customer portfolio of utilities, industries, infrastructure and transportation. But with our new owner, Hitachi, they are very strong on the mobility side, smart city, energy storage, and on data optimization, that is IT data center side, and that's where our focus is. So, these are the areas henceforth we will be focusing on. In addition, traditional segments where we are very strong, we continue to leverage our strong position and build on in utilities, industries, infrastructure and transportation.

So, where does growth come from? Growth comes from focusing on the high growth segments, we are nurturing. The high growth segments are data center, mobility, renewable integration, and our company is very well positioned in terms of offering our systems, services, software as well as products. So growth not only comes from the CAPEX, but also OPEX. As we are going forward we are looking at how much it costs for customers to run this particular equipment. So that's where we are focusing, we are having several digital solutions and remote monitoring solutions for our customers where the customers can also manage these equipments by deploying our digital and remotes service solutions. So we believe that both CAPEX and OPEX are going to come hand in hand. So that's where if you have seen my slide, Slide #18, we are talking about both operational technologies and IT technologies. And that's where the energy platform we bring in and the digital platform our new owners begin in, the combined offerings can co-create innovative solutions with our customers and partners across the value chain, right from the planning stage through the building phase, and into the operation phase, leveraging energy platforms, and focus on the intelligent grids.

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

Manish Goel: I had a question related to our margins, which have been fairly strong in this quarter, and that has partly been helped by your other expenses. So would it be possible to offer clarity, is it that it's a quarterly phenomenon or we should consider it as a new normal for the company? And related to that, like, basically how do we see EBITA margins going forward?

Nuguri Venu: Yes. So, I will let Ajay, our CFO, answer the first question, but we will not be in a position to answer any forward-looking question, what kind of margin level, we will not be in a position to share with you. But the first question, Ajay, can you just take that?

Ajay Singh: Yes, fine. Thank you, Venu. So, basically the margins that you see in the current quarter, already we have seen that our operating expenses have come down, and that is also supported in the margin for this quarter. And we know that like the major benefits that we are getting on the travel cost piece, that is one area where we are able to reduce. So, this is mostly because of the COVID related situation that we are having at the moment. So, some of the expenses that you see have come down compared to the last quarter or the preceding quarter, mostly on account of that. Whereas when you talk about the gross margin point of view, that is purely on account of the product mix that we see vis-à-vis the last quarter.

Manish Goel: So just to clarify, how much of this is sustainable going forward? I agree that travel cost was lower this last quarter, but do you think it's sustaining at current levels or you see that some of these costs coming back in quarters coming forward?

Nuguri Venu: I think if I can answer that question, Manish. I think that our endeavor is to come to that particular level.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to Mr. N. Venu for closing comments. Thank you and over to you, sir.

Nuguri Venu: Thank you, Aman. And thank you all, once again, for taking your time from busy schedule and attending. And thank you for your questions. And if you have any more questions, please reach out to us, we are more than happy to engage with you and answer any of your unanswered questions.

At the close, I would like to say that this pandemic has shown us a glimpse of our capabilities to handle challenges with our collective effort. It has also underscored the urgent need to balance social, environmental and economic values, through sustainable planning, policy and technologies. I am looking forward to better days. And I also want to take this opportunity to wish you and your families a very happy, colorful and safe Diwali. Please take care and stay safe. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of ABB Power Products and Systems India Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.