

March 16, 2021

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

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

Dear Sirs

**Subject: Transcript of Analysts/Investors call held on Friday, February 26, 2021 as per Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

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

Please note that as per our intimation letter dated February 18, 2021, and in furtherance to letter dated February 26, 2021 wherein we had shared the copy of Investors presentation and Press release, a conference call was organized with Analysts/Investors on Friday, February 26, 2021 at 4:30 pm

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

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

You are requested to take the same on your record.

Thanking you.

Yours faithfully,  
For ABB Power Products and Systems India Limited



Poovanna Ammatanda  
General Counsel and Company Secretary



Encl: As above



**“ABB Power Products and Systems India Limited  
Q4 2020 Results Analyst Call”**

**February 26, 2021**



**ABB POWER PRODUCTS AND SYSTEMS INDIA LIMITED**

**MANAGEMENT:**

**MR. N. 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 ABB Power Products and Systems India Limited Q4 Results Analyst Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 'star' and 'zero' on your touchtone phone. Please note that this conference is being recorded. Participants connected on web platform will be able to view presentation and listen to the audio only. Participants on audio bridge can enter 'star one' to ask a question. I now hand the conference over to Mr. N. Venu – Managing Director, ABB Power Products and Systems India Limited. Thank you. And over to you, sir.

**N. Venu:** Thank you, operator. Good evening, ladies and gentlemen. Thank you for joining us today for this call. I hope you all are safe, healthy and in better spirits than last year.

We have all come a long way braving many difficulties and have reasons to be optimistic today. We learnt a great deal about ourselves and our capabilities in this one year of extreme difficulties and unparalleled crisis. You will agree with me that 2021 brings a sense of hope with the government rolling out a vaccination program, economy recovering and business slowly heading back to normalcy.

Our presentation is already uploaded on the BSE Investors portal. And to make it easier for you, I am referring the slide numbers. Slide #3, Hitachi ABB Power Grids in India in 2020 laid a strong foundation for future growth as a standalone listed entity amid uncertainties and a strict nationwide lockdown. Come July, we began operations as Hitachi ABB Power Grids globally.

The pandemic did not hold back us. We booked milestone orders across industries during the year and played an active role in shaping India's energy future. Early on during the COVID outbreak, we had adopted three-pronged strategy to cushion the blow of the pandemic that is "Protect Our People", that's the basic thing, "Preserve Business Continuity", and the next one is "Prepare for the New Norm." We realized early on that this is going to be a long marathon. So while we are in the business of providing mission critical technology feeds, products, systems, services to our customers, we need to prepare for the new norm. And that's exactly what we have done. We have prepared our entire organization by accelerating the use of digital technology to engage with customers and other stakeholders, facilitate remote service, conduct webinars, conferences and technical trainings.

Since our listing, the POWERINDIA stock surged more than 80% till the year end. Thank you all for supporting us. This demonstrates investors and shareholders confidence in our fundamental and future growth. Based on our performance in the inaugural year and that fundamental growth drivers remained intact despite the unparalleled circumstances triggered by the pandemic, the Board of Directors have recommended a dividend of Rs.2 per share which is equivalent to 100% subject to the approval of shareholders at the forthcoming Annual General Meeting.

In the second half, our revenue has inched closer to pre-pandemic levels driven by our on-time delivery, relentless cash stabilization efforts and zest for innovation. And we see our efforts paying off.

If I go to Slide #4, as you can see, we booked major orders worth around Rs.826 crores which is 34% higher year-on-year mainly driven by industries, utilities and transport. Besides key win in digitalization and automation, we had orders for power quality and our traditional product offerings. Our entire portfolio, from transformers to automation in various parts of the country, benefitted from the integration of renewables projects by public utilities and private power generators.

We also reinforced our relationship with the rail segment, receiving orders to power the country's dedicated freight corridor, providing our traction and track-side transformers for upcoming metro projects as well as our power quality solution for established operations such as the Delhi Metro.

Cash is another key element. As a new company we started with zero cash. Despite the challenging market environment, we clocked revenues closer to the pre-pandemic level. Persistent focus on the strategic cash management, including our cash over revenue initiative and accelerated use of remote management and digital solutions helped us maintain liquidity. We remained debt-free at the close of the year.

Yet, close to INR 300 crore of orders where ABB Power Products and Systems India Ltd. is L1 were deferred by customers in Q4.

Our PAT was up 55% YoY. We will talk on exceptional items in the subsequent slides.

I move to Slide #5; We utilized all levers to drive industry dialogue and transition to economic recovery and clean energy. We hosted segment-specific virtual customer engagement conferences under our flagship Energy and Digital World banner; initiated pilots in power quality for metro rail; undertook remote commissioning of the HVDC software for the North-East-Agra transmission link, and had our first remote RELCARE asset management order win in India from an O&G company.

We even demonstrated the efficiency of a submersible robot - TXplore – in conducting transformer maintenance to a steel major and participated in industry discussions at Industry and Government forums such as CII, MNRE, etc to shape the policy discourse.

Moving to Slide #6, on January 27, 2021, our renowned Digital Enterprise software solutions became flagship applications within Hitachi's Lumada ecosystem. Digital Enterprise is a portfolio of solutions that deliver access to information, systems, people and analytics to customers from across their organization to make better business and operation decisions.

Without impacting our current installed base, this integration with Hitachi's ecosystem fits into our migration path and is the first externally visible step towards tapping our synergies with Hitachi since July 2020.

We will be leveraging Hitachi's industry leading IoT platform Lumada, analytics, data capabilities and more to help our customers scale up their digital journey.

If I move to Slide #7, you know more than me on the various economic indicators. There are some indications of a V-shaped recovery with the gradual return of consumer confidence, robust financial markets and an uptick in manufacturing, electricity demand and steel production besides other indicators.

What is said to be the world's largest vaccination program, India has administered the COVID-19 vaccine to more than 10 million since its launch and about 250 million people are likely to be vaccinated as per the target by June or July.

Also, the industry growth remaining in red, the government allocated further to ensure spending in the union budget, announcing 34.5% higher allocation, close to Rs.5.54 lakh crores in FY 2022, than the budget estimate for FY 2021. In our view, this can generate indirect growth for companies like ours, operating in the capital goods segment.

Moving to Slide #8, in 2020, only 70% of government's planned allocation was reported to be utilized in the segments we operate, such as power, urban transport and renewables. COVID has impacted a lot of projects deferring them. So in the union budget 2022 we think the monetization of transmission assets can expedite infrastructure creation, and even channel in more funds for further investment.

Focus on building freight corridors, creating a future-ready railway system and electrifying almost close to 46,000 kilometres by this year are much appreciated, positive announcements for our company. They will meet the need for modern and reliable power infrastructure. Timeline for 100% electrification by December 2023 will bring close collaboration between the government and the industry.

Attention on urban transportation through metro rail and city bus services can become steps towards our clean energy transition goals. Yet, overall allocation for our segments excluding railways, has remained almost unchanged from 2020 budget level. In 2021, we hope the government can utilize the budgeted allocation close to 100%.

Moving to Slide #9, At Hitachi ABB Power Grids, areas such as HVDC transmission, renewable integration, industry, infrastructure, rail, e-mobility and datacenters are critical for growth. Here, the government's ambition to provide 24/7 power for all, create a carbon sink of 2.5 to 3.0 billion tons of CO<sub>2</sub> eq by 2030, have a higher penetration of renewables, push for 100% rail electrification by December 2023, 30% EV penetration by 2030, and vision of Digital India with more and more datacenters provide the tracks for Hitachi ABB Power Grids journey.

That said, it will take a while for India Inc to completely recover from the pandemic and from the slowdown in infra investments in 2020.

Moving to Slide #10, We see vast potential for growth in markets such as datacenters, e-mobility, renewable energy, and power quality and have a wide portfolio across segments and end to end offerings of future-ready and state-of-the-art products, software, and services to cater to them.

We partner with data centers to ensure reliable power for continuous operations, essential as they backup all aspects of our lives today.

Offerings in renewables are not limited to integration but also efficient transmission of utility scale renewable power, with minimum footprint. HVDC and renewables have to be used complimentarily to have the maximum positive impact on the grid.

Moving on to EVs, powering EVs is not only about making chargers. It is about developing the whole ecosystem with digital technologies and asset management to support and sustain the energy transition. Hitachi ABB Power Grids brings the best of both worlds with its end-to-end and diverse portfolio. Our Grid-eMotion Fleet portfolio offers fleet-level public charging of ebuses with data management applications, and much more.

For the grid to seamlessly function despite the rapid addition of intermittent supply and demand centers – like renewables, EVs, cooling, etc.- it needs to be more flexible. Power quality solutions will be critical contributors to an electric future, with solutions from FACTS to Transformers with Transient Voltage Protection Technology keeping networks stable and efficient, not just at grid level but also for large consumers like industries.

Also, about 80% of our portfolio today is locally manufactured.

Moving to Slide #11, the first half of 2020 was undoubtedly challenging. The pandemic was escalating and lockdowns getting stricter and stricter, longer and longer; liquidity constraints, mobility restrictions, and delay in project execution took their toll on our orders and revenue especially in the Q2 and also to some extent Q3. But by the second half traces of recovery started emerging as we resumed operation.

In Q4 we see order growth was led by products but with services contributing to larger share than last year as customers integrated elements of digital to adapt to the new norm. In terms of the channel, we reported greater number of direct sales as we delivered more utilities and industry compared to the same period in the previous year.

Next Slide #12 – Overcoming unprecedented challenges, we see business start to stabilize to pre-COVID-19 level and revenue picking up. Yet close to INR 300 crores of orders where we are L1 are still deferred. We are however past the Q2 trough, where the nation-wide lockdown had severely impacted orders and revenue. The service order growth trend is led by base orders

and clearly demonstrates how the pandemic has shaped OPEX and investment in upgrading and digitalizing the existing infrastructure.

Our exports have been steadily picking up since Q2. In Q4 exports were on the higher side of 15% to 22% range which we are talking about. I think I'll skip this. If you have any questions we can talk more on that but just to mention about it, our orders for Rs.826 crores and our order backlog stood at Rs.4,954.8 crores and this provides visibility on our future revenue. And in Q4 revenue was up by 10.4% quarter-on-quarter driven by persistent focus on strategic cash management and use of remote management and digital solutions.

Operational EBITDA after exceptional items reached Rs 65.9 crores in the fourth quarter, resulting in an operational EBITDA margin of 6.3%. Profit before tax before exceptional item was Rs.46 crores.

To recap, 2020, as we know, it will be remembered as an unprecedented year that altered the fabric of society. Our financial performance initially reflected but quickly corrected in consequent quarters culminating in total orders of Rs.3,218 crores and revenue of Rs.3,439 crores and PAT of Rs.99.8 crores for the year.

Moving to Slide #14, the delayed transfer of ownership in the company concluded on Feb 5, 2021, with a transfer of 31.78 million equity shares aggregating to 75% of its paid-up capital from ABB Asea Brown Boveri through ABB Limited to Hitachi ABB Power Grids Limited. Reflecting this change in ownership, the Board of Directors has appointed Achim Michael Braun, Head of HR, and Ismo Antero Haka, CFO, Hitachi ABB Power Grids Ltd. as Non-Executive, Non-Independent Directors on the Board of the Company representing Hitachi ABB Power Grids Ltd.

The other outcome from today's Board meeting is the recommendation of the dividend. As indicated earlier, a dividend of INR 2 per share (100%), subject to shareholder approval at the forthcoming AGM.

The switch over to an April to March fiscal was also approved at the meeting – a significant step in smooth integration with the Hitachi entity processes.

Moving to Slide #15: here as you can see, we are investing in a sustainable future. At Hitachi ABB Power Grids, we believe that more than ever, the world needs innovative energy solutions to address the huge challenges facing society. Only by balancing social, environmental and economic value in harmony, can durable progress be made. That is the basis for our generations and the generations to follow.

Be it investing in employees' safety, especially during this pandemic through COVID-19 training & testing, supporting our frontline workers, rural communities and government, or advancing industry-academia partnership to ready talent for our future energy needs or

introducing innovative technologies that support remote work, scale up efficiencies and minimize downtimes.

We want to be a climate conscious green company. To that effect, 70% of waste generated is recycled; 155 tons of scrap is co-processed; 40% of electricity used in factories comes from renewable sources and, we have reduced freshwater consumption by close to a quarter in our Mysore plant.

For our customers, we have reduced diesel consumption with smart solutions for rail electrification and provided eco-efficient alternatives to SF6 for high voltage products.

Moving on to Slide #16: We have invested in our internal transformation program. As you can see, we are well positioned with close to 5,000 crores order book, more than 2,200 high skilled employees, 16 factories in five manufacturing locations, producing more than 80% of the portfolio for the country, for the domestic customers as well as for export customers and 17 sales offices close to our customers; huge installed base - we are very well positioned.

And as you can see our markets are quite attractive, and there are market segments – be it rail, be it EV charging, data centers, renewables, software and automation and power quality just to name a few, where we have a very good value proposition to offer to customers, and we are growing much higher than the market average.

So, what would a successful implementation of Vision 2025 look like in terms of what we offer. It would mean a shift of center of gravity to notably more services and more digital solutions. We believe this will help us grow faster than the market, strengthen our leadership position in the market.

And let me come to the last, Slide #17. We believe that our future world must be more sustainable world.

There should be an accelerated shift from fossil-based power production towards the renewable-based generation, growing electrification of transportation industry, and of buildings, rise in sustainable energy carriers such as green hydrogen.

We see that electricity will soon form the backbone of the entire energy system. The road to decarbonization everywhere is built on much more electrification. It is the most reliable route to achieve carbon-neutrality.

In this Energy Transition we see ourselves playing a leading role through our digital and energy platforms. We aim to equip customers and partners with intelligent solutions for a sustainable energy future and contribute better to the sustainable development goals of the UN.

Ladies and gentlemen, we strongly believe that the carbon-neutral future is electric, and electricity will be the backbone of the entire energy system.



With this, thank you for listening to me. I would like to open the line for your questions and comments.

Thank you.

**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 Rahul Garg from Shifa Family Office. Please go ahead.

**Rahul Garg:** My question is about recent credit facility availed by the company about 4,000-5,000 crores. Can you put more light on it, is it against some projects or how is it?

**N. Venu:** No, we have not availed any credit facilities. What we have done in the month of January is we have received CRISIL AAA certificate for our existing credit lines, that means, we have both fund-based and non-fund based credit lines, for that we have received the certification that is AAA Very Stable – a strong certification from CRISIL. So, we have not used any of these for any of the projects, which are ongoing existing lines. As you know, we have 1,000 crores fund-based limits and we have 4,000 crores non-based limits sanctioned, approved by the shareholders and those are the limits that have been certified by CRISIL.

**Rahul Garg:** We talked about our target in 2025, more skewness towards the digitalization, consulting and software services, right. So, if I can call the digitalization and like industry 4.0, maybe can you put some couple of use cases in terms of digitalization? Another question in the same line is about the bullet train and the railway electrification opportunities. How we are progressing there?

**N. Venu:** Let me answer your first question about the digitalization. As you know, the transformation from fossil to renewables is taking shape as we speak, both in quantum as well as timeline, right. The grids are becoming much more complex, because they are having several feed-in points and several take-off points and that needs much more transparency for the operators, for the utilities, to manage the complexity. That definitely needs the whole ecosystem of the power value chain to get more and more digitalized so that the transparency is available. For example, the substation could be a digital substation. Now we have gone one step ahead and we are talking about the smart digital substation. What does that mean? Basically, it means that every operator within the substation has sensors, which will also give the information and data to the higher platform. And we are in a position to understand what's going on in the substation on a real-time basis. That's number one. Number two, second use case could be, we recently received an order from one of our oil and gas customers, what we call as RelCare, the remote care of the substation, right? We will be taking care of the substations and completely on 24x7 giving the grid KPIs ensuring that 99% reliability is what is being offered to our customers with our approach. So, these are just to give you a couple of examples how the digitalization can bring more value to our customers. In the end, also bringing the total value to the customers which is much higher compared to the things. It's also taking care of the needs arising out of the renewables and also much more transparency in the end, bringing more efficiency, bring down the downtime. The second

question on the bullet train and the rail. As I told you, rail is one of our key segments and we've been working directly with the customers like CLW and CORE and others, but also we are working with OEMs of rail segment and that is a key value proposition. We have the entire portfolio, whether it is a loco transformer, traction transformer or trackside transformer, or also the automation parts. So bullet train project is one of our key focus projects. And we are now part of the Japanese ownership, so we will definitely be leveraging that as and when the project comes.

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

**Renu Baid:** My first question would be on the core performance of the quarter. If we see there were some restatements and adjustments in the P&L. Can you help us understand the reason for sharp jump in other expenses in this quarter -- was it FOREX-related or any other readjustments? And align with this on other expenses, what was the overall management fee and the royalty trademark fee paid for CY'20 in percentage terms should be fine.

**N. Venu:** I would ask our CFO, Ajay Singh, to answer your question.

**Ajay Singh:** I'll answer the first part, the increase on the expenses part is mainly on account of the cost overruns that we had on a few of the jobs, one. And there was an increase in the information technology cost, and the reason behind it is mainly because we are availing services from ABB India under local service agreement for information technology, and we intend to have a standalone IT infrastructure. So, this agreement is in place for three years and then this cost will continue for some time, and in future we have to separate on a standalone IT infra. So, we plan to significantly invest in the coming quarter. So, this is an overall main reasons for the increase of the expenses. Coming to your second question on your royalty, as on today, the royalty expenses is around 4.3% that we are incurring.

**Renu Baid:** Management fee that typically we were accounting for 2% is inclusive of this IT cost or they are over and above these IT costs from ABB?

**Ajay Singh:** This IT cost is separate; it is not included in management cost.

**Renu Baid:** The second question is from the perspective of integration of the digital enterprise platform with Hitachi Lumada. So how is the practical process of integrating the existing installed base with the software? And when we have these global enterprise solutions, the parents tend to levy maybe some charges to the entities using this. So, if you can take us through the integration process here on the existing installed base, and if there are any charges which would be booked against them.

**N. Venu:** So I think it is a very good question. Thank you, Renu, again. First of all, our digital portfolio is an open platform, so it can quickly get adapt to any other IoT platform. We saw this opportunity for synergy with Hitachi to bring value for our customers. As Hitachi's IoT is one of the biggest businesses, they do close to \$20 billion business in the IT sector side globally. And they are

having huge analytics and data capabilities to help their customers across the industries, not only our traditional sectors, but also the new sectors. And we would really like to leverage it. Our digital enterprise software solution under Lumada now includes workforce management, asset performance, energy management..

**Moderator:** Thank you. The next question is from the line of Sujit Jain from ASK Investments. Please go ahead.

**Sujit Jain:** So, just to quickly understand, I am on your Slide #5 which talks about a robot and steel sector, energy digital world in cement. So this is to understand that in traditional core industry sectors, all these are for their energy, assets and solutions, not for industrial automation, or can we deploy Lumada and offer industrial automation solutions also in competition with ABB India? What I am saying, I am on Slide #5, energy digital world demand and submersible inspection robot in steel major. The way I've understood Hitachi is that we are playing into power industries for their energy assets in particular, but can we also take Lumada and offer them industrial IoT solutions in competition with ABB?

**N. Venu:** Here we are not talking about competing with ABB. ABB has certain capabilities and so do we. We are going to play a role in the energy space, whether it is on the generation side, whether it is the transmission side, the distribution or the consumption side. We have launched this energy and digital world to the cement customers across the country recently. We are talking about how to optimize their energy, how can they improve their efficiency, how can they bring down their downtime, what are the enabling technologies we can offer to them, and this is where we have our whole portfolio. We are looking at offering multiple opportunities for our customers in the process industries, whether cement or steel; deploy these technologies to bring down their leakages if any and improve their productivity, improve their efficiency.

**Sujit Jain:** And same goes for robotics which in India maximum deployment is in auto sector but there also is it more related with energy assets?

**N. Venu:** When you're talking about the robot, this is our own Power Grids product, where we have this robot, the robot can go inside the transformer, inside the oil, normally when you want to take the transformer for maintenance repair, you have to drain the oil from the transformer depending upon the size of the transformer, sometimes it takes days together to drain the oil and then you go check the windings and other things. So, here we have developed a product, for which we also received order recently from one of our steel customers, a robot that can go inside the tank without draining the oil and then come back with the inspections report. So, this is another form of digitalization we are taking in the energy space.

**Sujit Jain:** Hitachi's \$20 billion global revenues in IoT. They are energy-centric or they are across segments?

**N. Venu:** As I told you, the \$20 billion is in IT. So they will also be investing in Lumada and it is across the sectors, it is not only the energy sector.

- Moderator:** Thank you. The next question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.
- Sudhir Bheda:** If we go to Slide #16, where you have projected a CAGR of 5% to 6% for 2020 to 2025, and the main driver would be EV rail, renewable, etc., So, are we projecting just 5% to 6% growth for next five years CAGR?
- N. Venu:** We are talking about the market; we're not talking about our own orders. Based on the last year COVID dip, we expect it will take a little bit time for markets to come up. So, in the next five years we expect the market to go up in the range of 5% to 6%, CAGR.
- Sudhir Bheda:** So, what would be our growth trajectory?
- N. Venu:** We want to grow faster than the market. So the market is growing X, we would like to grow X-plus, and we have taken several initiatives. You can see our transformation, we are a world-class front-end organization, very close to our customers, with upselling and cross-selling opportunities, and also we are looking for various business models, bringing new offerings, new technology and also demonstrated industry leading performance on the cost efficiency and qualities. All these things would help us grow higher than the market.
- Sudhir Bheda:** Second question would be what are the chances we can improve our EBITDA margin facilities, very meager if we compare, is it low because of our higher royalties or management fees, because this is almost equal to our EBITDA?
- N. Venu:** Thank you for this question. Our endeavor is to bring it to the higher margin corridor. So, how we wanted to bring in, one is that we are looking at all the efficiencies within our system, that is number one, and also looking for more service and digital and product offerings and service offerings, would really put us into higher margin corridors. As you can see, last year was COVID, and is not comparable. But here before nine months period, our EBITDA margin was 9%. So, our endeavor is to come towards that.
- Moderator:** Thank you. The next question is from the line of Ashwini Kumar from Reliance Mutual Fund. Please go ahead.
- Ashwini Kumar:** My question is based on the budget numbers which you indicated in one of the slides. Now, given that your turnover is nearly 4,000 crores or 4,500 crores, how does involvement of Hitachi increase the overall pipeline for Hitachi ABB Power Grids, let's say without Hitachi, what was the opportunity for you, with Hitachi what is the opportunity, and how much of this would be serviced through this entity, for example you have end markets like industrial grid, railways, transmission, distribution, but how does Hitachi involvement help you in expanding the size of opportunity available to the listed company? And secondly, in power grids now, since the large projects are over, how big is the opportunity for integration of renewables in the system and incremental capacity, what kinds of power grids, new projects and retrofit and automation opportunity for Hitachi with ABB Power Grids if you could help me understand?

**N. Venu:** Okay, thank you, Ashwini. Appreciate very much. First of all, whatever I've shown you is all about this listed company, right, whether we are talking about the industry, we're talking about the utilities, we're talking about infrastructure, rail and is all pertaining to our Company. We have become part of the Hitachi only on July 1, 2020. Prior to that we were operating in accordance with anti-trust regulations and were not in a position to collaborate.. So, in January we came up with offering the digital enterprise with Hitachi Lumada. So, this is the offering which we are giving to our customers, taking care of Hitachi's Lumada IoT platform. Whatever we are offering as part of this go through our listed entity only, this is our offering. Basically what we're saying on the digital substation, for example, asset management, our workforce management, our SCADA, or our DMS - distributed management system, all those things would eventually be a part of this Lumada IoT platform. It's only seven months, it takes a long time to get the synergy. One of the low hanging fruits is connecting our entire digital enterprise, join the Lumada ecosystem. Second low hanging fruit is now we are a part of the Japanese ownership. We are eligible for the JICA, JBIC funded projects. So, we are looking at those projects, not only in this country, but also in the nearby countries like Bangladesh, Sri Lanka, Nepal. You would see subsequently as and when we materialize those. The second very important question which you are talking about, with increased renewable penetration, what will happen to the grid investment - if I understand you correctly?

**Ashwini Kumar:** And scaling up to 450 GW over a period of time, what kind of opportunity does it give to ABB Power Grids?

**N. Venu:** This is absolutely a very important question. Let me just give you my perspective. Adding renewables to the grid, especially in the magnitude of about 450 GW, demands the grid to expand and become more flexible and resilient. We can just look at the events that happened a few weeks back in the US, right? Bigger grid would allow wider deployment of solar and wind power. Filling gaps when the sun shines or wind blows in one place, but not another. It also supports rising demand from electric vehicles and building, the industrial heating, etc., There are many studies, let me just quote one: a Princeton University study estimates the US would need a transmission system that is 60% larger by end of the decade, and possibly three times as large to achieve a net zero carbon emission goal by 2050. Another India-specific report from the International Energy Agency talks that to meet growth in electricity demand over the next twenty years, India will need to add a power system the size of the European Union to what it has now. So to reach our own carbon neutral ambitions of tomorrow, we have to make smart investments in the grid infrastructure today. HVDC, is a great example. Utility scale renewable generation typically happens in remote locations, even offshore far from the demand center, and for power to have maximum impact, we must be able to transmit it more efficiently with less loss and less environmental footprint. So all in all, increased penetration of renewable will lead to investments in the entire grid evacuation infrastructure towards solutions to mitigate intermittency in renewables; for power evacuation HVDC technology offers advantages. And that's where the planners are looking very actively. On top of that, electrical vehicles will need a lot of investments on grid stability.

- Moderator:** Thank you. The next question is from the line of Aman Mourya from Alfaccurate Advisors. Please go ahead.
- Amar Mourya:** First of all, as you indicated that other expenditure bump which we have seen in this particular quarter, you indicated that it is likely to stay for few more quarters. Can you give me the quantum that what was that number in this particular quarter?
- N. Venu:** Let me just clarify before Ajay comes in. We're not saying that entire extra cost is going to stay. Part of that will stay. We are now coming out of ABB on the IT systems, but at the same time, we need to build up our own state-of-the-art world-class ERP system. So, there will be a bit of overlap.
- Ajay Singh:** We are not going to accumulate.
- Amar Mourya:** So, basically sir, what I was trying to understand if I see your last three quarters other expenditure run rate, it is ranging between Rs.150 - 190 crores kind of thing and this quarter it is around Rs.250 crores. So, what is the kind of steady state run rate one has to see from here on?
- Ajay Singh:** As I mentioned, the bulk was from the cost overruns of the few projects. So, obviously, we will be not carrying forward these cost overruns.
- Amar Mourya:** Out of that 95 crores additional which we are seeing, so, you're saying 70-80% would be because of the cost overrun?
- Ajay Singh:** Correct.
- Amar Mourya:** In terms of the export opportunity, as you had indicated that the export we are seeing a promising result. So, how should I see the export outlook in next two to three years?
- N. Venu:** I think we are also consistently saying since the beginning of our company that we have built world-class factories, not only for the Indian market, but also the global market, and we are consistently expanding geographies to our global counterparts to expand further on that. So we said in the beginning of this quarter, our exports will be in the range of 15-20%, and now we have increased our ambition to 20-25% in the medium-term. So that's where we are gearing up to go to that particular level of exports.
- Amar Mourya:** What kind of a benefit you will be getting it from Hitachi in the export expansion?
- N. Venu:** Export expansion is not about Hitachi. This 20- 25% is our own expansions into the markets where we believe our products are being approved, and basis the work done by us in the last couple of years. As I told you, synergies with Hitachi, we are still work-in progress. And one of the things where we see the expansion with Hitachi is on the JBIC and JICA-funded projects in the neighboring countries.

- Amar Mourya:** So that is above and all probably?
- N. Venu:** You are right.
- Moderator:** Thank you. The next question is from the line of Sujay Kamath from CLSA. Please go ahead.
- Sujay Kamath:** On Slide #16, where the previous gentleman asked this question about the growth in markets at 5%-6%, I just wanted a clarification Are you referring to global markets growing at 5-6% or...?
- N. Venu:** We're talking about the Indian markets.
- Sujay Kamath:** Because we look at a lot of several sectors, renewables obviously are growing much more than 10%, even data centers in India are growing fairly rapidly, more than 20-25%. So, for some reason, I'm unable to try and marry these numbers to what I see actually on the ground.
- N. Venu:** As you can see, the renewable had more than 10%. When we are looking at the market, how do we see the market the market is the orders fructifying in that particular year, there are many projects kicking in, but the projects are slow, it is not taking off, so then it doesn't make any sense to show that as the market. You are right, renewables are going much higher than the 10% or 15% two years before. But for the last two years, the market has actually indeed come down in that. It was slow because of the policy issues or last year was slow because of COVID. So, those are the things. So we always calibrate the market basis which exactly what is there on the ground. Let me also give you a bit on this sense, the grid corrected renewable, for example, in the 2016-17, so it's 11 GW versus 16.5 GW target was achieved on the ground, and 2017-18 it was 11.8 GW versus 14 GW target, and 2018-19, it came down to 8.5 GW and 2019-20 it came down to 8.7 GW, in 2021 it is coming to 5.4 GW. So, this is where we would like to see our orders come and then orders get into revenue.
- Sujay Kamath:** Can you just share what market share you have in these segments?
- N. Venu:** We wouldn't be able to share the exact number, but let me give you a little sense that we have a dominant market share in many of the segments. So take, for example, data center, renewable, rail, our next competitor is at least 10 percentage points away from us. So on the other side of the thing, which is highly competitive, which is the transmission and process there, so there we have a very decent double-digit market share and our endeavor is always to further improve on that.
- Moderator:** Thank you. The next question is from the line of Abhinit Kulkarni from Equity Investing. Please go ahead.
- Abhinit Kulkarni:** Can you tell us who are the competitors of Lumada presently, is it mainly from the established industry side or do we see a lot of competition from the startup ecosystem?

- N. Venu:** I think the bigger IoT platforms are always the bigger players in the industry. So, there are also startups out there, but they don't do the end-to-end platforms in that. You have the GEs of the world, and the Siemens of the world having equivalent IoT platforms.
- Moderator:** Thank you. We'll take the next question, that is from the line of Varun Basrur from AQF Advisors. Please go ahead.
- Varun Basrur:** My question is with regard to electric mobility. By when can this materialize? And is there any target revenue contribution that can come from this segment?
- N. Venu:** Thank you for your question. Electrical vehicle, our charging solutions, we already tied up with Ashok Leyland, as you know, in the beginning of last year, we had MoU with them, and last quarter, we also had MoU with Ashok Leyland and IIT Madras, where we are expecting in the next two to three months our pilot will be running on the buses in IIT Madras with a flash charging technology as well as a fleet charging technology; we are deploying both the technologies there. And while we are deploying this technology, which is proven and working well in many countries, we are also working with various authorities to discuss on that. So I will not be in a position to give you the exact timeline when this becomes the revenue, but I can tell you that all hands are on the deck.
- Varun Basrur:** I think a previous participant had asked a question around the sustainable operating margins. I got cut off. Maybe if you could please repeat that point?
- N. Venu:** Last year mainly due to COVID our revenues were down, so our overall margin came down to 5.7%. And before that, because we were a new company, we only operated nine months in 2019. So that operational EBITDA was around 9%. As I told, our endeavor is to reach to that range.
- Moderator:** Thank you. Ladies and gentlemen, that was 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.
- N. Venu:** Thank you, operator. Thank you once again, ladies and gentlemen and really, really appreciate you taking time from your busy schedule and talking to us. And please get back to us if you have any unanswered questions. I know for paucity of time we cannot answer everything, but we are willing and open to answer your questions. Do reach out to us anytime, we will be more than willing to answer. Thank you and please take care and stay safe.
- 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.