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May 28, 2024

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National Stock Exchange of India Limited
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Dear Sir / Madam,

Subject: Transcript of the conference call with Analysts/ Investors held on May 22, 2024

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 Wednesday, May 22, 2024 and the same can be accessed at https://www.hitachienergy.com/in/en/investor-relations/analyst-section.

Kindly take the same on your records.

Thank you,

Yours faithfully,
For Hitachi Energy India Limited

Ammatanda Chinnappa Poovanna

Digitally signed by Ammatanda Chinnappa Poovanna
Date: 2024.05.28 18:48:43 +05'30'

Poovanna Ammatanda
General Counsel and Company Secretary

Encl.: as above

Hitachi Energy India Limited Q4 FY24 Analyst Conference Call - May 22, 2024

MANAGEMENT:

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

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

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

Moderator: Ladies and gentlemen, good day and welcome to Hitachi Energy India Limited's Q4 FY24 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 – Managing Director and CEO, Hitachi Energy India Limited. Thank you, and over to you, sir.

N. Venu: Thank you very much. Good afternoon, everybody, and thank you for joining us for the Analyst Conference Call today, and I hope you are all well and doing extremely well. Yesterday, we announced our results for the 4th Quarter and also full FY 2023-24, and over the next 20-25 minutes, I will take you through our performance during the period ending March 31st, 2024, and for ease of your convenience, I will also read out the slide numbers. We have also uploaded the investor presentation on the website of the stock exchanges i.e. BSE Limited and National Stock Exchange of India Limited.

And today, with me in the room, I have our CFO – Ajay Singh, and Manashwi Banerjee – Head of Investor Relations.

So, when we entered the fiscal year in April 2023, our core objective was to remain focused on balancing operational complexity and efficiency amid prevailing market uncertainties. In doing so, we have not only navigated the complexities of the evolving energy landscape, but in my view, also successfully preserved Hitachi Energy India's growth momentum across the quarters. In Q4, we have grown in terms of orders and revenues and created a value for customers, stakeholders, and also society.

I am moving to the Slide #3. As we review the quarter, I want to begin with safety:

As you all know, for safety, we call as our license to operate. Our commitment to safety has been unwavering from offices to factories and onsite locations. Maintaining the momentum of our efforts, we had varied training programs for employees across locations like emergency preparedness, critical onsite job training, maneuvering on mobile platforms, excavations, defense, driving, etc., in this quarter.

At Hitachi Energy, safety entrenched in our DNA, which we implement in all spheres of our work. We call this, as I said in the beginning, the license to operate, and we never looked the other way. The same has got us multiple recognition and appreciation from our discerning customers for ensuring sustainable safety practices and quality at our project sites. We thank our clients for their constant encouragement.

I move to the next slide, Slide #4, sustainability performance:

Throughout the year, we expedited our journey to net zero by 2030, so various sustainable projects across our factories and offices. I am quite happy to inform you that we have reduced more than 80% carbon emission under Sustainability 2030 program. The sustainability projects in FY23-24 primarily focused on energy and emissions, conservation of water, and robust waste management. These projects helped us keep a track on our greenhouse gas emissions, energy consumption, usage of fresh water, and waste management. Through our suitable resources and measures, we have been able to bring down our water consumption by 25% and recycling 96% of waste in our factories. It is noteworthy to mention about 600-kilowatt solar rooftop project at our Doddaballapur facility. Through this ongoing project, we will be able to reduce almost close to 30 tons of CO2 equivalent of greenhouse gas. Furthermore, through this project, we aim to power 40% of our factory's energy needs through this solar plant. This project is scheduled to be completed in this month. As you all know, Doddaballapur is a newly inaugurated factory where we produce our power quality equipment’s.

If I move to the next slide, Slide #5. And this slide, I am sure all of you are more familiar than me, but still, I would like to take you through that:

Growth momentum continues in the Indian economy. According to government reports, India's GDP is expected to be in the range of 7.3% for FY 23-24, whereas GDP grew 8.4% year-on-year for the third quarter. The Indian Central Bank- Reserve Bank has kept the rate of interest unchanged at 6.5% for the seventh consecutive time. In March 2024, country's retail inflation eased to 4.85% from 5.6%, that's in November 2023. Also, the India Industrial Growth (IIP) clocked value of 153.5, highest for the FY 23-24 in January 2024. So, India's installed power capacity is expected to reach 616 gigawatts by 2027 and 900 gigawatts by 2032, up from 442 gigawatts in March 2024. Growth drivers for Hitachi Energy remain intact and tracking upwards, as you can see on the left-hand side of my slide. In FY 23-24, the renewable power grew at 11%, including large hydro grew from 173 gigawatt to 191 gigawatts.

As per National Energy Policy, an ambitious plan is set for the growth of renewables in the country at 24% CAGR to scale it from 191 gigawatts to 648 gigawatts between FY 25-32 at about 3.5x speed. So, this is what we have been saying to reach that kind of levels. So, we need to do more than three to four times what we have been doing it, as a country as a whole or industry as a whole. In the transmission segment, National Committee on Transmission issues green signal for four new ISDS projects. And similarly, for industry, the revival of private CAPEX is likely to augur opportunities of over Rs. 4,000 crores in the market for FY 24- 25.

And on the transportation side, metro, high-speed rail, rail electrification, rolling stock upgrade fueling the growth of transport segment, so on and so forth, which is clearly showing that all these segments, as we have been calling within Hitachi Energy as a high-growth segment, they're all trending in the right direction.

So, moving to Slide #6. Again, I am sure you all know very well, so this is picked up from the National Energy Policy ‘23-’24:

And as NEP ‘23- ‘24 has laid out a robust expansion plan for transmission circuit and network. Additionally, according to the industry estimate, an investment of close to Rs. 2.4 lakh crore at a rate of Rs. 1.07 crore per megawatt is expected for renewable-related transmission by March 2027. Some of the key takeaways of the plan are inter-regional transmission capacity is expected to reach almost 143,000 plus megawatt by ‘27 from a current capacity of 116,000 plus megawatt.

And HVDC circuit planned to increase by 4,300 circuit kilometer during March ‘22-‘27 and grow to almost 23,000 circuit kilometer with a carrying capacity of 12,000 megawatt by 2027. More than 30 STATCOM projects lined up for bidding along with the transmission network with a total outlay of more than Rs. 1.1 lakh crore for reactive circuits by 2027. So, these are just a couple of more examples to talk about, concrete plans as part of government's NEP policy, which can create a lot of tailwinds for our portfolio at Hitachi Energy.

So, moving to the next slide #7, multiple stakeholders in the road to energy transmission:

At Hitachi Energy, our constant endeavor is toward accelerating the pace of energy transition to achieve the bigger goal of net zero. We propagate this urgency for advancing a sustainable energy future through thought leadership across platforms. Our leaders highlighted and spoke on topics ranging from solar, grid integration to Make in India. As an organization, we are invested in making in India for India and the rest of the world. An offshoot of such effort is the recognition of our employees at the Festival of Manufacturing for their contribution towards manufacturing development.

Also, noteworthy to mention is that our HVDC team has successfully completed HVDC-Dielectric for Adani Mumbai HVDC project, which is completely manufactured at our newly inaugurated factory at Chennai. Our employees are our biggest brand ambassadors and real agents of change taking forward brand's ethos and values. It is their commitment and passion which has helped achieve many milestones over the last 75 years. To mark this mega milestone, in March, we kick-started our year-long celebrations for completing 75 years in India across offices and facilities. Diversity being central to our existence. So, in March, we conducted several community outreach initiatives including reaching out to over 1,000 plus students from government schools with focus on girl students at multiple locations.

Moving to Slide #8, which is Customer Connect:

As a leading technology innovator, Hitachi Energy works closely with customers and partners to co-create a sustainable energy future for present and future generations. We had organized a technical session for our customers in Jammu and Kashmir region on next generation sustainable products like hybrid switchgear, disconnectors, digital portfolio, EconiQ™ brand of switchgear. We went to customer sites across utilities and industries to share technology perspectives on core technologies and digitalization. Furthermore, we also flagged off our multi-city customer event series, Energy and Digital World 2024 in Hyderabad. The Energy and Digital World touches upon the latest advancement in grid modernization, renewable energy integration, and digital transformation.

On top of that, this is also a forum where IT and OT integration related topics can also be discussed. It also includes a focus session on tailored industry solutions for core quality data centers, rail, offshore wind, in addition to many other things.

Moving to Slide #9. During this quarter, the quarter ended 31st March, we have commissioned several projects across segments, renewables, EPC, and industries. This includes installing a 420 kV GIS bays at Sembcorp, Nellore, and GRP for 4 x 100 megawatt at Hydro Jaypee for thermal and hydro project, respectively. Furthermore, we undertook an end-to-end solar project at Jaisalmer, Rajasthan, starting from designing, engineering, manufacturing, and execution of the substation grid connections. Also undertook testing and commissioning of 220 kV GIS, 33 kV GIS substation for an Oil &

Gas major in Barauni. Partnering with customers for the plan, build, and operating phases helps shape the energy transition for industries and utilities in a sustainable manner.

Moving to the next slide, Slide #10. Performance in this quarter has demonstrated our focused strategy to diversify portfolio and relentless pursuit for improving the bottom line. We have seen consistent order growth and progressive margin recovery, resulting in 10.2% operational EBITDA in quarter 4, financial year ‘24. In the quarter ending March 31, 2023, we received orders worth Rs. 1,406 crores, which is up by 13.9% quarter-on-quarter and 11.5% year-on-year. This quarter, the company delivered a strong revenue performance of Rs. 1,699.2 crores, up 33.1% quarter-on-quarter and 27.2% year-on-year. Better review mix and mitigation of external supply chains challenges, product mix supported margin and profit recovery in Q4 FY24.

Profit before tax stood at Rs. 152.2 crores, up 350.5% quarter-on-quarter and 133.8% year-on-year, and profit after tax was at Rs. 113.7 crores, up by 394.8% quarter-on-quarter, 123.7% year-on-year. Some key order wins for the quarter are from tariff-based competitive biddings for 765 kV ICT and reactors, Karera; 765 MVA reactor Rajasthan; and 10 x 50 MVA, 130 kV transformer Madhya Pradesh. We also booked orders for dry-type transformer for a marquee project, semiconductor manufacturing plant, and three-phase technology locomotive transformers for the rail manufacturers, and 12 units of 33 kV CVD and 10 units of 33 kV UT for Jamnagar to mention a few.

We remained focused towards increasing operational efficiency while expanding our portfolio in the high growth markets.

Moving to the next slide, Slide #11. To provide some more color on the orders received this quarter, the data center remained a high growth segment, thanks to the push for 5G data localization regulation and data center policies. Data centers are also an integral part of Hitachi Energy's strategy. This quarter, we reported a year-on-year over 700% growth in orders for the data center. With the sheer potential of the market, we see this trend to continue in the future as well. Industries backed PLS scheme, electrification, digitalization, energy networks, semiconductors across sectors from steel to silicon have led to a year-on-year growth of 42% in this quarter. While the orders for transmission and railways have declined to 32% and 29% respectively are basically due to the timing effect of some of the orders. Reflecting the nature of customer orders this quarter, in the segment part, products took the lead, while sector-wide utilities remain in the front and on the channel side, it's the direct end users.

Moving to the Slide #12, long-term growth levers, service, and export. For Q4 FY24, both service and export orders are up by 43% year-on-year each, maintaining their strong contribution to the overall order book. Our order mix reflects our diversified portfolio across our install base and our focus on leveraging our key growth markets and capitalizing on market opportunities. We successfully secured key market wins in services and exports in line with our 2030 strategy. Export orders were driven by transformers for quality technologies and other key products. The bulk of the orders came from the markets of Middle East, Southeast Asia, and neighboring countries in South Asia. Some of the key orders include relays orders from Sweden, transmission project orders from Switzerland and Mexico, and 400 kV GIS module and 420 kV GIS for CFE, respectively. Service orders during the quarter driven by annual maintenance contracts, upgrades, and innovative solutions like RelCare and RelScan for remote condition monitoring and maintenance.

Some of the key orders for the quarter are supply, installation, testing and commissioning of 6 x 130 kV GIS for restoration of Dikchu Hydro Electric Power Station, Ultratech cement, setting up of 765 kV reactors and transformer at SEUPPTCL, just to name a few of them.

So, with that, while I move to the next slide, I will also hand over to Ajay Singh – our CFO of Hitachi Energy India Limited to walk us through the next few slides. Over to you, Ajay.

Ajay Singh: Thank you, Venu, and good afternoon, everyone. Hope everyone is doing well, and you are fine at your end.

A strong cyclic revenue performance along with a favorable external environment helped us to improve our revenue and bottom line. This focused and the proactive approach has helped us to achieve better revenue results quarter-on-quarter and year-on-year. As you see during the quarter, the company booked orders worth Rs. 1406.7 crore, which is basically up by 13.9% quarter-on-quarter, and 11.5% year-on-year. The solid order execution resulted in quarter-on-quarter and year-on-year revenue growth of 33.1% and 27.2% respectively, and the revenue stood for the quarter Rs. 1,699.2 crore in this quarter at the end of March 31st, 2024. The focused and proactive approach has further strengthened the quarter earnings and improved the bottom line.

Mitigation of the external supply chain challenges helped the profit recovery in this quarter. As the profit before tax is Rs. 152.2 crore, which is up by 350.5% quarter-on-quarter and 133.8% year-on-year, and the profit after tax is Rs. 113.7 crore, which is up by 395% approximately and 124% approximately quarter-on-quarter and year-on-year, respectively. If you see our operational EBITDA, we have reached Rs. 172.6 crore, which is 10.2% for quarter in the double digits as a result of the favorable revenue mix, operational excellence, which has given this bottom-line improvement. If you see the overall rise in operational EBITDA compared to the lastquarter, it is 113% and compared to year-on-year, it is 77%. Our order backlog is very robust at the moment, it is Rs. 7,229 crore and we have revenue visibility for approximately, let's say, 20 months.

If I go to the next slide, we have been focusing a little bit more detail on the numbers. So, we have been discussing the ongoing macroeconomic issues over the past several quarters. As highlighted in the previous quarter, I would like to share an update on how the numbers were during these last three months.

Let me take a moment to walk through the specific slide with further detail. If you see the table, it gives a clear picture of our relentless pursuit for improving the bottom line and the progressive margin recovery. You can see the revenue improvement compared to year-on-year 27.2% in this quarter, Rs. 1,699.2 crore and this is due to the solid order execution. Further, if you see the overall details, the material cost is 67.4%, personnel expenses 8.3%, the other expenses are more or less consistent, depreciation is consistent, interest compared to the last quarter, it has come down and in this particular quarter, we have an exchange gain of Rs. 9.8 crore. With this, we are able to reach profit before tax of Rs. 152.2 crore and profit after tax of Rs. 113.7 crore.

So, these are the overall updates from the quarterly performance point of view. With this, I hand it back to Venu for the closing slide.

N. Venu: Thank you, Ajay. and if I move to the last slide before we open it up for Q&A. So, our priorities for the coming quarter and the year are the same as before, our three major buckets, market, business, and functions.

As we enter the new fiscal year, our focus and growth objectives for the year remain intact. Our efforts will continue towards maintaining leadership in the core segment with additional emphasis to augment our service and digital portfolio along with scaling up of export. Furthermore, it will nurture high growth segments. As you have seen, high growth in our view is renewables, transmission, HVDCs, data center, is Rail, etc., that cater to the evolving needs of the sector, harnessing new segments and markets. On the businesses side, the focus will be on accentuating our operational excellence to improve productivity and quality. We will continue to push for optimal efficiency to convert our order backlog to revenue, increase profit and more cash in hand which will result in margin accretion. This week, we have migrated to a new ERP system as SAP/4HANA, which is what we call in our internal REIWA. It is a single SAP installed for Entire Hitachi Energy Group. Post-stabilization it will help improve operational processes, provide improved visibility across our system, help with line items like inventories, networking capitals, etc. With our constant endeavor of advancing sustainable energy future for all, safety remains the core pillar of all our processes. Focused efforts will continue to strengthen our human capital capabilities through upscale and cross-scale talent for agile energy transition and for future growth.

With this, I would like to close my presentation and request the operator to open the channel for questions. Thank you.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press * & 1 on their touchtone phone. If you wish to remove yourself from the question que you may press * & 2. Participants are requested to use only handsets while asking a question. Also, ladies and gentlemen in order to ensure that the management will be able to address questions from all the participants in the conference, kindly limit your questions to two per participants. Should you have a follow up question please rejoin the que. We will wait for a moment while the question que assembles. The first question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: Hi, good afternoon, team, and congratulations for the strong performance. My first question is on profitability. If we see on an annualized basis, gross margins now have consolidated at about 35% after declining for the last two-three years. So, in your view, Venu, we think now given that the mix of orders are improving including pricing in the domestic market, do you perceive the gross margins have bottomed out and should start improving from here on or there could be other elements at play including changes in the revenue mix between products, projects, etc.?

Ajay Singh: Allow me, Venu, to take this question. Thank you, Renu, for this question. So, the gross margin, if you see, is largely what we see right now, it's mostly dependent on the product mix that we are going through. So, in the last few quarters, we have been going through some headwinds. Now that we have stabilized and we see an ease out on the headwinds, mostly depending upon the product mix, the gross margin should be fairly consistent.

Renu Baid: Ok and aligned with this, have we started booking revenues for the Adani HVDC? If so, YTD in fiscal ‘24, what percentage of the contract has been executed?

N. Venu: Yes, as you know, this contract is under execution. On the revenue side, I would say a very low percentage of revenues have come in.

Renu Baid: Got it. Secondly, in terms of the broad mix, while you have mentioned exports services growing at about 43% for the quarter, how is the broad mix on an annualized basis as a percentage of revenues? And given that global supply chains are stretched, can we expect expansion in the export portfolio, fresh mandate for new markets far often?

N. Venu: Yes. So, if you take the last year, the entire year, FY23, our export orders, for example, orders have touched close to 30%, slightly below 30%. So, we expect that exports as a percentage of our total orders or total revenues going forward will be in the range bound between 25% to 50%.

Renu Baid: And any scope with respect to expansion of export portfolio in terms of product offerings as well as the market?

N. Venu: So, we are looking at it actually, because we also see a very strong demand in the domestic market. So, our main purpose is also to serve the domestic market, right? While serving the domestic market, we're also very open to looking at opportunities outside of it.

Renu Baid: Sure, I will get back in case there are more questions Venu. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Hi, Venu. Congratulations on a great quarter, sir. And I think you have achieved your double-digit margin guidance in this quarter, one year ahead. I remember you mentioning that FY25 and you'll be touching that. So, my first question is again on the EBITDA margins. So, in this quarter, we have seen the volume going up, the revenues have improved significantly and large part of the savings in other operating expenses passing on to the margins. So, just wanted to understand the nature of savings and other expenses, they have not grown in line with the business volumes. So, is it the sustainable level, the current levels of other expenses and now the worst is behind us, and we'll be able to maintain these double-digit margins?

N. Venu: So, let me just give you an overview of that, then maybe ask Ajay to talk about it a little bit more on the expense standpoint. Well, yes, we have entered the double-digit margin in this quarter even though our guidance is far away from this particular quarter. But if you really look at an annualized basis because our business is what we call as a late and long cycle business, right? Even though we like to compare a quarter-on-quarter but depending upon our lumpy revenues, the whole thing can be started in that. So, we always look at it in a medium term to long term view which is fairly one-year comparison. So, if you really look at the whole of last year, our EBITDA margin came to 6.7%. So, basically, we have improved 100 basis points on a year-to-year basis on that. So, this is where we are telling that directionally, we are looking at improving where we are, where we were rather. So, same, our endeavor from now onwards also looks at the same way to improve directionally to move the EBITDA margin at a higher level and a fairly mid-term basis in that. So, that's what in our endeavor and we are looking at all to ensure that we do that. Maybe Ajay, just talk about a little bit on the expenses side.

Ajay Singh: So, on the expenses side just to give you a broader perspective, if you see our cost structure generally, so we have a personnel expense hovering around between 9% to 10% and other expenses including depreciation and interest, it will be hovering around, let's say, 22%. So, this is the structure. We feel that we'll be moving in this direction as we progress in the coming quarters. So, I see these are the areas where we see the expenses will be there. Overall, we'll be remaining within this basket.

Parikshit Kandpal: Ok sure sir. Sir, my second question is on the long cycle orders now. So, we have won high speed rail package, I think last time we had mentioned that. We are talking with the EPC player who has won the entire Rs.10,000 crore project. So, that was one thing. And the secondly on the HVDC orders. So, if you can give some more sense on how's the order pipeline looking at on both these segments over the next one year. So, how do you see the ordering panning out?

N. Venu: The order pipeline is very robust. I would say, right now as you all know, that HVDC tenders have come for bidding and the STATCOM tenders have come for bidding. So, we are submitting our bids to the probable customers, and we are working on that. So, on that, I think we have seen a very strong and on top of that, we also see a very strong pipeline of our export projects as well. So, export projects, as we are saying, we are also looking at some of our other products that we use to export. Also, we are seeing a traction of projects very strongly in the markets where we are acting now.

Parikshit Kandpal: Ok, sure sir. Thank you.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Goldman Sachs. Please go ahead.

Apoorva Bahadur: Hi sir, thank you for the opportunity. Sir, you mentioned STATCOM opportunity of almost Rs. 1.1 trillion. I wanted to check if this is an incremental to the Rs. 2.4 trillion NEP opportunity or is it a part of this?

N. Venu: This is very much part of it.

Apoorva Bahadur: Ok understood. Secondly, sir, I think globally the parent has announced a CAPEX of almost a $1.5 billion for transformer manufacturing capacity addition. Would be great if you can give some color of how much of this will be deployed in India?

N. Venu: So, thank you for your question, Apoorva. So, as you know that we have been continuing to expand in India since last, I would say, three years, much ahead of the curve. I would say we have expanded our HVDC factory, our global technology services and also we have added new RIT bushing factory, STATCOM, power quality factory in Bangalore. So, all these things were part of our strategy and fully supported by the global organization. And the transformers also, as we speak, we have already done a couple of expansions in the last two -three years and then we are also looking at very actively now. So, I am not able to tell you the exact details because we are firming up at this point in time, and maybe in a couple of months or a couple of quarters from now, I think we will be in a position to do that. Exactly what kind of scale, everything.

Apoorva Bahadur: Sure sir, understood. Last question, sir, again on the manufacturing capacity, not just transformers, otherwise as well. I believe we are at 70% utilization with the type of pipeline that you see in hand. Do you think our manufacturing capacity is adequate or will we have to ramp it up significantly?

N. Venu: As I said, we have been continuously ramping up ahead of the curve, right, adding a new product line, bringing the new technology, localizing the technology. So, that's the reason. For example, our power quality factory, in Bangalore was a greenfield factory where we ramped up the capacity from 10,000 MVAR to 20,000 MVAR. From 20,000 MVAR we are now looking at taking up to 30,000 MVAR. So, it’s a continuous process and some of our product lines are much higher than the 70% utilization what you’ve talked about. Some of the product lines, we do have some room where we can still take the things back. So, on an overall basis, I would say we have quite a good utilization across the factories. We have 19 manufacturing factories just for you to know that we have a fairly good amount of utilization at this point in time.

Apoorva Bahadur: Understood sir. So, we'll probably have to incur more CAPEX in expanding those if the demand persists.

N. Venu: Yes.

Apoorva Bahadur: Sure, thank you so much. I will come back to you.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Funds. Please go ahead.

Mahesh Bendre: Thank you so much for the opportunities. Sir, in the presentation, you mentioned that the total investment required for the transmission of renewable is around Rs. 2,44,000 crores. And in the morning, one of the media interviews mentioned that the addressable market opportunity for us is around 40%. So, Rs. 1 lakh crore is the opportunity for us over the next three years. Is it the right way to look at it?

N. Venu: So, what I had said in the media, let me repeat. So, this Rs. 2.44 lakh crore is the government plan to reach 500 gigawatts of transmission. This is the one example I've given. This is the ISTS or part of the ISTS, if you want to reach the target of 2030, so this is the investment, right? And to reach the 2030 target, I've also said that the government or whoever it is needs to complete the ordering in the next two to three years, right? And that's what I was coming from. So, in the next two to three years, we see at least 40% of this market is our addressable market. The question is whether all ordering will happen in the next two-three years, even some of them will spill over to fourth year, is what we need to wait and see in that. But our view is that if we really want to reach the target of 500 gigawatts of transmission network ready by 2030, then the ordering has to happen.

Mahesh Bendre: So, if this Rs. 1 lakh crore ordering has to happen over the next three- four years, I think there are only two-three players probably will be addressing this opportunity. I mean, we, along with Siemens and maybe GE T&D. So, is it fair to assume that 40% of the market share could belong to us?

N. Venu: No. I think here we are crossing each other. What I was telling you, Mahesh, is that the two- three players or whatever we are talking only for some of the critical things like

HVDC or so on and so on. But this Rs. 1 lakh crore is also for transformer, it's also for the GIS, it's also for the substation, right? So, it is a wider network, our addressable market, our portfolio, like a substation automation, those entire portfolios. So, there are many players, more than three players.

Mahesh Bendre: Sir, last question from my end. Sir, data center has shown very significant growth. So, how much contribution in this quarter from the data center?

N. Venu: No, we don't give the numbers segment-wise. I think in our view, as I said, it's a high single digit and we are remaining in the high single digit, we are growing in that. As I said, the data center is one of our key high growth segments. We have been working on this with the data center developers and we have the technology, and we also know how to support exactly how this kind of data centers require energy-efficient systems. And that's where we are very fortunate to be successful in that.

Mahesh Bendre: Sure, Thank you so much sir.

Moderator: Thank you. The next question is from the line of Mohit Kumar from ICICI Securities Limited. Please go ahead.

Mohit Kumar: Thanks for the opportunity and congratulations for a very good quarter. My first question is on these clarifications. The Slide #6 mentions that more than 30 STATCOM devices with a total budget of Rs. 1.1 lakh crore for reactive circuits by 2027. The number looks slightly off. I think 30 STATCOM, 1 STATCOM should be around Rs. 3 billion to Rs. 4 billion rupees. Isn't that, right? Am I missing something?

N. Venu: I think that's what is coming to us, right? When you say STATCOMs, we are talking about the whole STATCOM project there. So, the project includes not only the STATCOM devices, but also includes the end-to-end connections, etc., et cetera.

Mohit Kumar: That's a pretty large number, it's Rs. 1.1 lakh crore. Is that right?

N. Venu: We will cross-check that. We will cross-check and then maybe come back to you on that.

Mohit Kumar: Sir, my second question is on the Scott transformer opportunity. I think recently we supplied one of the Scott transformers with one of the EPC companies for the Western Railway Line. Is it fair to say that this can be a significantly large opportunity in the medium term?

N. Venu: Yes. In the medium term, I agree with you that because on the Railway's standpoint, they are having a huge target to completely electrify the remaining things, and this is quite a big opportunity in our view.

Mohit Kumar: And, sir, how is the competitive intensity of Scott transformer opportunity as of now?

N. Venu: We don't want to name them.

Mohit Kumar: No, name, sir, broadly.

N. Venu: There are at least two or three players. So, the key is to do the type test. So, we are the first one to complete the entire type test successfully. So, there are, I think, one or two either in the process or they're completed in that. So, my view is that there will be at least three or four competitors going forward.

Mohit Kumar: And, sir, last one, the HVDC. I think, of course, the bids are happening right now, so to speak. Is it fair to say that we have tied up with EPC, EPC companies and we are bidding it as one package? Is that right? The data question, do you have the appetite to take three or four projects at the same time?

N. Venu: Yes. So, our view is that we will be giving our offers very transparently, openly to all the customers, whoever is bidding for it, and then from there we will take it forward. At this point in time, we have not tied up with anybody and that's also not our strategy because we always have a multi-channel strategy and we will continue to give our offers very transparently, openly to all the customers, whoever is bidding for it.

Mohit Kumar: And do you have the appetite to take two or three?

N. Venu: Yes.

Moderator: Thank you sir. The next question is from the line of Manish Dhariwal from Fiducia Capital Advisors Pvt. Ltd. Please go ahead.

Manish Dhariwal: Thank you so much for this opportunity and my compliments to the team for grappling with the tight and the tough situation for more than a couple of quarters, I would say, and finally like, seeing the destination of higher margins and better numbers. So, I basically want to understand that one problem that we were facing continuously was about the supply chain problems and semiconductors. Now, is this semiconductor issue clearly behind us?

N. Venu: I would say so. Of course, on global or geopolitical conflicts, we can't say that everything is done deal or something like that, right? At this point in time, as we say, as we look, the semiconductor supply chain has eased out. So, we are able to get the chips and those kinds of parts. But we are able to project well at the end of the curve and then able to get it in there.

Moderator: We'll move to the next question, and the question is from the line of Khadija Mantri from Capri Global. Please go ahead.

Khadija Mantri: Thank you, sir, for the opportunity. So, my question is regarding the Slide #11, wherein we have given the growth industry-wise. So, it is with respect to the company, or it is the whole industry has grown in this quarter?

N. Venu: No, this is for our company. The transmission, for example, that is for our company, what are the orders in that particular segment.

Khadija Mantri: So, this is with respect to the order intake?

N. Venu: Yes, it is with respect to the order intake.

Khadija Mantri: And, sir, in data centers, can you please elaborate what will be our offerings in terms of products and services? And how do you see this market growing? I understand that you said a high single digit, but in terms of for the overall industry, what could be the growth for the next three to four years?

N. Venu: So, the data center, as we told, our offerings are, because we do a lot of studies on the data center, on the power standpoint, and then the high voltage, and also the dry type transformers, and the grid connection, stability of the whole network grids, networks mean on the power side. So, that's what is our thing in that. Roughly, if you really look at the data center CAPEX, in a range anywhere between 10% to 15%, depending upon the size of the thing, whether the hyperscale is higher, and medium scale is lower. So, hyperscale is anywhere between upwards of 15% of the CAPEX is our addressable market.

Moderator: Thank you. The next question is from the line of Shivani from PL. Please go ahead.

Shivani: Sir, firstly, congratulations on a good set of numbers. So, what is the current capacity for transformer manufacturing in terms of MVA in Vadodara, as well as Saudi plant?

N. Venu: Thank you very much, Shivani, for your question. So, normally, we are not giving that information yet. And so, I would say that we have built up over a period of time, more than two decades or so, expanding our factories. So, we're not only having a Baroda, but our factories are also in Sangli, Halol, and Mysore. They're all related with the transformer. Some, they will do the insulation kits, and some, they'll do the bushings, and some, they'll do the dry type of transformer. So, it's like that, we have built up the factories, and there are several factories within the transformer family, like a large power transformer, medium power transformer, like SPTs, and then dry traction, like that. So, there are various things are there. Putting a number does not look good. So, normally, we have not been giving, but all I can say that we are by far one of the biggest manufacturers in terms of the capacity, in terms of the MBI, in terms of the supplies, et cetera., in the country. All put together.

Moderator: Thank you. The next question is from the line of Tina from Motilal Oswal Financial Services. Please go ahead.

Tina: Congrats for a very good set of numbers for the current quarter. Sir, my question is related to the reduction in other expenses, which we have seen in the current quarter. And so, I wanted to check, is there any further scope of reduction in other expenses from the current level, maybe in terms of any kind of reduction that can go to the parent side, or maybe any kind of cost-saving initiatives that you would have taken? So, how do we see this going forward?

N. Venu: Maybe Ajay, you wanted to take this question.

Ajay Singh: Thank you for this question. As I just spoke earlier on this. So, overall, if you see the reduction in other expenses, over the cost structure, more or less will remain in the same basket that I spoke about earlier. Again, I repeat, my personnel expenses will be in the range of 9% to 10%. And removing the personnel expenses, all the total expenses should be around 22% to 23%. That is what we see. So, some line items can come down, some items can go up, but overall, we'll be within this basket.

Tina: So, if I exclude the depreciation and incurred portion, if I keep that aside, if I look at purely the other expenses, which is part of your total expenses, can it come down on better absorption of your cost once the scale-up happens in, let's say, your Adani project, or maybe the other projects that you would have received during the current financial year?

Ajay Singh: So, in this only comment will be seen wherever the expenses which are related to volume, that is where we can see some changes. Else, I think more or less we are consistent.

Tina: And is the execution of Adani project going to ramp up in the coming quarters? What is the timeline for completion of your portion in that?

N. Venu: This will go to next year as well.

Tina: So, between FY25 and FY26, we can expect the portion to get completed?

N. Venu: Yes, as per the original schedule, it goes right up to FY25-26.

Tina: The last question from my side is regarding the HVDC project tendering, which is already going on for one or two projects. What percentage of this, let's say for an individual project, what percentage of this can be the addressable market for Hitachi?

N. Venu: I think these are pretty large projects, so depending upon what kind of projects, weighting, etc. So, the value can be high anywhere in excess of Rs. 10,000 plus crores, depending upon what kind of business model, what kind of things, et cetera. So, those are the things. So, we will not be able to tell exactly the thing, what business model. There are customers who have different, different ways and means of doing it. So, we need to also look at the exact weightings, etc., in that. So, it's different for different things. We are not able to exactly tell what the market for each project will be. The market will be varying hugely.

Tina: Sure sir. Thank you sir, that's it from my side.

Moderator: Thank you. The next question is from the line of Bhalchandra Vasant Shinde from Kotak Life. Please go ahead.

Bhalchandra Shinde: I would like to know in the HVDC projects, till what level we have achieved the indigenization? And on these Adani HVDC orders and future orders also, what kind of import content will be required?

N. Venu: No, we will not be able to tell exactly what is Adani's order. HVDC technology is a very niche technology. There are a lot of things we depend on vendors outside of India. But having said that, we said that we have done a lot of value addition here. We set up our own manufacturing factory for our valves. We have a complete manufacturing for the converter transformer. We have a complete manufacturing for the capacitors. So, that way our domestic component is quite high, in excess of more than 50%, 60% of that. So, if you add our engineering capabilities, which is very, very rare in that, our indigenously developed thing is far, far higher. That's what I was telling you.

Bhalchandra Shinde: And sir, in the exports market, it is said that there also HVDC opportunities are gaining traction and there again, the supply constraint is there, like in India, like only three players are there. There are also relatively fewer players. So, in our context, do we wait for the parent to get orders, or we can go for direct export orders?

N. Venu: No, you see, all this thing is not that we can do. The energy transition challenge is huge. It needs a lot of collaboration, co-creation, working not only within company, within group, but also outside of the group, right? The challenge is so big. So, it's not possible for any single company to go and do that because we have to have a collaboration, working together in a coordinated manner. It needs to be done because in some places, understanding the customer's requirement will be better known by some other people who have been tracking that particular customer. So, it cannot be done just like that we go and do that because this is a highly technology intensive project. It needs a lot of prior working, understanding the system studies, understanding the behavior network before we do that. But having said that, we do see some opportunities for us to at least to supply some of the components in those areas where we built up the factories in India in that. So, as and when those opportunities mature, we will let you know that. But at this point in time, for us, the export strategy is throughout the portfolio. So, we are actively looking at it in our three-prong strategy. That is the first one, we have a global feeder factory that some of the products we manufacture only in India and for everywhere.

The second one is that we have some allocated markets where we develop those markets together with the local sales and marketing teams over in that particular country and sell our products. And the third one is we have a feeder factory where we manufacture some of the components of the full products and those components will be sent to our factories around the world and so that they are able to use these components for complete production. So, this is how our strategy of the exports and with that, we said we have got to 25% and now it's going to be anywhere between 25% to 30%.

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

N. Venu: Thank you very much. And once again, a big thank you all of you for taking time from your busy schedule and attending to us and listening to us. And we're happy and due to the paucity of time, maybe we could not answer some of your questions, but please reach out to us if you need any more information you want to know from us. Thank you, and please take care and stay safe.

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