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'Exchange Plaza', 5th Floor, Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051
Scrip Symbol: POWERINDIA

Subject: Transcript of the conference call with Analysts/ Investors held on October 29, 2024

Dear Sir / Madam,

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 Tuesday, October 29, 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: 2024.11.05 15:21:34 +05'30'

Poovanna Ammatanda
General Counsel and Company Secretary

Encl.: as above

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Hitachi Energy

Hitachi Energy India Limited Q2 FY25 Analyst Conference Call – October 29, 2024

MANAGEMENT:

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

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

Mr. Poovanna Ammatanda - General Counsel & Company Secretary, Hitachi Energy India Limited

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

Moderator: Ladies and gentlemen, good evening, and welcome to Hitachi Energy India Limited Q2 FY '25 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. N. Venu – MD and CEO, Hitachi Energy India Limited. Thank you, and over to you, sir.

N. Venu: Thank you very much. Good evening, ladies and gentlemen. Thank you very much for joining us for the Analyst Conference Call. I hope you're all doing well.

Today, we announced our results for the 2nd Quarter of Financial Year 2024-25. And over the next 20 to 25 minutes, I will take you through our performance during the period ending September 30th, 2024. And for your convenience, I will read out slide numbers. We have just uploaded Slide deck on the website, so I will refer the Slide numbers for the ease of reference, for those of you who are attending on phone.

And today with me in the room, I have our CFO – Ajay Singh; and Poovanna Ammatanda – General Counsel and Company Secretary; and Manashwi Banerjee – Head of Communications.

So, during the quarter, we have focused on improving our overall operational efficiency, which has helped us in achieving a sustainable flow of order intake, pushing the order backlog to a record high for the 2nd Quarter of FY 2024-25. A growing urgency to accelerate energy transition in India and globally has significantly boosted investments in the energy sector. We expect this momentum to continue in the coming quarters, creating more opportunities in the energy segment, especially in the renewable space, for our portfolio.

So, I am moving to slide number #3. At Hitachi Energy India Limited, people have been always in the center of our strategy. They have been its core strength, and they have been powering the Company for the last 75 years. We are committed to delivering meaningful employee experiences, and their safety and well-being are paramount to us. During this quarter, we implemented key initiatives to strengthen safety practices across our offices and factories. It helped us to achieve 100% on-time closure of high-risk hazard situations. There has been continuous effort towards reiterating the importance of reporting safety incidents at working sites. Furthermore, we refreshed our health, safety and environment policy to ensure positive health, well-being and safe working conditions.

We organized multiple awareness, training sessions and health camps across our offices, facilities, and project sites for the well-being of our employees. To mention a few, we have sessions on health precautions during monsoon, lifestyle diseases, mental health, yoga and manual handling ergonomics. Also, we had multiple health camps for diabetes, on pulmonary health and held a blood donation camp as well.

Moving to slide number #4. We at Hitachi Energy place sustainability at the heart of the Company's purpose of advancing a sustainable energy future for all. In line with this purpose, Hitachi Energy is committed to drive business in a sustainable way. Our sustainability plan focused on four key areas, planet, people, peace and partnerships, with a specific target for respective heads to be achieved by 2030. As the numbers come in, I am happy to inform you that we closed FY 2023-24 with achieved targets of reducing CO2 emissions and waste by 88% and 97%, respectively. We also reduced freshwater usage by 18% vis-a-vis the target of 25% (for 2030). Diversity is an integral part of our work culture. And we have set ourselves female diversity target of 8% to 10% by 2025. It is noteworthy to mention that we are almost touching 8% mark of our given target. Our constant endeavors towards sustainability have been recognized, as we are conferred with the prestigious Business World's - India's Most Sustainable Companies award.

Moving to the slide number #5. In keeping with the rapidly evolving environment and technologies, we are globally realigning our sustainability 2030 program to be more measurable and impactful. Changes are aimed to maximizing its positive impact across the value chain, and through co-creation of environment, social and economic value. To maximize the positive outcomes, now the focus is on three key strands of planet, people and principles, which covers all earlier sustainability pillars.

Under the people strand, we are supporting a safe, inclusive, equitable and just energy transition by focusing on three areas - health and safety; diversity, equity and inclusion; and human rights and social contributions. Under the planet strand, the focus is to accelerate the clean energy transition, with a particular focus on three areas **i.e.,** climate, circular economy, biodiversity, ecosystem. The principle strand emphasizes on taking responsibility of the Company's governance and employee behavior and focuses on the following areas: ethics, integrity, sustainability of supply chain and behaviors & values.

The core idea is to move beyond the realm of our products and services offering and deliver for a greater good of the society. Moving to the next slide, the slide number Slide #6, our business performance. As you can see here, the quarter ending September 30, orders totaled around Rs. 1,952 crores, up 11.7% year-on-year, where renewable led the change from studies across utilities, power quality and substation projects. Expansion, upgrade and improved efficiency also resulted in orders from existing power plants. Key large orders of transformers and power quality solutions from industry, transportation, utilities and data centers include 400kV central transmission utility for a petroleum product company in Dahej; and transformer orders for a national transmission utility; and an EBOS solar projects in Fatehgarh and Bhopalgarh, respectively; and LOT transformer for our locomotive engine factories. And there are several other data center and software-related orders.

Revenue for the quarter is Rs.1,553.8 crores, showcasing a strong revenue growth of 26.5% year-on-year on the back of favorable mix and good order execution during the quarter. Profit before tax for the quarter was Rs. 70 crores, up by 118% year-on-year. And profit after tax, Rs.52.3 crores, up by 111.4% year-on-year, whereas quarter-on-quarter growth was up by 369% and 402%, respectively. Operational EBITDA for the quarter stood at Rs.126.3 crores, resulting in a margin of 8.1%, reiterating our continuous efforts towards improving margins and enhancing overall operational efficiency.

At the end of the quarter, the order backlog stood at a record high of Rs.8,910 crores, providing revenue visibility for the coming several quarters. Our continuous efforts towards enhancing overall operational efficiency have helped us in improving our overall performance, including margins.

Move to the next slide, slide number #7, where you see , as a pioneering technology leader, we are committed to the energy security of the country. So, various projects undertaken by us. During the quarter, we have commissioned several projects, and here I will highlight a few of them. We commissioned 400 kV 600-megawatt substation at Jaisalmer, Rajasthan, which include design engineering, manufacture and testing. We also completed supply, installation, testing and commissioning of a 110 kV transformer base for an industrial plant in Trichy; and also commissioned 220 kV, 130 kV, 33 kV substation for intrastate transmission projects in Madhya Pradesh. The scope of work includes design, engineering, supply, installation and testing of the substations.

Moving to slide number #8. We also continue to invest in our capacities and capabilities. This included starting expansion work of our transformers and interrupter facilities in Maneja to strengthen our manufacturing infrastructure. This year we marked our 75-year celebrations for both internal as well as external stakeholders. For our internal stakeholders, we had our first family fiesta, engaging the families of our employees to visit and celebrate our workplaces, our factories, our project sites. Also, we organized the energy run marathon in Bangalore for our employees, customers and partners, which saw a huge participation of almost 2,000 plus running enthusiasts. Both events are part of our efforts to commemorate our 75-year celebrations, 75 years of powering India.

In parallel, engagements with our customers continued. For example, from organizing an extensive 5-day training program for our Mumbai HVDC project customer team, which was attended by 40 participants from the customers side to hosting a senior delegation from Delhi Metro Rail Corporation, who were providing an extensive tour of our factory, showcasing our comprehensive product manufacturing and quality assurance process for dry and traction transformer factory at Savli. These are all just a couple of examples for various capabilities-building exercise with our stakeholders, both internal and external.

Moving to slide number #9. The Company has adhered to a principle of collaboration and co-creation with those most familiar with the challenges. Hitachi Energy works closely with our customers and partners to foster a sustainable energy future for present and future generations. As part of this ongoing effort, we conducted our multicity flagship customer event series called Energy and Digital World with the sessions in Jamshedpur and Pune, respectively. On the similar lines, we launched a new initiative called Technology Colloquium-Technologies for energy transition and sustainable grid, for engineering students across India.

So, this new platform. We reached out to engineering students to talk about one of the most important and urgent issues of our time, the energy transition and net zero targets. The platform facilitates meaningful conversation and exchange of ideas on energy transition among young minds, subject-matter experts and Hitachi Energy leaders.

The first segment of the tech colloquium was kicked off from BVM College in Gujarat then moved to IIT Delhi and culminated in NIT at Warangal. Engagement with key industry bodies and platforms were also leveraged through sharing leadership views and opinions on topics like innovation to net zero, to making India a global manufacturing hub at CII India Innovation Summit, Innoverge CII Annual Karnataka Energy Transition Conference or Economic Times' Energy Leadership Summit, just to give a few examples.

Moving to the next slide, slide number #10, Energy and Digital World 75. And thank you for some of you attending this event on the second day of Energy and Digital World. We at Hitachi Energy are proud to be part of various nation-building projects over the last 75 years. In culmination of this milestone year, the Company organized a two-day experiential technology symposium called Energy and Digital World 75. Mr. Amitabh Kant, G20 Sherpa, joined us as the chief guest for EDW 75. During the inauguration of the mega event, he emphasized on the need for collective action towards the bigger energy goal and spoke about how India is an exemplar with its strides in the road to net zero.

He also lauded Hitachi Energy's for its contribution towards achieving the goal. The event encapsulates technologies and discussions toward advancing energy transition for India's net zero journey, which was attended by over 2,000 customers, policy-makers, academia, think tank, regulators, supply chain professionals, and diplomats, of 30 nationalities. The event encompassed over 25 technology sessions by global industry experts, product launches, etc.

The experiential exhibition was the main attraction of the event, spread over 1,000 square meters, showcasing our state-of-the-art technologies and products and giving a chance to our customers and partners to have a feel and look of our product portfolio which are crucial for solving customers' challenges. During the 2-day event, we also had several closed-door meetings with CXOs of various companies. And many of you also joined us and were provided a deep dive into technologies enabling the future energy systems.

Moving to slide number #11. I think, this slide, you know better than me. The Indian growth saga continues, as the country is in the right track for a $5 trillion economy in the coming years. According to the government reports, India's GDP growth was 8.2% for FY '24 vis-a-vis 7% for FY '23. India's IIP growth for July-August were at 5% year-on-year basis. And IIP index for the industry stood at 149.6 during August 2024. The ongoing effort from government to boost the renewable sector has augured good result, as we witnessed a 50% year-on-year growth in FDI for FY '24 with Rs. 31,600 crores vis-a-vis Rs. 20,700 crores in FY '23. Furthermore, green hydrogen market is expected to attract investments of Rs.10.6 lakh crore as country gears up to produce 5 million ton of hydrogen by 2030. Also, the Indian data center market is estimated to reach Rs. 85,000 crores by 2027. With India's ambitious plan to increase power transmission capacity by 35% by 2032, expect an investment of Rs.9.15 lakh crore in state and central network.

Indian railway, as part of its Capex plan, have allocated Rs. 2.62 lakh crore budget for expansion of rail network. Also, concerted efforts were made to reduce distribution losses through upgradation and modernization of discoms.

Moving to slide number #12. As you can see here, the strong growth in the transmission industry, data centers and renewables. To provide more color, this quarter, data center segment emerged as a high-growth segment with a year-on-year growth of 346%, followed by renewable which is up by 135% year-on-year. And industries and transmission segment saw year-on-year growth of 78% and 34%, respectively.

We saw a year-on-year decline of 11% in rail and metro segment, but electrification of railways and growing metro networks across the country will push these segments in the near future. On the right-hand side of the slide, you see that order mix. Product took the lead in the segment, whereas utilities and direct end users are clearer winners for sectors and channels, respectively.

Moving to slide# 13, which are our growth levers, service and exports. The growing urgency to accelerate energy transition across the globe. There has been constant endeavor at Hitachi Energy to enable many pathways to energy transition across geographies and segments. For quarter 2, the service portfolio witnessed substantial growth, with contribution of 12% to the total order received, stemming primarily from industries, renewable and transportation, including restoration and service of service-level agreements.

To mention a few key orders: We received a transformer service Core-sense order from a steel major; GCB and GIS unique spare requirement and transformer repair in renewable and railway sectors, surveys and commissioning of various systems in Rajasthan solar and the restoration of 220 kV GIS at Gorai substation of a private T&D Company.

On the right-hand side of Slide, you see that exports accounted for 22% of total orders booked in Q2 FY '25, the significant share from a high-voltage products and grid integration orders from European and African market. Some of the key orders include C&P system in Yanbu, 145 kV GIS for REE Red Electrica, 330 kV AIS package for Azerbaijan and 145 kV GIS for Electron data center. So, just to name a few.

I will now hand over to our CFO, Ajay Singh, to take you through our “Financial Performance” in the next 2 slides. I am moving to slide number #14.

Ajay Singh: Thank you, Venu. And good evening, everyone. I hope you are all doing well at your end. Well, our focused and proactive approach has helped us to maintain the order growth momentum carried from the last quarter.

During the quarter, the Company booked orders worth Rs.1,952 crores, which is a 11.7% growth year-on-year. Revenue, if you see, Rs.1,553 crores, which is up by 26.5% year-on-year and 17.1% quarter-on-quarter, which is on the back of a favorable mix and the good order execution during the quarter. Profit before tax for the quarter was Rs.70.6 crores and profit after tax was Rs.52.3 crore, both up by 118% and 111% year-on-year, respectively, whereas both PBT and PAT quarter-on-quarter grew by 3 and 4 times, respectively.

If you see, the operational EBITDA for the 2nd Quarter, yes, it is Rs.126.3 crore, resulting in an operational EBITDA margin of 8.1%, basically see this is our continuous efforts towards improving margins and enhancing the overall operational efficiency.

Even when you see H1, the 6 months columns also clearly demonstrate the growth trend across parameters from orders till the operational EBITDA. We closed this particular quarter with, one of the highest-ever order backlog, Rs.8,910 crores, which is providing a visibility of approximately 26 months for the execution.

If I move to the next slide, where I would like to share an update on how the numbers fared during the last 3 months. So, let me take a moment and walk through a little bit specific details in this particular slide. If you see the table, it is a clear picture how the relentless pursuit for improving the bottom line and the progressive margin basically recovery that we are able to see.

You can see Year-on-year revenue improvement of 26.5%. That is Rs.1,553 crores in this quarter, as we discussed, because of the relentless operational efforts. The material cost, if you see, is 61.7%, compared to the last quarter, 62.8%. Personnel expenses, from the percentage terms, if you see, are lower than the last quarter, 8.8%. Operational expenses are also in-line, 20.9%, compared to the previous quarter, 23.6%. And then there is the exchange rate and variance that is 1.5%. Depreciation is consistent. Interest cost is slightly higher in this particular quarter compared to the previous quarter. So, overall if you see, we are well progressing in the direction and our efforts is to ensure that, going forward in the coming quarters, we continue this particular trend.

With this, I hand over to Venu.

N. Venu: Thank you, Ajay. With this I go to the last slide before we open up the line for Q&A. Our priorities for the remaining fiscal year, we remain steadfast to our bigger goal of 2030 strategy. Our singular focus of cementing our leadership in core segments continues.

Our core segments are our renewable, our transmission, our utilities, our industry, our data centers, rails, etc., continue with strengthening our capabilities for growth Trinity of –'Service, Export and Digital, along with harnessing maximum potential from the high growth segment. We continue our focused approach toward improving overall operational efficiency to further boost productivity and keep raising quality level.

On the business front, consolidated effort will be made to leverage the large order backlog for revenue accretion and also margin improvement. To capture the maximum business potential arising out of the energy transition, we will continue to invest towards increasing our existing capabilities through up and cross-skilling of our existing human resources, to address the energy needs of today and of coming time.

Safety will always be paramount for us as it is being entrenched in our DNA of our organization. We will continue to approach every day as day 1 in terms of implementing a safety work culture across our functions. And last but not the least is continuing to invest in capacities for future growth- capacities for our manufacturing, and workforce.

With this I close my Presentation and open the channel for questions.

Moderator: Thank you very much. We will take our first question from the line of Subhadip Mitra from Nuvama. Please go ahead.

Subhadip Mitra: Firstly, congratulations on a good set of operational numbers.

N. Venu: Thank you.

Subhadip Mitra: Given that we are seeing good operational performance both in terms of topline and margin recovery and you have maintained that you will be looking at double digit margins by end of the year, would you have any change to that guidance or any further clarity in terms of range of margins that we can look at, let's say next one year or so.

N. Venu: No, at this point in time, no change in the in our plan of action. So, what we said previously stays.

Subhadip Mitra: Secondly, in terms of the large HVDC order potential I think one which is where the L1 has already been announced and probably two more which are coming up. Are you already part of some of these orders, would you already be L1 in some of these bids.

N. Venu: Yes, I think as you know, there are three HVDC tenders which have come for bidding. And as you rightly said, one of the HVDC tender has been LoI received by PGCIL. That's what we have also read from the from public information and as we speak, we are bidding to our customers.

Subhadip Mitra: So, the equipment related tendering is currently on, that's what you are saying?

N. Venu: No, only related to HVDC. PGCIL has won the entire transmission system which includes HVDC terminals that's our scope then the transmission lines, etc., including land and development all those things. The whole transmission system what I understand is that they won. They received the LoI or something like that. So, our portion, we are bidding it to our customers, which includes PGCIL.

Subhadip Mitra: Right. So, just trying to understand that for this particular Khavda Transmission line which PGCIL has won, would you be supplying the equipment for this piece or is that something that's yet undecided?

N. Venu: No, that's what I am saying still that is under bidding. We are bidding it to our customers that's what I said.

Subhadip Mitra: And for the rest of the two lines, any timelines in your opinion, by when we can see the equipment ordering on the other two HVDC.

N. Venu: I think our view is that at least one, if not two at least one for sure, it will get finalized in this financial year.

Moderator: We will take a next question from the line of Mohit Kumar from ICICI security. Please go ahead.

Mohit Kumar: Sir. Good to see improvement in gross margin and EBITDA margin. Sir, my question is on the HVDC Leh Ladakh. What is the status, I think the bids were supposed to be submitted in October, has there been any update?

N. Venu: Leh Ladakh the bid is not submitted yet. There again discussions are going on what will be suitability, etc., all those things so not submitted answer to that.

Mohit Kumar: My second question, the other expenses I think last quarter was high, again this quarter it persisted. I think you mentioned last quarter there are some one-offs. Is it fair to assume there is some one-off again in this quarter and which will go away in the next fiscal year.

Ajay Singh: If you see in the current quarter, the other expenses, as I told you from the percentage terms, it has come down rather, which is the 20.9%, right. So, I don't see that there are any other one-offs in this particular other expenses. So fairly, it will be more or less consistent in this particular range.

Mohit Kumar: So, there's no one-off which can go away in the next fiscal year. This is the trajectory, right, we should assume.

Ajay Singh: It will hover around this particular range depending upon how we progress. Wherever some area of expenses which are variable in nature will vary depending upon the growth.

Mohit Kumar: And well, my last question is are the conversations on orders of high-speed rail is still going?

N. Venu: It's still ongoing. It's not concluded.

Moderator: Thank you. We will take our next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Initially in the call you said that you are bidding for the client, have you entered exclusivity with the client or it's an again an open bid and where other peers are also giving their bids or it's just that you've already being finalized and just some commercial negotiations are going on before the LoI gets issued.

N. Venu: It is an open bidding.

Parikshit Kandpal: It's an open bidding, so all the participants are bidding

N. Venu: Yes.

Parikshit Kandpal: Second question is on other expenses again. So, if I compare it with some of your peers, they report about 11%. So, I understand royalty will come on top of it 5% to 6%, and goes to 16% to 17%, but still there is almost 400 to 500 basis point difference. So, why is such a big difference and is it because we are running again the parallel IT cost because we have our own ERP now operational. So, last time I think Ajay said that we are still bearing operating on dual IT system. So, what would be the contribution of shared IT with ABB and when do you expect it to go away from our book and what could be the savings from that?

Ajay Singh: So, as I explained earlier also, if you see the other expenses in percentage terms, we are consistent, that is how I will say so. And if you talk specifically about this particular quarter on the value terms, whatever major incremental value is there, that is because if you see in this particular quarter, we have increased our revenues, so the production-related expenses have increased. But overall, if you see on the percentage terms, we are consistent. Coming back to the IT cost with ABB, again if you see we have told earlier also that when we embark into new Company, we have taken support in the form of TSA Agreement with ABB because at that particular point of time we did not have our infrastructure so to say. But as we speak today, we are basically at the end of that Transitional Service Agreement. We have already set up our own infrastructure. And we believe that the IT cost that is factored in this particular it will be in the same range. So, that is the overall setup. So, the TSA agreement finally the last leg of the agreement will be coming out of that by December next quarter.

Parikshit Kandpal: But how much would that cost be in absolute terms, is it significant or so how do you quantify that?

Ajay Singh: As I discussed it will be hovering around the 2.7% to 3% range overall IT cost that today we are hovering around and going forward also will be around the same range.

Parikshit Kandpal: So, no savings as such from this disassociation.

N. Venu: Savings will happen out of because we implemented the new REIWA system right, so we will also get into a lot of other savings, including the productivities and those are the things also part of that.

Ajay Singh: So, because I think we have discussed earlier in the last quarter that we have implemented a new ERP system S4/HANA, and just now we have implemented in the previous quarter. So, we expect we can leverage efficiency out of that and that will come with time. It will take two to three quarters to derive efficiency out of those implementations.

Parikshit Kandpal: Last questions are on this battery storage. So, now the battery costs have reduced significantly on the storage side. So, do you think there is any opportunity for us to play out in the near term? So, how do you think the pathway towards introducing the battery storage for the India?

N. Venu: I think absolutely as you said we will see our 2030 strategy. Also, this is exactly on the edge of the grid where we have a play there that is energy storage. So, we have a complete portfolio of battery energy storage, and we do containerize, modularized which is scalable battery storage supply. Any of you have heard, in addition to that Hitachi Energy globally, they acquired a Company called EKS. So, EKS is a Company which Hitachi Energy globally they acquired, and that Company \specialized in the battery energy storage applications. They have done grid scale battery several, several countries in there. We will also leverage that to offer those solutions and products to our customers, so we are discussing it with the customers as the market matures.

Moderator: Thank you. The next question is from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.

Dhavan Shah: So, my question is on the renewal side of the portfolio. If I look at the order inflow growth for the 1st Quarter, that was also more than 100% and around 500% in the 1st Quarter against around 135% in the 2nd Quarter. So, can you help us to understand what the scope of work is in the renewal segment of the portfolio? And out of the current order backlog of roughly 9000-odd crore how much of renewal constitutes to the overall backlog side?

N. Venu: Pertaining to renewable, our scope lies everything from the end terminal, from the inverter. We don't do the civil, structural, and panels. So, if we take the rest of the things all we do. Whether you are talking about the grid connection of renewable power, whether you are talking about the transformers required, everything. Then you are talking about automation and also the System Studies which is a big thing. So, all those things right from the planning stage, through the building phase until maintenance phase is what we do that. Except the civil structural and the modules.

Dhavan Shah: And how much does the Renewable Portfolio constitute to the overall backlog?

N. Venu: We don't separate the backlog into renewable and non-renewable, and we have never provided the breakup, so we cannot share it.

Dhavan Shah: And just the last thing is we are hearing some issues in the supply chain from corrugated steel for the transformer. So, are you facing any issues in terms of supply chain for our portfolio?

N. Venu: No, I don't think corrugated steel. No, you must be talking about this electrical steel.

Dhavan Shah: Yes.

N. Venu: So, electrical steel, Hitachi Energy globally is one of the largest consumers of CRGO because by far we are the largest capacity. So, we have a definite frame agreement with many global suppliers, and that way we are able to secure the supply so far. We have not faced any problems so far.

Dhavan Shah: And we are not expecting any delays in terms of the requirements of those raw materials also in the future quarter, right?

N. Venu: We can't tell forever sure, but in the near term because of our robust Frame Agreements globally, we do see that we have a robust supply chain in place. Of course, the prices are fluctuating, prices are varying but barring that, we are able to secure the supply.

Dhavan Shah: And pricing wise, are we protected in terms of the end pricing or because the pricing has also been moved up. So, how are we safe in terms of the overall contract pricing?

N. Venu: More than 60% of our contracts, we have price escalation clauses.

Moderator: Thank you. We will take our next question from the line of Vinod C from PhillipCapital. Please go ahead.

Vinod C: Yes. So, I had a question on your cash flow. So, if I look at your operating profit, they have doubled from September last year to this year, but I think the entire cash flow is getting eaten up by working capital. The big jump of 365 crores. And that has also resulted in 120 crores of short-term borrowing. So, can you throw more light on what's happening operationally here.

Ajay Singh: You are right operational cash flow for this quarter, we are on the negative side and our borrowings also compared to the previous quarter was increased by roughly 45 crores. So, what I would say this is the timing issue. In this particular quarter I would say the collections were good, but the payouts were also on the higher side. And why so, because you are aware that we are running a large HVDC project for which in this particular quarter the payouts were a little bit on the higher side. So, it's just a timing issue between the receipts and payments otherwise I don't see there's any major challenge in this particular aspect.

Moderator: Thank you. We have a question from the line of Het Mehta from Value Quest. Please go ahead.

Het Mehta: Sir. My question is more on the CRGO prices and its movement and how it is affecting our realizations in terms of who we are supplying to whether it is industries or the utilities?

N. Venu: First of all, as I said CRGO has two dimensions. First of all, there is huge demand in the overall transformer industry worldwide so naturally the demand is very high. As I said previously, Hitachi Energy is one of the largest buyers of power CRGO globally. We have a very robust Supply Chains, Frame Agreements with the most of the CRGO mill vendors directly and first of all we are able to secure the supplies in line with our customers' requirement that is the big thing. Our team globally they are working to ensure that the commitments are met, and we are able to get as of date in line with our commitments that is the number #1. Priority for us is ensuring the supplies to our factories. The number #2 is, the prices are fluctuating globally, and supply demand is there as I said, we have long-term trade agreements, which also allow escalations and as I said most of our contracts do have price escalations. So, we are able to transparently pass on those prices equation that where we are able to mitigate the risks in that.

Het Mehta: So, yes, but my question was more or less is that we assume that your peers or other transformer manufacturers are actually seeing the realization go down with consistent margin. So, we would assume that it was the commodity input prices that were going down instead of going up. So, my question was on how our realizations are moving like on the higher end or on the lower end?

N. Venu: The realization of the on the products you mean?

Het Mehta: Yes.

N. Venu: We will not talk about the realization for each on the product line basis. What I can tell you is that since the demand is high naturally there would be a tendency for going up on the margins, which is what we are looking at, but also costs are also going up right. We need to also balance those costs versus there are unknown costs around that. So, I would say it's stable in other words.

Het Mehta: And you are not seeing any huge fluctuations in the prices of CRGO as such, right now the prices are stabilized more or less?

N. Venu: As I said, there are fluctuations, but those fluctuations are being covered with our price escalation. And as I said, we are giving priority to ensuring the supply over the pricing.

That's how we have been working and that's how our contracts are structured with the CRGO people.

Moderator: Thank you. We will take a follow up from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: We have taken a related-party approvals for order from the parent entities. So, just wanted to understand how much of that has come in already in 1H and in this quarter?

Ajay Singh: Right now, if you see we would not like to quantify at the moment, but we will get more visibility in the coming quarters to know how we are faring on those particular approvals. So, last time when we took the approval we had anticipated and we have done a bottom-up exercise where we see that by the year end, we will be crossing the threshold that is for which you have taken the approvals in advance, but maybe we will get more clarity in the coming quarters.

Parikshit Kandpal: But as of now, nothing has been materialized from those approvals, right? Nothing has come in the first half.

Ajay Singh: Obviously it has come because quarterly it will come.

Parikshit Kandpal: That is what I am asking for in 1H how much has come or if anything has come in this quarter out of the total order inflow of Rs.1900-odd crores, what is the contribution from related party?

Ajay Singh: So, ballpark number, you can say Rs.300 crore. The Switzerland you talk about, the approval that we are taking is around Rs.1200 crores and the ballpark till 30th September is around 300+ crore roughly.

Parikshit Kandpal: Ordering is still to happen in the second half, so we will see larger contribution to come in from the related entities in the second half.

N. Venu: Sure. But at the same time, just to be sure that whatever we take the approval, there's no guarantee that we will get everything. We take in approval in anticipation of some of the projects we are bidding together with those companies and that's how the approval will be taken ahead of the curve in line with the good governance practice. So, whatever we take, everything will not come into that.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. N. Venu for closing comments. Over to you, Sir.

N. Venu: Thank you. Thank you very much once again. Ladies and gentlemen, I want to take this opportunity to wish you and your family, your loved ones Happy Dhanteras and Happy Diwali. Take care and stay safe and talk to you. Soon. Thank you very much.

Moderator: Thank you, Sir. On behalf of Hitachi Energy India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.