

October 18, 2024

BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001  
(Atten: DCS Listing)

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

**Ref: BSE Scrip Code: 543187, NSE Scrip Symbol: POWERINDIA**

Dear Sirs,

**Subject: Reaffirmation of Long Term and Short Term Credit Ratings by CRISIL Ratings Limited**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that CRISIL Ratings Limited has reaffirmed the existing long term and short term credit ratings for INR 6000 Crores bank facilities of the Company, the details of which are as follows:

Sl. No.	Rating Action	Amount and Rating
	Total Bank Loan Facilities Rated	Rs. 6000 Crores
1	Long Term Rating	CRISIL AAA/Stable (Reaffirmed)
2	Short Term Rating	CRISIL A1+ (Reaffirmed)

Further, it may be noted that there is no change in the existing credit ratings of the Company and that the Company was notified about it yesterday. Copy of the Rating Rationale is enclosed for your reference.

You are requested to take the same on record.

Thank you,

Yours faithfully,  
**For Hitachi Energy India Limited**

**Poovanna Ammatanda**  
**General Counsel and Company Secretary**

Encl.: as above

**Hitachi Energy India Limited**

**Registered and Corporate Office:**  
8<sup>th</sup> Floor, Brigade Opus, 70/401,  
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Phone: 080 68473700  
CIN: L31904KA2019PLC121597  
[www.hitachienergy.com/in](http://www.hitachienergy.com/in)

## Rating Rationale

October 17, 2024 | Mumbai

### Hitachi Energy India Limited

Ratings reaffirmed

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.6000 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL AAA/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A1+ (Reaffirmed)</b>

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' ratings on the bank loan facilities of Hitachi Energy India Limited.

The ratings continue to reflect the healthy business risk profile of the company, driven by its strong market position in the power grid segment, diversity in product portfolio and geographical reach, and a strong clientele. The ratings also reflect the robust financial risk profile, as reflected in large adjusted tangible network of Rs 1327 crore as on March 31, 2024, and comfortable debt levels in relation to its operations. The ratings additionally factor in strong support from the ultimate parent - Hitachi Ltd (Hitachi) (rated 'A/Stable/A-1' by S&P), which holds ~100% stake in Hitachi Energy Ltd. (effective December 2022), which is the holding company of Hitachi Energy India Limited.

Operating income came in higher at Rs 5238 crore for fiscal 2024 (Rs 4,469 crore for fiscal 2023), meanwhile the operating margin was 6.7% as against 5.7% for fiscal 2023. HEIL's margins were impacted over FY22 and FY23 on account of semiconductor chip supply issues, high commodity prices like copper and aluminum and high freight charges. CRISIL Ratings expects the margins to further improve in near to medium terms basis improved order execution at the back of healthy order inflow, better operating leverage and higher input price pass through abilities.

The company has also maintained a strong business risk profile, driven by its established market position and highest ever order book of Rs 8539 crore as on June 30, 2024 (March 31, 2024: Rs 7230 crore). Liquidity is strong, marked by unencumbered cash equivalent of Rs 128 crore as on March 31, 2024, and access to fund-based bank limit of Rs 952 crore as on June 30, 2024, which remains moderately utilized.

These strengths are partially offset by susceptibility to capital investment cycles and project implementation risk, largely arising from structural issues in the power sector and intense competition in the capital goods industry.

Additionally, CRISIL Ratings has taken note of the corporate announcement by the company to invest around INR 2,000 crore in expanding capacity and product portfolio across the Large and Small Power Transformers, Dry and Traction, High-voltage direct current (HVDC) & components and Network control solutions offering. Along with the development & manufacturing of localized Grid eXpand and Grid eMotion Transformers. This is expected to be taken up over the next 4-5 years to further enhance the facilities across the India and add to its existing product portfolio to drive a 'sustainable energy future in India'. The capital expenditure (capex) will be funded through a mix of internal accruals and borrowings. Given its early stages, finalization of the scope of capex and funding mix will remain a key monitorable.

#### Analytical approach

CRISIL Ratings has considered the standalone business and financial risk profiles of the company, and has applied its parent notch-up framework to factor in the extent of support available to the company from its parent, Hitachi Ltd.

#### Key rating drivers & detailed description

##### **Strengths:**

- **Strong market position in the power grid segment:** The strong market position of the company in the power grid equipment and automation solutions segments is backed by its established track record. The company has executed several large projects in India, over the years (as part of ABB India Ltd). The company's clientele comprises

reputed players across utilities, industrial, transportation and infrastructure sectors. Furthermore, the company was instrumental in bringing the Hitachi patented HVDC technology to India.

The established market position, strong order book and favorable industry scenario, with higher investments envisaged in the power transmission and distribution (T&D) segment in India (RDSS, Green Energy corridors and expansion of Inter-state and Intra-state transmission lines), should continue to support the business over the medium term.

- **Strong operational, technological and management support from the parent:** Hitachi views India as a high-growth market, and hence, operations of the company are strategically important to the group. The company not only manufactures an extensive range of products locally for the Indian market, but also exports to group entities globally. With the acquisition of 19.9% stake by Hitachi Ltd in Hitachi Energy Ltd in December 2022, Hitachi Energy India Limited becoming a 100% Hitachi owned entity. This further substantiates strategic importance of Indian market to ultimate parent Hitachi Limited. Hitachi Ltd sees India's energy market strategically important with strong impetus for growth driven by significant investment being made by public sector towards Renewable Energy, electrification of Indian Railways, Metro expansion and improving ISTS and InSTS connectivity. Further, HEIL uses the Hitachi brand for all external corporate communication and has access to all group-level resources of the parent. Post the acquisition, there has been an operational integration in manufacturing, global procurement, marketing, and sales functions, with the application of global best practices. Furthermore, Hitachi also offers managerial support via delegates on the board of the company. Hence, CRISIL Ratings believes Hitachi will continue to extend support to the company over the long term.
- **Robust financial risk profile:** The company has a robust financial risk profile, marked by healthy net worth of over Rs 1327 crore and working capital debt of Rs 150 crore as on March 31, 2024. The financial risk profile should remain strong over the medium term, driven by healthy cash accrual, adequate liquidity, despite the large planned capex. The funding mix of the capex will remain a key monitorable.

#### **Weaknesses:**

- **Susceptibility of profitability to volatility in raw material prices, capital investment cycles and structural issues in the power sector:** Profitability remains susceptible to any downturn in demand and structural issues and volatility in the power sector. Any large-scale project deferrals can cause cost overruns for players, and adversely impact their margin, as they have limited scope to pass on the hike. Further over the past two fiscals, profitability was impacted by a mix of factors such as semiconductor supply issues, freight costs and peaking commodity prices. While the company has tried to mitigate by diversification of the revenue profile, and efficient cost and resource management, profitability remains susceptible to these structural issues.
- **Exposure to intense competition:** The power T&D segment is intensely competitive, owing to the presence of several domestic and international players. Most large orders are procured through competitive bidding, which puts pressure on profitability. While cost optimisation measures have helped the company arrest the pressure on profitability to an extent, it will remain susceptible to intense competition over the medium term.

#### **Liquidity: Superior**

Liquidity remains superior, as reflected in unencumbered cash equivalent of Rs 128 crore as on March 31, 2024, and expected annual cash accrual of Rs 300-400 crore each in fiscal 2025 and 2026 as per CRISIL Ratings estimates. As the bank limit of around Rs 952 crore has been moderately utilized, it can be used to cover the incremental working capital expenses over the medium term. The company has planned large capex over the medium term. However, a healthy mix of borrowings and a growing annual cash accrual is expected to suffice to fund the capex requirement.

#### **Outlook: Stable**

CRISIL Ratings believes that the company will continue to benefit from its established market position, reputed clientele, and strong parental support; and will maintain its robust financial risk profile, given its conservative financial policy.

#### **Rating sensitivity factors**

##### **Downward factors:**

- Slump in order inflow or decline in operating margin below 6% on a sustained basis
- Any large, debt-funded capex weakening liquidity
- Material weakening of the credit risk profile of Hitachi Ltd, leading to downward revision in its rating by S&P Global Ratings by one or more notches, or change in stance or support philosophy towards Hitachi Energy India Limited

#### **About the company**

Incorporated in February 2019, following the demerger of ABB India's power grid business unit, Hitachi Energy India Limited provides product, system, software, and service solutions across the entire power value chain. The portfolio includes an extensive range of high-voltage products, transformers, grid automation products, and power quality products and systems.

Hitachi Energy India Limited is a public limited company with 25% equity shares traded publicly. The balance 75% promoter shareholding is currently held by Hitachi Energy Ltd., based in Zurich, Switzerland. Hitachi Energy Ltd. in turn is a 100% subsidiary of ultimate parent Hitachi Ltd.

**Key financial indicators (for financial year ending March 31)**

Particulars	Unit	2024	2023
Revenue	Rs crore	5,238	4,469
Profit after tax (PAT)	Rs crore	164	94
PAT margin	%	3.1	2.1
Adjusted debt/adjusted networth	Times	0.11	0.23
Interest coverage	Times	6.6	4.9

**YTD Performance update –**

Particulars	Unit	Q1 FY25	Q1 FY24
Revenue	Rs crore	1327	1043
Profit after tax (PAT)	Rs crore	10	2
PAT margin	%	0.8%	0.2%

**Any other information:** Not Applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Fund-Based Facilities	NA	NA	NA	952	NA	CRISIL AAA/Stable
NA	Non-Fund Based Limit	NA	NA	NA	250	NA	CRISIL A1+
NA	Non-Fund Based Limit	NA	NA	NA	3902	NA	CRISIL AAA/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	48	NA	CRISIL AAA/Stable
NA	Proposed Non Fund based limits	NA	NA	NA	848	NA	CRISIL AAA/Stable

**Annexure - Rating History for last 3 Years**

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	1000.0	CRISIL AAA/Stable	20-03-24	CRISIL AAA/Stable	29-08-23	CRISIL AAA/Stable	08-07-22	CRISIL AAA/Stable	30-12-21	CRISIL AAA/Stable	--
			--	--	--	--	--	12-04-21	CRISIL AAA/Stable	--		
			--	--	--	--	--	04-01-21	CRISIL AAA/Stable	--		
Non-Fund Based Facilities	LT/ST	5000.0	CRISIL A1+ / CRISIL AAA/Stable	20-03-24	CRISIL A1+ / CRISIL AAA/Stable	29-08-23	CRISIL A1+ / CRISIL AAA/Stable	08-07-22	CRISIL A1+ / CRISIL AAA/Stable	30-12-21	CRISIL A1+	--
			--	--	--	--	--	12-04-21	CRISIL A1+	--		
			--	--	--	--	--	04-01-21	CRISIL A1+	--		

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund-Based Facilities	150	Kotak Mahindra Bank Limited	CRISIL AAA/Stable

Fund-Based Facilities	250	JP Morgan Chase Bank N.A.	CRISIL AAA/Stable
Fund-Based Facilities	352	Bank of America N.A.	CRISIL AAA/Stable
Fund-Based Facilities	100	Deutsche Bank	CRISIL AAA/Stable
Fund-Based Facilities	100	Standard Chartered Bank	CRISIL AAA/Stable
Non-Fund Based Limit	250	JP Morgan Chase Bank N.A.	CRISIL A1+
Non-Fund Based Limit	300	YES Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit	377	Kotak Mahindra Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit	750	Axis Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit	100	HDFC Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit	1000	The Hongkong and Shanghai Banking Corporation Limited	CRISIL AAA/Stable
Non-Fund Based Limit	425	Deutsche Bank	CRISIL AAA/Stable
Non-Fund Based Limit	950	Standard Chartered Bank	CRISIL AAA/Stable
Proposed Fund-Based Bank Limits	48	Not Applicable	CRISIL AAA/Stable
Proposed Non Fund based limits	848	Not Applicable	CRISIL AAA/Stable

## Criteria Details

Links to related criteria
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Rating Criteria for Engineering Sector</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support</a>

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