

August 14, 2024

The Secretary,
Listing Department,
BSE Limited,
1st Floor, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

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

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

Dear Sir / Madam,

Sub: Additional information regarding Material Related Party Transactions proposed at the 5th Annual General Meeting Notice of the Company dated May 21, 2024

Ref: Notice of the 5th Annual General Meeting filed with the Stock Exchanges dated July 22, 2024

This is with reference to the Material Related Party Transactions (RPT) proposed at the 5th Annual General Meeting Notice of the Company dated May 21, 2024 and based on certain clarifications/ additional inputs sought from the Company. In this regard, we would like to provide additional information/ clarification on the Material Related Party Transactions proposed for the financial year 2024-25 wherein approval is sought from the Shareholders vide Resolution Numbers 5, 6 & 7 forming part of the Notice convening the 5th Annual General Meeting of the Company scheduled to be held on August 21, 2024.

We are of the view that addition information will assist our Shareholders in making a well-informed decision regarding the aforesaid Resolutions.

In this regard, please find attached a detailed **Annexure-A**.

The above information is being hosted on the website of the Company at <https://www.hitachienergy.com/in/en/investor-relations/general-meetings>.

Kindly take the same on record and for dissemination to the Shareholders.

Thank you,

Yours faithfully,
For Hitachi Energy India Limited

Poovanna Ammatanda
General Counsel and Company Secretary

Encl.: Annexure A

Hitachi Energy India Limited

Registered and Corporate Office:
8th Floor, Brigade Opus, 70/401,
Kodigehalli Main Road, Bengaluru – 560 092,
Phone: 080 68473700
CIN: L31904KA2019PLC121597
www.hitachienergy.com/in

Annexure-A

Additional information regarding Material Related Party Transactions proposed at the 5th Annual General Meeting Notice of the Company dated May 21, 2024

Resolution reference	Number	Company clarification
<p>Resolution No. 5 – Approval of Material Related Party Transactions with Hitachi Energy Sweden AB for the financial year 2024 - 25.</p> <p>Resolution No. 6 – Approval of Material Related Party Transactions with Hitachi Energy Australia Pty. Ltd. for FY 2024 - 25.</p> <p>Resolution No. 7 – Approval of Material Related Party Transactions with Hitachi Energy Ltd., Switzerland for FY 2024 - 25.</p>		<p>Based on the disclosure provided in the explanatory statement forming part of Notice convening 5th Annual General Meeting dated May 21, 2024 and with regard to disclosure regarding the basis of arriving at the pricing of the transactions, you may notice that Hitachi Energy Sweden AB (“HE Sweden”), Hitachi Energy Australia Pty. Ltd. and Hitachi Energy Ltd., Switzerland are the fellow subsidiaries of Hitachi Energy India Limited (“the Company”) and a wholly owned subsidiary of Hitachi Energy Ltd., Switzerland. Therefore, all these Companies forms part of common group entities of Hitachi Energy Ltd., Switzerland, which is the holding company of Hitachi Energy India Limited.</p> <p>You may also notice that similar related party transactions with HE Sweden was approved by the minority Shareholders of the Company through Postal Ballot on March 10, 2024 for an aggregate value of up to INR 700 Crores during financial year 2023-24 (i.e., April 01, 2023 to March 31, 2024).</p> <p>Further, as disclosed in the explanatory statement for the Notice convening 5th Annual General Meeting of the Company dated May 21, 2024, all the said transactions shall be in the ordinary course of business and on an arm’s length basis and have been undertaken in the past by the Company from time to time, depending on needs of its business.</p> <p>For abundant clarity, the following points may be noted:</p> <ul style="list-style-type: none"> All the related party transactions with the aforesaid related party entities are carried out post detailed negotiation and on the basis of Purchase Order (PO) or Sales Order (SO) or Contract(s) or Agreement(s) which contain all the terms and conditions for purchase or sales of goods or services as if these transactions are carried out with any third party customer/ vendor (which is a non-related party) from time to time. Further, price of the goods and services are determined after considering the prevailing market price of similar goods and services at the time of entering into such transaction taking into account the prevailing market demand, competitive market dynamics, payment terms, risk profile and other related factors as may be necessary from time to time. <p>Accordingly, you may notice that the Company has disclosed the fact in the explanatory statement forming part of 5th AGM Notice that these Related Party Transactions are being carried out at arm’s length and in the ordinary course of business of the Company.</p>

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Resolution No. 7 – Approval of Material Related Party Transactions with Hitachi Energy Ltd., Switzerland for FY 2024 – 25

Basis of determining the royalty rate includes the benefits received by the Company from payment of such royalty and how it has contributed in the overall performance of the Company:

Hitachi Energy Ltd., Switzerland (“HE Switzerland”) is the holding company of Hitachi Energy India Limited.

During the financial year 2023-24, Hitachi Energy Switzerland Ltd. was merged with Hitachi Energy Ltd., Switzerland. Prior to the merger, royalty and technology fee was being paid to Hitachi Energy Switzerland Ltd., and regular business transaction like sales, purchase, rendering and receipt of services was being undertaken with Hitachi Energy Ltd., Switzerland. Consequent to this merger, all the above transactions will now be undertaken with Hitachi Energy Ltd., Switzerland Only because of the aforesaid merger, the business transactions with Hitachi Energy Ltd., Switzerland is expected to exceed 10% of previous year turnover threshold as prescribed under Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

With regard to Technology and Royalty fees payout, you may please note that the Company’s products are technology-based and require Hitachi Energy Group technology for which the Company is required to pay Royalty and Technology Fees. Resultant technology holder is the global group entity and accordingly, the Royalty and Technology Fee is paid to the group entity.

Further, you may notice that HE Switzerland is Hitachi Energy (HE) Group’s central technology company that, amongst other technology related activities, invests several hundreds of millions of USD in research and R&D activities each year to allow HE to maintain and further enhance its technology leadership position in the power grids market. HE Switzerland is responsible for the development, enhancement, maintenance, protection and exploitation of HE intellectual property rights related to all technology for products, systems or services.

The license fees charged consistently to HE Group Companies including India as a percentage of revenue are benchmarked and considered to be at arm’s length. A third party firm was preparing the benchmark reports for HE group, each covering different technology types. HE group’s statutory auditor is preparing 2 AUP (Agreed Upon Procedures”) reports related to HE Switzerland for each fiscal year a substance AUP to confirm headcount, assets, address, etc. of HE Switzerland and Procedural AUP that confirms consistent application of the arm’s length license rates as determined by the third party firm across the different product groups and HE legal entities, i. e. same technology is licensed at a same rate and on same base.

Also, Hitachi Energy group has an Organization for Economic Cooperation and Development (OECD) conform Transfer Pricing documentation that describes all intercompany transaction in which HE Switzerland is involved and tests arm’s length character of the transaction against the benchmark.

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Also, the following points substantiates the business arrangements with HE Switzerland including Technology and Royalty fees payout:

- **Innovation** - Unique and innovative nature of technology and intellectual property provided by HE Switzerland
- **Market advantage and time to go to market** – Access to technology provided by HE Switzerland enables the Company to have wide market access in respect of power technology and power grid products both in India and outside.
- **Revenue generation** – the very business of the Company is dependent on technology being provided by HE Switzerland. In the absence of such technology, the Company will not be able to generate any revenue.
- **Cost savings** – the entire R&D and product development in Hitachi Energy group is centralized in Switzerland and their group entities incur cost towards such development, such costs are also cross charged and captured in HE Switzerland. The centralization of R&D and product development provides substantial cost benefit and leads to faster market access for products. The Company believes that development of similar technology in isolation would be substantially costly than the royalty and technology fees paid to HE Switzerland.
- **Elimination of R&D risks** – since the entire R&D activities are carried out by HE Switzerland, the Company is insulated from R&D risks
- **Regular update and enhancements** – HE Switzerland keeps the technology current and competitive. The said updated technology is made available to the Company so that the Company's products remained to be cutting edge in the market. This is crucial since the Company is dealing with technological products which face faster obsolescence

Considering the nature of research and development, complexity, competency required, time frame, amount and to optimize overall cost, all major R&D efforts are pooled centrally at the global group entity level.

Therefore, the Royalty and Technology fee payout (which is based on the percentage of revenues and not a fixed amount) terms should not be linked with net profit of the Company as these technology developments and utilization of such technology is a long term business strategy.

With regard to adequate disclosure of all the material terms of such an arrangement, which includes the benefits received by the Company from payment of such royalty and how it has contributed in the overall performance of the Company, please refer page number 186 of the Integrated Annual Report 2023-24 – Annexure-G forming part of Board's Report wherein the Company has disclosed the justification and basis on which the Royalty and Technology related expenses are incurred at the global group entity level, the extracts of which are reproduced and highlighted below:

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“Considering the nature of research and development, complexity, competency required, time frame, amount and also to optimize overall cost, all major R&D efforts are pooled centrally at the Group level. The expenditure has been mainly in the nature of payment of license fee for use of technology know-how reported as royalty and technology fees under other expenses. Certain development activities carried out by the Company have been billed to the Group central technology center. Local R&D activities undertaken by the Company were mainly in localizing the products, adoption of global products to local environment, carrying out cost saving actions and other improvements. During the year under review, the Company has paid INR 90.50 Crores as royalty and technology fees to Hitachi Energy Switzerland Ltd. (CHPGS) and INR 99.65 Crores to Hitachi Energy Ltd., Switzerland (CHAMH). Further, during the financial year 2023-24, CHPGS was merged with CHAMH.”

As disclosed in page number 118 of the Integrated Annual Report 2023-24, “the business transactions with HE Switzerland includes certain products (ex: Bushing Accessories) wherein the core manufacturing facilities are not available with the Company in India. Therefore, the transactions between the Company and HE Switzerland will provide the common platform for using the same technology for manufacturing certain products.

The transactions with HE Switzerland will also contribute for improved export business volumes and product development/ support in India.

Given the fact that payment towards royalty and technology fees to HE Switzerland during the financial year 2024-25 shall remain within the threshold limit of 5% of previous year turnover as prescribed under Regulation 23 of SEBI Listing Regulations, 2015, the related party transaction approval with HE Switzerland is sought with a notable/ large focus on regular business transactions including sale or purchase of product(s), component(s), system(s), spares and / or rendering or receipt of services under multiple orders which will ensure business growth of the Company.”

Also, we would like to reiterate that these proposed related party transactions will be carried out at arm’s length basis and in the ordinary course of business of the Company.

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