November 10, 2023

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

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

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

Dear Sirs,

Subject: Transcript of the conference call with Analysts/ Investors held on November 6, 2023

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 Monday, November 6, 2023 and the same can be accessed at https://www.hitachienergy.com/in/en/investor-relations/analyst-section

Kindly take the same on your records.

Thanking you,

Yours faithfully,

For Hitachi Energy India Limited
(formerly known as ABB Power Products and Systems India Limited

Ammatanda Chinnappa Poovanna

Digitally signed by Ammatanda Chinnappa Poovanna
Date: 2023.11.10 10:43:58 +05'30'

Poovanna Ammatanda
General Counsel and Company Secretary

Encl: as above

Hitachi Energy India Limited Q2 FY24 Analyst Conference Call - November 6, 2023

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

Manashwi Banerjee - Head of Communications, Hitachi Energy India Limited

Moderator: Ladies and gentlemen, good day, and welcome to Hitachi Energy India Limited Q2 FY '24 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 star then zero on your touchtone 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.

Nuguri Venu Thank you very much. Good evening, everybody, ladies and gentlemen. Thank you for joining us for the analyst conference call today. I hope you are all doing well. And as probably have you seen, we have announced our results for the second quarter of the financial year, '23-'24. So in the next couple of minutes, I'll take you through our performance during the period ending September 30, 2023.

For ease of reference, I will mention the slide numbers. With me in the room today, I have our CFO, Ajay Singh; General Counsel and Company Secretary, Poovanna Ammatanda; and Manashwi Banerjee, Head of Communications.

So, energy transition and climate action plans drove order growth in Q2FY '24. This quarter, we witnessed some ease in the semiconductor crunch, but certain inventory backlog needs attention. Despite the constraints, there is an overall improvement in our margin and PAT in the second quarter, even though -- compared to the last quarter, we came with a low base. With this, we remain committed to exploring new opportunities stemming from energy transition across geographies and creating a robust and sustainable clean energy ecosystem.

I'm now referring to slide number 3. As we review the quarter, I want to recognize our most valuable assets are our employees. Our commitment to their safety has been unwavering right from the offices to the factories, on-site location and return this with their ownership on safety matters, right from subcontractors to trainees, continued immersive training is cascaded throughout the organization through the teams by specialist to persistently reiterate our license to operate.

Our efforts were acknowledged and recognized for excellence in health, safety and environment practices by our discerning customers across verticals. We have received certificates of appreciation from customers in a variety of segments for our contribution towards improving health and safety and environment culture and customer service through project life cycle across plan, build and operate cases. We received appreciation letters, awards, recognition from clients for maintaining superlative and sustainable safety practices at their project sites.

Moving to the next slide, that is slide number 4, which is also very important. As you can see, we have kept sustainability soon after safety, that clearly shows that how much importance we are giving in driving the sustainability within our own organization. The journey to net zero by 2030 require all teams to be involved, contribute through innovative ideas and take the initiatives. It pleases me to say that we have witnessed several such initiatives mushroom across the company and country, and many of the initiatives are driven within the employee community staff.

Just to give you an example of Doddaballapur, which is our greenfield factory, which we have inaugurated last year, for this discussion. Here, we have initiated our first OpEx model solar rooftop project spreading over 5,000 square feet. And with an estimated generation capacity over 900,000 units per annum, the project will cater to 40% of the energy requirements of this factory. It will help reduce 29 tons of CO_2 equivalent of greenhouse gases annually.

The project will be fully functional by March 2024. Furthermore, the location has stopped single -- many of such cases, just to give you one example, single-use plastic and paper cups, and we'll soon be actioning a more stringent water saving project. Learning from the team's experience at Maneja on recycle, reuse and reduce, there will likely be an addition of 4% reduction in freshwater consumption. These are just examples to show you how we are driving sustainability in letter and spirit throughout our organization.

Moving to the slide number 5. During the quarter, we received orders worth INR 1,747 crores, up 52% quarter-on-quarter and up 37% year-on-year. Some key order wins this quarter include renewables -- in the renewable sector, like 600 MVR Fatehgarh-3 STATCOM; 300-megawatt electrical balancing system; 400 kV AIS substation for Bikaner and 400 kV general transformer for Ratle hydroelectric project, just to give you examples of renewables.

And rail and metro, such as traction transformer for DMRC, CMRL and automation 132 kV GIS for CMRL. Automation such as Bhutan Power, where we will not only execute a 66 kV GIS substation but also SCADA EMS (Energy Management System), at their National Load Dispatch Center. Solid order execution resulted quarter-on-quarter revenue improvement of 18% to INR 1,228 crores in the quarter ended September 30. Easing of our supply chain constraints and chip shortages also strengthened our earnings and EBITDA margins and recovers quarter-on-quarter to 5.3%.

The same agent major recovery in profit from the low base last quarter PBT recovered to INR32.4 crores and PAT recovered to INR 24.7 crores, while businesses continue improving efficiency through new business models. And product standardization, enhancing our strategic approach and go-to-market mechanism, impact of inventory backlogs will likely to take some time to taper off. At the close of the quarter, we recorded the highest ever quarter backlog of INR 7,579 crores, providing revenue visibility for the several quarters.

Moving to the next slide, slide number 6. And most of this particular slide, you know better than me. So, India, you know, remains one of the fastest-growing major economies in the financial year '23-'24. The country's GDP has grown 7.8% year-on-year, April to June '23. And RBI predicts country's GDP is expected to grow in the range of 6.5% for the same period. And keeping the interest rate at 6.5% helped to control the inflation. It was dropped to 5.02% in the September 2023. And the power demand in India touched a 5-year high in September '23, and industry growth IIP shows India's factory output rose to 14-month high of 10.3% in August.

On the policy front, government incentives to the energy sector continued with the approval of INR 3,760 crores viability gap funding for battery energy storage system. This will open up a new avenue of investment for the entire energy project and also technology adoption by our customers. As you can see in the bottom of the slide, the growth drivers for Hitachi Energy remain intact and tracking upwards, whether we're talking about the transmission, data centers, renewable and rail, etcetera.

As you would be aware, we need to add 30-gigawatt of capacity annually to reach the 290-gigawatt solar target by 2030. The first wind offshore tenders announced 7-gigawatt to be actioned by financial year '24, whereas in the transmission segment, 1 HVDC project is expected every year. And you also know that those things come up for bidding now. Similarly, for industries, the renewal of private capex is likely driven by government product-linked schemes and various other schemes announced by the government. On the rail side, metro, high-speed, cross-country rail electrification, rolling stock upgrade filling the growth of transport segment and so on and so forth.

Moving to the slide number 7. Energy transition represents one of the most significant opportunities of our time, and we are championing the urgency and the pace of change needed to reach net zero. With our pioneering technologies and solutions, we are helping our customers to accelerate the carbon-neutral future, improving quality of life for not only for today's generation but those that are to come.

Collaboration is central to making the energy transition possible. During this quarter, we continue to lead industry discussion, not only on technology, but also highlighting the importance of our diversity to tangibly contribute to Indian energy industry at various relevant forums and platforms.

We take every opportunity to drive this because the challenge of this is bigger than one organization, one individual, we need a lot of collaboration, co-creation working together on this. During the quarter, we have taken up a grid connection project for the upcoming 300-megawatt solar PV plant in Bikaner, Rajasthan. We continued engaging with partners. So training, for example, our engineering and configuration of RTU500 series products, etcetera. Our continued efforts have further cemented our reputation as a reliable partner and pioneering in power technologies and driving the energy transition initiatives across the country.

Moving to the slide number eight. We successfully commissioned -- just give a couple of examples. We've successfully commissioned several projects and noteworthy projects across the geographies, not only in India, but also Indian subcontinent and other places where we have been working in that. Just to give you a couple of examples. We commissioned 220/33 kV GIS substation in Gedu, Bhutan, and another similarly rated substation for one of the world's largest web service providers.

Within the quarter, we also concluded a successful test trial run of Indore Metro with a 750-volt DC third rail. So, these are the examples to showcase across the segments how we are not only getting the orders but also executing successfully to our customers.

Moving to the slide number nine. This is a very important slide just to recall our discussion a couple of quarters back, where we announced our factory in Chennai, that is Power System HVDC and Power System factory. And this is one example, we have seen this demand coming up much ahead of the time and then we have invested. And now you can see our orders are -- with our new order acquisition, we are able to fill the factories.

As India adds RE capacity at the world leading space, this increased renewable energy generation and increased non-linear loads impact the power quality in the grid. Large-scale renewable energy converters, inject the power systems with the harmonic reactive power that is adding pressure on the grid without delivering usable value. This is where the STATCOM plays a crucial role.

Static Synchronous Compensator system is a complex multi-component system for reactive power compensation and power quality improvement. One of our notable orders for this quarter, that is Q2, is a large contract for high-powered STATCOM for integration of 4-gigawatt of renewable energy into the National Grid for an upcoming project in Fatehgarh, Rajasthan.

The order package also comprises of 2 400 kV AIS extension base. The High Power STATCOM and all major components for the project will be manufactured as multiple local factories in India, including the recently inaugurated HVDC and Power Quality factory in Chennai.

Moving to the next slide, Slide number 10. To provide some more color on the orders received this quarter, transmission projects from multiple utilities, especially towards the buildup of our green energy corridors, led to the momentum in Q2 FY '24, including the STATCOM order we just discussed. We are already contributing to various transmission projects and have made a significant stride in this direction and have seen a growth of 139% in HY FY '24 vis-à-vis H1 last year.

The data center remains a high-growth segment, thanks to push for 5G and data localization regulations and data center policies. In our strategy, data center always been an important element, which helped us to achieve 28% growth in this segment in the first half of FY '24 in comparison with the same period last year. With the sheer potential of the market, we see this trend to continue in the future as well.

Moving to rail and metro. Indian Railways committed to achieve net zero by 2030, aligned with the electrification of high-density corridors have been another significant area of growth for us with a constant growth in the segment. Reflecting the nature of customer orders. This quarter, we saw an uptick in orders from various functions. In the segment, power project takes the lead, while sector-wise utility saw a major rise and in the channel side, direct-to-end users is the lead in terms of orders.

Moving to the next slide, Slide number 11, is also a very important slide we have been talking about our growth levers, that is service and exports. Our order mix reflects our diversified portfolio across our installed 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 vision.

Service orders have continued to hold a positive trajectory as we posted 40% year-on-year growth. Some of the key wins are order for SCADA replacement in National Transmission Asset; network SCADA order from Bhutan; grid interconnection studies as per Saudi Arabian Grid code for PV solar projects, to name a few. We also won HVDC life cycle spares order from a National Utility, multiple single pole circuit-breaker retrofit order from Delhi Metro Rail and MSM order from a Goa Electricity Department.

On the export front, we saw a growth of 45% year-on-year. Orders were received from across the continents. Transmission orders in Asia, power quality in Europe and US markets and automation packages in African market. The company also received the largest ever single order for supply of disconnector for a project in Guyana.

Some of the key wins during the quarter were 66 kV, 33 kV/11 kV GIS substation from Bhutan Power and Indonesia AIS switchgear for PLN, 130 kV harmonic filter order from UAE Transco, automation package for the Sweden and SCADA EMS Systems, NLDC Bhutan Power System Operator. Our strategy of Making in India, for India and the world has had good results as our factories continue to receive steady orders from various factories worldwide.

So, with that, now I would ask our CFO, Ajay Singh, to walk us through the next slide, that is slide number 12 and slide number 13 on the financials. Over to you, Ajay.

Ajay Singh: Thank you, Venu, and good evening, and hope you all are doing well at your end. So, if you see our concerted efforts continues to overcome the persistent industry and operational challenges to keep the growth momentum on track. The focus and the proactive approach have helped us to achieve better revenues and orders vis-a-vis quarter-on-quarter and year-on-year.

So, in this current quarter, the company has booked orders worth INR 1,747 crores, which is up by 52% quarter-on-quarter. The revenues also we booked INR1,228 crores, and that is a growth of roughly 18% compared to the previous quarter. PBT recovered 857% to INR, basically INR 32.4 crores, and PAT recovered sequentially basically INR 24.7 crores compared to the low base last quarter. Operational EBITDA stood at INR 65 crores for the quarter.

So, with the consistent order growth and excellent execution, we had achieved the highest ever order backlog, and we are currently INR 7,579 crores order backlog, which provides us a visibility of more than 22 months of the revenue.

Now if you move to the next slide, where you see that we have been already discussing the ongoing macroeconomic issues for the past several quarters. And here, I would like to share an update on how the numbers we are doing in this particular quarter, the last three months. Let me take a moment to walk through the specific slide, and that will give you more details on how we have done the progression.

The table gives a clear picture of our relentless pursuit for improving the bottom line and cohesive margin recovery. So as you see, in the current quarter in the revenues of INR 1,228 crores and the gross margin is roughly around 35% and if you compare with the Y-on-Y scenario, there is roughly a dip of 2%. And this is mainly coming due to the product mix.

As explained earlier, the chip shortage has improved, the shortage scenario has improved compared to the previous quarter. And now basically, we are still working out on the backlogs and how to come out of this overall scenario. If you see the personnel expenses, it is hovering around 9.5% and more or less at the same level Y-on-Y. Other expenses are also hovering in the same 20% compared to 19.7% Y-on-Y. And depreciation is also 1.8% compared to 1.7% Y-on-Y. Interest also, there is a slight increase, but still we'd say that more or less we are consistent.

So, with all this, we are able to see that our PBT, we have reached to 2.6% basically and then our PAT is 2%. So, we are basically working on the bottom line, and we expect that we'll be able to work on the margins sequentially in the coming quarters.

With this, I hand over to Venu.

Nuguri Venu: Thank you, Ajay. And moving to my last slide, so I will move ahead, our growth levers remain intact. You have seen from the previous slides. We work to maintain leadership in our core segments, while also focusing on high-growth segments that cater to the evolving needs of the sector, harnessing new segments and markets. We will further strengthen our capabilities in service, export, and digital verticals, in addition to our maintaining leadership in our core segments.

In our operations, we continue to reinforce the culture of health, safety and environment across all employees and our customers. The focus remains on transforming our highest ever order backlog and de-clogging of our inventory to quality revenue. This execution when coupled with operational excellence across manufacturing and functional process will result in margin accretion going forward.

We will reinforce our efforts through the last leg of transition in the coming quarter as we enter the implementation of Phase 4 of our multi-year project to upgrade our core ERP system to SAP S/4HANA, standardizing a variety application, landscape and digital -- digitizing our business processes to meet the needs of our expanding businesses. This integration of core business function the processes in a single platform will help enhance operational agility, quality and productivity. Our purpose remains to advance the sustainability future for all, and we look forward to delivering this with profitable and sustainable growth.

With this, I now close my presentation and open the channel for your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * & 1 on their touchtone telephone. If you wish to remove yourself from que you may press * & 2. Participants are requested to use handsets while asking questions. Ladies & gentleman in order to ensure that the management is able to answer all questions from participants in the conference, please limit your question to 1 or 2 per participant. Should you have a follow up question we would request you to 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: Sir, my first question is, if you see this quarter order inflows from utilities and projects, both have picked-up. Is this a signaling effect that domestic T&D or transmission spend is finally seen an uptick after quite a bit of time? If you can share some of your inputs in terms of order pipeline from the domestic market, including the status on the high-speed rail? That's the first question.

Nuguri Venu: Thank you, Renu. Yes, I think after a long time, I think there is a clear uptick in the domestic T&D pipeline, both in terms of the tariff-based competitive bidding getting finalized and also the other infrastructure-related rail, etcetera, is getting finalized. So, we are also seeing a lot of bidding is going on the tariff-based bidding. And you also know that the HVDC, the Badla has come up for a bidding.

And so those things are really driving this order growth and then our, at least see that this, momentum will continue.

Renu Baid: And on the high-speed rail electrical package, any updates?

Nuguri Venu: On the high-speed rail, electrical package, so we are working with potential bidders. And this - since this is at bidding stage, I cannot talk more on that. All I can say is that, we have submitted our bid, and then we will wait for further evaluation.

Renu Baid: Sure. The second question is -- congratulations for finally breaking into the STATCOM market. Can you share what could be the localization content in the initial order, given the scale of the project? And in your view, how could be -- how large could be this market for these power quality solutions now that renewable green corridors have started to see some activity? Otherwise, STATCOM was a fairly dull segment for the last few years.

Nuguri Venu: Yes. So, as I said, with the 30-gigawatt of annually added to reach 290-gigawatt of renewable, the STATCOM market is really, really big, okay? So just to give the kind of projects we have got, we see at least another 10 projects, 15 projects are in the pipeline. So it might take a couple of more years, but that's the kind of scale what we are looking at.

And on the second question about the localization, as I said, I have already covered. Most of this project to the extent of 75%, 80%, we do everything locally here. Different factories and engineering centers, but most of them, we do it here in India.

Renu Baid: That's impressive. And just last one question. Given that in the recent few weeks, we have seen one of your global peers are being under major financial crisis. Do you think this will probably may have any impact on the competitive intensity that you face in the domestic market or from global projects in the high-voltage – extra high-voltage segment of the market?

Nuguri Venu: No. I didn't get you – sorry, can you just repeat your question, if you don't mind, Renu?

Renu Baid: Yes. Sir, my question is one of your global peers, the parent has been struggling on the financial crisis in the last few weeks with presence in domestic market as well. Do you think with this issue or they may be less competitive or in terms of intensity when we look at large projects, including HVDC, in the domestic market? So, do you perceive any difference in the competitive intensity in the market in the near term because of the financial crisis that they're facing at the group level?

Nuguri Venu: No, I don't -- Renu, I don't think I can comment about that company. So we -- normally, our strategy is always in a very long term, very robust. And we don't look at one company having a challenge and then we take our strategy. We have a very -- as you have seen since last several quarters, we have continued to build a robust manufacturing year. In the last one year, we have opened the three new Greenfield factories. So that really shows that we want to do more locally here and for India and also rest of the world. So that has been the strategy, and we are going ahead in line with that.

Renu Baid: Thank you very much and best wishes, sir. Thank you.

Nuguri Venu: Thank you.

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

Mohit Kumar: Yes. Thanks for the opportunity, sir. My first question is on the HVDC. If I remember correctly, we had asked for extension of the pipeline in the sense we are looking to execute the HVDC, you're asking for more than 60 months for the Pole 1 and Pole 2 maybe more another six months. Do you still maintain that constant execute? Or do you think that things have improved the margin and we can and the Power Grid and the bidding agency can continue at the original pace? Or do you think that we need some extension?

Nuguri Venu: First of all, we have not asked for any extension. So we are talking about an industry-wide challenge you may be talking about it. So it depends upon. This is - the whole HVDC market is, Mohit, if I can give you a little bit of picture on that. Whole HVDC market globally is really exploding in that. So here, we need a different set of way to do that. There are many utilities in the Europe, they are ordering now for the project which is required in 2030, 2031 because you need to do a lot of work like engineering, etcetera, in that.

All we are telling is that you also -- we also need to plant in a different way. You start and then having an engineering and you do complete engineering on one project and execute two, three projects. If you really want to meet up the schedule, we have to do the different way compared to what we have been doing it.

If we continue to do what we have been doing, then we will not do in a traditional your 48 months or 44 months, you need a little bit more than that. So that is what we are articulating with our stakeholders with that.

We have HVDC market is exploding, which is also going to go in India because this is exactly what we have been saying that in a country like India used to have a one HVDC project for every four years, five years, now you need to have at least one HVDC project per year. So that can happen only if we are having a different way of doing it. You engineer it once time you do, and you will do the repetitive way of doing two, three projects in that. So that…

Mohit Kumar: Have you extended the timelines? Or is it the format on that? Or is the timelines?

Nuguri Venu: I think they are working in between. I don't think it will be done. But there is in between position, they're taking.

Mohit Kumar: Understood, sir. Secondly, sir, do we still maintain the target of achieving or aspiring for EBITDA margin of 10% in next by FY '25? Is that a fair assumption?

Nuguri Venu: Yes. We said at the end of FY '25, we said. End of FY '25 is what we enter double-digit EBITDA margin.

Mohit Kumar: Understood. And we should see a gradual improvement as we -- as you progress, right?

Nuguri Venu: Yes.

Mohit Kumar: My last question is, sir, you can substitute for STATCOM given that renewables are happening at a larger pace. Is it right to say that there's absolutely no substitute for a STATCOM and the STATCOM requirement will only explode not only in India and export and really one of the preferred factory to supply for all for the global requirement?

Nuguri Venu: So Mohit, what we were saying is that, we are looking in India in a very strategic standpoint, while -- the first and foremost we are creating the factories that we want to be successful in this market. So that's the number one. So we are creating this -- all these factories and our engineering centers, etcetera, to cater the things. But at the same time, we are also looking at exporting some of these to other countries.

Mohit Kumar: The pipeline is looking like at this point of time, do you think this market is only going to explode?

Nuguri Venu: Sorry?

Mohit Kumar: Do you think this market is only going to -- in the sense, there's increasing STATCOM requirement every year as we go forward?

Nuguri Venu: Yes, absolutely. STATCOMs are very crucial in managing the renewable integration, okay? So as the renewables are going up, getting added into the grid, so the requirement of the STATCOMs are going to go up. So it's absolutely that.

Mohit Kumar: Thank you/ All the best.

Moderator: Thank you. Our next question is from the line of Priyank from Vallum Capital. Please go ahead.

Priyank: Yes. Hi, thanks for the opportunity. Sir, my question is on the order inflow. Well, you have seen a strong order inflow in this quarter. Do you want to mention if there is any large single order inflow that you have availed in this quarter? Or is it a combination of multiple smaller order inflows, as you have explained in one of your slides?

Nuguri Venu: Yes. So as I said, we have received a one large HP STATCOM order, but it is not as big as what we used to have like HVDC kind of projects in that. It's a large project, but it is not a mega project. We also received a lot of other medium-sized projects in that. Like we said, in 300-megawatt renewable for balance of system, and we also received for -- hydro projects, the generated transformers. So it's a combination of various orders.

Priyank: And sir, does this -- just to clarify, doe this STATCOM order gets classified into your project order because that makes us seen a significant increase? And does this have a good potential margins in the current order book?

Nuguri Venu: So margins, we were not able to comment on our existing thinking that yes, the STATCOM order is a project order. So that's why if you have seen our slide, which has also reflected in a higher project compared to the previous quarter.

Priyank: Perfect. That's clarified. My second question is on, again, HVDC. Considering the project pipeline what you have been alluding for many quarters now, how has been the competitive intensity while you have been placing your bids for Bhadla as well as if you can help us update on the feasibility study that you will be doing in for Leh-Ladakh project, that would be helpful?

Nuguri Venu: Yes. On HVDC, as we have been telling, we have been working primarily to have more local content, localizing and including the competency, etcetera. So that has been going very well, and that will enable being more competitive. And so that's our plan and then things are going in line with our plan.

And when it comes to the Leh project where we are doing the feasibility study, so we have to submit our results by first quarter of the next calendar year or before March 2024. I think we are on track, and we will be submitting on or before our due date.

Priyank: And sir, on the Mumbai HVDC project is moving as per schedule, right? You shall be booking revenues from Q4 of this financial year. Am I right?

Nuguri Venu: Right. That's going well with that. And the bulk of the revenues, as already said, will start flowing in from Q4 and the Q1 of next financial year.

Priyank: Sure. Just last question from my side. On the other emerging segments, Hitachi was known for working on the many emerging projects like kind of a flash charging for EVs. If you can help us to know the developments on that side? And on the bookkeeping questions, what would be the service and exports revenue contribution in this current revenue as well as the Lumada platform contribution in this quarter?

Nuguri Venu: Thank you, Priyank. You asked too many questions. So let me try to answer as many as I can. So, on questions about Hitachi, your first question was about the charging -- flash charging. That's not about Hitachi. That's, again Hitachi Energy. The technology, we owned it, and we have also implemented that in many countries.

So, we have -- that we announced also pilot here some time back. And it's got slightly getting delayed, but now I think we are getting there. The whole idea for the technology is to localize the technology. So, we are now focusing on localizing the technology.

While localizing the technology, we are in touch with the various stakeholders, such as the bus manufacturers to have the partners and also various other component manufacturers to have kind of a partnership so that we are able to bring that technology at the cost which is required by this market. So that's the number one.

On the Lumada side, we have -- as you know, Hitachi has invested heavily on IoT platform called Lumada. So, once we become part of the Hitachi ownership, we are also looking at how we can offer some of our offerings on the Lumada platforms. For example, we have recently announced Lumada Insights. Lumada -- for example, we have a product called Vegetation Management. And many of these transmission lines will get tripped due to the vegetation -- growth of vegetation and touching the line.

So we come out with a product with drone technology -- using the drone technology and also using a satellite technology, and we can offer that in the Lumada platform where we can offer to our customers if they give the profile of their transmission line, so where we can say that which area of that particular thing they're going to have the problem with the growth of the vegetation and we can also offer them the cutting -- schedule of those growth. So, these are just to give you a couple of examples that how we are now bringing those portfolio technology with the Lumada platforms. Thank you.

Moderator: Mr. Priyank maybe request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Thank you, sir. Our next question is from the line of Sunaina Chhabria from Chola Securities. Please go ahead.

Sunaina Chhabria: Yes. Good evening, sir. So, my first question is regarding the transmission and distribution business. So, for, let's say, a company to set up a renewable energy plant, it would cost maybe INR 6,000 crores to INR 7,000 crores. What is the wallet share of Hitachi Energy and the transformers and the other equipment that they provide within that kind of a setup?

Nuguri Venu: You're talking about general or I didn't get your question correctly Sunaina?

Sunaina Chhabria: Yes. So I will just repeat. What I meant is, is that if a renewable energy generation power plant is set up, and it would cost maybe INR 5,000 crores to INR 6,000 crores depending on the source of energy, what is Hitachi Energy's wallet share within this? What is the kind of revenue that they would get from a setting up, let's say, a 1-gigawatt plant within the transmission and distribution?

Nuguri Venu: So, what we -- again, it depends upon the configuration, etcetera. Suppose a pure play, a vanilla solar plant or something like that, our portfolio is in the range of 20% plus/minus this 1% to this way or that way. Suppose if there's either large-scale solar plant with combined with energy storage, etcetera, then it will be much higher in that. Suppose if this includes like a STATCOMs, etcetera, then it will go even up to 40% kind of thing. So, it depends upon what's the configuration and what kind of business models. So those are the one deciding factors in that.

Sunaina Chhabria: Okay. And just a follow-up question to that. With the HVDC projects like you had mentioned, the frequency of these projects in India has increased to around

1 a year. So, with this setting up an HVDC project, what is the company's wallet share over there?

Nuguri Venu: As you know, probably Sunaina, this HVDC technology, we have actually invented way back in 50 years back. So, our wallet share suppose if we take the existing projects, we have at least 7 out of the 13 projects runs with our technology. And this is also the case globally in there. So, we have quite a high market share, almost close to 50%, and we continuously invent on this technology. That's basically great about it. We are bringing the technology, which is - we are bringing the footprint of the technology. We are bringing the losses of this further.

So those are the things and not only that, we have the execution center, which is a very high intense technology thing where we have opened a competency center in India. This competency center, not only serve the projects outside of India, but also serve projects within India. This technology and innovation center has a key enabler in bringing the competitiveness of these projects going forward.

Sunaina Chhabria: Okay. Just my final question. So, like it was mentioned that there is a guidance for reaching an operating margin of 10% by the end of FY '25. We can see that this quarter, the company has done about 5.3%. So, within this particular industry, the competitors have a margin from 8% to 12%. Can you elaborate a little on why the company has a lower operating margin within the industry?

Nuguri Venu: Yes. So, I think the reason we have already told is that because we are part of the previous ownership, and then we are coming out and carving out. While carved out, there we have -- there is a lot of cost happened in between. Overlapping of those costs, etcetera, is another reason. And then we have also used a lot of cash for capex-related things for future growth. And in addition to that, we have very clear -- I don't want to compare and all for which company you're talking about, at least in our areas where we are not seeing those kinds of margins at least that.

But notwithstanding that, we want to be like - on the growth side, we are a very leading player. We are the market-leading growth company, and we would also like to come a market-leading margin company over a period of time. So we are making steps. So, as I said, we are sequentially improving. We set ourselves target and we will move on that. So, our growth levers are continued to drive our domestic market, improve on the exports and the service.

So, we set ourselves exports to be 25% by 2023. We have reached at least 1 year ahead of the curve of our own target in that. So that is how we are building up the company in a more profitable and sustainable while investing in the growth.

Sunaina Chhabria: Thankyou so much sir, best wishes for the future.

Moderator: Our next question is from the line of Bhavin Vithlani from SBI Mutual Funds.

Bhavin Vithlani: Good Evening Venu and congratulations for the orders, if you could help me the INR 1,700 crores orders, what would be the size of the STATCOM? You mentioned there are several others of a similar size just to get the size of the addressable pie?

Nuguri Venu: So Bhavin, thank you for your question. Unfortunately, I cannot give you that -- the order value exactly because, as I told you that, we have several projects lined up, so don't want to do that. But you can guess the size by yourselves. It's a couple of hundred crores.

Bhavin Vithlani: Fair. The second question is because when we look through the results of your parent company where order backlog has more than doubled to greater than $20 billion. And when it comes to some of these HVDC projects and some of the other projects where there is an import dependence from your parent entities.

So, if you could just help us understand about supply chain? And given that we are also seeing an upswing in India and you expect this to last for a few years. How are you dealing with the supply chain? And what is the kind of augmentation that you are doing in terms of developing the local vendors so that the 4- 5year opportunity that you are talking about, you should be able to capitalize the maximum out of it?

Nuguri Venu: Yes. So, thank you for the very, very interesting question. As you rightly said, our global organization has used -- built up a huge order backlog, one of the highest order backlog I would say. And same is the case, which is also reflected in our company, right, which is INR 7,500 crores out of backlog, which is also highest thing. And so these are definitely a huge challenge on the supply chain, and that's exactly -- we started building up this new factory -- a new facility right from the day when we carved out.

We have not stopped investing even during the COVID time. So, from last 4 years -- last 1 year, we have inaugurated three greenfield factories. And in the last 3-4 years, we have added at least capacity expansion, other things in the range of 7 to 8 greenfield and brownfield factories in that. So, we have seen this coming in. It's not a surprise for us. We have seen this coming in. So, we have been working, first, internally invest in ourselves, expanding the capacity and bringing in a new technology and making it in locally here, that's number one.

And number two, while doing so, we are also working and developing our supply chains here. For example, casting, we use a lot of castings in GIS. So, we started working in developing the casting manufacturers locally here. So whole idea is to make this entire supply chain available in India going forward. In the localization projects -- several localization projects, do not call it localization, we call it value engineering project right from the end-to-end, we want to do that. So those projects are progressing. I would say they are making very good progress in some of those lines.

Bhavin Vithlani: Great. And just lastly, on the gross margin, which is your raw material margins, we have seen a slight dip in this quarter. But as we are seeing very sharp increase in the order booking for you and for the entire sector. In the bids that you have seen at least in the last 3- 6 months, have we seen an upward trajectory in the bidding margins? And correspondingly, if you could also talk about the competitive landscape, have you seen a better discipline amongst the competition?

Nuguri Venu: Yes. So maybe I think the first question, I'll ask our CFO, Ajay to talk about it, then I'll come back and answer on the second one.

Ajay Singh: Okay. Thank you for the question. So basically, if you see the margin which I explained earlier in this particular quarter is mainly coming from the product mix. And if you see our earlier quarters also, our margins, basically, we see it hovers. There's a gap of roughly 1% or 2% that we see. So only the product mix, that has pulled us down. But going forward, with the kind of backlog that we're having, we are very much now confident that we'll again pull back. So that is how I would say on the margin side. Maybe Venu, you can comment on the...

Nuguri Venu: Yes. I think I would say there is an uptick -- in a slight uptick and the price levels in India is always competitive. We don't see that price levels in India is moving up so drastically compared to the market. But having said that, there is a slight uptick in our pricing. So, we are also driving the pricing excellence as part of our strategy and go-to-market strategy in that.

Bhavin Vithlani: Sir, just a follow-up. So leaving the quarterly variabilities aside, where do you see the gross margins sustain for us?

Nuguri Venu: We said very clearly, right? Our plan is to enter double EBITDA margin by end of FY '25, and that is how we are looking at it.

Moderator: Our next question is from the line of Harshit Patel from Equirus Securities.

Harshit Patel: Sir, you spoke about the Badhla – Fatehpur project HVDC project coming for the bidding. Could you indicate what is the size of this project? I mean, what would be the HVDC component in that?

Nuguri Venu: No. The size of the project, both including transmission line and the converter station, is very huge. But our addressable market is anywhere between INR6,000 to INR8,000 crores depending upon the business model, how they award, etcetera, like that.

Harshit Patel: Understood. Sir, just a follow-up to that. Do you think this would be tendered on a single vendor basis or there would be multiple parties involved in the HVDC converter station itself?

Nuguri Venu: No. I don't think it will be tendered in a single bid basis. It will be always a multiple. And it will come for a competitive bidding, and I'm sure whoever wins, they will get that right.

Harshit Patel: Understood. The second question is on the Mumbai HVDC project that we have. I believe the original timelines to execute is 38 months. So, does that stand as it is?

Nuguri Venu: Yes. As of now, we are on track, plus/minus 1- 2 months here and there. Otherwise, we are very much on track.

Moderator: Our next question is from the line of Renu Baid from IIFL Securities.

Renu Baid: Two bookkeeping questions. A, what is the share of exports and revenues and orders for us? Presentation mentioned Y-o-Y growth.

Nuguri Venu: Yes. Share of exports?

Renu Baid: Yes, in revenues and orders.

Nuguri Venu: No, we are, again -- we set ourselves as a target to reach 25%, both in terms of our orders as well as on the revenue. I think we are trending in the similar direction as of now.

Renu Baid: Okay. And the targeted capex for fiscal '24 and broad escalations for fiscal '25?

Nuguri Venu: On the capex, if you really look at it in the last 4 years, our capex is in the range of INR 100 crores per year. So that is not only we will sustain that, but we are looking at further augmenting that.

Renu Baid: Sure. And lastly, Venu, just to understand a bit more, while in your opening comments, you did mention about energy storage picking up in the country. What kind of addressable market opportunity can this open for Hitachi in terms of cost and value?

Nuguri Venu: Yes. I said, energy storage, the government has approved the viability gap funding of INR 3,000, plus INR 3,700 crores something like that. So that will enable these projects to become a business case, right? Because the battery prices are very high. Things -- our addressable market in this, Renu, is except the battery, let's all we can do that. And last question may be.

Moderator: Next question is from the line of Amit Mahawar from UBS.

Amit Mahawar: Just two quick questions. First is, so we've seen the best case industry size for you, maybe a decade ago was more than INR 20,000 crores. Today, it seems to be around INR 15,000 crores, INR 16,000 crores, if I am not wrong.

Nuguri Venu: What you said?

Amit Mahawar: INR 15,000 crores, INR 16,000 crores equipment market -- in transmission equipment market.

Nuguri Venu: Okay.

Amit Mahawar: So how do you see your addressable market panning out in the next 2- 3 years, assuming we have 1 HVDC every year and we have a significant portion in renewable portfolio, which is maybe one third of transmission market annually in India being in technology space where you are having strong global leadership. How are you placed vis-a-vis maybe 10 years ago vis-a-vis 2 of your global competition in India? And you can maybe specify on the extent of localization you do vis-a-vis both of them? That's my first question.

Nuguri Venu: So I do not know your calculation, but we have our own modelling, etcetera. Just to tell you, Amit, we operate not only on the utilities, T&D is for sure is the thing, but we also work on industries and the rail. Rail is another big market for us. Rail, not only the metro projects, but rail electrification and the new modernization of the rail coaches, etcetera, like that. So that's the thing. And then high-speed rails -- in addition to that, high-speed rails. So that is how we look at our market as a total utilities, industries and infrastructure, which includes rail.

So, the market is definitely growing, okay, growing with a high single -- mid-single-digit and might go high-single-digit going forward. But what we are also looking at it, if you really look at in the last couple of years -- a couple of quarters, we have been growing very high double digit. So how we are growing is primarily because we brought a lot of optimizations, localization of our technology.

We have opened our new factories, greenfield projects. We'll start producing it a very state-of-the-art equipment, such as HVDCs, STATCOMs in locally here. And that is how we have been able to compete and then win projects locally in that. So that is how our strategy, and we continue going forward.

Amit Mahawar: Sure. And maybe second question on -- following up on Bhavin's question of supply chain. Is my understanding correct, Venu, that we've been consolidating the supply chain, and we will be working with less, but very strong suppliers, whether it's stampings, castings, etcetera, and hence, will move towards more efficient procurement?

Nuguri Venu: No. I won't say that it is less strong for sure. The whole idea of building the robust supply chain is to bring the efficient -- of course, quality is given because then we are looking at sending the parts from here to the rest of the world, the quality has to be superlative, exceptionally high. So that is how we are working with our suppliers, a long-term program.

It's not onetime. Okay, you have this project and you go, get on there. That is not the way. For example, when we give an example of our casting, we have the example of heat farms, which are very crucial components in our products. So, the supply chain, we are building the robust supply chain in India to taking care of these kind of things in that.

Amit Mahawar: Okay. And maybe one last question before to go. Vis-a-vis we passed HVDC contracts in India and your company has been at the forefront of educating the power grids in India on the HVDC in the last couple of decades. How competitive you are vis-a-vis the last few expertise's that India has seen, and Hitachi has done for at this time around?

Nuguri Venu: No, I think when it above, we have been taking a lot of actions. We don't -- even though this technology we have invented, we are primary. Today, we have not only in India, globally, more than 50% or close to 50% installed base runs in our -- through our technology. So, when we have that kind of thing, we don't take any chances. We continue to reinvent, reinvest into our processes, optimization, localization, and those are the things we continue to do that.

And we believe with that, we should be in a better position to compete in these projects. And if you really look at our past experience, it shows that we won HVDC Mumbai project last year, and we are looking forward to others.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question of our question-and-answer session. I would now like to hand the conference over to Mr. N. Venu for closing comments.

Nuguri Venu: Yes. Thank you very much once again for taking time from your busy schedule and attending to that. And I hope we could answer most of your questions. But should you need anything more, please do not hesitate to reach out to us, happy to engage with you guys. And, also I want to take this opportunity to wish you and your family, your loved one's festive greetings, happy Diwali and take care and be safe. Thank you.

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