Management Discussion

Priyanka Bhagat - Head of Investor Relations, Hitachi Energy India Limited
Good evening everyone, and thank you for joining Hitachi Energy India's Q2 Financial Year '27 earnings conference call. We appreciate your continued interest in the company and welcome this opportunity to take you through the performance of the company. Before we begin, I would like to remind everyone that certain statements made during the- today's call may constitute forward-looking statements. These are based on our current expectations and are subject to risk and uncertainties that may cause actual results to differ materially from those expressed or implied.

With that, I am pleased to invite Mr. N. Venu, Managing Director and CEO of Hitachi Energy India, to share his perspective on our performance.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Thank you, Priyanka, and good evening, ladies and gentlemen. Thank you very much for joining our Hitachi Energy India's Q2 earnings conference call. Let me begin by wishing all of you a belated happy Diwali. Hope this Diwali will bring to you and your families and loved ones a lot of prosperity, happiness, wealth, and health. And today we announced our results for the second quarter and first half of FY '27. Well, I will take you through our performance and some of the key developments during this period.

You can follow the presentation through the webcast or download it from the stock exchange website. I will refer to the relevant slide numbers as we progress. So I'm joined today by our CFO Ajay Singh, I'm Poovanna Ammatanda, General Counsel and Company Secretary. Before we turn to the numbers, let me briefly share how we see the energy landscape evolving in India. Electrification is expanding across industry, mobility, infrastructure, and households, while the way electricity is generated and consumed is also changing.

Electricity is becoming backbone of India's economic growth. And like the International Energy Agency suggests, we are in the age of electricity. India's grid investment cycle is being driven by a structural transformation in how electricity is generated, transmitted, and consumed. Renewables, electrification, and digital infrastructure are reinforcing this long-term need. We are moving from relatively centralized and predictable generation and consumption to a much more distributed, dynamic, and electricity-intensive system.

Renewables are changing where and when power is generated. Rooftop solar is creating two-way power flows. Electrification is adding new sources of demand, and data centers and AI are adding another layer of concentrated power requirements. Electricity is becoming central to India's economic growth. And in these times, it has become critical to India's energy security too. All this places the grid at the center of the transition. The grid now needs to do much more than transmit electricity. It needs to balance variability, manage bidirectional power flows, respond to changing demand patterns, and maintain reliability in real time.

That requires continued investments in transmission, substations, grid expansions, digitalization, automation, protection, control, storage, and many more things. And importantly, these investments need to happen ahead of demand, not after it. Grid infrastructure takes years to plan and build. What we are investing in today must therefore be ready for the electricity system India will need tomorrow. Energy security further strengthens this imperative. Renewable energy, electrification, and localizations are increasingly important not only from a sustainability perspective but also for India's resilience and competitiveness.

For Hitachi Energy India, this structural transformation plays directly to the breadth of our portfolio and capabilities. Our focus remains clear: execute with the discipline today while investing in the capacity, technology, talent required for the grid of tomorrow. With that, let me take you through the performance for this Q2 and also first half of financial year '27, and I go to slide number 3. Which is our license to operate. Safety at Hitachi Energy- safety, integrity, quality are our license to operate and remain fundamental to how we run our businesses.

During the first half, we conducted more than 1,100 life-saving rule inspections and more than 2,000 safety observation tours, enabling us to close all high-risk hazards identified during the period. We also continued our health and safety programs and training across our facilities keeps us firmly focused on achieving our total recordable injury frequency rate of 0.09. So at Hitachi Energy, our motto is to ensure that people who work for us directly or indirectly, they go home safely every day.

And moving to the next slide, slide number 4, this is another very important from our standpoint, the ESG progress against our, targets. Sustainability continues to be central to our strategy, particularly the decarbonization of our operations. We expect to achieve most of our 2030 sustainability targets by end of this financial year. So basically, we are two years ahead of our own set targets. Our progress is also being recognized externally. During the quarter, our Peenya plant in, Bangalore received the Excellence in Waste Management Award from Federation of Karnataka Chambers of Commerce in association with the UN Global Compact Network India.

At the same time, our CRISIL ESG score improved from 61 in 2025 to 69 in 2026, reflecting the progress we continue to make across our sustainability agenda. Moving to slide number 5, as you know, India's energy transition continues to drive investments across the grid supported by renewable generation and electrification and growing digital infrastructure. So renewable energy capacity reached almost 300 gigawatts, to be specific, 299.25. By the end of September 2027- end of September 2026, sorry- against India's 900 gigawatt ambition for 2035-36.

As generation capacity expands, the focus is increasingly shifting towards the transmission and storage infrastructure required to connect these new sources of power with the demand. More importantly, long-term plans are now translating into approvals and investments. The recent cabinet approvals including PM Dhara and Green Energy Corridor Phase 3 represent another step in this direction with around INR1.86 lakh crore of investments moving forward including investment toward 50 gigawatt-hour of battery energy storage.

In addition to this, to support large-scale renewable energy integration, India has approved first-ever 1150 kV AC system to strengthen inter-regional connectivity. This transition from planning to approval reinforces our conviction that grid investment is a multi-year structural opportunity consistent with the outlook we have been communicating over the past several quarters. Data centers represent another opportunity. The market outlook projects Operational capacity of 5 to 8 gigawatts by 2030, compared to the 1.57 gigawatts in August '26.

Electricity demand from data centers could reach anywhere between 15 to 17 gigawatts by 2032. Please note all these are market projections based on various reports, CEA and other things, rather than our company guidance. The slide also highlights developments in nuclear power, mobility, and semiconductors. Together, these areas broaden the requirements for a reliable electricity infrastructure. And if I go to slide number 6, so against this market backdrop, we secured orders worth INR4,120.8 crores during Q2 FY '27.

FY '27, taking our first half of '27 order intake to INR9,217 crores. To provide a more meaningful view of the underlying business momentum, we have also presented order growth excluding HVDC.

On this comparable basis, the Q2 FY '27 orders intake grew by 85.9% year-on-year and 21.8% quarter-on-quarter. For H1 FY '27, order intake grew 53.1% compared with H1 FY '26, reflecting strong momentum across the underlying base businesses covering renewable transmission infrastructure, industries, data centers, etc.

This strong order momentum was complemented by disciplined execution. During Q2 FY '27, revenues reached INR2,996.5 crores increasing to 63.5% year-on-year and 20.2% quarter-on-quarter. This took our half-year FY '27 revenues to INR5,490.2 crores, up 65.8% compared with H1 FY '26. Despite the product mix executed during the quarter, continued supply chain pressures, and raw metal price escalation, we maintained a healthy double-digit operational EBITDA margin of 16.5% in Q2 FY '27, Demonstrating the resilience of our operations and continued execution discipline.

Growth in order intake during the quarter was supported by wins across segments. Among the key orders were four TBCB orders from the two leading EPC players, including a STATCOM order. In grid automation, we secured multiple orders from the two leading utilities, further strengthening our portfolio of strategic wins. We also continue to see strong traction in data center segment with multiple orders from the global hyperscalers, also the local, colos. What makes this quarter particularly noteworthy is the breadth of our service orders, including an order from a semiconductor customer reflecting the expanding application of our technologies across emerging high-growth sectors.

As a result, we closed the quarter with a strong order backlog of INR33,335.4 crores representing a robust double-digit growth year-on-yearand providing a healthy revenue visibility for the coming quarters and years. If I move to the next slide, slide number 7, technology leadership must be matched by reliable project execution, and that has been our hallmark for several quarters. During the quarter, we delivered several notable projects across grid infrastructure. We have delivered the first of its kind, India's first grid-forming, start-com projects, 400 kV, two times 550 MVA start-com projects in, in Fatehgarh.

And this is the first grid-forming start-com project in India. And similarly, we delivered several- we commissioned several grid automation orders for the larger pooling substation in southern India. Designed to evacuate over 10.5 gigawatts of power, 220 kVA substation in Karnataka, 220 kVA switchyard extension in Odisha. Beyond these achievements, we are proud to highlight the inauguration of our major grid automation project for the country's largest power utility, covering more than 180,000 circuit kilometers of transmission line.

These projects reinforce our execution strength across industries, segments, and geographies. Our end-to-end capabilities enable us to deliver reliable solutions on a scale supporting our customers and the modernization of the power grid. Beyond project delivery, we continue to invest in capacity building to support long-term growth, which we are going to discuss in the next slide. And this is the slide we are also started giving first time for you to understand how our capex, buildup is progressing well.

With a robust order backlog and a strong opportunity pipeline ahead of us, we have been saying this, we continue to invest ahead of demand to position the business for the next phase of growth. We have communicated these investments to the market over time, and I would now like to give you a perspective on how they are strengthening our readiness across the portfolio. Our capex program spans several strategic projects across transformer, high voltage, grid automation, HVDC, and, also the transformer components, etc.

These investments are not only about adding capacity, they are about ensuring that we have the scale and we bring the technology and also localize those technology and the manufacturing readiness to capture the opportunities emerging from the continued expansion and modernization of the grid. Majority of- as you can see from the traffic lights of each individual boxes, majority of these projects are targeted at completion by the end of the next year, progressively adding capacity across our portfolio.

In parallel, our new large power transformer facility which we just announced and started is targeted for 2028, further strengthening our long-term manufacturing capabilities. Moving to slide 9, progress requires diverse perspective, healthy debates, and willingness to navigate trade-offs together, which came as the essence of this conversation. We actively engage advocacy in India's energy future through collaborations and leadership in that. During the quarter, we engaged in talent development, innovation, and industry thought leadership through several key initiatives.

The first one is India-Japan Annual Summit in the presence of Honorable Prime Minister Shri Narendra Modi ji, as well as Honorable Prime Minister of Japan, Sanae Takeya ji, where we have participated in the engagement of the dialogues and also looking at how the, the developments will take place between India and Japan. [Foreign Speech] energy transition accelerates conversations with peers across the sector help us better understand how the grid must evolve to meet changing demands, gatherings like CIGRE 2026 demonstrate productive discussions with customers, partners and global energy leaders, focus on lon to accelerate the development of India's clean energy infrastructure.

Hosted engineer students at Vadodara Energy Technology Experience Center is a great example of how companies can build future-ready talents by bridging the gap between education and real-time experience. If I move to the next slide, slide number 10, order growth in the domestic market excluding HVDC orders during Q2 FY '26 was driven by a strong momentum across transmission industries and data center. Looking at the order mix, products remain the largest component at 60% while the project share increased to 34%.

Service represented just 7% of our orders. The sectoral mix became more balanced compared with the utility-heavy mix last year. We also saw a shift in domestic channels with EPC OEM customers accounting for higher share of orders than in the previous year. Overall, the quarter's order composition shows a larger contribution from projects and a broader domestic sector mix. These percentages describe the composition of orders, so change in shares should not be interpreted as a change in absolute order value.

If I move to the next slide, which is very, very important, export and service orders are our key levers of growth and the bottom line. Our service business is demonstrating strong momentum. As you know that we started the service business on 1st of April 2025, and with the focus on to leverage our service and digital-enabled orders. And with order- this quarter order intake growing 77% year-on-yearin a Q2 FY '27. This growth was broad-based with wins across utilities industry and EPC customers for digitally enabled services and service level agreements.

GIS augmentation and extension for substations. Our export business also maintained healthy momentum. The export orders in Q2 FY '27 grew 41% year-on-year, with wins spanning Asia, Africa, Middle East, Europe, and USA. This geographic breadth reflects a growing role of our Indian operations in serving both domestic and global demand in that For the next two slides, I now hand over the call to our CFO Ajay Singh for a detailed analysis of our financial performance. Over to you, and we move to slide number 11. Ajay,

Ajay Singh - Chief Financial Officer, Hitachi Energy India Limited
Thank you, and good evening everyone. So I'll just run through the financial performance for the Q2. So if you see the slide for the Q2 standalone, the order booking was INR4,120 crores. So basically, if you see comparison year-on-year, 85.9% growth. And even if you see half-yearly basis, we reached INR9,217 crores of order. And if I compare with the last year, order book of last year, yeah, there is a dip of 32%. But if you remove the HVDC order, then the growth is 53% if I compare on a half-yearly basis.

The revenue from operations was INR2,996 crores with the robust execution of the order backlog. And we achieved 63.5% growth Y-on-Y on the revenues. And the same growth, if I compare on a half-yearly basis, we reached INR5,490 crores, again showing a huge growth of 65.8% over the same period last year. PBT grew by 22%, that is INR430 crores. And basically, and even if I talk about quarter-on-quarter PBT growth was 10.5%. And again, if I see on a half-yearly basis PBT grew to INR819.9 crore, that is 54.8% growth.

PAT, we touched INR318.5 crore, which is 20.5% growth compared to Y-on-Y. And on a half-yearly basis, if you see, we reached INR612 crore, which is 54.7% growth compared on the half-yearly basis. Operational EBITDA, we grew by 69.5% Y-on-Y, that is INR494.4 crores. And again, if you see the same period H1, nearly we doubled. We grew by 93.7%, that is, we reached 894.3 crores against the same period 461.8 crores. Operational EBITDA margin, if you see, we have achieved 16.5%. And if I compare with the previous, quarter, that is 16%.

If I compare Y-on-quarters 15.9%. And also, if I compare on a half-yearly basis, it is 16.3% compared to the same period, 13.9%. So here it is very also important to highlight that our PBT and PAT basically for the quarter include the impact of unrealized forex loss of roughly INR88 crores, which is basically notional in nature. So what I am trying to tell accordingly The EBITDA provides a clearer view of the underlying operational performance and the resilience of the business during the quarter. If I go to the next slide here, if I talk a little bit more in details, if you see for the first three months ending 30/09/26, in this quarter revenues were INR2,996 crores.

Other income INR56 crores, INR56.8 is majorly coming, majorly coming from the interest income on the deposits that we have put into the bank. Our material cost, if you see, is 61.7%. The material cost basically is, moving based on the product mix that we have executed. If you see the material cost of the same period, I mean, on the half-yearly basis, that is, 31/3/26 year ended up till half-yearly basis, I am talking about 31/3/26, our material cost was 59.8%. And also, if you see on a half-yearly basis, our metal cost was 60.7%.

So there is a development here. Majorly it is coming from the product mix. Personal expenses are 6.2% for the quarter. Operational expenses, that is other expenses, is 16.6%. In this quarter, we have exchange and commodity loss of INR56 crores, that is 1.9%. Depreciation and finance costs are in line. And overall, if you see, we closed INR430.4 crore, that is 14.4%. PAT INR318.5 crore, that is 10.6%. So overall, I would say in this quarter operationally, I think whatever we have been talking, we have been going in that direction only.

With this, I would like to hand over to Venu for the next slides.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Thank you, Ajay. And, go to the last slide before we open up the questions for Q&A. Our priority- the first half of the year demonstrates the strength of our business model and disciplined execution. We delivered the strong growth in orders, revenue, and profitability while continuing to invest in

capacity, technology, and talent. Our record order backlog and healthy bidding pipeline provides strong visibility for growth. Our focus is on translating this opportunity into disciplined execution and sustainable value creation.

For FY '27, our priorities- the remaining, year of the FY '27, our priorities remain clear: strengthen our core businesses in utilities, in HVDC, build up momentum in mobility, enhance our service businesses, and focus on the industries and the transport sector. And we will also pursue opportunities in battery energy storage and data center while expanding our ports and digital businesses. Our priority is to convert our strong order backlog into profitable growth supported by capacity expansion, operational excellence, productivity, quality, and customer satisfaction.

Alongside this, we will continue to upskill and cross-skill our workforce to build the capabilities required for the energy transition and our long-term growth and our long-term vision. We remain confident in our ability to create long-term value for all stakeholders while contributing to a more resilient, secure, and sustainable energy future. So with that, we now like to open the floor for the Q&A. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question-and-answer session [Operator Instructions]. We'll take our first question from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar - Analyst, ICICI Securities
Yes, good evening. Congratulations on a very good quarter and thanks for the opportunity. my, my first question is, sir, can you just talk about the execution of physical progress of both the HVDC contracts, Bhadla to Fatehpu and Khavda to Nagpur, and what percentage of contracts has been booked in revenues till date? If not, when do we expect the revenue booking to start?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah, so the execution, as you know, we started- I have been saying this consistently that our execution starts as soon as we get the project, because execution means we start doing the engineering and we start doing, complete, securing the long lead items like semiconductor, etc., which are- because for us those things are very standalone items, so we start placing the orders or getting those things, as the case may be in that. So the projects are moving in that.

But ballpark, though, if you do the revenues in the range of the first project, Khavda, in the range of around ten percent revenue, and the and the last one is a is a name correct? Bhadla to Fatehpu or Khavda ji? Bhadla to Fatehpu. First one. First one is the Bhadla to Fatehpu, which is the ten percent of revenue, and. The last one, Khavda, is in the range of, 4-5% of revenues has come in cumulatively. Cumulatively.

Mohit Kumar - Analyst, ICICI Securities
Understood, understood. My second question, your data center, are you booking grid-to-rack solutions or only transformers as of now? And are you looking to manufacture the grid-to-rack modular solution in India or importing?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
So grid-to-rack solutions we have already launched. We are discussing with the customers. And

whenever we have those orders, so those grid-to-rack will be manufactured in India. Okay. As we speak, we are booking a combination of various things including not only the transformer, GIS automation, also the substations and network studies, etc.

Mohit Kumar - Analyst, ICICI Securities
Understood, sir. Thank you and all the best, sir. Thank you.

Operator
Thank you. Next question is from the line of Rahul Gajare from Macquarie Capital. Please go ahead.

Rahul Gajare - Analyst, Macquarie Capital
Yeah, hi, good evening. Yeah, hi, thanks for the opportunity. so, you talked about this in your slide 5. Government recently approved this, 1,150 kV transmission line. So I want to understand, how much of this would be imported or how much is localized, for this higher transmission, projects?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Just for information, we are the first one to complete the 1150 kV transformer design, manufacture, and fully tested in India completely. So both from the, big components, if you see the 1150 kV which in our portfolio, the 1150 kV transformer and also the, switchgear, hybrid switchgear, and as well as automation is fully localized in India.

Rahul Gajare - Analyst, Macquarie Capital
Okay, that's great. So on the, on the backlog, I want to understand how much of your backlog is from data center at this point in time, and if possible, if you could split that into a US-specific order from the data center side.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
We, have, as I said, we don't give a backlog with, with any particular thing in that. Just for information, we don't have any orders in our backlog having a US data center.

Rahul Gajare - Analyst, Macquarie Capital
Okay, great. And the last question is on, the service. now, service obviously would be a higher margin business. How much of the service, would be domestic and how much would be overseas? So is it more skewed towards domestic or you started to see increase in service business for the overseas, overseas business also?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Also, we have been saying consistently, Rahul, about our service focus is because we have created a huge installed base in India and we would like to first leverage our service focus in India. And many customers, they are looking forward in that. So today our service focus is predominantly in India, but at the same time, so we are, we are also looking at other geographies going forward in that. But right now it's a, it's a We have a very huge opportunity. That's the reason we are investing in more feet on the ground.

We are also investing in productization of our service offerings to our customers. We are investing in the digital offerings to our customers, and we see a huge amount of traction on that. As I said, almost close to 70% increase in the orders of the service in this quarter, so which is reflecting our efforts on the ground, and also the customers also feeling, the same way what we are looking into that.

Rahul Gajare - Analyst, Macquarie Capital
Sure, sir. This is very helpful. Thank you and all the very best.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Thank you very much.

Operator
Thank you. Next in line is Amit Anwani from PL Capital. Please go ahead.

Amit Anwani - Analyst, Prabhudas Lilladher Pvt Ltd.
Hi, sir. Congrats for the very strong set of numbers. Thank you. Thanks for the opportunity. So first question, on the very strong inflow, we- you also alluded to 9,200 And if we exclude the one large order of 1,700, still the number is quite robust. So just wanted to understand, is this a new run rate? There would be expansion to this? You also highlighted some wins from the EPC players and STATCOM as project wins. Wanted to understand the order pipeline base order in domestic and export.

And in export, you highlighted, the all the data center order wins are ex of USA. So which are the other geographies where we are winning this export data center orders, if you could highlight that?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
So thank you very, much. And, uh, so we don't want to, you know, call this as a run rate for the next quarter, so we don't give that thing. So but what we are looking at is the tailwinds are very strong and it's multiple vectors playing there, you know. We're talking about the renewable because as you look at our portfolio, our portfolio is a little bit broader compared to many other things in that. So as I said, a very mundane language of portfolio is a bridge between the generation and the consumption.

So we have a play in every part of that, including the transportation segment, which many people do not have that. So that's the reason we get multiple focuses, multiple segments on that. And as I said, tailwinds are very strong. And we try to leverage on those tailwinds. And you have seen our expansion plans. And, you know, we have- we will start booking some of the orders for our new factory soon. We have not started yet on that. So we hope that, you know, we will have a decent market share going forward in that, in a base business.

And the second one, when you're talking about your data center, as I said, we do not supply anything to US data center. Okay, we only supply US our power quality products. That's where for the grids and etc. In that, but we do not supply anything to data center. So where are we supplying grids? We are supplying in India, we are supplying the Southeast Asian markets, and we are supplying in the region of Asia-Pac. So those are the regions where we are supplying the data centers at this point in time.

Amit Anwani - Analyst, Prabhudas Lilladher Pvt Ltd.
Sure. Secondly, sir, on the gross margins with the current product mix and order backlog as export has also increased and the service component is also increased. Can we expect gross margins mix to be favorable in coming years? Uh, yeah,

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Directionally, if I ask again, we don't give any guidance, but the directionally, you know, what is, what is happening? Look at, you know, I'll take a step back. We are increasing our revenue growth, so volume leverage is coming in. And exports and services orders are coming in, then those will also

be revenue over a period of time. And your leverage is coming. We are growing higher than the average of that. And then the leverage is coming from both service as well as exports. So if you add all put together, then our fixed cost will even out at some point in time, which is then, the result will be what you are looking forward to.

Amit Anwani - Analyst, Prabhudas Lilladher Pvt Ltd.
Understood, sir. Thank you and all the best, sir. Thanks.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Thank You.

Operator
Thank you. Next question is from the line of Jason Soans from IDBI Capital. Please go ahead.

Jason Soans - Analyst, IDBI Capital
Yeah, sir, thank you so much for taking my question. So first question just pertains to, of course, order inflow growth has been very healthy. Now I just want to talk about revenue execution. So for base orders and exports for the next 1-2 years, I understand we don't give guidance, but directionally, do we see, uh, you know, a healthy growth both in terms of base orders? When I talk about base orders, of course it's ex-HUDC, and exports as well for the next 2-3 years. How do you see, uh, some directionally some color on that?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah, again, I was saying, you know, we are looking at, uh, we are not looking at only at the short-term fixes. We are looking to widely in a long-term horizon. And that's the reason you have seen our slide, and I've given a very clear view on that, how we are investing in multiple facilities, not only one particular product line, because all of our portfolio will go into that. And that's the reason we have our- as a spend is very strong in Indian market for the next- at least we have the visibility right up to 2025.

2035 based on the, you know, not only the CEA guidelines, but whereas our interactions with the customers, authorities, and industry things, we believe that, you know, this will continue for up to 2035. And then the new age things are adding, that is additional, we have not seen that. For example, data center, energy storage is a big opportunity, and we have announced our portfolio and the first order we announced last quarter. So those things will play a role, you know. So our portfolio will take care of, these kind of growth opportunities in that.

So with that, we believe that we will have a very, very strong growth in the base orders going forward, uh, going forward. Uh, if the market remains the same, we will have-

Jason Soans - Analyst, IDBI Capital
Sure. And sir, uh, I mean, of course, uh, there is also some concern on the data center slowdown going ahead. World over itself, you know, in terms of power shortages and or capex, free cash flow, you know, problems for the investing companies. So just, sir, what is your take? How is it going? And of course with the midterm elections in the US as well. So just wanted to know what, are you hearing on the ground in terms of data center slowdown? And if that is the case, do we have, you know, can we recoup orders from other infra segments, you know, to mitigate this risk. Just your take on that.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
So my take was very clear. As you said, data center has come as a positive surprise in the last- when we just started, it was there, but it was a very, low, hanging bat. And, uh, we were not looking at data center opportunity in US anyway from the beginning because that was not our, mandate. We were not doing it other than that. We were looking at the data centers in India and in my region, that is APAC region, where, I'm also responsible to that. And recently I was attending the data center conference in Singapore just last month, and every stakeholder whom I met, they have all talked- and those plans are solid plans, they are on the ground, they are looking at, you know, commissioning schedules very clearly defined in that.

I don't see there is any need- I don't see, at least from my assessment, I have not seen that there will be any slowdown in the area, in the geography where we are targeting or where we are looking to do it.

Jason Soans - Analyst, IDBI Capital
Thank you so much, sir. I'll join back with you.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Thank you.

Operator
Thank you. Next question is from the line of Sameer Thakur from Ambit. Please go ahead.

Sameer Thakur - Analyst, AMBIT Capital Private Limited
Hi, thanks. I just wanted to know what would be the time for you in the pace?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Sorry, your voice is not- Can you hear me?

Sameer Thakur - Analyst, AMBIT Capital Private Limited
Okay, can you hear me now? It's clear. I just wanted to know what would be the TAM for you, uh, in the battery energy storage system.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Is it possible? Yeah, yeah, sure. No, we don't give exact number, but you know, every battery energy storage, the batteries are in the range of 60%. So you remove the batteries and the rest of the thing is our scope..

Sameer Thakur - Analyst, AMBIT Capital Private Limited
Okay, the 40%. Okay, okay, fine. That's huge. Just for modeling purpose, is it possible to give exports orders number in absolute terms?

Ajay Singh - Chief Financial Officer, Hitachi Energy India Limited
No, absolute terms we don't give that, but it is always in the range bound anywhere between 25% to 30%. Okay,

Sameer Thakur - Analyst, AMBIT Capital Private Limited
Okay, thank you. I'll get back in the queue. Thank you.

Operator
Thank you. Next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore - Analyst, Axis Capital
Good evening. Thanks for the opportunity. Very strong execution, inflow, and operating leverage performance during the quarter. My question is in relation to material costs, which have gone up year-on-year in the three-month period and the six-month period in financial year FY '27 so far. While you attributed this to mix, you also mentioned that there has been a pickup in revenue booking for the two HVDC projects. Is there any correlation- is there a lower gross margin mix impact because of more revenue booking of HVDC projects that we should be sort of penciling in?

Your thoughts on that is my first question.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
The first question, let- I'll ask Ajay to answer about the metal cost. Yeah, so metal

Ajay Singh - Chief Financial Officer, Hitachi Energy India Limited
Cost, I think in the question only we have answered. So basically the metal cost is basically coming out of the mix of the product that we execute in a particular quarter. So that is why if you see quarter on quarter, in some quarter we are at the level of 60%, in this quarter we were 61%. It is majorly the mix that plays a major role and The second, second question, I think you talked about the HVDC piece. So yeah, so right now it is very, you know, difficult to explain more on the mix that is playing out, but overall at this moment we can only say that it is a mix that plays, and as and when the execution happens, we'll have more clarity on that.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah, thank you. But the mix would normalize

Sumit Kishore - Analyst, Axis Capital
Towards the, uh, sort of material cost levels you had In FY '26, yeah,

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah, I think, I think it is because exports will come in, service will come in, and many other things will come in. In our view, it will normalize it.

Sumit Kishore - Analyst, Axis Capital
Sounds good. My second question is, uh, you know, in relation to your, uh, uh, operating cash flows that you've reported in the BSE filing. The net cash flow from operating activities has fallen to INR91 crores. In H1 FY '27 versus INR874 crores in the previous period. So there is clearly a working capital increase. Could you please explain that, and is it also in relation to these projects?

Ajay Singh - Chief Financial Officer, Hitachi Energy India Limited
Yeah, so you are correct. So we have reported INR91 crores on again the same period. So this is majorly because of the movement of the large HVDC projects that is there. So, and that is sitting in the contract assets, and as and when the invoicing happens, it will be recouping the cash. So your, observation is correct.

Sumit Kishore - Analyst, Axis Capital
Very clear. Just one last point, if you could outline what are the HVDC opportunities, uh, on the anvil

for the next 12 to 24 months. That will be all from my side. Thank you.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
The next 12 to 24 months, at least four to five projects are coming in. And one project is already approved, NCT. The new technology, first time is approved, 800 kV VSC technology. We have fully ready with that technology, so that has been approved. And similarly, there are other projects which are expected to approve in the NCT in the next anywhere between three to six months' time. So we expect altogether around four to five projects in the 24 months' time period, 12 to 24 months' time period.

Sumit Kishore - Analyst, Axis Capital
Thank you and wish you all the best.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Also, I just wanted to add a thing in that, you know, sometimes we always take a lot of investment ahead of the curve, and one such example was the 1150 kVA AC. And we are the only company today in India fully tested transformer design, tested, type tested, and we did it seven years ago, but the projects are coming in now, which is approved just now. So we, always ahead of the curve in terms of bringing the technology, absorbing the technology. And ensuring that the technology is ready whenever the projects come in.

Operator
Thank you. Next question is from the line of Abhijeet Singh from Systematix. Please go ahead.

Abhijit Singh - Analyst, Systematix Shares & Stocks (India)
Thank you for the opportunity and good to see such strong performance. So my question is on, uh, it's a bookkeeping question on the forex loss of INR88 crores. How have we accounted for that loss in the P&L?

Ajay Singh - Chief Financial Officer, Hitachi Energy India Limited
So see again the INR88 crore is a unrealized forex loss. So if you see, or off it is it is if you net net if I talk about if you see the P&L which I am talking right now, the overall exchange commodity loss, including realized gain and unrealized loss is INR56 crore So that is why you see our operational EBITDA is, you know, more compared to what we see in the PBT.

Abhijit Singh - Analyst, Systematix Shares & Stocks (India)
Right. And lastly, on the margin difference between domestic and export markets. So I think in one of the previous con calls, I think we mentioned that there is about 300 to 500 bps. We have more margin on the export side. So is that the case even now? Is that the difference even now?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Overall basis, yes. Some products may vary here and there, but on overall basis, yes, 3$ to 4%, 300 to 400 bps, difference will be there.

Abhijit Singh - Analyst, Systematix Shares & Stocks (India)
Right, sir. Thank you for answering my question. I'll get back.

Operator
Yeah, thank you. Next question is from the line of Balasubramanian from Arianth Capital. Please go

ahead.

Balasubramanian A - Analyst, Arihant Capital
Good evening, sir. Uh, thank you so much for the opportunity. Sir, export orders has growth very strongly, but if you look at exports, are typically low margin then domestic utility orders due to logistics and competitive bidding. So I just want to understand this INR88 crore notional loss is majorly related to export related. So this currency volatility, uh, becomes a structural, uh, P&L risk rather than a timing issue. So how do you understand in the coming quarter in terms of our hedging activity side and how we are going to manage, uh, export orders, uh, uh, like covering logistics and other aspects?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
I think maybe Ajay will add more on that, but let me give you one very thing. It's not a any loss or profit about this. As you know, as part of the, uh, mark-to-market, uh, MTM things, we always evaluate all the contracts, okay, on, fair value basis. So that's how it has happened. So it is not any, uh, anything in that. Since we have evaluated, it has been taken in that. Maybe actually, you know,

Ajay Singh - Chief Financial Officer, Hitachi Energy India Limited
As per the accounting policy, every, you know, period-end closing we have to basically evaluate the open, you know, sales orders and purchase orders. So that is how this is- we call it a notional loss. It is not impacting, you know, per se operationally. So it is just an accounting policy that we have to follow. So all the open, you know, the forward fluctuation that is taking place because of the hedging we have done. So we go by our hedging policy. We do not speculate the market. And as and when the, currency rates movement happen, this you know notional loss gets you know further.

Once the contract will get fully executed, let's say, and then on actual whatever is the delta either plus minus, then we will be able to understand the actual position. Right now, as per the accounting policy, we have to basically follow that, and that is what we have been following.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah. But from the hedging standpoint, we have very solid hedging process SOPs that as soon as when we have a contract. it will be hedged and that there is no issue on that.

Balasubramanian A - Analyst, Arihant Capital
Got it. next question India data center demand is projected to reach 17 gigawatt by 2031-32 range. we are order range nearly INR4,000 crore quarterly in that side. just want to understand our ka whether these orders for standard grid automation or substation equipments, or is there any scope for higher value HVDC power electronics content, especially for hyperscalers? So I just want to understand what is our capability in the data center value chain.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah, we have- I, am not able to understand your INR4,000 crores data. INR4,000 crores are total orders for the quarter? Yes, yes.

Balasubramanian A - Analyst, Arihant Capital
Yes, yes, sir.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Okay, so coming back to the data centers, I think we have done in multiple times our capabilities we

have shown, and we are expanding our capabilities consistently on that. So for example, depending upon the data centers, their buying pattern, etc., some people buy cost and long lead items like a transformer, high voltage equipment. Some people buy, you know, together with the grid connections and, the studies and automation, etc., in that. And we have also, you know, seen that the challenges being faced by the data center developers.

So we have, we have announced the new product portfolio, what we call as a grid-to-rack solutions. So grid-to-rack solution is pre-engineered and will reduce dramatically the complete time required for the powering of the data center. So we have been actively discussing with many of the, many of the, uh, you know, data centers, uh, players in that. So from our portfolio standpoint, you know, we have complete offerings in that. So right from the grid connection right up to the, right up to the, you know, the rack level plug-in.

So we have a broader portfolio there.

Balasubramanian A - Analyst, Arihant Capital
Got it, sir. Thank you.

Operator
Thank you. Next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani - Analyst, Prabhudas Lilladher Pvt Ltd.
Hi, so thanks, uh, for the follow-up. One question, you said, uh, we are already ahead of the curve for the, uh, the UHVAC orders which were recently, uh, kind of, uh, came into in, the last report of the year. So just wanted to understand, uh, the recent NCD meeting has highlighted three projects, uh, 18,000, 18,000, and some 32,000, so totaling roughly about more than 75,000-80,000. What could be our addressable TAM, and are we considering all these projects since we are ahead of the curve whenever they come for bidding?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
So yeah, for addressable market, we did not give you because this is in what form and what shape it comes, we do not know at this point in time. So whether it comes as a complete, you know, solution-oriented, product orientation, or they only buy the products, so those things are detailed in that. But As you know, for HVDC, we have- if the project is HVDC, 50% is addressable market. And many other things like 1,200 kV AC, the addressable market will be also much higher than that. So from a readiness standpoint, we are absolutely ready.

And as I said, from 1,150 kV AC, we have done much many years back. The design is ready, is tested, and is also put to use. And so those are the things we are ready, both from the engineering standpoint, from readiness of the manufacturing localization of those things. We are absolutely ready right now.

Amit Anwani - Analyst, Prabhudas Lilladher Pvt Ltd.
So these three projects will be a prospective pipeline, will be part of the prospective pipeline?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah. Yes.

Amit Anwani - Analyst, Prabhudas Lilladher Pvt Ltd.
Yeah. Thank you, sir. Thanks.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Thank you.

Operator
Thank you. Next question is from the line of Jason Soans from IDBI Capital. Please go ahead.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Last question.

Operator
Okay, sir, noted.

Jason Soans - Analyst, IDBI Capital
Yeah, thank you so much for taking my question again. So my question just pertains to slide number 10. Now industries, you mentioned that the order mix industries has grown from 2% last quarter to 34%, and even transport and infra has grown from 2% to 28%. So just wanted to know, uh, this 34% in industries, which industries are contributing well to order mix? And even transport and infra, just wanted to know, of course we are very strong in railway and metro, I know that, but is there any other vertical of the transport segment?

And just industries, because it's a broad category, just wanted to know which industries are contributing to the growth in order mix.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
No, I think all the industries. So we don't have clearance to take their names, but you know the big industries who they are talking about and Those are the things. And also semiconductor industries, and that's a very big play for us, you know. So these are the very, uh, precision manufacturing industries where the reliability has to be 99.99%, and that's where we bring our portfolio to our customers. And also on top of that, we are adding a service, uh, digital service layer to ensure that, you know, preventing, uh, you know, or more predictive maintenance and those kind of things are also we are offering to our customers as part of our service.

So together with that, we are able to combine and offer to our customers. One is a reliable product from the design standpoint and the technical standpoint. The third one is, you know, the predictive maintenance suite so that the customer can understand, because these are all, you know, really connected machines. And if there is one issue there, are several lines will stop, and that needs a huge amount of reliability in their things.

Jason Soans - Analyst, IDBI Capital
Sure, transport and infrastructure will be mostly rail and metro.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yes, yes, that's mostly rail and

Jason Soans - Analyst, IDBI Capital
Metro. Sure, thank you so much for answering my question. Thank you so much.

Operator
Thank you. We'll take our next question from the line of Sanjeev from Antique. Please go ahead.

Sanjeev Zarbade - Analyst, Antique Stock Broking Limited
Yeah, sir, thanks for taking my question. Uh, sir, uh, in recent weeks there have been some SYNCON orders that have been awarded. So have that come at the cost of potential STATCOM orders? How should we view it?

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Now, SYNCON is different, right? SYNCON is not replacing STATCOM. STATCOM are with a different technology. SYNCONs are different technology. And so there are- there are- it is not one at a cost of other.

Sanjeev Zarbade - Analyst, Antique Stock Broking Limited
Okay, okay, thanks, sir.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Yeah, thank you,

Operator
Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. N. Venu, MD and CEO, for closing comments. Over to you, sir.

Venu Nuguri - Managing Director and Chief Executive Officer, Hitachi Energy India Limited
Thank you very much. Once again, really thank you, all of you, and wish you and your families belated Diwali greetings. And we continue to see robust market demand and a strong pipeline of opportunities while maintaining our focus on disciplined execution. At Hitachi Energy India, we are investing in our capabilities, skills, and infrastructure needed to enable the next phase of India's energy transition and strengthen energy security much ahead of the curve. As we pursue these opportunities, our priorities remain unchanged: delivering sustainable and profitable growth, executing on our commitments, and creating long-term value for our shareholders.

So thank you, uh, for your continued confidence in Hitachi Energy India. And if you need any further information, please contact our Head of Investor Relations, Priyanka, and we are happy to engage with you and provide any information you may, you may require. Thank you very much and good evening to all of you.

Operator
[Operator Closing Remarks]