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November 27, 2019

BSE Limited
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Dalal Street
Mumbai 400 001
(Attn : DCS CRD)

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

Attn: Listing Dept.

Dear Sirs

Sub: Transcript of Analyst concall

We are sending herewith a copy of the transcript of conference call with analysts, which took place on November 13, 2019 post announcement of Q3 2019 results of the Company. The said transcript is also uploaded on the Company's website.

Thanking you

Yours faithfully
For ABB India Limited

B Gururaj
General Counsel & Company Secretary
FCS 2631

Encl: as above



“ABB India Limited Q3 CY19 Earnings Conference Call”

November 13, 2019



**MANAGEMENT: MR. SANJEEV SHARMA – MANAGING DIRECTOR
MR. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER
MR. KRISHNADAS MANJAPARRA – BUSINESS LEADER,
PROCESS INDUSTRIES
MR. SANJEEV ARORA – PRESIDENT, ROBOTICS AND
MOTION
MR. C.P. VYAS – PRESIDENT, ELECTRICAL PRODUCTS
DIVISION
MR. SUBRATA KARMAKAR – PRESIDENT, ROBOTICS
AND AUTOMATION**



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Moderator: Good day, ladies and gentlemen. A very warm welcome to the ABB India Limited Q3 CY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I will now hand the conference over to Mr. T.K. Sridhar – CFO of ABB India Limited. Thank you and over to you, sir.

T.K. Sridhar: Thank you, Ali. Good afternoon once again to all of you. Welcome to the Q3 Earnings Call of ABB India Limited. On the call with me are Sanjeev Sharma – Country Managing Director and our business leaders; CP Vyas, who leads Electrification Products; Sanjeev Arora who leads the Motion Division; Subrata Karmakar for Robotics and Automation; and we also have Krishna Das, who is the business leader for Process Industries. Along with them, we also have our communication colleagues, Sohini and Beena. So, without wasting time, over to you, Sanjeev, for taking us through the Q3 numbers.

Sanjeev Sharma: Thank you very much, Sridhar. Good afternoon to all of you. Welcome to this call. We have certain presentation slides that you will be able to see on your screen when you are connected, but there will be a lag when the transition of the slide takes place. So, bear with us on that but we will try to make sure that we also follow the lag.

Talking about the macro snapshot in 2019: We do see that the government is making lot of efforts to spur growth, but the markets are still very mixed. I believe, I don't need to overemphasize on the macros which all of us can read together from the market. What we see is that the government is trying to make investments through PSUs and have pledged a capex of Rs. 50,000 crores through the PSUs. The government has also relaxed the norms so that manufacturing expands in the country. So, we will see how transmission of those policies take place over a period of time. Then of course, we see the IIP which is an important indicator for us, has contracted. We also see that the demand generally for capital goods have been subdued. However, this is macro and one can read it in different ways.

Typically, as a company, we look at macros but that's not what drives our behavior. What drives our behavior is what really is happening in the major segments and the micro segments that we are focused on and the geographies which we have not covered well and the product lines which have the market share which is not to the level we want them. So, when you play the market share game and you play expansion into the new market segments and also into new geographies, our experience is, we are able to draw a reasonable growth.

In the next slide, you will see that all major indicators are pointing to consistent performance of ABB India on orders, revenue and profitable growth for current year 2019. The reason we are able to do that is because we have a diversified order book and exposure to multiple market segments. Some of them are not doing so good, some of them are doing well. That cycle keeps



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changing, and that's the advantage of being exposed with multiple product lines into multiple product segments and also geographical markets to be explored. When you combine those, you get a fairly diversified order book and inflows. Sometimes we are able to avoid this capex cycle vagaries which we talked about in the macros. That is thanks to the strengths and competencies of our division business heads and the teams that they run, I think, they have been doing a fantastic job in terms of engaging with customers and the markets to continue to expand their business. So, with this, the operational EBITDA margins have been better than FY17, it is the result of better product mix, improved value offering and production efficiency.

If we go to the next slide, you will see that quarter three 2019 verses quarter three 2018, and also nine-month 2019 and nine-month 2018, all parameters are pointing in the right direction. We have on quarter-on-quarter basis 5% growth in orders, 17% in revenues. If you compare year-to-date, for nine-months we have 11% growth in orders and revenues are up 13%, with a corresponding impact on the PBT and PAT.

Going to the next slide. In terms of number of initiatives which we are taking, we have a lot of highlights which are in multiple segments, be it in the compact substations and RMUs that we are supplying to smart cities, be it in railways wherein our portfolio is going into railways and metros, be it in oil and gas sector wherein our electrical controls, instrumentation and power management systems are being installed, be it in the energy efficient portfolio of our motors, wherein we are serving major global and local OEMs. Also, be it our products and solutions which go into the building industry or in the industry itself, wherein our products are encased, and they find the volumes into different market segments. ABB has given a mandate that the Bangladesh market, which is almost \$300 billion plus market, will be connected to ABB India. So, we conducted some customer connect program in Dhaka and Chittagong in Bangladesh in the previous months. So that we make even bigger inroads for our supply base in India, which practically represents all the products manufactured locally with a high degree of localization. We continue to expand ourselves wherever our representation is not as high as we wanted, and we continue to push for it.

In our service and export portfolio, if you see on the quarterly basis, our service expanded, so has our revenues. Also, on the export side we saw the similar performance.

On the market overview and business performance. We have adopted very efficient ways to inform and connect with customers, one is the customer connect program wherein we go to tier-2, tier-3 cities and connect with the customers in person for complete ABB portfolio. We are seeing the result of those activities we did last year in terms of growth that we are achieving this year. We are encouraged by that. We are also doing a lot of web marketing to the customers where our experts connect with the customers sitting across the country or even outside the country, where in customers are invited in their own conference rooms and our experts are sitting in a webinar room here in ABB and can deliver specialized lectures and specialized knowhow. That has been very popular and it's very cost effective, in a very short time you are able to



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connect with a very wide cross section of customers across the country. I think we continue to do that, so this brings a lot of productivity in our sales and efficiency in terms of how we can impact the customers' mindset towards ABB portfolio.

Our Motion Division continues to give a very solid growth momentum in quarter three. We have good orders in Product and Service business, good traction revenues and service oriented revenue increased by 51%. Good penetration in tier-2, tier-3 cities through channel partners, because we are not only selling directly, but we are also taking the multiplier effect of our channel partners and distributors, because that's a smarter way to multiply the business in the marketplace. This quarter was higher volume and better pricing quarter for us in the market.

We also have new methods of delivering services to the customer. Just to give you an example, if we have a big drive which could be a large drive, running a steel mill in the east part of the country, in a remote location, if anything happens to that equipment, typically the plant will invite our service specialists engineer to visit them. It takes one to one and a half days to get there to repair it. But now what we have is all these devices are getting connected online with us and we are sitting here in Bangalore and we are able to continuously monitor the behavior as well as the health of those drivers. Not only that, if there is some kind of a trip or a fault, our engineer is able to download or upload the diagnostic data immediately and is able to find the fault and sometimes within 15 minutes or half an hour we are able to guide the operator to bring the equipment back. So, it is a big productivity, reliability and availability boost for our customers. These are the kind of new age services which add a lot of value for the customers and also brings a lot of productivity of our experts who are available to us. Transportation continues to be a growth driver, especially in the propulsion equipment.

Industrial Automation, well this sector is mostly exposed to the core sector industries. You can see that right now the core sector in the country is muted, not only this year but for last many years. So, wherever the capex is happening we would go into the capex cycle. But mostly it is the opex spending which we are kind of connected with them, and also a lot of digitalization initiatives are being taken by the customers. So that's where we are working. But overall demand is muted in these sectoral investments. But at the same time, we are gaining foothold in the new areas, especially in the pharma where the expansion is taking place, and also good new innovative solutions in the steel companies and large instrumentation order in the thermal power plants. So, there is a lot of space to innovate and work, but at the same time, we believe the best of the demand is yet to come for the industrial automation portfolio as we go forward.

In Robotics and Discrete Automation, Robotics has been a very fast growing business for us in the country. We are investing a lot in this business. Right now, because of the automobile segment going down sharply there is an impact on the Robotics division, but they are really working very well to diversify into non-automobile sectors. We are seeing very good traction and application of robotics in non-automobile sector. Come next year, we will have some new investments being made in the robotics area, I think that will come to fruition. So, this is a long-



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term view we have taken, we will keep on investing in this business and take a very solid and long-term, kind of a high level, position in this particular area. We have a lot of strengths in this area globally, as well as we will make sure the customers are really engaged with us in this area, they want to automate their machinery, automate their lines, automate any new processes they are doing so that the quality and the repeatability is higher. So, we see that Robotics and Discrete Automation will expand going forward.

Well, the next slide shows Power Grid, wherein it's a discontinued business for us. But just to give you a bit of highlights in terms of how the Power Grid business has done compared to last year. It has shown good growth and we also have orders from Power Grid, we also have infra company, railway and metro and also some state utilities placing some good orders on us.

Going into financials, at this point, I hand it over or hand it back to our CFO, Mr. TK Sridhar.

T.K. Sridhar:

Thank you very much, Sanjeev. Just to take you through the numbers of how we performed in Q3. I think continuing on what Sanjeev was mentioning, we have had yet another quarter where I think our performance is credible. Orders increased for the quarter at 5%, on a cumulative basis at 11%, revenues at 17% and 13%. And the margins and the profitability saw a very good growth compared to the previous quarters. We will definitely look at it in a deeper way as we go down the slides.

While we do this, I think our cardinal principles of cash over revenue remain strong, and it becomes strong by the day. We still run within cash position of Rs. 1,350 crores at the balance sheet level as of date. Inventory turns have also improved compared to the previous quarters. I would say that overall for the continuing business, we are in the right direction, even in terms of the balance sheet. I think, while EL and MO are able to navigate the headwinds, it's RA and IA facing challenges of the downturn at this point of time, which I am sure over the next few quarters based on the macro triggers which is expected to develop in the right direction, they should also see an upturn going forward.

Going to the next slide, I think this gives bit more granular details. We have an order book of Rs. 1,600 crores for the quarter. If you notice, we don't have any large order in this particular quarter, it is all from base orders what we have got. That gives us equally good confidence that we still have more to do in the market and we should be able to continue this trend going forward with efforts from what we are putting in terms of how we strengthen our sales force and the sales activities around this. Order backlog is Rs. 4,400 crores roughly, and I am sure that there could be a request on what the order split is. So, on the order front, Electrification did Rs. 635 crores of order booking, orders received for this quarter; Motion was Rs. 603 crores, Robotics was Rs. 47 crores and Industrial Automation was Rs. 344 crores. So, net of certain consolidations we are Rs. 1,606 crores. And as we said, Power Grid was also at Rs. 1,164 crores for the quarter.



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When it comes to the order backlog, which is order stock we have in position. Electrification runs at Rs. 1,440 crores of backlog, Motions at Rs. 1,677 crores of order backlog, Robotics at Rs. 165 of backlog and Industrial Automation of Rs. 1,300 crores backlog. So, I think total backlogs at this point of time is Rs. 4,400 crores roughly and that continues to give us good visibility of revenues going forward. As Sanjeev was mentioning, the customer base is far more diversified, the number of customers we have added over the last nine months compared to the previous nine months, I think, are totally different. Almost 30 percentage of new customers are in the basket, that gives us more confidence that our efforts are on the right direction.

Coming to the share on how these divisions performed. I think it's needless to say that Electrification and Motion will be the major divisions going forward with PG going away. They will form almost 65% to 68% of our orders or revenues, followed by IA and Robotics and Discrete Automation. So, IA would be roughly around about 20%, so that's what is going to be the share of the business going forward. This also comes to the point of how the split between the dimensions of products and services will be. I think services, we are still strong. So, services forms part of almost 18% of our orders or revenues, so that's a good development from what we saw, it used to be at 15% earlier, so now 18% of our orders and revenues come from services. That's a good point as what I would say is that's an important aspect to see that it supports profitability, number one, number two, our installed base is getting service better, so that has a customer connect, which helps us to address these particular topics and of course, it translates into profitability. I think in profitability, we have grown substantially compared to the previous quarter. Also, in the previous year same quarters we had exited out of the electrical business, balance of plant business also in last year. So we had certain write-downs in the last year which impacted the results. That has also impacted the results last year, which is no more there. So that's a good part. So, we had almost Rs. 19 crores of impact which we had last year same time, which is no more there. In other words, our business operations are de-risked to quite an extent, so it is absolutely quality profit. I think this is really giving us good insights as to how we can grow further on this.

The next slide, which is about the cost structure what we have. If you look at this slide, it's very insightful. We have our material costs at 65%, quite consistent over the previous few quarters. The mix is helping us achieve a healthy mix between the products, the systems, the exports and services, and also the localization impact is helping us achieve this particular performance in the material costs. I think in other words, ABB results could be more predictable given the volumes, we achieved the volumes going forward is what I would say. When it comes to tax rate, as everyone knows, it has been definitely lower than what it used to be earlier. I think in this quarter we had an effective tax rate of 30 percentage, last year same quarter was 33%, and sequential quarter we were 38%.

So why 30% and why not 26% could be some of the questions, what you could be wondering because the government has already reduced tax. We need to understand that ABB carries deferred tax assets, the deferred tax assets is assumed to give 35% of benefit going forward as



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to the earlier tax rate. But now going forward, it will only give collection of 26%, so it's an impact of reevaluating the assets, which is a prudent accounting practice and that that will be done over two quarters up to the financial year ending 2019 December. So that's something because of which you could see a higher tax rate compared to the calculated tax rate, and that's also visible in the consensus estimates as you walk forward in the slide.

Next slide is about segmental performance. Here you can see that all the divisions are pretty much steady. IA is more about a mix issue which we had and they definitely will bounce back going forward. We can also see the impact of securing the volumes and doing businesses fully occupied to the capacity levels, help us achieve more than that incremental advantage is what we can see from the entire numbers.

The next slide is about the quarterly trend of the various businesses. I would say, Electrification products, which includes at this point of time solar revenues, which is not a discontinued business, is definitely in the right trend and could only improve going forward. And so has motion, which has nicely picked up. Industrial Automation and Robot Automation are something which is facing market headwinds at this point of time. It's a reflection of that particular factor. And I am sure, with efforts what the team is putting on ground and with an expectation that the investment in the markets would pick up going forward, they should definitely improve. So that's something on which we are clear. The results of this particular performance is something which I thought should also be seen from the eyes of an analyst like you. So that represents the ratios where you normally go through this, and all of them seem to be in the right direction. I think it would not spend much time on it.

Going to the next slide, it's about how we see the performances with the consensus. Some of you would have seen the Bloomberg, some would have seen their own estimates, but what we did is, because we have a situation where PG business is still with us, so we considered estimates, which are arrived with input from the analyst, looking only at ABB India standalone numbers. If you see that in terms of revenue, we are better than estimates. When it comes to PBT, we are just in line with estimates and it's more driven by the volume and the mix. PAT, as I had mentioned, has true-down impact of almost Rs. 5 crores to Rs. 6 crores because of the deferred tax impact on this particular issue. But, I think compared to the situation what the market is, I think we still believe that this is a credible performance.

So we can now open for comments. Thank you for your patient listening.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri:

My two questions on Robotics capex that you mentioned, I understand that thousand numbers that we sell at this point in time is largely imported from China. So, what are the kinds of capex



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and scale that we are looking to build? And number two on Electrification business, which are the segments in the economy that are contributing to this strong growth?

Sanjeev Sharma: So, as far as Robotics is concerned, I think the way we should understand this business is that the value is not in the hardware, the value is in the application and the domain expertise that we deliver to the customer. So as far as our robotics equipment and the hardware is concerned, we continue to manufacture them into the best in class in our centralized factories and we will do the value engineering for customers in India.

T.K. Sridhar: The second question is about the electrification market, can you repeat the question once again, if you don't mind please?

Abhishek Puri: Sir, the Electrification part, which are the segment of the economy that are contributing to this strong growth?

T.K. Sridhar: Okay. So, I think this also has solar, solar has some export, so if you remove solar, I think the clarity on the balance part, I would request CP Vyas who leads the Electrification business can probably throw more light on it. CP, over to you.

C.P. Vyas: Thank you, Sridhar. From the Electrification point of view you would see most of the growth from segments like data centers, building, power distributions, and metro. These are the sectors where we see a lot of investment happening and where we are putting our products. These are the sectors that are actually helping us.

Abhishek Puri: Thanks a lot. If I can ask one more, there's a slowdown in the Automation and Robotics segment, these were largely opex related investments as was discussed earlier in the calls and not capex related. So, is there a change in thought process here or is it largely led by auto where the entire decline has happened?

Sanjeev Sharma: There are two different distinct segments, when we talk about Robotics. Robotics had a higher exposure to automobiles, so you see a direct correlated impact on it. But at the same time, team is doing an extremely good job in diversifying into the new market segments which are opening up. I think the pick up in those industries are very good. So we are very positive about it, because once you open a new segment and new industry, you give few quarters and few years to it, then you get a very good gain on those segments. That will also help us in the future cycles of automobiles.

When it comes to Process Automation, it is the projects business entirely. Especially the projects business is cyclic in nature. Right now, greenfield projects are bit muted, but at the same time, our Process Industries, Industrial Automation has a very strong portfolio of services, as well as the opex cycle oriented investments that we have. So it's cyclic in nature, at this point of time it is muted, but we have seen the cycles before, so we are not too worried about it.



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Moderator: Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: Sir, first is on the order book which is a little lower compared to last year. So, in the medium-term do we expect revenue momentum to slow from the current levels of 18% percentage which we have delivered this quarter?

Sanjeev Sharma: You are talking of order book as the order backlog, if I am not wrong?

Kirti Jain: The order backlog being little compared to 50.7 billion it is 43.5 billion, it's a little lower. So, how do we see the business in the medium-term?

T.K. Sridhar: So, if you had correlated these numbers with the division wise numbers, which I gave you, which I threw some light on, I think the major impact comes from the Industrial Automation division. And that goes more by projects and systems model, where it takes longer gestation time given the situation we are in. Whereas, what I would say is that the major businesses of Electrification and Motion have strong order backlog visibility and I don't find any challenge about it. So going forward I think when the market picks up, industrial automation also will pick up with orders what is required to build up the order backlog.

Kirti Jain: Apart from that, any new product lines being added in exports or will be added in the coming one or two quarters?

Sanjeev Sharma: As far as exports are concerned, I think if you have heard me in previous calls, I think its a journey which has just begun. And our competitive and very competent supply base is being recognized by our global business leaders. They are opening more and more markets. But it is good from the global side as well as for us that we gradually open those markets, one is to get used to supplying it to the external standards from India, and plus also get used to be able to service those customers. So typically, we never do it in a rush, we do it in a very gradual and a very structured way. Wherever we have established ourselves, there the growth is very good, our expansion is very good. Yes, there are indeed new product lines which are increasingly getting opened up for the export market.

Moderator: Thank you. The next question is from the line of Inderjeet Singh Bhatia from Macquarie. Please go ahead.

Inderjeet Singh Bhatia: First is on the environment, especially in the last quarter we saw a very significant slowdown from consumption type of company sectors. Have you started to see any kind of improvement there in this current quarter? Or the kind of slow trend sustains right now? Any particular segments where you are starting to see early signs of improvement from quarter three onwards?

Sanjeev Sharma: Well, I think the best way to describe the market is, it is absolutely a mixed market. At this point of time, very difficult to draw the trends, because if you really pay credence to the macros, the



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macros speak for themselves and those macros also play through the different market segments. But yes, given the kind of portfolio we have, we do see certain market segments which are still very resilient for us, and there are certain market segments which have really gone down. So, best case is to explain the automobile, I think nobody can deny the impact of it. But at the same time, you have some resilient segments, which even if the market is going down, these are the segment they keep on investing, so they continue to cash the next cycle of consumption growth in a good way. So, we see that there are segments which are down, but the companies in those segments are investing the cash they have in their balance sheet to be preparing themselves for the cycle pickup.

Inderjeet Singh Bhatia: Second question is slightly on longer term. If I look at your Electrification and Automation and others, Motion and Robotics, typically look at the margin profile in your segments like Motion or Robotics Automation or even I would say Industrial Automation where you think that is more software kind of a content, that actually is lower than electrification which is your old kind of a business where there are we assume more competition. How do you think about longer term margin profile in these kind of sectors? And what is keeping us at kind of high single digits and why should these not be double-digit margins, given that there would not be too much competition here?

Sanjeev Sharma: Well, I think there is no business we have that we call old, though we are a 130-year-old company we keep on refreshing our portfolio and our propositions for the customers. So, any customer who buys our products and solution they really buy the latest and the cutting-edge solutions from ABB. So, yes, electrification business you may classify it as a business which is dealing with the market segments which are well established, but then the products under it and the technology in it is really cutting-edge and that's the edge of ABB and the preference of ABB in the minds of the customer. All portfolio that we have with Electrification, Motion, Industrial Automation, and Robotics and Automation, all of them deploy cutting edge technology if you really pick up some layers around it and compare with our competition. So that's number one.

Number two, with respect to margin realization, I believe that in the current market state Electrification and Motion are doing well, their growth rate is good. When their growth rate is good then their plant capacities are better utilized. When the plant capacities are better utilized you have a better margin and a better realization of profits. In the Industrial Automation it is a very value added business which is a very export based business, so is the case with robotics. When you have the volumes slightly low, then naturally the utilization of the expert manpower and manhour is relatively low, you will see the effect of it. The moment the utilization rate goes up, you will see the effect of those also into the profitability. So that's how the simple equation works. Since these businesses are built on experts, we are always very patient with the market cycles, we see through those market cycles and in the meantime, we consolidate ourselves in the new value-added applications with those experts. Then when the market comes around, we take benefit of it. Even during these downtimes, we always give some medium size, value added packages for the industry who are running very large industries, be it in the steel industry,



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aluminium industry, cement plants, pulp and paper plant and whatnot, because they are hungry for technology which can increase their productivity with their existing plants. So it's a matter of creating those proposition and make a very high use of the utilization of the expert base we have, and that's where the profits come.

So as I explained earlier, yes, these cycles come and go, and we have seen many of them because we are operating in this country for last 60 years, and also 130 years globally. So, we are not that concerned about this short period variations.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.

Jonas Bhutta: Just following up on a question asked by the previous participant, if you see on the Motion side, across all the three or four segments that we have compared to the parent, the gap in margins is the highest in Motion to the tune of almost 700 to 800 basis points. Given in context that we in India are one of the largest, by market share, in motors, we also are a leader in traction motors. If you put it in context, if you can help us understand, why is there this big gap between what the parent reported about 17%, while we are at 9% and what are the steps that can help us bridge this gap in that sense?

Sanjeev Sharma: Well, on the lighter side, if you can make us realize the same price levels as we get globally in Indian market, which is brutally competitive, I think we will be very happy to report 17%. I think it's a credit to our team that they run operations in a very, very effective way wherein this particular category of the products are very, very competitive in the market. If you compare on the reverse way, our competitors in that segment, their margin levels, you will get the real picture on how well ABB runs this business in the country. I would say we are exposed to a market which is extremely competitive. Most of that business right now on the larger side is domestic, as our export profile increases and we participate into the price points which are available at the global market, the moment that mix changes that gap will automatically start bridging as we go forward.

Jonas Bhutta: Great. If Mr. Sridhar can just repeat the segmental order inflow and order backlog numbers along with those for exports, that'll be helpful. I know we have already got the order backlog for exports, just the order inflow will also help.

T.K. Sridhar: Order backlog for exports is not what I have told. I think I have given order backlog by each division and order book by each division.

Jonas Bhutta: Sir, it is mentioned in the presentation, the order backlog for exports.

T.K. Sridhar: Order book for exports is there.



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Jonas Bhutta: Yes. So, if you can just repeat the order inflow and the order book numbers by segments, that would be helpful.

T.K. Sridhar: Orders booked in the sense, orders that we have received during the quarter is Rs. 635 crores for Electrification, Motion is Rs. 603 crores, Robotics is Rs. 47 crores, Industrial Automation at Rs. 344 crores, so net of internal adjustments you are Rs. 1,600 crores, excluding PG. So on the order backlog which is nothing but the orders which will be converted to future revenues, so by division; Electrification is Rs. 1,440 crores, Motion is Rs. 1,677 crores, Robotics is Rs. 165 crores, Industrial Automation is Rs. 1,307 crores. So combined, excluding internals, we would be around about Rs. 4,372 crores. So, around Rs. 4,400 crores is the number. On the PG we have Rs. 5,500 crores roughly the order backlog, which is the future revenue conversion.

Moderator: Thank you. The next question is from the line of Ashvini Kumar from Reliance Nippon Mutual Fund. Please go ahead.

Ashvini Kumar: Mr. Sharma, sir this decline in tax rates which have been brought down to 15% or 17%, if the capacity is initiated till the 31st March 2020, and the project comes in by 2023. Do you expect the FDI in manufacturing to increase? Is it a very strong precondition? Will it help manufacturing footprint in India to go up?

Sanjeev Sharma: Well, I think it definitely puts India in the world map, being one of the competitive locations for the tax purposes. For FDI to take place, I believe, this particular information goes through the global corporate houses, I am sure. But it takes certain time for them to absorb and they don't switch on the investment the next day the moment the taxes go down. I believe as the budgeting process takes place among the global organizations, this will be factored in. Also, how far they want to move away from this trade situation we have currently between US and China, whether India would be a strategic location, because India is a location where both a high demand is possible and there is a possibility of a good supply of manpower and white collar, as well as the tax rates are good. So I think that combination should prompt many corporates to consider FDI's into the country.

As far as we are concerned, we are a very well established company. Definitely this case will also be considered by ABB in terms of what we want to expand for the domestic consumption as well as for the exports. But at this point in time, I think India poses a challenge on the demand side. I think if more FDI has to come to manufacture only for the demand side of the country, the demand must pick up in the country. I think that's the precondition, because that will give the confidence for the more investments to come. But, whether India would be used as a supply side for the rest of the world, I think it will take few quarters before corporations would have taken a call on it.

Ashvini Kumar: And sir, for a company like yours, you have been saying that this is just the beginning of exports. What will require, let's say, for the quantum jump in exports from India for ABB India Limited.



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What is required basically, in what areas do you expect over a period of time this export volumes to go up?

Sanjeev Sharma: So, two things should happen. Number one, the market globally should expand. So, typically that's the best case scenario that the market is expanding so much that our collective supply situation globally requires expansion. So, then what happens is a location like India would get its share of participating in that expansion. But typically, if the markets are not expanding globally, and right now there are fears of not expanding markets in the global side, so it means if it is same or contracting, naturally you can put capacity in another country by closing another one down. So those are the preconditions one organization has to revisit and find new location to be more attractive for the capex over a long run relative to the other. And those are the typical things one considers when making those decisions.

Ashvini Kumar: And sir, the service part of the business, basically, where you have been growing very well, the population of product or installed base of the products, what is the scope here essentially? Because it is very difficult to quantify this aspect, but how much have you covered basically out of your installed base?

Sanjeev Sharma: That's a good question. I think couple of years back we were at an install base penetration rate of 23% which has expanded now, I think above 30%, 32%. So, there's a long way to go and these are the real critical assets were in the customers sometime try to do servicing themselves. But given that the outsourcing and the expert sourcing is more prevalent, we see a very rapid rise on this. So we have a long way ahead of us. Best in class countries globally within ABB, they are at 65% to 70% install base penetration rates.

Moderator: Thank you. The next question is from the line of Hansani Kartik from Business Standard. Please go ahead.

Hansani Kartik: Overall, good set of numbers. But my question is regarding your order backlog. If I were to remove the large orders, the big ticket orders, I see that the backlog has fallen by about 13% on a Y-o-Y basis. First of all, do we expect for a shrinkage like this to happen given that the operating environment isn't completely favorable? And two, should we see improvement on ground? Where do we believe that much of the order inflow in the coming quarters is going to come from?

T.K. Sridhar: Okay. Hansani, thanks for the question. So, I repeat my answer as what I told earlier. If you look at the order backlog numbers what we have already given to you by division, we definitely see Electrification and Motion at this point of time have a decent order backlog to cater to the future revenues. Where we have a challenge is basically in the Industrial Automation, where, as I've repeatedly been saying, it is basically driven by the current market trends where investment is not happening in the core sector, and that's impacted. And that's where the existing order backlog what was there previous year is getting converted to revenues in this particular quarter. So, going



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forward, given the sort of economic reforms what has been announced and hopefully the credit flow to the end market improves in the next few quarters to come, I think we should be able to bridge that gap. But it will be a slow and steady bridging the gap. But overall, I think with respect to other divisions we will try to balance it going forward.

Hansani Kartik: Okay. And my second question on profitability, sir you did mention that the Robotics and the Automation division profitability is slightly muted because of utilization rates not being too high. When do we see this sort of reversing? Or this is also something which is going to be a function of how orders briskly flow in?

T.K. Sridhar: Yes, it is a combination of two, three factors. One, definitely the macro environment improving and when we get a better order inflow, that's basic, it is very important. The next is about the mix of the orders what we have between projects, products and services. And of course, export compliment taken on top of it. So, if these things see a trigger on the right side of it, I think this would definitely improve.

Moderator: Thank you. The next question is from the line of Ajinkya Bhatt from Macquarie. Please go ahead.

Ajinkya Bhatt: Sir, my question is, is that in the presentation and in your comments you have highlighted transportation as one of the growth drivers. So could you just throw some light on how transportation has evolved over the last couple of years in terms of revenue or orderbook mix, as well as its contribution to segmental margins? Secondly on the same transportation business, are you seeing any shift in terms of the kind of value addition that you can do on the Railway side, for example, moving from conventional railway more towards the metro? And the effect it might have on the competitive intensity, whether the intensity is going down?

Sanjeev Sharma: Thanks for the question. So I will give this line to my colleague, Sanjeev Arora, who's the president for Motion division. Sanjeev, would you like to answer those.

Sanjeev Arora: Yes. Thanks, Sanjeev. Thanks for the question. So, as you rightly pointed out, yes, transportation is in the right mode of traction, I would say for us. Definitely over the years, the transportation business has really picked up. When we see from the development point of view, you can see very well the order input increase, the revenue increase, as well as the profit margin has also relatively become better. Now, when we talk about the diversification, I would say, not only the Indian railways is the core business, but then of course, the product that we manufacture here in India are very suitable for metros. As the government policies expand and get under implementation phase in the metros, the faster they get, the faster we will have the growth in this transportation sector, and we are ready for it. I hope I have answered your question.

Ajinkya Bhatt: Yes sir. Is it possible to quantify what is the percentage of transportation in order book today?



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T.K. Sridhar: So, just to add to what Sanjeev was saying, let me tell you, railways and transportation is not only served by Motion, it is also served equally by EL, it's also an important segment for them. Also, some part of it flows in Industrial Automation. Given these various channels into this particular sector, I think Railways is definitely an important segment for the total business profile of ABB. They contribute to more than 7% to 8% of our order or revenue. So if you get a larger order, which is system based order, this definitely increases. But at this point of time, it's more of product orders. So it has 7% to 8% of profile from the railways. But mind it, this was nothing three years before. With so much of focus that we have put on this particular sector, the initiatives that have gone into this for developing this particular customer has yielded this result. This goes back to our theory how do we mitigate the risk in the market, given the situation that we have a slowdown in the core sector. This is one of those actions reaping the benefit at this point of time.

Ajinkya Bhatt: Okay. Understood. Just one small data point if you could just provide, what is the outstanding order book in Power Grids business?

T.K. Sridhar: Power Grid business is Rs. 5,500 crores.

Moderator: Thank you. The next question is from the line of Vikrant Gupta from IIFL. Please go ahead.

Vikrant Gupta: Just one question from my side. The unallocable expenses have seen a sharp spike in this quarter, it was around Rs. 30 crores in the past two quarters. So any particular reason?

T.K. Sridhar: I think if you look at the unallocated numbers, which is basically the numbers I think we had Rs. 72 crores last year and this quarter we have Rs. 29 crores. So it has reduced, it has not increased. And as I said, that is a component of the write downs or the provisions what we had taken for the exiting EBOP businesses what we had done last year. I don't think there is an increase.

Moderator: Thank you. That was the last question. Sir, over to Mr. T.K. Sridhar for closing comments.

T.K. Sridhar: Thank you very much everyone, and the support which you extended for ABB. So, it's a great quarter, again, I would say given the circumstances. Thank you for joining this particular call. If you still have unanswered questions, please feel free to get back to Sohini or myself, and we would be more than happy to address them as applicable. Thank you very much. And also to the management who was here on this particular call. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of ABB India Limited, that concludes this conference call for today. Thank you for joining us. And you may now disconnect your lines.