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BSE Limited P.J. Towers 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

In continuation of our letters dated May 6, 2024, May 10, 2024 and May 13, 2024, we are enclosing a copy of the transcript of conference call with analysts, which took place on May 13, 2024 post announcement of un-audited financial results of the Company for the first guarter ended March 31, 2024.

The said transcript is also uploaded on the Company's website.

Thanking you

Yours faithfully For ABB India Limited

Trivikram Guda Company Secretary and Compliance Officer ACS 17685

Encl: as above

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ABB India Limited Q1 CY2024 Earnings Conference Call (January – March 2024)

May 13, 2024

MANAGEMENT: Mr. SANJEEV SHARMA -- COUNTRY MANAGING

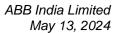
DIRECTOR

Mr. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER Mr. KIRAN DUTT – PRESIDENT, ELECTRIFICATION

PRODUCTS

MR. SANJEEV ARORA – PRESIDENT, MOTION

MARKETS





Moderator:

Ladies and gentlemen, good day and welcome to ABB India Limited Q1 CY 2024 January to March Quarter 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded and any unauthorized recording of this call is strictly prohibited. The recording will be made available on the Company's and SEBI's website subsequently.

I now hand the conference over to Mr. T.K. Sridhar, Chief Financial Officer of ABB India Limited. Thank you, and over to you, sir.

T.K. Sridhar:

Thank you, Nirav. Very good morning to all of you. Welcome to the 1st Quarter 2024 Results Call.

I have with me on the call Sanjeev Sharma – the Country Managing Director; and Kiran Dutt, who leads Electrification; and also, Sanjeev Arora joining us remotely for Motion. We were not able to get other people for Robotics, Subrata and Balaji for Process Automation because they are traveling, and they are on with customers. And therefore, we now start the call. So, over to you, Sanjeev.

Sanjeev Sharma:

Good morning. Thank you, Sridhar. Thanks for joining today. We had an AGM on 11th of May, Saturday. I hope many of you had a chance to watch the proceedings because they were available live. But we'd today like to give you a quick overview of January to March 2024 results.

So, before we dive in, just as a reminder that ABB in India, we operate 4 verticals, which we call as business areas in Electrification, Motion, Process Automation, Robotics & Discrete Automation. In our view, our portfolio, all the business areas and the 19 divisions under these business areas really represent sweet spot for what is happening in the Indian economy – be it in terms of infrastructure development, industrial development, digitization, and also the manufacturing expansion that is taking place in the country because our portfolio products, they align very well with respect to the growth that we are seeing in the multiple market segments. As you know that we have 19 divisions, which are exposed to 23 market segments. And that gives us the fundamental resilience as we participate in the marketplace.

We serve our markets with 5 manufacturing locations, which are in Nashik, Faridabad, Baroda, and 2 campuses in Bangalore. Within these campuses, we have 25 plants and we have 28 customer care offices around the country so that we are close to customer always. And we are also serving the market with 750 plus channel partners, integrators, OEM, supporters for our business portfolio. And as you know, the impact of the partners is that we get about 41% of our business through partners and 59% is direct sales.



To give you the business highlights. In the quarter gone by or the quarter that we are discussing today, our orders grew by 15%, which we believe is the underlying success of ABB India's multidivision, multi-market segment portfolio because it pairs very well what is happening in the marketplace and also the kind of focus our division, each of our division pays to their customer and customer market segments. And we continue to grow and penetrate in multiple market segments, multiple geographies, deep into Indian territories. And also, we continue to expand our product portfolio in each division and combination of factors continues to give us more access to the market, and that's the reason we grow faster than the GDP growth of the country.

Our revenue on back of higher backlog grew 28% and we continue to experience positive book-to-bill. Our profit after tax grew 87% due to good capacity leverage. And also, we continue to optimize the cost. So, there is a good operational excellence reserves which are coming through our value chain because we focus not only one part, but we focus on entire value chain and our team continue to deliver better operational results. We stand at robust cash position at Rs. 5,036 crores. And while we do the business in a credible way, we continue to focus on sustainability aspect because we think it is the right thing to do. It is not something which is a buzzword for us. We do it because it is the right thing to do in India and also for the environment. And we reduce 88% of our greenhouse emissions in Scope 1 and 2 at our own operation as compared to baseline year of 2019. We continue to focus on water. So, our operations are increasingly becoming water positive. That is we put more water in the ground and we continue to raise the ground water level wherever we are present. And that we continue to do. And right now, more than 50% of our campuses are water positive.

We also launched a compact drive, ACH180, which caters to a very exciting segment of HVACR equipment sector. And this is again is a high growth segment. So, as I mentioned, we continue to expand our portfolio.

What we see is the positive market momentum across market segments and all for the large customers, medium sized customers, and the small customers. So, we had a healthy mix in last quarter of short and long cycle opportunities coming from industrial sector as well as from the digital that is Data Centers and also from Railways and Metros. Our export expansion took place by 23% though exports remain by percentage 10% of our portfolio, but net-net there is a high growth. Why is the percentage of export looks 10%? Because the domestic growth is much, much stronger.

Discrete continued momentum in automotive sector and electronics is visible to us. And also on the process industry side, if you see, we have energy industry, metals and mining, they are expanding. And data centers is a quite a discovery for us. A few years ago, you remember, we keep talking about it. But now we really are seeing the scaling up of orders out of this particular segment, especially the global majors who are trying to set up data centers to localize data and also provide much faster and higher cloud services to the ever-expanding digital consumption in the country. I think the data center market is showing a lot of strength for us.



And also on the transportation sector, demand for propulsion technology for Railway and electrification for Metro, that's a very, very positive development for our portfolio. And of course, we continue to enjoy the resilience and the vibrancy that we have in Tier-2 and Tier-3 markets where we continue to increase penetration. So, with all this, our order backlog grew 25% to Rs. 8,900 plus crores. And that's the picture that we paint with orders growing 15% and revenues growing by 28%.

Just to give you an impression in terms of significant wins, when we talk about data centers, so we put in compact substation and smart power products and medium voltage switchgear for large data center projects. When I say large, you can imagine largest possible data centers being put in by the global major players who buy these similar products and services from us globally. And they continue to repeat that in the country. And also our robotic solutions beyond automotive are penetrating in new market segments like F&B segment, wherein there's a good uptake because productivity of a plant is not only production, but also how quickly you can deal with the end of the line packaging solution because that otherwise slows down the productivity of the line. So, that's where the robotics come quite handy. Global metal product manufacturer relies on system drive. So, we had a major order there. Robotic solutions are being increasingly applied in the manufacturing of electronics, which is expanding in the consumer goods and mobile phone assembly, and robotics is becoming a key ingredient for scaling of the production. Our low voltage motors for the range of manufacturing of water solution and engineering Company continues to find favor because we deliver energy efficiency motors. And everybody is very conscious these days in terms of really buying energy efficiency components to run for their facilities. Our process automation solutions for remote terminal unit, leak detection system, and SCADA for brownfield project of an energy major, that again is a very solid solution and really relied upon. And we continue to see a lot of repeat orders in these particular areas. So, this gives you a flavor how ABB portfolio plays in different segments, different market segments, and different products, how we have created the very large and wide catchment for the market.

One of the key reasons for our success is because we have very passionate teams in the market as well as in the businesses. And they continue to reach deep into the market and market segment. So, at any time, if you speak to us today, there is somewhere our teams are connecting with more new customers and really making them aware about ABB portfolio and the benefits of it. And that awareness itself continues to create a growth momentum for us across the country.

If you look into the market segments that we talk about, this is how we see them. So, you can see the high-growth segments are in data center, railway, metro, and electronics. They are growing, say, plus 15%. And Enhance, which is, say, the middle one, they grow between 8% to 15% and Sustain. The segments under Sustain, which we may call as moderate and low growth, but still, these are the segments which give us 50% plus in our orders book. So, you can see that as the Sustain segments continue to move to Enhance and Enhance moves to Focus and the rotation takes place, that brings the basic resilience for ABB for product portfolio. And we are seeing now signs in the moderate to low-growth segments. Some of them are breaking out, and they are going to the Enhance market growth side. So, that's where you can see that the Focus



one gives us very high growth. Enhance segments give you a very stable and solidified growth. And Sustain, they are coming out of the low-spend cycle to the higher spend cycle. And that's something we enjoy, and we will enjoy in coming quarters.

Now, theme for the quarter, just to explain to you every time we take a theme. This time we have taken Buildings and Infrastructure, a deep dive in it. It's a \$1.4 trillion market growing at a CAGR of 9%, comprised of infrastructure in smart cities, roads, waterways, ports, tunnels, and many others. And this is an area which is a sweet spot for our Electrification and our Motion portfolio. And here, that's the reason when you look into the Electrification portfolio, I think our teams are doing fantastic job in terms of connecting with the existing and the new customers. And that's where you can see we have a high growth coming in.

And also, in the transportation sector, our Motion teams are really bringing the best of the portfolio that is available in Europe and localizing and have localized it for local products because now Indian Railways and Metros are really looking for best-in-class global products, and that plays quite well for our portfolio. Now, key drivers, of course, about affordable housing, green building solutions, technology and AI shaping the industry, which requires different kind of ways to look at it, proactive government policies and support, all these are adding to the growth in this particular segment.

On sustainability in practice, just by the way, the picture that you see on the left is not a stock picture. This is a picture as I'm sitting in the ABB boardroom, when I look down, this is an ABB campus picture. So, when we say green, we mean it. We ensure that we nurture the sustainability aspects around all our campuses. As I mentioned, reduced Scope 1 and 2 GHG emission by 88%, and that's what we will stand in '24. Water recyclability, we will improve from 37% to 45%. Our 3 units are already water positive, they have become 4, and zero waste to landfill unit, we already achieved one. And we will also make sure that within '24, we have 2 units or 2 campuses which become zero waste to landfill units, and we continue that journey. And this is something we have committed. One is it's nice to show this number, but we, as a management team, feel this is the right thing to do, and that's our motivation to do it. And I think with the result, we also know that three years ago, we had only 2 ESG funds which were invested in ABB. And as of last count, I think it is about 52 or 55 ESG funds invested in ABB India stock.

On the CSR side, we continue to develop the infrastructure in the rural road infrastructure project. So, this road, as you see, it's being developed around Nelamangala rural road, which is close to our plant and which also serves safe commute of the vehicles, plus also providing a segregated path for women to be able to come to industrial areas in a safe and a much more conducive way, with a lot of confidence that if you want women to participate, you've got to have the right infrastructure to walk to the work from the metro stations or from the spot where the buses, et cetera, drop. So, we continue to develop in mind so that there is a higher confidence in the teams and the women and the men to come to the plants where we are situated, and there is a positive talent acquisition possibilities for us. At the same time, the rural folks who use these



roads, I think there are less accidents and there is a much smoother movement of goods and people in these areas.

We do organize science competition on National Science Day. We have a special school to mainstream children for special needs. And also, we have inaugurated pediatric OPD at Municipal Hospital in Delhi that we have supported. So, we have multiple areas, 3 focal areas, which is education, diversity and inclusion and healthcare for communities. And we make sure that all the funds that we have, we meaningfully spend them every year.

So, summary, aligning with India's growth and global shift. So, what we see right now in the market is domestic demand and elections, though everybody asks us, what is the impact of elections on the portfolio and the growth? You can see as such, we have not seen such a big impact in the 1st Quarter. And I really do believe that this time around, elections have had no real impact, but we are cautiously optimistic about it. Whether there are pre-election or post-election, some weakness can be felt, but we have not felt it in a major way.

Demographic and social change. I think India has a positive demographic bent going forward. And also, we are seeing a good income distribution in the country and also consumption is increasing. So, that again backfills the customers who are encouraged to expand their capacity and that goes quite well for our portfolio. And private CAPEX, yes, we see a significant private investments in areas like data center, automation, industrial automation, metals and mining and PLI-led CAPEX. And this is something which has a starting point. I think many people say that they have peaked, but from our point of view, all these areas are just starting. They are just taking off. They are not peaking. They are at the starting point relative to when we compare how these segments have grown in other developed economies. We are at the starting point, not at the midpoint, not at the high point. And then, of course, energy access and transition, global offshoring, technology advancement, all these are playing for our portfolio.

So, at this point now, I hand it over to T.K. Sridhar, our CFO, to take you through financial highlights.

T.K. Sridhar:

Thank you, Sanjeev. I think it was very insightful. So, let's go to the finance numbers, how did we perform? I think our press release has got a lot of more information and data for all of you guys to digest. And also, I think this time we made it sure that these presentations are available well in advance so that it could help you before we can read or report writing on our business for you guys.

So, coming to the performance, how did we perform:

I think as Sanjeev was mentioning, it was again another strong quarter. It was a solid start for the year as well. I think this quarter was characterized by certain milestones, which were achieved which were not there in the future. I think the first time we crossed in revenues we reached Rs. 3,000 crores. And, PAT, yes, 15% is what we see. Then also cash we surpassed Rs. 5,000 crores. So, this is something for the first time which we have done.



And when you go a bit deeper, orders received, we did Rs. 3,600 crores, 15% up over sequentially, and also 15% up for the Q4. But a good part of it is that the Rs. 373 crores of orders, what you have seen, is basically characterized from the data centers orders, what Sanjeev was alluding to earlier.

Strong backlog. We don't see any sort of non-moving or slow elements on this. We hope all of this backlog will be executed in the quarters to come. And not to forget, this also included the traction orders, which are long gestation orders, including the service element of that. So, that takes up a bit of a portion of this. Revenues, growth of 28% at Rs. 3,000 crores. And profitability went quite high compared to the previous quarters. So, I think this was absolutely a very normal quarter. There were no untoward one-offs like forex or any other cost which was there. But I think it was more attributable to the material cost, good material cost, good revenue mix, which has helped us to do this. And also on the good control over the other elements of cost.

So, overall, I think it was a good start for the year. We are operating at 4,600 people in the organization. So, I think this is something slide which I would like to spend a bit more time. So, I think when the group normally releases the results, the group gives a view of different geographies. And one of the key geographies which the group looks at or takes reference to is of India. So, I know when the group results were announced, in India they said it was a growth of 5%. And there were quite a few questions to me, whether it is 5% or what is it.

So, my request is the group looks at India differently, and we report orders differently. So, this picture will give you both the views. And for the sake of good clarity, even though it could be a bit of a conceptual slide, I made sure that we give more data about it so that it is because for the first time, I thought of giving more clarity to this topic so that we could establish this clarity for all of you once and for all.

Orders which emanate out of India, right, so this is the view, what a group looks at it. So, it consists of customers in India placing orders on ABB India Limited, which is the listed entity what we are talking for. And also, basically, there are other companies in India which also can get some orders, like the B&R Automation sort of stuff. And also, we have other ABB companies outside India. So, this looks at what are the orders which the Indian customers have placed on different ABB entities globally and locally. So, if you look at it, so last year, the order intake was \$389 million, and this year it was \$407 million. So, therefore, it gives a 5%. And this was exactly what was captured by the group in its press release. But when you now look into how do we report orders, it's basically what orders we get, ABB India Limited gets from customers in India, also customers outside India and from the ABB group companies within India. So, this is basically and absolutely an opposite situation of this. So, here we look at \$453 million, the same basically Rs. 3,607 crores. If we convert it, it becomes \$453 million at the exchange rate of Rs. 83 per dollar. So, therefore, this is 15%. I think this picture should give you enough clarity. So, my request to you is before you start to write, give predictions, I think we need to wait for the ABB India results to come to get the real view of it.



Next slide, please. So, now getting into the financial summary, if you look at it, so we are the most interesting part of it is that, of course, we did cross Rs. 3,000 crores in revenues. And this is something which was the first in several quarters. We have good deposits and therefore good interest, which is a major portion of the interest income, other income which we have. Material cost is at 59.8%. First time in the history of ABB where we have gone below 60. I am sure that this could evoke a lot of interest in all of you people as to whether it is sustainable, whether it is something which is one-off, whether it is something which is going to be the future trend sort of stuff. I would like to clarify that this very strong material cost reduction has happened due to 3 to 4 factors, pretty much very important. One, it consisted of higher services and higher exports. Process automation did a phenomenally high component of services in business in this particular quarter. And also, EL did something on the exports portion of it. And then localization and SEM savings was very important for us to achieve. So, this is unabated efforts what the organization puts in. Not to forget that these orders are from the times when the prices were at pretty elevated levels, because the material costs or the commodity prices were at that point of time pretty high. And so, that factored in that. But whereas afterwards, the material cost started to soften. So, we have a positive advantage coming out of that.

Connecting back to the slide where Sanjeev was mentioning about the Sustain, Enhance, and Grow (Focus) sectors. And I think that also played a very vital role in terms of the better margin orders which come from these particular mix of market segments, what we have.

To be sort of on a safer side, this is one of very good strong quarters, right? So, that's where how we see the material cost going below 60%. And the personnel expenses definitely higher than what it used to be previously. It is driven by salary revisions, and we added some 450 people during the quarter compared to last year to this year. So, that's something which has also impacted on the personnel expenses. Other expenses, majority of them is all volume linked. So, we did have one-time favorable tax impact of Rs. 10 crores, which was I think one off, which wouldn't stay. And Q1 had a warranty cost, which we had also declared in the press release last time, so which is not there in this particular quarter. So, interest cost, primarily, I think this could be a bit of a question as to when we have zero debt on the balance sheet, so why do we have interest cost? I just want to tell you this, because that major element of this, almost 95% of it is basically one, what we need to do on account of accounting positions on lease equipments, what we buy, and the premises what we hold on lease, and also the warranty discounting. So, I think this is basically the accounting position, what we have, but otherwise, there is more interest costs, what we pay to the bank as we're flush with funds.

So, just going more into the segment-wise. Electrification, so Rs. 1,800 crores of orders almost, right? So, I think this is basically a 34% strong order input, and that's basically from the large orderwe got from the data center. And definitely the backlog moving pretty fast, and the revenue, therefore, in this 30% growth. PBIT, ever-time high, 23.7%, and that's basically the reason for what I told, and they also gained because of the stable commodity prices and good offerings to technology, more premium customers. That's how it is, and also, the connect on the Tier-2 and



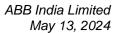
Tier-3 cities is something what has basically helped out. So, overall, I think that's how the PBIT definitely improved, and there was no ForEx impact on this.

Motion. Motion was a bit flattish in orders. I think decision on some of the system orders got slightly postponed, so hopefully we'll look at it at Q2. And, of course, I think, as all of us know, so there was on standard products, there is a certain price pressure, what we see, and that's something which we have to navigate as the system stabilizes. And backlog's pretty steady, so therefore, it's a well-oiled machine, as what people would see as motion at the segment. The revenue mix and the price advantage of the previously favorable margin orders is something which helped them to also soar on the margins to 20%.

Process Automation is one of the turnaround segments, as what has been for us in the quite some quarters, few quarters to come. So, revenue's pretty high, and this is the first-time high execution of service orders, what has been done by process automation, especially in the oil and gas and the metals and mining sector. So, that's something which has really improved, and definitely, the improvement in the project execution, as well as the composition of orders, which is reflected in the revenues, is something which helped on the margin front, no ForEx impact again in PA.

Robotics, I think they're also a bit flat. So, they will get some orders in the coming quarters to come from the industries what are relevant for robotics, is what we were seeing in the previous slide in the business. So, revenues growing pretty solid at 60%, of course, Q1 '23 was slightly flattish, and therefore, relatively, it looks higher, but I think Rs. 100 crores or Rs. 110 crores or Rs. 115 crores is standard what the thing is showing. They have a slightly lesser backlog at this point of time, as we see, because the revenues have started to grow faster than the orders, and they would catch up in the coming quarters with the orders, as well, and with definitely a higher revenue execution, you see that translating in the bottom line, as well. And with a good composition of service and profitable segments of revenues. So, this is, by and large, the overview of finance, and as well as this thing. And needless to mention, so we have a very resilient and diversified business model with 41% in this quarter coming from EL, 32% from MO, and process automation going up to 23% is what we saw, and which has basically pushed up the profitability numbers, as well. And compared to that is the offerings, which we go through projects, services, and products. So, projects is slightly higher at 16%, and services is a good percentage of 14%. So, this is something which is a clear focus for quite a few business divisions. And coming to the geographies, as what Sanjeev was mentioning, is that even though exports are growing, definitely, on a comparable basis, pretty strong, but the domestic demand is something which is growing faster, and therefore, we could see 92% of our revenues come from India, and the balance is what is from exports.

So, this is, by and large, the Q1 synopsis of how we performed, how the business environment looked like, and so I know we did take a bit of a longer time, 3 minutes more than what we should normally take for our commentaries, so we now can open up for question and answers. Neeray?





Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid:

I just firstly I would want to appreciate how well the Company has explained the bridge between Group and India reported numbers. So, that is very helpful for all investors. Second, again coming to questions. First, Sanjeev, you did highlight that various end markets are just at the start of their investment cycle when you compare with other developed markets. So, from a preparedness perspective, both with respect to capacity and people capabilities and skillsets and technology, how is ABB planning to invest its cash and build up its portfolio for these emerging opportunities in the domestic market? That's the first question.

Sanjeev Sharma:

Thank you, Renu. As far as we are concerned, we continue to invest in the incremental expansion of our capacities, both in the people resources as well as the physical resources are concerned. So, that's always an ongoing process. So, every year you see we have expanded facilities. Plus, we continue to invest in the productivity measures in the existing facilities so that we are able to produce more from the same infrastructure. So, if you see EL, MO, PA, we have a lot of expansion taking place there. And I think as you go forward, you will continue to hear from us that yes, our forward planning is matching in step with how we see the market will grow.

T.K. Sridhar:

So, Renu, just to add to what Sanjeev was mentioning, I think we invested almost in the last 2 years, Rs. 180 crores to Rs. 200 crores just on expansion. And that particular effort will continue as we see the demand expanding.

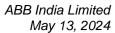
Renu Baid:

Secondly, Sridhar, at various segment discussions, you did allude to a very high margin or better price margins in the orders when commodities were at the higher level, aiding margin expansion. So, possible to broadly quantify in the backlog in terms of revenues, approximate contribution from these, in terms of dips towards the margins from these high-priced orders. And given the kind of backlog and the mix that you're seeing today, do we think net margins in early teens should be broadly sustainable for us from a 2- to 3-year perspective?

T.K. Sridhar:

That's a good forward-looking question. So, let me give you a bit of a color on it, while we don't give any forward-looking forecast on it, right? So, if you look at the backlog of Rs. 8,500, so almost 40% of it today is held on long term migration projects, right, both from Railway customers, which we had announced in the last year and also from Process Automation.

So, what is basically from EL and MO, right? So, they run on a book-to-bill situation of almost 40% to 50% quarter-on-quarter. So, that's something what they need to book, right? So, these particular orders, whatever you have, so are something which has come from the periods where the material costs were high in which we had priced it to the customers. But whereas subsequently the material costs have softened. So, now the question is, the future prices what we give for the book and bill revenues which we give in the next 2 to 4 quarters for this particular year, shall have to carry a natural adjustment to the current prices and that's how it is. So, therefore, at this point of time, it is not such a way predictable to say that whether the existing backlog would give us and not the same level of margins as what we saw in the 1st Quarter. But





as we say that we are, because having come to reach in 12 percentage of profitability last year. So, our endeavor is to make sure that we are there, and we do not fall below that, and while our efforts are there to improve upon it.

Renu Baid:

Lastly, if I can ask one more. In the annual report, if you see, we saw very impressive growth in the share of electronics and specifically other product segments which grew by almost 30%. So, possible to broadly mention any notable categories within these other segments, whether it was UPS for data centers, metering products, et cetera, which drove higher growth in the product portfolio for us?

T.K. Sridhar:

You are mentioning of EL.

Renu Baid:

Overall, looking at the annual report, we have a product-wise break up given in terms of switchgears, motors, electronic, supply components and others. So, very material jump in others if I have to just share across the numbers. Then other revenue in terms of overall, which we have big 30% jump on a yearly basis.

Sanjeev Sharma:

So, Renu, in material terms and the size terms, data centers definitely is one. Railways is another one and the Metro. These are the ones which are playing out plus the Electronic sector and the Automotive side, but on the EV side, there's an expansion for us.

T.K. Sridhar:

And last time I think we also got some good orders from the metals and mining as well as oil and gas, right? So, that also is something which helped us. And that's exactly what you're seeing in terms of service revenues which were executed in Q1 for PA.

Moderator:

The next question is from the line of Jonas Bhutta from Aditya Birla Mutual Fund. Please go ahead.

Jonas Bhutta:

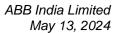
Had 2 sort of longish questions, but both related to the drives portfolio of the Company. Again, drawing from the annual report, we saw that the drives and traction motor business sort of grew almost 40% YoY. But it was also sort of compensated with a higher imports in terms of raw material. So, despite a higher import content and pricing pressure for standard products, just wanted to understand how is the motion segment showing such high margins, one? The second, which is drives related again, is if you can give us an overview on the drives market and is it growing at the same pace at ABB's own growth in the drives business, particularly your LVMV? And will the adoption of maybe an i3 or i4 motor standard take away some of the need for drives in the future? Those are my two questions.

Sanjeev Sharma:

We have Sanjeev Arora, our President for Motion Division on call. Sanjeev, would you like to take a view on the question that they mentioned?

Sanjeev Arora:

Thank you, Sanjeev, and thank you for a very good question. See, let me pick up the first, the drives part. Let's understand how the customer behavior is changing. And I am very, very confident that whatever may be the situation, our customers are building their blocks on the





Jonas Bhutta:

sustainability and energy efficiency around that. And that will really bring the real drive in the drives demands. And on top of it, they have really seen and tried the best of the technologies in past, and they have a lot of confidence in ABB drive. And hence, we see that we are growing much, much faster than the market growth, be it the low voltage drive or the medium voltage drive. And this momentum will continue irrespective of what we see in the times to come in the market, because customers are really dedicated to their goals of net zero and energy efficiency, and this is a low-hanging fruit.

Coming to your second question of I3, I4 motors, whether that will hamper the drives part. So, I3, I4 motors will never ever dampen the momentum of drives, because let's understand, hardly 15% to 20% of the motors in the industry today are using drives. And so therefore, as the penetration increases, drive market does increase, but on top of it, the direct online is going to stay there. And as we move towards energy efficiency, and actually, if you really ask me, it is very, very unfortunate that such a developing economy like India is still at I2 basic efficiency. And this is actually, I would say, absolutely unfortunate.

So, as we learn more about motors, we should raise our bar to I3, I4 as the minimum efficiency level, which should prevail in the country in case we need to really cope up with what Europe of the world or US of the world are actually going to. So, it is not going to dampen because market is very wide. And secondly, we must, at all costs now, the government should play a vital role in bringing up the efficiency from I2 to at least I3 or I4 level as the minimum operating efficiency.

That's from my side. In case any more clarification, I'm open for it.

Sir, just one quick one. What percent of our drives' portfolio is localized? That's my final

question.

Sanjeev Arora: So, that is one thing which we refrain from expressing. But then I can tell you, we have a good

amount of localization.

Sanjeev Sharma: So, Jonas, what we do is, the localization is a continuous process, but that is something which

we continue to do to stay competitive as well as making sure our supply chains are as local as possible. And your question on I3 and I4 and drives is very relevant. And of course, on the lighter side, you can help us by, whenever you go to other calls with other customers who you are using a lot of energy and you should ask them the question, why are they not using more I3 and I4 motors and drives? I think that will help us also boost the consumption of these products, which

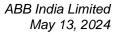
actually overall reduces the energy footprint in the country.

Moderator: Next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Sir, my first question is on the data center. Is it possible to get some sense of the data center

contribution as a percentage of our revenues? Is it fair to say the contribution has reached more

than 10% to 15% of the top line?





T.K. Sridhar: No, it has not reached to those particular levels, right? So, it is, of course, a very fast moving

market and therefore it is very vibrant in our revenue distribution of that.

Mohit Kumar: My second question, again, on the data center, sir. How do you see this specific opportunity this

year versus last year? Is it looking better of what is compared to last year?

Sanjeev Sharma: It is accelerating. It's increasing in the size, the size of the data centers and also the players are

doubling up the investment in this area. And this is something we will see continue having the

same trend, yes.

Mohit Kumar: And sir, last question. Is it right to say that we have localized all the data center opportunities to

the country?

Sanjeev Sharma: No. You mean by the operators? No, I think it is at a starting point.

Mohit Kumar: My question is, sir, whatever we are producing for data center, is it completely localized?

Sanjeev Sharma: Yes, that is highly localized.

Moderator: Next question is from the line of Mahesh Bindre from LIC Mutual Fund. Please go ahead.

Mahesh Bindre: Sir, currently 40% of revenue is derived from the partners. That is more of distribution side. So,

you mentioned that we are reaching Tier-2 and Tier-3 cities. So, in terms of your own understanding, how much market we have covered in terms of Tier-2 and Tier-3 cities? And what more penetration we can achieve? Basically, I'm asking the further potential for our growth

in terms of Tier-2 and Tier-3 cities and penetration.

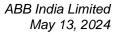
Sanjeev Sharma: Good question. We have Kiran Dutt, our President for Electrification. So, he deals with this topic

and it's very dear to him. So, Kiran, would you like to say a few words around it?

Kiran Dutt: Thank you, Sanjeev. And thank you, Mahesh, for this question. You're talking about Tier-2,

Tier-3. I'm even looking at Tier-4, Tier-3 cities, Tier-5 cities as well. So, that's how the situation is in India. As you know that we have already commented that we are already looking at 23 segments of the market. And all these 23 segments are located in different kinds of cities in India. So, you understand that. And it's very important for us to ensure that these customers who are located in Tier-2, Tier-3, Tier-4 cities are catered to in the best way possible in the shortest possible time as well. So, looking at that, our penetration has increased over the years. Over the past few years, we have been looking at what kind of distributors are available and where could we penetrate more and more. And that's a continued action. We will continue to do more. If you ask me how much we have covered, we have a long way to go. So, we would do that in the course of the years to come and ensure that our customers get the best material, I would say the

least possible time which is possible to be delivered to them.





Sanjeev Sharma:

So, as we mentioned, this part of our portfolio, we sometimes fondly call it as a fast-moving industrial goods. So, here, as Kiran very honestly said, it's a journey which has started and it's a long way to go. So, this is an, I would say, on the lower side of the curve rather than on the mature side of the curve at the moment.

T.K. Sridhar:

So, I think in the presentation, Sanjeev, so you definitely showed about how we are connecting to the customers. I think there are certain cities like Aligarh and Asansol, where you would have not even sort of thought about. I think that sums off the connects which will definitely develop this particular market.

Mahesh Bindre:

Sir, I mean the distribution side, this portfolio is more towards motion or it is more towards electrification?

Sanjeev Sharma:

Both electrification and motion and also partly in process automation.

Moderator:

Next question is from the line of Amit Mahawar from UBS group. Please go ahead.

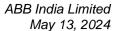
Amit Mahawar:

Sir, if you look at the global color, it seems Asia is driving a lot of demand on new electrification products, especially on the medium voltage. Do you see, for us, when we expand capacity, I mean, you spent today Rs. 150 crores, Rs. 200 crore on capacity expansion, a bulk of this going towards the electrification portfolio expansion. And to the last participant's question, any specific gaps majorly you would want to cover on the medium voltage side for data center? Because we still don't do a lot what parent does, because the market in India is still emerging. So, any color on the expansion on the EP side? And if EP will expand disproportionately in revenue share in the next 5 years? Thank you.

Sanjeev Sharma:

So, on the expansion side, we are investing in all areas, namely electrification, motion, and process automation. So, we are seeing that growth. Robotics, we already invested quite well in 2020. And we get the benefit in terms of the market share of the market segments we are focusing on. As we go forward, we are not only seeing the growth in one particular market segment. As you said, we have multiple market segments, and also not in 1 business division across all the divisions. So, we continue to make investment. But you should keep in mind that ABB in India is manufacturing for last 75 years. So, that means we already have our investments in place. And anything that takes for us to cater to incremental demand is only an incremental investment for us. So, that's where we have the leverage. And plus, we continue to optimize our operations. We continue to use a lot of automation and robotics. That also, in the same footprint, we are able to produce more. So, that, again, adds to our operational leverage, as well as on the productivity side.

Now, going forward, as far as the data centers are concerned, data centers are nothing but power guzzlers sitting with the computer, sitting in the computer racks. So, what you need to do is to feed them with the low voltage power, as well as the substation at the medium voltage level. All those technologies are largely produced in India. And I think our portfolio is quite complete for ELDS, as well as the ELSP. And we expanded quite a bit in Nashik last year for ELDS portfolio.





So, we feel we're fairly complete. And that's where the confidence level of our customers who are coming to India or who are in India is quite high because our supply chains are pretty robust and controlled at the local level. So, our deliveries, and typically data center customers are in a tearing hurry. So, we are able to match their demands, both in the product delivery, as well as the services that are required to run those data centers.

Amit Mahawar:

And a small question, second question is, globally, if parent is thinking of expanding capacities, we have some select mandates. Incrementally, do you think you'll get a more share of export mandates than your Chinese counterpart or Asian counterparts in select segments, or it is not a major change that you see? Thank you.

Sanjeev Sharma:

My time in morning till evening totally gets dedicated for Indian market, because we are a multinational. The very reason we are present in India is for India. And that's where we continue to spend more of our time. But at the same time, the mandate I have given to all the division heads is to prepare their factories and operations to world class levels, even better than what is existing anywhere in the world, so that there is a pull for those factories to supply in the other location. And that's what we continue to invest in last 5 years. And we are seeing now there's a lot of pull coming from the global managers to buy from Indian factories. So, that will be our strategy. We will not be seeking proactively any mandates because this is something we will allow the natural pull to come from the global segment. And there are pulls and pressures in the global market, which are favorable for India and we will take benefit of it.

Moderator:

Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

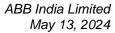
So, my first question is on the large order pipeline. So, if you can highlight, give some more color on how's the large order pipeline panning out for the rest of the year?

Sanjeev Sharma:

Large orders we are getting in from Railways for the motion, which is traction orders. Then we have a good large order coming out of the data centers for the electrification, especially the distribution solutions. And we also have large orders in our process automation energy, as well as process automation process industries segment. So, that's where the bulk of the large orders are sitting at this point of time. And then we, of course, have the medium size orders and the fast flow orders, as we call it a fast-moving industrial goods and electrification, motion, and process automation. As far as robotics is concerned, it's an ETO business, which is very specialized. And when the companies like local manufacturers of the automotive they expand, they continue to upgrade their lines and that's where we see cyclic orders into the robotics, very high quality, very sophisticated orders across electronics, automotive and others. But yes, large orders I mentioned to you the divisions where the large orders are sitting and also we see a pipeline going forward.

Parikshit Kandpal:

Sir, my second question is on the new product introduction. So, like you introduced ACH180 drive. So, my question is annually what's your target or so how do you see, how do you increase the TAM? So, potentially, what these products do to your total addressable market opportunity in terms of like expanding your portfolio? So, what would be that impact on the same?





Sanjeev Sharma:

We always start small when we have the new product introduced. So, we allow our channel partners to absorb it, introduce it in a big way with the customer connect program in the first few quarters and then we start seeing a kind of rational uptake of those products and consumption and absorption of it. So, whether you go to the new market segment or you go with a new product, you always in terms of percentage growth, you get it high but in the base volume is always small, and it takes time before you get it as a substantial mix in the portfolio.

Parikshit Kandpal:

So, it's largely in Tier-2 cities. So, Tier-2 and Tier-3cities or like across the portfolio?

Sanjeev Sharma:

Wherever we select this particular product, wherever the HVAC systems are being installed, they are across all the Tier-1, Tier-2, Tier-3 cities, wherever the new infrastructure is being built which requires air conditioning. I think that's where these products get positioned.

Moderator:

Next question is from the line of Umesh Raut from Nomura India. Please go ahead.

Umesh Raut:

Sir, my first question is related to theme that you have mentioned for the quarter which is buildings and infrastructure. So, where we are exactly in terms of CAPEX cycle barring say data centers especially related to residential commercial side of the buildings and hospitality as well? And in terms of overall contribution toward top line, how much of building automation is currently contributing?

Sanjeev Sharma:

So, I'll just give a brief comment and then I'll let Kiran answer it. So, this is one segment wherein the real estate sector has again kicked back after a lull of 10 years. So, whether it's residential or commercial side, I think it is expanding. And also, on the infrastructure side with the government spend on a different type of infrastructure projects, we have the expansion there. But I'll let Kiran put more color and understanding of it. And I believe around the building and infrastructure, it's about 10% of our mix.

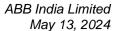
T.K. Sridhar:

8% to 10% it will come. Kiran please.

Kiran Dutt:

Thank you, Umesh and Sanjeev. Thanks for the question. And the point I would like to imply is in the slide what we showed, we also showed something known as affordable housing. And that's the sector which is going to grow. We already are looking at 20 million homes which are going to be built. Having said that, it's also important to note that for the building, there's a component called MCB for which we celebrated 100 years of invention in ABB Global. So, it's been already announced. The press releases are already there. You can have a look at it. In fact, the MCB, which is a primary part of any particular house or a home, it was invented by Hugo Stotts and this was in 1924. And that was later on, of course, bought by Brown, Boveri and later on, you know how ABB was born with ASEA and Brown, Boveri coming together. So, that's a very important aspect I would like to mention here.

And then what is also important to understand is 70% of the buildings which are going to be seen in 2030 are yet to be built. So, having said that, you know what's the potential in this particular segment of the market. You also mentioned a question on building automation. I think





what we see at this point of time is just the initiation or probably the first kickstart of this particular building automation. We see a lot of potential coming out from it. Some of the colleagues sitting here have also visited our office here and seen what exactly building automation can do. And it's a good showcase to the customers who would like to implement building automation as well. So, building automation is, at this point of time, a preferred one by a lot of customers who are in the commercial sector. The residential sector is just on the rise or pick up. So, it's just the start of the story.

Sanjeev Sharma:

Thank you, Kiran. And as Sanjeev mentioned earlier, that there's a lot of uptake on the sustainability side for the IE3 and IE4 motors and also what drives. Just like that, as we go forward, the building automation also falls in that category wherein building automation, BMS, is a key component to make sure that the energy optimization takes place in the high-class building. So, we see a good scope of development there, having experienced how Dubai market developed and other markets which were recently constructed, how the consumption of these products take place.

Umesh Raut:

My second question is pertaining to capital allocation policy. We have seen almost a jump of 2x in terms of cash position, which is directly close to Rs. 50 billion. And looking at, I think, operating cash flow generation going forward as well, I think it'll remain closer to about Rs. 15 billion, Rs. 16 billion on a yearly basis. So, I just wanted to understand what we are thinking in terms of utilizing that strong cash balance and upcoming future cash flow generation.

T.K. Sridhar:

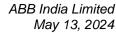
The first thing is that we follow a very clear capital allocation policy. I think 30% to 35% goes in terms of meeting the networking capital expansion needs, what is needed as we grow. And the balance would be required for we have earmarked some of the cash for inorganic and organic options, right? So, that's something which you already declared. So, which is every business is definitely working towards that as to how they could expand their portfolio or become more operationally more productive in terms of their offerings to the customers. And so there are various options what is being looked into. And last but not the least, I think we also share the cash with the shareholders and therefore, as you know that we increased the dividend quite extensively in the last year. So, I think this capital allocation policy is consistent. While it slightly changes from year to year depending upon the focus area, but this is how we done the capital allocation policy.

Moderator:

Next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia:

The first question was, first of all, special thanks to Jonas for his question, so picking up from there on energy efficiency. So, we've seen the benefits of energy efficiency coming in a meaningful manner from a bottom-line perspective in the motion segment. The parent has been talking about other areas where in let's say decarbonization linked kind of spending to reduce decarbonization is turning to yield business opportunities. It will be interesting to Mr. Sanjeev Arora's views on India in what shape and form beyond energy efficiency is he seeing new business opportunities? In specific, are you talking about professional technology, something on the traction side also if you could kind of comment upon. That will be my first question.





Sanjeev Sharma:

Sanjeev, would you like to take this question?

Sanjeev Arora:

I think we have all seen the energy efficiency benefits partly that also supports the carbon neutrality because ultimately when we have more efficient technologies to run our operations and especially with the motor driven equipment which are the energy guzzlers and if we use the energy optimally, then definitely we support the carbon neutrality team.

Second part is when you come to the new technologies, we are very well placed when we talk about hydrogen and ammonia in our portfolio, the production of hydrogen and ammonia. We have taken a few orders in hydrogen and especially when you talk of the powering of the electrolyzers, we have good technologies. Now, while we talk of this, even when you talk of the ethanol phase, again, there also we are very well placed, blending the oils and then I would also like to take this opportunity and mention here that one part is the production, but other part is the transportation of the hydrogen, ammonia and there our energy efficiency, motors and drives, use of compressor, use of pumps, they are a very good technology to be placed with the OEM who will actually supply them to the end users.

So, I think overall while in production of electrolyzers, but also in transportation, also we are very well placed. Coming to the Railways part, we have seen the electrification going very, very strong and we have been a very major contributor both in terms of electrification of Indian railways and now we also play a good role in the metros and providing our absolutely state-of-the-art technology on the converter businesses and also on traction motors. Overall, I think we are adding to the team with the global technologies, and which is very much welcomed by our customers. Let me know in case I missed out something.

T.K. Sridhar:

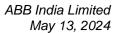
I think, Sanjeev, thank you for your time. I think that's quite a bit of an explanation for the question. So, in the interest of time, should we go for the next question, please?

Aditya Mongia:

Sir, my second question would be more on the margins. So, just to set some context for myself, you're now ahead of margins that the global parent is reporting. And just to set some other context, you have Rs. 1,000 crores of capital inside business and you are earning more than that as your EBIT. Now, we just wanted to get a sense whether this is in any way a reflection of a receding competitive intensity in the sector or is the customer moving towards newer products? Just trying to get a sense because our sense was Indian market was more competitive versus what the global parent sees for itself. And the quotient of, let's say, going for new product, new technology is also more European than Indian as a concept. So, just trying to get a sense of whether we are seeing any changes on competition and acceptance of new products in India versus where the world is for ABB in specific? And that would be my last question.

Sanjeev Sharma:

Aditya, it's a good question. So, there are 2 things which are forming the market in India and which I think is favoring us. One is the expansion of the market itself and the appreciation of the market segments which are now acting on scale. When they act on scale, they always like for premium products because reliability, availability, maintainability, serviceability becomes an important aspect.





The second part, post-COVID, we talked about before, there is a huge shift of the customers who used to be very price sensitive earlier in terms of whatever products and the solution they bought towards the products which are more reliable and more available and also are better supported. Because during COVID period, customers realized that it is not just the price of the product, but it is the Company's ability to support those products digitally, remotely, as well as provide those components when you need it so that you continue to have your operations running during the supply chain constraints. Those abilities which was demonstrated by the Company when ABB was one of them, I think there's quite a marked shift of certain customers into our area.

So, that's why you can see, if I look into last 3 years, ABB has grown 27% CAGR on our orders. So, that's an indication of not only the domestic market expansion, but also a premiumization of the market and also movement of a large section of the customers towards companies like ABB. Now, with respect to the profitability, et cetera, I think that's a lot of operational excellence, localization, how we manage the support the customers with the prices in the marketplace and also how our supply chain is acting, I think it's a mix of that and also the productivity measures that we have put in into our shop floor. So, if you combine all these things, that's where the total effect is coming. It is true that global and everybody thought that India is a so-called very price sensitive, low cost market, but I think that view is changing for good. And I have seen this happening quite frankly in China as well. In the early cycles of China, that's exactly what the pattern was emerging, yes.

Moderator:

Next question is from the line of Shrinidhi from HSBC. Please go ahead.

Sri Nidhi:

Sir, ABB overall has a 14% to 15% business coming from the services end market. May I ask how is it different across the four segments that the Company has? And it would be great if you can give some color on how is the profitability different in services portfolio versus product portfolio.

Sanjeev Sharma:

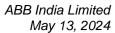
Services, the highest concentration of the services is in process automation. That's a larger percentage of process automation business in the services. That followed by motion and electrification. So, that's how the formation is. And of course, robotics also has quite a good mix. So, I would say in process automation or industrial automation, service contribution is 40%, electrification is 22%, robotics is 6% and motion is 32%.

Sri Nidhi:

And sir, profitability, would it be possible to give some color on how is profitability different?

T.K. Sridhar:

Shrinidhi, this is on the 1st Quarter numbers, right? So, the profitability, I think, say I would give you a very general color because I cannot give anything which is specific to the divisions because then it becomes very sensitive, okay? So, I think we deal at northwards of plus 25%. I mean, any service business revenues will go beyond 25% of the EBITDA margins level. So, that's basically how a good combination of product, projects, and services helps us to maintain a healthy bottom line at the end of the day.





Sanjeev Sharma: A healthy bottom line and healthy relationship with the customers as well because our products

are the one which requires a lot of reliability and availability services because it's critical components operating in very critical plants. So, that's where the customer really appreciates how our service teams are organized and they're able to respond in time. So, I would say for both

of our comfort, yes, the margins are reasonable for us to operate this business. Yes.

Moderator: Ladies and gentlemen, we'll take that as the last question. I'll now hand the conference over to

Mr. T.K. Sridhar for closing comments.

T.K. Sridhar: Thank you, Nirav. And thank you everyone for joining this particular call. So, as we close this

call, we wait for the election results to come out, which will be in Q2. So, again, we'll talk to you again in the month of August So, that's how we have the Q2 results, which will come up. So, thank you very much. I'm hopeful that these discussions are pretty much useful for all of you. And feel free, just in case there are some unanswered questions, feel free to write back to

us so we will do our best to answer them. Thank you very much.

Moderator: Thank you very much. On behalf of ABB India Limited, that concludes this conference. Thank

you for joining us. And you may now disconnect your lines. Thank you.

(This document has been edited for improving readability)



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