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May 10, 2022

BSE Limited
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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 5, 2022, we are enclosing a copy of the transcript of conference call with analysts, which took place on May 5, 2022 post announcement of Q1 2022 results of the Company.

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

Thanking you

Yours faithfully
For ABB India Limited

Trivikram Guda
Digitally signed
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Trivikram Guda
Company Secretary and Compliance Officer
ACS 17685

Encl: as above



ABB India Limited's Q1 CY2022 Earnings Conference Call

May 05, 2022

MANAGEMENT: **MR. SANJEEV SHARMA – MANAGING DIRECTOR, ABB INDIA LIMITED**
MR. TK SRIDHAR – CHIEF FINANCIAL OFFICER, ABB INDIA LIMITED
MR. SANJEEV ARORA – PRESIDENT, INDIA, MOTION BUSINESS
MR. G BALAJI – LEAD, PROCESS AUTOMATION DIVISION, ABB INDIA LIMITED

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Moderator: Ladies and gentlemen, good day and welcome to ABB India Limited Q1 CY'2022 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. Please note that 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.

TK Sridhar: Thank you, Faizan. A very good afternoon to all of you to the Q1 2022 Analyst Call where we will definitely discuss about performance and the overall initiatives what the company is taking. So, I have with me on the call, Mr. Sanjeev Sharma -- Managing Director of ABB India Limited, Sanjeev Arora -- President for Motion business in India, and G Balaji, Process Automation Division Lead. Subrata Karmakar who is in the Robotics and Kiran Dutt who leads the EL business are not able to join this call because of their customer engagement, but we will be able to handle any queries with respect to their business within ourselves, right. So, thank you very much.

I'll now hand over the call to Sanjeev to take us through what happened in Q1 and later on with the financial results is what I would explain a bit more, right. Over to you, Sanjeev.

Sanjeev Sharma: Thank you, Sridhar. Good afternoon, everyone. Thanks for joining in this first quarter of this year. I'm quite pleased to report the numbers as well as the developments that took place around ABB. We also had the AGM this morning which was concluded at about 1 p.m. today. Very good interest from the shareholders with respect to the development they saw in 2021 and we see that continuity in this year as well.



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To give you some highlights, we had the strongest base order growth in our first quarter of calendar year; orders were up 26%, revenues were up 21%. We improved value offerings and our operational efficiencies led to double digit PBT percentage before exceptional items. And also, we went ahead and voluntarily published our Business Responsibility and Sustainability Report, (BRSR) 2021 as early adopters, and if you had a chance to look at it, if not please, have a look at it, it will show you detailed insights into what ABB and its teams have done in last one and a half years. We have been taking a lot of initiatives in this area and now we have the recognition and conclusion of those initiatives and we really are pleased in terms of how our campuses and our locations have developed, and also how we are helping our customers to be more environmental-friendly with their establishments because our product portfolio is in the sweet spot of energy efficiency and it's in the sweet spot as an enabler for customers to also realize benefits around their ESG agenda. We continue to maintain a solid cash position and it continues to strengthen.

When we look into the overall business construct, we have strong short cycle orders which means good for cash flow because the conversion of orders to revenues to cash is quick and that's something we continue to enjoy in our balance sheet.

The market segment focus and you may have heard me say this before. We have 20 distinct business divisions; each one of them have their own business model, but all of them are exposed to about 23 market segments in the market and these 23 market segments represent the strength of Indian economy and the activity. Some of the market segments are cyclical, some of them are long-term trends and we have continued to participate there with focused channels, focused OEMs, focused integrators and also our direct efforts in the marketplace, and we



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continue to see penetration across geographies as well as in the market segments.

We had a fine time addressing our export obligations, wherein we help our group to cater to certain markets wherein group thinks that the Indian operation can support them to support customers outside India, and that saw a good traction of plus-33%.

Services order, which again is a backbone of our installed base we have created over last 70-plus years of manufacturing in the country. That continues to draw strong support from our customers in terms of maintaining reliability, availability, maintainability, and serviceability of the assets which customers have deployed.

And also are not dependent anymore on core sector unlike five six years back, wherein either the core sector was up or and we were up with them our core sector is down and we were down with them but now we have a much more broad-based offerings across the market segments which are not only large industries but also medium-size industries and also upcoming industries like data centers, F&B and others and also the expansion of automotive and ancillaries in EV and other spaces. So, our offerings are really broad base. And not only we carry them ourselves, but also our partners are helping us to penetrate on the deeper side of the market.

Process industries and optimization remains the theme and we see an uptick in this area wherein steel industry, cement industry, chemical, oil and gas industry and many other associated process industries, we see that apart from the OPEC's-led investment in last years, we are seeing some solid projects forming in front of us in coming quarters.

To give you a flavor of some of the orders that we kind of secured and supporting different segments. So, I think the take away of this slide is



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how diverse our applications and the locations are. So, rectifiers for natural resources is one of the major companies in this area. We typically will not name the customer unless we have pre-agreed with the customer that we can expose their name, we don't typically mention it. If any one of you have a very high interest, then we have to somehow take the approval from the customer before we can talk about it.

For tire industry expansion, we are helping and also upgradations, robotics for electronics major and again, this is another testimony that as the electronic manufacturing expands, our robotics offerings are going beyond the automotive sector is going into food and beverage, it is going into logistics, warehousing and also electrification in the high-class IT campuses in Hyderabad, complete electrification and around the IT campuses, they find our reliable solutions.

And, of course, we recently announced in the month of April, a new expanded digital substation products and system factory in Baroda. It's a state-of-the-art well organized and very productive facility compared with any facility you can come across globally. I think that investment is paying us well and we have some new product lines also which are being added there.

We continue to expand our LV Motors market position. And also, one of the key ingredients for our expansion of market in the LV motors is continue to expand our offerings in our portfolio. Our customers and the channel partners benefit from a much wider range of products from us and that's something which goes with part of the core of Indian growth story. So, these are the kind of some numbers that give you a flavor of our exports and services expansion in absolute numbers.

On the ESG framework especially the environmental, social and governance, we have adapted our group's 2030 target based on SDGs



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and then we combined it with the Indian flavor of BRSR and national ESG requirement and we have created ABB India ESG focus area.

We have a 10-point agenda, right from green infrastructure to renewable energy, water conservation, material conservation, stakeholder engagement, renovation by diversity and inclusive board. And this is something you can also find very solid evidence how we do it in details in BRSR Report. So, I will really encourage you to look at it and we'll be very happy to get your feedback because this is one area we continue to engage and continue to develop. And we call it as a program as sustainability in practice. We don't talk about sustainability as an intellectual pursuit. What we talk about is that in last one and a half years, we were focused on working in certain area. Once we have achieved it, then only we talk about it. And the evidence here, you can see, we have six locations; Nelamangala in Bangalore, Faridabad, Haryana, Peenya, Bangalore, Nashik in Maharashtra, Disha building which is our corporate office, and our business office in Bangalore and Maneja in Gujarat.

In the month of December and January we got all these certifications which are essentially the green certification. So, Nelamangala and Faridabad has Platinum Certification, Peenya and Nashik got Gold and Disha Building which is our corporate office is the Lead Gold Certification. I think most of you are aware of it, but what it really means Platinum Certification by IGBC means, it's a World-Class Excellence Facility at the Campus level, Gold means it's a National Excellence Facility and Lead Gold means it's again a National Excellence Facility.

And underlying elements apart from a very strict criteria of reaching this certification, we can very proudly tell to our customers as part of their supply chain, you have a Green Campus which supplies you product and it also adds to our customers credentials who are very increasingly is ESG-conscious as we go forward. And this also gives us a lot of



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credibility when we want to supply to new markets outside India especially in Europe. You can talk a lot, you can make a lot of power points in terms of how good you are, but European customers are very sensitive on the Green Agenda, and if you have the products and solutions being developed in a Green Campus and facilities and the consciousness of the management and the factory is to be very conscious about ESG Agenda. You always get look good credibility with the European and other customers who we are increasingly serving to our locations in the country.

We have reached already in 2022 100% renewable energy in all our campuses. And this is something if you recall my last year's presentation, it was not the case, but since we had a very focused effort we can declare, we have 100% RE achieved. We are working towards 100% energy productivity and these are the targets for each location. Waste rise recyclability is above 90% in most locations and we have committed to be a zero waste to landfill target which we will achieve over a period of time.

We have a target for water net zero reduction target. We have been already declared as a water positive, net positive unit for Nelamangala which is certified by TERI Index of 1.24, that means we pump in more water in the ground as a contribution to the mother earth relative to what we consume in it. so there are a number of techniques and technologies which we have invested which captures water and also conserves water when we use it and also it recycles the water in around the campus. Other locations will also reach water positivity. Already, the projects are being implemented. So, every time we have a discussion you will see this thing changing. Our Peenya campus from where I am calling you today, we have already achieved the single use plastic usage free campus and that's something we will also implement in all the locations.



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So, that's what our sustainability in practice means. We will not talk about something which we want to do way out, but we will tell you that the direction, but I think we'll continue to share with you how we achieve it and how we continue to do it and we would like to stay really ahead of the call not only at India level even at a global level among the network of locations we have around the company.

Our focus on social impact area. We have the locations where we are present. We like to make sure that there's a positive impact we create around the communities, for example, in Peenya, we are in an industrial area and the infrastructure of roads, pavements safety for women, lighting, we found that was less than desired around the campuses and we collaborated with police, traffic police with BBMP, which is the municipal committee, and fire department. And we have improved the road infrastructure and I think it is world-class road infrastructure, segregated pathways for young women and young men to walk freely, not walking and criss-crossing in the traffic, and it's very a structured way for people to navigate themselves through the industrial area. We have created this as a kind of catalytic project as an example for authorities as well as for the other industries in the area and we are finding that the people are getting inspired to take up similar project.

Likewise, we continue to support health benefits for the communities in Peenya, Nelamangala, Vadodara, Nashik and Faridabad wherein our health vans go to the rural areas, wherein people are wanting more support and we continue to provide them a health medical facility. We wish we continue to expand this faster because the feedback we have is that people really benefit from this since there are a lot of people who are not able to access the health services otherwise.

We are working with Lila Poonawalla Foundation. We are running a Scholarship Program for 200 young women. They will be sponsored for four years of engineering. They come from backgrounds of either the



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single parents, having very low income in the family, but they are meritorious students, we have selected with a very strict criteria and we also put a lot of efforts making sure that they are mentored through their four years of engineering. We also provide them internship with their certain selectivity and also later on jobs and release them in the marketplace as very well-developed engineers so that their income which will really boost their family income whether the mother or father who have raised them. So, we feel very good about such programs because we feel in a small way we make a difference, and as our volumes as well as profits expand, we'll continue to expand these programs for them.

Again, we do the National Science Day. We try to evoke stem knowledge among the women as well as young boys so that more and more engineers are available to us and likewise in Nelamangala, we are also upgrading a hospital, which was in not so desirable position, but then, we are doing it to a very high standard so that the communities around our locations are able to get that benefit.

Same way, just to give you a business flavor, 85% of our business comes from these market segments. The dark green and light green are the ones which are growing at +15%, +10% and the yellow or the orange one is sub-10%. But if you really look into the budgetary provisions, you will see that then the budgetary provision, even the orange areas are getting boost and there will be a cycle of investment in those area. I believe we are well covered with our portfolio as well as our exposure to different market segments and we continue to deepen our engagement with the customers underlying these segments.

Now, it is time for financial highlights and I hand it over to our CFO, Mr. TK Sridhar. Over to you, Sridhar.



TK Sridhar: Thank you very much for giving an overview of what's happening on topics which are non-finance. So, now we come to really a hardcore of how we have performed in Q1.

First of all, this quarter again was a very critical and solid performance on ground. So, talking about orders which is Rs.2,300 crores roughly and this is sort of a quarter which has probably given the highest of the orders. Why I say so because it's all coming from base order. Even when we compare with Q4 '21, we have a base order of Rs.1,936 crores and this is fully made up of base order. This is a clear indication of the customer connect and our penetration to tier-2, tier-3 cities are really working and the underlying demand situation is reviving. This is just to take a clue from what Sanjeev was saying about the LO areas which have been sluggish, we have started to look at investments in their area of expansions as well. So, all the divisions across ABB, so we have 20 divisions working presently in India. So, all of them have sort of posted the growth. This is something which is for the first time I have seen the first quarter coming up with these numbers.

Revenues has also grown up by 21%, that's what you see compared to the previous year, but whereas compared to the previous quarter which is sequentially we have slightly low by 6% is negative. And I think that's more from the point of view of how the scheduling is done for execution.

When it comes to profit before tax, we look at what is profit before exceptional items. That is key because that is what is going to be consistent and that's where our focus needs to be, while the exceptional items will take care of one of topics which has to be dealt in a number for strategic elements. So, I think this is something which has reflected the better profitability, is reflecting the fact that capacity utilization is throwing up the positive number and also we did have some challenges in the market in terms of commodity price increases and sometimes in terms of FOREX as well. What the business has done is about to pass



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on this particular impact to the market, because we have very less of orders which are probably having a variation clause, because we don't have projects, we are more in the short cycle businesses, and that is something what we have to necessarily pass on this commodity impact and impact of the business and that's what the business has done to remain profitable.

We have a solid order backlog of Rs.5,230 crores and that's something which we see will be executable in the coming quarters and we have sort of arranged ourselves to deliver them on time, without any disruptions, which is in our control. So, cash collections remain steady. So, our DSOs have reduced compared to Q4 2021. So, that's something what we have also continued to focus on.

What we have increased is around the inventory. So, inventories have increased in the company because that's more with respect to sourcing what has been done to stock the material, to meet the supply disruption challenges as well as to meet the execution timeline for the backlog which has already gone up. In other words, this is a very conscious buying which has been done by the unit to avoid any future surprises.

So, what could be the focus areas going forward? Definitely, we expect that there could be headwinds of supply chain disruptions and we must gear up for that and some parts of geopolitical impact, which we should also expect to continue.

So, while we do this, our focus on working capital, because cash is very important when you are seeing the growth, we need the cash to fuel the growth. So, that's something we will conserve, and we will build upon it, and we also expect there could be certain increases in expenses like freight, like travelling, etc., because the market is opening up and also the freight is also a player in the market with respect to availability of logistics constraints and the fuel prices.



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So, the exceptional items, I think as we had mentioned, we executed the sale of turbo charger business, a fully owned subsidiary. Rs.293 crores is the exceptional item what has been reported and we also accrued the tax on it on the capital gains at a 23%. So, that's reflected in the PAT percentage.

Next slide. This is where we stand with respect to how our P&L analysis looks like for the various elements. Material cost is remaining at 65.8% and as I told you this was contributed by three major factors: One, of course, the mix, which is definitely a key pack because both exports and services are better than the previous quarter. So, that is something which is important for us to know. And also, as we said, we did a price increase in the market and so that's also an important element.

And also, after we had certain issues in process automation earlier with respect to the projects, with the improvement and the processes I think their profitability is absolutely pretty much very strong without any surprises and top-class execution of projects is what we see, and that's held the material cost at steady level.

Coming to personal expenses, there is definitely a slight increase compared to the previous quarter same time and that's more because there is an impact of annual increments which comes in.

And a good news, because we performed extraordinarily well in 2021, the employees had got their full bonuses and in some businesses slightly more because they had outperformed the target and they had done well. So, it's good. And that's important for us to retain the employees and engage with them so that we have continued support from them in the delivery of numbers.

Other expenses has increased for the right reasons. One as I told you is about the volume-related expenses which is on the freight and topics



related to revenue, royalties and all these things increase is more driven by revenue. So, we are keeping a tight control on the fixed expenses which is very important which does not blow out because we're increasing in revenue. So, that's something which as an internal control topic which we hold the businesses responsible.

So, I think this is by and large. And good to see, compared to the previous quarter same time, we have a lesser positive impact of commodity variation, exchange variation as what we say, but despite that, we did 10.1% in PBT.

As we said in the last call and the previous calls as well, we would like to maintain a credible first level of profitability at PBT level of having a double-digit QoQ and YoY, and then that should sort of translate with the volumes what we tend to believe that would improve, it should translate into better profitability going forward. So, all the elements of course is something under purview everywhere.

Now, we do a bit of a quick dive into how the segment-wise numbers look like. Electrification: I would say, to be on a very lighter side, we promote healthy internal competition. So, we have motion and electrification as two businesses which comprise almost 75% of ABB India's turnover, well positioned to compete within themselves to be market leaders. So, we could see today electrification is now growing robustly at this point of time. So, we see a good order growth which is absolutely across all channels and segments that you have seen.

Revenues, I think because it's a short cycle business, so orders have to be converted to revenues and so that they reflected in the revenue growth. And profitability better because I think when the revenue kicks in, they're the best people to get because of being a product business they get the full advantage to the bottom line, and also we did a bit of a price increase.



We come to the next slide, which is motion. So, again, a very strong performance. I think motion, as I said, a jewel in the crown of ABB in India. They are consistent performers when it comes to performing in the market as well as in the profitability. They have a solid backlog so that should be converted to revenue in the coming quarters and I think they also have a good contribution of the channels and they are leading on the export side of it, so they have got allocations to various of the market compared to the previous year. So, that's something which is growing with especially the large motors business.

Revenues are a fallout of a better order what we have. The profitability is better than previous years, fueled by mix and improved price realization.

Process Automation, as we all should know, is project businesses, and that is dependent on the decision what the customer would do in the timing. So, they did but their base volumes were pretty strong; \$460 million, Rs.160 crores is definitely higher. If I look at Rs.770 crores that had an element of Rs.350 crores of a large order and if you remove that, so they have actually maintained the base orders and a good healthy sort of service and then order mix they have taken. I think they would definitely scale up the revenues going forward because they have a backlog which will attribute and that is more in line with the project schedule which would fall in place.

Robotics did a kick-up in this particular quarter. They did get some good orders in the market and we believe that this is a small and sweet business which will keep growing fast and that's something which we are watching out how this would pan out going forward.

But in terms of capacities I would say that we are now working in quite a few plants and double shifts. So, as and when we move into higher



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trajectory of growth percentages, so we have headroom to move into the third shift as well.

Yes, this is something on channels. I think this is we already discusses with you. You could go ahead on this.

Outlook and priorities is the last slide. I think it's very important. We have an absolute flawless execution of our order backlog that is pretty much the very important stuff so that we have the conversions to the bottom line and the top line happening correctly. And we look at headwinds on demand/supply chain impact, especially when it comes to electronics and semiconductor-related components what we get in. So, that's something which we are aware of on the ground and we are preparing ourselves to handle it more with the customers as well as internal production line. And we will also see elevated commodity prices and volatility. This is something that we will look at.

And what I did not add into this is the impact of interest cost and the corresponding inflation with the RBI coming up with this, so that's something which we have not added to this, but that we will also keep on watch.

Having these sensitivities, we will definitely make sure that we leverage the positive momentum which has been created in the market and internally also in the production facilities. We will consolidate our cash position.

And of course last but not the least I think without this we cannot survive. So, as Sanjeev always says customer is the only person who gives us the income. So, we'll enhance our engagement with them.

So, this is the last side and I think we probably now open it up for Q&A.



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Moderator: We will now begin the question-and-answer session. First question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: My first question is on the sharp commodity inflation that we have seen over the past two months, though it started to taper off but do you perceive any impact of this steep inflation both on near-term margins on the short cycle orders that we have in the backlog as well as do you foresee any risk to demand either in terms of delays or postponement of orders in the near term?

Sanjeev Sharma: It is true that the inflationary pressures are being felt across the globe and also the supply chain disruptions, we are equally aware and also our customers are equally aware and both sides are equally sensitive to it. So, whenever you have such a situation and you are not uniquely a participant in inflation of input cost as a company, then what happens is that distribution of that cost is much easier to the customer base. Customer understands where we are coming from and there is a less resistance and since there are supply chains which are squeezed in the marketplace, customers are also very receptive to receive that pass-on cost from us so. But at the same time, we keep our integrity of our contracts with the customers, if we have committed somewhere wherein the customer has certain price lock in with us, we honor that commitment, we deliver to them, but at the same time when we see that there's an input cost increase from us, we also adjust our prices towards the customer. Luckily for us, the way our portfolio construct is today, we have very fast-moving products. So, the cyclicity of our order to delivery is quite low and that allows us to adjust the price base for us whenever we see input cost variation. So, at this point of time, yes, it's a stressful area, sometimes demand is very strong, so sometimes it is about securing these supplies. I think that's where our attention goes but whenever there's untenable that we should not keep that cost inside our books, we have customers who are very supportive at this point of time.



In medium, short term, on the elasticity of the interest rates on demand and elasticity of the cost input on the demand, I think time will tell. Right now, in fact, we can't explain the strength of the demand. In fact, that is the other way around. The markets are strong at this point of time in the multiple market segments and that we also see in the enquiry build up. We have not seen immediate impact on demand reduction, but we never know what will happen six months down the line if the Fed in US continues to increase the interest rate and the RBI follows, obviously, when the credit supply gets squeezed in the market, there is always certain corners of the market which are very interest rate-sensitive, they get a little bit more impacted. So, we will wait and watch, but till that time we continue to serve the customers who are demanding and connected with us.

Renu Baid: Hopefully the double digit PBT margin should not have any headwinds in the near term?

Sanjeev Sharma: Renu, I'm with you.

Renu Baid: The second question that I have is Sridhar has been emphasizing that cash is the focus and that is where everything is driving. So, again it's a repeat like every quarter, how do you plan to use this Rs.2,700 crores cash on books, any related updates on new products or factories, we read about the new smart meter factory being set up at Nashik, so if you can give some more input or insights that will be helpful?

Sanjeev Sharma: So, we are continuously investing and expanding and post-COVID as Sridhar mentioned and also Sanjeev Arora is sitting there, we are expanding our shifts. So, that means we are already hitting the top ceiling of our capacities. There will be an organic growth in our capacity expansion which is already in place in different locations for different product lines, and also, we have inorganic opportunities exposure globally, wherein our global teams are evaluating some global



opportunities, and if they get materialized, so that means they will have a local footprint, which we will have to integrate and that's where we fund it with our own accruals. So, both for organic and inorganic, there are things in play, and we hope that's where we will be able to use our cash meaningfully in the volatile markets, but at the same time we continue to consolidate our portfolio and market position. But at the same time, Renu, it doesn't hurt, it really feels good to have some cash in hand.

Renu Baid: True, but anything to quantify in terms of CAPEX that you plan on the next two years?

Sanjeev Sharma: I do have it and there are some announcements we will make sometime in October. And whether you see our BRSR report or sustainability in practice report, we talk about it when we are ready and we have completed because otherwise we are kind of putting a speculation matter in market and you will see some announcements from us but I don't want to hint it at this time because it's bit sensitive for the marketing.

Moderator: The next question is from the line of Ankur Sharma from HDFC Standard Life Insurance. Please go ahead.

Ankur Sharma: Firstly, when I look at your order in flows up 26% YoY, I'm just trying to understand how much of that is driven by the price increases that you may have taken in the last couple of quarters and how much is actually the volume increase, so if you could help us understand and if you exclude that what kind of growth it would look like?

Sanjeev Sharma: I think it's a good question. So, what we will do is, we will have to do a bit of analysis there. Definitely, as the inflation expands and the price expands, there is a definite effect of it, but I would say it's a mix of solid demand plus the price expansion. But let me give you a bit of a flavor with Sanjeev Arora who runs our motion business. So, maybe one of the



businesses he can pick up so that he gives a bit of a kind of a micro snapshot of the business so that it gives you a flavor.

Sanjeev Arora: As in the earlier question you must have heard that how the raw material prices are hurting, but then when the demand is there, it's a bit easy to pass on to the customers. Of course, it hurts, but then we have to do that. Giving a ballpark number of 18% to 20% of the price increase if we compare last Q1 to this Q1, it would be on the price increases roughly and then balance, of course, the natural growth of say in motion business say around 8% to 10%. So roughly about 18% to 20% on the price increases and balance the natural growth and the way we are penetrating into the various geographical segments, exports is growing, we are in tier-2, tier-3 cities, nascent stages of entering new businesses also like having new products like what Sanjeev showed about flame proof motors. So, I think these all put together has given us both the growth momentum from the market standpoint as well as the price increases. So, the combined effect has been quite good for us.

Ankur Sharma: If I may just follow up on the export side, one of the slides it was specifically mentioned that exports doing pretty well on the motors business. If you could help us how much is exports today of the total motors business, any new markets, products, what's really happening there, what's driving this growth for us?

Sanjeev Arora: I think it is good to know that what is driving this and the way we are operating in our factories, the on-time deliveries, the quality and the technology what we have in India is driving this growth. And the story has just begun and it will continue. As far as the numbers, I would say that we have a very good growth. That is the statement what I can make because I cannot say much beyond this, but I can assure you that this is just a beginning.



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Sanjeev Sharma: Just to compliment what Sanjeev Arora said, so we have export growth, so we did mention plus-33% expansion and give, our operations are world-class, so we have more and more markets being allocated to us as far as North America, South America and other locations. So, our products are flowing in all the directions. That's the effect comes when the global allocation comes to a factory, expansion comes beyond the domestic market. It has a really an exponential effect. That exponential effect is built into our export performance. So, that's what happens with other product lines also. We are exporting more than motors. So, as the geopolitical things as well as other things play out, as and when our global team members become comfortable that India can serve certain key markets, then we always see an exponential effect on those product line and luckily we have created a lot of local supply chains and we are very competitive in the domestic market and when we are competitive in a domestic market which is so price-sensitive, then competing outside is a leverage.

Moderator: The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: The first question that I had was more on margin. See, at this point of time you are a double-digit PBT margin. Could you give us some color on the journey towards the double digit PAT margin that you may want to kind of think through?

Sanjeev Sharma: I would again repeat what I said last time. This question of course comes every quarter. So, I think the first step which we had to reach is to post a credible double-digit margin at the PBT level year-on-year. So, we first started to reach that in Q4 of '21 and this what I mean is without exceptional items because exceptional items is something which we don't consider, it's a one-time topic. So, that's something which we would like to stabilize. So, when we embark on this particular journey, so there are definitely a lot of headwinds in respect to various topics



which comes. So, we need to manage that as well and continue to co-oppose the 10% of double-digit margin on the PBT level. Yes, our vision is to make sure that in the medium term we are there at the PAT of double digits. So, that's important for us as a target to achieve. But we first do this 10% of PBT level year-on-year. So, I think we need to wait for the first year of 10 percentage PBT on a holistic level that we do without exceptional items and then we immediately shift our gear, how do we improve from there to translate it into the PAT level. Hopefully, I think we also expect some relaxations from the government as well in terms of corporate tax reduction that could also help us.

Aditya Mongia: Second question that I had was on newer areas from where you're getting orders specifically let's say energy efficiency, I wanted to get a sense from you whether numbers are becoming impactful for you already, what kind of response you're getting from customers? If you could give some more sense on whether the opportunity size is higher on the industrial side or on the commercial building side?

Sanjeev Sharma: I think my colleagues will also help here. One thing you should know, and I can say by experience and my colleagues also experience it, fundamentally the market and the market participants mindset is changing. Now everybody is looking for the best-in-quality product. I think there's a quite a marked shift on the quality and the technology side of acquisition by our customers and our exposure of our portfolio is more on the industrial customers than on the government customers, but in the government again, we have railways and metros and they're buying best-in-quality and best-in-class components because of their fast trains as well as metro because there's no compromise on those qualities and they're looking for more and more public infrastructure opportunities. But largely industry again, digitalization, energy efficiency, they are becoming a very thoughtful and very conscious aspiration with every acquisition customers are making. And that's



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where our portfolio falls in a very sweet spot, whether it's a residential building, people are doing automation of their homes, be it in the offices, people are doing automation of their offices, like the building we are sitting here and talking to you, it's our own building, we are using 5,000 ABB products, out of which 500 are connected digital product and it reduces the energy footprint of our building by 35% and it is being documented by our building management system and as we say in 2030, the 70% of the buildings that will exist, they don't exist right now, they'll be yet to be constructed. And this movement is going in that direction, whether it is hotels. Smarter thing is that it is not the multinational or the global company, it is the domestic customers, domestic corporates, who are consciously buying the energy efficiency portfolio, number one. With that consciousness they save money like you saw my slide about RE-100. Of course, it's a good credential that we are buying green energy but it saves me 30% energy cost and that consciousness and awareness is coming into the customers in making smart decisions about energy efficiency is more productivity for their people. So, that's the kind of a trend we are seeing in the marketplace and we are seeing a marked shift in the attitudes and the acquisition behavior of our customers.

Moderator: The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: My first question is you have talked about the enquiry pipeline remains strong. So, if you can touch upon any key segments where you are seeing this pipeline to be strong or quantification in terms of how large is this pipeline or how it would have grown over the last couple of quarters?

Sanjeev Sharma: So, you saw the segment picture I showed you. When you saw a high green and slightly less green and yellow, that represents our so-called view of market formation. So, dark green means 15%+ growth in the enquiry base. Then when we talk about light green, it is 10%+ market



growth. And then we look into the yellow one, it is say 7%, 8%, 9%. So, that correspondingly we get to see the enquiry build up there. What we are saying is that the yellow one which is basically the core sector, there the next cycle of CAPEX has to start and we have started seeing the kind of the preparation by the large corporate in the steel, cement and many other core sectors and that will play out as we go forward. But in terms of quantifying, we use some digital tools where every sales person who's operating in the market knows his enquiry base and all what we do is we also monitor how much conversion we are doing it out of that base and that's where most of our efforts go and so far given plus-26% growth that our conversion rate is good, but in my view it can be better.

Charanjit Singh: My other question is if I look at this channel mix, so distributors have become 34% in our overall channel mix and our nature of the products is also more short cycle, we talked about expanding into tier two, tier three markets. So, if you can touch upon this entire channel expansion and industrial products company looking at more of channel-driven sales, also, looking at tier-two, tier-three markets, so how is this entire business prospect changing and how does this distribution channel mix look like maybe going forward for ABB India.

Sanjeev Sharma: I'll answer it partly and then I'll invite Sanjeev's comment because he's a master in this area. So, as far as we are concerned, we are producing products in the company. When we call it products, so you understand there are three types of products. One is called you have the Manufacture To Stores, (MTS) products wherein you produce it, put into a box, you get an order, and it gets ships out. Then there's an MTO product, which is called Made To Order, wherein the same product which is MTS, you put a relay or some kind of add-on accessories and then it gets shipped out. And then you have ETO product which is Engineer to Order. We use our products but you put them into a subsystem and then you ship out because that next level of value add. Now, these kind of products



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when you have, what happens is, there's already a defined use by the channels, panel builders, integrators who are serving their customers in their proximity. And that's the muscle of ABB that not only our sales people, our engineers, but we have a huge battery of people who are earning their bread and butter every day and every morning and expanding the wealth of their families using our products and our portfolio and they are very loyal to us and we continue to train them and continue to empower them to do more business in tier-1. And since the GDP growth is going into tier-2, tier-3, it's a very natural for us to expand there. Then what happens is our production lines are same, more you sell in the marketplace, more pull it creates for the products from our shelves and then the magic happens because you hit the break-even point and after the break-even point, EBITDA is a natural effect in terms of traction of it and this is a very fantastic business related to a very project heavy business which is top line interesting but then it takes a lot of time to convert profits and convert cash out of it. So, this kind of business again converts orders into cash very quickly. It's very elastic, if your ability to serve and technology is good and perception is good, then you get a multiplier effect very quickly.

Sanjeev Arora:

Sanjeev, you have said it all, but as the word says, so partner is important in that. So, they are our partners. And it becomes our moral responsibility also to groom them to that level that how we impart our technical training, how we impart them all sorts of factory knowhow, how we produce motors, what are the USPs or drives or switchgear. And then on top of it, how we are actually managing our tier-2, tier-3 cities, which are our white spots and we continuously add the channel partners and also engage in monitoring their performance and supporting them to add new product portfolios of ABB. Humbly speaking, ABB is one company where if a channel partner is there, he can sell anything in ABB's portfolio and then he grows as a natural growth also. So, I think



it's a win-win situation and you will see more I would say force into this in coming time.

Sanjeev Sharma: So, just to give you a breakdown, we had about 70% in MTO, MTS and ETO space, 20% in service and about 10% in project business. But this project business will expand when the CAPEX in the large heavy industry comes. I really like this portfolio because elasticity of it is to the market demand is very good.

Moderator: The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: First, I would like to hop on the point of margins. When we compare the numbers on a year-on-year basis, we see that the exports and services have grown much slower at 3% versus the overall sales growth of 20% as well as we see the direct sales to customers is lower versus 34% of sales is down to 32%. But despite that we have improved our overall margins as well as gross margins. So, if you could highlight a few points what is driving this margin expansion in the current quarter and going forward as the mix improves given the strong inflows on exports and services, how should we look at the margins panning out say over the next four to eight quarters?

TK Sridhar: Margin is a product of various elements into that. So, first you have the volume impact, then the mix impact of the business is what we deliver and also we have the impact of what is the sort of the supply chain efficiencies which we operate. So, do we have this particular track within the company? Answer to that is, yes. Can we sort of share it with you? Answer to that is no because that's something which is sensitive for the market and it affects the competitiveness of any organization for that matter. So, now how do we drive this is very important. Every business definitely has a KPI that they have to be strong enough in the top line and the bottom line as well. So, the business leaders drive this



particular agenda in terms of how they maintain the market leadership with the right mix and leveraging on their built up capacities at minimum cost. As what Sanjeev was mentioning, while we are definitely looking at ESG as a topic which is supposed to be not only a compliance topic, but also a business enabler for the reason a) it helps us to showcase these separate topics to the customers to get more businesses, from the quality of customers improve we get a better pricing and b) it also helps us reduce the cost on the other side. So, our energy cost comes down, our water consumption comes down, our waste management control comes down. So, those particular expenses which normally are not seen with the common eyes comes down and that also impacts our competitiveness in a positive way. Now coming to the trajectory as to how do you want to see it, as I mentioned, so our first goal is to make sure that we remain credible on delivering that double digit profitability at PBT level without any exceptional items. That is something which is foremost and most critical for us this year and we do not want to get disturbed to look at how it translates to PAT in immediate future because we are in the next two years we do foresee certain headwind and risk as what you see, for example, the geopolitical stuff was not visible one quarter before, but we got impacted badly because our exports which are there or the global outputs could be impacted like that. So, that was an example. So, that being the case, our first this thing is to do double-digit in the medium-term, definitely work with the other levers to make sure that we are going to go there to 10% PAT.

Sandeep Tulsian: Second question is on the employee strength. What we see from the annual report is increased significantly in the last one year, broadly our employee expenses were in that Rs.570, 580 crores ballpark number for the past couple of years and we have also paid out some variable bonuses in the current quarter. So, going forward, how should we look at the overall employee strength since you mentioned we will be utilizing cash to expand capacities, should it increase at a much faster pace than what



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is the trajectory that we have seen in the past three, four years or this is more like a one-time build up and we shouldn't see a similar proportionate increase in future? Given a parent company has mentioned the listing of e-mobility division will be completed in the current quarter, what will be its likely impact on the Indian business?

TK Sridhar:

First one is about the employee strength. First of all, in today's market, employee is one of the very key factors with the backlog which we have or any company has it. We need to make sure that the employees are retained. so that's something which we want to do. So, while attrition is good but attrition beyond an extent is something which will hamper our deliverables to the customer. So, that's something which we do not want to run. Typically, when it comes to digital and automation skills, that's something which is very sought-after skill in the market and that's something which we want to retain. The annual increases will continue year-on-year, but we are only trying to make sure that our personal expenses are within the range of 8% to 9% of our sales, which is what has been our trend is what we would like to maintain. While we do this, I think there are certain great initiatives by the business leaders in terms of automating and robotizing some of their operations on the shop floor so that they're flexible with their capacities in terms of how they could manage with less people and more automation. So, that's also something which all business leaders are working on. It's important for us to be agile. Long ones are short is we will have employee cost between 8% to 9%. Digital and the automation capacity skill sets are important for us to fuel the next set of growth which will happen, and the capacities will be managed with balancing between automation and headcount. On the e-mobility part of it, it's a global initiative, so we have nothing to do with it in India at this point of time.

Moderator:

We'll take the next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.



Ravi Swaminathan: My question is with respect to the good growth that we have seen with respect to the electrification products. If you can break that growth into what kind of price increase was it, how much of it was led by distribution reach increase and growth across different low voltage and medium voltage products?

Sanjeev Sharma: I would say it's safe to assume. I think it's a similar pattern. I don't have Kiran right now; he was engaged somewhere else, he would have given you more precise numbers, but I think it's safe to assume what Sanjeev Arora replied earlier for the motion business.

Ravi Swaminathan: The growth in the process automation business has been on the softer side. The run rate still in terms of orders it's more like 400, 450 crores. The last quarter was kind of more like an exception, while the other two segments have grown consistently whereas this segment has been on the softer side. Any particular reason behind that?

Sanjeev Arora: Process automation has got two major businesses which is energy management divisions, another one is the process industries which caters to cement, mining, steel sector. So, as Sanjeev was saying, those customers lie in the 7-8% growth sectors which is a core sector. So, naturally their growth will not be as exciting as what EL & MO is posting at this point of time and they are also project business which is more cyclical and depending on CAPEX this thing. PA, if you want to look at, it we need to look at a three-year rolling average or four-quarter rolling average and that gives you more color rather than looking at quarter-to-quarter.

Ravi Swaminathan: My last question is with respect to the slide 13 that you had mentioned, high moderate low. Each of these categories, if you can give the breakup of contribution to your overall revenue, so basically how much would be the revenue contribution from the high growth segment from the moderate and the medium growth segment?



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Sanjeev Sharma: Ravi, that's a very good question. I'm also very interested to know that. But we had 20 divisions operating in 23 market segments. We do that analysis, but I think we are not in a position to immediately share it with you.

Moderator: The next question is from the line of Amit Mahawar from Edelweiss. Please go ahead.

Amit Mahawar: I just have two quick questions. First is if you see the electrification product division, the growth has been pretty strong, more than 30% vis-à-vis last two to three year average. Is it right to say that this segment is where we've seen the maximum addition in mandates both globally and domestic market the addressable market expansion? And can we see the profitability scale up in this segment in line with that in terms of potential?

Sanjeev Sharma: So, I would say, we have four engines and I think since you are the market president, I am sure analyze these securities for all the companies. So, I like our portfolio because it has a different aspects of it, but motion and EL, I would say they are part of our growth portfolio. PA is more cyclic because the CAPEX needs to come in. As far as the robotics is concerned, it's really a high growth segment for us. So, that's how it is. In terms of global mandate, EL and MO has a very strong kind of a global mandate because they already have a very good footprint in the country, high localization, and also very good market shares in the right market segments for us. So, that's anyway has a very good flow not only for domestic but also increasingly for the export market. When it comes to robotics, I think you may have heard me before, globally, similar market use 120 robots for 10,000 workers, we use six robots per 10,000 workers. So, it's no brainer that market continues to grow at a faster rate and that we enjoy. Process automation actually is a system business, but it integrates a lot of MO and EL products part of their portfolio apart from control system. So, whenever the CAPEX gets



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picked up, that cyclicity again gives us the benefit as we go forward. They have a very strong service business on our install base and that again we continue to grow as the more opening takes place and more demand of service on the OPEX side comes on the PA side. So, I would say we have a fairly strong mandate from globally for all the divisions at this point of time. But yes, it is true, robotics is smallest, but at the same time we have put it into a long play for us.

Amit Mahawar: What was the FOREX gain in this Q1 vis-à-vis last year Q1?

TK Sridhar: So, it's a bit of a more minute detail. I will send you a note. Is that okay?

Amit Mahawar: Sure.

TK Sridhar: I think we are at 15 minutes quarter after four o'clock. So, probably it's time to close the call. So, thank you everyone for attending this particular call and also the efforts gone in preparation for this and also the management team which took out their time to attend to this call. Pretty interesting. We really enjoyed the call. And we're also excited with our journey on the ESG stuff which is not just the ESG but as an enabler for the business, sustainability in practice. So, with these words, we look forward too soon in this year at least try to have a face-to-face meeting with all analysts sometime in the right time so we could probably decide so that the analysts are also taken care of. Thank you very much for attending and looking forward to talk to you in the next quarter.

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

(This document has been edited for improving readability)



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