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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 virtual meeting

In continuation of our letters dated August 23, 2023, and August 28, 2023, we are enclosing a copy of the transcript of virtual meeting with analysts, which took place on August 28, 2023.

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

Thanking you

Yours faithfully
For ABB India Limited

Trivikram Guda
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Amit Mahawar: So when you want to give me, go ahead. Can you confirm?

Sohini Mookherjea: That, yeah, sure. Yes, please, please sure, sure.

Amit Mahawar: So hello and welcome to this focused interaction with the leadership team at ABB. Please join me in welcoming Mr. Sanjeev Sharma, CEO and Managing Director, ABB India Limited and Mr. TK Sridhar, CFO and Head, IR at ABB, let me straight away request and even Shree there to give us all a brief opening remark, post which he's you know they'll be happy to take a few questions to make this a more interactive session. Thank you and all over to you Sanjeev.

Sanjeev Sharma: Sridhar you may like to go ahead.

TK Sridhar: Thanks Sanjeev. Good morning to all of you. Thanks, Amit, for this opportunity. I think to talk to quite a few people on this call, right. We did have a bit of interactions earlier but there were a different set of people. It's always wonderful to talk to people after we have a good result and that gives us a bit more confidence, to be honest, and India is definitely something which is now booming with a lot of confidence on the manufacturing sector and other investment topics as well. So, on that ground, I think we did an good storm Q2 which is April to June 2023 just to be precise because it always gets confused whether April to June is the first quarter or the second quarter /. Because ABB follows Jan to December, so therefore April to June is the second quarter for us. So, we did publish our results and also we did a couple of more things. I think we gave a bit more elaborate press release to help people understand what's happening in the different sectors and the different topics. I think that should have provided more highlights. And also, we did some analyst call wherein Amit did attend and a couple of his colleagues. So, I think we do have these interactions and looking forward for this now, which is more pointed towards a few people and a few more relevant topics on this side, over to you.

Sanjeev Sharma: Thank you, Sridhar. I'm glad to be part of this group and this discussion. Well, it's been an interesting period that we are experiencing in Indian market and also to mention how we observe the global markets and development and on a relative scale how Indian markets are acting and behaving and also we see the direct impact of that on our books in terms of how our portfolio is accepted and the kind of flow our portfolio has in the market and we are exposed to different market segments. So just to give you an idea, ABB India is manufacturing for last 75 years and we are in 18 business line and exposed to 23 market segments which gives us a fairly good pulse of what's going on in different corners of industry as well as the markets, both relative to direct private spend and also government led initiatives which again have an impact on the private spend towards our portfolio. So, I'm glad to see that that there's an interest to know more about ABB within the investor community. And yeah, for the last many quarters post COVID lockdowns, I think we have seen quite strong customer loyalty and confidence in ABB portfolio in terms of how we supported them during COVID, which was a very difficult period of time. And I think that's where we see a mental shift in the customers wherein earlier everything used to be around negotiating the price to the last penny. But now we see there's a new behavior that the customer had a preference for more reliable solution, more reliable suppliers as well as people who make commitment and they're able to deliver to their commitment. So there's a mark shift there. So not only the growth in the market that we see which is coming because of the investment by the government as well as private sector, but we also see shift of certain customer behavior from buying from Tier 2 suppliers to coming to Tier 1 suppliers like us. And also coupled with that on sustainability, there's the high level of consciousness and especially in the large and the medium size players in the market. And they are also demanding quite a bit on the energy efficiency portfolio, which is a sweet spot of ABB, a portfolio of services within electrification, motion, and process automation. There's quite a good expansion of manufacturing and we are presently surprised how apt people are now, how open people are to apply robotics, automation in their shop floors. Whether it's a large scale manufacturer of automobile or even a building workshop somewhere in Ludhiana for that matter, you know, there is a very high consciousness that if they have to compete or they have to be part of the supplier chain, supply chain of large players, a large manufacturing company, they have to keep the quality consistent and also make sure that they use the available technologies to be more productive. So, so that's a kind of an overall sprinting effect, we are seeing from the 23 market segments into our 18 divisions. All of them are doing well and Sridhar will explain to you further, that we run a debt free company. We have put the kind of cash on our balance sheet and we have good land bank around our plants. So for us to expand organically, which we are continuously doing and also we are spending more money on the productivity measures on the existing shop floors by automating them. And future possible inorganic opportunities as they develop in front of us, whether they get initiated from the global side or we close some possibilities locally which will be the bolt on the acquisitions on the existing business model. So, our idea is that any inorganic opportunity should be pulled onto the existing business model, which should add more value to the customers we are serving. And while we look into that, we are also seeing certain new market segments which are emerging and we are focusing on that. It will take one to three years for their readiness to be big contributors to us, just like data center was four years ago. Now it is a big contributor. So, we are seeing some full 2-3 new market segments emerging on the horizon, which we want to take benefit of as we go forward. So this is the where I will stop in terms of my entry point and then we are open for our discussions.

Amit Mahawar: Thank you Sanjeev, always interesting to hear you. So we will wait for a couple of seconds to the question queue images and I would request you know anybody wanting to ask question can straight away chip in. Thank you. Then please go ahead Yatin, Yatin from Fidelity.

Yatin Matta: Hi, thanks. Thanks Sanjeev and Sridhar. I just wanted to understand few years back you guys indicated a total addressable market which was close to $5 billion and I'm excluding the power projects part because that has been divested from then on. How has the time changed over the last three to four years, specifically two parts in this one is that we have also increased, we have a similar product offering but we have also increased the depth of our product offering. And secondly, the overall market buoyancy has returned in India it seems after multiple years. So how are we looking at the overall macro market shifting for us?

Sanjeev Sharma: OK, Sridhar, do you have a number or should I give the number I have off the top of my head.

TK Sridhar: Yeah, you can give a number, Sanjeev. I think it's more authentic when it comes from you. So how many?

Sanjeev Sharma: So you see so I think that's how we play, I give more directional input, Sridhar is more precise so. So I think in our in our outlook how we assess the market and that's how actually we make our organization chart. Our organization chart is not how much revenue we do, how many employees we have. We put into the organization chart what is the addressable market. Each one of us are doing like say what is the consolidated number as country level and then it gets broken down to each of the business area and then to the reason because that gives the clarity and then you can calculate the market share out. So now with the current portfolio and the current market mix, we estimate our market sizes between $11 Billion to $12 Billion,

Yatin Matta: OK. And will it be possible to break it down between the segments?

Sanjeev Sharma: Well, I won't immediately have those numbers, but I think they are available somewhere. So, so we can look at that.

TK Sridhar: Just to help you on back of the envelope calculation, right. Yeah. So I think should be the 70% of our offerings come from our products. So naturally which is basically split equally or slightly between differences between EL and MO, which is electrification and motion, right. So if you take the $11billion -$12 billion is what Sanjeev was mentioning, right, 70 of it or 75% of it will come distributed between these two business areas. And then you have 15% and all with 20% from the projects, which is the process automation part of it and the balance 10% and 5-7% to the robotics portion. So that's just a backup envelope calculation assuming that it is equally distributed.

Yatin Matta: OK, OK, thanks. Just second part to it is and this is a slightly more macro. There seems to be around $300 billion dollars of potential spend around energy transition. Now a large portion of that would be module, but energy transition and when I combined it with ESG, with the targets with the companies have that that looks like a reasonably large market. How much of this market play would we be involved in and in terms of base business, how much of base business would be coming from this piece so to speak?

Sanjeev Sharma: So you're absolutely right. I think energy transaction is a big story and substantial amount of cash flows of the companies are being diverted there. Like for example only last week we closed a contract with a large steel major and in fact the key criteria for them to decide about was energy efficiency. In fact that was the only element which was taken for in-depth discussion and of course you negotiate price and set it at some point and that's the basis of how it gets concluded. So I would say, when I look into the large players who have been our traditional customers, be it in the chemical, oil and gas industry, steel industry or aluminum industry and cement for example, energy efficiency is one of the key drivers for decisions and also in our process automation when we apply solutions or energy efficiency equation in terms of how much we are saving for them because that directly correlates with their GHG emission relative to the same amount of production they carried out in previous time is a strong factor. Maybe you can consolidate those numbers based on the multiple input, but I can talk more about the client behavior. I know of a large oil and gas company which is a global company. Probably one of their CEO’s was also available last week in the B20 conference. They are spending about 40% of their cash flows in the energy transition with a view that they would reduce their fossil production by 40% of current levels and rest will be completely complemented with the renewable or low carbon footprint. So that’s the kind of an impact and a shift is happening in terms of the future direction as well as the reinvestment of the current cash flows by the key customers that we have. So, we see that impact in our energy efficiency portfolio and process automation portfolio and that’s where we see. I’m not able to assess the complete consolidated numbers. We have not assessed the market that way, but since we have a very stable market segment based as well as customer base sitting under it, so we focus on the client behavior as well as meeting their demands with the proposition we have.

Amit Mahawar: Thanks. Thank you. Then any other question.

Yatin Matta: Come back in queue. I have a few.

Amit Mahawar: Sure, sure. Maybe Sanjeev, I have one question till others warm up to it. See both the parent and you I’m sure have been very vocal about years of under investments in India in the past, and in maybe at least the last 1-2 years, we’ve seen statements from both the India team and the global parent talking about accelerating investments in India. So which are these segments where you will be keen and you’ve touched upon some of this, in the con calls, but still if we take 2-3 areas where you would want to expand capacity, what would they be?

Sanjeev Sharma: I don't know, I’ve not heard the comments that we have under invested in India by the group or if Sridhar has been taking private sessions I don't know. Definitely we are not over invested in India that I can confirm because given that we have the 18 divisions in the country and all these 18 divisions are really fine tuned to the market segment which are relevant to them. And we watch the demand very closely and what we try to do is, our focus is always on localization of our port. So that's where the continuous investment continues to take place on our port. That means if you continue to reduce your import content and you continue to have a higher level of localization, 2 things happen. One is our product positioning becomes more competitive, our deliveries become faster. At the same time, we also have a good impact on the profitability. So that has been our kind of a key focus for each of the division and they have been doing a good job. Now wherever there are gaps in the product portfolio like there is a product which is available globally and the Indian market or the Indian customer is ready for that product, what we do is we keep bringing them and that’s where we have been expanding our portfolio. And also where we find that enough demand has now been created for that product that's where we expand our manufacturing capacity and we start localizing it because then we have substantial volumes available for that particular product category. So that has been our approach and that's where we watch our capacity utilization and we also see how much bandwidth we have with the number of shifts that we can run in our factories, that determines how we should carry on with the future investments. Now with respect to future investments, as I said our balance sheet, both in terms of land availability and in terms of cash, is quite robust and we spend that money more meaningfully. We spend that money where we can think that ABB as well as our shareholders can get good returns out of it. Our return on capital employed is good at the moment and that's what remains as one of the criteria for us to choose those sides. So we have been expanding quite a bit on MO. We are expanding and spending quite a bit of money on EL and also in the pipeline, we have quite a bit of investments planned there already. A lot has gone in and a lot will continue to go. What happens is a lot of investments go on to productivity improvement and that's our favorite area of investment, not immediately going for brick and mortar investments. One example is our factory here in Bangalore wherein now in the same soft floor we are producing 30% more in 30% less space by having properly robotized as well as automated. So, we didn't have to construct another big and modern factory and show the capital expenditure there, but instead we do a lot of process improvements and ensure reliability of the delivery statement. So those are continuous and these to our benefit are incremental investments rather than big mover investments. And that's where you can see the kick ups you are seeing in our profit abilities because we have been investing in a right way. Now in terms of expanding, we recently invested in a large GIS factory. Earlier the market used to buy air insulated switch gears on the medium voltage side. But now the market is shifting to GIS and we have invested quite a large sum there and it's a brand new factory. Our base factory is in Germany, but when our German engineers visit India because it has been done from scratch, this factory is the most modern factory anywhere in the world for manufacturing GIS switch gear of ABB. So that's the kind of benefit we have and once you establish that, not only the domestic market, sometimes our global guys can also get more motivated to buy from these factories. So that's the kind of investment we are doing. So EL, MO, RA, we have already invested a lot, but now we are expanding more on the application and the kind of the customer experience center. Because robotics for example, our investments are not to produce robots. Our investments are to really create client solutions and that's where we are investing a lot. A lot is coming in electronics manufacturing, a lot is coming in the precision engineering, a lot is coming in the different kinds of manufacturing sectors. So we are setting up a lot of new kind of centers wherein customers can come and experience it and experiment with us and then they become our regular customers as we go forward. So these are the few areas wherein we feel our investments will continue. And even in the certain sectors of process automation, we have some investment. And within MO because of the electrification of railways, there's quite an uptick on demand on our underlying portfolio. And that's where again we are considering expanding our capacities.

Amit Mahawar: Very helpful. Sanjeev from Kiran from Franklin. Kiran, can you please go ahead with the question?

Kiran Sebastain: Yeah, good morning. Thanks for the opportunity. So, I have two questions. I'll start with the first one. So, when I look at this whole electrical engineering value chain, I see that the profit pool has massively expanded over the last couple of years even like high voltage transformer companies talking big in terms of demand and margins are expanding. So there are two parts to this, of course there is a demand surge and the supply is taking its own time to respond. But how should we think about it? Is the industry currently over-earning, not really specific to you, because you have very differentiated offerings in many of those verticals. But the way I'm figuring out you know, on one hand maybe Europe is slowing down, maybe US will potentially slow down, domestic is holding up as of now. But again if domestic factories are only at the beginning stage of capacity expansion, electrical consumption actually comes maybe one or two years into that cycle. So maybe there is more leg in terms of growth on the domestic side. So maybe your thoughts in terms of the demand side then maybe on the supply side, whether the industry is over-earning right now? Would be helpful.

Sanjeev Sharma: So you see just like our individual portfolio, as such each company they look similar but they also have very individual portfolios and characteristics. So comparing one company and the other becomes a little bit difficult because of the characteristics and how we are in the journey of our development. It can be different from one company to the other. Now as far as ABB in India is concerned, we you know if you really go back even four years, we have been growing in our MO EL portfolio even if the market was quite stagnant. This is for the simple reason that we found certain pockets of growth within the country which were under addressed by us and we started focusing on those and that started bringing us good volume, so it depends upon which side of the equation you are. Now if you really look into the current situation, I think in all the 23 market segment and plus three or four more segments forming, I think that is the story of the country. Now let me give a bit of an idea. If I take you about say 18 years back in the market and industry, ABB used to be exposed even with Hitachi and everything. You know that power grid portfolio on about 7-8 market segments, right, because we used to call that the core market segments or the core sectors for that matter. I think that's all, we like to define it in India and if those go up, our volumes will go up that too in projects and otherwise the value will shrink and the numbers will not look at two or three or four years rounder and if the NPA side that kicks in because of those large investments. So I think that's something we have gone through. My journey with India started in about 2016. That time we were exposed to about 8 or 9 market sectors, right. So from a company perspective we have come a long way and also as a country perspective we have come a long way that a lot more market segment has got activated in the country. So that has expanded the market and we also started focusing on these markets second and started addressing those market segments. So that has created a much more resilient market space for us. At the same time we had certain business reasons which were quite marginal in size. We also focus on them. We made investment in them both in the leadership as well as in the space and they also have come on their own being by being able to address reasonable and good size of projects. So that also created a capability and capacity for us to be able to address different market segments but also with a good competence on the potential businesses which were undersized earlier. So that is another area which has been great for us. And the third area, the Indian market was foreseen as if it happens in Mumbai, Bangalore, Chennai or you know Kolkata and plus 100 kilometers. You know that was typical attitude as to how we dealt with the market. But in the last few years have gone totally into Tier 2, Tier 3 and even bigger, you know, deeper markets because the real formation of capital, real formation of wealth and real formation of entrepreneurs, machine builders, integrator is taking place in these cities because cost of capital is low, the availability of the manpower is there and people are quite enterprising to be able to connect with anybody and everybody to supply. So this has expanded the base in a good way for us. Now if I look into it in the current perspective, all these areas I go, I would say majority of it is on the high swing on the demand side and only there are minor you know corners whether it can be on a particular market segment or it could be a particular geography or it could be a particular portfolio that's where you see. But those are the ones which peak and they plateau and then they come down and then they come back in. So that's a kind of an experience we have right now Kiran, but that's all that demand will sustain given India as a country is under invested-relative to the rest of the world. Rest of the world has a demographic problem in terms of creating a lot of manufacturing capabilities. India, if it plays its cards right, I believe in this journey. That's my view. I'm not looking at 2 years. I would say it would be a decade of journey for Indian market provided you know we don't have any self-goals created in the policies. So that would be mine.

Kiran Subastain: And fair to say that the competitive intensity has been rather benign in the last 18 months or so compared to the previous 7-8 years.

Sanjeev Sharma: Well, well, competitive intensity, you know let's say when I look at it, when we do a competitive analysis it's very difficult for us to do for 18 divisions. I can't do it at a company level because each one of them is exposed to different names or in competition, different size and different intensity. Really what really matters for us is that we are really focused on the right market segment and the right customers. And once we find those sweet spots, then the competitive intensity typically goes down. Because what happens is if you try to be everything for everybody, then of course you face the competitive intensity. But if you're very selective and you know exactly the customers who respect your proposition as well as your portfolio, then the competitive intensity states stays moderated. That's what we try to do. Not all the time we succeed, but most of the time we do.

Kiran Subastain: So the way you define these micro markets, in these markets, your shares would be in the 30% ballpark or maybe 10%, what's the kind of number?

Sanjeev Sharma: I think. So we'll have to see each division, right, for that part of it. So, I'm representing ABB India Today in this call, but I'm representing 18 division and 18 business leaders, right. So some total of those results is ABB India, right. So if I had to drill down, I drill down on each business division and in each business division we have different product lines and all of them have their own business models which are exposed to different competitive and different market share intensity. But quite frankly when we drill down and we look at it, we feel we have quite a good runway ahead of us.

Kiran Subastain: OK. And my second question was on this PLI theme: how big is this in the scheme of overall CapEx, how big is this PLI as a theme. And also would you like to share some of those new markets you are thinking of entering, are they related to this theme?

Sanjeev Sharma: Sure. So PLI is being enjoyed by our customers and we get this sprinkling effect on us with in our portfolio because PLI people are encouraged to expand capacities at scale and when they expand capacity at scale, naturally they look for products and solutions which are reliable, available, maintainable and also our services. So that's a sweet spot for us and our reputation there is quite good. So that's where we get the benefit. Now when it comes to different PLI sectors, I think they are being aided, electronics is definitely one of them and the food and beverage sector, we see quite a bit of expansion of that particular market segment for the same reasons. Now the news market segment and the data center, I don't know whether they are in PLI or not, but that's something which has become a substantial market segment because anything which has a very high energy density is a good customer for us, whether it's a petrochemical plant refinery because these guys consume a lot of energy and that energy is used in the electrical form and to run their processes so that becomes a good place for us to place our technology and equipment. The data center is also one which is nothing but power flow to servers and their server density is very high. It's almost like connecting a resistor in front of a power plant and the distribution of power as well as cooling all those aspects . And then of course we have the size you know customers in pharmaceuticals and the new technologies which are being brought up. Now in the new areas, hydrogen for example, I think that's on the experimental state and that's part of the energy transaction. Electrical vehicles or EV space. We the EV charging or the EV space wherein somebody is trying to create battery modules for say, EVs and not with the Indian ambition, but a global ambition and using new materials,but then those materials cannot be handled manually. They need robotics to kind of deal with it. So that's creating a special solution which nobody has created before. You get into those kinds of areas, you get onto the drawing board, create a solution and that company then tries to provide those solutions to the local as well as the global industry. EV is another area which is in progress and it is working. Battery manufacturing, of course, it's correlated with EV, but it's also correlated with the energy storage for the future, once we get the equation right. It will also go into the energy storage distributed around the grids or maybe around the large compounds of things. And also the new technologies will be required like for example if you produce say very large solar energy next to a refinery. So what you do is some of your feed stock which you are using to do the captive power generation that will be replaced by the solar energy. But then you will still be creating excess solar energy which can be used to produce green hydrogen. So you can set up another green hydrogen plant next to it. And once you produce green hydrogen, of course you can again put that as a feed stock to your plant, because again, you can use hydrogen as a green stock. Then you may still have excess energy because solar energy’s capacity is very high. Then you start bringing the big battery banks which are lined up to the peripheries of the plant and what you do is you store those. And then anytime there's a power shortage, you can use the peak node shaving by using these battery banks or keep feeding the grid and continue to gain some kind of tariffs. So, these are the solutions which are yet to be told and this configuration, some of them are very unique to India. And now we are being challenged by our customers to work out some solutions which require a automation and the management of these resources and the timing of it, how you manage it, how the energy flow should take place. So that the plant side remains stable, but at the same time you prioritize which energy to use at what time so that you make the maximum benefit of the low carbon intensive energy. And so I can go on. So there are many such areas wherein we are exposed to. So that's where you can see after a level of 10-20 years and not so high development in the core technologies, now it's a good time for the core technologies to be not only used as they are, but also to be redefined how they will be able.

Kiran Subastain: Thank you. That's it for me.

Amit Mahawar: Thanks, Kiran. Anuja, you can go ahead with the question.

Anuja: Yeah. Thank you for this call. Overall, the question Sirs, is on profitability over the next 2-3 years. You know, given that you're doing a lot more, innovative work across your customer segment, does that mean that profitability improves? And the second question is, obviously, India may benefit if it becomes a large manufacturing hub. But from the parent perspective, are there, propositions to kind of make ABB India as a manufacturing location? And for what kind of products or technologies is the parent really focused on? These are the 2 broad questions.

Sanjeev Sharma: So second question I can take Sridhar, do you want to take take a fall on the properties?

TK Sridhar: I think Sanjay, you take the second question. I'll come with the answer for the first later. So because then it has a sequence.

Sanjeev Sharma: Yeah, I go with them. So, see as far as you should know the I can be very open with the character of a multinational corporation, multinational corporation, is it already present across the world, right. So we already have substantial manufacturing in all the markets which are relevant for us, whereas we are in India because we are very interested in India. So that domestic market is core focal area for ABB in India and that's how exactly we have been growing and how we have been reshaping ourselves over the last few years and to a certain successful degree. Now going forward, our view as a local management team as well as global team is to continue to sophisticate our manufacturing operations in the country, not on the labor arbitrage basically, because that's not the right way to look at it because labor arbitrage goes away after this. We are looking at keeping the labor arbitrage but also creating a very large productivity arbitrage for the future. So those are the things we are testing out on our shop floors as well as manufacturing and we need to get to the productivity level as high as anywhere in the world. That's our focus at this point, right. Once you have the productivity arbitrage as well as labor arbitrage then it becomes quite easy to integrate such factories with the global supply networks for a different market. So that's something we are seeing already, certain manufacturing expansions have taken place in last 2-3 years, which is 50% domestic oriented, 50% export oriented and that has been quite successful experiment. Those are the experiments we keep on doing because global markets have very stable market base, and they are used to buying for certain factories. So as in when the markets start accepting products delivered from India, those markets we keep opening and those markets we keep taking advantage of. So it's a journey we will perform. But in terms of % of export, my view is that the domestic market growth will be stronger than the export market, not only for us but for the export market as a whole and % wise, it may oscillate around 12 to 15% because the domestic growth may be much stronger.

Anuja: It's just in terms of the competitiveness, where does the Indian factory stand at as compared to say some of the best factories for ABB around the world? Like when you say the focus is on improving the productivity levels?

Sanjeev Sharma: So I would say scale matters. So competitiveness comes if you're running a factory in Italy which is 10 times my size and which is fully automated, naturally that scale gives the benefit to that location and also you have the supplier base which is connected close by. So what we have to do is when you create a scale, you also create an ecosystem around those manufacturing locations and we should not overstep there. What we do is we always stay very relevant to our customers. So this ecosystem in certain areas is already developed in the country and there are many areas where it is yet to develop, like for example power electronics. There's no supply chain available in power electronics in India for that matter. I hope PLI invites certain customers who become power electronics core producers in the country over a period of time because that goes mainly into energy efficiency equipment, EV charging equipment, solar inverters, lot of other areas, power electronics is applied but that ecosystem is not there. So it's much better to produce that core electronics close to the point wherein that solution is available at a scale and distributed to the rest of the world. But if I put a time mark of 5-10 years, I think it will, it will change substantially in favor of it.

TK Sridhar: Thanks Sanjeev. And I think to come to the next question of expansion of the bottom line, right. So I think first of all, all these actions what we have taken till now or the past in three to five years has started to show its positive attraction on the margin so far, right. Come in a couple of years before and after the post code, we started to say give a commentary that we would like to stabilize at a double digit PBT level which is the profit before tax. And we have done that continuously for the last at least four to five quarters. And now that with the consistent flow of orders and our ability to command the price in the market for the special offerings what we have and also the market expansion topics at what Sanjeev had built upon earlier, has definitely given us a good mix of orders and a profitable scenario of what has actually happened in the last few quarters. So therefore it has actually now we are able to transaction that into a good profit expansion even at the pad level, right. So I mean for the last two quarters we have been giving a double digit profitability at the profit of a tax level and I think it's quite necessary that while we have a scenario of the market which is developing and we have the elections also coming in the next quarters, I think it is reasonable for us to have an ambition to say that we see stabilized on this double digit profitability of the bad % for the next four to five quarters because we have a stronger order backlog at this point of time, which is 7700 crores and a bulk of it is also coming from projects. So while we have a good visibility of revenues, there is also something to add with the book and bill orders what we will receive in the next few quarters from the market. So I think all these playing out, I would suggest that while it is good to have an ambition for market under profit expansion, it's more important to have a credible run on the profit after tax for the next few quarters so that we are able to stabilize That's has been our sort of a mantra so far and we would like to follow it consistently so that we are able to meet the consensus estimates as what you would have built in for us.

Anuja: Sir, if I may like double digit can mean a lot right in that

TK Sridhar: No, I am talking of in the range of say 10-12 as what we are at this point of time.

Anuja: And my question was more longer term, right, like as we move towards say you know some of the newer technologies like energy efficiency, energy storage, hydrogen, does that does that really bump up profitability because some of those innovative technologies or solutions may be only provided by ABB and not by some of the other companies that are present. So more on a structural basis and I understand you're talking of a, shorter duration here.

TK Sridhar: So I think Sanjeev you can give a more ambitious sort of direction and but I could give you a direction on the CFO standpoint, OK. So as what Sanjeev was mentioning, so we have 15 % of our revenues coming from exports and 85 % coming from the 23 marked segments locally, right. That's basically a given fact, and we would like to stand by that, so what comes from the core sector is still 50 to 55 %, right, which is your cement, steel and sort of stuff which always is the core which is high, because we have an installed base, we have products pretty much suited and also while we are definitely focusing on the high growth sectors which forms the next 40% to 45%, right. So the trick is, how do we balance this particular portfolio, right? Can we sort of only focus on the high growth sectors and not or focus less in the core sectors, is something which has to play out. So for us, I think core sector will still remain a key market and in that particular market, so naturally the profitability is not an ambitious range or a corridor which we could expect because it's more in the open to a lot of players there. But whereas the other faster growing sectors are something where our strategies are working out and that will also continue for the next few months, a few years to come, right. So having said that, that's why I said I think I'm breaking it at in a corridor of 10 to 12 %s and expanding it later on could be a more realistic assumption rather than sort of picking it at a higher % than that. Right. So and not to forget that we have certain topics which have to be dealt with in the country in the next year to come. So I think we need to also keep that in mind. Sanjeev, over to you if you want to add some color to that.

Sanjeev Sharma: Thanks. So you know I think it's a good question and you can see that our portfolio change in 2019 has led to this kind of a step change in our performance and also our exposure to more product and ETO oriented business. MTO, MTS is the made to order, made to stores and the ETO is engineered to order which we use our own product, create more value added and then send it out as it finished the product which can be used by an OEM or an end user. That is about 70%+ of portfolio. Now that's a function of the market strength. If the market stays strong and the volumes continue to rise in that area and we keep on putting measures on the productivity side while we kind of take those vectors, those directly go into the bottom line minus you know whatever money that we will kind of spend for acquiring those additional volumes in the new segments and the geographical market. So that's something which is a positive story but if the market slows down that's where it can it stay, the numbers remain at the same level then it starts plateauing. I think that's another element one has to watch for. And then the service business again is a robust business because we have created this kind of a install base for last 60-70 years that requires a lot of attention and service. So to keep it more productive and reliable that's about 10-15% and then remaining is project. So that means when you carry this mix in a growing and a strong market, unless nothing happens to the market and it stays with the trajectory of 6 to 7% growth, I think we are on a good part. Predicting future is very difficult, predicting profitability is even more difficult, but I think we can only look at the trajectory of it, where it is going and try to keep ourselves on that trajectory path.

Anuja: Right, Sir. Thank you.

Amit Mahawar: Thanks, Anuja. Neeraj you can go ahead with the question. Neeraj from I took, Neeraj: Yaa, Hi, Sanjeev. Hi, Sridhar. Thank you for taking the question. You know, coming to the trajectory of growth, you know just one question on the order inflow, we've seen it coming at about 10% in the last quarter, which is you know substantially lower than let's say the average of the last 7-8 quarters. So is this a more sustainable sort of run rate as we have seen commentary for many players in terms of mentioning customers normalizing their ordering activity which might have been sort of higher due to supply chain issues, there was advance ordering, inventory levels are normalizing. Is this sort of a more normalized, or should we? I understand quarter to quarter doesn't make sense to look at, but on an annualized basis, is this sort of 10% - 12% a normal run rate to look at going forward?

TK Sridhar: OK. So Sanjeev, so but I think I'll just give a bit of a color then you could add from the market perspective. So Neeraj I think the question which you asked is why 10% now while you were growing at 20 % earlier quarters, right. So that's a question. First to answer, I think the first thing is that when we need to compare, we need to compare with what was the last quarters and the last quarter as we said was a really high base and in spite of that we grew on 10%. So if you normalize that particular base for the last year. So probably then we would be feeling that we would have grown at higher percentage right. So on a cumulative basis for the half year, we are at 22 % as what you would have seen. So now going with, I think if you really look at how ABB has its patterns, of course, the first quarter because the industry is looking at a quarter of the last financial quarter of their accounting period. So normally the decisions are pretty fast in the last quarter of the year which is Jan to March, OK. So then the next quarter which comes up and then until you have any large orders with spillover then the base order seems to take a bit of and slowness because it gets decided on the budget which rolls in from that particular for all, all companies and all organizations. So it's a bit of a slowness and then it starts to pick up and again in Q3 slightly and then sort of peaks up in Q4 which is our October to December quarter and then again gets into the sort of a crescendo in the next quarter which is Jan to March and this is a cycle. And if you look at the order patterns over the years and this actually you could see it. So now the coming to the question is right, is this 10 % of order growth is going to resemble the what the future intake is that your answer to that is today I will not be able to predict to you that whether it is going to be 10% or 15% is going forward, but actually we want to make sure that every quarter we go a double digit between 12% to 15 % and that's what we have been saying because with the spread of the orders between the fast code sectors and the core sectors and then exports what we have, I think that should be an reasonable scenario to look for.

Neeraj: Understood, great. And just one more question for me is you know we're hearing obviously a lot of talk on government push on CapEx in specific sectors like railways which you spoke a bit about as well as investment in renewable power generation, transmission, distribution so if you can just touch upon, you know, what is the scope of growth for us in these specific sectors?

Sanjeev Sharma: So well yeah, go ahead.

TK Sridhar: First of all, Neeraj we don't give anything which is basically specific to what is the growth on these particular sectors, I think. So, we always give a clear sort of a direction as to how those markets are giving some meaning for our growth, right. So, Sanjeev, you could complete it from there.

Sanjeev Sharma: So, the investment that is being made by the government in the railway modernization railways, one is to really electrify all the tracks so that is a big mover and that is causing quite a bit of expansion and moving away from diesel. That's again another energy transition story at a very last case in railways. And then we are having the new locomotives as well as new trains. So, we have a plane, all of those elements and we are getting, benefited out of it. Same thing goes for the metro expansion as well. The metros are expanding in the city then our portfolio goes in there as well. Now when it comes to other areas like city power distribution, I think given the urbanization which is increasing, one of the side effects, I think not many people talk about and realize about the smart city projects which were being talked about is how to really have a framework for power distribution in dense urban cities or Tier 2 cities or tier 3 cities. Earlier, the technology was not in play in order to assure that the feeders going to the residential colonies as well as industrial colonies should have a stable power. There used to be uni-directional power flow. Now it has a kind of fail-safe technologies which are there which feeds into industrial as well as residential corridors and that’s where our technology comes in play and it is not visible. But then if you are in Mumbai or you are in Delhi or you are in Bangalore, you'll see those technologies are getting added into the into these and all states have realized it and all cities have realized it and we see quite a bit of uptake there. And also on the building side, when you have the more expansion taking place on the building side, there again I think a good amount of our EL and MO portfolio gets consumed. So, the government led investment of course has a direct way. But also, a lot of investments which are being made or encouraged in different other sectors, they also have the indirect effect. Quite frankly, it is not of our much interest, and you should give us a little bit of a discount there. We don't over analyze our customers. What we do is we really connect with our customers, and we see how the demand is forming at the feet of the customer. And that's how we go about, kind of capturing it. Be it an end user who is directly buying from us or it could be a contractor who is delivering for a project for them. It could be an EPC which is doing the complete execution of it or it could be OEM which are building machineries which will find their place in that plant. It could be the road building project, or it could be kind of a railway project. So, we capture this breakdown of such a kind of you know the head investment into different market segment which you focus on. But quite frankly we don't over analyze we simply stay connected with the customer base we have we also watch which are the other customers which we are not you know cannot be, we are not referred to our expanding and that's how we continue to go. So, we do some analysis, but not we don't do our analysis.

Neeraj: Sure. Thanks a lot.

Amit Mahawar: Thank you. So maybe we will take one last question if somebody wants to come. I think one or two last question, Sanjeev, I think, yeah,

Yatin Matta: can I, can I go?

Amit Mahawar: Yeah, Yatin, please.

Yatin Matta: Yeah, Sorry, just on the profitability piece and I'm so sorry, I'm repeating some part of it, but just do it just for the seasonality. If I see

H1 this year versus H1 of last year, 35% of incremental profit has come from other income, which is interest income and of course that's because we have had a higher cash generation which has come through now given. Our business is slightly more short cycle and given how the commodity has moved over the last six to seven months, how are we thinking incrementally, specifically one in terms of RM and RM to say is because that has been stable now for 3/4, but with commodity coming down, we'll probably have to pass on some of the benefits to the customers. And second, how are we thinking of overall underlying operating leverage in the business.

TK Sridhar: Okay. So Yatin let me give you reply for that question. So I like that question. So you have a lot of other income, I mean other income which represents then large portion of income from the interest which is earned out of the deposits. So is this going to be a permanent source? Answer to that is no, right. Then I'll tell you why. Because it could definitely be the capital allocation which is one of the top most topics or priorities between me and Sanjeev and the group as well, right. So then when this gets invested, probably it gives us more than you know 7-8 % is what we have on the top line because that's the rate which you get from the deposits what you have, right. So that having said so, I have full confidence that once if this gets deployed it should only improve and not deplete number one. You are on a long term basis, so initially even it takes some time for the investments to pick up. So but at least you have that right. So now there are two questions. So one is you know what do we do in this transition period when the capital which you invest starts to earn, number one and number two, is that so with this 64% as what you're looking at as a material cost going to be there or is it going to be this thing? So I think it's a play of the market, let me put it this way. If you look at our markets which is 15% exports, exports is definitely a better revenue profitability generating segment as such, but if you look at it from the other 85%, I think their EL and MO definitely have their market position. Therefore, they are able to command a reasonable price for their respective shares of business and so far I think we have been successful to pass on the risk which we see in the commodities and the Forex volatility as what we said to the market and that has started to stabilize because that's also reflecting the scenario that the commodities and other prices are stabilizing other than the Forex which is volatile at this point of time, right. So my take is that first of all, I think our target is to make sure that we remain in this corridor of 63.5 - 64.5 on the material cost irrespective of what it is and control our expenses with the capacity leverage which will actually add to the profitability, right. So in a nutshell, I think if we are able to practice this for the next few quarters I think that exactly connects to my earlier question which to Anuja saying that our ambition is to make sure that we have a credible bad % of 10 to 12% is built on the fact that we need to address this as well, right. And as you rightly said where you are, you will you be able to manage this price increase going forward? I think answer to that could be no because it would has to plat to at some point of time when you have the prices stabilizing as such, right. So our target is therefore to maintain the 64% corridor for material cost with the mix. And with our ability to command a better prices and the choice of markets what we want to go in right and the balance is to leverage out of the capacity expand leverage what we have on the optimization side of it, right. So with those particular principles in place, I think we would like to look at a material cost range of. 63-64 in that particular range, right. So once it starts to go beyond it, probably it has an impact on the bottom line as well. So that's something which we need to be watchful of.

Yatin Matta: Second, you know, just continuing with this portion you mentioned to Anuja that you were looking to sophisticate domestic manufacturing. Now that will not be a labor arbitrage that would be probably more technology intensive. How do we look at your medium-term employee cost because one, availability of talent, is there enough talent in the country for us to achieve that? Second, how do we look at our employee cost? Is there any restriction which we'll be looking at or we are okay to invest for the future?

TK Sridhar: Sanjeev, you want to take it or I could take it and then you could complete it, right. So, okay, with respect to the cost, I think we are at, a band of 8-8.5% or 9%, that's what you would have seen over a period of the last few years. I think if your revenues start to keep increasing at 12% to 15%, I think we are confident of maintaining that between 8.5-9%. That's what we see, right? That's very clear. I think in terms of retaining the people, we are pretty much on line in retaining those who are required for the organization while healthy attrition is also good to have, right. So that's basically what we see in terms of salaries, I think we are in line with the industry as what it is if not definitely the highest paying as what one would say in the engineering industry. So that's something which we need to be aware of. So given that, I think Sanjeev, if you want to do some qualitative rounding upon that.

Sanjeev Sharma: So labor as a component, I think for a company like ABB is very important. We don't see it only as a cost element from my perspective. We really see it as an element which can really deliver what we promise to the customer but that's what keeps our forward cycles ongoing or customer loyalty maintained. So we always ensure that the people we retain, we train them well and they are quite sticky. So typically we find that the people who have stayed with us five years and more, they have a longevity and I think we answered now when it comes to the general market, at this point of time, the labor policies or the labor dispensation across all the manufacturing locations we have, is quite supportive to what we want to do. I think we are able to get the mix that we want in our manufacturing location bothwith the nature of mix we want and also how much we want to get done outside. So one of the elements of manufacturing is not that everything should be in-house, one of the leverages you always do cleverly over a period of time is, what is core and what is noncore. What you do is you continue to maintain the core inside your own premises and you spread out the noncore to your supply chain. But if I see the last 10 years, a lot of handling is done by that because that got distributed to our supplier. So our fixed cost becomes variable cost over a period of time and then as the volumes expand, you add more people and when the volumes contract you have an ability to reduce the variable cost very quickly because that's very contract. So that's one way to manage it. The other part is that talking about the talent availability, I think we have a lot of people available in this country. We are not short of that. What we need to do as a large corporate is to have very strong training programs in place and that's what we focus on whether it is at the electrician level, or the ITI level. Only last week, we opened an ITI sponsored program in Bangalore. So, in the culture we have, we continue to create a feed stop of trained manpower coming in because most of the people who come from basic educational qualifications or even sometimes engineering fields are not ready for the industry. And that's where our responsibility comes beyond profit, and other aspects to really make sure that we create meaningful engineers, technicians and shop floor employees. So, for that, I think we have been fairly successful when it comes to the attrition part. Attrition has been on the high-end side of the employees, maybe in that digital area say the last two years it was very hot, but now it has moderated out for that matter. It was only very few talent pool bands which were overheated in the marketplace, otherwise on the generic manufacturing side of it, it has been quite stable. As mentioned, this is not an area wherein I really lose my sleep on at this point of time.

Yatin Matta: One last comment, not a question. I think it's commendable that we have done India specific ESG and we just hope that we continue to meeting our targets there.

Sanjeev Sharma: Well, thanks for noting that and acknowledging it's a topic which is really close to our heart, and we don't do it because we have to prove something to someone. We do it because we know it's the right thing to do because once we do that with the right intention then we spread out that sentiment across the company and that's why it's very well ingrained in all employees, all across locations. Thank you. We have programs for next few years. So we'll continue to be a part of that.

Amit Mahawar: Thanks. Maybe Sanjeev you want to take one last question and then we conclude the call.

Sanjeev Sharma: Yeah, raise hand from Anuja.

Amit Mahawar: Anuja, you have a question.

Anuja: No, I think that's the previous one. Sure. Sure.

Amit Mahawar: So maybe I'll just ask the partial question. If I compare the EL portfolio and if I compare with some of your global competition like Schneider and Cements in India, we have a dominant position in medium voltage. High and extra high is no more our game. What are those areas where you know, Sanjeev if you would want to, I would not call aggressive, but we want to be more present product-wise and market-wise in the low voltage where we have gaps? Thank you.

Sanjeev Sharma: So, in EL we have a portfolio starting with the medium voltage switch gear and that's where the big transition of AIS to GIS is taking place. So that's where we have made substantial investments. Most of the industries as well as cities today, want to have a smaller footprint where they want to put their power module. So that's where GIS comes in handy and that's a big growth area for us and those investments have been made in the right place and expansion has been taking place. So, we hope to take benefit of those things. Now the other area in the ER is the city power distribution as more urbanization is taking place. So that story plays in favor of our medium voltage switch gear or ELDS data centers. I think we are just at the start of the journey, given how much digital content we consume and the need for localization of data. I think this is a very, very long story because I have watched it grow in Southeast Asia many years ago. So India is bound to see a very large growth in that area. So that's another sweet spot for us especially with the ELDS. And when it comes to ELDS or the Media World portfolio, we also have the Tier 2, Tier 3 city expansion. That's where we are creating more and more channel partners as well as integrators. They do the value-add services for us, for our customer by using our design. That's another area where we are expanding. And that creates more resilience rather than everything we produce in our factory, we produce core components and we give it out to our channel partners and integrators and they do more value adding close to the customer. We have a leading position in that business now. It is primed for supporting global businesses on the export side so the global managers already have a lot of confidence in those factories. So that's another play that we see is going to accelerate for that. On the low voltage side, we have seen a quite a big uptake on the productivity side or low voltage with gear business. And there our volume growth, profitability growth is pretty strong, and we have competitors who have consolidated in front of us. But at the same time what we find is that the uptake of our product is very strong in that particular market. Now the other area in the EL is the city power distribution as more urbanization is taking place. So that story plays in favor of our medium voltage or ELDS Data Centers for that matter. We don't pay too much attention to it. We only pay attention to where our products and services are demanded and can be useful and that's where we are seeing good traction. And we are also seeing that with the productivity and the modernization methods we have taken, that is making us to be the more reliable supplier in the marketplace at a very, very short response time. I think our response times have reduced dramatically. So that's where the confidence in the market comes, that if they want a component that comes from those factories, they can really get it very quickly and that also creates loyalty as well as the support over the price that we request in the market. In the same way we have another lower segment which is the building segment wherein more building oriented products go. That used to be a sub optimal business but now it has substantially grown. In last year, it doubled in terms of the manufacturing output. So it is supplying very well in the market and plus also had export market allocations into certain markets in the West side of the country and that is also playing quite well for us. So I would say on the year side overall the growth rates and the robustness of the market connect is quite good for us and quite frankly we are not competing. We are really competing ourselves from the last year of our behavior to new behavior that we have this year so that we can do better than what we did last year. So we are not saturated there this year good, good runway ahead of us. Motion side again is the energy efficiency portfolio and we mentioned early, I will repeat that's in the sweet spot of this season making of all the customers who are ESG and sustainability conscious and everybody who wants to have more reliable product. They continue to buy ABB drives as well as motors and there are certain segments of the market wherein, they don't even look at the competitor. They only want ABB especially for machine builders who are exporting, and they buy only from us because they feel they have a reputation to protect outside the country. So we have certain products of ours which have 100% of favor in the minds of our customers. When it comes to robotics, manufacturing is expanding. I have already told you that that's the area we continue to expand and process automation. Again now the poor sector has started kicking up whether it's cement, steel, chemical, oil and gas distribution, blending areas. So a lot of derivatives are being planned there so we are getting good traction in those markets. The Indian Oil Corporation or other private players are expanding in those areas as well. So overall I would say it's one of the unique periods where all 18 divisions, all 23 market segments are positively inclined. And I would say some new market segments are growing 15% plus, some mid mature segments are growing between 10% to 15%. So called ’core’ segments are growing around 6 to 8% and they are joining the party right now and that's where our maximum volume comes. So if those well kind of segments also kick up and they really bring the volumes which they have not brought for last 7-8 years because of the NPA's, they were subdued and they start joining the party and more expansions take place. I think we'll have a very robust market going forward. But that's our view today, but we don't know the markets and the other things that will show up next year or the following year, but we follow very closely with our customers. So we adapt as we see the customers’ strength or customers’ weakness in a particular market.

Amit Mahawar: Yeah. Thank you, Sanjeev. Thank you, Sridhar. We will now conclude this call. And thank you once again for great color and your time. Thank you.

Sanjeev Sharma: Really nice talking to all of you. Have a good day. Thank you.