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February 16, 2023

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

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

Attn: Listing Dept.

Dear Sirs

Sub: Transcript of Analyst concall

In continuation of our letters dated dated February 6, 2023, and February 13, 2023 we are enclosing a copy of the transcript of conference call with analysts, which took place on February 13, 2023 post announcement of Q4 and annual results FY 2022 of the Company.

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

Thanking you

Yours faithfully
For ABB India Limited

Trivikram Guda
Company Secretary and Compliance Officer
ACS 17685

Encl: as above



**“ABB India Limited Q4 CY2022 Earnings Conference
Call”**

February 13, 2023

**MANAGEMENT: MR. SANJEEV SHARMA – MANAGING DIRECTOR, ABB
INDIA LIMITED.
MR. T. K. SRIDHAR – CHIEF FINANCIAL OFFICER,
ABB INDIA LIMITED.
MR. KIRAN DUTT – EL DIVISION, ABB INDIA
LIMITED.
MR. SANJEEV ARORA – PRESIDENT (MOTION), ABB
INDIA LIMITED.
MR. G. BALAJI – HEAD (PROCESS AUTOMATION), ABB
INDIA LIMITED.**



*ABB India Limited
February 13, 2023*

Moderator: Ladies and gentlemen, good day, and welcome to ABB India Limited's Q4 CY2022 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 and any unauthorized recording of this call is strictly prohibited. The recording will be made available on the Company's and SEBI's website subsequently.

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

T.K. Sridhar: A very good morning, ladies and gentlemen, welcome to the Q4CY2022 Analyst Call.

We have with me in the call: Sanjeev Sharma - Country Managing Director, and we have Kiran Dutt who represents EL Division, Sanjeev Arora from Motion, and G. Balaji from Process Automation. Also, we have Vinod, who runs the divisions of Process Industry and Process Automation. So, unfortunately, Subrata could not join this call, because they are busy with the customers, so they know that they have their task cutout in front of them.

So, with this I hand it over to Sanjeev to take us through the next set of slides, and then afterwards I will comment on the financial performance. Thank you. Over to you, Sanjeev.

Sanjeev Sharma: Good morning to all of you. Thank you very much for joining in today. So, we had our Board meeting on Friday and we concluded the last year's results, so I am very happy to share the outcome of those and share the results duly approved by the Board.

So, if you look at the Quarter 4, 2022 highlights and also pay attention to the year-on-year performance of FY'22 we have had a good growth overall growth in orders, order backlog, revenues, profitability and Profit after Tax. So, you can see that the expansion is quite good, and we are getting lot of operative advantages. We have a number of business models and number of business divisions in the company; all of them have been evenly growing, in all the parameters, so that gives us lot of pleasure, it's not that there are only few businesses. And also we are exposed to number of market segments and we are gaining good traction in our traditional market segments as well as new market segments that we are focusing on.

So, with the results you can see that we have a solid foundation. And not only that, we have a robust cash position in our balance sheet. Alongside this, we have been consciously developing our Green agenda in the company, so that we are a conscientious ESG company. We were rated a strong ESG company in 2022. All our campuses have been rated Platinum or Gold by IGBC, with the majority of them being Platinum standards. And we have also completed RE100 goal in 2022 that means we are using 100% renewable energy for our operations.



If you look at the key business drivers, you can see in the graph that orders are accelerating over a period of time and also, the revenue's acceleration is in place. So, as we explained to you in previous calls, majority of our volumes are not short cycle orders, wherein the conversion from orders to cash is quick. In the inflationary environment, whenever there are adjustment of input cost, we have had good support from our customers, and they have been participating in those rising input costs where it was required.

We have improved our channels and segments, that has helped us go into new geographies and penetrate deep into Tier-II, Tier-III, Tier-IV markets and there we are pleasantly surprised how robust the demand for high quality industrial product is. So, that is something very encouraging for us.

With the result, we have seen that the order backlog is up 32% and that gives us a good runway for 2023 performance with the efficient capacities which are already placed in the company. We are also incrementally expanding our capacities to foreseen volumes and foreseen expectations on the domestic and export markets. Our exports grew by 10% and also, we have significant large projects orders from the Process Industry on the control system and the optimization systems.

Some of the significant wins in the year: We have distributed a control system to a major paint supplier, which is a best-in-class in the country. We also have the low voltage and medium voltage power distribution units for one of the largest data centers being setup in the country. These are the best-in-class customers that are available to us globally, and now they are active in India. And also, we have the solutions with ABB Robotics for passenger E-vehicle, tool design and simulation,.

So, if you see wins in CY2022, we have commissioned R2 Smart compact substation and RMUs in the Shri. Mata Vaishno Devi Route, which we are very proud of, it always helps the company to do activities wherein we get some blessings back. We have traction order for Vande Bharat trains. We have instrumentation analytics package for Jal Jeevan Mission in Uttar Pradesh.

And of course, the first of its kind, fully automated robotic paints line application for an Indian auto major - Indian large auto company - and you can see marked improvement in quality of those cars in the market and on the road. And the reason is because they have fully automated paint lines, welding lines, and also their finishing lines are fully finished by ABB. We give this example to give you an idea of how diverse our portfolio is, and how diverse the industries and the customers we work with are.

This will give you a bit of an idea of what's happening in the market place. The dark green (high), these are the market segments which are seeing (+15%) growth at the moment, and these are the newly positioned segments in last few years. We are seeing good traction for us in terms of gaining new spend, or the new money spent in the new market segment. So, it means the market base for us has expanded, because we have been focused on these new and high growth

segments. On the moderate growth segment which is (10% to 15%), we have good leverage with our portfolio. Moderate to low, this happens to be the traditional segments and we believe all the budgetary proposals are encouraging these market segments to spend more CAPEX and some of them are already doing it, and we are taking benefit of it as well.

So, the theme is about partnering for Greener economy, transforming the transportation systems, automation and digitalization of Indian industry, all these are the themes which are playing through our books. For example, in the transportation system now, our IE3 motors which are the, the special motors we are supplying to e-vehicle Steering Pump application, this is a new application that we have started. So, you can see that our traditional portfolio or our capacities, are now going into the new markets. At the same time, our intelligent automation system for gas network which is getting set up across the cities to provide pipe gas to the consumers, that's coming about. And then also robotic solutions, away from automotive applications where we have a major play, here they are getting used in the solutions for electronic and 5G equipment manufacturing.

One of the examples in the water and wastewater deep-dive, you can see that this is a segment which is expected to grow at 10% in 2023. When you go to the major rivers today, you see that rivers are relative clean; the reason is because a lot of sewage treatment plants are being setup across the cities and that water which comes out of it is being used in the city, rather than dumping the sewage in the plant. And that's why you have the treatment plants, you have the pumping station and distribution to create better infrastructure, you have a desalination plant, and of course a lift irrigation wherein the water is lifted from rivers to higher reaches wherein water is not available. There are some very good examples in the country where we participated and lot of year around crops are being enjoyed by the farmers in those areas; otherwise those farmers were turning to become laborers in the cities, so this has had a big impact. So, it has a very large impact in terms of how water and wastewater is being used in the country. And we see that this will continue to grow as we go forward.

Indian Union Budget '23, I think you are well aware of this, and these are the few elements we have highlighted in the area of infrastructure investment, financial sectors, Green growth, unleashing the potential by setting up, cutting-edge knowhow and technology and developing the talents in the engineering institutions. And of course, PM Aawas Yojana which also gives a kick-up to the real estate sectors.

So, we feel that all these elements, not only this budget but last two or three budgets, have been pushing our portfolio into the sweet spot in serving the markets in the energy efficiency, electrification, robotics automation for manufacturing and of course process automation for expanding the process industries.

In our ESG journey, I already mentioned that 100% of all our major factories are now certified Green factories. Some of the factories are 45- 50 years old, so you can imagine there was effort and investment required, but all our teams across locations in Nashik, Maneja, Baroda,



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Faridabad, Peenya (in Bangalore), Nelamangala, all are committed to make sure that we really run the Green campuses to the truest form. Not only the Green campuses, Green factories and also as we move forward, we will also have our products which will be qualifying to the Green standards.

And not only that we are doing that influence within our own parameters; we are also involving our suppliers and training them how they can become Green, so that our supply chain becomes Green as well. You should know that most of the products which are used by our customers will lead to more carbon dioxide reduction. They are the products which help our customers reduce their GHG emission. So, we are quite proud of our portfolio as well as our own attitude in how we have gone about doing it. And with this we have reduced 82% of our GHG emissions in 2022.

I am not sure if there is any other companies who have done it, but we are very proud. And it's not only a good benchmark in India, but it's also a benchmark within the ABB Group globally, how quickly and how clinically we have implemented our plants.

Our factories have become 100% certified for single use plastic free, in 2022. As I mentioned we are using only renewable energy and 100% of factories that are now zero-liquid discharge - we are not wasting any water and we are moving towards water positivity. That means we are using less water than what we are putting it into the ground. Investments are required but we do that and we have good returns on investment there as well.

Our waste recyclability is at 95%, and we are aiming to have zero waste to landfill goal as we move forward with a well-crafted plan. We have been awarded by IGBC as a pioneer in large scale adoption of Green factory buildings, and we have been rated strong ESG performers. But we are going for even stronger performance in future.

CSR, I think in terms of our outreach program for education, diversity and inclusion and healthcare, they are very well targeted and for last 7, 8 years we have been spending 100% of our CSR funds. We know that we are making an impact for a country wherein such interventions are required. And we continue to do that as we go forward, whatever is within our impact zone and impact capabilities.

So, with this, I hand it over to Sridhar to take you through the financial highlights.

T. K. Sridhar:

First of all, I think our result gives me a lot of pleasure; we have been saying that we want to aspire to become a Rs. 10,000 crore organization, similar to what we were when Power Grids were there with us.

Just to paint a journey, given this is the year where we have crossed Rs. 10,000 crores, I thought we should go back and understand how we were with Power Grid and other divested businesses. In 2018, we were Rs. 10,115 crores in orders. We divested Power Grids and turbochargers and solar, and that brought us down to roughly about Rs. 6,000 crores. That was the base volume at



which we were supposed to be measuring ourselves, end of 2018. So, from there, I think the journey towards Rs. 10,000 crores has been pretty interesting, not to forget the fact that in between, we had two years of COVID which impacted our business performance quite severely.

So, when I look at it, I think the growth on a compounded annual basis has been about 14% starting from end of 2018. When we compare it with the nominal GDP CAGR that was at 8.7%, I think we have done exceptionally well in the last four years in the journey towards Rs. 10,000 crores. Coming to our performance on orders quarter-on-quarter, I think you could see a dip from our nominal percentage of 4% against Q4 '21, but actually Q4, '21 had Rs. 307 crores of large orders and if I look on a base order basis, we grew 21% for the quarter. So, that's a good start for the next financial year because these orders get converted into revenues in '23 onwards.

So, I think for the total orders intake, we grew at 35% on the base order basis and 31% on the including the large orders. We are at an order backlog of Rs. 6,468 crores and you would definitely see in subsequent slides where this order backlog is, by division. I think majority of it is in process automation, that's the nature of the business therefore it has a larger order backlog which is going to be executed over the next few quarters to come. The other divisions also have equal amount of surge in the backlog, so our revenue visibility is quite strong going forward.

The Profit Before Tax has been exceptionally good for the quarter. Without any exceptional items, we stand at 16.5% for the quarter. This was more driven by a mix of quite a few factors, which I will elaborate going forward as well. I can broadly say it's a good amount of revenue, capacity utilizations, good mix of orders between service, exports and domestic and also, the value chain improvements which gave us that positive bottom-line impact.

Profit after Tax, definitely we did not have any exceptional items in this particular quarter, so it's a direct correlation to the Profit before Tax which we have derived, but in the last few quarters, we did have the impact of exceptional items coming up from the turbocharger sale.

So, we do have a cash balance of Rs. 3,600 crores and we have mentioned in the media that out of this Rs. 3,600 crores, we have kept aside Rs. 2,000 crores for inorganic options. So, this is a visibility we would like to give to all that every business is definitely required to grow, and M&A opportunities would be bolt-on and Sanjeev would definitely speak more about it as we go forward.

So, if you go to the Income slide, I think this is more about how the P&L stacks up for the quarter. We did definitely explain about revenues and orders so I think the good part is we have the expenses also tracking well, not much of increase in personal expenses compared to the previous quarter of the same year. So, it's only a salary revision which has happened.

So, the material cost is definitely better than what it was in the previous quarter and this is because of factors such as mix, the volumes and of course the prices which we have increased for EL and MO products, which we are still holding on, at this point of time. So, it is important to understand that these price impacts definitely depend upon the market demand-supply

situation. Overall, I think this particular quarter was very favorable for us towards the material cost.

We did have an exchange gain of Rs. 30.6 crores, compared to the same quarter of the previous year which was Rs. 16 crores, so we had a favorable swing of Rs. 14 crores over the year. The depreciation of course is pretty less and interest cost is slightly higher, because the income towards it is classified as other income, that is nothing but a reclassification. So, overall, the net interest cost to the company is very negligible. ETR stands at 24%, less than 25%. So, overall our analysis says this is a better year and better quarter for all of us.

Just a bit of how every business area has performed. I think EL showed a CAGR of 13% sequentially on a four quarter basis. But I think if you look at a year-to-year basis for the same five years period, I think it would have been a very good growth on the EL side of it, as well as in MO. So, EL follows more of a book to bill scenario, so therefore the revenues are pretty fast-forward depending on the orders they get. So, I think there is a good uptick in the revenues as well. We stand at a good order backlog of 20% higher than in Q4, '21. PBT is tracking in the right direction with better product mix, volumes and improved price realization.

Motions had good orders intake in Q3 and Q2, with some of the large orders of railways delayed to the next quarter. In other words they definitely have an order bank which would materialize in the next quarters to come. It has a fantastic revenue tracking of more than 23% growth and an order backlog growth of also 18%, and profit before tax is solid at 16%. We did have a bit of a positive FOREX impact on the MO portion.

So, for process automation, this is a real turnaround year, growth in orders on a year-to-year basis and also revenues. They have a solid backlog that's Rs. 2,600 crores, a 52% increase. Good traction in terms of profitability is because of efficient project execution and customer retention and also, very good share of services driving the profitability of PA.

So, robotics again, so we have a consistent uptick in the orders with better profitability and the order backlog is tracking pretty well. So, they also have a good order backlog to execute for the next few quarters to come.

So, this is how we track different sectors, different dimensions. So, I think most important piece is that export. Exports are at 12% at this point of time; we used to be 15% at some point of time. We need to understand that the domestic demand is growing faster than the exports. Therefore, the exports per se could be 12%, but actually the growth on exports is almost 14% to 15%, whereas the domestic demand is growing faster. That's why the percentage looks a bit muted, but actual growth on exports is stronger.

So, overall, I think this is how we are at this point of time, services and projects well distributed. It's a well-balanced portfolio as we see. We have been talking about how we are approaching the market by penetrating Tier-III and Tier-II cities. We were presently surprised while Tier-I and Tier-II contributed 52% of our order book in the current year vis-à-vis 57% the previous



year and Tier-III and below contributed almost 48% of our order intake compared to 43%. So, that 5% uptick has come from the efforts in penetrating the markets below Tier-II cities.

This has primarily happened in EL and MO as well as PA, so overall I think this is a good development of what we see in getting to these particular performance levels.

So, yes, we have a robust cash equation at this point of time, balance sheet is pretty strong.

Of course, as we look forward to 2023, we largely depend upon the government CAPEX which is being talked about in the budgets. So, we expect that this will hit the ground and we should see some action. Of course, our focus in this event would be in different parts of the market. When it comes to risk, I think the commodity prices in FOREX will still continue to be a moving element which we need to manage. There could also be certain competitive and price-related actions which could happen in the market as well. And of course, any disruption in the supply chain constraints might be a risk, but we have managed pretty well till this point of time. We need to keep looking at it going forward as well.

So, yes that's all from my side. Thank you very much for patiently listening. So, I think we could now open up the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: My first question is with respect to profitability, gross margins have seen a significant improvement year-on-year, so what is the reason behind that?

And secondly, order inflow momentum has been on the slower side with 4% growth; you had mentioned there was a one large order last quarter, so are you seeing the traction from large orders slowing down a bit?

T. K. Sridhar: Okay, so Ravi, let me take the large order listing. Having the Rs. 10,000 crores, our ambition is to make sure that we are steady and credible to remain at Rs. 10,000 crores level. Of course, this will definitely depend on the large orders which is mostly applicable for Process Automation which is PA/PI and across those industries and energy, so we have Balaji and Vinod as well on the call. So, our market intelligence says, yes there is a funnel of opportunities but the only question is how the timing will play out.

So, having said that, we are confident that we would be able to maintain the trend, it could probably vary from quarter to quarter, but on a year-to-year basis we still would like to aspire to be more than Rs. 10,000 crore as we have performed in this particular year.

And coming back to your margins, Ravi, I think as I mentioned, this particular quarter was definitely an extraordinary quarter in terms of how we leverage our volumes, mix between various elements of revenues and also, the supply chain actions that has actually fructified into

good efforts into the bottom-line. But having said that, we will keep it as a benchmark, normally we tend to move between a range of 63% to 65% quarter-on-quarter. So, that's where we would be.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: My first question is you did highlight and give some interesting inputs that nearly more than 50% of our revenues have come from Tier-III, Tier-IV and lower distribution markets. So, can you share some inputs in terms of what is the kind of reach and distribution that ABB has for its industrial products? What initiatives have gone by and how do we look at further enhancing and leveraging this reach to grow revenue? What type of products are actually getting pulled from these smaller markets, are these conventional products, new technology or more mature technology platforms?

Sanjeev Sharma: Okay, I will make a quick mention and then I will hand it over to Sanjeev Arora, the MO Head as well as to Kiran. The product push to the Tier-III, Tier-IV market matters most in the Motion business and the Electrification business. So, yes, there is a significant impact with the number of initiatives we have been taking for the last four years. And I think they are delivering good results for us. So, first over to you, Sanjeev.

Sanjeev Arora: The industry is expanding, and India is in the highlight. So, we have seen a good momentum in Tier-III and Tier-IV cities and we are capturing it by expanding our channel network. The name of the game is as you are closer to the customer, you serve them better. So, that has been our winning piece.

The second part is that when it comes to the end user segments or OEMs in Tier-III, Tier-IV cities, we have done very segment-specific seminars and also made sure that they know our products and technologies well. That has really given the pace even to the end users as well as the EPCs and OEMs present in that Tier-II, Tier-III cities.

So, one part is how we are catering to the end users and promoting them because if the growth has to happen and the industry has to expand, Tier-III and Tier-IV customers will raise their bars to Tier-II customers. So, that's the kind of growth there you will see in coming time. So, overall, the channel network and how we make sure that the end users, OEMs and EPCs present in those territories are well addressed.

Sanjeev Sharma: So, in terms of technology we are talking about products, which go to the OEMs, end users and the channel partners and that kept them integrated into a machine or a larger plant. So, that's the kind of a technology for Motion, and same thing from Kiran, your perspective?

Kiran Dutt: Thank you, Renu, I think it's a very important question for us as well. When it comes to OEMs perspective, I would classify into three different directions, the first one is on the service part of it. End users are located in Tier-II and Tier-III and Tier-IV cities and it's very important for us

to give them the service. And it's also important to have that particular reach to ensure that their service is on time. And here the time matters, so it's very important to be closer to the customer, as Sanjeev also mentioned.

The second part I would like to mention is we also looked at what could be done in terms of retail networks, so that's something which we are now expanding very quickly. And it's very important to understand where is the retail, is it in metro cities or its in Tier-III and Tier-IV? I think it's in both so it's a mixed kind of an approach, we approached Tier-III and Tier-IV cities as well.

And when it comes to the other side of the story, in terms of the distribution part of it, where more of industrial products, not in terms of the residential applications, but industrial products, the distribution network as Sanjeev Arora was also mentioning, it was important for us to be very near to the customer in terms of ensuring the availability of spares, it could be even a full product or it could be a part or it could be retrofit later on. That is what we approached, and I think service, retail and distribution have been the factors for success in Tier-III and Tier-IV cities.

Sanjeev Sharma:

Thank you Kiran, thank you Sanjeev. We also have Balaji, who handles our Process Automation, Energy portfolio. So, Balaji from your perspective, you see some actions taking place across the country, in the cities. What is your take for expansion to Tier-III, Tier-II, Tier-IV cities, any action you see on your side?

G. Balaji:

Yes, as part of the energy transition journey of India, there is a lot of focus we have seen provided on the natural gas, you see it especially for the domestic and the automotive. And there is lot of activity as you have been following on the city gas distribution. We have also seen a lot of requirement of automation coming up for this city gas distribution and that we have been successful in quite a few. So, there is a lot of penetration in the automation side, into the Tier-II and Tier-III districts and cities as well.

Renu Baid:

Is there any way we can quantify the distribution that we have through retail and distributor network or would it be difficult?

T. K. Sridhar:

It is not difficult within the organization, but definitely difficult external to the organization.

Renu Baid:

And secondly now that we are sitting on a strong cash balance and you have highlighted a separate amount which has been year marked for inorganic expansions, Sanjeev can you share some colors or contours on this? What type of businesses, technology would you want to expand into, and would these be India-centric acquisitions or it would be outside? And any timeline that you have in mind that acquisitions within the given timeframe which are planned?

Sanjeev Sharma:

So, this is in alignment with our global CEO's strategy, he has announced that ABB will go for multiple bolt-on small and medium size investments and acquisitions, and this follows in our core portfolio. So, all our division managers globally as well as locally have been empowered to

look for targets which makes sense from the global perspective as well as from the specific local or regional perspective. So, we have drawn up a good pipeline and it can be in the areas of digitalization wherein we could be looking at certain partners who have come up with some solutions, that are then layered on top of our core portfolio. It adds more productivity and value-added services for our customer, so that's one area that we are looking into. And we recently also acquired a company there in the EV charging space from the global teams perspective.

Other areas we are looking at, there are certain expansion areas which are taking place, especially in the energy sector as well as energy efficiency area. So, there are certain add-on technologies which can complement our customers experience with us and they are also part of our pipeline, both global as well as the local targets available with us.

So, I would say a mix of both, so if the global team comes up with an acquisition which has a local footprint, our cash will get utilized there. Local targets would require both buyer and seller to shake hands, so both sides should be ready. So, we are not in a hurry, we just want to make sure that we select it right, and we get the right deals for the both buyer and seller so that a stable platform can be created for us. So, the money we will get spent on both sides global as well as local, Renu.

Renu Baid: One last question if I can, on IE3 range of motors which you mentioned finding higher application in EV segment. So, can you elaborate a bit more in terms of the opportunity that you see from EVs and what type of vehicles are we looking at? And are we looking at expanding the portfolio within this motor portfolio that we are looking through?

Sanjeev Sharma: So, as this segment opens up and expands, and more OEMs are now getting interested and they are localizing the supply chain, naturally we find ourselves with part of our portfolio fitting in their requirement and request. So, I hand it over to Sanjeev, if you'd like to add something...

Sanjeev Arora: I think, Sanjeev you have really summarized well. So, there will be momentum and we are sweetly placed. So, as of now it's not advisable to really open up more. But we are in that space, and you will soon see that as the segment grows, we are part and parcel of that.

Renu Baid: So, automotive will increasingly become a growing opportunity within the motors portfolio for us.

Sanjeev Arora: So, going forward, we have to see whether that business becomes more crowded or whether it make sense. But definitely we are not limited to cars, automotive also includes trucks and buses and especially the dump trucks in the mining sectors. So, there is a large portfolio of automotive products which needs to be considered while we take a decision.

Sanjeev Sharma: I think, what Sanjeev Arora mentioned was right, we are not going to be in the crowded space, but we will be in the space wherein we add extraordinary value for the customer and with their technology which is quite differentiated.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Funds. Please go ahead.

Bhavin Vithlani: The question is on the order flows and when we look at sequentially at the 2nd Quarter, 2760+, we have seen that sequentially it's been slowing, if you could give us a color on that? So, is the preference is more on profitability versus growth, are we letting go of some business in view of profitability?

The second is on the EV charging globally, there is an announcement of separation and an IPO, what will the implications on the Indian entity be for that? And the last bit is, we have seen a significant expansion in the margins, especially when it comes to the robotics division. So, if you could help us understand the sustainability of this?

T. K. Sridhar: Okay, so Bhavin I will take the first and the last, while you may have to repeat the second question, again. So, the first track is basically how do we see the momentum of the orders, how have we been tracking? Just to quote some numbers, I think in Q4, '21, which is the last year same quarter, I think we did Rs. 2,200 crores. Q1, we did Rs. 2,291 crores or Rs. 2,300 crores just to round it off, right. In Q2, we did Rs. 2,800 crores and in Q3, 2022 we did Rs. 2,600 crores.

While you see there is an uptick definitely between Q2 and Q3, they had large orders, so project orders which were there in PA, both from process industry as well as energy segments. When it comes to Q4, '22, we didn't have larger orders, it's all base orders. In other words, the base orders has to be consistently growing at Rs. 2,300 crores to Rs. 2,400 crores quarter-on-quarter, every quarter we are going to do that. And added to that, will be the large orders as and when they get dispersed.

So, in a nutshell, do we see decline in it? I could only say, we see a strong funnel. So, therefore its only time for that to mature, right. So, and we have been consistently booking more than almost Rs. 2,300 crores of orders, the base orders every year.

So, now the last question of how does robotics track in terms of margins, how have they done? I think there has also been a rejig of portfolio of RA, so good amount of services has started to play out and also, the offerings into electronics and the logistics sectors is giving better margin. So, in other words, these high growth segments are going to remain.

So, I think we look forward that we will be able to maintain those margins, but I think definitely this quarter the margin was much higher, because we had capacity utilization also playing in.

Sanjeev Sharma: Okay, your question was on our group's announcement in terms of establishing EV charging. Of course that required certain investors to take some stake in that unit and that is a very fast growing unit for us in ABB, with a good base in Europe as well as volumes in Americas. We also announced expansion of our factories in Europe as well as in the Americas.



Our view on India will depend on how the company frames its global strategy and what they wish to do, in India. So, it's not directly impacted by us nor focused by us. This global EV charging company, in certain markets, it manufactures, in certain markets, there's only trading. India is a market which is at a nascent stage of development on the EV passenger vehicles, and also you know the vehicles really require fast charging, where we specialize, because those EV vehicles need to be high voltage. So, I think it will take some time, wherein that sophistication in the market will come, and the market will grow. So, I am sure, our global team which is responsible for EV charging will deploy India specific strategy.

Bhavin Vithlani: Just a follow-up on the last one, so in case there is an IPO of this business, will it remain as a part of the listed entity or will it be disposed of as a separate entity?

Sanjeev Sharma: So, what we know at the moment is that it will be a company which is IPOed at the global level. And I think it will be absolutely based on their strategy of what they want to do about the Indian market. So, we don't have a play there.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: My first question is on margin, so we have a trajectory of going towards 15% margin in the past, we have guided for 10%, so I think we have achieved that. So, how far as we from achieving a 15% margin?

Sanjeev Sharma: So, our group CEO had said that we will deliver a 15% operational EBITDA globally, which he has delivered, it is 15.4%, so it means that target was achieved by ABB Group one year ahead of time. And as a company, in India, I think we are on the right track to make those positive contributions to the global goal. And I think that has been acknowledged by the group.

And you should also know that the way we operate in the country, I think the value-added buyers localizing and value-added buyers importing key technologies as part of the value chain also contributes to our global network.

Now as far as we are concerned, on the profitability side it's a journey, and this is something which doesn't happened over one quarter. This is something in formation for the last three to four years if you have followed us closely, we have rejiged our product portfolio, we have let go of certain part of our portfolio, almost 40% to 42% of it is not part of us anymore, it's part of Hitachi Energy as well as with FIMER. But we have regained those volumes this year, we have come to Rs. 10,000 crore. Our revenue projection is good, revenue flow is good. Our backlog is good. Our capacity utilization is good. And if you combine those factors and we continue to execute with the same pace, I think the profitability follows. Profitability doesn't need to be created, it just follows these actions as we go forward here.

Parikshit Kandpal: Talking about that inorganic opportunities, any plans to get back into the Power Grids business, because that seems to be quite promising in the next few years?



Sanjeev Sharma: No, I think we did a portfolio analysis in terms of where we want to be, as a company in future. So, we have chosen to focus on Process Automation, Robotics Automation, Electrification, wherein the electrification for us starts at medium voltage levels, and then of course Motion, which is the energy efficiency theme. So, that portfolio is something we will take forward. Power Grid portfolio we have let go to Hitachi Energy and they are the ones who are pursuing it.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: I have one question, so we have set 15% margins, so I am just trying to understand how sustainable this is? Over the next two years, what kind of trajectory we can see in this?

Management: So, Mahesh, we don't give any forward-looking statements as per the ABB policy, so I could only comment as to how did we reach this particular profitability for this quarter. Of course as I mentioned, it was an exceptional quarter with respect to capacities playing out, the commodity and FOREX variations also playing out favorably, and also our mix playing out. So, there is basically a factor of all these three, which we have as a strategy and so they have been consistently focusing on it. Our journey is to first hit the Rs. 10,000 crores in revenues. We have achieved a first step of Rs. 10,000 crores in orders. We are now looking forward to convert into revenues and then automatically the other numbers follow.

So, our dream to come back to the levels of 10% on the PAT is definitely there, we are chasing it, and I think we are looking at it. And we want to be credible that we can go steadily in this particular direction.

Moderator: Thank you. The next question is from the line of Amit Mahwar from UBS.

Amit Mahawar: I have two quick questions, first is on the services and exports portfolio, if we see incrementally, more and more contracts are coming with significant O&M layering, right, you talk about transportation mobility, low voltage. So, do you think there is a case for the services and exports to move beyond the current 20 - 21% levels to around 30% plus in the next three to four years, that's my first question.

Sanjeev Sharma: So, when it comes to services, of course it's a very high focused area. We have made services as a division in the company. So, that means there is an exclusive focus to cover as much install base as we had. There is always a lag in terms of the installed base we have and how much we cover, so teams are really working hard to do that. Also most of the customers are upgrading their installations to the newer standards, whether it's a digital side or they are upgrading it to newer products and more reliable and availability-based solutions. So, all that is playing well in services, and we are very encouraged in that area.

As far as the exports are concerned, you have to realize that exports is something which we are more of a supply base to ABB Group, we are not the ones who drive the export business from here. What we do and our part of our ABB India management team strategy is to develop our

operations to be better than world-class, in the sense, whatever is known, we continue to improve them. We try to bring very strong ESG standards to our operations because that also plays in the mindset of people who are importing the products from India, because that gives you an extra layer of confidence in the customer that their supply base is Green. So, there are a number of initiatives and a lot of productivity based gains wherein we do the automation in our plants, so that the traceability of the product that we produce is quite good and we also apply the same systems and the processes for our suppliers so that when we are exporting out, when the audit is done by a large customer globally, they can see it as a complete value chain. The ESG agenda as well as our productivity standard as well as our ability to produce in a flexible manufacturing environment is available to our global buyers.

Once all that is placed, then it's a matter of time that the growth comes, because if our so called competitiveness is good, our supply chains are local, so relative to what options are available to the global managers within the company, they tend to buy more from such factories. So, that's been playing well for us, and some factories have been converted as majorly export factories and we have seen the growth of about 100%, some places we have seen 200% in very short period of time.

So, we are not in a rush, we prepare ourselves well and then we continue to serve our domestic market growth. As the markets get opened for us on the global side, we continue to serve them. But we also learn very carefully about how to serve the export and global customers. So, that we can make sure that the customer experience is always good and controlled for us. So, I see it still in an early stage wherein our export potential is exploited and as we go forward, I think it will continue to improve.

Amit Mahawar: My second and last question, Sridhar in CY22 have we seen reduction in the payment to the group in terms of royalty, IT tech support etc? And how do we see that moving? Thank you.

T. K. Sridhar: Okay, so I think according to us, we track as payments to the group in two forms which is in terms of royalty, trademark and any other support fees that we have. However, the market also looks at what we pay as IS, I don't consider personally IS, as a cost as payment to the group, because it is more user base-like cost, and also, it's based on the businesses solution of what we give so that way it's directly linked to the volumes of the people. So, now coming to the first three elements which is royalty in terms of the technology fees, the trademark fees as well as the other any support fees, we still are well within the 5% mark which is there. So, we are trending in that.

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

Deepak Krishnan: I just wanted to understand what our parent reports about 22% growth and we are reporting 4%. Are there largely orders which the parent takes from India where the Indian entity has no say, how do we kind of reconcile these two numbers?



T. K. Sridhar: Okay, I think there is a concept of demand orders because it depends on what is the constellation of the orders or the structure of contracts, what the customer prefers to take, and also some solutions are directly imported from the group. So, the 22% as what group could have mentioned is basically because of the orders, what the local customers would have directly placed on the ABB units outside India. So, that's how you see 22% as mentioned by the group, where they see the demand from geography, whereas we look from the supply side of it.

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

Aditya Mongia: My question was more on the acquisition part that you have mentioned in the bolt-on acquisitions. I wanted to clarify that when you say these acquisitions, am I to assume that the conduits are only be ABB India? And I also wanted to kind of check that when you speak of an Rs. 1,800 crore quantum, is linked in some ways to the pipeline of projects that you are seeing or are these completely unlinked?

Sanjeev Sharma: So, as we explained there are two aspects, one is the global acquisition, which we don't have the direct visibility sometimes, but when it comes to size, that may determine when the group announces it and if it has a local footprint of it. So, at some point we get involved and we will get a visibility of it. So, what we are saying is that the pipeline that is available in India regarding small and medium size bolt-on acquisitions aligns with what we identify in the market as possible which can be absorbed and made part of our ambitions with different business divisions where we are seeing demand.

Moderator: Thank you. The next question is from the line of Viresh from Nomura Asset Management. Please go ahead.

Viresh: I wanted some more clarity with regards to the disconnect between the orders that have been reported at the group level and at India level. When we look through the last 8 quarters or 10 quarters, there has been a broader similarity, whereas these seems to be very stark when we look at the last quarter number.

T. K. Sridhar: So, let me again repeat what I said. There are orders which are given by customers, and we book it so that's fairly straightforward. There are also orders which are given by the customers in India to the ABB Group units globally, which doesn't need to pass on through the ABB India books, because these are direct transactions, there is a contract which is directly done by them. So, that basically contributes the balance gap which you see. ABB Group units have got few orders from the local customers directly and that contributes to the disparity.

Sanjeev Arora: So, the Group sees the demand coming out of India and that's how they inform you so that gets booked at as India centric demand. And at times there is a mismatch because that particular quarter has that kind of flows.



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T. K. Sridhar: And when we are talking of that, Sanjeev we are also talking of the growth between two quarters, I mean the growth of demand, and the orders what the group has got from India customers directly last year the same quarter and this year the same quarter. So, that depends on how the contracts are finalized. So, we have no control on how the customer's needs.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that would be our last question for today. I now hand the conference back to Mr. T. K. Sridhar for closing remarks. Thank you and over to you, sir.

T. K. Sridhar: Thank you. Thank you very much for joining us on this call. And also I would like to thank you for all the support of what you guys have given us in this journey. And we will talk to you about the next quarter in the month of April or May when we have our Q1 results, which could be just as interesting as what it is in the Q4. Thank you very much and also to the management team who was there on the call. Any queries, please feel free to talk to us and reach out to us on email. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of ABB India Limited, that concludes today's call. Thank you all for joining us and you may now disconnect your lines.

(This document has been edited for improving readability)



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