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February 26, 2024

BSE Limited P.J. Towers Dalal Street Mumbai 400 001 (Attn: DCS CRD)

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

Attn: Listing Dept.

Dear Sirs

Sub: Transcript of Analyst concall

In continuation of our letters dated February 13, 2024, February 20, 2024 and February 21, 2024, we are enclosing a copy of the transcript of conference call with analysts, which took place on February 21, 2024 post announcement of audited financial results of the Company for the fourth quarter and financial year ended December 31, 2023.

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

Thanking you

Yours faithfully For ABB India Limited

Trivikram Guda Company Secretary and Compliance Officer ACS 17685

Encl: as above

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ABB India Limited Q4 & Full Year CY 2023 Earnings Conference Call (October – December 2024)

February 21, 2024

MANAGEMENT: MR. SANJEEV SHARMA – COUNTRY MANAGING DIRECTOR

MR. T K SRIDHAR - CHIEF FINANCIAL OFFICER

MR. SANJEEV ARORA – PRESIDENT, MOTION

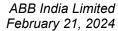
MR. SUBRATA KARMAKAR – HEAD, ROBOTICS

MR. KIRAN DUTT - PRESIDENT, ELECTRIFICATION

SMART BUILDING AND SMART POWER

MR. GANESH KOTHAWADE – HEAD, ELECTRIFICATION

DISTRIBUTION SOLUTIONS





Moderator:

Ladies and gentlemen, good day and welcome to ABB India Limited's Q4 – October to December Quarter & Full Year CY 2023 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 website 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 to all of you. Thank you for joining this Q4 and Full Year Results Call. We are in Nashik today right, where we have entire board as well as the management team over here.

Along with me on the call is Mr. Sanjeev Sharma, the Country Managing Director and I also have in-person Ganesh Kothawade, the head of the location in Nashik over here. And also on the call, I have Mr. Sanjeev Arora, who leads the Motion Division and then we also have Subrata Karmakar, Robotics Business. We are not able to have Balaji because of customer requirements where he's travelling, but we will try to make sure that we are able to answer the calls which pertain to process automation as well.

So, I think it's a good time now to go to the presentation what we have already uploaded on the website. So, I hand over to Sanjeev to take us through the Business Highlights.

Sanjeev Sharma:

Thank you, Sridhar. Good morning to all of you. Thanks for joining this Call.

And again, I recognize our host Ganesh Kothawade, who's hosting us. He leads the largest business we have in the country, which is Electrification Distribution and also we have an Integrated Facility here in Nashik. Very good sustainability credentials and the board when he was here yesterday, they were quite impressed in terms of how our facilities work and how well our teams are performing in business with us as well. Thank you, Ganesh. Thanks for hosting

Now, with respect to Q4 and the Full Year:

Last year, we talked about it, but just as a reminder, just to again anchor how ABB India operates and what ABB India structure is, we have four Distinct Business Areas -- Electrification which largely deals with Power Distribution, both at the medium voltage and low voltage level and also Installation Product and some UPS Services. So, these are the typical products which go into increasing the reliability of power distribution in the cities, industrial plants, infrastructure projects, and also making sure that the buildings where they are deployed, they are more energy-efficient and they have a better energy footprint.



Motion Division, with large deals with the Low Voltage, Medium Voltage Motors and Drives, it's an Energy Efficiency portfolio. Wherever we apply these, with more of our products being used, our customers benefit in terms of having a better energy footprint and reducing the Greenhouse Gas Emissions created by them. So, that's the kind of power of this portfolio.

Process Automation is Automation of the Energy Industries; Process Industries, which are in the core sector; and also our Marine and Ports which are very critical infrastructure for imports and exports; and of course, Measurement Analytics, which goes into the sensors that are used by the industry.

Now, what we have as the fourth division is **Robotics and Discrete Automation**. That's where we have the division which is delivering automation to increasing appetite of manufacturing industries which are not only working well, but they are expanding and their need for applying robotics automation is increasing day-by-day. We are seeing very healthy growth and healthy results in this division as well... and also the sophistication what industry is dependent on.

We are operating in 5 manufacturing locations in Maharashtra, Gujarat, Haryana and Karnataka and we have 25 plants in these manufacturing locations with 28 sales offices across the country to serve them for sales as well as services, and we have an increasing network of our partners who really take us to the different market segments and to the depth of geographies of the country.

You may be familiar with this picture. This is, in short, our strategy to engage with the market. So, what we have here is on the bottom, they could be the smallest contributors but highest growth market segment because they have come into being recently like Data Centers, Railways and Metro, and Electronics. These are the sectors which are growing very fast and we are having an increasing contribution into our order books from these market segments because we have product portfolio with this market requirement. Renewables, Electronics Metro, Data Center, and Railways, they are really tracking forward positively.

And when it comes to the water, wastewater, warehouse, logistics, power, distribution, building and infrastructure, all these sectors have a moderate growth. Moderate growth when I say it is between 10% to 15% and these are also contributing in a significant way. These are the ones which we maybe started engaging in the middle of last decade and we have matured these market segments in a significant way, and they are becoming good contributors.

Low growth segments, which are traditionally in the core sectors. For example, marine and ports, oil and gas, pharma, healthcare, pulp and paper, cement, they have been muted for a period of time, but now we see many of these market segments have started tracking. The project pipelines have been built well. We have a very strong installed base in this market segment, and we service them quite effectively and we have a very strong ongoing relationship here. By the way, though it may be low growth, it has the highest contribution to our order book. So, that means as and when the formation of growth and CAPEX takes place, we get another pickup in this segment. So, most of it is led by high growth and moderate growth into our growth from the segment



perspective and also our geographical penetration in the market, but the low growth segment, though they call low growth, but they have a substantial contribution. When they move, they move really well for us. We do see there are some growth triggers which still have to happen for our business as we go forward despite having very strong growth already into our books in the last many quarters.

Now, we are going to cover like every time we covered a segment: We take a deep dive there. So, in case of India, India aims for 500 GW of Renewable Energy installed by 2030, and it has been very impressive how we have gone about executing it, we have almost 180 GW of installed capacity wherein it is distributed into different resources, wind power, solar, biomass, small hydropower waste-to-energy, large hydro, and there have been 30 times increase in solar power and two times increase in wind power since 2014. So, it's very impressive.

I spent quite a bit of time in Europe, especially in Germany. This was back in 2008, 2007 when they were forming strategy, and I could see similar kind of development there wherein there was a policy and there was a policy bias towards renewals and within five to 10 years they really became leaders in this particular area. So, India has a very natural need to expand into renewables and you can see the government policy is really very well aligned. And I think that's something which is the new normal in India, wherein the national policy and the action and the entrepreneurs and the incentives and the long-term vision in this area is all coming together, be it in the form of National Green Hydrogen Mission, PLI, Solar, PV Manufacturing, Solar City, Solar Park, and 30 GW Offshore Wind. We believe this is something is a long play, and we have a very good portfolio to support it. And we sometimes continue to add new products which really debottleneck these market segments because when you expand too much, then you require special technology, we continue to pay attention to it, and we also bring in technologies which help and aid in distribution of this power generation.

Now, with respect to how our growth is coming quarter-to-quarter: It is totally rooted into how our teams and our businesses engage with customers. We have a very strong engagement strategy with customers. We go deep into the country and across the market segments. We are engaging with the customers in Mumbai, Kochi, Mahad, Ludhiana, Lucknow, Leh. So, this is our secret open recipe for you that is how we continue to find new customers, get them excited about ABB products and technology and quality and our credentials on sustainability. We get a very good response wherever we go, and have a long runway in the country to reach out to more and more customers on the geographical spread basis.

Some Business Highlights for you:

First, on the operational performance: We had a strong operational performance with Q4; we had orders which were up 35% from both emerging and traditional segments, as I explained to you earlier, the mix. Revenues were 14% up, profit after tax is 13% up, mostly driven by operational efficiencies, and we continue to maintain a strong cash position.



The Board has recommended a final dividend of Rs.23.8 per share. I think maybe Sridhar can explain to you a little bit more in terms of where we were and where we have expanded in a very short period of time. I think a lot of cash is being directed towards the shareholders and we are very happy to do that together with our shareholders. So, what we are doing is, we are sharing the performance of ABB with our shareholders in terms of expanded divisions.

Now on the ESG and Customers: We have 50% of the Company's manufacturing campuses certified as water positive. Just to give you a color to it, Nelamangala which was our first plant which became water positive. That means that we are putting more water in the ground than we are taking out. About two years back, we monitored the water levels with an electronic meter and we have invested in technology. Two years ago, we had water depth around our Nelamangala plant at 60 meters, and one month back when we checked, it had risen to 29 meters. So, these positive elements when you do it consciously, you do it with the right technology and you monitor it in good faith and you want to make sure that you succeed, they work. We will have all our manufacturing campuses go to water positive as per our plant. And we have reduced almost 88% in greenhouse gas emissions in Scope-I and Scope-II with the baseline from 2019. So, that shows our commitment, and the programs are working, and they are well monitored, they're well managed at the central level, but really led by our campus teams or the location teams and all of them are very proud and our global teams are very proud the kind of achievements ABB India and the businesses have made here. We do it not to impress the world, because the management team feels is the right thing to do for the simple reason, India is a waterstress country, India is an energy-stress country, India has waste to the landfill issues. We want to make sure that from our side, we create a minimum footprint on the environmental impact, and we create a positive impact in terms of contributing to water tables, contributing to no waste to landfill and also other elements which really contribute to the environment and also encourage our suppliers, our customers as well as other partner companies in the areas we are present in or the industry forums we represent.

Now, we had significant orders in traction, large orders with the steady-base orders. We had the automotive sector performing well for us and likewise in process industry, metal, mining, chemical, textile companies gave us good integrated solution orders. And on the transport side, railways and electrification of metros is a net positive for us. And high growth sectors like data centers, electronics, railways and metro and renewables, these are really tracking very well for us in our order books, and our portfolio in all these segments which are tracking well, we have a sweet spot in terms of how we can serve these customers. And as a result, our order backlog grew 30% to INR8,404 crores. So, that again gives us a very solid outlook for our revenues going forward. And we have a fairly good mix of large orders as well as the base orders that convert rather quickly.

Now when it comes to the overall impact on our balance sheet: You can see that we have good growth where 23% backlog has grown by 30%, revenue grew by 23%, operational EBITDA and margin grew by 54% and EPS has grown by 11%, cash has grown by 31% and our GHG emission have gone down, with 2019 base, by 88%. So, we believe we are tracking the right KPI in the right direction.



Return on capital employed is one of the good measures for all of us to manage. So, you can see compared to 2019 when we had 10%, we are now at 21%. So, this is something which is notable for all of us and it has grown 110% over this period of time.

Now, we get orders across market segments. As we say, we have 18 divisions which connect with about 23 market segments, so gives you some kind of idea that Power Distribution package which comes out of Nashik, where we are sitting, for a data center of IT major, there's a huge expansion of data centers in the country for small, medium and large size and ABB products portfolio provide the power supply at the medium voltage and low voltage into it. We become the core because data center is nothing, but a power consuming block wherein you have servers which require a lot of power and ABB supplies that power into it. We work with the global IT majors as well as majors in the country, we do get a lot of preference because of our portfolio and our ability to execute.

Robotic Solutions for Electronics business of a conglomerate. Again, lot of demand for robotics from us and newer applications are being tried out by the customers. And then our traction technology offering for railways, electric drives, automation for the leading integrated metals and mining Company, our Distributed Control System for specialty company, Vacuum Circuit Breaker for solar and wind projects, these are the few highlights of some of the applications.

On our "Green" credentials you can see all our units are now green certified units, mostly Platinum, and our Scope-I and II GHG emissions on as I mentioned before to about 87%, 88%, energy productivity of 65%, water recyclability is 45%, 50% of our units are water-positive and already one unit has become zero waste to landfill and we will convert other units also.

And the picture you see on the left is our real picture of our plant in Bangalore. This is not a stock picture from the internet. So, we really pay attention for our green consciousness. So, when you visit any of our plants, you will see a lot of green-conscious among our campuses are managed.

We continue to make sure part of our value system of care. We have a meaningful and impactful CSR project. And the external agency reviewed our project. We got very good scores in terms of impact and our ability to create a positive movement into all the projects wherein we are focused, so be it in the infrastructure, women education, water and providing medical equipment for cancer patients. So, we make small contribution in our way given the amount of contribution can be done, but, we are happy to engage with what we do. And we are also very happy that our earnings have increased, they have doubled in the last few years, that means our CSR budget also has doubled in proportion. So, that gives us even more capacity to serve society as we go forward.

So, on the "Financial Highlights", now I pass it on to my colleague, T K Sridhar to take you through this. Thank you.

T K Sridhar: Thank you, Sanjeev. So, I take this opportunity to take you through the performance numbers.



I think this is more focused on how we have performed in Q4'23 and also some snapshots of the full year. So, orders, we closed at Rs.3,147 crores for the quarter which is 35% above the previous year, the same quarter, and of course this also include a large order from the projects and the systems division from traction in our business, which is one-time of order. Then, we have an order backlog of Rs.8,400 crores, this is an all-time high because we had good order intake in this particular year which is almost 23% growth for the full year, and this has definitely resulted in order backlog of Rs.8,400 crores which gives a better visibility of revenue for the future.

And when it comes to profitability, we are Rs.454 crores for the quarter with 13% up on the profitability compared to previous year, and also on the PAT similar 13% which are there.

But if you look at the full year, we are definitely up on the profit after tax by 22%. And this is despite the fact that last year included exceptional income of Rs.339 crores for the sale of Turbochargers business to Accelleron, and therefore this year represent pure operational performance, which has improved substantially than what it was in the previous year.

How did this happen? I think it's more about the quality of the orders, operating efficiencies, capacities which are utilized now to quite a good extent and also definitely supported by a positive price movement, which contributed to profitability.

Last but not the least, now that our portfolio is pretty straightforward on product businesses, so our predictability of profitability is in execution and also a good orientation towards service is really helping us to become move into these particular ranges what we are seeing.

The next is around cash. We are at 4,700 crores as well. It is also reflected by the fact that all the net income which we have generated over the years, our conversion ratios to cash has definitely improved and we are trying to make sure that every profit which we earn is reflected into cash.

So, orders received we discussed 35% for the quarter, revenues we grew 14% and for the full year 22%, profit and operational EBITDA is somewhere pretty solid about from how we want to do it.

So, one point which I would like to bring to your attention is that if we remove the so-called one-off items of the last year, which is of the sale of Turbochargers business, our growth is almost 400 basis points in the margin level.

Just to give you bit of a more color on how did we perform in the structure of the profitability, right? So, here if we look at it, I think our material cost is about 62.6. This is probably a very comfortable area where we are in the range where we are in. The teams have been consistently working on localization, on improving the mix of the businesses what they are executing, and also making sure that we don't have any profit leakages during the execution of the orders what we have.



And just to mention if someone is curious about what is other income, other income, majority of them, almost Rs.70 crores represents the interest on the fixed deposits what we hold, and that's something because of cash which is there and we are allowed to invest only absolutely in safe securities and which is the bank deposits and the other related instruments is where we gain this particular interest.

So, personal expenses, we are holding on to 6.5% for the quarter and 6.8% full year compared to 7.4% last year and the majorly coming out of the fact of increasing productivity and making sure that we are ideally employing people over here.

The one element which probably is not largely under the control of the business is about exchange and commodity variation. So, this is Rs.10.5 crores negative compared to the Rs.3 crores positive in the immediately preceding quarter and Rs.30 crores positive in the last quarter of the same period last year. So, I think the swing is around about Rs.40 crores. So, this is something which will also see in the waterfall chart, which is already included in the next slide.

Depreciation, we have been investing consistently in the modernization of a factory, the expansion and sort of stuff. So, that's probably increasing the depreciation, but that is for a good cause and that supplements that ROC still stands at 21% is what we have to do.

Interest cost is Rs.8 crores at this point of time for the quarter and this is more related to the MSME vendors what we have to accrue the interest which we have. And also, to be mindful of the fact that this is something which we make sure that we have a straight dealing for MSME and we pay them on time, we make sure that we have no large interest cost going over there.

Effective tax rate stands at 25 percentage is what you would have seen. In this quarter, probably the six months and the full year, we decided that we would give more details on the press release and that's something which we have been published in this quarter as well because it is the year end.

This is about talking about what's the waterfall. So, if you look at it, we had a favorable volume impact and a mix impact which contributed to the accretion of the profit and slightly compensating the increase in expenses, absolute values and also the FOREX which is there and still we did manage to get to the numbers which was considerably a credible number as what you see.

So, just a bit of a deep dive into how we see the business wise performance. So, this is pretty interesting as I see that how business is evolving. So, electrification growing at almost Rs.1,000 crores every quarter in terms of order booking and they grew about 24% for the quarter from the previous year. And then, of course, electrification being short cycle businesses, you should see the conversion of the orders booked into revenues as well and that probably has a healthy impact on the profitability, which is there in the chart below and their order backlog has increased by 24% compared to the previous year. So, they have a good short-term visibility of revenues going



forward. The orders also constitute from new growing sectors like the data centers, OEMs, and major metals, and energy players.

Motion is represented by motors, system drive, services division about it and also the traction. So, we did definitely book large orders in Q3 and Q4 from the traction business. So, that is reflected in the large orders, and this also gives us a good visibility of revenues going forward. The profitability, I think there could be a bit of an explanation which I need to do in terms of how from 19.4 to 17.4. I think if you look at the FOREX impact which we mentioned earlier. So, this is something which has impacted the motion because they have quite a bit of imports, when it comes to drive and drive products and system drive, and that's something which has impacted them. I think this is more temporary in nature, it will settle down in the average rates what is already being depicted over here.

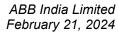
So, order backlog, even though it looks pretty impressive around Rs.3,500 crores, we need to understand because that got a system order, large component, it gets executed over the next 24 months and so that's something which we should be aware of, it's unlike electrification where you get executed in the immediate quarter.

Process Automation, I think they have been having a consistent run and there are more projects focused, so they are a bit cyclical sometimes but that's why you could see a slight dip in the order intake numbers and revenue is definitely driven by the order backlog. They have got a good execution pattern and we see no margin slippages in the projects what they've executed. But good part is that they have a consistent order booking which comes from the installed base, that means the services revenues are consistently increasing that's what we see. And here also in the PBIT, they were also impacted by the negative FOREX impact that they have.

Robotics missed certain orders in Q4, but they would definitely, going forward, will see the pipeline stronger. So, they would be able to make it up run rate going forward as well. The revenues are consistently increasing with the backlog what is there with them, and PBIT they are at 12% and that's more from because they have orders which is also good in the team.

So, overall, if you look at often how we are structured, I think this is something a slide which you would be all familiar with. So, products constitute 76% of the revenues and 12% from the services and projects constitute 12%.

And the next slide is interesting as to if you look at the composition of the demography of the revenues, today, we are talking of 90% of our revenues from the domestic market and 10% coming from the exports. So, this doesn't mean that exports are falling down. This only means that the domestic market is expanding faster than the export market. But if we take an absolute value of the growth in the exports, right, we are almost making more than 13% to 15% growth, which is pretty decent considering the sort of vagaries which we have in the different global markets. But whereas when it comes to India, it really reflects the investment momentum which is happening in India, which always is growing faster than the global markets. So, this is basically how we see the structure of the business models in terms of our offerings.





And if you just roll it forward, because what is it we see in store for 2024, I think there are two topics. One is what is going to drive the growth, the other one is what are the factors which we definitely have to monitor. So, from the growth factors, we think definitely investment in the private sector along with the public sector will drive growth. All of us believe that the public spend will happen, investment will happen and so this will definitely propel the growth. The nation-led programs like "Make in India" and this is also going to really help the investment patterns in India and this will also help us focus on the local content which is there.

And the next important factor which we have so far not often talked about it in the past, but we see that this is a trend which is visible in the market is about premiumization. That means the affordability for quality products from the consumers have increased and therefore a concern is there. Quality products or technologies and technologically advanced products is something which the customers will start to prefer and therefore we expect that the sweet spot for ABB going forward.

Having said that, there are definitely certain key factors to monitor. I think all of us know that inflation and higher interest rates will be an item to monitor because that impacts the so-called OEMs and the small vendors because we are talking of the fact that we are exposed to quite a bit about tier-2, tier-3 cities, which is our breadwinner at this point of time, and there could be impact. So, this is something which we think as a parameter which we need to watch out for. And consumption growth is also driven by the rural demand is definitely another factor to consider in the growth patterns what we see.

And the last but not the least, we have in this particular year, several of the countries in the world are going for election, and India also will see an election period in Q2. While we believe that there could be certain delay in decisions, we see that the fundamentals are in place. So, having said that, I think we expect that we will have a positive momentum as what we see in this point of time. So, this is probably my last slide.

So, I think with this, we could open up the session for more questions.

We will now begin the question-and-answer session. We have our first question from the line of

Renu Baid Pugalia from IIFL Securities. Please go ahead.

Renu B Pugalia: My first question is a little bit more basic. Typically, if you look from a trend perspective, fourth

> quarter tends to be far more lumpier and better in terms of sequential revenue growth. And given that our backlog has been, especially from your side this quarter was broadly flattish and not a growth on a QoQ basis, specifically for EL and MO, both which are product-oriented portfolios

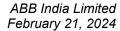
for us. So, any revenue slippages, delays or any specific comments from your side?

Renu, from my side, I could say there has been no revenue slippages. I think there is no destocking issue also which we see from the channel partners or our customer side as well. I think what we see is more about meaningful execution according to the milestones and the

offtake of the customers, which is very important. I think if you look at the patterns previously

T K Sridhar:

Moderator:





when we are coming out from the COVID scenario, I think people try to execute whatever was required at that point of time as a backlog which they had to do. So, therefore the offtake was far faster in the previous quarter, but now it has started to stabilize, right? So, that means it's going to be more even in a way which matches with the execution of the various projects with the OEM and channel partners have. And that's basically what we see both in electrification as well as motion.

Renu B Pugalia:

Secondly, if we look at directionally, while we have been guiding or we are broadly mentioning of maintaining double-digit net margins now, this year has been pretty strong with combination of factors, mix as well as multi gain side in terms of benefits. So, looking at the backlog that we have in hand, wo what is the outlook that you would like to share for the next calendar year, especially on the profitability given the way the macros and your order backlog is tied up today?

T K Sridhar:

Renu, we don't share outlook that's I think that we know, right. So, I think I could only give a color to that; our order backlog is a good mix of orders from the 23 market segments what we cater to, and also it has an element of good amount of services which is also a service thing. But the other factor which we need to consider is 90% is from the domestic market, right? So, that means a content which is basically more driven by the local prices, local competition sort of stuff. So, I think given this particular scenario and we have a major event election which will happen in Q2, I think we should be realistically cautious when we have given estimation about these profitability indicators. So, given that we are at the double-digit margin at this point of time, I think our ambition is to make sure that we remain credible over here.

Renu B Pugalia:

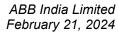
And last question, more is related to the end markets. If we see electronics has been one of the key growth drivers for ABB and now with deepening of presence in OSAT and the entire value chain, there will be more factory automation opportunities. So, how are we looking at this market unfolding, and have you already started to see activities from the customers in terms of enquiries in this segment? So, how should we look at both in terms of opportunities on the manufacturing side and electronics in specific going forward?

Sanjeev Sharma:

Definitely, electronics is a segment wherein we see positive development. Not only we see the formation of CAPEX and expansion, we see direct impact in our order books, and we are delivering meaningful projects in electronics sector and also the nature of electronic manufacturing is now especially when more modern plants are being... because every time an electronic manufacturing plant is set up by a global major or local, they always go for new technologies. So, robotics automation is one element that go quite well into these manufacturing and we are seeing a good uptick in that part of our portfolio, and in addition when you have these integrated facilities come, you have other related products of ABB from electrification, motion also find place in these facilities. So, definitely, we see an uptick and positive uptick of electronic segment, Renu.

Moderator:

The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.





Mohit Kumar:

My first question is on the order inflow. Was there any large order inflow in this particular quarter like previous quarter? And a related question is, the life cycle of the current order book, is it very different from the order book at the end of CY'22?

T K Sridhar:

I will answer to your two questions. The first question is, did it have a large order? Answer to it is yes, it did have a large order. I had mentioned that it had basically come from Motion from a traction business from a railways customer. So, that's #1. And #2, what's the composition looking like of the order backlog? It's a good question. I think earlier we used to have from the order backlog, probably 7-8% as large order content... as the project orders in other words, but in the current order composition order backlog, Rs.8,400 crores, we have almost 15% from the large orders. So, these large orders get executed over a period of 18 to 24 months depending upon the project what we are executing, and the balance gets executed over a period of time with the predictable revenues.

Mohit Kumar:

My second question is on the gross margin. Our gross margins were the highest in fiscal and this particular quarter. How do you think about as we go forward especially for CY'24, do you think any gross margin correction? I think last quarter you alluded that there was some correction.

T K Sridhar:

So, first of all, Mohit, we don't give any forecast as far as gross margin is concerned. So, gross margin is basically a resultant of two to three factors. One, of course, is the composition of the orders what we execute, and if that has a larger element of project orders which get executed, as you see that we have already mentioned the 15% are large orders. So, I think that will have a lesser contribution to the gross margin, but whereas the product order definitely has. So, I think, as the prices are stabilizing in the market both in terms of pricing, which we do with the customers as well as with the vendors with the material prices stabilizing, I think the possibility of increasing the prices into the market will be more even-based and not a normal pattern, right? So, that's how it will happen. So, more expansions in the margins will come through capacities through different market segments what we go into and value-based selling, right. So, that's basically how the margin expansion going forward will happen.

Moderator:

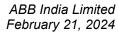
We have a next question from the line of Ankur Sharma from HDFC Life. Please go ahead.

Ankur Sharma:

I had two questions. One was on the motion business that is. Just wanted your comments on how are you seeing the competitive intensity, pricing and also demand there because one of the peers said, it almost seems to be like a price war going on in that, especially on the low voltage motors. So, that's my first question. Second was on the automation segment. While Q4 is being seen good growth, overall order inflow seems to be flattish on a YoY basis. So, is it that some orders are kind of deferred and you probably think that should pick up over the coming quarters or maybe it's more like post-election, so do you have some comments there as well?

Sanjeev Sharma:

So, your question is about process automation. Yes, our pipeline is quite strong and there are certain orders we feel got deferred and they will come in most likely in this quarter. When it comes to terms like price wars and others, I think we never use this kind of terminology within our own internal system, because that shows an erratic behavior of someone. And we stay quite





steady with respect to how we serve our channels and our customers with more consistency over a period of time. So, our pricing strategies are very stable based on how the market and the market segment show up based on the strength of our portfolio. But yes, if there is some kind of a behavior in the market, so it's not the whole segment gets affected, there may be a kind of stress in a particular market segment on the lower side wherein it is more price-sensitive. So, that's how we deal with it. I do have my colleague, the President of Motion Division, Sanjeev Arora. Sanjeev, would you like to add to my comments?

Sanjeev Arora:

Thank you very much for the question. Thank you, Sanjeev, for giving me this opportunity to answer it. I think you are just spot on. And definitely as Sridhar has also mentioned, it is the value-based selling, it is the portfolio and the technological advantage what we have, that is playing very well for ABB low voltage motors. And the customer has the belief that if they are going for the sustainability as a subject on top of their mind, it is the energy efficient motors of ABB which can support them very well, and that's how we are keeping ourselves a bit more isolated and protected from I would say the general trend and that's our strategy will be going forward as well.

Moderator:

We have our next question from the line of Amit Mahawar from UBS Group. Please go ahead.

Amit Mahawar:

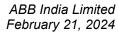
Sir, my first question is on the motion division. This year, almost 50 billion plus worth of orders, right, the largest subset for us and that's more driven by traction. In CY'24 how should we look about traction orders, do you think we'll have the same momentum, any color on that?

Sanjeev Sharma:

As far as the traction orders are concerned, is a direct result of spend being made in the railways and in the metro segment. In railways, specifically in terms of the new trains being launched, we have a substantial technology footprint in those areas. With respect to traction, our focus market segments are railways and metro and within railways it is the new trains like Vande Bharat and more modern trains wherein our technology, the sweet spot technology for those segments. They are preferred technology, but we participate with the railways tendering process or through the OEMs who are building those trains. And we have good position there. And also in the railway electric engines, when they are buying and expanding that line, we also have some technologies going there. And in the metro of course we supply substantial amount of technologies there. So, these segments are tracking. So, yes, it is cyclic. Not every quarter you have a very large tender, but whenever large tender happens for the OEM wins and then the OEM takes their time to place their offload of the ABB technology orders to us. So, I would say, I would consider it as an engineer to order business, but it will be more cyclic going forward. We will not track it quarter-to-quarter, we will track it as it comes.

Amit Mahawar:

Second question is on the EL division. Our profitability has seen a material ramp up and it's more close to the global peer like Schneider operating in India at 18%, 19% plus. But there's a significant gap in top line. I'm not saying, we have all the product portfolio, but our top line visà-vis say Schneider in India is materially different. So, which are the areas where ABB will expand and target in the EL Division in terms of product profile?





Sanjeev Sharma:

So, let me admit my ignorance because we never track our competitors, we only track what we can do for our customers with our portfolio. So, I will not be able to relate with the percentages you said. But yes, relative to our quarter-to-quarter, year-to-year performance and the markets and the customer segments we want to do, I think we continue to make very strong progress. So, we are quite happy with what our distribution that ELDS division is doing as well as how our business in smart power and smart distribution are working. And I think we are on track in terms of localization, in terms of penetration, expanding our product portfolio, and we are making substantial kind of investments in that area. Do we compare with somebody? No, I think we haven't done that. Maybe it's a good question from you. Maybe we should look at it. But at this point of time. I think we are going by our plan.

Amit Mahawar:

But at least on LVM, which side is maybe we are leaning towards in terms of expansion, sir, some color?

Sanjeev Sharma:

Last year we expanded quite well on the medium voltage side in Nashik. You may have tract it and Ganesh since he's sitting next to me, I can take benefit of him. What do you think on the medium voltage side, what kind of opportunities you see connection?

Ganesh Kothawade:

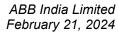
Thanks for giving me the opportunity, Sanjeev. So, medium voltage, definitely, we did the expansion in the last year. We brought our eco-friendly product line which has been introduced and also a couple of other products which is from the contractor side also has been introduced. So, there is an expansion which is in the product portfolio that has also been done and also investment which has been done in basically the capacity expansion to meet the demand in the market. So, we can see a very good demand which is coming from the renewable, building and also rail and infrastructure segment and of course the data center because it is highly energy-intensive usage which is coming from the data center. So, we do see this good expansion coming and we have seen good growth in the last quarter also when it comes to the distribution.

Sanjeev Sharma:

So, in short, what Ganesh is alluding is, we have a very solid performance. I think our benchmark is how well we do as ABB globally and I think ELDS, or our division really is on the top of the benchmark globally when it comes to business performance and also the growth. When it comes to low voltage, we have Kiran Dutt. Kiran, would you like to put some color on it?

Kiran Dutt:

Thank you, Sanjeev. From the low voltage perspective, I think you also made certain points in terms of localization and expansion of our portfolio. I think we have been doing that continuously over the past few years. We have added some products which are addressing different segment of the market, not only the segments what we were already having, we are also trying to get into different segment of the market. One is in terms of the portfolio expansion where we talk about, the rest is also important when we talk about the localization part of it. So, overall, it's in two ways we look at it. One, while expanding the portfolio, we also want to introduce those products into India as a localization part of it. Let me give you an example in one of the segments of data centers. We also launched some solutions on the UPS side. So, that's been launched in the last quarter of last year, that's Q4 of 2023. So, a good portfolio and a very





particular segment of the market called data centers and that kind of portfolio will support us in future growth. So, overall, we continue to expand portfolios as well as localization.

Moderator:

We have a next question from the line of Umesh Raut from Nomura India. Please go ahead.

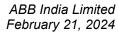
Umesh Raut:

My first question is pertaining to your opening remarks about premiumization. So, basically, it is really heartening to see that there is a shift now happening at a ground level to more towards premiumization. But I want to kind of understand more on the vertical side basically in which all products you are seeing this particular shift happening and how this can also lead to a further better realization for the Company?

Sanjeev Sharma:

Mr. Raut, thank you for your question. It's a good one. I think we have seen the significant shift of customer behavior especially post-COVID. During COVID period, customers realize that when they are in dire straits, which are the companies Which stand for them, and which are the ones has the ability to serve them. Obviously, companies like ABB stood very tall during that period, the way we were organized to help our customers who were in the remote location with our digital technologies, digital support technologies, and we didn't leave any customer wanting relative to maybe not so great experience they had during their clinical phases with some of the other participants in the marketplace. And I believe that has created a strong impression in customers' mind and I do believe that have a large contribution in terms of how customers started thinking about reliability, availability and the overall strength of the Company. So, that's one reason we find.

Apart from the organic market growth, there's a shift of the preference from a large customer, which was very kind of price-sensitive earlier towards more reliable supplier, and they're willing to pay a reasonable price for the products and the quality and the services they get from a Company like us. So, that's we could measure it, but we find that there's substantial shift on top of the market growth itself. So, that's why you can see our growth numbers are relatively multiple of the GDP growth in the country. It is being contributed by that behavior as well. Now, when it comes to the verticals, we definitely see that very clearly in robotics, we see that very clearly in the A-grade buildings which are being built, and the infrastructure projects being built, whether our electrification and motion products, there's a clear preference for those products from us. The people are demanding it by brand that what brand they would like to place in when they have that flexibility. And not only that, even the contractors who are working in very prestigious government projects, they want to make sure they're using the best technologies and components, because now the government infrastructure projects are of such a high quality, whether it's a parliament or it is Ayodhya, airport, railway stations, Ram mandir, you will find ABB technology footprint there because there's a preference that they should put best-in-class equipment. So, it means it's not only the government procurement which says that buy the cheapest, they are saying, buy the best for the best infrastructure we are putting in and that's our sweet spot and that's where our brand placement is quite good. So, in the electrification, all these areas, premiumization is taking place. Data centers again, the large global players when they are coming to India, they have a choice to buy cheap, but they don't, they come and they buy our premium technologies because the data center is all about reliability, availability for the





customers and they want to ensure the best of technology goes there. So, that's another area where we see a distinct advantage.

Especially on the sustainability side, we find the industry behavior has changed; cement industry, steel, industry, pulp and paper, there's a lot of demand for high quality products which reduces their greenhouse gas emissions by using technology which gives them more efficiencies. Same thing is with the contractors who are doing residential building, commercial buildings, they also have a preference for high technology, and they buy it by name or sometimes they buy exclusively. And we have an example: we are executing, I will not name the customer, they placed an order three months back, and without our asking, they repeated that order by sending an e-mail to us to listen, hey, I'm setting up another project, just please repeat it. So, that's the kind of a behavior we think people are using because the amount of money they are spending for their project is so high, they don't want to compromise on the last component which used to be a behavior earlier, but we see a mark shift there and it's a sweet spot for us. I hope that answers you, Mr. Raut.

Umesh Raut:

Yes, sir. Very much. Sir, my next question is pertaining to exports and services business. So, if I look at our trajectory, I think overall at a Company level, we are doing very good in terms of growth, but as a percentage of share in terms of services and exports, that has kind of marginally remained same or marginally declined as compared to last CY'22. So, any particular color on this front, especially now that you are saying uptick on the renewable side globally and there might be a chance of getting better sourcing from parent side as well especially on these lines?

Sanjeev Sharma:

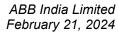
As far as services are concerned, we are growing well and our exports by percentage may look low, but in net terms we are growing 15% there. But since the domestic market is so strong, when it moves percentage wise, you will see that the exports and the service look relatively or percentages are low, but we have a healthy growth in that area and we are quite happy. Now, as a multinational corporation working in India, investing in India, localizing for India, our prime focus is Indian market. That's why we are here and that's why we want to help the Indian customers. And since we have sophisticated factories, I don't drive the export business, my business leaders don't drive export business. What they drive is they run best-in-class operations which are so attractive for our global business leaders that they want to buy from here and serve other markets. I think that's how we treat it. So, we are finding increasing interest from the global business leaders who manage other markets, either they are giving the allocation to our factories to supply into markets, or they're even asking our domestic leaders to be responsible for other markets. So, we see that this will be a kind of a long-term trend wherein we will have more and more participation in global market, but that's not the focus we have, we have the focus on the domestic market, and I believe that's something which will be very rewarding and is rewarding at the moment, and export will be a consequence of it.

Moderator:

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

Mahesh Bendre:

In the last four quarters, we have been reporting an order inflow of Rs.3,000 crores around that number and the base effect is going to come up from next quarter onwards. So, is it fair to assume





that we will continue to grow, but the growth rate won't be like the 30% growth that what we were reporting for the last many quarters?

T K Sridhar:

Yes, I think it's a fair point. So, I think we grew from a smaller base to a more solid base at this point of time, which now consists of both base orders as well as large orders. It depends on how faster the large orders get decided in the future as well. So, having said that, our focus is basically to make sure that our base orders are as strong as what it was in the past. So, that's how we would like to look at it.

Moderator:

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

Aditya Mongia:

I'm kind of picking up a comment that you made earlier about integrated solutions becoming more and more relevant. And if I'm not wrong, you had also just announced an order with Tata Steel, which is kind of more integrated across their plan. Could you give us a sense of how meaningful this, let's say, a different line of work can become for your positioning inside the kind of boost to margins if any that can come from here?

Sanjeev Sharma:

As you said, the core sector orders are concerned, we always have good healthy orders from here. Even when the CAPEX was not as high, we had very good OPEX orders wherein there's always an expansion or two which keeps happening. But now what we find is that, yes, those tick up in certain market segments have started happening and then we are seeing growth in these core sectors. They are a good and a large contributor to our orders and we see that as this momentum takes place, I think it will meaningfully contribute to the weighted averages we have going forward. But you're right, there is an uptick on the projects business and that's what we have been talking about in many quarter calls that is something is a matter of time, when it picks up and starts contributing even more meaningfully. That's where our mix of products ETO and the projects start becoming such that our projects take longer time to execute, but at the same time still our 70%, 74% of the volumes or the revenue still comes out of products and the ETO business.

Moderator:

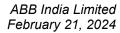
We have our next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

So, I have a question on your online marketplace. So, you've been talking it for many quarters in the past. So, if you can help us and understand over the last couple of years, how has been the ramp up from that in terms of contribution towards revenues, market share gain, etc.,?

Kiran Dutt:

I think e-marketplace has been quite good in India now. It's gaining traction over a period of time. If I just compare what it was in 2022 and what it is in 2023, we see a substantial increase in the offtake from the customers on the portal. There's also something known as we call it as (ROPO) Research Online and Purchase Offline. I think that has been a game changer for all of us. We find that a lot of customers research the product, find the technicality, find out what are the specifications and lot of technical data which is available online and they would like to purchase offline. So, we allow that to happen and that's something which we see having a





tremendous growth going forward. There is also an important aspect that being digital is actually reaching out to many customers across the country. So, that is something on a penetration level it is really supporting us. And it is also easy for a customer to connect with ABB because of this particular portal. So, we see lot of inputs coming us, lot of leads coming out from this because of this portal. So, that's the way the development is. And we feel that this particular business going forward will definitely be at exponential level.

Sanjeev Arora:

Thank you, Kiran. I think Kiran, you have touched upon all the important aspects of this piece. I would say, this is in a nascent stage and developing, and this would be one of the very important revenue streams in times to come and will definitely support the reach and response time what customer requires. So, yes, we are very bullish about this piece.

T K Sridhar:

But to give you some you know data, because I think you guys require data, so I have more to deal with data, right? So, I think out of the total orders what we have, I think only at this point of time from an e-commerce as in order stream or revenue stream, I think we are very nascent as what Sanjeev was alluding to. So, I think we are just a couple of percentages there. The market is yet to catch up on that particular journey. But we expect that this could grow quite fast in the periods to come and that's something which we are investing on at this point of time. And in this process we are also making sure that internal processes like our order management system and the other-related customer interfaces are also upgraded to talk seamlessly on this particular technical solution.

Moderator:

Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to Mr. T K Sridhar for closing comments. Over to you, sir.

TK Sridhar:

Thank you, Yashasvi, and thank you, everyone for joining this particular call. This being the year end and also the last quarter of the result quarter, right, so we thought we should try to answer as much as possible so that efforts we also increased the time, right... so we sort of elongated to another by 15 minutes in the call. I am hopeful that this could have answered quite a few questions of yours. In case if you still have certain things which you need clarification, please do feel free to contact us back and we will try our best to revert back to you soon. Thank you very much for joining this call once again and looking forward to see you for the AGM wherever is possible, which is in May. So, very good and thank you for all the support, all the sort of an understanding of what ABB is. So, it has been a great journey for both Sanjeev and me since for the last five, six years. And that is also reflected in the confidence with the shareholders have in the performance of the organization and the resultant share price. Thank you very much.

Moderator:

On behalf of ABB India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.



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