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November 18, 2022

BSE Limited
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(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 November 7, 2022, and November 15, 2022 we are enclosing a copy of the transcript of conference call with analysts, which took place on November 15, 2022 post announcement of Q3 2022 results of the Company.

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

Thanking you

Yours faithfully
For ABB India Limited

Trivikram Guda Digitally signed by
Trivikram Guda
Date: 2022.11.18
14:18:56 +05'30'

Trivikram Guda
Company Secretary and Compliance Officer
ACS 17685

Encl: as above



**“ABB India Limited
Q3 CY 2022 Earnings Conference Call”**

November 15, 2022

**MANAGEMENT MR. SANJEEV SHARMA – MANAGING DIRECTOR, ABB
INDIA LIMITED
MR. T.K. SRIDHAR, CHIEF FINANCIAL OFFICER, ABB
INDIA LIMITED
MR. SANJEEV ARORA – PRESIDENT (MOTION) , ABB
INDIA LIMITED
MR. SUBRATA KARMAKAR – PRESIDENT & HEAD
(ROBOTICS & DISCRETE AUTOMATION BUSINESS) ,
ABB INDIA LIMITED
MR. G. BALAJI – HEAD (PROCESS AUTOMATION,),
ABB INDIA LIMITED**



*ABB India Limited
November 15, 2022*

Moderator: Ladies and gentlemen, good day, and welcome to ABB India Limited's Q3 CY 2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touch tone telephone. 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. Sridhar: Thank you, Aman. A very good morning to all of you. It's a pleasure connect with you again after the Q3 results, which we just declared last week. So, on the call with me today I have Mr. Sanjeev Sharma, the country Managing Director for ABB India Limited. Then I have the Business Representatives - the leads in the businesses: Sanjeev Arora, who leads Motion business. Then I have Subrata Karmakar, who leads the Robotics; and Balaji for Process Automation. So, we are not able to have Kiran Dutt on the call, because he is busy with some of the visitors over there, but I think we will be able to handle those questions as well.

So, without wasting much time, I hand it over to Sanjeev to take us through some of the key highlights of the quarter, and then I will follow it up with the commentary on the financial performance. Over to you, Sanjeev.

Sanjeev Sharma: Thank you, Sridhar, and good morning or good afternoon, everyone. Thanks for joining this call. I'll take you through some business highlights very quickly. So, in terms of business highlights, we continue to see positive momentum with strong financial foundation in this company. Our orders and revenue and profitability have been moving in the right direction. Consistent margin improvement and cash momentum is visible to us, and we're also doing some pioneering work in Green Factory Buildings, which have been recognized by the market. Just to name a few, we have been recognized by IGBC as the pioneers in the Green Building area, and the CRISIL rated us a strong ESG company.

There have been multiple drivers which are driving the business growth. Mainly it is the solid order inflows from a mix of sectors, traditional and emerging. Our backlog has increased by 37%. This provides adequate forward visibility for us, and exports are also making a good contribution. I will give you a flavor of some of the orders and the activities in the marketplace for us over wide-ranging sectors. In the hot strip mills, we have the motors and drive packages; electrical control and implementation package for cement players; electric traction motor for railways; smart control system for a major chemical company; power distribution equipment and switchgear for a leading metals company, and advanced process control solutions for the lime kiln production. So, you can see, we have about 20 market-leading businesses, which operate in 20-plus market segments. There is a good interplay of different products into different market segments. So, that gives us the bottom stability in terms of riding through up and low cycles of the business in different segments.



In terms of orders that are comprised of identified high focus growth segments, our actions have calibrated with these focus growth segments. This has led to good growth in the emerging market segment, especially the high-growth market segments such as food and beverage, data center, renewables, water, et cetera, and we have some deep penetration in these market segments. We will deep dive into one such identified sector each quarter and we shall start with data center this quarter. This market segment has a 3-layered market as visible from outside. We have the enterprise data centers, which is the small and medium size, and the co-location and the captive ones. Right now, the spread of these data centers are in few cities, and it is also following the trend we saw in APAC region, as well as other countries. U.S.A. is a front-runner followed by U.K., Germany, and China, and we expect India to continue to see growth in this area. ABB offers a range of EL, MO and PA solutions here, and we will see some expansion in hyperscale data centers due to global players coming into India and we're seeing that activity in Mumbai, Bangalore, Hyderabad, Chennai.

Also, the 5G tax exemptions, local storage of data, Digital India, Data Protection Bill, development of Tier 2, Tier 3 cities and cloud adoption will drive this particular segment going forward and it is at the early stage of development. Tech drivers, reduced footprint through SKIDs, scalable and flexible solutions, and the equipment which are IoT-enabled and sustainable, also are the flavors of this particular market segment, because all the players who are setting it up, they want to provide high reliability and availability services to their customers, so they only choose best-in-class components and the products in the market and ABB falls into that sweet spot.

Challenges, of course, are around power reliability, water scarcity for data center cooling and security, but those are the issues any industry faces. They will get resolved as the data center footprint spreads across the country. We see a growth rate projected of 22% in 2022 and it's almost a \$1 billion plus opportunity.

I would like to talk about implementing ABB India ESG strategy. We have a significant movement in terms of the actions on the ground, wherein 4 out of our 6 units are now Green Factory certified, and we will become water positive in 2 units by 2022; currently 1 unit is water positive. As per ESG agenda, we have a clearly-defined 3-steps approach: Focus on Green Factory Buildings, Green Manufacturing Process, and Green Products. On the Green Factory Building approach, we are converting all our factories and offices into greener, more sustainable sites through IGBC Platinum or Gold certification with major focus on energy management using our own products and solutions, strengthening our monitoring systems, improving lighting efficiency and enhancement of utilization of Green Power. All our campuses now run on 100% renewable energy across the country. So, this is something which we are very proud of and this is something we want to maintain as we go forward.

In the fields of Water management, optimization on water efficient fixtures, reduction of turf and overall irrigation system along with rainwater harvesting and management of landscaping, we have been considered by CRISIL, as well as IGBC to be certified in 2021 and 2022 as people



who really have moved the needle in this area. That's something we don't do to convince anybody, we do it because this is the right thing to do. We also plan to make our suppliers participate, so that they can also understand how to carry out these green initiatives to create a much better green footprint across our supply chain. In any case, all our products are energy efficiency enabling equipment, so all our customers also get the benefit of getting energy efficiency by using our technology. So, that again is a good spot we have. In ESG agenda, we also have taken target of diversity and inclusion with internal and external focus. We are partnering with number of foundations outside and also internal recruitment and shop floor focus and we are seeing a good movement there.

So, there is lot that we can talk about if there are specific actions or specific questions you have in this area later on. In the meantime, I hand it over to T. K. Sridhar to provide you financial highlights.

T. Sridhar:

Thank you. Thank you very much, Sanjeev. So, we come to the financial highlights for Q3. This quarter was another quarter of solid performance, where we saw order inflows maintaining the momentum. We booked orders of Rs. 2,634 crore to be precise. And most of them were from base orders. So, we did not have any large specific orders to say so. So this is a very welcome quarter for us, because we were able to maintain the momentum. And backlog is at an all-time high: we are talking of Rs. 6,500 crore. This provides a lot of visibility for us. I would like to dwell upon order backlog as we go through the slides for each of the divisions. First of all, I think, these order backlogs are very solid, so we have a clear visibility of what will be the future revenues as such, but I think we also need to look at how and when will those order backlogs get executed.

So, revenues, we are up by 19% for the quarter. I think this is also coming up from a strong order backlog what we had, along with the execution patterns which showed up from the flow businesses across the organization.

PBT, we are at 10.8%. I think it's more from the fact that we delivered more revenues and those advantages of volume expansions and also the mix expansions probably helped us in this front. We did have an extraordinary income of Rs. 45 crore and that's basically for the second leg of transaction which we had for the sale of turbo business, so that's a one-time gain. As per our calculations, we remain consistent with profit before tax before exceptional items. So, that's a place where we measure ourselves as to how consistent we are. We are on track on our journey for delivering 10% bottom line. On an accumulated basis, we have reached 10.1% with this particular performance for the quarter.

Profit after tax margin was 9.6%, but we have to realize that this also includes a one-time impact of Rs. 45 crore. But I think we still believe that our consistency and capability of performing at a double-digit growth at PBT level and further enhancing the expansions over there will lead us to that particular ambition of getting back to the double-digit net PAT sometime in the future.

Strong operational EBITA of 12% compared to 11% sequentially and 9.4% for the quarter. Cash reserves remain robust. So, we are at Rs. 3,200 crore almost.

So now we have something which is pretty interesting. This slide throws some light about how the expenses are moving inside the company and also how is the revenue trajectory happening. There are 2, 3 areas where I would like to seek your attention. One is on the other income, I expect there to be questions as to why the other income is high. First thing I would like to say is that we do have definitely more cash reserves than what it was in the past, therefore, they have an interest accrual with a higher interest rate and better options. So, this is the first thing which we have and that amounted to almost Rs. 10 to 12 crore of income. Apart from that, we had a one-time tax refund from the government on account of interest on the deposits which we had with them. So, that's something, which is Rs. 3 to 4 crore. Excluding these factors, we are in the same range as the previous year. But I think the interest on deposits will continue, unless we see a utilization of the cash, as well as in the revision of downward interest rates which may not be likely in the future.

So, now, going forward, I mean, if you look down at the expenses, personnel expenses, more in line with the run rate, that represents the annual increases what we have. The material cost is 65.2% compared to 63.8% for the Q2 '22 and 65.5% in Q3 '21. So, I think the deviation is more because of the revenue mix, which we had Q2 '22, which was more towards exports and services, which is slightly lesser in this particular quarter.

The next topic is around variations on account of exchange rate fluctuations. They are better managed at this point of time because we did not see so much of volatility on commodity and of course, we did see some volatility on FOREX, so it is limited to Rs. 30 crore. The other parameters remain consistent with what we had been looking at earlier. So, this is, by and large, a summary of how we performed on the P&L side of it.

So, with this, we'll move into how each business area or segment is performing. So, first comes Electrification. Electrification continues its growth trend. We are definitely seeing a third consistent quarter of more than Rs. 900 crore of order intake. On Y-on-Y basis, we are talking of 36% increase, this is due to increased focus on Tier 2 and Tier 3 cities along with deeper customer engagement, as Sanjeev was mentioning. The conversion of orders into revenues is also pretty strong, and that's something which we are particular about. The backlog is also consistently growing at 18%. This gives us good visibility for revenues on the flow business of Electrification. If you look at the profitability trends, we are definitely improving the profitability from where it was to where we are at today. This is also a result from the volumes we are trying to deliver, the capacity advantages we have got and finally, better price realization.

When we go to Motion, we see a similar trend in orders, revenues and order backlog. There also we have strong order backlog. But one thing which I would like to call out is, this order backlog consists of major orders for system drives and traction converters. These orders have a longer duration of deliverability, unlike a flow business like motors or drive products, so that's something which cannot be directly converted into revenues immediately. So, they have to



follow a certain milestone of delivery periods that have been agreed with the customer. Therefore, that's how we see that while the flow businesses in Motion will follow a pattern, the system businesses will follow a delivery schedule which has been agreed with the customers for the project. Profit before tax and profitability continues to remain strong and that's more from the revenues what we have and this time we definitely had an impact of FOREX and commodities as well.

So, going to process industries. I think this is a business which has been consistently growing, unlike the previous past. So, this is a reflection of the fact that the core sector is doing a lot of investment that is getting converted into orders for ABB. We see a good growth in order backlog, that means we are talking from Rs. 1,400 crore to Rs. 2,500 crore roughly in order backlog. So, these are project revenues, and that will probably start to deliver starting from '22 end onwards into '23, because they have to follow the project milestones. Q3 '21, I think, in terms of PBT, that included turbocharger business, which is no more with us, which also had a good service volume in last year the same time. In a nutshell, this is a business which has actually turned around in a more solid way than what it was before, both in terms of market presence, as well as on the profitability side of it.

Robotics and Discrete Automation, so this is also another business which is a fast-growing business, but at this point of time, we see certain headwinds in terms of execution from the supply chain disruption. I think this is something which is general to all robotics manufacturers at this point of time. But we have taken steps that will yield results going forward. So, overall, I think we see that the order backlog is also consistent with the increase in revenues what we can see.

The last slide is around how the business channels are performing. It's pretty clear that the direct sales, the channel partners and distributions happen to be where most of the business is coming from. If we look at revenue by offerings, project and services seem to be around 23%. Product business is on the increase, but I think this will undergo a change as and when the PA orders start to convert into revenues, which will happen in the quarters to come. By geography, we have orders from exports, which is between 12% to 15%. So, overall, I think this was yet another quarter where we could see that the businesses are able to maintain the momentum and the expenses are under control and focus.

So, on this note, so we could now start to take the Q&A.

Moderator:

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

Renu Baid:

My first question is, during the last quarter, ABB did commission their factories and they also implemented Industry 5.0 across some of their key facilities here. So, if you could elaborate in terms of the capacity expansion which you have undertaken across key segments? Are they predominantly for the domestic market or for the export market as well? And what could be the incremental CapEx plans for CY '23?



Sanjeev Sharma:

Renu, thanks for this question. Yes, I think, as we publicly made known that we expanded the capacity for our smart products factory, wherein we made investments to increase the capacity, as well as increase the productivity and automation in that plant. This plant was inaugurated by the Global Division Manager, Giampiero, together with me and it is really catering to the domestic growth that we're seeing in the Electrification business. As we go forward, this plant has come to a sophistication which can match and even better any plant that we have in the world. So, typically, what happens is, whenever such capacities get created, the first direction for them is to serve the domestic market because that's how we play this large market which is accepting our products in a good way in all the market segments we are exposed to. And then we leave it to the global divisions to make use of this footprint leverage, which is producing at a high productivity, at a cost they like, as well as competence that we provide, to start using this factory as part of their global supply network. So, we don't make that decision, where to export; it is our global divisions who use these factories as their network footprint where they want to take products, and that's how we will see in an organic way, it will continue to grow.

We do have some expansion plans, both domestic and foreign, which are underway, so it will be premature for me to comment on that and you will hear from us as we go forward. So, yes, there is an active footprint. And as I speak to you, I just met with some Global Division Managers who've been visiting me in my office this morning and I see that everybody is looking at India market, both on the domestic footprint, as well as a base for products and services as we go forward. So, those plans are being drawn and they're not formed, but as we go forward, I see a good momentum taking place for domestic market expansion, as well as for exports.

Renu Baid:

Sir, my second and last question is more broad-based. If you see the order inflows, Process Automation, as you mentioned, has a high proxy on the core sectors and has now seen consistent order inflows and 3 of the last 4 quarters, the inflows in excess of Rs. 7 billion, while Robotic Automation, more on a factory automation related business has been broadly flattish. So, any read through in terms of how should we look at the broad-based CapEx environment? Do you see large project order inflows continuing? Any signs of headwinds from any particular pocket of market, which could disappoint, whether domestic or international on this leg?

Sanjeev Sharma:

On the core sector, we see that they have not invested for a long period of time. And when I go out and meet some customers, be it in East part of the country or West part of the country or the South, even T. K. Sridhar traveled with me, and we met some customers, let me tell you, their optimism is much higher than we had before we met them. So, I see there is a significant buildup of capacity and capability and resilience of some large- and medium-sized customers and we are seeing, not only with the end users, but also good project built up with the EPCs who are going to cater to those core sectors. As they convert, we see them in our Process Automation growth. So, I don't think this story is over or any significant concern is developing for us in any segment. There could be some soft corners here and there, but that's not significant to mention.

Renu Baid:

Yes. That's broadly done. Anything to be concerned from the export market? That's it.



Sanjeev Sharma: Yes. So, export market, we continue to play it. As we say, we don't drive the export market. ABB Group decides the export market. We present our sophisticated footprint to them and that gets added to their network of factories and capabilities. So, we do lot of services export, wherein our Robotics team, they execute projects all around the globe. On the manufactured product side, we are seeing good traction on EL and MO side, they are already exporting, and then we continue to see the growth in the markets they are participating.

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

Parikshit Kandpal: Congratulations on a great quarter for order inflows, execution and margin expansion. So, on the Green Building side, you mentioned that all your buildings are now Green Buildings and powered by renewable power. So, I just wanted to understand, as a use case for the general market and your customer segments, how do you plan to replicate this success across your customers? And how big can this opportunity be for you?

Sanjeev Sharma: So, first of all, we don't see this as an opportunity, we see this as the right thing to do. When you look at the environment and you make campuses, as well as your product green, that's our duty as an industry to participate in the meaningful way in this sector. So, that's the first thing, that's our first motivation. And whenever we invest there, we always make a business case for ourselves that it is a right thing to do, so there is a positive ROI of it and we see positive ROI on all our investments. So, once we are convinced that using our own products and solutions in our own campuses provides positive ROI, our salespeople, when they deal with the customers, they have a showcase, wherein they can actually showcase how these products and solutions, which are towards energy efficiency and lowers the GHG emissions of the customers, how they can be used. So, most of our buildings and campuses are becoming a kind of showroom or demo room for our people to bring customers and we are seeing quite an increase of customers visiting us and looking at how these technologies are applied, and we see good response and good uptake of high-quality, high energy efficiency products by the customers. So, that's our agenda.

And now, with respect to the benefits, we would like both our customers to understand and grow with us and also, we would like suppliers to understand and grow with us, so that our value chain, right from suppliers to us to customers, is completely having a lower carbon footprint of whatever activity we do. So, that's our prime aim with this.

Parikshit Kandpal: But from the overall business sense and sustainability point of it, is it a very small segment for us right now? And do you think that over next few years it can become a significant share of our order books?

Sanjeev Sharma: So, right now, if you really look into the energy efficiency solutions, our Motion division's revenues, majority of them contribute to the environmental reduction of the footprint of our customer. Our Electrification solution, especially the Automation part of it, directly impacts how the buildings consume energy and they can reduce energy up to 30%. So, it has a direct impact. If you really look into our sustainability agenda, most of our GHG emission targets are achieved by making sure customers use our products and solutions to have a reduced footprint. So, it's

built right into the core of our business model, whether it is MO, EL, Process Automation and Robotics, which basically provides more bang for the buck and has more productivity on the shop floor and manufacturing shop floor. If you really look into the sustainability agenda for ABB, all 4 business areas and the divisions, the prime focus is towards energy efficiency and when they are applied and supplied to the customers, they achieve those. So, I would say, if you look into our numbers, at a core level, our portfolio is ESG-oriented.

Parikshit Kandpal:

My second question is on exports. If I link it to your expansion plans in India, you've said that the first customers to be serviced will be the domestic customers. If I interconnect everything here, can you give us some sense on the current capacity utilizations in the operational plant and whether these expansions will help you win? Because I think in the past you have said that you may win larger mandates on export side, so export is still about 12%. How do you see this helping you out and can exports grow faster than domestic once these capacities are operational?

Sanjeev Sharma:

So, let me be very clear that we are a multinational company, present in over 100 countries and we do business everywhere and we have some factories which supply into this global footprint and markets. Our prime focus in India is to serve a domestic market. That's how we live every morning and evening and make sure that we serve our customers and we continue to serve this expanding market, and that's where our expansion of our footprint is primarily focused.

Now, as for India, we have been manufacturing in this country for 70 years and we have become a fairly sophisticated manufacturer with a local supply chain built around it. And that piece has become quite attractive for our global divisions to use, to supply to other markets. So, that's how our agenda is. And we will see how this mix will continue to play out going forward. We don't prepare, as an India management team, an export strategy. We only support the export strategy of the ABB Group. So, that's how we play it.

Parikshit Kandpal:

And, sir, capacity utilization, currently, what does it look like?

T. Sridhar:

So, capacity utilization, we are now at 90% of all mature plants and I think we have room to take care of the extra expansion. But I think when we talk of capacity expansion, we don't really mean that we should add more facilities. First priority is to optimize existing facilities through our automated systems, where it could optimize on people and other various resources, and that's exactly what the customers also follow. So, we follow what the customers teach us and, therefore, our first priority is to maximize the usage of the existing assets before going for expansions.

Sanjeev Sharma:

So, this August, the announcement that we have for ELSP factory - Electrification Smart Product factory, we have used the same footprint of the shop floor, wherein we have doubled the manufacturing capacity, reduced the shop floor footprint by 30% by using our Robotics and Automation solution, the productivity has gone up by 40%, energy usage has gone down by 15% and that's how you carry out the future expansion, we don't always need to build more brick-and-mortar to expand the capacity. And I think that's where our learnings are. Wherever it's possible, we first optimize before we go into brick-and-mortar.

Moderator: We have the next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: And, at the outset, I'd like to congratulate the entire management for an exemplary performance. So, I have 3 questions. One is, you are tracking 18 end-user industry and markets. If you could just help us maybe on a cumulative basis all of the 18 sectors? The order pipeline that you would have, how has that been over the last 9 months or so because one of your peers had mentioned about plateauing of the order pipeline? That's question 1.

Second is, we have certain portion of imports which come from EU area where we have seen energy cost spiraling. If you could just help us understand the implications of that and how are we taking care of it through either alternative supplies or pricing actions?

The third question is very specific to the Motion segment, where we have seen some softening of the margin sequentially, wherein we see margin expansion in some of the motor companies. So, if you could just help me understand those reason of softening of the margin, which is marginally below the long period average of 11.4%, currently at 10.5%?

T. Sridhar: So, Bhavin, I will take the second and the third question probably and you could repeat the first question when Sanjeev comes in. Okay. So, the first question is, how do we look at imports from the EU area and how are we taking care of it? So, that's something which you had asked, right?

Yes, we do have imports from European continent, that's absolutely clear. That's where our factories are, and we import material for quite a few of our offerings to the customer. So, now, the first thing is that, the contracts are more negotiated on a time-to-time basis when it comes to large contracts and that goes into the pricing which we have already discussed with the customer, so they are hedged and therefore, you don't find any fluctuation with respect to either currency, which we have protected and also with the rates, because that's already built in the pricing. That's the answer to your question on how the pricing works. And then when it comes to the flow businesses, where it's more of a forecasting model which we adopt and that's how we have the rate contracts which are fixed with the businesses and that again goes to the customers.

So, now to answer your question, are we insulated against the crisis moments that Eurozone is seeing at this point of time? Answer to that is yes at this point of time, but there could be a situation later in case the local market is not able to accept this where we will review our strategy as to how we approach this topic. Creating an alternate resource is not a cost-effective solution. Therefore, we tend to believe that this is something what we should be able to manage.

Next, two questions on Motion. One you said is, we are seeing a softening of the margins, Next, you also asked what is the view of motors business as such, while our peers are growing. Coming to the first question, what you had seen till now was probably a higher content of product businesses which were having a higher profitability, while the system drives and other businesses such as traction converters, which are more system-oriented businesses, and throughput content might not have those level of margins as the flow business. So, that's a blend,

which you are seeing as a reflection on the profitability percentages, which are softening. So, you had seen the higher percentage earlier where it was more dominated by the flow businesses plus the exports, but now it is a mix of systems, as well as the flow businesses.

Now the next question was about motors and business and how we see this area. I think you are all aware that CG Power is definitely coming back. And I think we have our own markets to play and we remain steady over there. And, of course, any competition will have its impact on the way we operate, so we learn from them as well. So, that's how it is.

And for Sanjeev, if you could repeat the question, it could be very useful, Bhavin?

Bhavin Vithlani:

Sure. So, the question was, Slide #9, you have given an outlook on your various end markets, high, moderate, low. If one takes a cumulative order pipeline of all these 18 end markets for ABB, how are you seeing the movement of the pipeline over the last 3 to 4 quarters. Because one of the peers mentioned about plateauing of the pipeline of the inquiries.

Sanjeev Sharma:

So, you can see that we have a number of market segments and also a number of divisions which participate in it. And, as you know, these markets have a different cyclicity of purchase of different products that we have, right from Motion, Electrification, Process Automation and Robotics. So, they go as a mix into the same industrial segments. There are always some market segments which goes up and the other ones, they go for a correction or slowdown for a period of time. So, that keeps happening. But we don't see an overall plateauing. We do see that one segment or the other plateaus for few quarters because they have already let out a lot of contracts, or there is some concern in that particular market segment resulting in a plateau. So, as such, we have not seen a very strong drawdown. But at this point of time I do have our business area managers and the division managers on this call. I'll let them comment from their perspective, especially since you mentioned about Motion. I can ask Sanjeev Arora to give his point of view. He does have concern in certain market segments, but let me qualify how does he see the overall market.

Sanjeev Arora:

Yes, thanks for asking the question, and thanks, Sanjeev. So, see, in my perspective, India macroeconomics is very strong. So, there is nothing to worry about it. Yes, some waves do come in certain segments, but we see a very strong momentum. And I would say, the enthusiasm in the customers what we meet is really very bullish. If we look at past developments when the metal prices were softening and we all anticipated that there could be some headwinds, given that India is such a large country with such large opportunities, the headwinds can only be for a couple of months. So, I think, in a broader perspective, the growth story still remains quite solid.

Moderator:

Our next question is from the line of Deepak Krishnan from Macquarie. Please go ahead.

Deepak Krishnan:

I just wanted to understand, with commodity prices now sort of plateauing, how do you kind of look at pricing trends going ahead? Do you feel any risk of pricing pullback? Or do you think that we could maintain volume and value mix as we had done for the last 2 years?



Sanjeev Sharma: So, far what we have seen is that there was pressure on the supply chain, as well as inflation. And our customers participated with us because they understood that supply chain inflation is there. And when the supply chain inflation stabilizes, accordingly it will reflect in our prices. Now, at this point of time, we don't see any softening in terms of reversal of those price increases, because right now it's stabilizing. So, we will continue to keep a very close watch, as well as on the market demand and that determines how the prices are set in the marketplace.

Deepak Krishnan: Sure, sir. And maybe just a follow-up question on the data center slide that you indicated, the overall opportunity of close to \$1 billion. How are we kind of looking at it in terms of market share and competitive environment? Do you kind of see that ABB has an edge over there as compared to its other businesses? How do you kind of look at the overall trend over there?

Sanjeev Sharma: So, we definitely have an edge with large global players because we serve them globally. So, when they come to India, they do express certain preference for ABB because we have the same products and solutions in India which are available to them in global markets, so there is a very clear trend and preference for us. So, that's why we have seen a lot of repeat orders coming for the very large-sized data centers with very large players. I'm not at liberty to mention their names, but you know them.

When it comes to certain sub-segment of the market, wherein the sensitivity of the buyer or the co-location supplier is not so high in terms of the technology and the solution they're providing, naturally the competitive pressures come there. So, we do play the market segments which are attractive for us and we also serve the customers who are demanding high-quality and high reliable power supply for their data center because they want to make sure the solutions they provide, in their data centers, are contributing to reliability and availability of the data centers. So, that's not a trend new for us in India because we have participated in Europe, Singapore, China and many other places, we understand this market segment and sub-segments quite well.

Deepak Krishnan: Maybe just one last follow-up from my end. Given that you're closer to your margin targets that you have, how would you rate the outlook ahead? Would you continue to enhance margins, or would you feel at these margin levels volume would be a major focus in gaining share? So, how would you manage between profitability and top line growth?

T. Sridhar: So, first of all, we do not want to give any projections about where we will be in respect to any of the topics, but I could provide a direction. People who have been watching ABB, they would have seen that our margins, PBT itself is something which was not so attractive. So, now our first milestone is to make sure that we reach double-digit and we remain steady on the double-digit for some time, so that we will be able to see the translation into better PAT. So, I think, on a cumulative basis, Profit before Tax and Exceptional Items is where we have reached across the 10% mark. So, allow us some time to make sure that we are steady and you can also have a sense of credibility on the numbers and then probably we should try to expand from there.

Deepak Krishnan: Best of luck with future quarters.

- Moderator:** The next question is from the line of Amit Mahawar from Nuvama. Please go ahead.
- Amit Mahawar:** Sir, I just have 1 question. If you see the 9-month results, right, , even if I adjust for the FOREX the profitability is almost touching 11%-plus. You mentioned about the capacity utilization of around 85% - 90%. I just basically want to understand on Motion and EP side, given that over the next 1 - 1.5 years, the pipeline of business in domestic market can be very strong, especially in low-voltage products in Motion and EP from railways and data center. Do you think the capacity for you will be a constraint in case we have a reasonable industry growth in these 2 segments? Or do you think the new capacities that you've started plus the new mandate shift from parent will take care of that?
- Sanjeev Sharma:** We have taken care of that. So, we don't work on a year-on-year or quarter-to-quarter basis. As we mentioned earlier, we are manufacturing it for 70 years. We have seen all possible cycles in this country. So, right now, the cycle that we are observing and even also our organic cycle that for growth we see in India, we are well prepared multiple years ahead of our planning and capacity increases.
- T. Sridhar:** So, Amit, when we look at capacities, we are not only looking at capacities of ABB. One is, of course, we use our facilities to manufacture. But also important is that, we need to look at the capacities of our sub-suppliers as well because they are also an important partner for us in this growth journey. So, I think, the teams, Sanjeev or anyone else, their teams work with sub-suppliers also to make sure that when we are on this growth pattern, they are also able to support us, so it's an engagement which is on all the sides, so that we are able to look at capacities as not a constraint.
- Sanjeev Sharma:** So, we don't see that that will come as a constraint for us. In fact, when we make the capacity, we also make a judgment, how much we supply to domestic market and how we will export. So, we always create a quite a bit of headroom, what exactly we plan forward.
- Moderator:** The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** The first question that I had was more on CapEx and I'll kind of give you a background. From what we could gather from you, there was an exercise happening between the division heads of India and ABB Global on potential organic/inorganic opportunities that may come India's way, wherein domestically you would want to invest. Has that exercise broadly happened? And can this be something that will drive your incremental CapEx plans a lot more than other things?
- T. Sridhar:** I think, similar to what Sanjeev was mentioning earlier and also, we have Sanjeev Arora also in the line, I think the plan for expanding is to make sure that we have our existing capacities optimized to the hilt before we start expansions, which is basically building a new factory as what we see. And in this particular journey, we did have certain expansions we have already done, and some more expansions will come in, which we cannot declare at this point of time. So, I think, for us, we see that we have the capacity to manage the next wave of growth that will come in and we remain consistent with that.

Aditya Mongia: And just to clarify, the question was more linked to any new business lines that may be coming up, basically your discussion with the global entity and not existing business lines and that may open up.

Sanjeev Sharma: So, we are adding new products which were not manufactured here, we are expanding those capacities. As far as the global portfolio is concerned, no, we are not privy to any new business being added at a global level. When it gets added, then it gets reflected into our local as well. Since the Indian market is becoming quite sophisticated, they're demanding more high-quality products which is falling into our domain. So, we are seeing many customers are exiting the so-called low-cost and cheap products, and they're moving into the high-quality products which ABB and similar companies provide. So, that is creating an expansion and that has motivated us to localize certain products that we were not producing in the country and that's where certain expansions are also taking place, which you will come to know when we announce them in near future. So, that will add to our capacity and ability to handle the market.

On the inorganic side, of course, we have a global and local pipeline. And as and when such a decision is taken, of course, we will announce and provide you information.

Aditya Mongia: And the second question that I had was on your green energy offering. What I'm trying to kind of get a sense of is that, with your products going green, is the ROI for your customers becoming better, and in that scenario, is there a case to be made for the margins of your company actually going up?

Sanjeev Sharma: So, as far as the green journey is concerned, I think we should be clear, it is a green practice that makes the customers as well as us and the suppliers green. There are 3 areas. One is your own manufacturing campuses, second is your manufacturing facility where the product is produced, and third is the product itself, which creates a green credential for it. So, the first part and the second part is very quick to do and those practices, if the customers bring into their factories, their offices or the new buildings which is being constructed, that's a low-hanging fruit. The journey to convert products itself into green, that is a long journey, and that's something -- that's where most of the companies have their 2030 target.

So, what we are targeting right now is the basic practice of customers to be able to use more efficient motors, drives and better solutions for their buildings, so that the buildings consume 30% less energy, so that's what you will see in the first and the second wave. And leading to the product itself, which are being converted into green products. For example, our switchgears, they have now the green gas for that matter, which was not there before, so that's the kind of solutions which start hitting the market as we go forward. So, it's a journey, but there is lot to be converted in the marketplace in the Phase 1 and Phase 2 to gain the energy efficiency credentials for customers using our product as we supply them.

Moderator: The next question is from the line of Harsh Shah from Jefferies.

Harsh Shah: My first question is on the PBT margins on the 9-month basis. So, there is a 220 basis point expansion. Given that base would have a COVID impact and a FOREX impact, on a normalized basis, how should we look at it?

T. Sridhar: So, I think, you need to look at PBT before Tax and Exceptional, that doesn't include any one-off items. So, that's something which is reflective of a normal business scenario that we have. And I think there it's where I said we are at 10.2%. If you go to the financial summary slide, which is there in our presentation, that gives you an adequate input as to how the margins are and we will be stable with that.

Harsh Shah: And my second question is with regards to revenue recognition, so is there any delay in this quarter apart from the Process Automation?

T. Sridhar: I don't think we have any delayed execution, so we see all our orders execution on time. So, what is probably a challenge which every industry sees is about supply chain disruption and that is more with the Robotics where we have semiconductor-type issues which always exist and also something on the drive product. But otherwise, we don't see any major delays in terms of execution.

Moderator: We'll take the next question from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: My first question is on our Electrification segment, where we are scaling up very nicely. So, now within that, how is the traction in integrated solutions for building automation? So, I think in the last 1 year or so, you have mentioned multiple times that our focus is more towards gaining more market share, which we missed out over the last cycle, if I am correct. So, have we been able to gain a significant market share in such building automation solutions in last 1 year or so? And just a follow-up to that would be, what would be the proportion of such system orders in our overall Electrification segment orders?

Sanjeev Sharma: So, we have solutions, where we provide these to our integrator partners in the marketplace and they are the ones who provide the integrated experience for the building automation for our customers. We are seeing a significant pickup of the components which are being purchased and the solutions and products which construct those solutions by our integrators. And we know that this is a journey to educate our customers and especially the building with the higher credentials or higher rating, those are the ones we are targeting and we are seeing a good conversion across the country for our products and solutions.

I would say, we will not be talking about the market share terms yet. We will allow it 1 or 2 more year so that the concept that we have brought in, they are absorbed by the new buildings being built and also the people who are converting their existing building. So, we are seeing high-quality players in the marketplace. They are recognizing those solutions and implementing them. So, that's where we see the market, but we see a long walk in this particular market.

- T. Sridhar:** Coming to your next question of how much the system business is in the Electrification, roughly about 15% could be on system and retrofit solutions what we give from medium voltage.
- Harshit Patel:** And sir, my second question is, you have received an order related to electronics and semiconductors for a new plant of a leading white goods company that you have mentioned in your presentation. So, could you elaborate a little bit on that as to what is our scope in this project? And are many such orders in the pipeline?
- Harshit Patel:** Sir, I'm referring to Slide #9, where you have segmented your end user industry into high, moderate and low growth industry. So, there you have given a little detail on these order from a white goods manufacturing company related to electronics?
- Sanjeev Sharma:** Subrata, do you want to have a go at it? Subrata is on the call?
- Subrata Karmakar:** Yes. Can you repeat the question again, please? I'm on the call.
- Harshit Patel:** Sure. No problem, sir. Sir, you have received an order related to an electronics and semiconductors manufacturer who is setting up a new plant. So, this is essentially a white goods company who might be doing some sort of assembly of such a solution. So, could you elaborate a little bit more on what is our scope in this project? What exactly we are providing to this particular customer? And what is the pipeline of these kind of orders as of now?
- Subrata Karmakar:** Yes. So, it's a very good question. What we have observed, it is not only in --
- Sanjeev Sharma:** So, Subrata, your line is not so clear, sorry Harshit. Subrata can qualify this, maybe we'll find a way to get you an answer on this.
- Harshit Patel:** Sure, sir. No problem.
- Moderator:** 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. Sridhar:** Thank you, Aman, I think, for conducting the call and thank you, everyone, for participating in this call and getting to understand how was our performance, and also thanks to the management who could participate in this particular call. So, on this account, wish you all a very Happy New Year and a good ending for 2022. So, we again get back to you in the month of February after our year-end results are there, which will be more interesting as we travel in this journey. Thank you very much.
- 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.