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November 8, 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 October 28, 2024, November 4, 2024 and November 5, 2024, we are enclosing a copy of the transcript of conference call with analysts, which took place on November 5, 2024 post announcement of un-audited financial results of the Company for the third quarter ended September 30, 2024.

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

Thanking you

Yours faithfully
For ABB India Limited

Trivikram Guda
Company Secretary and Compliance Officer
ACS 17685

Encl: as above



ABB India Limited
Q3 CY2024 Earnings Conference Call
(July – September 2024)

November 5, 2024

**MANAGEMENT: MR. SANJEEV SHARMA – COUNTRY MANAGING
DIRECTOR
MR. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER
MR. KIRAN DUTT – PRESIDENT, ELECTRIFICATION
MR. SANJEEV ARORA – PRESIDENT, MOTION
MR. GANESH KOTHAWADE – HEAD, ELECTRIFICATION
DISTRIBUTION SOLUTION**



*ABB India Limited
November 05, 2024*

Moderator: Ladies and gentlemen, good day, and welcome to ABB India Limited's Q3 CY2024 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded and any unauthorized recording of this call is strictly prohibited. The recording will be made available on the company's and SEBI's website subsequently.

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

T.K. Sridhar: Thank you very much. First of all, ladies and gentlemen, a very good morning before we start and wish you all a very, very Happy Diwali and also a new year for some of the people. So, wish you all a Happy New Year.

On the call, I have with me, Mr. Sanjeev Sharma – MD of ABB India Limited. And also, I have Sanjeev Arora, who leads the Motion division, and Kiran Dutt and Ganesh who are part of Electrification division as well, but we don't have people from process automation, robotics because they are busy with their customers and execution topics, but we will handle it as it goes. So, without wasting much of the time, I hand over to Sanjeev Sharma for taking us through the Q3 performance and the issues. And there are many topics.

Yes, over to you, Sanjeev.

Sanjeev Sharma: Thank you, Sridhar. Good morning, I hope each one of you had a good festive period. We will give you a very quick overview about our Quarter 3, which was July to September 2024 and followed by "Financials" by Sridhar and then we take as many questions as we can.

When it comes to ABB in India, I think those of you who are familiar with it, I think it's just a reminder and those who are joining for the first time, just as an overview of ABB in India, we have four verticals, electrification, motion, process automation, robotics and discrete automation. It is all about energy efficiency, energy distribution and providing productivity to our end users in energy industries, process industries, marine and ports, measurement and analytics. And of course, with robotics and discrete automation and machine automation, we provide solutions for automating the shop floors.

We operate with five locations, Nashik, Faridabad, Maneja, two in Bangalore, wherein we have about 25 plants catering to different products that we supply into Indian market largely, and then also some export. We serve the market with 28 sales office, and we have a very strong battery of 750 plus partners, and out of India we are exporting to over 30 countries.

Now, giving you some business highlights:

We had a performance chart that orders are 11% up for our increase of share of large orders in the overall basket. So, if you go back to our commentary of the last four to six quarters, we have been telling, listen we have a very good inflows from the base orders and also what we call the fast-moving industrial goods, which get distributed through our channel partners and our integrators, and it's a matter of time that the large contract from our core sectors will start picking up. So, we started seeing the uptake of some of the market segments which are very important for us. We have started seeing the uptake of large contracts there. So, that's what has started forming our books as we go forward apart from continuation of the base orders or the fast-moving industrial goods orders.

Our revenues are up plus 5% based on execution of base orders across segments, but now given that our books have been mixed with now the large orders, which have a larger gestation period, the conversion rate that we may have witnessed in past, that may not be the same velocity because the large orders take some time to digest and execute. So, I think you can have some questions around that. We will be happy to answer it.

Our profit after tax is increased by 22% due to revenue mix as well as how we have captured the margins in the orders, both pre-order as well as post-order execution efficiency. We have a good capacity leverage which is available to us. As you know that we have a capacity to manufacture and most of the expense for any additional volume that we do here, we have been able to do it with incremental investment. We didn't have to make very, very large investments to cater to the market demand.

On the electrification side, we have launched a new portfolio in ABB-free@home, which is essentially a very smart portfolio. Any of you considering automating your home, you can look into this solution. Our team will be also very happy to help you. On the Motion drive product, we have reached a 10-gigawatt milestone in renewable energy automation solution. And only three, four years back, we used to talk about 5-gigawatts. Now we have reached the 10-gigawatt supply into this market segment.

We have continued to focus on doing the right thing for sustainability. Our Nelamangala campus in Bangalore is now certified CO2 compliant, zero CO2 emission Scope 1 and Scope 2 GHG emissions. It's a very significant achievement by any standards for an Indian company and also in our global network. So, that's the kind of a focus we keep in this area. And all our locations, like Nashik Plant-2 has been awarded our Platinum rating by Indian Green Building Council under the Green Factory Building System. Again, credit to our location team there. We continue to run this with a lot of passion. We were ranked number one in Electronics and Hardware at Sustainable World Conclave 2024 by Business World on sustainability ranking. And overall, among all the listed companies across the country, we are ranked number four. We are very humble in terms of recognition of the efforts we do in this particular area.

Now, with respect to markets, though there is a lot of commentary about market, which way it will go and how long the robustness in the Indian market will stay, we continue to see a base strength in the market. And as you know that we have 18 divisions, which focus on 23 market

segments. There is also a cyclic nature of certain market segments, which we continue to see up and down. But overall, I think we have a positive outlook in terms of how market is developing in the country.

The new market segments, which we started like data centers about five, six years ago, now they have become significant contributors to us. Given the digitization rate in the country, we see there will be an uptick here, and we have quite a good reputation and demand from the large-scale data centers which are being set up in the country. The same thing goes for the process industry, and also the transport equipment, which is expanding, and we have a portfolio which caters to these market segments.

So, you can see some of the examples. I think these slides will be available. In the interest of taking more questions from you, I will not read everything, but you can see how our products and solutions go across the market segment. And that diversity gives us the good resilience around our portfolio and our results quarter-to-quarter and year-to-year.

We continue to engage with partners deep into geography. We go deeper into the geography. We also go deeper into the new market segment so that our customers can appreciate the portfolio that is available through ABB, which is very well localized and served locally with a global portfolio, and we are seeing a lot of traction and our team continues to do this religious work of making sure that they keep making these deeper penetration in the marketplace.

This is something how we see the market in terms of growth. High market segments, moderate segments as well as low uptake market segment, and there is always a cyclic nature of it. We feel the one which are low today, I think it's just matter of time, they will join in the moderate, and some of those on the moderate side will move into the high segment and maybe there could be a bit of a reversal on the high to moderate. But this is a picture which is very dear to us, and this is how we look into market, and this is how we continue to develop our footprint in the country.

The theme of the quarter is we always talk about one particular market segment. It is power distribution. And in this area, you can see that India is the third largest producer and consumer of electricity worldwide and with 440.85 gigawatt as of April 30th. So, it is likely to double to 817-gigawatts by 2030. So, you can imagine the rate of growth that we will see here and the area where it will get used.

So, we have our portfolio in the electrification that goes right at the sweet spot of this, especially ELDS and ELSP and ELSB portfolio and we continue to see good gains in that area, and these are very solid and very high-growth businesses which are also contributing heavily to our results.

Now, sustainability in practice we talked about. We continue to focus on key parameters, and you can see year-to-year if you continue to see our journey, we continue to make progress in all the right parameters.

We have good CSR programs. Recently our Motion team, led by Sanjeev Arora, opened an electrical machines lab in IIT, Mumbai, wherein they have requested to upgrade their machines so that the next generation engineers can really play and train themselves on the best of the machines and we are making sure that all the education institutes across the country, they continue to receive that as part of our CSR initiatives.

Apart from education and skilling, we do a lot of work in the communities and environment, and this is something which gives us a lot of satisfaction as a management that can contribute other than contributing to our shareholders.

Here, the key growth drivers are the investments from where they are happening. I think it was, we are hoping, and we are seeing the private sector uptake alongside the public sector. Make in India campaign definitely has seen good depth of how the purchasing gets done in India and how much value added gets done in India. And also, the customers appreciate premium products related to how they used to be a few years back. And of course, there are factors to watch on the domestic economy, consumption growth, and global track. But these are not the ones we can directly correlate with our business. We really participate in the market as it shows up in 23 market segments for our 18 division.

At this point, I hand it over to Sridhar, and he will take you through financials.

T.K. Sridhar:

Thank you, Sanjeev. I think it was a good session on how the markets are and how do we look into a big picture view. So, coming back to the basics of how we performed in Q3. So, I think these numbers are already there with you. Just to add some commentaries to what you see on the slide.

The good thing is that we are able to maintain the momentum of orders at this point of time. 3,000 crores, I think, is the sixth coming quarter in a row where we have seen that 6,000 crores has been the ordering flow, roughly, on average. (+/-10%) here and there. This is also comprising both large as well as base orders, base orders being the maximum out of it. And, therefore, we see a good visibility over the numbers for the next three to four quarters to come in because these get executed over that time.

Order backlog. I think we have a specific slide on the order backlog. So, we could always do a bit of common storytelling there. And now, on the revenue part of it, we were 5% up. I think this goes with the execution of the backlog, which is base order. These large orders are yet to kick in with the revenue because they have to align with the project milestones with which we have to deliver the material. So, I think we need to wait for it to happen, but we don't see any risk of any backlog being slow-moving or non-moving on the order backlog at this point of time.

On profitability. So, I think we successfully, again, posted a 15% PAT percentage is what we see and that's basically coming from a good mix of revenue between exports, services, projects and products and also to various markets and solutions is what we were alluding to, and also added to that is the advantage of capacity utilization, which help drive the profitability.

Cash remains strong. Our collections in the market continued to outpace the revenues as such, but the other part is that we are definitely built upon inventory because we have a backlog to execute, and therefore, these inventories, which are earmarked for the execution of this backlog, will be consumed over the next quarters to come. So, I think overall, the messaging is we have a strong cash position at this point of time with an inventory to liquidate over the execution of the backlog.

Sequentially, I think momentum and cost structures have been maintained and cash inflows is what I said is steady, but only thing is in Q3 there was a cash outflow for dividends and also we did a CAPEX. Cumulative CAPEX is 125 crores is what we see for the last nine months to say and then we still have projects ongoing for the various expansions and modernization of factories and plants.

Now comes the backlog. I think there could definitely be a curiosity to understand how this backlog is pairing up and how are we trying to execute. First of all, I think before we go to the backlog, we need to understand how the order inflows have been over the quarters. If you look at it, so last seven to eight quarters, we have had orders which are a good mix of weight as well as large orders and large orders have been consistent in the last five quarters, in every quarter at least of 500 crores on average. They come from sectors like metals and mining, oil and gas, the transportation sector and also data centers, which is a fast-growing segment at this point in time. This is also a reflection of the fact that the government's spend in CAPEX revival especially in transportation segment is helping us and if you see that, it's more to do with the Motion segment as such.

Overall, I think these large orders which are there in the backlog will see an execution which has to match with the overall project timeline. That's something which we are trying to time correctly so that we don't have a lock-up of net working capital in terms of receivables over there. We are making sure that what is needed for the project is what we deliver so that we have a seamless execution of this particular project.

On the backlog side of it, today we are talking of almost 10,000 crores of orders, which comprises 25 percentage in terms of large orders, and 75 percentage for base orders. So, that's the sort of split, which is there in the backlog. And while 25 percentage as what I mentioned has to go along the project execution timeline, 75 percentage is base order, which ranges the lowest being three months, and the highest being sort of 12 months of every engineered product which we manufacture. So, that's the sort of cycle. These particular orders will be distributed in execution over the next four quarters to come.

Going into the cost structures, if you look at it, so we are pretty much stable. So, only two questions on this could be, how is the material cost stacking up, and how is the other expenses going up? So, these are the, I think, two questions which need to be answered from my side.

When it comes to material costs, it's more about the revenue mix, and you have a positive price impact of the company, which is giving us the benefit which we are having now. And the

currency appreciation and the commodity price increase is something which is pretty stable at this point of time, and therefore we don't see anything which has a negative impact on the material cost.

And also, in this particular quarter, we did a little system provision, because during the execution time, you need to carry it as part of the material cost, but once the execution is over, that it transforms into warranty costs till the obligations are completed. And that's why you could see that there is a reduction in the material cost, and there is an increase in the expenses, which is more in the form of warranty costs, which is there for the products, for the executed, and for the new market segments, which we have entered into, where we need these extended warranties to be applied.

Apart from that, I think the expense structures are pretty much the same. The deviation which you see between 460, 470 crores of other expenses to 518 crores is what we see, is majority, because of specific warranties, which has moved from the material cost to be a certain warranty, but otherwise, I think that's something which is quite normal at this point of time. I think this is something of the one-time projects what were executed earlier, and that is what has been moved. On an ongoing basis, it would be in the range of 470 to 480 crores is what you see. Depreciation and interest are pretty much straightforward. They have nothing to do at this point of time. We are consistent on those cost elements.

A bit of a color on the segment wise information. Electrification is growing at a good speed of, we are today, an order book of 1,766 crores what we did in Q3. So, solid and this was backed up by orders from data centers, railway and export orders. And it was cut out on all the divisions on business lines of EL, and revenues I think will stack up as these large orders start to get executed as well over there. And if you look at it in the backlog, we are at 3,400 crores, which gives us a good curve revenue visibility. Cruising at 20, 21 percentage of PBIT, I think it's in sort of a solid performance as what we see.

Motion, if you look at this particular figure on quarter-to-quarter basis, it looks to be down. But I think we need to understand in the last year, the same quarter, we had a large order from the railway segment, which has actually boosted the orders at that point of time. So, if we remove that like-to-like, so we are slightly above what we had booked last year, the same quarter. So, that means the base orders are definitely growing in spite of the large order not being there. Stronger revenues, and this could only develop better going forward as the backlog gets executed, which is considerably higher at this point of time, and with the profitability continuing at 23% plus 20%.

Process Automation, we did have certain orders which slipped out to the next quarter because of decision delays, especially the metals in the oil and gas sector. But the pipeline is pretty strong, and we assume that these particular opportunities will get converted to firm orders in the quarters to come, and that gets reflected in the execution of revenues as well. And actually, the profitability is better because we have a good service revenue component in process automation, and that is sort of driving the profitability, and also the project execution skills have been

strengthened and a good mix of orders from different solutions is sort of supporting the margin expansions.

Robotics, another fast-growing division is what we see. So, it has a clear reflection between how they operate in select market segments like electronics, automobiles, pharma and these sorts of industries. So, I think that's how you see that there is a cyclical way as to how the orders are presented in this particular sector. But we are on track because we have been doing pretty well in the last two quarters, and Q3 was a bit of a decision delay for the customer and that should sort of catch up in the next quarter to come. And overall, I think, here also we see a good fraction on profitability as well as on the backlog execution.

Overall, on a basis other than one-off items in respect to the cost of material which showed an improved margin versus the material, which was the other expenses which had increased because we had to put that as warranty cost, other than that I think we are pretty much straight forward compared to what it used to be previously.

To come to the last slide, this is how our segmentation looks like in terms of business various dimensions. So, in respect of businesses, so EL and MO still have 75-80%, which is a product business or engineered-to-product business is what we say. And PA, Process Automation is 20% with Robotics at 4-5%. So, these have been pretty constant at this point of time.

Next, when it comes to the offerings projects is 11-12%. This is also pretty stable and the products have increased to 76% as a major share. Therefore, our risk profiling is pretty steady at this point of time. And in terms of exports, we are 12% of the revenues for the exports, but I think the OEMs and the EPCs and the partners are the same as what it used to be earlier, no major changes what we see.

That's it from my side. I think we are good to go. I think 30 minutes out. So, we are good to go with Q&A. Sanjeev?

Sanjeev Sharma:

Yes.

T.K. Sridhar:

So, we can open up the call for the question and answers. So, we try to do our best to make sure that we have all the questions answered in the next 30-35 minutes to say.

Moderator:

Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Ankur from HDFC Life. Please go ahead.

Ankur:

Two questions. One was on the motors/motion business. If you could just talk about, especially on the LT motor side, if you could talk about how is pricing, even demand, how is that looking up, has pricing stabilized, have we seen any price hikes recently, and also on the channel, if there has been any restocking happening post now that elections are over because we heard that there was some restocking prior and during elections. So, yes, overall demand, pricing and competition on the LT motor side. That's number one.

Number two is, and I am sure there is a lot of questions around this decline that we see on the top line and process automation. So, if you could just help us was this on a specific order or is it just the way that the release are scheduled, also a high base of last year also kind of not helping us? So, just some more color there, how you see execution on the process automation side?

T.K. Sridhar:

So, let me take the second question first, Ankur, and then afterwards Sanjeev Arora who leads the Motion business and also the motor specifically will help with more clarity on that.

Process automation, if you look at it in the last year two quarters, Q3 and Q4, we had a good uptick of orders from the metals and mining segment, and this year we had oil and gas coming up in the first two quarters, and this particular quarter where we expected some orders from oil and gas as well as metals to come in would come in in the next quarters to come. So, what I want to say is that the opportunity pipeline is strong and vibrant, but it's only the question of decision making how it happens because they are project orders and have the process included, process to follow.

In other words, I don't see any concern in sort of opportunity pipeline going up as such. And once these orders fall in place and naturally then it follows an execution timeline that is very defined because we have experts in the field who put that as per the customer requirement or the project requirement.

So, overall, I think at this point of time, while you see that there is a bit of a slowness as what you see the charts, but we still find that we definitely have an opportunity to move forward on this.

So, over to you where you Sanjeev if could put some light on how the motors market is and what surprising topics what you are facing and sort of stuff.

Sanjeev Arora:

Thank you very much, and just sorry for my bad throat for today. But I think very good question. And yes, LT motors has been facing some headwinds when it comes to the pricing piece. And of course, large players like ABB who has a substantial market share are affected, I would say, a bit more in advance.

But then, overall, I would say that if we see the total economy, every industry requires low-voltage motors. And if we see the investment cycle, so, first, we had the muted period, then we had the elections, then we had, I will say, some good rainfalls, which has also resulted in some flooding as well in some places. I think these nine months have been a bit turbulent. But I am pretty confident now, things look like that the erosion has stopped. And the government also was involved in the elections this year, so be it the national elections or state elections. So, I think if that phase is over, the investments from the government will also start. The industries will also have a morale boost that the investment has started. And this will also help in stabilizing the price levels in the market. So, yes, there has been turbulent times, but I would say that, more or less, that's over now for the industry. So, that's my take on it.

Moderator: The next question is from the line of Umesh Raut from Nomura India. Please go ahead.

Umesh Raut: Sir, my first question is pertaining to pricing power, and if you could throw some light regarding three aspects on pricing power. So, first, basically, capacity expansion, which is kind of happening at the industry level across the products. Second, basically, any demand moderation that you can observe in any of the product. And third, basically, the request from the customer to kind of pass on any raw material correction benefit considering that, in the last few quarters, we have enjoyed a very healthy pricing power. So, any thoughts over here?

T.K. Sridhar: So, let me take the first question and probably throw some light on the last question as well. Then the middle, second question, if you could repeat it for the benefit of all of us, Umesh.

Umesh Raut: So, sir, I was also kind of alluding to the fact that there are any requests from the customers to kind of pass on raw material benefits or whatever cost efficiency that you have observed during the last few quarters, and because of which we can have a certain lower moderation into the pricing power.

T.K. Sridhar: First question is on capacity. Today, I think all the business lines definitely, which is aging business divisions, whatever we have, have good capacity planning and they have an adequate capacity to handle the current demand development as what we see, right? And while we do so, we are also definitely on the way of looking at it forward by tuning ourselves to the market demands, how it develops, and so our investment in expansion as well as modernizing the plant doesn't stop every year.

We have been continuously for the last at least three to four years, on an average, we are doing 200-250 crores of investments, and in this year, we have already done 125 crores. So, I think it definitely depends on how we liberate the existing capacities and how do we gain those operational productivity improvements, which could also unlock the capacities. And so, it's a journey which every division and every factory takes in, right?

So, to summarize it, we don't see any capacity constraints at this point of time, and we have enough land banks for us in case we have to put up new factories and also the existing factories have the headroom to meet demand surge.

Next coming to how are you dealing with the pricing topics in the market. I think as you rightly said, the commodity prices are now stabilized. The forex variation is also now limited because they have also currencies now become stable. So, the pricing is a dynamic stuff. It depends on how the demand and the supply situation behaves in each and every product, in each and every market segment in which we do, right? And so there is no fixed rule as how we see it, but of course we know how the price and volume game works. And so the management takes a decision appropriate to the business scenario they are in.

Umesh Raut: My next question is pertaining to the slide on 23 market segments where you are consistently saying that data center, railway, metro and electronics are being more of high growth segments.

But if I look at certain core industries like metal, mining, cement, oil and gas or even food and beverages, those are consistently into the low growth segment. So, any assessment here, what are you observing on private sector CAPEX recovery and especially demand from that particular segment to your products?

T.K. Sridhar:

So, let me take this question and then Sanjeev can top it up with his overview on this thing, right? To give you a sort of a picture could be beneficial to all other people who are listening into. If you look at our total dimensions of how we do business, if we take away 10% as exports, we have 90%. And out of that 90%, if you roughly take away 12% to 15% as services, then you are left with 75%. And this 75% is what comes from these 23 market segments from 18 divisions. That's what we see. It's basically an 18 by 23 matrix.

So, now, the one which is on the left-hand side, which is the fastest growing segment, give us a growth of almost 20% plus from where they are every year. And the middle portion of the moderate growth gives us something anything between 10% to 12% and the low growth segment has basically what we call less than 10%. So, now when it comes to the segmentation of it, we still are making 45% to 50% of business comes from the core sectors, which is growing at less than 10%.

The reason to that is one, the installed base is pretty high, and these are the core to the country as well as infrastructure. So, therefore, a 10% growth on a large installed base is itself a large opportunity which comes in. Number one.

Number two, when you look at the topmost sector, which are the fast-growing sector, so there which forms basically 15% to 20% of the order pie. So, that grows at 20%. And therefore, so you are a well calibrated percentage of 11% to 15% which your growth patterns are, right? So, that's how we see and that's how the revenue mix, how the market mix and how the geographical mix also works for us.

Moderator:

Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora:

I think, Sanjeev, you touched based on some large deal pipeline looks very strong to you, and also on the mix side where you said that now larger orders are more in the order book, which takes time to pick up. So, one, if you can throw some light, how the large order book or larger orders in the order book as a percentage or some direction if you can give?

And second, in terms of the large deal pipeline, which according to you is pretty strong, can you highlight in which areas are these and is just that a function of what I think it was highlighted that because of the election, rains, things are getting delayed? Is it also a function of that or it's just getting delayed from the customer end these large deal pipelines? Because I think these large deal pipelines have been there for the last 8 to 10 months. Correct me if I am wrong, but larger deals are little getting delayed it looks like. So, just your take on that on these two aspects.

Sanjeev Sharma:

There are two types of large deals. One large deal is wherein, say, you have a data center which is being set up, and they want power supply into it, and ABB is the number one player in that area for many reasons globally, and all the global players who are coming to the country, they automatically rely on us, and they repeat those contracts with us.

And then, of course, the local data center players as well who are expanding. So, they go for the high-quality equipment because the reliability, availability, maintainability, serviceability of these installations is paramount in the eyes of the owners. So, in this particular area, most of the equipment that goes in, it's all produced by ABB. It's our in-house value-add equipment. So, that means the net effect on our books where the net flows through is quite positive because the value add is quite high.

The other type of large deals are which are integration jobs wherein maybe we have 30%-40% of the scope of our and then we have to get a lot of third party materials, put them together and find a solution for us. Right now, the large deals that we are seeing right now in the market are of the first in nature. That is, these are the areas wherein whether because of the government spend or the spend in the new market segment that we are doing, the ticket size of those orders and deals is pretty high for us relative to the regular flow business that we do for the same equipment.

So, net-net effect when we convert that into revenues, one is that our grip on the supply and the production is quite strong. So, we are able to respond very effectively to the market because our dependency on the third party to integrate the jobs is less. So, that's something which is, I think, happening quite well and the pipeline that we saw 8 to 10 months back, I think that has been working quite well for us, and it is quite consistent. And in fact, there are positive surprises as well, wherein a customer decided for one project, and they surprised us maybe one-and-a-half months later and said, "Hey, I am setting up another one. No questions asked. Please double the supply of number one because I am now setting up two." So, you have that kind of behavior which is happening in the marketplace.

In the core market segment like in the metals industry and mining industry, I think there are jobs which are visible pipelines, and we are seeing conversion there as well and because most of the large players in the metals side, I think they are set upon now doubling their capacity in the next five years or seven years period of time. So, you can see there is a lot of consolidation going to take place in those areas. Now some conversions in that area are not seasonal. They don't depend on monsoon, or they don't depend on the budgetary constraint. They depend upon the market price or the product they are dealing with and what is their long-term view of demand and supply.

So, I would say, what we call as the large projects, it also changes; what our Robotics division will call as a large project for them, and then what our ELDS unit will call as a large project for them, the value could be different because for a Robotics business which for ELDS could be \$60 million, 70 million, that a large project could be something which for RA will do \$15-16 million, right? And they have those kinds of projects coming from the local automotive player. We don't see large projects by the company. We see the large projects by each of the 18 divisions in the

respective market segments they are exposed to. But right now we are seeing large projects coming more with high value-added content that we have in the marketplace. So, whatever we have been projecting in the past, I think we are seeing a fair conversion rate, especially in the transportation and mobility segment, last year we saw some large conversions, and again there is a good line up there, which is due to be placed, converted into orders as we go forward, whether it's metro lines or it is railway projects. So, that's the kind of scheme of things we see at the moment.

Nitin Arora: And just what's the larger order book now? In the overall order book, what are the larger orders?

Sanjeev Sharma: Yes, you can refer to slide number 16 where you have the order backlog, which is 9,995, 10,000 supposed to be precise. On the top end of it is 25%, 26%, which is the large orders and 75% is the base orders.

Nitin Arora: So, just directionally going ahead, you think because we started Q1 on a very strong note on execution, the last two quarters have been a little lower execution. I remember last time also you said things will pick up on the execution side. How directionally you are looking at your revenue growth? Will that again claw back to again going towards double digit? I know you don't give any guidance, but generally direction side is just a temporary issue, or do you think things are taking more time in terms of going into actual execution? Just take on that. That's it.

Sanjeev Sharma: So, I think again, these businesses, this backlog is spread into 18 divisions. So, like for example, we have a large contract in our Traction division, right? So, you know that the Railway Ministry decided to convert some of those orders that they had initially given for the seated trains to passenger trains. And that created a design change and that also created the revenue plan change for the people involved.

So, you have that kind of effect, and you know that design change to get impacted and that's how your large project revenue, even if they were planned for mid-term, they get stretched a little bit, but they definitely come. So, we are not seeing any stagnation of any projects in our backlog. So, they are in our regular flow.

We have four types of businesses. One is called MTO MTS, make to order, make to stores. They fly. They are more like FMIG, fast-moving industrial goods. And then we have ETO order, which is engineered-to-order. And those are the ones which take a little bit longer, but mid cycle.

So, you have short cycle, mid cycle, and then you have the long cycle business, which are typically in the process automation and the transportation sector that we have talked about. So, we are not seeing any stagnation and we see this backlog executing with a good flow going forward unless some customers related topic that comes in, which creates some kind of a delay in this 25% that we have highlighted, which is sitting in the large contracts.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Birla Mutual Fund. Please go ahead.

Jonas Bhutta:

Good morning, gentlemen, and Diwali wishes to all of you. Two questions, and Sanjeev, I will try and ask the same kind of question, but in a slightly different way. So, you know, if you see that post COVID, for a good 6-8 quarters, ABB was in the 2,000 to 2,500 crores order inflow run rate. For the last 6 quarters, that got amped up to about 3,000 to 3,500 crores. Do you believe that the pipeline in front of you and the growth opportunities present ahead of you sort of give you at least visibility that there is a possibility of another step jump in the quarterly run rate of order intake from the current band that we have been for the last six quarters? Can we inch up closer to 4,000 crore per quarter? I am not asking for numbers, but broadly do you think that you have visibility over the next 12-18 months that there could be a step jump in quarterly inflow run rate? That is the first question.

Sanjeev Sharma:

You are right. I think post COVID, as we also explained in our previous calls that the loyalty factor of many of our customers moved in our direction based on how we really supported them during the COVID period. The continuity of their operations, I think ABB team stood by, and we felt that a lot of customers who used to be very price sensitive, they became performance sensitive post COVID, and we had a significant movement of many customers who were not so loyal in terms of placing orders or they could move with very small price variation, they became more sticky in our books.

So, that kind of phenomena gave us a jump and also, of course, there was a pent-up demand, and plus there was a real expansion of the economy because of the government spend and also the new market segments which we found out which started performing well for us. So, that was a kind of an effect that came in, and also the service orders which were subdued during the COVID period, that mix also picked up because the maintenance and reliability services were required by our install base which has been created for a long period of time.

So, we do believe that we reached a good run rate of 2,500 crores to 3,000 crores. We believe it's a good run rate for the capacities that we carry and since our capacities in the country are such that any new expansion of volumes, we require only incremental investment. So, we are not very CAPEX heavy in order to cater to more revenues in the marketplace, right? So, we are able to quite easily expand our capacities as and when the volumes start expanding in front of us in terms of pipeline or in terms of conversion rates for us.

So, what we see is that it's a healthy 2,500 to 3,000 crore band for us as the volumes go, and quite frankly, it is very difficult to predict whether when and where it will hit 4,000 crores. But given when I look under the hood for each and every division, they see a fairly strong pipeline in front of them, and I would not be surprised that after you have a good gain over a period of time for the volumes that you plateau for maybe a couple of quarters before again the jump comes back in.

So, that would be because there is a time when the market and the competition takes time to consolidate and also readjust to reality. You have to allow that breathing time before the market makes another uptick and up mark again. And also not to forget right now there is a lot of uncertainty in the global as well as local markets in certain areas. How that plays out to our

portfolio? We have no correlation matrix to it, but we do believe as and when those things clear out, that also paves way for continued India growth story.

We have grown 21% CAGR in the last three years against a GDP growth of over 7%. The projected growth of GDP by various institutions for next year is also about 7-7.5%. So, I think we will have a fair participation there.

Jonas Bhutta:

The second question was, I wanted to sort of try and better deconstruct the margin profile that we have been reporting for the Motion business. Given that I think Sanjeev Arora spoke about the weakness that the LT motors or motors in general have been facing for the past 6-9 months, the segmental margins are sort of surprising given that motors, as per the annual report classification, large motors plus LT motors sort of account for 58%-60% of the segment sales. Given that that business has not been doing that well, it seems that the traction side of the business seems to be doing a lot of heavy lifting in terms of margins. A, is that a fair conclusion?

And B, in the press release you spoke about SCADA systems that are going into renewable energy that also sort of have been driving demand for DRIVE/SCADA. I am just curious to know whether that sits in the Motion business on the Electrification business given that you spoke about having some 10-Gigawatt worth of solar projects having executed, which sort of implies like a 10%-12% market share. Given that India has roughly 90 Gigawatts of solar capacity, is this a space that you are incrementally more bullish on? And what is the indigenization levels in that product line or service line within Indian entity?

T.K. Sridhar:

I just have a request. I think if you could keep your questions short and sharp, it could help us actually answer it faster and also give some time for the others. But on this question, what I would like to say is the margin actually because motor definitely forms a major portion of Motion segment. No doubt about it. But also, we have other fast growing businesses like drives and traction converters and services within that, which also are growing fast and they have more value added solutions to the customers.

What Sanjeev was alluding to on the premiumization, the quality, which pays off for the better margins, is what is the reflection in this particular story. But it is not to be considered that motors is doing bad. Motors is actually in a scenario of competition and is also performing as what it was performing in the past.

So, the cumulative effect of certain businesses catering to segments where there is improved price realization and motors maintaining its momentum on profitability is a result of why you see an uptick of 23% and also capacity is coming to be being leveraged to improve the overall cost factor over there. So, this is basically a broad picture of what I could paint for motion as such.

Moderator:

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

Mahesh Bendre:

The economy is witnessing some kind of slowdown. All consumption companies are reporting slackness in demand. Even some of the industrial companies are also reporting the demand has been slowing down. So, in our own assessment, have you witnessed any kind of slackness in the demand? Just a few minutes back you mentioned that every industry requires LT motors. So, in that sense, have we seen any slowdown in enquiries or uptake or execution as a whole in the near term?

Sanjeev Sharma:

Thank you for your question. So, what we will do is we will give you really a hands-on input from our division leaders, which are the largest division leaders in the company. We have Ganesh who leads us with the largest business we have in the country, ELDS, then followed by Motion with Sanjeev Arora and also Kiran Dutt which leads to our fast-moving industrial goods business or smart products and smart businesses in the country. So, they will be able to give you a view on it.

Now, I have heard some questions in the last few minutes about motors, LT motors specifically. My take and my understanding of the journey of this business have been fantastic. Right now, I am sitting in the motors plant here in north of the country visiting these teams to congratulate them in terms of the kind of journey they have performed in the last 8 years wherein they used to be low single-digit business and now they are on the high double-digits profitability business running in the country. They had done a tremendous expansion in the portfolio, localization and also channelization of their business.

So, I believe they are really at a very good spot, not only locally, but also how they are packed globally and also seen by the global businesses. So, Sanjeev Arora and his team have done a fantastic job and they have a great position in the market together with their channel partners as well as end-user connect. So, I absolutely see, even if there is a bit of a small change in the marketplace, I see that as a breather, but that also gives us the time to reassess our opportunities and what we want to do and I think then the journey will continue.

So, at this point, I will first invite ELDS Head Ganesh to really give all of you real sense of market opportunities, whether we are seeing slow down, is neutral or we still see a robust market ahead. So, over to you, Ganesh.

Ganesh Kothawade:

Thank you. I am Ganesh from Distribution Solution Division. I am based in Nashik. So, coming to a market outlook since the last couple of quarters definitely after the post COVID, we have seen a very good increase in the order take and in the last few quarters, we booked a couple of orders from data centers as well as the steel sector, which are really large in the nature.

So, what we are seeing in the market is data center, renewable, oil and gas, and building and infra is still growing strong. There is little softening which is happening in the heavy industry because we don't see any large expansion which is coming in steel and cement segment, but our conventional segment power distribution is going strong.

So, in an overall, what I can see is though there are large orders what size which we booked in last few quarters, we see little softening in that, but that may look like a temporary, but the base order which is coming from renewable or building, infra and other industry segment are still looking quite strong when it comes to the distribution solution business.

Sanjeev Sharma:

Thank you, Ganesh. So, over to you, Sanjeev. You may give a bit of a view on the LT motors, which you already did, but also for the other businesses in Motion, which are drives, low voltage motor drives, high voltage drives and mobility. But give a sense from the point of view of the market, how do we see if the market is softening or getting neutral or the market is kind of looking robust from your point of view?

Sanjeev Arora:

Thank you very much. Let's understand that wherever ABB has large market shares and as Ganesh has said, that maybe in metals, cement, we don't see currently that the investment has been so great in past quarters. We see a bit of a muted OPEX and CAPEX investments.

But then, if you see from the overall perspective, as I said, and I will repeat again, every industry requires low voltage motors and with a growing demand of sustainability, drive is a very, very important product and we are the leaders in the industry. So, as a mixed effect, for Motion having the full basket of the motion products which supports our industry in sustainability piece, we are ahead of, I would say, most of the peers in the industry.

So, yes, there has been the headwinds. The demand has been a bit muted, I would say. But having said that, as sustainability piece grows, even though the demand was a bit muted, but then our drive business has really picked up very well, and we have got a strong foothold in be it the discrete of the industry, the light industry or the heavy industry, we have come out as a winner there.

So, overall, I would say, Motion has been doing a great job in industry. And as Ganesh has said that this is a temporary period. And I think the erosion, now coming specific to the LT motor piece, erosion almost has stopped, and we are very hopeful that with the new investments coming in, we will definitely, have a upturn in the demand cycle of low voltage motors as well.

I also heard the question on profitability. Profitability also depends upon multiple things. So, one part is price erosion, but then the second part is how you are operationally well balanced, on what segments you are actually approaching. So, we have a very, very strong foothold when it comes to the energy efficiency piece and our customers, they vouch for us when it comes to taking an energy efficient motor from ABB. So, there, in that segment, we are, I would say, market leaders in energy efficiency segments. And then when the customer knows the value of the product, I think the price becomes a bit secondary. So, overall, I would say, yes, a mixed reaction on the markets, but then I am pretty sure we have a very, very bright future as India to go forward. So, that is a bit from my side.



Sanjeev Sharma:

Thank you, Sanjeev Arora. Same question for you Kiran, who really is exposed to infrastructure buildings and industrial projects and also certain mobility projects. Kiran, what is your view of the market?

Kiran Dutt:

Thank you, Sanjeev. Let me give a simple perspective. As long as there is movement of power from point A to point B or people moving from point A to point B or materials moving from point A to point B, for sure we are there for business. So, having said that, let's also look at our 23 different segments of the market and that is where probably everybody is interested to find out what is happening in this particular segment of the market, where are we into and how is it going forward.

So, when I look at it, let me just take some few examples. Most of us have spoken about data center. I think data center is here to stay, rather to expand, and we find significant expansions happening from global investors as well as local investors. So, we being there, we feel that we continue to contribute to the success of this particular data center business.

Then we were talking about movement of people, now railways and metros for sure are going to carry movement of material and movement of people as well. Now looking at that particular segment, I think it is here to stay and expand. So, that is some segment which is for sure on a very high level of growth, and we are contributing to that particular success, and that is also contributing to our growth for electrification as such.

Let me also give you an example in terms of not the new one coming up in terms of semiconductor electronics, which is quite new in India and for sure it is going to expand. Maybe in the next call or sometime later we can take it up. But when I look at the other kind of an industry which is mainly on the F&D, I think what is important to understand India, the way it's evolving, the package industry is moving quite forward and very high.

We also see a lot of cold storage being installed in various locations to ensure that the food is fresh. And I think that is also some segment of the market which is extremely having growth. Even though the food industry is small at this point of time, probably packed food, maybe in the future, it's going to grow at a very fast pace. And that's where we find that the market going up very high and our contribution to this particular market is also going up. So, that's what I feel, Sanjeev.

Sanjeev Sharma:

Thank you. And also, to top it up, you saw my slide on power distribution as a market segment earlier, when the projection is to that the electricity consumption in the country will double by 2030, and the portfolio that ABB has is a sweet spot portfolio right in the middle of it. As the power flows through different consumption points, that's where ABB products find their place, be it in the motion side, or on the electrification side, and also helping the industries to absorb that energy and convert them into a value-added product. And also, robotics helping the industry to become more productive.

So, I think that's how we play it, and that's how we see the market formation. And I think now we are preparing ourselves like say, three, four years back, if you see here, heard our commentary, we were preparing for the future and those results are being delivered at this point of time. Now we are preparing for the future again, together with our business teams. So, that's where we can leave this and maybe we can take maybe a couple of more questions.

Moderator: Thank you. We will take the next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: My question is on the process automation segment. Could you talk about the outlook on this segment on a one, two, three-year basis? While you did mention about muted outlook in cement and steel, but specifically the pipeline that you are seeing in the oil and gas petrochemical space. That's one.

The second is what role can ABB India incrementally play on the exports or the global side, especially the process automation segment?

Sanjeev Sharma: As far as process automation is concerned, we have three divisions there. One focuses on energy, which essentially deals with the oil and gas refinery, petrochemical, gas distribution, paints and those kind of pharma industries. So, there, because of that basket, we continue to have good intake of order. So, if I see the breakdown of this year as well as last quarter, oil and gas segment is a significant contributor to the order intake and the revenue mix that we have. And that's something we see going forward because a lot of expansion has been carried out at the consumer side, like the city gas distribution, so there we have very good participation.

Then more and more blending projects are coming in the country. There again we have a good market share. There are a lot of debottlenecking and expansion of the existing refinery taking place by the state PSUs as well as by the private sector. There again we are contributing. Same thing goes into pharma, expansion in the paints. There are more players coming in the paint industry. So, I think that's an area which continues to give us steady business growth, and we always go for risk mitigated projects in that business. So, it's not the extraordinary growth we look for there. What we look for is we look for steady growth, but risk mitigated both in that area so that we can deliver good value to customers as well as good value to our stakeholders.

When it comes to the process industries, we are in the metals, cement, pulp and paper and aluminum and other industries are involved. There again, it's a cyclic business, but there we have good order intake in cycles, but right now we have a good backlog which we are executing, and we have a good visibility for the revenue pipeline, and they tend to be little, large contracts in nature. It's difficult to predict which quarter they get realized, but when they get realized, naturally it has an uptick on the book. And as long as we carry a good backlog and a good absorption of our resources, I think those businesses continue to perform.

Then within that we have the instrumentation business, which is relatively small, but they are expanding their portfolio, localizing it and they continue to gain the market share in their

specialized segment in terms of water monitoring, water flow as well as on the instrumentation and the analytics side of it because we have very good portfolio globally, and that continues to come into the market, and you will also maybe hear some announcements maybe in the second quarter of next year and what we are doing in that area. There are some specific actions in place which, when they mature, we will inform the market.

So, as far as the exports are concerned, we do have some export allocations for the energy business and partly for the TAPI, that is our process industry, but that business is very export based. I think there is a room for us to cater to Middle East as well as African market which we do, but we are fairly well set as a multinational corporation globally to serve our markets and whatever we can support out of India, that's what we do, but primarily we are focused to serve the Indian and South Asia market.

Moderator: Ladies and gentlemen, we will take this as the last question for today, which is from the line of Amit Mahawar from UBS. Please go ahead.

Amit Mahawar: I just have one question on the EP division. If you see the orders for the last three, four quarters have been very, very strong. I just want to understand on the medium voltage and low voltage, how are we scheduling the capacity build up and given the competition has been very aggressively expanding if you look at the global and local competition. So, just some color on the electrification, please.

Sanjeev Sharma: So, we always make sure that we continue to expand based on our business case. And the business cases always depend upon our view of the market. The view of the market is also matched with our capacity and capabilities that we have developed in the country.

So, there are three areas that we look at. One is the existing portfolio, how much localization we have done, we go deeper onto the localization so that we are more competitive. And also we are faster to the market and we have less dependencies outside the India ecosystem. So, that's one part which our businesses in the electrification are doing and they have done a tremendous job.

We have opened new factories last year to expand our portfolio, and we are getting good market share with those expanded capacities, and our team in Nashik has done a great job. If you go back into our announcements, all those announcements and openings have worked well for us.

Going forward, we are expanding further in line with how we see the market and the areas of focus we have. Now we don't do the expansion based on purely on vision. We do the expansion based on how we understand the market segments and the pace at which the market segments will grow. We focus more on the productivity side in our existing plant so that we produce more out of same resources and same spaces. That's another area we invest a lot.

So, given overall mix of it, I would say we have the capacity that we need right now to what the market we want to cater in the domestic side as well as whatever export mandates we carry. Going forward, we already have a 10-year visibility in terms of how we will invest in which



areas, of course, subject to market adaptations, as and when there is a serious change on the upside or downside of the market, but we will continue to invest in expanding capacity, and then you will keep hearing every year what we do and once we are ready for the expansion announcements.

Moderator: Thank you, sir. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to Mr. T.K. Sridhar for closing comments. Over to you, sir.

T.K. Sridhar: Thank you very much. And ladies and gentlemen, thank you very much for a very interesting question. It was an interactive session as well. It was a pleasure taking you through the performance of every quarter. I think we have improved substantially from where we were, where we started to where we are today. And if there are still some unanswered questions, please feel free to sort of write down to me or Sohini. We will be able to answer that as fast as possible.

While I close the call, I would also like to thank Sanjeev Sharma, Sanjeev Arora, Kiran and Ganesh who are there on the call who could make the time from the busy schedules to attend to this important stakeholder interaction. Thank you very much and wish you a very great future.

Moderator: Thank you, members of the management. On behalf of ABB India Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.

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