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February 24, 2025

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/Investors Call

In continuation to our letter dated February 11, 2025, February 17, 2025 and February 18, 2025, we are enclosing a copy of the transcript of Analysts/Investors Call, which took place on February 18, 2025 post announcement of audited financial results of the Company for the fourth quarter and financial year ended December 31, 2024.

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

Kindly take the above information on record.

Thanking you,

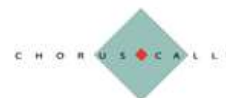
Yours faithfully,
For ABB India Limited

Trivikram Guda
Company Secretary and Compliance Officer
ACS-17685
Encl: as above



**“ABB India Limited Q4 October to December Quarter
and Full-Year CY2024 Earnings Conference Call”**

February 18, 2025



**MANAGEMENT: MR. SANJEEV SHARMA – COUNTRY MANAGING
DIRECTOR, ABB INDIA LIMITED
MR. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER, ABB
INDIA LIMITED
MR. KIRAN DUTT – PRESIDENT (ELECTRIFICATION),
ABB INDIA LIMITED
MR. SANJEEV ARORA – PRESIDENT (MOTION), ABB
INDIA LIMITED
MR. SUBRATA KARMAKAR – PRESIDENT, (ROBOTICS),
ABB INDIA LIMITED
MR. NEERAJ KULKARNI – PRESIDENT, LARGE MOTOR
DIVISION, ABB INDIA LIMITED**



*ABB India Limited
February 18, 2025*

Moderator: Ladies and gentlemen, good day, and welcome to ABB India Limited's Q4 October to December quarter and full-year 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 this 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, Mr. Sridhar.

T.K. Sridhar: Thank you very much, Neerav. A very good morning to all of you, ladies and gentlemen. Welcome to the Q4 2024 as well as the full year 2024 Earnings Call of ABB India Limited.

So, along with me, is Mr. Sanjeev Sharma – the Country Managing Director of ABB India. And I also have Sanjeev Arora representing the Motion Division and also Kiran Dutt from Electrification and Subrata from Robotics. And incidentally, we are today in the flagship unit of Baroda in the Western part of India. And I have Neeraj Kulkarni as well, who leads the Large Motor Division in the call as well.

So over to you, Sanjeev, to take us through the Q4 and the full year results. And afterwards, we can follow it up with Q&A.

Sanjeev Sharma: Thank you, Sridhar. Good morning to all of you. Thanks for joining in. You know, our year ends in December. So, this is the last quarter. That was the last quarter, and we are presenting the annual results to you today. We had a Board meeting yesterday wherein the Board approved our results.

So, you can see what ABB India delivered. On back of robust 23% growth between 22 to 23, we grew about 6% last year. And the backlog grew by 12% on top of growth of 30% in previous year. Revenue expanded by 17% on top of the previous year growth of 22%. And PBT margin expansion, you know, it continues to gain new heights. It grew by 51%. And earning per share expanded by 50%. Our cash has expanded by 14%. And of course, we continue to focus on the sustainability aspect and our GHG emission intensity reduced year-on-year, which we are very proud of, because we have multiple initiatives working in this area.

So you can see, in summary, about 22% CAGR growth over the last four years, and we have double-digit top-line growth, and we are running record-high profitability in previous quarters. And supply sustainability awareness is our focus. Beyond what ABB has already achieved in their own campuses, we are distributing that knowledge across our suppliers. Continue please.



*ABB India Limited
February 18, 2025*

Now, in terms of financial performance, as we highlighted, revenues expanded by 22% in the Quarter 4, 2024. Our profit after tax expanded by 54%. And this is purely due to excellent performance by most of our businesses, all of our businesses, 18 divisions, as you know. We run 18 business models in this country. And all of them have been operating at a very good level. And good operational efficiency, good productivity improvement, and all the investments we have been making in past years, they continue to add to our profitability and also aided by the capacity utilization.

Operational EBITDA, as you know, it expanded by 56%. And the Board has approved a final dividend, which is 51% higher year-on-year. So, that's the distribution our shareholders will receive.

On the portfolio side and one of the key features for last many years is that every year we continue to expand our portfolio, continue to localize it so that we are competitive with the world-class ABB technologies in Indian market. And Indian market continues to demand more sophisticated, more premium products, which are Hallmark of ABB Global portfolio. So, we expanded our Faridabad IEC Low Voltage Motor Manufacturing Unit.

We adopted solar power and renewable electricity across our operations. At the same time, in the analyzers, we launched new products. We also secured some projects in the advanced and monitoring of PV and hybrid PV wind projects because this is something where the capacity expansion is happening and more and more supervisory systems are demanded by our customers. And, of course, we have reached 6 Gigawatt of solar supported through our vacuum circuit breakers which is done out of our Nashik unit.

So sustainability, already I talked about that we have already reduced our GHG emission by 86% with the base year in 2019. And 40% of our suppliers are enrolled in our ESG awareness and assessment program. Please continue.

So, we do see at this point of time a stronger momentum in our core segments of focus in Quarter 4, complemented by a few emerging segments. So, the way we look into market is we are always looking for emerging segments, because in an expanding market like a country like India, the new segments keep appearing and we keep engaging deeper into them. They start small, but then they become big over a period of time.

Many of you who have been following ABB for a long period of time, you must have started hearing from us about data centers around 2017 and 2018 as a just kind of starting segment. It was insignificant at that time, but now, in last year, data center was a very powerful segment for us and had a significant contribution to ABB books.

So, that's what our mantra is, that we keep looking for these new emerging segments in a growing economy like India. And that's one key driver for our growth. And apart from that, we also look for expansion into the geography, especially in the Tier-2 and Tier-3 cities because India is very vibrant beyond the Tier-1 cities. And that's where the aspirations to really consume high quality

product is rising. And that's the kind of sentiment that we also capture into our books. And that is quite healthy for us in terms of expanding our EL and MO portfolio.

And same way, infrastructure, process industries, transportation, be it in the metro or in the railways, especially with the new technologies the railways are using, I think we have a very strong contribution there. And as the manufacturing expands in the country, there is a positive impact on the automotive, electronics and other innovative industries which have started using robotics in it in a quite scalable way and that is a good impact we are seeing in our engagement in the marketplace. Please continue.

So, just to give you some color in terms of what customers we served and here you can see that we had, like for example, for a frozen foods company, we supply distribution panels, low-voltage distribution panels, which is based on the ArTuK technology, which we give it out to our channel partners and integrators who use our technology to create solutions close to the customers.

We also have the power distribution and automation company looking and modernizing with our solutions, continue to have solar pump drive for solar energy-based pumps supplying water in parts of northern India. That's again using direct solar energy and not using any fossil fuels to provide water supply. And also in the metals manufacturing capacity, we continue to provide automation solutions in the existing plants when they go for expansion and also for the opportunities which come on the Greenfield Way.

Electronics is expansion mode in the country and they are consuming a lot of robotics. And we see that our solutions are really well preferred by industry as they expand based on their global experience and also our local capabilities. And, you know, the converters for railways, especially for Vande Bharat and more modern sets which are being introduced by railways. And, of course, the process control system, we call it a distribution and control system for data center. And of course, paint solutions for leading Indian automaker. So, just to give you a color of different market segments that we serve with our products and solutions.

The continuous engagement with the customer is a key element for our growth and also understanding what customers are looking for. Our customers learn from us what we can do for them, but also we learn from our customers what exactly they are looking for, and that goes into our decision-making into bringing more ABB technologies into the country and localize them, because that way we can detect early trends. And we take our bets on it, and that's what gets baked into our growth journey going forward. And it's something we see a long road ahead for us in terms of amount of technology India will consume from ABB, and as we continue to bring that to India, localize it, and make it available for masses, and continue to expand our businesses with it.

Same way, we continue to do a lot of seminars for our customers across different market segments and geographies. And that's one of the key elements for us to expand. Please continue.

So, this is a slide that most of you must be familiar with. These are the market segments we focus. So, if I say low segment, that means that is growing about 7%. Moderate is between 7% to 11%. And high is above 11%. So, that's how these market segments are growing. And if you see the distribution of our business, low segment, you will get about 37%. Moderate one will get 44%. And high segment, they are contributing now in a significant way since they have become part of our core offering.

And we always see that there is a cycle in these market segments, just like in anything, where in the cycle, certain market segments are up, others are down. So, when 18 businesses are engaging with 23 market segments, that gives us a fairly strong base for us to continue to build our future.

Theme of the quarter, every quarter we take a theme to explain a particular market segment from our perspective. So, metals and mining is the theme of this quarter. A deep dive on it. So, just to give you some data sets, global industry is valued at \$1.3 trillion. And by 2047, if India has an ambition to become a developed country, which means estimated \$30 trillion economy in about 24-25 years from now, will create 25 million high quality jobs and add USD \$500 billion to the GDP. So, that's how the metals industry will do.

And any nation which wants to go from developing to developed, steel industry or the metals and mining industry plays a key role. And you can go back to China's rise, Korea's rise, Japan's rise. I think these are the elements which come. And as you start consuming more sophisticated products, more sophisticated steel is produced which is imported today. That will also undergo import substitution as we go forward. So, that's where our engagement is globally with all the global players. And as the local manufacturers or the global majors who are present in the country, as they expand, we will have our portfolio continue to serve them in an effective way.

So, you can see we serve the metals industry with analyzers, rectifiers, distributed control systems, drives and PLCs. We supply the complete solution for cold rolling and hot rolling, which has the electrification and the automation together, including the AI and ML solutions to optimize the process. Then we have, of course, the smart melt shop, which are the ABB IP-based solutions. And we have measurement analytics products, electromagnetic stirrers and braking technologies, and of course, lifetime services for upgrades as well as making the uptime up for the customers. So, there are key drivers and trends. Of course, you can read it. This is something which will be available to you as a reading document. We continue, please.

Now, sustainability in practice, we always don't talk about sustainability as a topic, but we talk about what we do around sustainability. And why we do it is because of the simple reason. Of course, we have a corporate strategy at a global level. But in India, we have made it even more granular because all the resources in our country are stressed. And it only makes sense and it is the right thing to do to focus on these elements. How we consume energy, how we spend energy, how we consume water, how we recycle it, how do we make sure that we are putting more water in the ground than we are taking it out, and also we are not contributing to the waste fill or landfills from our campuses.

So, we already have converted three of our six plants into zero waste to landfill units. So, that means no waste goes to our landfill. And even if something goes, it is going to some units which reuse the material which is coming out of our plant so that it gets added into value-added product. And not only that we do this practice, we share those practices with our suppliers so that we have a much larger eco-impact.

And as we speak to you, I think we have multiple recognitions in the country around it. And only last week I was contacted by a prestigious governance and sustainability institute who have selected ABB as best-in-class company in the country for sustainability practices. We are very pleased. We never applied for such an award. But since the data is available out there in part of our BRSR report and all database reporting, researchers are able to find out what kind of programs we are running and we get suitably recognized. And we are very happy for our team, who really work very hard to make sure, you know, these impacts are given. Next, please.

We continue to focus on sharing our profits with our society. It's a part of our CSR program, wherein we are making sure that the infrastructure projects, which have a very direct impact with the rural community where we are present, and also in the industrial area where we are present, wherever we see an opportunity, we continue to make sure that those become safer for the people who come to work, also for transport, which comes in and out. We continue to look for opportunities wherein we upgrade our infrastructure. We just recently concluded in Nelamangala and Nashik some infrastructure projects, which we are very proud of, and we will be handing it over to the communities very soon.

Same way, skilled development programs across our locations, you know, young children programs. Then skilling for the different types of societal needs. That's where we work. Special needs schools. Medical support for hospital equipment and patient management in cancer care. And of course, a lot of health awareness camps. This is something we again do because we know this is the right thing to do. We do it with an institutionalized framework, and we do see some good impact coming out of it. Next, please.

So, in Indian Union budget, you will see from our point of view, we see consumption, innovation, and sustainability are the key focus areas. So, we do see a good focus on infrastructure and investment, manufacturing, green energy, and research and innovation. We will take benefit of all those. And all our businesses are working on their strategies, how to serve effectively and help build the nation as it strives to be a developed nation in next 25 years. Let's continue, please.

So, factors to watch out for '25 are consumption, investments, and premiumization. Premiumization really is a sweet spot for ABB because as customers appreciate quality and demand high-quality products, ABB is right there. And that's where post-COVID, we see a lot of demand for high-quality products, and customers are willing to pay for high-premium products, and that shows in our gross margin. It also shows into our conversion when we are working with customers who have a good expectation and quality as well as delivery of services.

But at the same time, we need to watch on domestic economic strain. We don't have a direct correlation with the macros of the country and our portfolio. There is always, of course, an effect. But right now, for all 18 businesses, we see a good pipeline in front of us and we continue to engage and make the most of it. We can see that in the short run, you will always have some market segment or one or two businesses go up and down, but that doesn't worry us. This is the 75th year of ABB in India and we never had it better. So, we continue to be very positive, and we are very long on India, and we will go through all the cycles and continue to engage and expand in this country. Next, please.

So, this is the time I hand it over to Sridhar to give you financial highlights.

T.K. Sridhar:

Thank you. Thank you, Sanjeev. I think the most waited for section. So, yes, I think the Q4 was, again, a strong quarter. Base orders of 2,654 crores, which is 4% higher compared to the Q4, '23. But sequentially, we are flat with minus 2%. On the total orders, we were down by 14. But I think last year the same quarter, we had a large 600 crore order from the mobility sector, the transportation sector, which is not there in this particular quarter. So, therefore, we could see a dip in order growth for the quarter. But on an overall basis, we are strong 6% up, including the large orders here compared to the full year of 2023.

Order backlog, 9,400 crores, which is 12% higher. And I think we see a good visibility of execution of this order backlog over the next four quarters of the year. Of course, I think this also has the large orders, which will take an execution schedule as per the milestones. Therefore, we presume, as per our estimation, almost 65 to 70% of the existing backlog will get executed over the year. And the balance 30-35% would go to the next year in 2026 based on the project schedules, what is drawn up. So, I think by this, I have also given you a bit of what will be the book-to-bill situation also for the '25 year.

Revenue, strong performance for the quarter, 22% up compared to the previous quarter, and of course, on a yearly basis, we are 17%. This all reflects the quality of the orders, the executable position of the organization, and also the capability and capacities available to the organization to grow this particular revenue.

The next comes the profit element of it, profit after tax, a strong 15.8%. I know for the quarter, so I know this is a dream percentage as anyone would see. And for the full year at 15.4% , which is a strong 50 percentage up in absolute value compared to the previous year.

Our cash balance is 5,390 crores. I think we have good plans to how we want to use this particular cash. So, overall, I think a strong quarter, a strong closing for the year. So, we set up a motion for the next year to come. Next slide.

Yes, I think this is something pretty interesting stuff on the journey of profitability and related this thing and also the income conversion to cash. So, we are strong in terms of operational EBITDA. So, we are at 20% for the year and also for earnings per share at 25.1% and PBT growth of 21% quarter-on-quarter and 21% for the quarter. And net income too is slightly less

at 73%. This also indicates that we want to invest for the cash or for the growth. And therefore, we have inventories and receivables which we have executed. And that would get evened out as the executions get stabilized over the next few quarters to come. Yes, next.

Okay. So, return on capital. So, I think this is also a very interesting number to see. As we see, we are at 26.5 percentage points. I think for an industry; this is quite a substantial increase over the previous years. What we used to be in 2020 to 2024, it has more than doubled. And it is all more driven by a good mix of orders, good operational efficiencies, which the divisions have all done over the last four to five years, the post-COVID period, and also a strong sales team who is there in front to make sure that the orders are received on time and executed.

This is something which I thought we should share with you of what has been the trend of the orders received for each quarter and how much of that constitute between large orders and the base orders. So, if you look at it, base orders have never fallen down. So, they are all maintaining a good momentum of 2,600 crores plus on average. And the backlog is definitely steady with 9,400 crores. And I think with the recent union budget, hopefully, the orders will also start to increase as the private CAPEX starts to show its momentum. Next slide.

Okay. So, this is one slide which I am repeating for the reason because we would like to show you what you would have heard from the global press releases to what you will be seeing locally. So, I think globally you would have seen that the orders from India has fallen by 21%, which reflects a demand situation. That means orders emanating totally to ABB as an organization from all entities locally. But whereas when we look at ABB India on a standalone basis, we look at what are the orders which are emanating, which are basically from India plus the exports.

So, therefore, the decrease for the quarter is minus 14 percentage as compared to 21 percentage for the global as seen. This is for the quarter. But on an yearly basis, this slide is not there, but I could share with you. On yearly basis, for the orders as seen by the group, we are flat and probably minus one percentage compared to the previous year on the demand side of it. But whereas when you look at the local entity, we are 6 percentage up. Next slide.

A bit of a view on the structural analysis of the P&L. And so we discussed about revenues, we discussed about the order. So, I think the material cost standing at 58% is an all-time record favorable material cost position of what I see. And I think it is all because of a good revenue mix, what we had between the services, projects and products. And in products, also as premiumization is also catching up, so we are able to get those advantages. And also these orders, as I was mentioning in my earlier calls also, are those which were booked at the time when the metal prices or the commodity prices were at low, and we had a premium on that. And that's something benefit which we are at this point of time enjoying. And this would also ease out over a period of time. And other expenses, which is the personal expenses and the other fixed expenses, are solid enough and they are constant with no major one-offs or any abnormal increases is what we see. Next slide.

Just to give a color about division-wise, I think division-wise, electrification is running its growth pattern pretty consistently, right. For the quarter, I think it's a good traction in renewable, buildings and power distribution. And that means ELDS, I mean, the distribution solutions, the smart power, smart buildings, all have grown. And Q3, '24, of course, sequentially, we had a large order from the data center segment. Revenues, because of backlogs which are getting executed now, we have a benefit of good revenues and correspondingly giving us leverage on the profitability. Next slide.

Motion, I think the orders were a bit flat at this point of time, but that's more taking into account the decision-making of the private CAPEX investors, which was slightly delayed to the next quarter. We are not missing any orders, but it is a question of delay. And also we do have a bit of a price impact also on the motors business as such.

So, I think overall, and Q4, '23, as is mentioned, we had a good order from the mobility sector, from the transportation sector, which has actually helped us in the last year, which is not present at this point of time. But overall, the order backlog, the revenues and the profitability in a good trajectory is what we see.

Process automation, steady revenue volumes, steady order volumes, and profitability inching towards better margins is what we see. And it's more a play of value-added selling with a good mix of services and a slight improvement in the operational efficiencies as well. Next slide.

Robotics. Robotics and so the most fastest growing business division is what we see. And then they are very much prevalent in electronics and automotive and industry sectors. So, we have a growth of good revenue growth, order growth as well, and profitability, which is good at 14 percentage on average per se. So, operational efficiencies.

Just to answer a bit of a color on a couple of topics, right. So, how does this journey because we normally see quarter-to-quarter and we are very happy with that. But I think it's more important that we get some more insight on how do we see the evolution of business in ABB?

If I take, for example, orders. If we take, for example, for the case that what may be before the time of PG divestment, we are probably 6,000 crores before the divestment, right? I mean, the time after we remove the so-called PG business, the divested business of solar business and turbocharger.

So, in 2018, if I take that particular standpoint, at the time when a major divest was announced, we were 6,000 crores. And today we are 13,000 crores in terms of orders, which clearly reflects a 14 percentage CAGR on year-on-year over the last 5 to 6 years, despite 2 years of COVID-impacted years in the middle, right. So, I think, overall, a good journey.

And also, just to give a big picture view of how the PBT evolution between '23 and '24, between 15.9 to 20.6, I think we got an overall gain of 5.9% on account of capacity advantages, buying efficiencies, localization, of course, price push, but with an offset of 1% corresponding to the



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volume link cost. And on the fixed cost, of course, the running expenses, we were at 1.2% up. So, on an overall basis, I think 15.9 plus 5.9 advantage minus 1.2 gives you the 20.6 PBT of 2024 as what we see.

And if you go to the last slide, which is a bit of a patented slide, how we see the business model in ABB, I think by areas we could see EL gaining a better share, 40% as what we see, and motion and PA at more or less the same level as what we have. In other words, this chart reflects the stability of the businesses across all the segments, be it PA, MO, EL and RA. And similarly, the offerings on the market side of it.

So, on the market side of it, we are 90% favored by the domestic market. Therefore, we are well positioned to understand the economy and the macro drivers in the country. And 10% is what we see as exports. And we have good business model of projects, products and services with 13% from projects, 11% from service and 76% from products. So, therefore, our risk is very short. It doesn't elongate. So, that way, I think we are an organization which could be coined as a fast-forward industrial goods organization.

So, with this, I think we close the presentation part of it. We open it up for Q&A.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and one to ask the question. The first question is from the line of Renu Baid from IIFL Capital. Please go ahead.

Renu Baid:

Yes, hi. Good morning, team, and congratulations for strong performance and also completing 75 years in India. My first question is, again, concerning the overall order backlog, which, while everything has helped, still, if you look at the end of the year, growth is about 12%. So, does this concern you that the acceleration that we saw in the last couple of quarters has slowed down, and any macro read-through of potential slowdown from private sector CAPEX or slowing government investments, anything that you think could be concerning or it's more of a transient impact and in two quarters, we see growth coming back? That is the first question.

Sanjeev Sharma:

Thank you, Renu. So, we think it's more transient in nature. I think we should observe as we grow in coming years and coming quarters, there will be strong cycles of growth and there will be moderation before the next cycle of growth starts, provided all the policy framework and all the planned investments are done as we see, which is available in the pipeline. So, it doesn't really concern us in terms of what we see.

I think we already have grown quite well in the last few years. And I think 2024 saw some major events like elections and also some kind of impact on infrastructure spent by the government. And also we had very strong rains in parts of the country which had disruption. We can't have a direct correlation, but we feel those factors impacted it. But we are very long on India, as I

mentioned before. And we see that this journey will continue, and we will have strong period of growth in future.

Renu Baid:

Got it. Secondly, on the exports, while we have done quite a bit in terms of portfolio expansion of the export market, overall basis it's still about 10% of the business mix. So, what would be the next 3 to 5 year roadmap to increase the share of exports in absolute sense? And any tailwind that you see from the global of the U.S. tariff for the India portfolio here?

Sanjeev Sharma:

So, export journey, we see net positive for India, irrespective of what happens in the global markets and the others, because there are tailwinds for India in terms of participating in the global market. None of our businesses are overtly dependent on exports, but our operations are now in last few years with our investment world class. The productivity levels are quite good and matching. And also, we not only have productivity arbitrage, we also have labor arbitrage in this country with availability of manpower, which can feed different markets, which our global division managers are looking for. So, we have seen already the evidence of it in some of our businesses, wherein exports have grown sharply in the last few years. And that journey will continue.

Export markets, in my role as a Managing Director of ABB India, I don't manage. I manage multinational corporations' presence in India, for India. But at the same time, we create the leadership mindset wherein we are export ready. But we allow our global divisions to decide how much they want to expand, and which markets they want us to serve from here.

Renu Baid:

Got it. And last question, if I can, for Sridhar. Last year we saw an impressive 5% expansion in gross margins. As you said, it's like a dream run. So, given the kind of mix that we have today and increasing competitive pressures, do we think a 40% plus material or gross margins is sustainable or we may have to invest back to ensure that we retain a higher share of the domestic market?

T.K. Sridhar:

I think, Renu, at this point of time, we will start with a bit of a caveat that I am not going to be a soothsayer over here, right. So, I think all our efforts are want to make sure that we have a margin corridor, as what we say, between 12 to 15% as to what we have in this particular revenue level. As I was mentioning, we had quite a bit of advantage, which we got from the price push strategy, right, into the market, which we got advantage. But I think now the markets are easing out and they are stabilizing. So, as we see this correction in the demand, which will sort of pan out in the next couple of years, I think a band of 12 to 15% of PAT level is what we would like to look at, right. So, that's the basically thing which we are at this point of time focusing on.

Renu Baid:

Got it. Thank you very much and best wishes, team. Thank you.

T.K. Sridhar:

Thank you.

- Moderator:** Thank you very much. Participants kindly restrict to two questions per participant and join the queue again for a follow-up question. Next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Thanks for the opportunity and very strong P&L performance in both Quarter 4 and 2024. My first question is on TK's comment regarding the plans that they have in place for the end use of cash. Cash is, you know, as a percentage of net worth almost 75% plus at Rs. 54 billion. What are you planning? That's my first question.
- Sanjeev Sharma:** Yes, so firstly, we are distributing cash to our shareholders. So, it is 51% higher dividend compared to previous year. So, that's the first protocol. The second protocol is that the cash is getting consumed in our organic expansion, which are in plans and in play. So, you will hear about it as we mature them and as we open them up in coming months. We also have a pipeline for inorganic opportunities. And inorganic opportunities are carefully evaluated. And it's not based on how much cash we have. It is based on how much impact it will create for our customers and our businesses in future. And once we are satisfied, I think this cash can be fairly well utilized in both organic and inorganic opportunities that we see forward.
- T.K. Sridhar:** So, I think, Sanjeev, just to add to your comment, it is also important that when we go on this growth trajectory, we will need to use cash to support the growth, right. Not only in terms of the CAPEX and the distribution of cash to the shareholders, but also from the point of view of the net working capital requirements which will be needed, right. So, that's also something where the cash will get consumed in the next couple of years as we have this growth journey.
- Sumit Kishore:** Sure. And on the conversion of your profits to income to FCS, that ratio seems to have come off a bit. Is there anything we should read into how the working capital needs are changing?
- T.K. Sridhar:** No, I think in this particular year, from the PBT standpoint, we have converted almost 90% of a PBT to cash, to operating cash. And 10% is something what we have used for supporting the growth in terms of investment in inventories, in terms of receivables which we need to collect, because it's a schedule-based invoice.
- Sumit Kishore:** Sure. My second question is just to understand, you know, ABB's end customer segments better. Could you sort of help us break down broadly ABB's revenue exposure to, say, government-funded infra, which would include transportation CAPEX as well, you know, say the power generation (T&D), which is a utility-driven business, the process industry and the core industry segments, the new age sectors including data centers, and real estate. I think these five broad areas, how would ABB's end customers be mapped broadly?
- T.K. Sridhar:** Okay. Sumit, I think I would give you a collective number, not segment-wise number, because it is too granular for us to give you at this point of time. On a collective basis, I think, first of all, our exposure directly to government customers or utility customers is absolutely very, very, very minor. Okay? Number one.

What we have exposure is to could be EPCs, definitely, who in turn would be serving the government customers. So now in an indirect basis, if you ask me how is it basically because I know from the point of view that you would like to correlate with the public CAPEX and translating the private CAPEX is what you would like to correlate. So, we have our orders almost 35 to 40% still dependent on the public CAPEX coming into the form of investments by the industry as such, and we get orders. So that means you are in Level 2 or Level 3 of the chain.

Sumit Kishore:

Industry is how much?

T.K. Sridhar:

I said that I am Level 2 or Level 3 in the chain, right. So, in terms of indirect exposure to government-led investments, we would be up there on about 35 to 40%.

Sumit Kishore:

Right. And new age sectors?

Moderator:

Thank you, Sumit. I am sorry to interrupt you. I will request you to come back for a follow-up, please. Thank you. A kind request to all the participants. Kindly restrict to two questions per participant. Next question is from the line of Vishal Baria from Bandhan AMC. Please go ahead.

Vishal Baria:

Hi. Guys, could you delve a bit deeper into which are the segments, sub-segments for us that are doing better and which are the ones that are actually not doing that great? And in terms of inquiries that we are getting, how do these inquiries stack up? What would be the growth and inquiries that you would have? So, what is the kind of order inflow growth that you would target for the year? Thank you.

Sanjeev Sharma:

So, we can give you a bit of a granular outlook based on our business figures. So, by electrification, I can start with Kiran Dutt. Kiran, if you can just at a labeling, you know, top-level side, which are the market segments you see the growth, and followed by Sanjeev Arora, and Subrata, you can put some color on it. So, over to you, Kiran.

Kiran Dutt:

Thank you, Sanjeev, and good morning, everyone. On the segment side, I think we are quite active and has 23 segments as Sanjeev spoke about. We have been working on these segments for quite some time and we have made a lot of inroads into these kind of segments.

Now, for your question on what are those segments which are really giving us something more or something which is really supporting in terms of growth? Renewable segment or in terms of power generation, I think we have been pretty strong and this is some segment where we have been actively participating, and that's one of the things which is actually driving growth for electrification as such.

Data center is a new segment which has come up, and that's something which is in the right path of growth, and we see a tremendous opportunity in India with so much of data being consumed by all of us, in fact, and then the investments into data center going up. So, that's something is an opportunity what we see and we continue to grow there.

Let's look at somewhat something else in terms of the segment, major in terms of transportation. And I think this is something very, very important for us, specifically in terms of metros and various railway stations and railway projects, including the bullet train project. So, I think it's a great opportunity for electrification being there to serve these particular segments as well.

The other important one, what I see is mainly on the food consumption. That means food and beverage. You saw an example when Sanjeev presented with respect to our solutions being offered to food and beverage, specifically in frozen products. We supplied some ArTuK systems and solutions for that particular industry as well. And I think food and beverage going forward, as we are already 1.4 billion people in India, and most of us have started, you know, husband and wife working, I feel it's going to be a big market for a packaged food industry as well. This is it from my end, Sanjeev.

Sanjeev Sharma:

Thank you, Kiran. Over to Sanjeev Arora on the granularity on the motion side, what you see on the market segments, which are more sub-market segments which you are seeing are going well for us?

Sanjeev Arora:

So, thank you very much, Sanjeev, and good morning to all. So, I would just take it from where Kiran left the topic. I would say that, you know, all the segments when we talk of how the bioethanol is playing, we are very sweetly placed in that. Our motors and drives are running that plant very efficiently. How it comes to the hydrogen part? And we are well equipped with our motors and drives, which will be used in the pumping stations, for the compressors and other applications. On top of it, how we power the electrolyzers? So, that is another upcoming segment what we see.

Of course, the data centers are very, very key when it comes to really having a sustainable operation in data centers, how the HVAC industry is behaving there. So, it's very, very energy conscious. So, our world-class quality, reliable product are well accepted in the data center segment as well. And then when we talk of the transport part, how the expansions are taking place and we are in the journey, supporting our OEM in having the world class technology of the traction converters and traction motors to be the part of the story.

So, I think these are the segments that we see as a new segment, which will really take a good lead. And apart from that, we do see, as mentioned earlier as well by the participants, the light industry, be it pharma, be it the food and beverages, and other light industries, they would see a good momentum.

On the process part, I would like to highlight that, yes, some, I would say, headwinds are there in some of the process, maybe metals and others. But that is, I would say, again, as mentioned earlier, it's a transient period. But then our customers, they are fully bullish on this. And we see a lot of things coming that way as well on the process part. So, be it the cement, be it metal, be it oil and gas and other segments. So, overall, I think these are the segments which I would like to mention as a top view from motion. Thank you.

- Sanjeev Sharma:** Thank you, Sanjeev. And Subrata, apart from your major exposure to automotive and auto ancillaries, what are the other sub-segments you see are interesting for robotics and automation business?
- Subrata Karmakar:** Yes, good morning. Other than automotive, still I believe that automotive in terms of EV and ICE, both the engines are leading in robotics. In terms of demand, more than 50% of robots are using in these segments. However, electronics is at its very high momentum. Actually, this year or next year, probably, we will see that the consumption in automotive and electronics will be almost equal. And if not in the future, even remain same.
- Other than automotive and electronics, we see that food and beverages are doing fantastic growth. However, in the metal industries also, early sign-up automation. However, in robotics automation, but it is also doing well. I believe that the emerging segment in India would be the warehousing technology, which definitely is going to boom in two to three years. Thank you, and over to you, Sanjeev. Yes.
- Sanjeev Sharma:** Thank you, Subrata. So, I hope that answers your question, Vishal.
- Vishal Baria:** Sanjeev, just if you could give an overview in terms of the inquiries that you are getting. I mean, we have seen the order inflow numbers and your commentary has been very helpful. But if you could just delve on overall inquiries, that will be helpful. Thank you.
- Sanjeev Sharma:** So, at this point of time, we monitor at a consolidated basis the project pipeline. We are seeing the uptick on the project pipeline, irrespective of what macro commentary you get. We are seeing an uptick of, you know, the project pipeline. There are certain market segments wherein it has plateaued, and that is factored in. But overall, net-to-net basis, I think there is a positive momentum on the project pipeline.
- Now, if you see the nature of those businesses, we have some very small customers and very large customers. So, it's a complete spectrum of customers we see as somebody who is building a machine, requires electrical components, drives and a motor, or you can have also a metals industry or a mining industry requiring heavy machines from us or a petrochemical industry or offshore platform which is looking for, you know, equipment from us, and of course data centers.
- So, if you really go by the market segment and by the businesses as well as geographies, towards the inquiry stack-up looks quite interesting. So, we don't see any so-called major weakness, but there are certain sub-segments and certain businesses, maybe a couple of them, which have plateaued. But you allow some breathing time and then they come back. Yes.
- Vishal Baria:** Thank you very much.
- Moderator:** Thank you. Next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

- Mohit Kumar:** Good morning everyone and thanks for the opportunity, and congratulations on a superb quarter. My first question is that this is the first quarter where the quarterly numbers have seen a higher growth because of execution of large orders on data centers. Does this quarter should indicate to us that this kind of skewness in certain quarters because of institutional large orders will happen more often as we go forward?
- Sanjeev Sharma:** So, to answer your question, the answer lies in the mix of our backlog and the book-to-bill business that we do every year. And that mix continues to change. And you can very well imagine, when the 18 businesses are operating with 23 market segments, you will have the passing of the backlog. The mix will keep changing from one quarter to the other. But the most important thing is that a strong backlog at 9,300 crores plus a strong pipeline which converts book-to-bill continues to give us good revenue visibility going forward.
- Yes, sometimes the service orders are strong, sometimes the large orders are strong, and sometimes we have execution of the so-called engineer-to-order business, which again is a very so-called value-added business. So, that kind of a spectrum will keep changing as you pass it through the quarters with the backlog and book-to-bill. So, there is no particular trend that you can say.
- And typically at my level, I don't look at quarter-to-quarter picture. I look at how we are developing as a company, how we have developed in last five years based on the investment we made during those periods and how we are setting our base for going forward. And I believe our mix remains quite interesting and we don't see any so-called knee-jerk quarters ahead of us. I would say we will have a smooth delivery of revenues to what we have committed to customers.
- T.K. Sridhar:** So, Mohit, I think if you are asking last quarter, last year, in the 4th Quarter, we had a large order. Would that repeat in this quarter? We cannot say that because we have a pipeline. It depends on the issuance what happened. So, that's basically how we see it.
- Sanjeev Sharma:** In an engineering goods company, I think if you go too strict in evaluation on quarter-to-quarter basis, I can go wrong in my commentary, and you can go in your analytics.
- Moderator:** Thank you very much. Mohit, sorry to interrupt you. I will request you to come back for a follow-up. In the interest of time, we will take one question per participant. Next question is from the line of Mayank Chaturvedi from HSBC Mutual Fund. Please go ahead.
- Mayank Chaturvedi:** Yes, thank you for the opportunity, sir. Sir, just one clarification on the slide where you show the growth segments for your businesses, high, moderate, and low. I just wanted to understand when you talk about the growth centers, is it on the order side or the revenue side? And as a follow-up to that, there has been a sharp deviation in the growth numbers that we assigned to each of these segments. For example, in the third quarter, in the last quarter commentary, high growth segment was growing by 20% plus, moderate was 10 to 12% and now it's 11%, 7 to 11% now. So, your comments on that.

- Sanjeev Sharma:** So, first of all, these so-called high-growth segments, they used to be small earlier, but now their size has grown. So, you know, relative spend is growing, but percentage gets normalized. So, that's one reason. So, that means these segments that we are talking about, which were smaller earlier, now they are substantial in size in terms of expenditure. And our intake from them is good and accordingly the numbers get adjusted on the normalized percentage basis. So, that's one answer to you.
- Moderator:** Thank you. Mayank, kindly come back for a follow-up question. Next question is from the line of Amit Mahawar from UBS Group. Please go ahead.
- Amit Mahawar:** Hi, good morning, Sridhar and Sanjeev, and congratulations on challenging the streets margin assumptions continuously. Sir, I have one question, and I will focus on the Electrification division only. If you see, you know, it's been six quarters and this is the first quarter where overall orders are down, very, very sharply down. Can I say last two, three quarters we had a lot of emerging segment orders in electrification and this December is a blip? Any comment on the sustainability of this electrification order run rate? Thank you.
- T.K. Sridhar:** Kiran? I would invite Kiran to give a bit of a color to that. Kiran?
- Kiran Dutt:** Yes, thank you. Thank you, Sridhar. On electrification business, it's kind of a mix of product-based as well as project-based. You would find that there is a sharp decline with respect to Q3 and Q4. I think already there has been a comment from Sridhar on this particular topic, where we said that we did have a very large order, which was in Q3 for a data center. And that's one of the reasons why you would find a small decline in terms of the numbers of Q3, '24 versus Q4. But having said that, I think, as we have been discussing, the pipeline is quite large and we believe it's going to really support us in future growth.
- Amit Mahawar:** Okay, Kiran. Thank you.
- Kiran Dutt:** Thank you.
- Moderator:** Thank you. Next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Thank you for the opportunity. I had one question. I wanted to get a sense from maybe the different business heads of the risk from increased competition from Chinese players. If you could give a quantitative or quantitative sense of segments, that is really helpful. And the context obviously is the trade wars what's going to happen. Thank you.
- Sanjeev Sharma:** So, which business head is facing Chinese competition? So, you raise your hand. Sanjeev, are you facing Chinese competition?
- Sanjeev Arora:** So, I would say that, see, let's visualize how things are progressing for us. Localization is the key and Make in India is the key, and we stand out really very strong in that. Moreover, when

you have the global products manufactured in India, high quality, high reliability, walking the customers through their sustainability journey, expansions, and new product portfolios, so, to be fair on that part, I would say that we are not in that game. So, that is all I want to summarize. And again, to reinforce these things is that our customer confidence, you know, the customer has a lot of confidence in us. So, that way we are, I would say, protected from anything from Chinese, to be precise on that.

Sanjeev Sharma:

So, in other words, Aditya, we don't see a one-to-one high intense competition on the MO portfolio yet. I think if our view changes, I think we will let you know in future. On the electrification side, I can speak on behalf of my colleagues. No, the intensity is not so high. In robotics, we have some supply chain going into China, which forms part of what we deliver to the market. So, it's more of our supply chain there. It's not direct competition yet.

But there are some robotic suppliers in China, which will may try to make inroads. But what Subrata and his team play is on a very high-value-added way because robotics is not about hardware. It's about application engineering and converting the solution locally. And I think there we have an advantage.

On the process automation side, largely no, but I had to qualify. There are certain sub-segments of the customers wherein when the very large customers are spending very high CAPEX, at times, they do get lured by some special prizes done by the Chinese contractors or Chinese suppliers. So, we did have one or two incidents wherein the Chinese players offered a formidable competition. But that is on the minority side, few incidents, not many incidents, I would say, at the moment.

Aditya Mongia:

Thank you. That makes it very clear.

Moderator:

Thank you. Next question is from the line of Sahil from Nomura. Please go ahead.

Sahil:

Hi, sir, am I audible?

T.K. Sridhar:

Yes.

Sahil:

Sir, first of all, congratulations on the superb set of numbers that you posted. My question was on the margins. We have seen the last couple of years, we have had this substantial improvement in margins. I just wanted to know that, and we are also much ahead of our peers in multiple segments. So, are the margins sustainable here? That's one part of the question. And second, what are you picking up on pricing on the ground?

T.K. Sridhar:

Sahil, I think I have answered this question in my dialog to earlier questions as well. I think probably the first question of what Renu had asked. But anyhow, for the sake of completeness, I would go with your question as well. So, today, I think we are at a high of 15, plus percentage on the PAT level.



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Now the question comes is, is this particular margin sustainable for us, right? And I think, as I was mentioning, this margin accretion has come because of good operational efficiency, the ability to command better prices in the past, which has transformed into the revenues and their resultant bottom-line impact, and also the operating efficiencies with respect to leveraging capacities and so on buying efficiency as well has given us a good run on the margins, right?

And so now, having said this, now with the market easing out and the prices also easing out according to the demand and the supply situation, right? So, we would still be in a corridor of 12 to 15 percentage PAT as what I was mentioning.

Sahil: Sure, sir, that works. And incrementally are you picking up anything on say, motion business pricing? Is it status quo?

T.K. Sridhar: I think we don't give that prediction granular to the division, right. So, every division has its own strategy and operational topics to deal with. So, I think we have to look for it in a quarter-on-quarter basis.

Sahil: Sure, sir. That works. No problem.

T.K. Sridhar: Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as our last question. I will now hand the conference over to Mr. T.K. Sridhar for closing comments.

T.K. Sridhar: Thank you very much, Neerav, for conducting this call. And thank you to all the participants and all the management team members who could attend to this call and also answer to them. And thank you, Sanjeev and the Comms team who are ably supporting us. Thank you very much. Wish you a good day and good next quarter. Looking forward to talking to you in the next quarter again. Thank you very much.

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