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ANALYST CALL, JULY 29 2019

# Resilient and profitable growth

Q2 2019



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# Important notices

This presentation includes forward-looking information and statements including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for ABB Ltd. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects,” “believes,” “estimates,” “targets,” “plans,” “outlook” or similar expressions.

There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this presentation and which could affect our ability to achieve any or all of our stated targets. The important factors that could cause such differences include, among others:

- business risks associated with the volatile global economic environment and political conditions
- costs associated with compliance activities
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates, and
- such other factors as may be discussed from time to time in ABB India Ltd’s filings with the Securities and Exchange Board of India (SEBI), including its Annual Report.

Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

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# Agenda

## Key highlights

Market overview & business performance

Financials

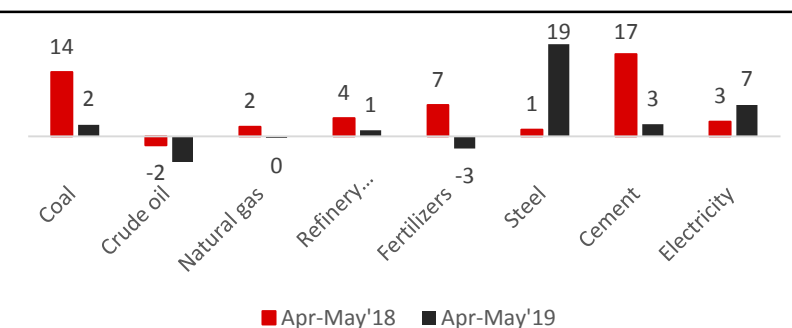
# Macro Economic Snapshot 2019

Mixed market with select growth pockets in the short to medium term

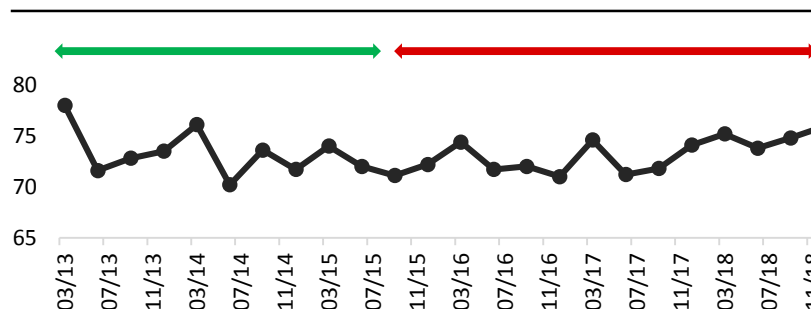
## Highlights

- RBI reduces REPO rate by 25 bps & change its stance to accommodative indicating further rate cuts to follow
- PMI increased to 52.7 in May'19 indicating a slight pickup in manufacturing
- CPI inflation subdued at 3.0% yoy in Apr'19 led by a fall in price of oils
- Output growth of 8 core industries fell to 2.6% yoy in Apr'19 led largely by deceleration in sub-industries like coal, crude oil & natural gas, fertilizers, steel & cement
- GDP growth fell to 5.8% in Q1 FY 19 led by a slowdown in growth of private consumption & investment demand

## Core Sector Growth (in %)



## Avg Capacity Utilization <75% in last 5 yrs



## RBI Forecast for FY2019

7.2% GDP growth

11.5% PFCE (consumption) growth

31.2% of GDP - GFCF (Investment)

3.8% CPI

3.4% of GDP – Fiscal deficit

2.2% of GDP – Current account deficit

13.0 bank credit growth

# A journey of creating value for all stakeholders

Long term value accretion through varying market conditions and opportunities

	FY 2017	FY 2018	H1 2019
Orders Received	5,784	6,729	3,756
Order Backlog	3,835	4,227	4,670
Revenue	6,094	6,690	3,576
Operational EBITDA	337	377	258
Operational EBITDA Margin(%)	5.5	5.6	7.2
PBT	334	395	251
PBT%	5.5	5.9	7.0
PAT	225	254	159
PAT%	3.7	3.8	4.4

- Consistent growth in orders and revenue in stagnant capex and challenging macro environment
- Resilient, diversified order-book and inflows are, not dependent on vagaries of capex cycle
- Improvement in Operational EBITDA margins to 7.2% from 5.5% in FY17 is the result of:
  - Better product mix
  - Improved value offering
  - Production efficiency
- ~38% growth in PAT (trailing 12 months vs. FY17)

## Q2 2019: Resilient and profitable growth

### Q2 2019 vs Q2 2018

Orders	Revenue	Attractive growth	<ul style="list-style-type: none"> <li>Growth across businesses and majority business lines</li> <li>Continued growth in base orders, up by 16%</li> <li>Exports growth story continues</li> </ul>
Rs 1,989 Cr	INR 1,726 Cr		
↑ 23 %	↑ 4%	Stronger margins	<ul style="list-style-type: none"> <li>Capacity utilization and revenue mix provided a major step-up in profitability</li> <li>Consistent journey of strong cash performance</li> </ul>
PBT	PAT		
INR 113 Cr	INR 70 Cr	Optimized capital allocation	<ul style="list-style-type: none"> <li>Continued investment in facility expansion, R&amp;D, special customer connect initiatives</li> <li>Attractive shareholder returns</li> </ul>
↑ 61%	↑ 57 %		

### H1 2019 vs H1 2018

Orders	Revenue
Rs 3,769 Cr	INR 3,576 Cr
↑ 14 %	↑ 11%
PBT	PAT
INR 251 Cr	INR 159 Cr
↑ 80%	↑ 76 %

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# ABB India – Recent Highlights

Key order wins and commissioning to accelerate India's growth

ABB Ability™ Electrical Distribution Control System for a leading data storage company



Drives and smart sensors for renowned food chains



Commissioning of the largest single location lift irrigation project globally with ABB motors, LCI, relays, switchgears, breakers, etc.



End of line robotics palletization for edible oil company



A range for automation, SCADA, blending and instrumentation applications for O&G



Customer connect in Tier 2 cities, enhanced digital demand



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# Accelerating growth in digital

## Q2 highlights

### Expanding ABB Ability portfolio in India



- ABB Ability™ Smart Sensor remote monitoring for beverage company and pilots in dairy plant
- ABB Ability™ Electrical Distribution Control System for feeder level power monitoring

### Leveraging digital technology for resurgent sectors



- ABB cyber security solutions for a petrochemical major
- Digital service order for the mining sector and repeat orders for cement industry

### Launch of best in class digital technology for Indian industries

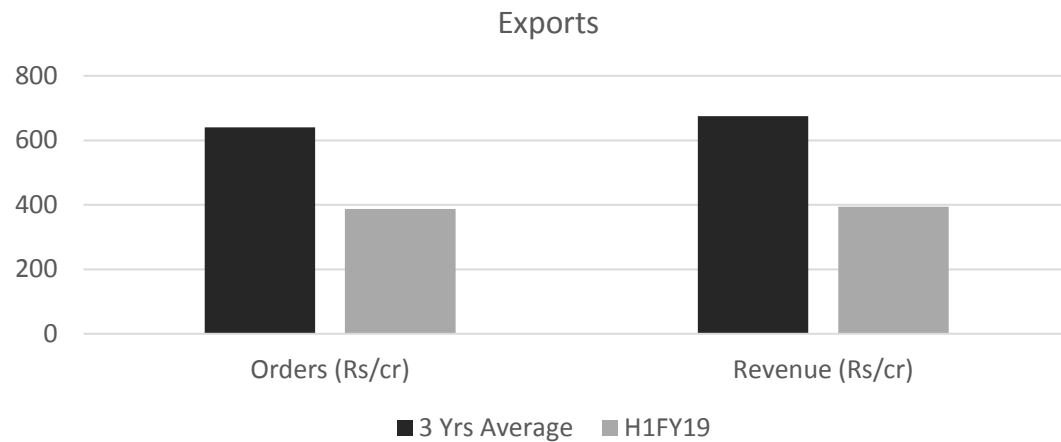


- Launch of LV digital switchgear condition monitoring
- Launch of intelligent engine performance software

# Growing exports and service portfolio

Diversified offerings, deeper penetration of installed base

## Diversified offerings and geographies



\*Export orders/revenue **others** excludes PG and solar

- Diversified geographies esp. Latin America and Middle East and Africa
- Reduced dependence on large orders, leveraging a good spread of short cycle orders

## Postponed decisions to fructify in coming quarters



- Digitalization is a catalyst, lifecycle orders for analyzers, spares decentralization for robotics, etc.
- High base effect in IAPI

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# Agenda

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# Electrification

Strong execution driving growth in Q2



Orders up  
19%



Revenue  
up 14%



PBIT up  
24%

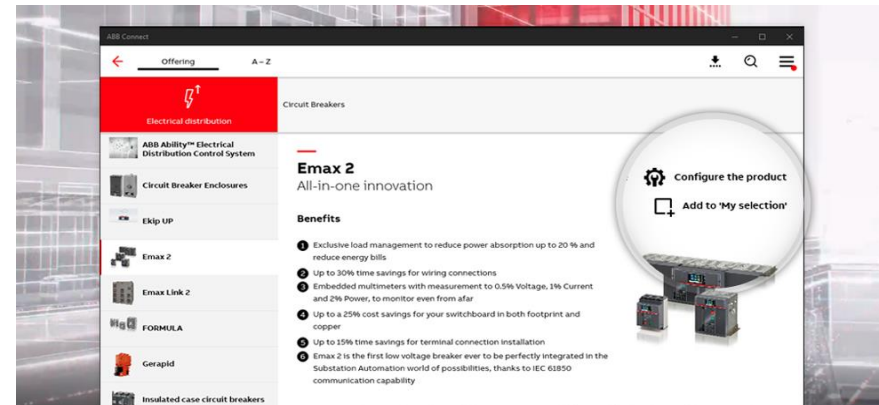
## Highlights

- Power distribution systems and technology for a leading Indian JV specializing in HVACR white goods and solutions
- Data center solutions for Indian DC major
- First feeder level monitoring through AB Ability EDCS for a data center
- Repeat MV AIS switchgear orders for Blore metro phase 2
- Power distribution technology solutions for metals companies

*Partner of choice for safe, smart and sustainable electrification in India by deeper channel engagements, urbanization focus and evolving electrification infrastructure*



24x7 reliable power distribution for seamless production across shopfloors



Digital connect with customers, consultants, etc.

# Motion

Continuing growth momentum in Q2



Orders up  
14%



Revenue  
up 9%

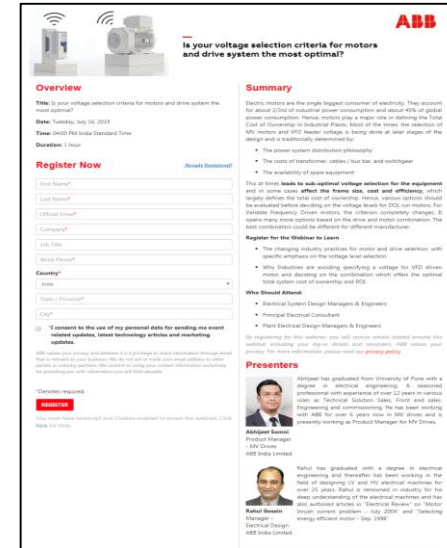
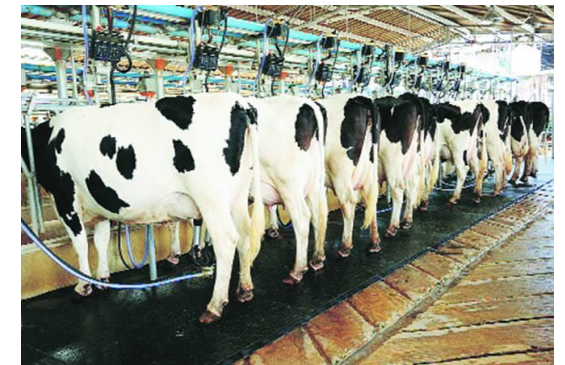


PBIT up  
10%

## Highlights

- Facility expansion for medium range LV motors and new drives customer center to cater to increased demand
- Commissioning of the world's largest single location lift irrigation project with mega ABB motors and LCI drive solution
- Market focus shifting from products to value propositions like energy efficiency with an eye on cost effectiveness
- Metals, minerals and overall infra focus (roads, etc.) providing incremental demand
- Traction in remote monitoring business

*Energy efficiency proposition with specialized applications, infra and ancillary businesses and remote digital opportunities to continue momentum*

A screenshot of an ABB webinar page. The title is "Is your voltage selection criteria for motors and drive system the most optimal?". It includes an overview, a summary, a register now button, and a list of presenters. The summary discusses the importance of voltage selection for motor efficiency and power quality. The presenters are listed as Rajat Kumar, Product Manager, and Ravi Kumar, Technical Manager.

Capacity and awareness building through different channels

Wind power generators to remote monitoring pilots for dairy companies

# Robotics and Discrete Automation

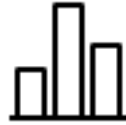
Steady growth in an evolving market in Q2



Orders down  
16%



Revenue  
up 4%



PBIT up  
10%

## Highlights

- “Robots & Application” and “paint application” businesses showed uptrend in another quarter of subdued automotive market
- Expansion into industries beyond automotive such as F&B combined with strong backlog execution
- Frame agreements and process applications find preferences with customers
- Capacity utilization, varied customer base & mix support margin expansion

*Build business with a value chain improvement focus beyond automotive with a variety of robotics and machine & factory automation offerings*



# Industrial Automation

Optimizing opportunities in a mixed market in Q2



Orders up  
15%



Revenue  
flat



PBIT down  
11%

## Highlights

- Initial shoots of recovery in energy orders, metals, etc.
- With strategic automation demand for specific/packaged applications for blending, e-houses, etc.
- First of its kind order for BSVI, advanced fuel quality improvement (control app and blending)
- First digital order in mining sector
- Flat profitability for revenue mix and dip in service revenue

*Increased focus on service revenue and profitability and optimizing traction in energy, process industries, and transportation sector.*



Digitalization  
order in mining



Whitelisting  
cybersecurity  
solutions on  
800xA

Partnering the initial  
revival in process  
industries

# Power Grids

Sustaining focus during transformation

## Q2 highlights

Quarter	Orders	Revenue	PBT	PAT	PAT%
Q2 2018	855	1044	95	60	5.8
Q2 2019	862	1052	97	61	5.8

- Orders for Rihand Dadri HVDC upgrade
- Order for traction transformers from DLW, Varanasi
- Order for 400/220/132kV GIS Substation from an energy major

## Going forward

- Opportunities in railway electrification, traction and metro
- Price erosion and pressure
- Market likely to be constricted with subdued macros and global volatilities



# 2019 priorities

## Running the company

- Consistent order and revenue growth, demonstrating quality and resilience
- Continued focus on operational execution, cash and costs

## Managing the transformation

- PG demerger on track
- Divestment management of solar inverters
- New structure in place with 4 businesses to drive growth

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# ABB India Ltd

## Continuing operations for Q2, 2019

INR Crores

### Q2 Performance

Q1, 2019	Performance Indicator	Q2, 2019	Q2, 2018	Change	H1, 2019	H1, 2018	Change	FY 2018
1,780	Base Orders Received	1,873	1,614	+16%	3,653	3,117	+17%	6,292
-	Large Orders Received	116	5		116	185		437
<b>1,780</b>	<b>Total Orders Received</b>	<b>1,989</b>	<b>1,619</b>	<b>+23%</b>	<b>3,769</b>	<b>3,302</b>	<b>+14%</b>	<b>6,729</b>
4,726	Order Backlog (end of period)	4,656	4,265		4,656	4,265		4,227
1,850	Revenue	1,726	1,666	+4%	3,576	3,232	+11%	6,690
139	Profit Before Tax (PBT)	113	70	+61%	251	140	+80%	395
7.5	PBT %	6.5	4.2		7.0	4.3		5.9
89	Profit After Tax (PAT)	70	44	+57%	159	90	+76%	254
4.8	PAT %	4.0	2.7		4.4	2.8		3.8
125	Operational EBITA	134	82	+64%	258	142	+82%	377
6.8	Operational EBITA%	7.8	4.9		7.2	4.3		5.6
57	Operating Cash Flow (OCF)*	18	94		75	82		449

Note: For Continuing Business

OCF used as "Cash Generated from Operations" is used at Company Level

# Performance Highlights Y-o-Y Q2 and H1, 2019

Credible performance continues

## Q2/19 vs Q2/18

	Continuing Ops	Total
Orders	23%	15%
Revenues	4%	2%
PBT	61%	30%
PAT	57%	28%

## H1/19 vs H1/18

	Continuing Ops	Total
Orders	14%	5%
Revenues	11%	5%
PBT	80%	23%
PAT	76%	20%

# Quarterly Financial Summary

Rs/Crores	Q2/19	Q2/18	Q1/19	H1/19	H1/18	FY 2018
Sales	1,725.8	1,665.7	1,850.3	3,576.0	3,232.2	6,690.1
Other Income	20.4	18.3	19.1	39.5	41.1	84.0
Material Cost	1,124.6	1,134.4	1,266.7	2,391.2	2,212.5	4,513.7
% to sales	65.2	68.1	68.5	66.9	68.5	67.5
PeX	136.1	144.2	157.5	293.6	289.6	529.5
% to sales	7.9	8.7	8.5	8.2	9.0	7.9
Other Opr. Expenses	341.2	297.8	280.6	621.8	551.2	1,189.2
% to sales	19.8	17.9	15.2	17.4	17.1	17.8
Depreciation	22.0	22.8	23.3	45.3	45.3	92.8
% to sales	1.3	1.4	1.3	1.3	1.4	1.4
Interest	9.6	15.0	2.6	12.2	34.9	53.9
% to sales	0.6	0.9	0.1	0.3	1.1	0.8
PBT	112.7	69.9	138.7	251.4	139.8	395.1
% to sales	6.5	4.2	7.5	7.0	4.3	5.9
Tax	42.9	25.5	49.7	92.6	49.8	141.0
% to sales	2.5	1.5	2.7	2.6	1.5	2.1
PAT	69.7	44.4	89.0	158.8	90.0	254.2
% to sales	4.0	2.7	4.8	4.4	2.8	3.8

## Key pointers

- Project orders drive growth in IA & MO, product orders remain stable
- Product revenues drive revenue growth, while projects remain flat and service revenues slightly dip
- Cash position remains strong at ~1300 crs
- Material costs better due to mix & localization impact
- PeX costs increase offset by actuarial gains
- Increase in other expenses due to normal operational reasons, contracted services, warranty provisions for new products, provision reversals impact last year
- Higher tax expense due to non-deductibles mainly MSME interest

# Leading through transformation

## PG demerger update

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- Demerger progressing as per regulatory procedures
- The Court convened shareholders and creditors meeting on August 9, 2019
- Internal processes pertaining to formation of subsidiary also completed
- Country and functional teams implementing separation plan

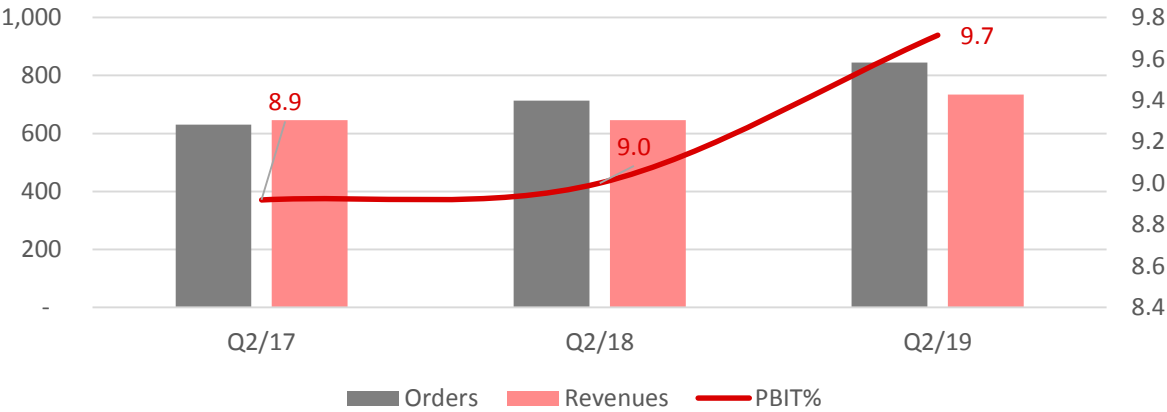
## Solar inverter business update

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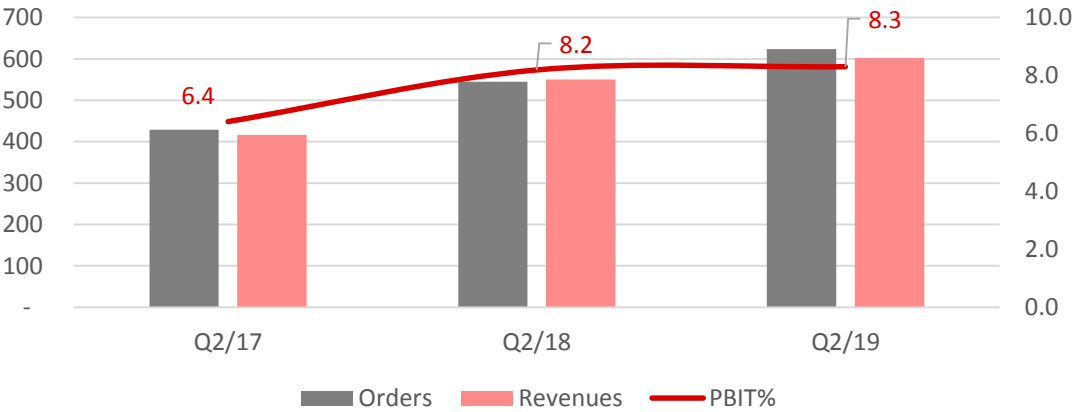
- The Board has accorded its 'in-principle' approval for the sale
- Subsequent actions for valuation etc in progress
- Income statement includes the results of solar
- Corresponding assets and liabilities have been separately disclosed in the SEBI results as 'assets held for sale'

# Quarterly Trend by businesses in Q2

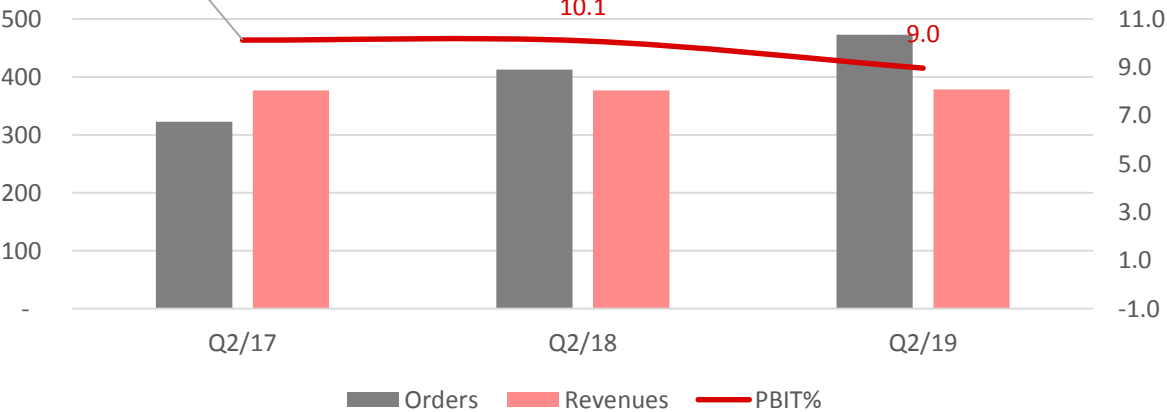
Electrification Products



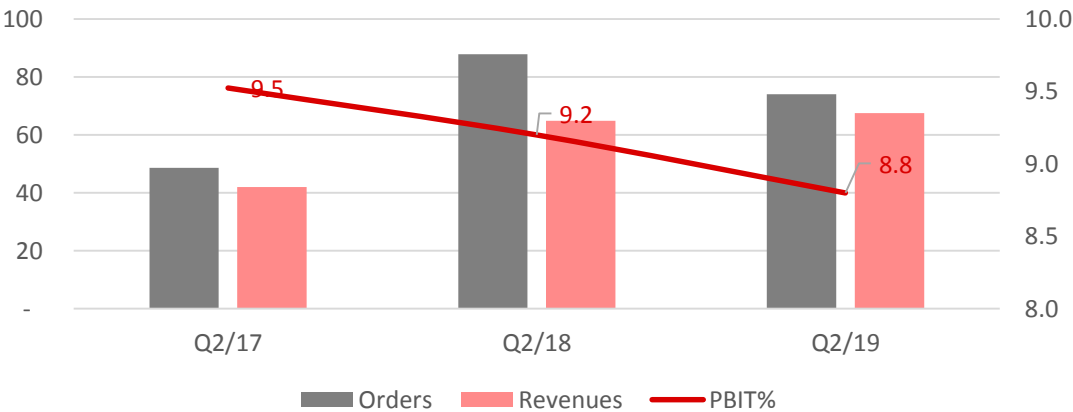
Motion



Industrial Automation



Robot Automation

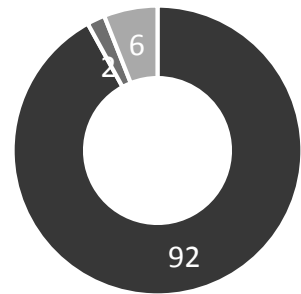


# Share of total orders and revenues by division

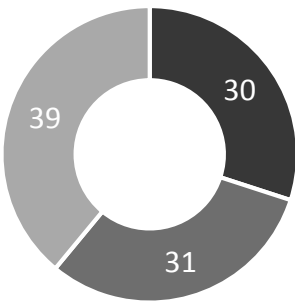
Q2 2019, in % terms

Electrification Products

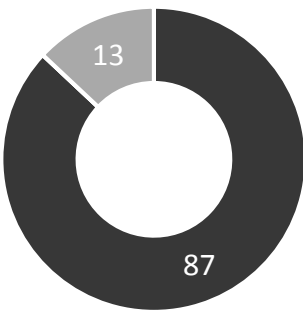
Orders 1,989 Crs  
(Products – 75%,  
Projects – 10%,  
Services – 15%)



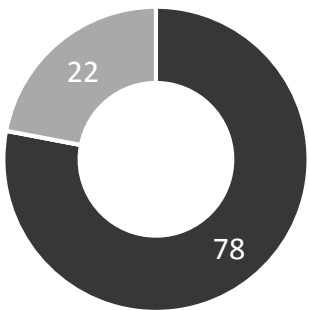
Industrial Automation



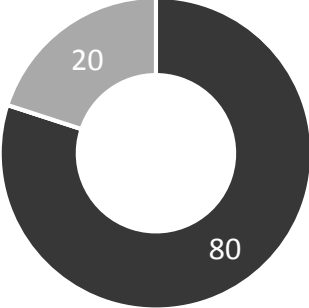
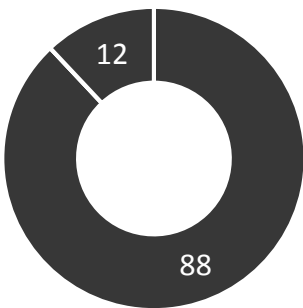
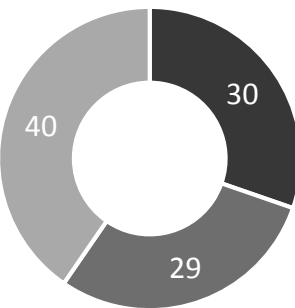
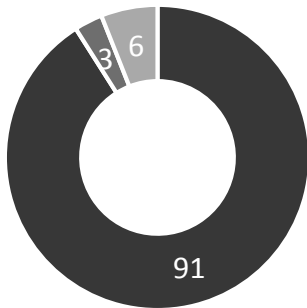
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Robotics Automation

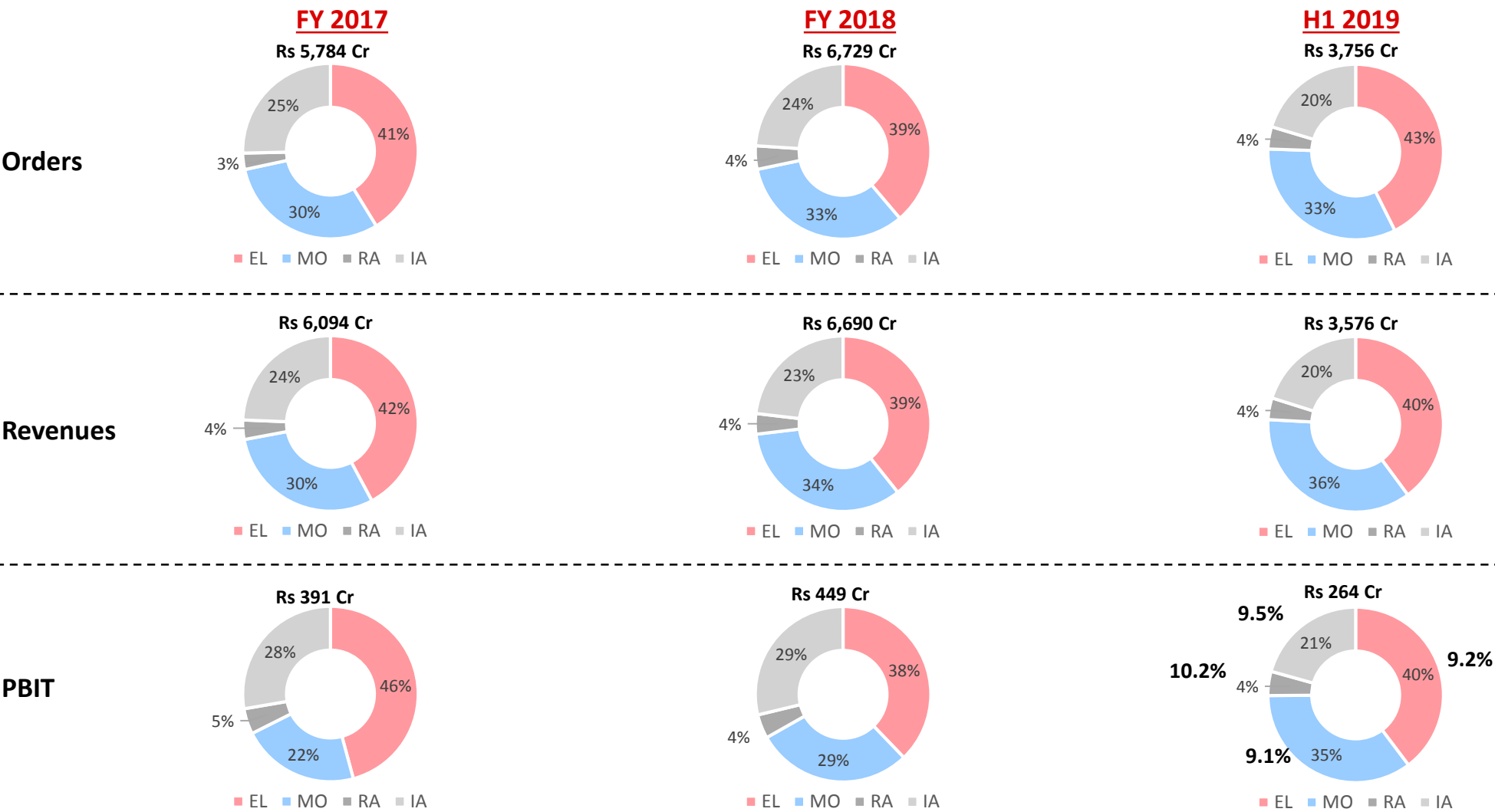


Revenue 1,726 Crs  
(Products – 77%  
Projects – 8%,  
Services – 16%)



■ Products    ■ Project    ■ Services

# Share of total orders, revenues & PBIT by division



## Key Ratios - trending in right direction

Profitability	FY 16	FY 17	FY 18	H1/19
EBITDA margin	9.4%	7.8%	8.1%	8.6%
EBIT margin	7.7%	6.2%	6.7%	7.4%
PBT %	6.2%	5.5%	5.9%	7.0%
PAT %	4.1%	3.7%	3.8%	4.4%
ETR	34.7%	32.5%	35.7%	36.8%
ROCE*	11.4%	11.6%	12.7%	13.3%
FY 16 includes PG and FY 17 onwards is only for Non-PG and for ROCE total is considered				
* Considered rolling PAT (H1 2019 + H2 2018)				

Per Share Data (Rs.)	FY 16	FY 17	FY 18	H1/19
Earning per share (EPS) - Cont		10.64	12.00	7.49
Earning per share (EPS) - Discont		9.18	12.11	4.14
Earning per share (EPS) - Total	17.67	19.82	24.11	11.63
Cash Earning per share (CEPS)*	37.74	37.36	29.52	28.49
Book Value per share (BVPS)	155.10	151.33	189.11	195.65
Dividend per share (DPS)	4.00	4.40	4.80	

Gearing Ratio (x)	FY 16	FY 17	FY 18	H1/19
Net Debt / Equity	0.18	0.17	-	-
Net Debt / EBITDA	0.74	0.74	-	-
NWC %	1.55	1.33	1.62	1.58

Net working Capital	FY 16	FY 17	FY 18	H1/19
DSO (days)	131	116	109	109
DPO (days)	107	124	120	112
DIH (days)	66	84	80	76
Cash conversion cycle (days)	89	76	68	73

## Actual vs. Consensus

Rs. Crores	Actual	Consensus Estimates	Variation to consensus	Commentary
Revenue	1,725.8	1,870.9	(145.1)	Sluggish offtake due to elections, weak macros; 1st quarter of FY 19-20
EBITDA	123.9	139.4	(15.5)	Driven by volumes and mix
EBITDA Margin (%)	7.2	7.5		
PAT	69.7	85.9	(16.2)	Driven by volumes and mix

**ABB**