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ANALYST CALL, NOVEMBER 13 2019

# Steady growth in mixed markets

Q3 2019



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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.

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- costs associated with compliance activities
- market acceptance of new products and services
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# Agenda

## Key highlights

Market overview & business performance

Financials

# Macro Economic Snapshot 2019

## Govt announces measures to spur growth in mixed markets

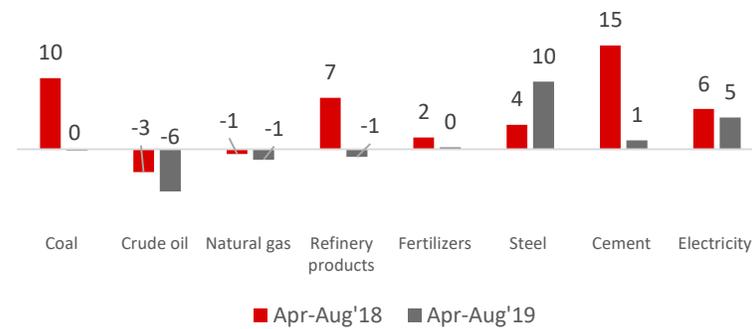
### Positive

- Central PSU's pledge capex of INR 50,000 crore in Oct-Dec quarter to increase fixed asset creation
- Govt approved 100% FDI in contract manufacturing making the economy more lucrative for investors
- In a bid to boost manufacturing, Govt reduced corporate tax rates by 10 percentage point

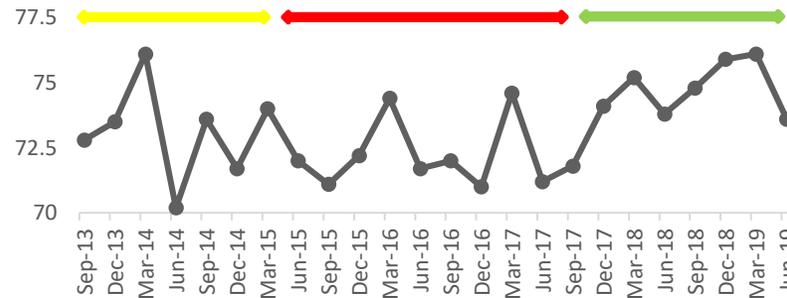
### Negative

- Driven by subdued demand, especially in capital goods segment, Aug'19 manufacturing PMI remains stagnant at 51.4
- IIP for the month of August declined by -1.1% yoy with capital goods segment falling by 7.9%
- GFCF grew just by 4% in the quarter ending Jun'19, its lowest in the last 3 years similarly PFCE fell to just 3.1%

### Core Sector Growth (in %)



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



### RBI Forecast for FY2019

- 6.2% GDP growth
- 5.5% PFCE (consumption) growth
- 6.0% of GDP - GFCF (Investment)
- 3.5% CPI
- 3.3% of GDP – Fiscal deficit
- 1.9% of GDP – Current account deficit
- 12.0 bank credit growth

# A journey of creating value for all stakeholders

Long term value accretion through varying market conditions and opportunities

INR crore	FY 2017	FY 2018	9M 2019
Orders Received	5,784	6,729	5,374
Order Backlog	3,835	4,227	4,372
Revenue	6,094	6,690	5,322
Operational EBITDA	337	377	377
Operational EBITDA Margin(%)	5.5	5.6	7.1
PBT	334	395	364
PBT%	5.5	5.9	6.8
PAT	225	254	237
PAT%	3.7	3.8	4.5

- All major indicators point to a consistent performance in orders, revenue and profitable growth for CY 2019
- Resilient, diversified order-book and inflows are not dependent on vagaries of capex cycle
- Improvement in Operational EBITDA margins to 7.1% from 5.5% in FY17 is the result of:
  - Better product mix
  - Improved value offering
  - Production efficiency

# Q3 2019: Steady growth in mixed markets

## Q3 2019 vs Q3 2018

Orders	Revenue	<b>Attractive growth</b>
<b>Rs 1,606 Cr</b>	<b>INR 1,746 Cr</b>	
5 %	17%	<b>Stronger margins</b>
PBT	PAT	
<b>INR 113 Cr</b>	<b>INR 79 Cr</b>	<b>Optimized capital allocation</b>
108%	121 %	

- Order, revenue and profitable growth momentum maintained
- Service, transportation and energy efficiency equipment as growth drivers
- EL & MO continue growth journey; RA & IA navigating headwinds

- Portfolio mix drives operating margins
- Consistent cash performance amidst liquidity headwinds

- Continued investment in facility expansion, R&D, special customer connect initiatives

## 9M 2019 vs 9M 2018

Orders	Revenue
<b>Rs 5,374 Cr</b>	<b>INR 5,322 Cr</b>
11 %	13%
PBT	PAT
<b>INR 364 Cr</b>	<b>INR 237 Cr</b>
88%	89 %

# ABB India – Q3 2019 Highlights

Compact substations and RMUs for Ranchi and Ujjain smart city



Significant order for drives propulsion system for Indian Railways and 33kV GIS for metros



A range of O&G orders in electrical, control, SCADA, instrumentation & power mgmnt



Orders for energy efficient HT Motors from global pumps n fluid control major



Order for ArTuK panels for steel major



Cross border collaboration: CCP Dhaka & Chittagong in Bangladesh

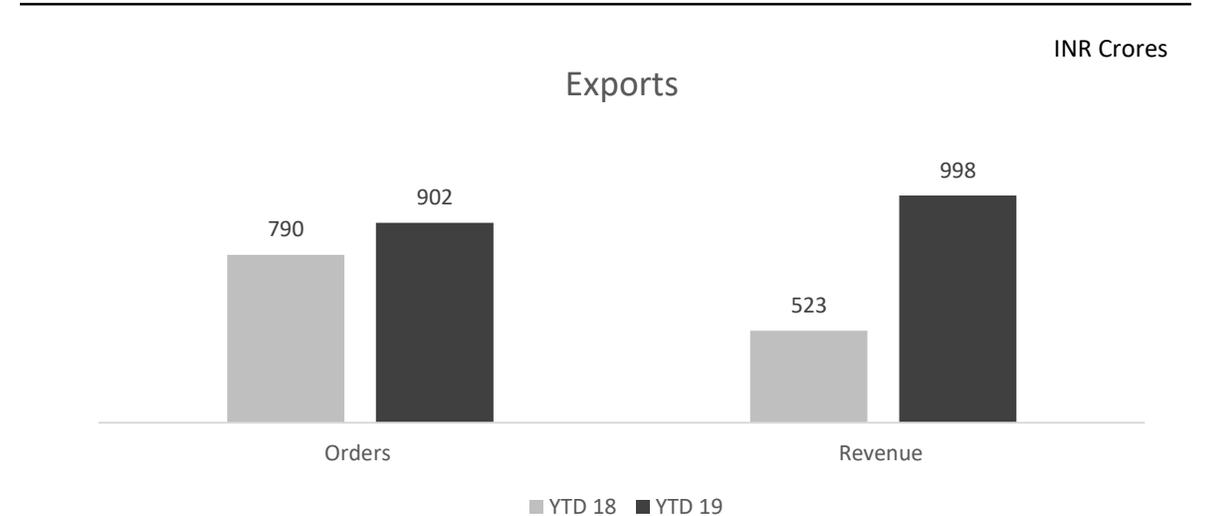
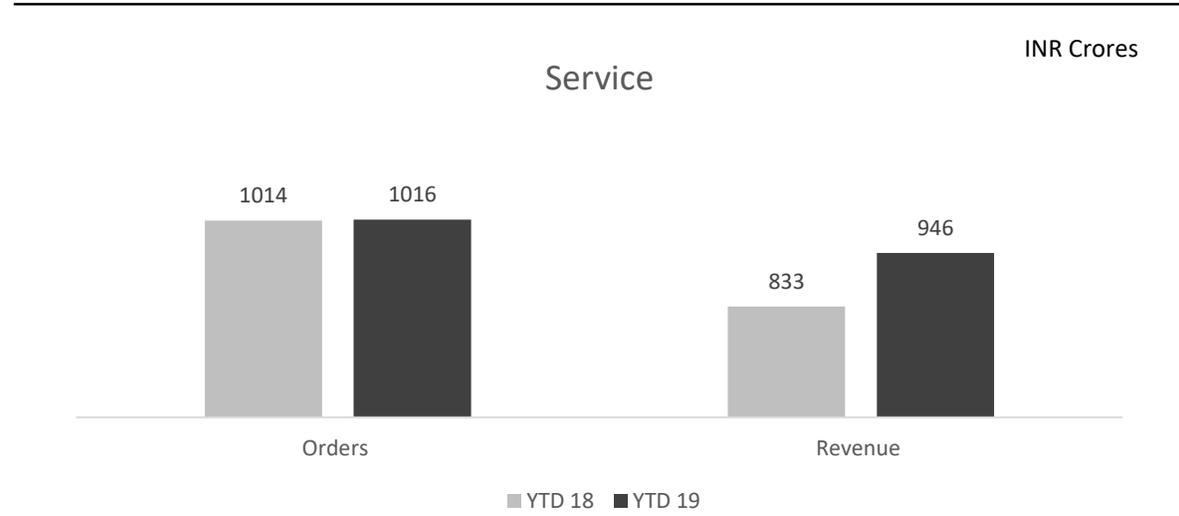


# Service and export portfolio

Optimizing growth in times of transformation

Service: A steady growth driver with transforming potential

Exports: Stable performance amidst global volatility



- In a mixed market service provides opportunities across businesses
- Technology transformation as a catalyst – smart factory, remote monitoring, from retrofits to lifecycle management etc.

- Strong presence across multiple geographies with a diversified base
- Leveraging order backlog with good execution

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# Agenda

Key highlights

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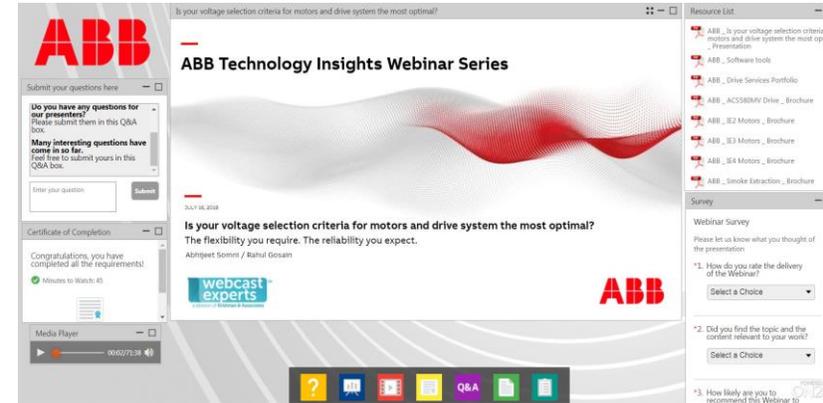
Financials

# Electrification

Strong execution driving growth in Q3

## Highlights

- Growth in industry, power distribution and data centers result in opportunities in a mixed market
- Fruits of a solid order backlog especially in distribution and seamless execution for revenue growth
- MoU with a leading private distribution company in the national capital to improve the power distribution network, focusing on safety, reliability and flexibility for future



Webinars on digitally enabled power equipment like switchgears



Commissioning of major hospitality chain in Amritsar powered by ABB switchgears and leading hospitality chain in Calcutta with ABB building automation

# Motion

Continuing solid growth momentum in Q3

## Highlights

- Continued strong performance by product & service business
- High growth in traction revenue, supported by service revenue increase by 51%
- Penetration to Tier II & III cities through channel partners
- Quarter marked by higher volumes and better pricing management



More than 200 connected devices (drives and motor smart sensors) added to the portfolio

Transport continues to be a growth driver with propulsion equipment



# Industrial Automation

Optimizing opportunities but sectoral headwinds impact performance

## Highlights

- Muted demand impacts sectoral investments
- Gaining foothold as electrical and automation partner in pharma
- Innovative measurement solutions gain traction with steel companies and large instrumentation order received to lower emissions from a thermal power plant



To make in India, mine in India – first digitalization order from the mining sector



Demand for precision equipment like FTNIR analyzers for blending applications and flowmeters for water utilities

# Robotics and Discrete Automation

Navigating headwinds by expanding application base

## Highlights

- Impact of the slowdown in the auto sector for the past 3-4 quarters impacted performance
- Focus on specific applications and expansion to other sectors to drive future growth
- Continue focus on seamless execution – the quarter was marked execution of orders from automotive technology and engineering and dairy companies



Applications for automotive engineering to a US joint venture based dairy company

# Power Grids

Sustaining focus during transformation

## Highlights

INR Crores

Quarter	Orders	Revenue	PBT	PAT	PAT%
Q3 2018	828	1,023	112	73	7.2
Q3 2019	1,164	1,007	82	56	5.6
9M 2018	2,581	3,030	289	187	9.5
9M 2019	2,026	2,954	221	144	4.9

- Order for transformers & reactors from POWEGRID
- Order for transformers, GIS & reactors from infra companies
- Order for locomotive traction transformers for railways and metro
- Order for GIS substation from a state utility

## Going forward

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



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# Performance Highlights Q3 and 9M, 2019

Credible performance continues

Particulars	<u>Q3/19</u> <u>vs</u> <u>Q3/18</u>	<u>YTD/19</u> <u>vs</u> <u>YTD/18</u>
Orders	5%	11%
Revenues	17%	13%
PBT	108%	88%
PAT	121%	89%

## Highlights

- Order, Revenue & profitable growth momentum maintained
- Solid cash position amidst liquidity headwinds
- While EL & MO are navigating the market headwinds, RA & IA facing challenges

# ABB India Ltd

## Continuing operations for Q3, 2019

INR Crores

### Q3 Performance

Q2, 2019	Performance Indicator	Q3, 2019	Q3, 2018	Change	9M 2019	9M 2018	Change	FY 2018
1,873	Base Orders Received	1,606	1,527	+5%	5,258	4,663	+13%	6,292
116	Large Orders Received	-	-		116	167		437
<b>1,989</b>	<b>Total Orders Received</b>	<b>1,606</b>	<b>1,527</b>	<b>+5%</b>	<b>5,374</b>	<b>4,830</b>	<b>+11%</b>	<b>6,729</b>
4,656	Order Backlog (end of period)	4,372	5,077		4,372	5,077		4,227
1,726	Revenue	1,746	1,492	+17%	5,322	4,724	+13%	6,690
113	Profit Before Tax (PBT)	113	54	+108%	364	194	+88%	395
6.5	PBT %	6.5	3.6		6.8	4.1		5.9
70	Profit After Tax (PAT)	79	36	+121%	237	126	+89%	254
4.0	PAT %	4.5	2.4		4.5	2.7		3.8
134	Operational EBITA	119	47	+154%	377	189	+99%	377
7.8	Operational EBITA%	6.8	3.1		7.1	4.0		5.6
18	Operating Cash Flow (OCF)*	67	4		141	86		449

Note: For Continuing Business

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

## Quarterly financial summary

Rs/Crores	Q3/19	Q3/18	Q2/19	9M/19	9M/18	FY 2018
Sales	1,745.6	1,491.6	1,725.8	5,321.6	4,723.8	6,690.1
Other Income	16.4	26.9	20.4	55.9	68.0	84.0
Material Cost	1,135.2	975.8	1,124.6	3,526.4	3,188.3	4,513.7
<b>% to sales</b>	<b>65.0</b>	<b>65.4</b>	<b>65.2</b>	<b>66.3</b>	<b>67.5</b>	<b>67.5</b>
PeX	139.5	139.5	136.1	433.1	429.1	529.5
<b>% to sales</b>	<b>8.0</b>	<b>9.3</b>	<b>7.9</b>	<b>8.1</b>	<b>9.1</b>	<b>7.9</b>
Other Opr. Expenses	347.5	312.9	341.2	969.3	864.1	1,189.2
<b>% to sales</b>	<b>19.9</b>	<b>20.9</b>	<b>19.8</b>	<b>18.2</b>	<b>18.3</b>	<b>17.8</b>
Depreciation	22.7	23.6	22.0	68.0	68.9	92.8
<b>% to sales</b>	<b>1.3</b>	<b>1.6</b>	<b>1.3</b>	<b>1.3</b>	<b>1.5</b>	<b>1.4</b>
Interest	4.4	13.7	9.6	16.6	48.6	53.9
<b>% to sales</b>	<b>0.3</b>	<b>0.9</b>	<b>0.6</b>	<b>0.3</b>	<b>1.0</b>	<b>0.8</b>
<b>PBT</b>	<b>112.7</b>	<b>53.1</b>	<b>112.7</b>	<b>364.0</b>	<b>192.9</b>	<b>395.1</b>
<b>% to sales</b>	<b>6.5</b>	<b>3.6</b>	<b>6.5</b>	<b>6.8</b>	<b>4.1</b>	<b>5.9</b>
Tax	33.9	17.5	42.9	126.5	67.3	141.0
<b>% to sales</b>	<b>1.9</b>	<b>1.2</b>	<b>2.5</b>	<b>2.4</b>	<b>1.4</b>	<b>2.1</b>
<b>PAT</b>	<b>78.8</b>	<b>35.5</b>	<b>69.7</b>	<b>237.6</b>	<b>125.5</b>	<b>254.2</b>
<b>% to sales</b>	<b>4.5</b>	<b>2.4</b>	<b>4.0</b>	<b>4.5</b>	<b>2.7</b>	<b>3.8</b>

### Key pointers

- Revenue and profitability growth momentum maintained.
  - Revenue growth witnessed in all key segments except RA due to slowdown in auto industry
  - Higher capacity utilization drives profitability in EL & MO
- Other expenses increased on account of increase in rates and taxes and services from third parties.
- Effective tax rate: Lower tax rate due to change in corporate tax rates. Effective tax rate for the quarter is 30.1% net of 'true down' impact of deferred assets.

# ABB India Ltd

## Segmental performance

Continuing Business as per SEBI disclosure

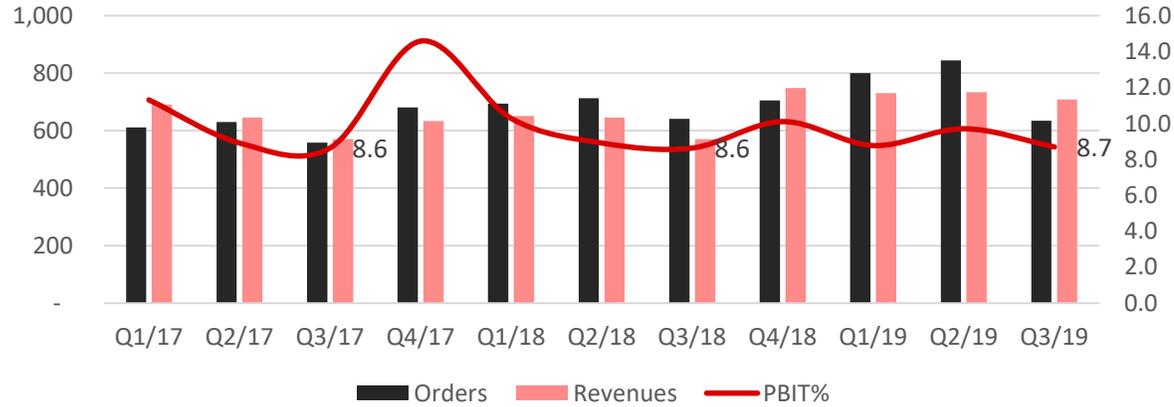
INR Crores

Divisions	For Q3, 2019			For Q3, 2018			For Q2, 2019		
	Sales	PBIT	PBIT %	Sales	PBIT	PBIT %	Sales	PBIT	PBIT %
EL	709	62	8.7	571	49	8.6	734	71	9.7
IA	404	25	6.2	345	39	11.3	378	34	9.0
MO	606	59	9.7	522	45	8.6	602	50	8.3
RA	60	1	1.7	69	7	10.1	68	6	8.8
ZC PG (Non Core)	21	5		24	(19)		15	(14)	
ZC Others	9	(35)		14	(53)		15	(25)	
<b>Net (after internals)</b>	<b>1,746</b>	<b>117</b>	<b>6.7</b>	<b>1,492</b>	<b>68</b>	<b>4.6</b>	<b>1,726</b>	<b>122</b>	<b>7.1</b>
PG (gross)	1,029	86	8.4	1,032	118	11.4	1,086	102	9.4

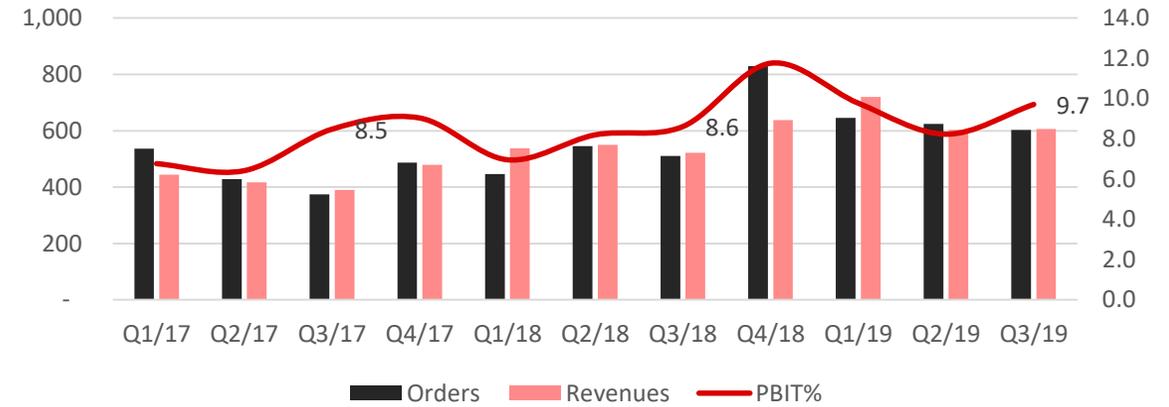
Divisions	For YTD, 2019			For YTD, 2018			FY 2018		
	Sales	PBIT	PBIT %	Sales	PBIT	PBIT %	Sales	PBIT	PBIT %
EL	2,174	197	9.1	1,868	174	9.6	2,616	250	9.6
IA	1,144	95	8.3	1,024	117	11.9	1,540	190	12.3
MO	1,928	178	9.2	1,610	127	8.3	2,250	192	8.5
RA	207	16	7.7	194	19	9.8	252	29	11.5
ZC PG (Non core)	45	(13)		139	(42)		239	(43)	
ZC Others	108	(92)		104	(152)		132	(169)	
<b>Net (after internals)</b>	<b>5,322</b>	<b>381</b>	<b>7.2</b>	<b>4,724</b>	<b>243</b>	<b>5.1</b>	<b>6,690</b>	<b>449</b>	<b>6.7</b>
PG (gross)	3,023	238	7.9	3,062	307	10.0	4,222	466	11.0

# Quarterly Trend

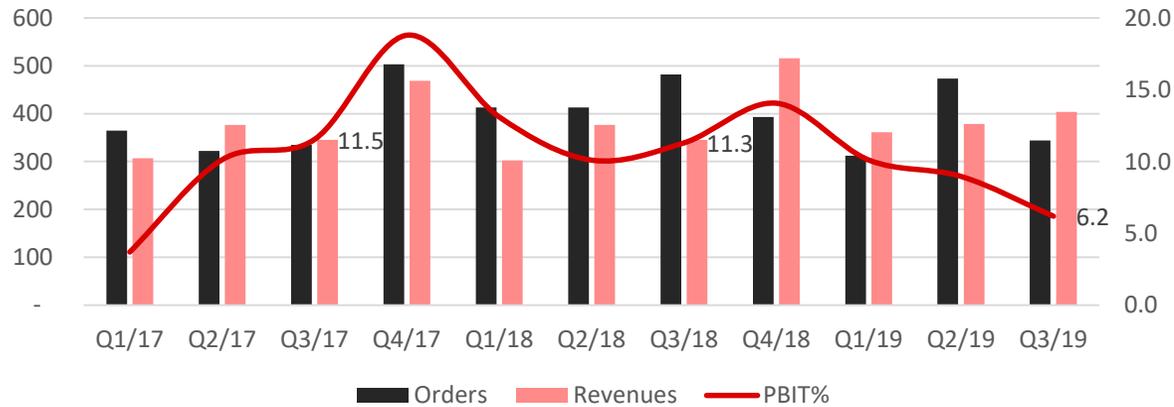
### Electrification Products



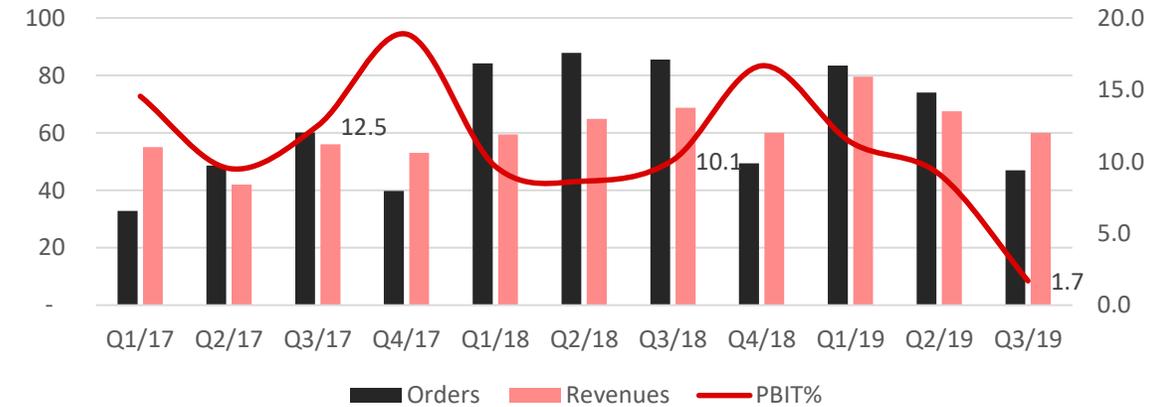
### Motion



### Industrial Automation



### Robot Automation



## Key Ratios - trending in right direction

Profitability	FY16	FY17	FY18	YTD/19
EBITDA margin	9.4%	7.8%	8.1%	8.4%
EBIT margin	7.7%	6.2%	6.7%	7.2%
ETR	34.7%	32.5%	35.7%	34.7%
Net Margin	4.3%	3.6%	3.8%	4.5%
ROCE*	11.4%	11.6%	12.7%	13.6%
FY16 includes PG and FY17 onwards is only for Non-PG and for ROCE total is considered				
* Considering rolling PAT for YTD 2019 (YTD 2019 + Q4 2018)				

Gearing Ratio (x)	FY16	FY17	FY18	YTD/19
Net Debt/Equity	0.18	0.17	-	-
Net Debt/EBITDA	0.74	0.74	-	-
NWC %	1.55	1.33	1.62	1.57

Per Share Data (Rs.)	FY16	FY17	FY18	YTD/19
Earning per share (EPS) - Continued		10.64	12.00	11.21
Earning per share (EPS) – Discontinued		9.18	12.11	6.81
Earning per share (EPS) – Total	17.67	19.82	24.11	18.02
Cash Earning per share (CEPS)*	37.74	37.36	29.52	44.55
Book Value per share (BVPS)	155.1	151.33	189.11	201.41
Share price	1,199	1,440	1,465	1,521
Dividend per share (DPS)	4.00	4.40	4.80	
* Considering rolling cash from operations for YTD 2019 (YTD 2019 + Q4 2018)				

Net Working Capital	FY16	FY17	FY18	YTD/19
DSO (days)	131	116	109	105
DPO (days)	107	124	120	105
DIH (days)	66	84	80	82
Cash conversion cycle (Days)	89	76	68	82

## Actual vs. Consensus

Rs. Crores	Actual	Consensus Estimates	Variation to consensus	Commentary
Revenue	1,746	1,653	93	Higher revenues reported by all the segments other than RA due to auto industry slow down
PBT	113	111	2	Driven by volumes and mix
PBT Margin (%)	6.5	6.7		
PAT	79	85	(6)	Market considers absolute reduction of tax cost. Whereas the same to be adjusted for the true down impact of 'deferred tax assets' over the balance part of accounting year

**ABB**

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## Key Ratios - Glossary

**Earning Per Share (EPS):** Earnings per share (EPS) serves as an indicator of a company's profitability per share.

**Cash Earning Per Share (CEPS):** A more conservative measure of performance of a company, CEPS measures per share operating cash flow generated by the company.

**EBITDA Margin:** EBITDA margin is assessment of a firm's operating profitability as a percentage of its total revenue. It gives clear view of a company's operating profitability and cash flow.

**Net Debt / Equity:** A measure of company's leverage; this represents the share of debt in company's funding source.

**Net Debt/ EBITDA:** This is also a measure of company's leverage and represents firm's ability to repay its debt with operating profit it generates.

**Net Working Capital (CA/CL):** This represents the company's liquidity or ability to pay off short-term debts.

**Days Sales Outstanding (DSO):** This represents the average number of days firm takes to fully collect payment after making a sale.

**Days Payable Outstanding (DPO):** Average time (in days) that a company takes to pay its bills and invoices to its suppliers, vendors etc.

**Days Inventory Holding (DIH):** The average number of days the company holds inventory.

**Cash Conversion Cycle (CCC):**  $DSO + DIH - DPO$