ABB India

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Operator: Ladies and Gentlemen, good day and welcome to ABB India Limited Q4 October to December quarter CY 2025 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch-tone phone. Please note that this conference is being recorded. Any unauthorized recording of this call is strictly prohibited. The recording will be made available on the company's and SEBI's websites subsequently. I now hand the conference over to Mr. TK Sridhar, Chief Financial Officer of ABB India Limited. Thank you and over to you, sir.

Management: Thank you, Michelle. A very good morning to all of you. Welcome to the Q4 2025 investors call, which also covers the full year for ABB. Along with me on the call, I have Sanjeev Sharma, Managing Director of ABB India Limited; Kiran and Ganesh from the Electrification division; Sanjeev Arora leading Motion; and we also have Balaji for Automation. Without wasting a minute now, Sanjeev, over to you.

Management: Thank you, Sridhar. Good morning to all of you and thanks for joining this call. We will give you some business highlights followed by Sridhar supporting the financial highlights.

To highlight for the people who are joining us for the first time, ABB Group is a 140-year-old company which has sustained itself over various industrial cycles. The core reason for that is that it is an innovative company that keeps rediscovering itself based on how we add productivity and value to our customers. In India, ABB has been present in manufacturing for over 75 years. Our expertise in the portfolio is on electrification and automation. These are the sweet spots in terms of how the world is developing and how India is electrifying and automating everything. That is where our portfolio is positioned.

We have a substantial footprint, operating out of 4 manufacturing locations spread across the country. We have 28 sales offices for deeper penetration with 750 plus partners. We have 25 shop floors with distinct product manufacturing and we are exporting to 30 countries from India.

When you look at the business highlights for CY 2025, it has been a very consistent growth compared with our previous years. We had the highest ever orders at 14,115 crores, which was 8% growth. If you look at the CAGR growth from 2021 onwards, it has been 16%. Our backlog is at its strongest at 10,471 crores. It has grown by 12%, and the CAGR for the last 5 years is 41%.

Our revenue grew by 8% to 13,200 crores and the 5-year CAGR is 17%. PBT in 2025 was 2,230 crores with a margin of 16.9%. Our CAGR has been 39% and Profit After Tax is 1,669 crores. The EPS grew by 33% CAGR over the last 5 years and is currently at 78.78. The final dividend declared and approved by the board is 29.59 per share. The Return on Capital Employed is 21%, which we feel good about in terms of how we manage our 18 businesses operating in 23 market segments.

If we focus on Q4 CY 2025 financial performance, we had 52% order growth in this particular quarter and 27% base business growth. This is very encouraging after a few prior quarters that were not as strong because the market was taking a breath after 5 years of strong growth. We now see good signs in the last quarter and continue to see the market building up in the current quarter and going forward.

Regarding innovation and investments, we are continuing to expand our portfolio across various divisions. We added a new line for energy-efficient drives and launched the next generation of machinery drives. When we introduce these, we focus on localization, which opens up new market segments and provides deeper penetration into the existing customer base. That is why our business continues to compound growth year over year.

On the sustainability side, we are proud that ABB India is only the fourth company in India to receive the AWS Gold Certification for water stewardship for our Nelamangala facility. This shows we are conscious of our role in sustainability. Our ESG initiatives cover 51% of our suppliers. We continue to receive various recognitions, the latest being from GRIHA for sustainability excellence and inclusion in the National Stock Exchange's ESG Leaders rating.

Strong order momentum was visible across most segments, namely transport, building and infrastructure, discrete industries, process industries, renewables, and data centers. Our order backlog stands at 10,471 crores. These are the sweet spot industries for the country with a long runway of growth ahead. Our customers value our products, technology, and the deep relationships we maintain.

The breadth of our wins demonstrates the diversity of our portfolio. For example, we provided rectifier solutions for a large infrastructure and manufacturing major, and supplied low-voltage switchgear for a major data center. In data centers, computing power requires significant energy, and our low-voltage and medium-voltage switchgear, backed by our UPS systems, enables that. On the utility side, our motors and drives participate in air conditioning and cooling.

We also provided propulsion systems for Indian Railways, an area where the Government of India has long-term plans. We supplied electric powertrain solutions for a metals major, combining drive and motor capabilities to save energy. We worked on an ethylene cracker in a petrochemical project and provided robotics for an automotive company. Both established and new players are showing confidence in our robotic solutions.

A key recipe for our growth is continuous engagement with existing, undiscovered, and new geographic customers. This has been our drumbeat for years. We make sure customers are comfortable with our offerings and appreciate the value we add.

Our focus remains on 23 diverse market segments. Emerging industries include renewables, electronics, data centers, infrastructure, and transport. We are very optimistic about India and stay consistent in serving these segments whether they are up or down. We do not chase only the high-growth segments while neglecting others. This results in consistent loyalty from our customers.

The India-Europe Free Trade Agreement (FTA) has been signed. While it may take about 6 months to be ratified and for the benefits to show, it is a net positive for India. It creates a two-way street of confidence, allowing us to deploy more portfolio and integrate our supply chains back into the EU, where we have a large technology base.

Regarding the Union Budget 2026-27, we believe there is significant support for emerging industries, infrastructure, and transport. This will play out over the next few years. It gives us the confidence to invest in our capacities and capabilities to serve these expanding markets.

In sustainability, we have reduced our greenhouse gas emissions by 87%. Four of our locations have achieved zero waste to landfill and are water positive. ABB is the fourth company in India to receive the AWS Gold Certification. These are not just for presentations; our customers experience these practices when they visit us. Our products also help clients reduce their energy consumption and GHG emissions.

Our CSR initiatives cover education, skilling, diversity, inclusion, and the environment. We have been spending 100% of our CSR allocation for the last 10 years, and as our margins have expanded, our CSR spend has also grown.

Factors we are watching for 2026 are mostly domestically positive: economic power, green energy momentum, smart infrastructure, and lifestyle upgrades including premiumization. Our customers look for reliable and serviceable solutions, particularly in Tier 2 and Tier 3 cities. On the downside, we monitor global uncertainty, though we are well-prepared to deal with volatility in commodity prices and cross-border issues.

I will now hand it over to TK Sridhar to provide more financial highlights.

Management: Thank you, Sanjeev. To summarize Q4 2025, it was a strong quarter for orders. Base orders were up 27% and we benefited from large orders. Order backlog cleared 10,400 crores, providing visibility for future revenue. About 30-35% of this consists of large orders to be executed over time, with base orders filling the rest over the next few quarters.

Revenues were 3,557 crores, up 6%. Profitability was 15.4% for PBT and 12.2% for PAT, with a cash balance of 5,694 crores. Material costs were higher at 61% compared to 58% previously. We consciously decided to use imported material to address supply concerns, which proved beneficial for reliability. Forex and commodity prices also contributed to higher costs. We also saw the stabilization of the price premiumization that was possible during the post-COVID pent-up demand period.

Personal expenses included a 65 crore impact related to labor costs, which we handled as part of normal expenses rather than an exceptional item to be conservative. We gained from commodity derivatives, which offset some exchange rate hits.

On a per-division basis:

Electrification orders were up 43%, helped by a good order from Siemens and base order traction. Revenue grew 6%. Backlog is approximately 3,300 crores with a PBT margin of 21.4%.

Motion saw orders up 25%, aided by the transport sector. This does not include the Titagarh order announced in February, which will appear in Q1 2026. Revenues grew 7% and the backlog is 4,200 crores. Profitability was constant at 16.5%.

Process Automation saw 34% order growth as delayed decisions from previous quarters were finally made. PBT was 14.7%, driven by the service business.

Robotics grew significantly to 570 crores for the quarter due to a large automotive order. Backlog is very strong, and profitability is higher.

Geographically, exports were 10% because the domestic business grew faster. Our channel mix remains strong across OEMs and EPCs. We can now start taking questions.

Operator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Renu Bagalia from IIFL Capital. Please go ahead.

Renu Bagalia – IIFL Capital: Good morning and congratulations on the strong results. Sanjeev, excluding the automotive large order in Robotics, your comments have been positive on the environment for 2026. Regarding investment sentiment, has it improved or is it expected to accelerate? Secondly, margins for last year were about 16% annualized, excluding the labor code impact. With improving demand, can we expect margins to improve or will they remain range-bound?

Management: Regarding demand, it looks positive across our 18 businesses. We saw a build-up in Q4 after a breather in early 2025. We will watch how the quarters in 2026 build up, but market engagement is moving in the right direction. Emerging market segments are very strong, infrastructure has good traction, and core industries—which are 52% of our volume—are showing green shoots in metals and oil and gas.

Regarding margins, our PBT was 16.9% in 2025. If you adjust for the labor code impact, it is around 17.5% compared to 20.5% the previous year. That gap is mostly due to forex, commodity prices, and the stabilization of market pricing. Going forward, private capex is expected to revive. Risk factors remain forex and metal prices. We believe a PAT margin between 12-15% looks sustainable. Volume growth beyond 6-7% would be the next lever for margin accretion.

Operator: The next question is from the line of Atul Tiwari from JP Morgan. Please go ahead.

Atul Tiwari – JP Morgan: What proportion of your cost of goods is imported from the EU and what is the weighted average tariff? Has the QCO impact continued in this quarter?

Management: Most of our imports are from the EU as our parent factories are there. We are an net importer with roughly 20% of revenues represented by imports. Tariffs depend on specific product classifications. Regarding QCO, we strategically stocked imported material in 2025, which will be consumed over the next two quarters, keeping material costs slightly higher.

Management: To clarify on QCO, there is no "rollback." The timelines for implementation were extended to allow for more testing due to lab availability. The first phase is in effect and we have tested our products accordingly. The second phase has been given more time.

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

Umesh Rout – Nomura India: Regarding the 23 diverse markets, some segments like auto and food and beverages have moved toward a modest midterm outlook, yet you are optimistic. Can you help with the contribution from emergent industries?

Management: 10% of orders are exports and 90% are domestic. Of that domestic portion, 52% is from the core sector and roughly 25% is from emerging sectors and the automotive industry. When a segment becomes very large, the percentage growth rate normalizes, but the absolute size remains significant. Our strategy is to increase penetration and customer coverage in those larger segments.

Operator: The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar – ICICI Securities: Can you help us understand the order prospects for data centers compared to the beginning of 2025?

Management: We see a very strong pipeline. Both hyperscalers and large Indian business houses have big plans. Beyond hyperscale, we see momentum in co-locations. The AI summit has also highlighted future demand. We are seeing capacities moving from megawatt to gigawatt levels. We cater to the entire bandwidth, from low-voltage components for partners to direct large-scale electrification for hyperscalers.

Operator: The next question is from the line of Amit Mahavar from UBS Securities. Please go ahead.

Amit Mahavar – UBS Securities: We concluded 2025 with 30% growth in base orders. Do you think 2026 shift the ordering rate to what we saw three or four years ago, given data centers and metals?

Management: Our Process Automation division is seeing a revival. Decision-making stalled in the first half of 2025 but has started moving. We see good opportunities in oil and gas, power generation, and specialty chemicals. There are both greenfield projects and modernization opportunities. In metals and mining, there are several big-ticket items in the pipeline. We have a positive outlook for the year.

Operator: The next question is from the line of Sameer Thakur from Ambit Capital. Please go ahead.

Sameer Thakur – Ambit Capital: What is the data center exposure in sales and backlog? Also, what is the pricing trend across divisions?

Management: Data centers represent roughly 10-11% of our 10,471 crore backlog. Regarding pricing, customers always want lower prices, but we balance this by localizing and focusing on professional premiumization. We don't see critical pricing pressure at this point except in one or two specific products.

Operator: The next question is from the line of Shubadeep Mitra from Nuvama. Please go ahead.

Shubadeep Mitra – Nuvama: You mentioned a 12-15% sustainable range—was that for margins or topline growth?

Management: That refers to the PAT margin corridor. Our revenue growth was 8% in 2025, and our target is always to achieve double-digit revenue growth. We need to see how the market proceeds in 2026 to hit that target.

Operator: The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel – Equirus Securities: Process Automation orders haven't kept pace with other segments over the last three years. Have we lost market share?

Management: We have performed in line with the segment's development. We are selective and focus on high-quality projects where our domain expertise is valued. It is a cyclic area. We saw expansion last quarter and the pipeline is building nicely for coming quarters.

Operator: The next question is from the line of Mohit Pande from Citi Group. Please go ahead.

Mohit Pande – Citi Group: Could you comment on competitive intensity, including Chinese competition?

Management: Competition is largely from established domestic and international players. We haven't seen a significant direct impact from Chinese players recently, though they appear in certain large projects. We are a global company and are used to facing these competitors. We focus on staying number one or two in our chosen areas.

Operator: The next question is from Parikshit Khandpal from HDFC Securities. Please go ahead.

Parikshit Khandpal – HDFC Securities: On the data center portfolio, what percentage of the global parent's solutions are we servicing from India? And when will high-efficiency products like solid-state breakers come to India?

Management: As the power intensity of data centers increases, the global parent is researching new technologies like solid-state breakers. These technologies are available to us seamlessly whenever an Indian customer's design criteria demand them. We are already introducing these high-efficiency ideas to domestic players, and it depends on how their design requirements evolve.

Operator: Thank you. I would now like to hand the conference over to Mr. TK Sridhar for closing comments.

Management: Thank you for moderating the call. Thank you to everyone for your interest and support. Your clarifications help us provide more relevant data. We look forward to meeting again for the next quarter's call.

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