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Attn: Listing Dept.

Dear Sirs

Sub: Transcript of Analyst concall

We are sending herewith a copy of the transcript of conference call with analysts, which took place on July 20, 2017, post announcement of Q2 2017 results of the Company. The said transcript is also uploaded on the Company's website.

Thanking you

Yours faithfully
For ABB India Limited

B Gururaj
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Encl: as above

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"ABB India Limited Q2 2017 Earnings Conference Call"

July 20, 2017

MANAGEMENT: MR. SANJEEV SHARMA – MD, ABB INDIA LIMITED
MR. T. K. SRIDHAR – CFO, ABB INDIA LIMITED
MR. PETER STIERLI – ABB INDIA LIMITED
MR. SUBIR PAL – PRESIDENT, ROBOTICS & MOTION
MR. AKILUR RAHMAN – CTO, ABB INDIA LIMITED
MR. C. P. VYAS – PRESIDENT, ELECTRIFICATION PRODUCTS
MR. PITAMBER SHIVNANI – PRESIDENT, POWER GRIDS
MR. KARTHIK KRISHNAMURTHI – COUNTRY MARKETING & SALES MANAGER
MR. MADHAV VEMURI – PRESIDENT, INDUSTRIAL AUTOMATION

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 2017 Earnings Conference Call of ABB India Limited. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. T. K. Sridhar – CFO, ABB India. Thank you and over to you, Sir.

T. K. Sridhar: Thank you Stanford. Good afternoon to all of you Ladies and Gentlemen, welcome to the Q2 and H1 results call of ABB India Limited. I have with me Sanjeev Sharma the MD of ABB India; Subir Pal, Local Division Manager for Robotics and Motion; C. P. Vyas, Local Division Manager for Electrification Products; Pitamber Shivnani, Local Division Manager for Power Grids, and I have the Country Marketing and Sales Manager, Karthik Krishnamurthi. Madhav Vemuri, Local Division Manager for Industrial Automation will join us soon and along with me or also the communication colleagues. Without wasting time, over to you, Sanjeev.

Sanjeev Sharma: Thank you Sridhar, and a very good afternoon to everyone on the call - thanks for joining today. ABB India continues its focus on three areas as we have been talking about it in each quarter over the last year. We are focusing on utilities, industries, and transportation and infrastructure - this is our core focus area as a company and this is where we have been talking about portfolios, services and customer engagement. This has started paying dividends, quarter over quarter, as it is reflected in a good growth in base orders which indicate that these assignments that we are following despite the mixed markets we have, they continue to reward us for the portfolio and the services we have to offer. Number two, we have been focusing heavily on our operational performance, a lot of initiatives are running in the company. Our re-engineered customer focus has started having some impact on our inventory terms and cash cycle. It is a overall balanced story for us in Quarter-2 and first half of the year and we hope that we build momentum on top of it.

Now looking at what we see in the marketplace, I will stay with the theme of the company's utility, industry, transportation, infrastructure. So in utilities, we continue to see growth in investments in renewables, but at the same time we see tariff competitiveness - tariffs are falling and most of the solar and wind sectors, though they are growing, there is also a stress there on the cost. As far as ABB India is concerned, we grew on solar side about 28% in Quarter-2, in renewable. The other thing is we see a shift in the investment profile going forward. If you really see the projected investments, 61% of the projected investment in the power sector will come from the state governments going forward - apart from investments that are taking place in the green energy corridor and intrastate transmission systems. This remains our area of focus. As you all know as we connect more and more renewable energy, of intermittent nature of generation, with the grid system, a lot of smart technologies are required and this is a sweet spot for ABB and we continue to participate there and continue to help the nation to have a stable grid and assure 24 x 7 power to all, a dream that has been set by the current government.

We do see that there is an investment taking place in the food sector, F&B sector, lot of initiatives are there in irrigation and water; the national steel policy is in place, cement we see that the consolidation is taking place and lot of efficiency improvement will come in this particular sector, so that is an opportunity. Indian Railways, metro, electric vehicles these are the initiatives which are ticking in the right direction and we have lot of technologies and lot of portfolio services that go into these segments as well. This is kind of our market engagement and as we see market emerging as we go forward. And of course, we are into the first month of GST implementation. We have a good solid team which started the transition process and so far, we are quite happy in terms of how the transition is happening in our own value chain as well as how our interfaces are working with our customers and our supply partners.

There is a steep learning curve for the entire value chain, but we see this as a net positive change happening to our ecosystem. Going forward if we look into the ABB performance highlights, you can see that the base orders grew 13% year-on-year for the Quarter-2, but if you take the consolidated first half numbers, we grew 20% in orders. Exports, we had a good healthy growth in the export orders, service orders expanded in a good way, quite a healthy expansion there and revenue were held steady across all the divisions, so if I look into all the divisions we have, including service, I can see lot of green color for us in terms of growth compared to last year around this time and also for the first half. We see opportunities to open up as the GST stabilizes in next one to three months, we will see that more professional transactions will be available in the marketplace be it in through channels, distributors, and more product and services will be demanded for ABB which are fast moving. We have business which is in the system side which is the project business and we also have business which is a fast moving business, which is a products business, so we are seeing a healthy growth in all. Especially on the project businesses, we always are very prudent – eg. which kind of contracts we take. We are always going for the contracts which are healthy in terms of the customer credibility, financial rating and terms and conditions offered to us. We have a healthy growth in the quality of orders in that area, I think we will look into our backlog. On the product side, we see good growth happening in terms which have a good turning around cycle for us. Overall, that is the kind of a balance we see across the company's performance. This is from me and I hand it over back to Sridhar.

T. K. Sridhar: Thank you very much Sanjeev. On the macroeconomic conditions, I think they are definitely riding on the reform measures initiated by the government, we are on the right track and the direction is towards setting up the growth momentum for the future. Even though, today we are seeing dullness in the economy because of demonetization followed by the GST at this point of time, give or take three to six months from now, we could see a different set of market indicators in this country. And definitely, while we are looking for it, we are making sure that our basic focus is on base orders which is most important for us as an organization because they are the ones which keeps the factories busy. The order growth which has come in Q2 is I would say 100% on account of base orders, so this gives us more diversified customer profile and with well controlled risk portfolio and also faster execution going forward. In other words, it means revenue predictability becomes stronger and we will be good to have better planning on that. Our order backlog stood at 1.25 times of yearly revenue, so strong order backlog with giving clear visibility of revenues for the future. The mix of this - it is well spread between projects and products and services, we have a mix of RP800 project as you all know and also we have a good inflow from other segments.

Going ahead, revenue is basically dependent on how the market picks up pace, lifts material out, and starts executing the projects which are there, and which we are reasonably confident would definitely have a tick for the future. Coming to the earnings, our expenses are under control, material cost holding onto the 64 percentage levels and personal expenses are slightly higher because we had the yearly increment coming up in this particular quarter and also the actualization impact of the bonus payments which happen in Q2 normally. Other expenses - we are investing for the future, introducing new products, for which we need to undertake type tests and other development expenses required for the market as well as introducing the projects. These are one-off expenses which basically come up in Q2 and going forward I think this is only an investment for the future by which we will be able to deliver to the customer the products they want. Just to repeat, all of you guys know that we have changed over to IndAS from January 1, 2017, so our numbers we have stated are today as per IndAS 2017. You have a changeover in PAT in terms of ECL and receivable discounting and all that stuff which is always there as part of the ECL. This will remain for this particular quarter and difficult to compare on a like-to-like basis, but going forward this should even out from the thing.

Overall, our net working capital actually reduced, so our DSOs have come down to some 120 levels, which was in good impact from where we started this particular year or seven or eight quarters before. For the first time, I could see the receivables coming down to below 3,000 crores which has been consistently above 3,000 crores for the last several years. I would say all around, it was a credible performance by the organization. Flagship of exports and services continue to balance the bottom line, give us better mix of the business revenues. The nation is grappling with the transition to GST, so we are also basically trying to address this internally as well as in arrangements with the external customers. I think the next three months could be where we need to watch out for how the pace of the market is. This is it from our side, so we are now open for questions.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Jay Kakkad from Haitong Securities. Please go ahead.

Jay Kakkad: Sir, first question is on the one-off expense that you mentioned this quarter that is for development of new products and all, can you quantify this number?

T. K. Sridhar: We do not quantify these numbers because these are all for development of introduction of a new product into the market, so Jay we do not quantify those numbers.

Jay Kakkad: Just trying to figure out a recurring number, that is no problem, Sir.

T. K. Sridhar: I can only say it is one-off, so it is one-off for that matter.

Jay Kakkad: Sir, second question is on the export side you mentioned this quarter also was very good in terms of exports, I just wanted to get a sense on, are there more products in the pipeline that will be exported, is engineering services a part of your export or is it a part of shared services business, so I just want to get more flavor on the export side?

Sanjeev Sharma: Jay, as far as export is concerned, I can only say is that our journey has just started. We have a very strong base here in this country for not only the product manufacturing, the localization, and excellent engineering and technology knowhow which our group uses to serve our customers globally, so it is in line with our group's expectation and ambition with us to continue to grow in this area, so I would say given the deeper portfolio we have, I would say we are at the starting stage of the journey.

Jay Kakkad: It is fair to say that new products also can come up based on of course more localization, but new products also can come up for exports, is it a fair assumption over years?

Sanjeev Sharma: To answer your question, there are certain product lines which are doing extremely well and given that success and knowhow that we have of the geography wherein our export, terms and conditions, the payment condition, you need to learn a little bit more about how the world market operates and I think that has given that muscle to add more product lines and services in that direction.

Jay Kakkad: On the engineering part, Sir, is engineering services also part of India entity or is it a part of shared services which is?

Sanjeev Sharma: Most of the engineering exports that we do which are within the group and not for a third-party, are done through our 100% owned entity.

Jay Kakkad: Sir, it will be India listed entity, right?

Sanjeev Sharma: No, the ABB listed entity is the one where we have the product portfolio and the results that you have seen today and then we are talking about the engineering exports which are given within the group, they are from our 100% owned entity which is called GISPL, it is services and product development company.

Moderator: Thank you. We take the next question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, two questions from my side, first if you can highlight little more with respect to, did you see any pre-GST headwinds in the core business and if so with which particular segment especially covering both the government as well as the private sector, do you see a similar kind of rub off impact coming in the third quarter for us because of this? Second question is in the unallocable expenses, we have seen a relative sharp jump this quarter, both on a QOQ and YOY basis, so if you can help quantify what is the key element which is driving that jump, that would be helpful?

T. K. Sridhar: Renu thank you for the question. GST is a change which is impacting every element of the value chain in the organization be it manufacturing, be it a material sourcing, be it logistics, be it servicing the customers. It is a mammoth change, so what we saw in the last month of the quarter - yes, we had some customers were a bit cautious to take the material from us, but we had alternative arrangements. Were we impacted - yes, it was a momentary impact but we definitely saw in the next three weeks to come which is as we are sitting today, so people are actually trying to pick up the material what they left to take over in the month of June, so that is number one.

Number two - how we see it going forward? As I told you, it is a change which we will have to watch out for - how the market is keeping pace with, because people have to really change the way they conduct business. So a decision could be delayed, that is the basic thing which will happen because people have to assess what will be the cost which they will incur in a post-GST era, compared to what they had decided in an pre-GST era. This decision definitely will have to be carefully evaluated, both for us as well as for the customers. Definitely our operations could be even impacted by this, but we have alternate plans to address that and that is where exports come in to us as a great help. That is basically the situation and when you talk about the other unallocated expenses search, I think last year there was a reversal that was one thing and also if you look at it, the personal expenses earlier it need not be passed through the P&L but in the current IndAS scenario, the gratuity evaluations and all have to be passed on through the P&L, so that is one of the impacts what we had. This is an impact which we have for this particular quarter, it is a true up impact and I think going forward it should not be there along with the expenses what we have.

Renu Baid: Sir, just coming back on the GST which you specified, the stance are seeing customer delivery deferments, which segments was it primarily related to, was it largely the T&D or power-grid business or the industrial businesses that we saw in?

T. K. Sridhar: It is more with industry businesses.

Renu Baid: Will it be possible for you to quantify what could be the quantum of sales delivery deferments which you saw in the last quarter?

T. K. Sridhar: It is a gap between what you had estimated to what we have delivered!

Moderator: Thank you. We take the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: I just wanted to ask couple of things on the quarterly results, if I look at the press release the operational EBITDA you mentioned is about 4.2% whereas the one that we reported is 6.6, so the difference between the two you have explained it in the notes there, but would it mean that operationally the project is earning 4.5% EBITDA margin versus the 6.6 that we have reported in that is largely the unrealized gains from MTM? In association to that, I think last year you have restated the second quarter 16 numbers and your EBITDA is dropped down by 33% instead of 170 crore, it is only 113 crores, so what is the impact, because you moved to IndAS, just wanted to clarify on that? My second question is on micro-grid and the HVDC contract that we won, when do we expect that to fall in to the revenues, has the execution already begun, is it already there in power grids, and what is the opportunity for the micro-grid business that you recently introduced?

T. K. Sridhar: Thanks for the question Abhishek. The first question I would like to take which is regarding to the change, if you look at it, the operating earnings what we are telling is mostly on account of the mark-to-market evaluation of the embedded derivatives which has come in as the part of IndAS embracement, which we have done from January 1, 2017. There is no major element other than that, other than a couple of close of restructuring cost, which we have mentioned, otherwise, there is no major element on it. That implies for the other quarters, as well including the ECL provisions what we have incorporated in the previous quarters as well.

Sanjeev Sharma: As far as HVDC is concerned, we are at the fag end of executing the North-East Agra project, that is something we should be all proud of as Indians, because it will add 6,000 megawatt green energy corridor to the north of the country from northeast states and also I am very pleased to inform you that the new corridor or 6000 megawatt between Raigarh to Pugalur which we have secured in December is well on its way in execution. Its in very, very strong phase of execution, so in the given period of time we will also contribute to the nation with that technology which is not only we will transfer power from central India to southern states, but also it will pick up power from southern states if wind generation or solar energy generation is high, it will be able to connect it back to the western and northern grids, so I believe these are the kind of technology which is very special and allows lot of leverage into the green energy corridor than smart grid technology that is required in India to balance the power generation and consumption patterns across the country.

Now, going forward, the government of course continues to plan which are the new corridors should come for HVDC. We do hear that there are a lot of collaborative deals going on with our neighboring country, wherein India now having a very high confidence that they are becoming a 24x7 power supply state soon and they have surplus power that as it is claimed. It is also a confidence that they are trying to connect the network with the neighbors where HVDC links can also come up. And of course there is a potential in certain regions wherein the new HVDC links are being planned and they will come over a period of time. When it comes to, and it is not only the PGCIL, and we have seen that there are some private companies also who are actively planning that how to evacuate power from one region to the other and when they are building the transmission lines, they are also interested in HVDC technology.

As far as micro-grids are concerned, as you know that micro-grid technology, ABB India is a global center for ABB. We engineer, we develop, and we deliver from India to all the locations in the world and there is a strong demand and more matured demand in certain Saudi East Asian countries or down under and we are serving those markets from here because of the nature of the geographies they have and thereafter in countries who have more traction when they want to kind of experiment with the new ways of technologies and micro-grid is finding a good traction and if you look in to the projection going forward, micro-grid will be a one strong element which will be there. We have already created products, we have already standardized those products and I think they are finding traction.

As far as the micro-grid absorption in our own country is concerned, right now we are running certain pilot projects as part of our CSR as well as part of our direct delivery initiatives. There we find that, yes, new models are being experimented by different users and I think that is due to come and we do believe that tipping point of micro-grid technology, especially in India, will come when battery prices start going down. With the micro-grid technology, you can ensure the power during the day but you also need to ensure power at night time and I believe the battery storage technology will be critical. ABB does not manufacture batteries, but we have very good engineered solutions with the battery storage systems that will be another area that will pick up quite well. We have seen the absorption of this technology in the African part of the world, but a lot of education needs to be carried out because people have grown up in their careers knowing this large transmission line is coming out of thermal power plants or nuclear power plants, but micro-grid is a new mindset and we are very long on this technology and we will see a good traction over a period of time.

Moderator: Thank you. We take the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Sridhar, I have a question on ECL, last year we saw 28.5 crores impact on the ECL which led to restatement, would it be possible to share the amount for this quarter as well because we see the run rate for the other expenses from 370 to 400 crores has gone up to 440 crores, that is my question number one? Question two is in the opening remarks Sanjeev spoke about benefits from the electric cars, so if you could expand a bit on that benefit from the electric cars. Last is you spoke about healthy growth in the exports and services, would it be possible to share the number of growth rates in exports and services and what percentage of business they are currently?

T. K. Sridhar: Bhavin, thank you very much for the question, I will take the ECL impact, so the ECL impact for the quarter is around 15 crores, that is number one. The last question which you talked about the exports growth, which balance will be answered by my other colleague. Export and service are one of the fastest growing business channels for us at this point of time, so we have exports of products and projects, and services also we have been growing quite consistently at more than I would say 15-16 percentage. So that is basically the growth rate which we have in the exports and services are growing at 20%, because the spend of the customer is more on OPEX rather than CAPEX at this point of time, so that is what is reflected in the growth rates of service. When it comes to share of business, exports are slightly increased because the domestic off take was bit lower in the Q2, so we are at 18% for the quarter and services about 12-13% of the revenues.

Sanjeev Sharma: EV charging: As you have heard that our government took a very bold stand by saying that the majority of our cars will be electric by 2030. My take on this is you require in a country like us such kind of bold initiatives and the bold direction by the government, because when that happens the technology forces as well as the industrial forces start working in that direction to make it happen. So I think from that point of view, setting that direction was extremely important and just like solar power 10 years back there were a lot of skeptics around the world about the electric cars, but you also have at the same time, you have Teslas of the world which have proven lot of detractors wrong and at the same time you have our own homegrown Mahindra who are also making inroads in this area and also upgrading their technology. You have the Volvo making a statement 2019 onwards, they will not produce cars which are full IC-engine based or diesel-engine based, either it will be hybrid or it will be electric.

Looking at the trend, I believe we will be surprised by how quickly this technology may develop in next few years. The next two to five years are crucial for reaching the tipping point for this technology and the government will plan what standards to adopt and how to push this on the mass scale. There will be hits and trials to begin with and which is healthy, because you got to have some failures and hits and trials before the equilibrium of the market takes in and volume starts picking up. India will replicate some technologies from the west, but like always they will also adapt technologies in their own way, as we do it for anything. There the ecosystem has started warming up, we are heavily engaged with lot of OEMs right now, especially from the point of view of EV charging network. We have extremely good products and if you go to Europe and try a an electric vehicle, there is a good chance you will be charging it with ABB EV charger - whether you are in Estonia or Netherlands or Luxembourg or Switzerland; or if you are travelling in an electric bus in Sweden or Luxembourg or in Geneva, there is a very good chance that the bus is being charged by ABB charging technologies because we have very good solutions, fast charging solutions not only for buses but also for the cars and we meet very, very good standards. Right now we are helping lot of OEMs in the country to be able to adapt to those standards because they are not so familiar, sometimes there is confusion on which standard to choose or not, so I think we are helping both the policymakers as well as the industry to come there, but I would say if you have to bet yourself, do not bet on it short-term but if you are betting person, mid-term and long-term, this is the reasonable place to be.

Bhavin Vithlani: Beside the charges which are the other opportunities that ABB will play, let us say within a car or besides the ABB infrastructure on the charging side?

Sanjeev Sharma: When you talk about charging, typically you only see the physical side of it. I think the bigger side of it is the back end of it which you do not see, which is the software side of it because you have to supply power, you have to charge the consumer and you got to have an ecosystem, you got to have the ownership models, you got to have leasing models, you have to have the relationship with the taxi companies, so it is a whole ecosystem that you need to put together so that the whole system works. I would say ABB will play its role by working with the best of the OEMs of the world as well as in India and we will help them to co-create the ecosystem and models and lot of software services and very stable and reliable technology will come through us into this area. Yes, we will not be in the car, we will not be in the batteries, but perhaps we will be influences in terms of how the technology gets applied and also how it gets managed and that is how our strength comes in because we are more of a technology provider for stabilizing the ecosystem for newer technologies like this.

Moderator: Thank you. We take the next question from the line of Subhadip Mitra from JM Financials. Please go ahead.

Subhadip Mitra: My question is with regard to the fact that we have seen traction coming up on the execution side and I believe now post GST etc., one can expect probably higher execution and sales coming in, but where do you see margins stabilizing, would they be flattish around the certain odd percent levels or is there scope for improvement?

T. K. Sridhar: Subhadip, we do not give any estimates or forecast about how margins will expand, so we will put in our best to make sure that we are in line with the market expectations.

Moderator: Thank you. We take the next question from the line of Deepak Agarwala from Elara Capital. Please go ahead.

Deepak Agarwala: My first question is if we see the revenue mix between Automation and Robotics in the H1, there is a fair degree of volatility, so can you help us understand how this two segments shaping up in the next 12 to 18 months? My second question would be in the opening remarks you mentioned your focus on transportation especially in Railways and Metros, so to what extent this business has been contributing in the first half or expected to contribute for the full year?

Subir Pal: As far as business in Robotics and Automation is concerned, these businesses are going through certain shifts as to the market segment growth. So on one side we see that the heavy industry certain sectors are not developing that greatly, but on the other side the lighter industry, the food and beverage or the air conditioning business some of these, plastics and machineries, these sectors are doing better so there is a certain composition shift in the market. We have aligned our businesses accordingly and are also trying to take advantage of the growth sectors and while holding our volumes in the heavy industry. Your second question was about transportation, currently our exposure to transportation sector is in the Metro rail electrification and also the propulsion system in the locomotives. For these two, the demand in the market is steadily growing and that bodes quite well for us, whereas there are new avenues which are emerging in the market in other parts of the Railways which also we are keeping a close watch and we will take advantage of that at appropriate time.

Deepak Agarwala: Would it be fair enough to say the Railways would be around 5% to 7% still for the full year basis?

Subir Pal: It is in that corridor all along and it has a potential to grow from there.

Deepak Agarwala: I think you missed on the industrial automation side also because you mentioned this heavy industry versus lighter industry for the R&M, but what about the industrial automation, even there we are going through a phase of lower growth for the last 3 to 4 quarters?

Sanjeev Sharma: Well I think for many reasons as you know that the industrial sectors are muted and the process of also automation is consumed by heavy industries, core sector areas like steel, cement, aluminum and many of those, so all these industries have been muted. Combined with the NPAs, as well as the ongoing consolidation in this sector where the assets are exchanging hands. Since that is where most of the money has been exchanging hands, you did not see any greenfield growth-oriented projects in last quarter, but I must say that I am very pleased to share with you that the Quarter-2 was very good quarter for industrial automation, we grew double-digit in the industrial automation and we are seeing, with our focus approach for last many months and some of our core customers, they have started investing with us in the energy efficiency and productivity improvements, so that is the theme that is picking up. There are no big ticket greenfield projects coming up, but we have an approach towards the customer and the installed base which we have created over last 30 to 40 years. We are helping our customers to gain productivity and the energy gains.

Deepak Agarwala: Part of the services revenue is also getting reflected in this segment which is driving the growth?

T. K. Sridhar: Yes, you are right.

Moderator: Thank you. We take the next question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Will it be possible to share the breakup of the orders by segment?

T. K. Sridhar: No, we give it only on a yearly basis, not on the quarterly basis.

Puneet Gulati: Some broad color if they have changed materially from the full-year basis?

T. K. Sridhar: No, they have more or less remained the same.

Puneet Gulati: On the orders also, is it possible to get some sense what portion of it is really new CAPEX driven and what portion of it has been driven by OPEX?

Sanjeev Sharma: As we said our focus is in utilities, industries, transportation and infrastructure. I would say the fresh CAPEX projects are coming out of utilities and the transportation infrastructure and most of the OPEX projects are coming out of the industrial sector.

Puneet Gulati: If you can give some broad breakup, what proportion would be OPEX driven?

T. K. Sridhar: OPEX, we do not give that breakup, that is not even available on an yearly basis, so to give you a color saying that how is it driven, so at this point of time that is what Sanjeev was saying, power grid division is more driven by the public spending and utility spending which is there and whereas the other segments are more driven by the industry which are muted at this point of time.

Puneet Gulati: Will it be fair to say that still the share of this OPEX-driven orders is higher than the CAPEX-driven orders at least?

Sanjeev Sharma: On the overall basis, you cannot say that, you can say that the CAPEX-driven orders still remain as a kind of a key driver for our growth and what the colleague asked before about the IA division, their growth was muted but now given the initiatives we have taken, customers are very happy to spend with us on the OPEX initiative because they see value add in their existing capacities that they have.

Puneet Gulati: Lastly, if you can give more insight on your exports portfolio, what products are you exporting and what part really gets exported from your 100% subsidiary and what from the listed entity?

Sanjeev Sharma: On this call, we do not talk about our 100% entity, all the numbers that we talk about and discuss here is about the listed entity, so we do exports out of the listed entity and they are again I would say our theme is will spread between utilities, industries, and also the infrastructure projects in the export side, and this is kind of a journey we have started and I think the growth rates are good and they can be better.

Puneet Gulati: What geographies would you be targeting here?

Sanjeev Sharma: I think as per Sridhar, we do not mention that.

Moderator: Thank you. We take the next question from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Sir, actually I want to understand on the power transmission techniques specifically, now with PTCI reverse option putting lot of pressure on the pricing and everybody focusing on the state transmission for the CAPEX, so how does the outlook in the transmission, if you can give an outlook on the state transmission CAPEX because financing continues to be an issue from that front?

Sanjeev Sharma: As far as the transmission area is concerned, there is a change happening, there is continuous investment in inter- and intra-state transmission systems that will continue and also in the green energy corridor because as we continue to pump in lot of renewable energy that needs to be absorbed and lot of technology needs to be absorbed into the network as well. Also as we go forward, we see that the capacity addition is kind of tapering down to about 260,000 crores planned by FY22 and 61% of this is estimated to be made by the state government.

Charanjit Singh: Sir, this is also banking a lot on the generation capacity which seems to be added in the renewable space, so what is your take on the capacity addition, do you think that the momentum can pick up from here or it can be sustained at a similar level of 7 to 8 gigawatt of addition in the solar space?

Sanjeev Sharma: Well given the push by the government and also the participants, it looks like it should grow, but at the same time we have steep drop in the tariff prices and also the existing players have some kind of challenges collecting money from some of the DISCOMs, the ones which have been operating, so it is kind of a segment which is under transition but looking at the trend I believe this will grow, it will find an equilibrium and it will find more steady growth going forward.

Charanjit Singh: Sir, just last question if I can squeeze in, while Make in India can be a benefit for us in the near term, but what I see is that is also bringing in Chinese companies who are setting up factories in India which can make the competition more permanent, so which are segments where you see that this kind of rift may come in one year down the line where the competition becomes more permanent?

Sanjeev Sharma: Okay without specifying countries, what we find is that such kind of installed base sometimes has also started opening lot of opportunities for us. This is because some installed base for certain countries have opened big opportunities for us to service those installed base because they are not performing, as well as it was promised at the time of delivery. So we are helping customers who fell into the lure of cheap products and now we are helping them to stabilize their plants in three-four years because there are performance issues. Now your specific question about the factory being set up by whether it is Chinese, Korean, Japanese, or Europeans, I believe India is an attractive market and that is an indication of a market you are sitting in which is attractive now and it is going to be attractive and I think it is good for the country because setting up a factory means you get more FDI and you also get more participants there. We have been around for 125 years around different geographies and different market cycles, so we know how to handle competition, and of course, we will have our work cut out for us and we continue to prove over and analyze our portfolio and our market positioning of it and we keep the portfolio which still stays most attractive in the market. Not to forget that ABB has a very strong portfolio and presence in the country, which we have taken about 60 years to develop and also developing the value chain around it. Also we are going very big in value-added services in the digital side of things. Our digitalization strategy helping the client to jump onto the digital bandwagon those kind of propositions are attractive to our core customers, so we are focused on those kind of activities and I think there will be one other segment or product wherein the competition will come but you know competition is something you should always welcome, you learn something out of it.

Moderator: Thank you. We take the next question from the line of Hamsini Karthik, a smart investor. Please go ahead.

Hamsini Karthik: Just a question from my end, one you just said that CAPEX-driven order still remains the driver of growth for you while you are happy to take some of the OPEX from others, so should I extrapolate the statement saying that majority of the order book is also probably filled with project orders lesser than product orders?

Sanjeev Sharma: That is something we do not comment on but when we say base orders and when we say all our divisions are growing so that means we have an equal weightage of product orders as well as the project orders into our portfolio, so there is a traction everywhere, so I see green numbers and all in my division.

Hamsini Karthik: Alright, Sir, should it also help you regain that 7% to 8% of margins that we saw about a year-and-a-half back?

T. K. Sridhar: Yes, we are working towards that, so if the market supports us in terms of the growth and the volume, the decision-making, your wish should be fulfilled.

Hamsini Karthik: One last question, you said there is an improvement in working capital cycle, I am sorry I missed but how many days has it shrunk or what is the percentage of working capital right now or how has it shrunk?

T. K. Sridhar: Our DSOs have brought down from some 140 levels at the year-end as of December 2016 to less than 120 at this point of time, so in other words we have reduced 20 days of DSOs in the last six months. And this is due to a large amount of focus on how we want to manage our revenues, we have been consistently saying that cash over revenues is our mantra and that has been sort of helping us to be lean in our balance sheet.

Hamsini Karthik: Is there more room for shrinkage here?

T. K. Sridhar: We are trying our best, we would like to be better off day by day, it is like a supply chain – just as supply chain has no bottom, NWC can always be improved.

Hamsini Karthik: How open would you to be acquiring some of the already available capacity probably with some of the other companies like L&T or if you say competition in terms of their switchgear or particular businesses at this point in time?

Sanjeev Sharma: Very good question, you see at this point of time we are very busy in integrating a company which we acquired few months back, B&R, and at a group level. It is an Austrian company, it completes our portfolio in factory and machine automation and it makes us the most comprehensive automation supplier in the world. We already are very strong in the automation side, so now I think our group has informed us that the B&R acquisition is complete and now what we will do is we will also make sure that our customers in India who are already served by the B&R continues to kind of gain the synergistic effect of ABB in India as well as B&R portfolio, so that is something what we are busy in and any other parts, we do not comment on the speculation because there is lot being written in the media about every company, so I think there is not much of comments to offer from our side.

Moderator: Thank you. We take the question from the line of Fatema Pacha from ICICI Prudential Life Insurance. Please go ahead.

Fatema Pacha: Sir, just a clarification that I am trying to see is that this 50 crore difference in other expense, is that entirely ECL last year, is that how are we supposed to look at it?

T. K. Sridhar: It is 15 crores for the quarter is what I said. If you look at the other expenses of the previous year it could be basically on account of how the ECL and discounting behaves based on the receivable balances of the previous year, so it is a highly statistical calculation and if we start to explain let me tell you that, it is not a straightforward explanation which you will get over there. We have given in the notes to the SEBI the moment of the ECL provision which is where you can gather some information around that.

Fatema Pacha: Sir, on the full-year basis if I see the difference is around 60 crores, would that be the annual number of ECL last year that you would have implied or it is not, why 60 in IndAS does not reflect as much ECL?

T. K. Sridhar: To give you in short - ECL means you are covering exposure based on the markets to which you are exposed to and the time which you take to get this particular money from the various customers. So it is a departure from the earlier method, only when you used to go by the due dates or overdue scenario, it is more of a subjective impact based on the previous trend which exists in the organization. Thus it is very difficult to put a number, every company in the first year of transition has this challenge. So one year down the line I think you will have probably more stabilized numbers to come.

Fatema Pacha: This is the margin that we should take or we should assume that actually it is a non-cash expense?

T. K. Sridhar: Yes, it is a non-cash expense. You are correct because if you look at the balance sheet's annual report the amount of write-downs, real write-downs we had had in the past are quite a few.

Fatema Pacha: We have write backs next year is that how we will look at it?

T. K. Sridhar: It could also happen that your future revenues again will get back so net-net basis you just cannot predict about it.

Fatema Pacha: Is it fair when we will project see CY17-18, the margins to that extent on reported basis will have to be adjusted for this because that is how it will be?

T. K. Sridhar: I do not know how your estimates work, but we do not comment on that at this point.

Fatema Pacha: I am just asking will that be a permanent full year hit that we will have to take incrementally now because of the IndAS change or you think within the years there are?

T. K. Sridhar: Not really, in couple of years of impact which we have to take because 2016 as well as 17 is what is to be impacted because of this, so that is how we see.

Moderator: Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. T. K. Sridhar for closing comments.

T. K. Sridhar: Thank you very much, Ladies and Gentlemen, for attending this Q2 and half yearly result call of ABB India, I also thank the management who were there on the call who were able to provide the necessary information to the analysts and the other people on the call and to the communication team which could make it happen, and if you had some unanswered questions, more clarity, feel free to come back to Manashwi, me, or Sohini, so we will be able to reply, we will make our best to do that. Thank you so much.

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