

“ABB India Limited Investor Relations Q4 & Full Year 2014 Results Conference Call”

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Moderator: Good Afternoon, Ladies and Gentlemen. I am Inba, moderator for this conference. Welcome to ABB India Limited's Investor Relations Call to discuss the Q4 & Full Year Results for 2014. For the duration of the presentation, all participants will be in the listen-only mode. I will standby for the question-and-answer session. I would like to hand the conference call to Mr. T.K. Sridhar. Thank you. And over to you sir.

T.K. Sridhar: Thank you, Inba. Good Afternoon, Ladies and Gentlemen. Welcome to the Q4 & Full Year 2014 Financial Results of ABB India Limited. So along with me are Bazmi Husain – the Country Manager and Managing Director for ABB India, then I have Amlan Datta Majumdar – the CFO; and Venu – the Head of Power Systems in India; and Subir Pal – Head of Discrete Automation Motion. Bazmi to take it over on the results.

Bazmi Husain: Thanks, Sridhar, and Good Afternoon everyone, thank you very much for joining this call. When we talked a quarter ago about the market situation which was quite depressed, unfortunately that situation continues even today there are people talking about newer projects and but when the discussions start most of our customers are not willing to commit to projects as such. So the market condition remains exactly where it was, we do not really see any action on the ground. So it is a very challenging market out there. And in fact it has been like that now for almost 2-years, and at this point in time, there was a time in the middle when we had a ray of hope. But we still are hopeful for the future, the timing of that is uncertain. However, with every such time when there are market situations like this, we believe that there are also times of opportunity and some of the things that we did was expand in country-for-country program that we have been running now for almost 4-years, where we are looking at our portfolio and how to actually localize and extend the portfolio, making it more cost-competitive making it more suitable for the market conditions - we expanded that program to cover external markets to India as well. So that is one aspect of what we did. Secondly, of course, we started to look markets outside of India because the markets here were not supporting any volumes at all. And thirdly, we put in more discipline, both in acquisition of orders as well as their execution with a mantra that we have repeated several times, which is basically profitable volume and cash over revenue.

I am actually happy to tell you that these efforts have shown some results. If you look at the quarter that has ended, we are up about 50% in orders, revenues are flat, and the profits are appreciably higher than the same quarter before. Now when we look at orders growth, I would like to remind you that last time when we talked we had mentioned that there were some orders because of timing and situation, we were unable to lock them last quarter, so there was a certain amount of spill over but there were also other orders, and the good part is I think that it was both a mix of in the dimensions of base orders and large orders on one hand as well as domestic and exports. So it is really a nice healthy mix that has helped us to grow.

If we look at individually for all the divisions on an overall basis we have had good increase in profitability across all divisions all moving at the right directions, not exactly where we want them to be, but as I said it is a very challenging market situation, but as the market begins to improve, we feel very confident that we will be able to show better results.

From orders perspective, the order growth is actually consistent across all divisions, which I think is good to see. So looking at it from the mix of products and projects I think it also remains quite healthy. So we had in the last year gone more on to the product side we are now getting also more into the project side both domestic and exports, and I think I have mentioned this last time when we are looking at export for projects, we have started working with an “Engineered Packet Solution” - that business model where we do all the engineering, we do all the product supply, so the end customers are then able to take advantage of ABB’s Engineering capabilities, but at the same time we de-risk ourselves from the site work in very remote areas, so we work with partners who take the responsibility of site installation and commissioning, we provide supervision work. So this is a good win-win and a very scaleable model and we see that now gaining traction.

If I look at, let us say, the bid on how we see the market going forward, I think there would of course be the new areas, I think that is where a lot of growth will be. When we look at newer areas, we mean things like renewable. I think the 4th quarter was quite good for solar - I think I was mentioning it last time that we do expect it to be better because the first three quarters there was a lot of hesitancy in the market because of some issues regarding solar cells on a global basis, but I think in Q4 there were good amount of order placement. I am also happy to tell you that ABB was also selected as “Inverter Supplier of the Year” so we have kept our pole position in that very important segment.

I think the other areas of growth; there has been a lot of talk around “Smart City.” We are very actively involved in defining what exactly will go into Smart City because it is more an umbrella concept and there are many-many aspects to it. ABB plays a very key role in many of these aspects, so we are involved, we do expect in this year that there will be a start in that. I think that is a segment with a lot of potential but it will begin to go slowly. Again metros and rail will continue to be another driver of growth. Traditional areas like steel and cement I think they are suffering at the moment from having very little capacity utilization - well below threshold levels - which will trigger fresh investments. So I think we have to see increased offtake before there will be growth in those areas. I think there are steps taken by the government to actually ease land acquisition or environmental clearances or even towards easing the situation with coal. I think these will all have a positive impact, but will take some time for it to materialize. On the power transmission side, I think there are projects that are going on, it will continue to expand. But again, I think the rate at which this will expand right now will be slower than what we think will happen once generation parts begin to pickup.

So all in all I would say that it has been a quarter where we feel satisfied with what we have been able to achieve, although we believe that we are just beginning to reap the fruits of our efforts in the last several years, but it will need the market revival for us to actually get the full benefits of it. We are cautiously optimistic for the revival; timing is something that I really would not like to comment on because it is really very hard to do that.

So with that opening remarks, I would now pass it to my colleague, Amlan, who will take you through some of the financials and then we will be open for Q&A. Thank you.

Amlan Datta Majumdar: Thank you, Bazmi. Good Afternoon, Ladies and Gentlemen. This is Amlan Datta Majumdar – CFO, ABB India. I think we had a decent quarter. This has been consistently developing on the right direction but this quarter has been pretty good. But, before we get into the ABB results - Bazmi has talked a little bit about it - but I would still like to touch upon the macros, how actually they are looking, because at the end of the day, a lot of our results and results of similar companies would depend on the development of the macroeconomics. Generally, the positive sentiment seems to be continuing and GDP growth forecast has been revised, and it is showing an upward trend. But when we look at the Index of India's Industrial Production that has been I would say a little erratic and not so encouraging, it shows better sometimes, but sometimes it could be quite de-motivating. But generally the GDP is showing good that is a good news. Inflation, as we all know, has come under control, the crude price coming down worldwide is helping various factors in the country. The interest rate is still prohibitive in spite of the inflation coming down, that is not really helping the growth. But I think the RBI has given the first indication sometime back by doing a marginal rate cut and the expectation is to have anything between 100 to 200 basis points rate cut in the next 12 to 18-months that would really trigger growth, but then there are other factors where the RBI is a little apprehensive and cannot blame them for that. The fiscal deficit remains a concern because we have not seen a lot of improvement in that arising out of the government action so far but the current account deficit of course looks much and much better, people have been talking in between, maybe a little bit of improvisation that we could have a current account surplus going forward at some point but fiscal deficit continues to be a concern.

In summary, I would say while the sentiments are positive but on-ground actions are not really that strong especially the capital goods sector our guess is it takes longer than the other sectors to revive, so we will have to wait and watch for that. Now keeping that in mind, as we have been telling you over the past quarters, we have been working since the last 3 to 4-years on various initiatives, be it the supply chain, the indigenization what we call as in-country-for-country, talent pool management which we have been doing for the last 3-4-years and keeping the costs under control, I think most of the areas have started yielding good results, this is just not because we had a decent quarter, but if you watch our movement for the last few quarters, this has been pretty impressive, we are not happy about it because we want to do more, we should never be happy, but so far the progress has been satisfactory.

The 'Order Growth' during the quarter has been pretty robust coming both out of domestic and Exports projects and products orders. We had a bad quarter in terms of orders last quarter because some of the orders did not get finalized as we told you that time, but then they eventually got finalized, and we got the normal set of orders, so we are pretty much up on that. That gives us enough visibility for our revenues going forward, so that was the good part. The good part in orders is all the divisions are on the right side, all are in green, and all divisions have grown. Some have grown better, some have grown slower, but everybody has grown all across the segments, there have been order growth, export order has been growing pretty well and I am sure you will have a question on that. The good part is in between our project orders were a little lower in the past, so we are getting back to stream even there.

The 'Revenues' have been flat. I am sure this is not very encouraging for anyone, but then in the current market with the current liquidity situation, and given the fact that the state of many of these power projects and infra projects have not really improved on the customer side, we have to be careful while doing our revenues. We do not want to do a road show here, we want to do what is sustainable for the company and the stakeholders. With all the positive sentiments that we see in the market and if the things turn out to be positive, our revenue growth will improve going forward. We have enough backlog to do the revenues, but we have to be sure that we get the money back when we do revenues. But, I have to give a word of caution here that apart from lack of on-ground movements in the macro, the liquidity condition in the market has not improved and it will not improve unless the interest rates fall to trigger investments cycle that is a must.

On the 'Profitability' side, yes, this has been a pretty good quarter, but I am not surprised, I am sure you are neither surprised because we have been consistently improving our profitability. So that has been quite satisfying, and again, it has been generally okay across the segments, yes, somewhere it is better, somewhere it is a bit muted but generally there is no scare. Most of our projects during the past 12 to 18-months have shown that our margins are on track, we are in full control of the project. Some of the projects which were not yielding any kind of cash because of the customer conditions, we started getting inflows now. But that is less to do with the market but more to do with our internal efficiencies which we have been working for, but that has a limitation we have to get market support to deliver for the stunning results. On the profitability if you look at it, our material cost is sub-69%, we have been now consistently below 70%. If you look back a couple of years we were in the range of 75% to 77%, and there are multiple actions, it is not only SCM, but it is also we are getting better orders, better margin project, so the percentages have fallen. As we have told earlier, our short-term target in terms of material cost would be around 65%, but that we are taking all actions for that, but that is also a function of the market reality, but we will be still cautiously optimistic that we should be able to get to that benchmark soon if the market supports a little bit.

Our expenses, whether it is our people expenses or our other expenses, have remained I would say pretty much flat. There has been marginal, about 4%, increase in the personal expenses and there have been equivalent percentage decline in the other expenses. The other expenses as you see now contain the FOREX impact, the FOREX loss for Q4 of last year was Rs.11 crores as against FOREX loss of Rs.8 crores during the current quarter. So it has been pretty flat to slightly better this quarter, but the overall improvements have been quite satisfactory. What has been a little demotivating, and while, yes, of course, we can do better but it can be largely attributed to the market with high interest rate and lack of liquidity in the market. Our interest costs have been substantial as compared to Rs.27 crores in the last quarter of 2013 we are at Rs.30 crores in this quarter. So there has been a little increase there, but the good news is while our short-term borrowings were high it started steeply coming down in the last part of the year, and final borrowing at the end of the year was only Rs.140 crores. And that has been a good news; this is one of the lowest after 2011, so it has been improving pretty much. So all the signals are good but then I think we will need more things happening in the market to really make the stakeholders happy on this.

Overall, the large projects running well, the product orders are coming, execution is happening, indigenization is continuing, our investment in R&D is continuing, costs are under control, we just need a little bit of revival in the market, and we only hope it comes sooner than later, that will completely change the picture, we are doing better than earlier, but we will do much better than that. So we really now look forward to the market.

I think it is good now time to take some questions from you and let you know our viewpoints on various matters. So thank you for that.

T.K. Sridhar: Thank you, Amlan and Bazmi for the good overview. Inba, if you can now open the call for questions?

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Renu Baid of B&K Securities. Please go ahead.

Renu Baid: Sir my first question is if you can throw a little more light with respect to the healthy order inflow mix that we have received, so largely which were the key sectors where we saw large orders coming in, so did we see any material traction on that side and align with that if you can also preferably give mix of order book with respect to domestic and exports?

Bazmi Husain: First of all when I look at orders I think there were domestic orders both Power Products and Power Systems, but also on the Process Automation side. So I think really we got good orders in that from a domestic front. On an exports basis it was more PS and we have been, as I had mentioned several times earlier, more active now in exports in that area both in our neighboring countries but also a little further away from there and further away that we go from here we are more and more using the model that I have mentioned earlier about engineer packages, and my colleague Venu can talk a little bit more about it, so it was really across the board that we got the order increase. Regarding the mix as such, I would say that we had in the neighborhood of 30% increase in our exports.

N. Venu: If I can add to that, now we have been concentrating on cluster countries – Bangladesh, Sri Lanka, Nepal, Bhutan and also Myanmar – some of domestic market, so we had a fairly very good success in these countries that is also possible to increase our order inflow in the last quarter. If you want to know a couple of large orders, we have booked our Sri Lanka order which we have already communicated on that, and also we have booked a couple of our Power Plant orders.

Renu Baid: Second on the sales mix side what was the percentage of exports in the sales absolute value wise for the year as a whole?

Bazmi Husain: Renu, we do not give a detailed information about Export ...

Renu Baid: Or as a percentage last year it was about 13%.

Bazmi Husain: We are now we are well above 15%, this is much higher than that.

- Renu Baid:** We have highlighted clearly that margins improvement and gross margins will be there but almost after 400 basis points jump and relatively flattish volumes you think where do we look at least for the next 2-years gross margin improvement would be supported by softening commodity prices also going ahead?
- Bazmi Husain:** Clearly, commodity prices are at the moment they are going all over the place, so there will be of course some impact. But let me put it like this - yes, our margins have improved, but like both Amlan and I have said that we are not satisfied at the levels which they are at the moment, our levels need to be higher and they will be higher. In terms of actions that we have to take about making our product more competitive, introducing new products, new factories, increasing our efficiencies. I think with that I would say it is of course always ongoing exercise, it is a never ending story, but we are at a point where we are ready for any market situation, volume comes up we are there.
- Renu Baid:** And sir my 3rd and last question on DAM. We have seen a good jump for the quarter. So what would be the particular key end markets we see the volumes picking up and do you think it would be a bit more sustainable recovery in terms of business volumes looking forward?
- Bazmi Husain:** I had mentioned several times that for Discrete Automation and Motion, we do not see any fundamental issue. There were some issues, because it was really the industry segment is more impacted than the utility segment in this downturn, and one of the earliest indicators for that is what happens to motor volumes. I had mentioned this last time that we are looking at improving the efficiency of our production and I think that is what is beginning to show. So clearly what you are seeing as improvement is not a flash in the pan.
- Moderator:** Thank you. The next question is from Amit Sinha of Macquarie. Please go ahead.
- Inder:** This is Inder here for Macquarie. Now, in terms of the order inflows, we have seen obviously a very strong growth there, but in terms of visibility, this kind of a run rate can be sustained not say the growth number but in absolute terms, for the entire year or can it be even better than that?
- Bazmi Husain:** Like I said in the opening remarks that there were some orders because of timing, we were unable to log them last quarter, they have spilled over this quarter plus this quarter was a good quarter too. If you look on an overall year basis, then we had a growth of about 20% in orders. "Is that sustainable?" I would say our ability to grow substantially higher than that. I just like to comment on that in a related way that today pretty much all our factories are running on single shift operations. So our ability to deliver higher volumes very much exist.
- Inder:** Capacity utilization is not an issue, but you made a comment that 20% ex these timing differences which got caused, but is there a little more confidence in even that 20% number sustaining?

- Bazmi Husain:** As I said, we believe we are very competent, I am not going to give any number because it depends on the market, but “is the market supports?” I think very much so.
- Inder:** I wanted to particularly ask about this low voltage products. The number is kind of stagnated for some period of time, this was kind of a new product entry, more affordable products in that space. What exactly is kind of playing out in this market, how is the competition and what is the kind of holding back I would say a much stronger growth in this space?
- Bazmi Husain:** I think you are absolutely right about this is a market segment - that we are focused on a lot and we believe this will be a big growth opportunity. Overall we have grown good double-digits in orders in Low Voltage products. When it comes to areas I mentioned about growth areas things like Smart Cities and all, I think that is where a lot of intelligent Low Voltage products that we make will find a very good fit. So, as far as competition is concerned, if you look at the electrical system today, the most unintelligent equipment that goes into the system is on the Low Voltage side because historically, this has not been an area of focus for either efficiency. In a way that is the definition of Smart Cities as well - where we begin to actually build in more intelligence into the lower end of the energy spectrum. So, I think this is where we have a big advantage. So, this we see as a growth sector, we are growing, but in the next few years we see better growth in this area.
- Inder:** My last question is you mentioned about the Smart City and we have been hearing about likely orders in the short term. With everybody’s involvement here would there be initially orders directly to given out or we would be kind of working with a large play route at the large EPC kind of a contract, how do you think we would participate in this market?
- Bazmi Husain:** I think that will depend on how it begins to play out, these are very initial stages yet. Clearly, our play in there is going to be largely with products and solutions, in what way the orders are going to come depends on other market shapes up.
- Moderator:** Thank you. The next question is from Bhavin Vitlani of Axis Capital. Please go ahead.
- Bhavin Vitlani:** In October you had an Analyst Meet and you had highlighted about the market potential in four different segments that you are focusing on – urbanization, grid reliability, energy efficiency and renewable energy. I am not sure if you have the numbers exactly, but directionally, if you can highlight what is the potential increase in the market from October 2013 to now, is it like a 20% higher or 15% higher?
- Bazmi Husain:** Between October to now, these are long-term areas and some of the things that I mentioned for example Railways and Metros those are direct impacts because of urbanization for example. So I would pretty much say the same thing that I was saying last time. If you look at what the announcements are already in this area, if you look at for example, 11 cities now are going to have metro rail by 2020, and I think that is almost like \$20 billion of investment that will go into that. So that is an awful lot of investments that is there. About 250 airport modernization projects are being planned. So I think all these are areas which are already pretty large amount of

investment that are being talked about. How much of that is actually happening as I said at this point in time there has been a lot of discussion and a lot of planning as such but actual projects that are being actually given out is not that many and this is what I was trying to say that the market conditions continue to remain very challenging, people are discussing projects, but not actually placing orders.

Bhavin Vithlani: I was asking this question like yesterday L&T in the call said that “The prospects have doubled on a one year basis.” So the total prospects that you have highlighted were about Rs.67,000 crores in October 2013. So would it be fair to say that okay, even your prospects have doubled or more than doubled?

Bazmi Husain: The thing is like that, our play in that area remains what it is. If the order placement increase so it will for us. “How much it will increase?” I really do not want to comment.

Bhavin Vithlani: In the same presentation you had highlighted about “Services and Exports” where you are focusing on, so if you can give us an update on where are we in the Services which was 12% of revenues, how much it is now and export you said about Rs.900 crores. How much is in the calendar year '14?

Bazmi Husain: Services are around 17%-18% of our volumes today, so they have grown and so our exports I have mentioned earlier about 30% growth.

Moderator: Thank you. The next question is from Subhdeep Mitra of JM Financials. Please go ahead.

Subhdeep Mitra: I basically had a question on the power transmission side, because our understanding is that the government is looking at bidding out a lot of large power transmission projects to private players which essentially would come into orders for players like us. So, our understanding is that the number maybe anywhere in that Rs.60,000-70,000 crores range over the next 2-3 years. Just wanted to get your take on the same as to when do you expect these kind of bidding-based projects to happen and what would be the addressable market size for us?

N. Venu: I think Rs.60,000-70,000 crores transmission projects what we are talking about is for entire transmission including substations and transmission line and many of them are cleared for competitive bidding. However, two to three months back government has also decided to shift some of them to PGCIL for fast track of execution. So we basically believe that at least substantial projects of that would come for bidding and finalization in this financial year.

Subhdeep Mitra: So you are expecting most of it to come in the current fiscal itself or would it get shifted possibly to next FY16?

N. Venu: No, many of them will get shifted to next year.

Subhdeep Mitra: What would be the addressable market size for a player like us assuming the overall number is what I would say is Rs.65,000 crores or whatever, how do we look at that number?

- N. Venu:** Talking about our Substations and related equipment like Transformers, it is roughly around 30 to 40% is our ballpark addressable market, we do not play a role in transmission line.
- Subhdeep Mitra:** Similarly, there is a lot of investment that is being talked about on the solar side with very large target numbers, and you have also been mentioning that we have been doing very well on Solar. So again is there an addressable market size over there that we can probably look at over the next 2-3 years?
- Subir Pal:** Solar actually, as you know, the first three quarters of 2014, it was going very sluggish, and in Q4 we saw a lot of decisions happening, and the addressable market size as far as our product divisions are concerned, these are currently in the tune of Rs.500 crores to Rs.600 crores, but going forward large numbers which have been spoken of both on the Grid Tie Inverter as well as Solar Pumps which forms part of our portfolio, it could go much higher but depends on the implementation ambition of the various governments in picture.
- Subhdeep Mitra:** So Rs.500-600 crores is an annual number that you are talking about?
- Subir Pal:** Yes, it is the annual number going by the basis of last two years experience, but how much it will evolve further, I think it will pan out as it proceeds.
- Moderator:** Thank you. Our next question is from Girish Nair of BNP Paribas. Please go ahead.
- Girish Nair:** My first question is when we look at your gross margin level and if we look at the first three quarters, it has been consistently above 31% and it has even touched close to 32% in two quarters, this quarter it was down to 30%. Any particular reason for the dip in this quarter because revenues were typically the strongest in Q4 and especially the commodity prices have also come down?
- Amlan Datta Majumdar:** No, actually this is largely dependent on the revenue mix because if you have large projects being revenues in a particular quarter and gross margins will be lower, when you have a product element more in a particular quarter, then the gross margins will immediately improve. This quarter we had substantial project revenues, so margins are marginally lower, but it has nothing to do with any other reason, this is the only reason.
- Girish Nair:** Secondly, if you could tell us what is the number of employees that you had as of end of this year December?
- Amlan Datta Majumdar:** It was 6,165.
- Girish Nair:** On the DAM, which particular end markets drove the strong growth in sales – is solar inverters recorded in this particular segment, is that what drove the growth?
- Subir Pal:** In the fourth quarter, the growth was mainly driven by the transportation and solar revenues.
- Girish Nair:** Transportation you mean Railways?

- Subir Pal:** We build Propulsion Converters for railways, so that formed a chunk of the revenue in fourth quarter.
- Moderator:** Thank you. The next question is from Gaurav Sanghavi of Bajaj Allianz. Please go ahead.
- Gaurav Sanghavi:** My question is working capital has improved if I look at compared to last quarter and over the gross working capital has come down. So what is our outlook on the working capital – whether we are going to be able to meet our working capital in this level or we expect further improvement from here?
- Amlan Datta Majumdar:** We do expect further improvement, but unfortunately most of the improvements in working capital has so far come out of internal efficiency. For working capital improvement you also need a bit of market support, that is what I have been telling in my initial briefing also. When you look at the three major components of debtors, creditors, and inventories, inventories have started dropping. When it comes to the debtors, which is the largest component, it may be true for the peer companies, unless the market liquidity improves, the projects are not moving revenues, for them are not getting generated so our payments are getting delayed, so there is the problem. Internal efficiencies will continue, we will maintain working capital at this level and do better, but to come to a very acceptable and attractive level, I think we will wait for the market to revive a little bit, a lot of actions we would expect from the government now and RBI.
- Gaurav Sanghavi:** The other income for this quarter has moved up substantially. So any one-off in the other income?
- Amlan Datta Majumdar:** Actually, in other income, mainly we got interest on refund of some income tax payments we had made earlier, we got the refund done and we got a whole lot of interest in the range of almost Rs.11 crores. The good news is, since you raise, is that we are also getting back our tax monies and hopefully what the finance minister is saying, should be working out that non-aggressive tax regime. So that is what we look forward to, we have got some initial benefits, hope this is not a flash in the pan and will continue.
- Moderator:** The next question is from Madan Gopal of Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** My question is on the automation product. In this quarter the margins have jumped to 9.7%. If you look at it has been improving quite consistently for the last four quarters and this quarter you are saying much of the revenues came from Solar and Transportation. So much of this contribution because of the mix towards Solar, that is the reason we can read it that way?
- N. Venu:** It is not exactly like that, I think we are trying all kinds of cost take out programs, and keeping our cost base low, and over a period of time that has yielded results, I think quarter-over-quarter that has shown up in the bottom line.

- Amlan Datta Majumdar:** Also if you see the revenues for the quarter has been substantially higher compared to many other quarters, and when that happens of course in a product business you get immediate benefits in margins.
- Madan Gopal:** You spoke about the Renewable Energy being around Rs.500-600 crores, particularly Solar. If you can explain what sort of volume that you saw in terms of megawatt in execution in say last year?
- N. Venu:** ABB has done close to 300 to 350 MW.
- Madan Gopal:** In Solar, what will be our offering? In Grid Tie, I presume most of our revenues would be coming from Inverter sales. If you can correct me if my understanding is wrong?
- N. Venu:** In Solar Pump we provide the key component is again the line and the Inverter for converting the solar energy into electricity of three phase which goes into a motor.
- Bazmi Husain:** Again, just let me also say that for Solar, other than the panels, every bit of component that is needed in a solar shut up is made by ABB, whether use off-grid or on-grid, expect for the panel we make everything else.
- Moderator:** Our next question is from Fatema Pacha of ICICI Prudential Life Insurance. Please go ahead.
- Fatema Pacha:** Two questions: One, we said that FY14 we have had lot more product mix and the order inflow is now much more project mix. Is it fair to say that CY15 will be more project revenues-driven?
- Bazmi Husain:** What I said was we have a healthy project mix, not more.
- Fatema Pacha:** Can you say a percentage because I remember it was more like 70:30 last year?
- Bazmi Husain:** That is correct, we are now at about 65:35.
- Fatema Pacha:** So just a marginal shift?
- Bazmi Husain:** I think that makes a pretty big difference.
- Fatema Pacha:** In Products, you end up making higher margins. So is it fair to say that in CY15 or in future as we execute more of projects, as in the reported margins could be more like flattish year-on-year and it is not necessarily a like-to-like number, just a technical issue?
- Bazmi Husain:** No, let me just first give you a disclaimer here, I am not giving you future guidance, okay. What I will say is there is no correlation such as what you are saying because we have now 65:35 mix, because keep in mind that in most of the projects, the product that go into projects is also ours. So there is no such correlation. Having said that, I will emphasize I am not giving you future guidance here.

- Fatema Pacha:** On the order inflow side, would it be fair to say that Solar would be like say 10-15% of Q4 order inflow?
- Bazmi Husain:** I am not going bring that up. Solar is still an emerging segment in India. All the new segments we had talked about, these are not forming the bulk of our volume because that is not what the market is. You heard Subir mention that overall right now the capacity is around a gigawatt per year, when it reaches 10 GW per year or something like that, that is when it is going to be serious volumes. So it has good growth rate, but not high volumes yet.
- Fatema Pacha:** The smallest ticket size of any order in Solar would be at least Rs.50 crores, right?
- Subir Pal:** No, this varies in size with the megawatt capacity of the plant, and we supply all kinds of plants starting from 1 MW and less, up to 50 MW, 60 MW, 100 MW.
- Fatema Pacha:** Are we expecting any currency headwind on the Swiss Franc?
- Amlan Datta Majumdar:** Our exposure is limited to less than 5% on that, and being a global company, the way ABB operates we will source from the most optimum point. There is no significant impact of this change.
- Bazmi Husain:** Just to add to what Amlan said, we have a policy that we have stated many times of hedging at the point of commitment. So on our current backlog there is no impact.
- Fatema Pacha:** This royalty is also paid in Indian rupees, right?
- Bazmi Husain:** Yes.
- Moderator:** Ladies and Gentlemen, due to time constraints that was the last question. I now hand the floor back to Mr. T.K. Sridhar for closing comments.
- T.K. Sridhar:** Thank you, Inba. Thank you everyone for attending this particular call. If you still have unanswered questions, please feel free to get back to us, we will come back to you in a quicker time. Thank you, Bazmi, Amlan.
- Moderator:** Thank you members of the management. Ladies and Gentlemen, thank you for choosing Chorus Call Conferencing Service. This concludes the conference call for analysts. For further update on ABB in India, you can follow ABB India on Twitter; the account name is ABBIndia. Thank you for your participation. You may now disconnect your lines and have a nice day.