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BSE Limited
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Dalal Street
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(Attn : DCS CRD)

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
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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 May 9, 2017, post announcement of Q1 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
Deputy General Counsel &
Company Secretary
FCS 2631

Encl: as above

"ABB India Limited Q1 2017 Earnings Conference Call"

May 09, 2017

MANAGEMENT: **MR. SANJEEV SHARMA -- MANAGING DIRECTOR**
MR. T. K. SRIDHAR -- CHIEF FINANCIAL OFFICER,
MR. MADHAV VEMURI -- LOCAL DIVISION HEAD, INDUSTRIAL AUTOMATION
MR. SUBIR PAL -- LOCAL DIVISION HEAD, ROBOTICS AND MOTION
MR. C.P. VYAS -- LOCAL DIVISION HEAD, ELECTRICAL PRODUCTS
MR. AKILUR RAHMAN --CHIEF TECHNOLOGY OFFICER
MR. PETER STIERLI -- COUNTRY COMMUNICATIONS MANAGER

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 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 "*" then "0" on your touchtone telephone. Please not that this conference is being recorded.

I now hand the conference over to Mr. T. K. Sridhar -- CFO, ABB India Limited. Thank you and over to you, sir!

T. K. Sridhar: Thank you very much, very good morning to all of you. Welcome to the Q1 2017 Analyst Call. On the call along with me from ABB side is Sanjeev Sharma -- the Managing Director of ABB India; I have Madhav Vemuri -- Local Division Head of Industrial Automation; Subir Pal -- Local Division Head for Robotics and Motion. C. P. Vyas is on the call, he is the Local Division Head for Electrification Product; and we also have the Chief Technology Officer -- Akilur Rahman on the call. And along with me are the communication colleagues Peter Stierli and Manashwi.

So, without wasting much of time, I hand over to Sanjeev to start off the call.

Sanjeev Sharma: Thank you, Sridhar. Good morning to all of you and thank you very much for joining so early in the morning. Very quickly I will give you an overview of about how we see quarter one in terms of market perspective and our performance. We definitely see that most of the market formation, majority of the market formation is led by government initiatives and spending that is driving growth in orders and revenue in their different sub-sectors and this is I would say has been a major theme and of course there are pockets of industry which are investing as well and I think that also contributes positively to our portfolios and our orders and revenues.

Sector wise, if we look into Power Generation, we have about 35 gigawatts of 25 plus year old thermal power plants, which will be retired in next five to eight years and this will create demand for generation capacity looking forward. So, that is a positive news for the industry in the power generation side and the corresponding business that gets generated for ABB. But at the same time, if you really look into short-term lack of PPAs and also lack of some FSAs for certain projects, it has many developers who are really highly leveraged and that is hampering some investments.

In the transmission sector, because a lot of renewables getting added into the country grid, a lot of investments have been planned and about Rs. 260,000 crores are planned by financial year 2022, 61% of which is estimated to be spent by the State Governments. Again, transmission sector remains quite attractive going forward.

Renewables, we find that the government keeps pushing for more generation capacity with renewables and I believe it is accelerating both in the solar as well as wind area. Of course, there are pockets wherein there are debates about the tariff that are being quoted but we believe normalization will come in this area and there will be a continued growth and because the resolve of the government in this area is pretty strong.

Another bright story that we see is with Indian Railways, which also reflect into our orders and revenues. Indian Railways is inviting bids for a $3 billion joint venture to manufacture 5,000 electric coaches and also to invest in 1,000 megawatts solar power at 7,000 stations. So, Indian Railway remains a very good investor and also that impacts our portfolio positively.

In the oil and gas segment, there are plans to merge all state-owned OMCs. Also, to have Euro-VI compliance which will involve expected investments of about $6 billion to put in the sulphur units into the refineries and that will attract fair amount of attraction for us going forward.

Now, in the area of cement, Housing for All by 2022 and Government of India's decision to use cement for all road projects will likely translate to a good uptick and good investment in the cement sector. And we find that most large companies are investing ahead of the curve and a lot of capacity and a lot of buoyancy is visible in this particular segment.

Ports is another area which we find is very interesting, not only from the national importance point of view, but also from ABB point of view because we have a very strong portfolio in modernizing ports. Already the ports where the investments are being made, ABB has a very strong footprint into those ports. So, all the private sector and the public-sector ports which have been announced, some very interesting and new technology have brought into these ports which are pioneered by ABB.

Food and Beverage sector of course, there was a slight impact of demonetization but we see outlook is very positive in this segment as well.

Now, coming to ABB's performance highlights. We are very pleased that we had growth in overall orders intake of 28% in quarter one, which is by far is one of the strongest quarter one we have seen in many-many years. Base orders grew by 17% and large orders went up five-fold.

Growth, we feel is rooted deeper with the customer engagement for ABB and in multiple segments - in small, fast moving products with very good turnaround in terms of how the flow of the cash takes place and also, and also good orders in the system side which has a larger cycle.

Renewable contributed well in quarter one. Service was a very strong segment for us in quarter one, we grew almost 40% in this area. Exports, we did well, we grew 120% in exports compared to the same quarter last year and also we had fair degree of orders that were coming from utilities, industry, infrastructure and transportation. So, it was fairly well spread growth that we saw in quarter one, running through most of our divisions.

Another highlight for quarter one is that we have the increased engagement with the customer on the digitalization initiative, wherein many of our key customers are engaged with ABB to learn how to bring the next level of productivity in their plants and in their enterprises. ABB has very strong offerings in this particular area and we are doing a catalytically work here for the Indian industry, as well as the public sector, to bring India to the next level of technology led by digitalization and our portfolio is pretty strong and our competence is pretty strong in this area. So, we look forward to good traction in this area going forward.

Going forward, growth will be largely driven by government investments and all of us know about NPAs and the certain private sector companies who are holding very high level of debt, I think those needs to resolve themselves to get more traction into the private investments. But we believe it is just a matter of time but then there are strong underlying themes like "Power to All", "Rural Electrification", "Renewables" you know the closer collaboration to automate and optimize the assets of the customers both in the private sector and the public sector and there are of course large orders which are in pipeline.

Another thing which I would like to mention - which you may have picked up from ABB's announcements - ABB globally announced B&R acquisition which will be completed by second-half of the year and we will announce more information in terms of what ABB intends to do in terms of integration of this company later on.

And we are also looking forward to this transformative event of GST which will happen starting from 1st of July. And ABB is preparing itself well to contribute to this transformational effect wherein not only towards our customer but also towards our supplier base and we have set-up strong project-based schemes to make sure that we have a smooth transition.

And last but not the least, I am very pleased to inform you that we have ABB is running a very good backlog one year compared to one year before, we have 50% more backlog that gives us very good revenue visibility going forward.

So, this is a short summary from my side in terms of how we see the market and ABB performance and I hand it back to Sridhar for further comments.

T. K. Sridhar: Thank you, Sanjeev. I think, now I will take you through the financial numbers. Just to start off with the macro number, macro as what we see. We definitely see that while IIP has declined in February compared to January. But I could see that the capital goods sector - the growth in the industry and the capital goods sector is positive unlike the first two months over the last two years.

So, when we look at the past data last year, we saw a decline of 16% in 2015, 3% over January and February 2016 and this time we see a growth of 3%, right. So, we still hold on the GDP growth of 7.2% and inflation of roughly around 5% remains muted. When it comes to the statutory and regulatory scenario, the one that we are really looking forward to, or what is going to make a real change going forward, is the GST. Expected on 1st of July, as Sanjeev said, while we prepare, but I would also like to say that there could be a trade disruption initially because the systems have to get aligned to the new way of working. So, that is how it is.

And during Q1 I could definitely see that there was an impact of demonetization to the extent it was positive for us. We were able to realize more money from our channel partners and the OEMs to some extent because they could see that they could reverse some of their payables to ABB. And also we think, the Factories Amendment Bill would be rolled out and we have a good railway CAPEX which we talk off in 2018 financial year.

So, that is how we look at the macro, a big picture view. Now, when it comes to the performance highlights. Orders received was up 28% - last year we were at Rs. 1,830 crores, today we at Rs. 2,342 crores. Our order backlog last year was Rs. 7,800 crores and we are at Rs. 12,023 crores at this point in time. Revenue grew by 8% and profit after tax grew by 3%. And the operational EBITDA numbers stood good, so we were at 8% growth and they were flat at 6.1 %.

So, I would also like to tell you because this is the first quarter in which the company has migrated to new Accounting Standards of applying IndAS because first time it has got applicable there have been transition changes which have been clearly told out in the SEBI guidelines.

So, as any other company would have the major sort of changes which bring-in in this definitely the expected credit loss, the embedded derivatives on the fair valuation of forward contracts and then of course, on the revenue recognition to some extent and also okay the fair valuation of the provisions and discounting of what we normally do.

Material cost stood at 63.8%, in line what has been there in the previous quarters. In line with our earlier comments about the operational efficiencies and localization actions are holding good, so we are able to maintain the same material cost as to what it was.

Personal expenses at Rs. 193 crores is slightly higher than the last year as well as the Q4 2016 was primarily due to an IndAS impact of actuarial valuation which have to go into that. The other expenses is definitely a true impact of Q4 accruals and also about the ECL impact which is a one-time activity which comes in. So, about ECL, let me tell you these are not something to be written off**,** it is basically an adherence to the Accounting Standards but our efforts to collect the money and keep our balance sheet leaner is definitely one of the strong items in the agenda.

In this context, the company has a healthy balance sheet, so our DSOs have fallen down further from what it was in Q4 so we are at 126 days at this point of time. So, with this we have been able to collect on quite a few payments in Q1 and we also collected the advance on the RP800 contract. So we have a strong cash position at this point of time. The interest cost has slightly gone down primarily because the cost of interest rates basically gone down. Also, we had an NCD borrowing which linked to the LIBOR so that has also helped us doing this.

So, overall, I would say if we eliminate so called one-time IndAS transition impact - which will go on for the four quarters this year – I think we would say that this has been one of the strong first quarter in the last five-six years.

So, coming back to the final point, our exports has been very strong because we got a large systems order from Bangladesh, so we had doubling of exports compare to the previous year same time. Service remains one of our strong revenue generators as 12% - 13% of our revenues and they have also grown strong to high 20%. So, this is overall this thing. So, as Sanjeev said, we have a good backlog of Rs. 12,000 crores at this point of time which is comprising both of the large orders as well as the short cycle medium-term orders. So, therefore, we see definitely a good visibility of revenues, of course, we will have a book to bill situation where in very short cycle orders like Electrification Products and DM and PG services businesses so that is basically which has been quite common year-on-year.

So, with this, I had over back to open up for the Question-and-Answer Session.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, first question, if you see overall your commentary was fairly positive and last few quarters order inflows also have been pretty strong for you. So, will it be right to assume and expect that we are now in the different phase of the investment cycle and from here on volumes should be on the positive tailwind sign along with margins. So, what is the broad outlook on the growth for the next two years to three years perspective?

Sanjeev Sharma: Sanjeev here. Yes, we had very strong 2016 and also that growth story in quarter one this year. At the same time, we should also recognize that the India is a very competitive market and you also have different segments which still have to fire up. Our overall perspective about the market is very positive and we feel as the market segments which are subdued and where our portfolio is very well aligned to serve them I think as they fire them up we only see a positive growth momentum going forward. So, we are really looking forward to further expansion of the industrial sector and I think if that comes back, it will be a very-very good and positive development for us.

Renu Baid: Sure. Looking at the 1Q numbers if we see, ex-Power Grid all the three segments related to industrial businesses had seen margin decline in the range of 240 bps to 270 bps. So, is this apart from the ECL impact in these businesses anything specific that you would want to highlight because short cycle businesses have taken a knock is it a one-off event running through this quarter?

T. K. Sridhar: Good question, thank you for the question Renu. So, I mean first of all, I think as you rightly said the IndAS impact runs through across all the divisions that is number one. And number two, definitely the mix of the orders and in terms of revenue execution which is depending on the customer this thing, so that had play the role. So, that is how it is.

Renu Baid: Okay, otherwise nothing very specific to the industrial business alone?

TK Sridhar: Nothing it is basically about lower revenue because that's the off take impact as what Sanjeev had told about it and definitely the other two factors is what I told.

Renu Baid: Sure. Sir, my last question if I can just ask one more, on the HVDC project, RP800. Can you just help us with respect how the execution would be spread across over the next three years - three and a half years broadly in terms of how the execution or the billing will break-up, just that is it from my side. Thank you.

T. K. Sridhar: Yes, Renu, we do not give those type of finer details as you already know from our previous call. So, sorry for that. So, they will be aligned to the customer requirement and the project schedule as defined by the customer.

Renu Baid: Okay. But no directional indication in terms of how the percentage execution might spill over?

T. K. Sridhar: No, not really because you can assume, so it is Rs. 36 months' contract, so that is how it is.

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

Abhishek Puri: I have two questions. One on the revenue growth cycle we are still seeing about 8% kind of growth although the cost efficiencies have played out for you. Over the last three quarters, the order inflows have been quite strong, 20% plus kind of growth and they are averaging between Rs. 30 billion to Rs. 33 billion. So, when can we see your revenue booking going to that level and may be if you can give us a break-up of the Rs. 12,000 crores of order backlog what is the break-up between large orders and the base orders?

Sanjeev Sharma: Sridhar, just explained, we have a mixed bag of portfolio wherein we have short cycle orders which get executed within a one month's time, or even shorter sometimes, and then you have the large cycle orders that run through 36 to 40 months, so we have fairly evened out mix. As we go forward, all these contracts - short, medium and long cycle - will play themselves out. And you will see that there will be a revenue uptick and we are quite happy in terms of 8% to 10% growth that we are seeing I think it is a good steady growth of revenue and there will be certain quarters wherein we will see a peak related to when a particular project gets picked up.

Abhishek Puri: Sir, if you can give us the mix of the current order backlog may be…

T. K. Sridhar: So, Abhishek, if you look at it clearly, I think you need not even ask us, you have a clear number tracking of ABB, so we have all of the Rs. 12,000 crores as what I said, definitely HVDC forms part of the major portion which is Rs. 3,500 crores under quite a few other orders what we have declared as large orders which we have followed ABB, right. So, looking at the skewness I mean the spread which you see I think nearly 50% is from the large orders and the balance is from the short cycle and medium cycle orders.

Abhishek Puri: Thank you, that is helpful. My second question is an extension to the previous one where the margins under all the segments look lower than last year. Obviously, these are the new segments that you have re-organized, what is the reason why they are lower than last year and on the EBIT margin front for the segments but the reported EBITDA margin is up 30 basis points. So, is it because of that one-off impact coming in or if you can quantify that number?

T. K. Sridhar: So, the quantification number is already given in the SEBI results. So, quarter-on-quarter we have told what the transition impact is. And to answer to your question, re-organization has nothing to do with these particular numbers, it is more about business splits, direct business split which have gone which has been re-organized in such a way that our offering to the customer is complete and more value-added in terms of how we position our self. And when it comes to margin movements, as I have said in the earlier question of Renu, there are three impacts which are coming out, one definitely the volume. Number two is the so-called transition impact of IndAS; trust me this will be there for the next quarters and the accounting standards really are more stringent and complicated - not so straight forward and simple as it was earlier. And the last piece is about the mix between the domestic orders, exports and the service. So, these are the three key attributes which has cause the change and when it comes to the why, the overall profitability is better is because of re-organization what you rightly said and also some of the provisions no longer required at the Accounting Standards is what we came from.

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

Bhavin Vichlani: My question is Sridhar, if you could quantify the impact of ECL that would helpful. My second question is to Sanjeev, who mentioned that the T&D order uptick is going to be driven by the states. We know the states are not in great shape, so are there any few states that you do not want to go for or is there any change in the policy now? And would that impact ABB because there are certain states that we do not like to work with? And lastly, Sanjeev spoke about investments returning to cement - is this your view or are you actually seeing the enquiries from customers increasing and that drives your optimism? Thank you, these are my questions.

T. K. Sridhar: Bhavin, I think your question on the impact of IndAS we would like to not reveal it at this point of time because the number changes from period of period, so till the system stabilizes I think we will not be able to reveal it. But for your information we have given the net profit reconciliations for the previous year and the previous quarters which should help you to gain some input on that.

Bhavin Vithlani: On the following questions on cement and the CAPEX on the T&D which will be more on the state side.

Sanjeev Sharma: Right. You will see on the first question on the T&D investments. I think in our view these will continue to happen and expand because the grid in India is becoming more complex. Not only is the grid becoming more complex, availability of the power and transparency - like how much power is available - is also increasing and that is leading to a situation that most of the states have to be accountable to provide uninterrupted power to most of the citizen. Right now as I speak to you, on an app on my phone I can see how much power is being consumed and how much surplus power is available. If any part of the country is not receiving power, I think that local state is accountable why they are not able to provide power to the people and I think they see fundamental shift in behavior and we see at the state level the behaviors also changing. But at the same time, we stay very prudent and very strict in terms of which states we will do business with and which states still have to carry out the transformation before we find our comfort that they have, their finance is right and also they have the terms and conditions which are in favor of executing projects smoothly and also our ability to complete them in a professional way. So, those are the criteria which we have established over our experience of last many years and we continue to follow that and any states which falls into positively into that criteria, we continue to do business with them and that system has been working quite well for us. Now, with respect to the ahead of the curve investment in certain segments like cement, yes, we do see definite enquires for the expansion plus also a lot of emphasis on increasing the productivity of the existing plants and a lot of emphasis and the investments are also going to into the efficiency because that directly correlates with these companies' kind of resolve to keep the competitiveness in the market and also continue to gain on the margins going forward. So, we definitely see a positive momentum especially among the players who are well consolidated.

Bhavin Vithlani: One more question if I may, you pointed out about the tariff pressure on the renewables side. Is this also percolated down to the pressure on the pricing and the margins on the products at ABB because you have a fairly large share of 15% - 16% revenue from renewables.

Sanjeev Sharma: We have Mr. Subir Pal, our President for Robotics and Motion division. So, he could mention of course, he has dealt with both solar and wind portfolios. So, Subir, the impact of falling tariffs on what we see pressure on our portfolio?

Subir Pal: The impact on falling tariff when it comes to the entire value chain of renewables particularly solar orders, it is there across the value chain. But at the same time, the manufacturers are also trying to do cost rationalization and improve designs by various means, we also have to follow that trajectory. So, to that extent I think the industry is doing a reasonable job.

Bhavin Vithlani: But would we see our margins coming under pressure because of this?

Subir Pal: That I would not make a specific comment. I think it depends on the mix of orders the large ones and the smaller ones that we have, so that we will find out over a period of time.

Sanjeev Sharma: And if I may add, you should also know that the market as such is expanding, the margins are not just the directly relation, so what we have is we have much higher capacities to serve the market and also, we always keep a very strong focus on the cost. So, as the market resets itself to the next cycle of investments, we also continue to work on our capacity and our cost cycle. So, that is the name of the game whenever you are participating in such segments to stay ahead of the curve.

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

Charanjeet Singh: Sir, actually you mentioned in the initial comments about this Euro-IV to Euro-VI transition and we that the ordering could pick a pace going forward. So, what would be the quantum of opportunity for ABB within these orders of $6 billion investment opportunity?

Sanjeev Sharma: Okay. You see, what I mentioned to you is the extent of investments which are expected in this area which is earmarked as $6 billion and they translate into a lot of, of course, refinery equipment but also impact our portfolio which runs through the electrical portfolio, process automation portfolio and the other aspects of it. So, naturally we have not translated those numbers yet onto the kind of orders that we will take but we know that whenever in the oil and gas sector such investments come we have a very definite and positive impact.

Charanjeet Singh: Okay, sir. And sir, on the exports side, if you can give more color in terms of how the trajectory which you could see, are we introducing more products from the exports front and which geographies which geographies would be contributing this?

Sanjeev Sharma: See, ABB India is a very well-established set-up within the ABB network. In fact, any ABB technology available across the world in all the four divisions, those technologies are available in the country and not only available they are manufactured, not only manufactured, they are localized to a greater extent. And it is obvious that ABB Group wants to leverage India as a base to cater to certain markets wherein the exports from India are acceptable and are respected. So, we are seeing a very definite increase in our participation and engagement with those markets and these markets are responding pretty well for Indian exports and that is the reason you can see there is a definite increase in our exports. But you see the exports have two components to it – one is the physical export and the second is that reputation of ABB India to have a very strong engineering base and a lot of competence base and that reputation is felt by our customers and that also combines with the physical exports of our products which are in the multiple segments as you can see that we have the product and we also have sub systems and we also have the large systems. So, we are seeing a good uptick of exports in all the area. And I have to say it is just start of the story we are not even in the middle of it nor at the peak of it. It is just start of the story for us.

Charanjeet Singh: Okay, that is a very good commentary on the export side. Sir, on the Railways front, there are now cost pressures which we are seeing as an end customer there could be. And how is the apart from this 5,000 Electric Coaches order, what are the kind of pipeline which you see from Railways in the near-term due you see the momentum continuing going forward.?

Sanjeev Sharma: Yes, I will hand it over to Subir to answer that. But my top-level commentary is we are very positive on railways. Railways is in such a big expansion spree and such a high investment formation is taking place in the Railways. So, I think we are not really worry about one component or the other, what we are really looking forward to is that the railways will have because of this modernization drive they will have a very large capacity to absorb the modern technology into their system and that is where we are happy about it because if you really look into the railways across the world they benefit with ABB technology and we believe railways are preparing themselves to modernize with new technology and that is where we are excited about. Subir.

Subir Pal: On the railway front, generally it is upbeat mood because of the number of opportunities which are coming up across multiple railway units and therefore, while the competition would be there and more and more international competition, it is also for the manufacturers to come up with improved design to be ahead of the pack and remain very-very competitive and protect margin.

Moderator: Thank you. Next question is from the line of Punit Gulati from HSBC Bank. Please go ahead.

Punit Gulati: Is it possible to get a break-up of your revenue in terms of large cycle orders and medium cycle orders the way you split up your order book?

T. K. Sridhar: Revenues.

Punit Gulati: Yes, this quarter revenues.

T. K. Sridhar: We do not really monitor like that because we have one clear revenues, revenue at the end of day right whether it is some large orders or small orders and actually the trend what we see is around about 50% to 60% come from short cycle, medium cycle orders and the balance 30% – 35% depending on which project peaks about what time, so then your large cycle orders execution has follows that particular pattern.

Punit Gulati: Okay. And what would be your contribution from exports to the total revenue?

T. K. Sridhar: To the total revenue in terms of orders we are fairly large times because we had 12% in terms of orders.

Punit Gulati: And revenues?

T. K. Sridhar: And revenues will be 15%.

Punit Gulati: You also have re-classified your segment, so is it possible to get more color on what parts have moved from one segment to another?

T. K. Sridhar: So, if you look at the SEBI statement which we had given Note #2, it clearly says what part of it has been reorganized. So, it will be Electrification Products is now expanded with electric vehicle charging, solar and power conversion businesses from the erstwhile Discrete Automation and Motion division, right? And the resultant Discrete Automation and Motion division has been renamed as Robotics and Motion and the Process Automation division has been renamed as Industry Automation. So, by in large this is the major change.

Punit Gulati: Okay. And is it possible to get an order book break-up between these four segments at least for the end of calendar year 2016?

T. K. Sridhar: Calendar year 2016 is already there in the Annual Report and it is already on the website, so can match with that.

Punit Gulati: So, it does not change with any change in the segments at all?

T. K. Sridhar: Not much.

Punit Gulati: Okay. And any sense on what is your current capacity utilization?

T. K. Sridhar: 75% to 80%.

Punit Gulati: 75% to 80%.

Moderator: Thank you. Next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: My first question is, can you help us understand what would be the proportionate share of railways you expect in a year's point of view versus last year in terms of revenue contribution?

T. K. Sridhar: From Railways, right?

Deepak Agarwal: From Railways, yes.

T. K. Sridhar: See, as far as Railways are concerned, we have I would say fairly diverse portfolio that goes into it and what we are seeing going forward is that we are getting a mix of short cycle as well as medium cycle orders from Railway. So, Subir, what percentages do you expect?

Subir Pal: Between 5% to 7%.

T. K. Sridhar It is 5% to 7%.

Subir Pal: Okay. And my second question is like in the opening remarks you mentioned there could be some transient period which is very well-expected during the GST implementation. So, do you think that can spill over to a couple of quarters or it will largely restrict to a couple of months surrounding July - August and it will end there?

T. K. Sridhar: It is very hard to say, I think that is what we are also looking at what will be the time period for the transition to happen because as you know it depends on various rules falling in place, the IT structure falling in place and the free trade flow happening and also, we need to renegotiate our contracts both to the customers and the vendors based on what the rule says. I think this particular phenomenon, I think it would be across the market, it would be not only especially for ABB.

Sanjeev Sharma: And if I may say, what really matters whenever such a transition and transformation is taking place, in medium-term it is very positive for the nation as well as for the company. What one best can do in this period to prepare a company well towards the customer as well as towards the suppliers and I think that is what the crux lies. Better you prepare, better you see that you have a smoother transition into a new system and of course, because of nature of this transition there always will be surprises, so that is why we keep a very strong project team which is able to take care of these issues as we go through the transition.

Deepak Agarwal: Okay And just if I can squeeze in one more last question, this doubling of exports do you think to what growth this can normalize to because I understand you have a fairly good order book. But what could be the normalized rate do you think this can be in the next two years - three years' perspective.

T. K. Sridhar: Well, it is a good question and actually I do not want this to normalize because given the competitive nature of Indian market I would definitely like that export keep a healthy pace in our portfolio because that gives us much needed dollar earning as well as it gives us a good…because the price quality in different markets which we export is different from Indian market. So, we will continue to push for it. And as the Indian market expands and we expand with it, the percentages are not the good benchmark to look at it. I think it is the real exports and the real growth in the Indian market I think that is what we are looking at.

Deepak Agarwal: But is there is a thought to take it to almost let us say a quarter in the next three years to five years, quarter of your entire business coming from exports, would it be a loud thinking or do you think it is reasonable?

Sanjeev Sharma: I believe in more engaging in markets and serving the market and the numbers are the by-products of it. So, I think that is how it has been working well for us. Right now, we are more into engagement mode and serving mode and typically whenever we do that you always have good positive results and of course, there can be projected numbers but I think we are more into the focus of engaging and serving the customers and the markets well because you must build your reputation as a supply base and a service base to create a long-term sustainability.

Moderator: Thank you. We take the next question from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

Abhineet Anand: Just on the solar inverter capacity, so what is your capacity now and what did we supply in 2016?

Subir Pal: The current capacity is about 4.5 gigawatt.

Abhineet Anand: That is our installed capacity you mean, we can provide…

Subir Pal: This 4.5 gigawatt is our factor capacity.

Sanjeev Sharma: This is supply capacity, I think in India the installed capacity has reached close to 12 gigawatts and out of that 12-gigawatt we like to believe about 45% of it is our installed base.

Abhineet Anand: Okay. And within services, how much of the overall revenue is now on account of services.

T. K. Sridhar: Our revenues of services remain to be 12% to 13%.

Abhineet Anand: And that is largely I think almost the same level in last few quarters, right?

T. K. Sridhar: Yes, exactly.

Sanjeev Sharma: We have been keeping the same pace as what it has been from a year-on-year.

Abhineet Anand: Okay. And in the solar inverter capacity I think somebody has asked do you see a pricing pressure there because a lot of other players have also enter the market?

Sanjeev Sharma: Well, of course and I think it is an attractive segment so naturally many people will enter. What we know from our customers that when they buy ABB, they buy ABB for high quality not for the lowest price. Because most of the investors are working on very thin financial models around the solar farms and they have to live with it for 20 years to 25 years. So, the quality of the equipment and your ability to keep metering the power up is the most important aspect of it. So, that gets factored in when people are making their purchases and ABB stands a fairly good position in that area that is the reason we are still at 45% install capacity of the market and I think people swear by the reliability of our equipment because that is core to it. Because there are no unlike a thermal power plant there are no rotating equipment here. It is the critical components which are there and solar inverters are the heart and the mind of the solar plant. Now, with respect to pricing pressure, of course, pricing pressure will always be there. When you have their tariffs going down, the financial model get skewed naturally the pressure will come on the supply chain and it is our job to make sure that yes, we are able to deal with those pricing pressures by also keep innovating the technology as well as keep innovating reducing our cost. So, that is the very normal business cycle which we have been engaged for last parts many years and different product segments dealing with Power Electronics.

Moderator: Thank you. Next question is from the line of Jay Kakkad from Haitong Securities. Please go ahead.

Jay Kakkad: I just wanted to understand the IndAS thing better. See, if this quarter your DSO has improved then the ECL impact should have been positive because as highlighted in your Note #4, the last year March quarter your ECL impact was positive may be the working capital might have improved because March generally is cyclically a better quarter from a working capital perspective, right. So, this quarter also why should it be negative?

T. K. Sridhar: So, as you know DSO is a factor of both short-term cycle collections, long-term cycle orders what we have, right? So, ECL if you go by the principle what is defined does not go by concept of setting up provisions and setting up impact based on when you feel due, it is more based on the age of which your outstanding moves in, right? So, the macro end there is no differentiation between your normal receivable and the retention receivables and when you have a contract which run for more than three years to four years naturally, so then you have as a matter of principle we will keep providing for those retentions based in your past trends and what the customer profile and also to which sector does it belong to. So, it is not as simple as what you guys think from, it is a statistical input which is based on driving that ECL as a calculation. And then it actually comes out afterwards when the years pass or you collect the money so then it naturally gets reversed. So, in a nutshell it is timing impact, so as and when you close contracts and you get these retentions so that is only these type of it gets normalized.

Jay Kakkad: Okay. So, basically when the large cycle orders increase in the revenue mix although the working capital starts reducing your ECL impact will increase because of the timing.

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

Jay Kakkad: Sir, one more question, can you actually give net sales on the segmental for this quarter at least for the December year ending 2016 and for this quarter that is all. So, that we know the change in the because the segments have also changed so, we will be able to plug the changes.

T. K. Sridhar: You want to have the sales net off Excise Duty and sales tax on a segmental basis, okay you can sort of take this out. For the Q1 is what I could tell you at this point of time. So, Robotics and Automation is 461; EP is 644; Industrial Automation is 291; and Power Grids is 820. And the net is what is minus the Excise Duty is what you can find out from SEBI.

Moderator: Thank you. Next question is from the line of Amit Nigam from Peerless Mutual Fund. Please go ahead.

Amit Nigam: In the initial part of your opening comments you had mentioned that about 35 gigawatts of old power plants would come up for replacement over the next five years. Could you just help us by enlightening a little bit more about the contour of this change because my assumption is that these power plants would largely state owned and my assumption is that they would have been done by either by the State Electricity Board or by BHEL, I mean the equipment would be BHEL's, so if you could give some color to this kind of change over the next five years?

Sanjeev Sharma: I think the comment was more sectoral wherein we are saying that these will come under revamp and BHEL of course, will supply heavy equipment but part of this overall portfolio a lot of ABB Technology is going to that mix.

Amit Nigam: All right. And just quickly, so these will become larger, so let us say a one site having 500 megawatt would be transform in to a 1,000 megawatt something that kind of shift are you envisaging?

Sanjeev Sharma: Okay. Now, you are taking me on the technical area. So, let us put it this way, as the renewable will mix into the grid what will happen is there will be certain points in the day when the more cheaper power is available through renewable, so the grids or the power operators should have the capacity to ramp down more expensive power plants during that time. So, most of the plants which are built in the old time, you cannot ramp them up and ramp them down as you wish. So, this modernization will essentially allow these elements which pump in forward into the grid to be regulated entities. So, that is an area I think most of these investments will go and it is good for the operator as well as good for the state as well as the Central Government. So, I think it is a very well thought through vision to execute.

Moderator: Thank you. Well, that was the last question. I now hand the conference over to Mr. T. K. Sridhar for his closing comments.

T. K. Sridhar: Thank you very much for the good set of questions which we had in this particular quarter. So, we come to the end of this particular call. In case, if you still have some unanswered questions, please feel free to call Manashwi or me at any point of time, so we would be more than glad to help you out with the clarification. Thank you very much and thanks to the team who has been there on this call and made it successful. Thank you.

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