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February 21, 2017

BSE Limited
P.J. Towers
Dalal Street
Mumbai 400 001
(Attn : DCS CRD)

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (E).
Mumbai 400 051

Attn: Listing Dept.

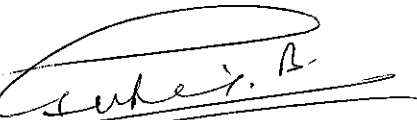
Dear Sirs

Sub: Transcript of Analyst concall

We are sending herewith a copy of the transcript of conference call with analysts, which took place on February 9, 2017, after the announcement of Q4 2016 results and annual audited accounts 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 Q4 2016 Earnings Conference Call”

February 09, 2017



MANAGEMENT:

MR. SANJEEV SHARMA – MANAGING DIRECTOR, ABB INDIA LIMITED

MR. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER, ABB INDIA LIMITED

MR. MADHAV VEMURI – LOCAL DIVISION MANAGER, INDUSTRIAL AUTOMATION, COUNTRY SERVICE MANAGER

MR. SUBIR PAL – LOCAL DIVISION MANAGER, ROBOTICS AND MOTION

MR. PITAMBER SHIVNANI – LOCAL DIVISION MANAGER, POWER GRIDS

MR. CP VYAS – LOCAL DIVISION MANAGER, ELECTRICAL PRODUCTS

MR. AKILUR RAHMAN – CHIEF TECHNOLOGY OFFICER

MR. PETER STIERLI – COUNTRY COMMUNICATIONS MANAGER, ABB INDIA LIMITED



Moderator: Good Day, ladies and gentlemen, and welcome to the Q42016 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 the operator by pressing star then zero on your touchtone phone. Please not 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. Good morning, ladies and gentlemen. Welcome to the Q4 results call and also we take you through the 2016 full year numbers. So, I have with me the management team. I have Sanjeev Sharma, the MD of the Organization; Subir Pal – the Divisional Manager for DM and have Madhav – Divisional Manage for Process Automation; Pitamber, he is the Divisional Manger for Power Grid. And I have Akilur Rahman who is the Chief Technology Officer who has come onboard and CP Vyas, the Division Manager for Electrification Products.

So, without wasting much of time, I hand over to Sanjeev, and then I will follow it up with more details on the finance.

Sanjeev Sharma: Thank you, Sridhar. Thanks, everybody for joining in today. We are happy to announce Quarter Four 2016 and overall 2016 results today. We just had conclusion of our Board Meeting this morning and the Board approved the results.

Very pleased to inform all of you that we had a landmark year 2016 in terms of our orders growth. We grew 54% in 2016 compared to 2015. Most of the orders that we have received in 2016, and also quarter four, have been also on the high technology side, which also indicates that as India progresses forward in areas of power for all, modernizing industries and transportation & infrastructure, high quality and high technology is in high demand. And ABB India is in a good position to continue to cater to that, so that is something which we see in our books in 2016. Also, on the operational results side, we had a number initiatives for operational excellence in 2016 and that also had a direct contribution to the profitability improvement that we achieved. And, good thing is that the profitability is growing in a sustainable way.

Now, talking about the macros as we see as a company. Our view, while we are running this company ABB India, is that we are part of the fastest growing economy and the same view is also held by ABB Group - that we are in to an economy which has high potential and our product portfolio and our services which are well established in India, are well positioned to cater to these markets. Of course, the growth is largely contributed by services and the manufacturing sector has to deliver to its promise, it needs to grow. But the pockets and areas for our diversified portfolio, we find good opportunities within the mix that we see in the market place at the moment. There is large investment in emerging and non-traditional businesses such as renewable, data centers, food and beverage and railways and this continues in a big pace, and it caters very well to the product portfolio that we have localized over a period of time and also the technology that is available within the ABB overall portfolio.

There are new investment profiles which are happening in the ports, I think there is a huge push to modernize ports. There again ABB has a good portfolio and good solutions that we continue to focus. Many of you have seen that we have created some solutions for certain ports which are unique not only in India, unique in the world, and that kind of modernization will continue. And of course, there are some effects of smart cities initiated wherein many parts of smart city initiatives or portfolio find a very good engagement.

Now, with respect to quarter four performance, our base orders grew and large technology orders came in. And also, revenue grew in most of our divisions. And service which was a highlight, revenue grew by 25% and the orders by 30%. And also, the exports revenue was up for us in quarter four.

As you all are aware that we focus in three distinct areas of market, one is utilities, second is industries, third is transportation and infrastructure. I will give you some highlights in each of these categories. In the case of utilities, we secured a UHVDC, Ultra High Voltage HVDC contract called RB800. It is a transmission link connecting Raigarh in central India to Pugalur in Tamil Nadu, the ~1,800 kilometer link will transfer power of 6 gigawatt. It will have a transformative effect for South India and our technology is considered to be the best in this area all over the globe, and this complexity we are only able to handle in a very, very competent way. And it will not only transfer power from Central to South, but it also has the capability to have two-way power flow; renewable / wind energy generated in South can also be transferred back to the Western and the Northern grids through it. So it is truly a smart grid capability which is being built through this link. We have similar links already under commissioning for Northeast - Agra and already the line testing has been done which was put between Assam and Agra. So, we continue to contribute to the nation with this high technology project and making 24x7 power available to people, dream of Indian Government, true.

Now, we also are venturing into new technologies, and you may like to know that in quarter four we launched a new product called containerized micro-grid, this is a special solution for off-grid applications wherein there is no grid going you can still have an off-grid micro-grid solution. It is a very unique solution which is not only applicable in India but all over the world, ABB India is taken by ABB Group as the center of excellence globally. And we have started delivering this solution from India, not within India but also to Australia, Africa and many other locations, and this is a very good evolving new market for us. And whilst we do that, in order to be environmentally friendly, we are installing a micro-grid installation of our own in our largest manufacturing facility in Maneja in Vadodara.

Now, we have installed lot of solar inverters across multiple projects in 2016, close to 2 gigawatts of inverters were supplied. And teams across ABB are working relentlessly to make sure the renewable footprint increase between now and 2022, it will continue to grow very quickly. Kamuthi project which was the largest solar power plant anywhere in the world was commissioned in Tamil Nadu and it has ABB's best of technology installed for grid connection as well as conversion and the automation part of it. We were very proud to be part of it. And as many of you knew that in quarter four we also doubled the capacity of inverters in India to cater to the ever-growing demand on the solar sector.

On the industry side, we commissioned first time in India a 35-megawatt drive which will reduce energy consumption of refinery compressor motors up to 30%. We were very, very proud to have commissioned it on time and to a very high satisfaction of the customer that we could deliver this project wherein a 35-megawatt drive brings in 30% energy efficiency for industry and there are many more industrial plants in the country which qualify for similar kind of solution.

In the current market, there are lot of digitalization aspects which are happening and ABB is in the cutting edge of digitalization solution. We have one steel producer who has 35 plants, they have 35 control rooms, we integrated this 35 control rooms into a one single unified digitalized control room and it brings tremendous amount of productivity and efficiency for such an institution. And this kind of technology if you see, this is really best in class anywhere in the world and our team delivered it locally, that shows that we have the best in class knowhow in doing such kind of things locally. And



also we export such services outside India within the group. We have new sectors wherein we are bringing the digitalization experience of ABB and our platform whether it be in the utilities, food and beverage, oil and gas and process industries in India. There are certain customer pilots which are running and we have distinct memorandum of understanding with a number of customers who continue to work with us on the digitalization project.

Internet of Things, Services and People pilots: we have a motor sensor pilot which we are running with a customer which will transform the way the industry consumes power in motors and also how to increase the reliability and eliminate or minimize breakdowns in the industry. So there are cutting edge technology which are being employed, deployed, used as well as piloted in the country of ours. In the transportation and infrastructure space, we have supplied and it is an emerging area EV Charging, the DC charging for busses, so there are a number of manufacturers in India which have come for DC charging of the busses, hybrid busses or electric busses and they are relying on ABB technology to charge those busses as they expand their footprint. And we see a good expansion in this area.

Railways is modernizing and we have got a very large contract of 1,600 traction transformers for 800 new generation freight locomotives which will be produced for railways, we are very proud of that. And also we created some new products called compact substations and the safe link circuit breakers. In the first year of introduction we had 200 such deliveries made and orders executed. So, overall good mix there.

And also, we are very pleased to inform you that we have some very good contracts in the water lift irrigation because there is a big expansion taking place to bring water to farmers as well as to the various areas of consumption. And ABB has technologies which are best in class in that area and we are executing several projects in that area as well.

And also, one other highlight in 2016 has been that we are working with many customers as our co-partners because the market behavior has changed, ABB technologies are available but customers like to innovate together with us and we have many such projects running together with customers.

So, this is what we would say are the highlights. And going ahead in 2017 we do feel positive about many government actions, many of them are in the making and we are positively participating with a positive mindset. And given the portfolio and the depth we have in the country with our manufacturing and engineering base, I think we will continue to serve the nation in utilities industry, transportation and infrastructure which is poised to grow as we enter into 2017. As always, there are certain pockets of concern, there are always certain pockets which are subdued, but then that is part of the mix that we have, that is how we look at the market and engage in the marketplace for 2017.

So, these were my highlights and outlook for 2017. And now I hand it over back to T.K. Sridhar, our CFO.

T.K. Sridhar:

Thank you, Sanjeev. So, let me take you through the performance of the last quarter and for the full year 2016. Just to look from our point of view, how do we see the macro scenario? So we still believe that there is a GDP forecast of 7.1% to 7.5% band, this remains applicable for us. And the interest rates remain unchanged, so we still have to get benefits of those interest rate cuts which were getting announced to the credit takers in the market who could go up in the investment. And we also see that the GDP is more towards consumer driven demand, so that is the change. But in the last quarter we did have an impact of the demonetization which was positive side for the economy as such

but it was a short-term impact for us as what we see. And GST, which was one of the major regulatory changes which we were anticipating in the months of first quarter of 2017, so again getting pushed to middle of 2017.

So, now if I go to the key elements which set the background for the 2016 results – on the market side of it we say that investments were driven by the government and the retail consumption. And on the regulatory piece, so while we are preparing for GST we also got to prepare ourselves for embracing the new accounting standards starting from 2017 for ABB.

On the commodities and the FOREX, commodity prices strengthened, we could see that, and oil prices were getting stable because of various economic clarity what we see. And the INR depreciated against the US dollar and European currencies in spite of strong FOREX reserves.

From the operation standpoint, I think in the organization there were a lot of improvement initiatives which were progressing in the right direction within the organization, we call it the focus on health and safety of the site for customer and management program which we have implemented in 2016. Then from the finance transformation side, footprint rationalization, focus on services, renewable and transportation continue to grow. And lastly, I think we had a very strong cash performance in terms of 2016, so we continue to be a debt-free organization, we today are having a net cash of nearly Rs. 600 crores on the balance sheet.

So, overall, I would say it was an action packed 2016 in a challenging market. So, just to take you through the numbers, I would say that orders, Sanjeev touched upon it, so we closed for the quarter Rs. 5,628 crores as against Rs. 2,058 crores last year which goes up by 170% and for the full year it was Rs. 12,466 crores versus Rs. 8,100 crores, which was 54%.

Our order backlog, we closed that Rs. 11,821 crores as against Rs. 7,946 crores last year. And the revenues for the quarter was flat, we were Rs. 2,492 crores vis-à-vis Rs. 2,425 crores, which is a 3% growth. But on a 12-month basis we grew by 6% with Rs. 8,648 crores. And the profit before tax for the quarter we had a Rs. 224 crores against Rs. 209 crores, a growth of 7%, but for the year we have been consistently delivering more than 20% quarter-on-quarter, so we were able to close a 21% growth with a PBT of Rs. 576 crores for the full year. And the profit after tax is also an area where we worked effectively reducing the tax rate, so we had a profit after tax of Rs. 147 crores for the quarter which is a 13% growth and Rs. 3,076 crores for the full year with 25% growth. And the cash which is generated from operations was Rs. 1,072 crores against Rs. 578 crores last year, so it was a phenomenal cash improvement which we did in the year and that was reflected in the various parameters which you see in the numbers.

If I look at the consecutive four quarters at the same time how much we did, so when we look at from a Q4 of 2012 we were Rs. 1,593 crores in orders against which we are today Rs. 5,628 crores. And the revenues have been consistently growing at an average of 5% to 6% in the same quarter same time and our profitability in Q4 of 2012 was 1.3% PBT and today we are talking of 9% PBT. And similarly, if you look at the trend in the profit after tax, we were barely 1% in Q4 of 2012, vis-à-vis 5.9% what we talk in the same quarter in 2016.

If you look at the sequential, we continue to be in the right direction, better off than the previous three quarters and the previous last quarter as well. And if you look at the five-year trend as against Rs. 7,000 crores which we started in 2012, we are at Rs. 12,466 crores of orders. And the revenues which we were at Rs. 7,565 crores in 2012, we are

at Rs. 8,648 crores, a consistent growth of 5%. On the profitability PBT, we were at 2.7%, we are today at 6.7%. In 2012 in PAT we were at 1.8% and vis-à-vis today we are 4.3%.

So, I think the growth pattern continues, and we are happy that we are able to manage our cost structure. If we look at the material cost we hold our material cost at 65%, which we have been consistent, I will have to say. The personal expenses for the full year was 8.9% compared to 9.2% last year and the other expenses were also in the same line as last year. On depreciation we were slightly better off in this year and on interest cost definitely we are better off than what it is and even on tax cost we are better off. So, overall, I will say a satisfying performance for us in challenging market.

And when we come to the segmental performance, – let me first take you through the quarter, so DM revenues were Rs. 669 crores against Rs. 613 crores, a substantial improvement in profitability, they were driven by operational excellence and better product mix in the markets which DM is serving. And the capacity utilization on the inverters, factories and also some of the one-off items which were there last year which are no more there. And coming to the EP part of it, we have been saying that we are focused on the infrastructure sector and we are coming up with new products and localized products. And based on that if you look at it, both the revenues and the profits have grown. PA, even though they are sluggish in revenues which reflect the market sentiment, but the profitability has been pretty much better. And because we are definitely now looking to continue to reinforce our focus on service business which is one of the key elements of the profitability improvement. And PG we were flat on revenues, but they are exposed to infrastructure customers and so it is a mix of the conservative accounting policies which we follow as we prepare to embrace the new accounting standards in 2017.

So that was the performance for Q4 by segment, and for the full year I think we have been consistently improving. And if I look at the net working capital, there have been consistent in DSO and improvement, so our DSOs are now roughly 130 days from what we started in 2015 from slightly higher to 150 days, so this has been improved quite a few initiative and focus on key customers, how we change the payment terms and what we have being saying about following the cash over revenue mantra, are all sort of elements which are improving, which are key elements of improvement performance.

So, with this I would close my inputs to you guys. So we open up for the Q&A. So, we have all the management team members who will be directed to answer to their relevant components.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, first question, definitely we have closed the year with a very strong order book to mention. If you can just highlight a little more with respect to the HVDC order, what is ABB India's share, the timelines for completion? And I recollect ABB had put across a dispute regarding a certain proportion of the supplies. So if you can mentioned what was the share of the disputed scope in the entire work and the disputed work in ABB India scope or Parent's scope of work? That is my first question.

Sanjeev Sharma: You see, this Raigarh to Pugalur link is a large contract. ABB India scope in this is Rs. 3,600 crores and the rest of the portion is with our principal in Sweden as well as BHEL. So that the constitution of the project. And ABB as a company whenever it enters into a large contract or any contract, it follows all the due diligence in terms of understanding the all aspects of the contract. And wherever there is a clarification required we seek it

from the customer. And if the customer finds that a third party should be involved to make an interpretation, we always seek that interpretation before we book the contract. So that was the nature of query we had, there was no dispute, it was amicably settled between the parties.

Renu Baid: So there will be no impact on the profitability or the billing with respect to the disputed, or I would say the amicable or the ambiguous amount of Rs. 400 crores - Rs. 500 crores which was talked about initially?

T.K. Sridhar: I think there all the disputes are closed, so we are on the execution mode at this point of time, the margins are in line with the bandwidth ABB expects.

Renu Baid: Sir second question, if we see Power Grids business, despite overall, we have done reasonably well, Power Grid still continues to see a bit of challenges, sales have been broadly flat. And if we recollect, order backlog at the beginning of the year was reasonably good. So if you can highlight what are the headwinds for execution in this segment? And going ahead can we actually expect now double-digit growth given the backlog should be healthy?

T.K. Sridhar: All these large projects have a gestation period to execute, so this project has got a 36-month execution period. So while we take time to prepare for executing this particular project, at this point of time we cannot comment on what will be the execution period of this particular project. So, that is how I would see and we are making our best efforts to make sure we have a decent performance as what we had in 2015.

Renu Baid: Not just with respect to the new order but we were sitting on reasonably large systems order from Bangladesh and other Asian countries. So are we seeing any headwinds on those jobs because overall at the company level CY16 we have not seen the sales growing. So if you can highlight why Power Grid as a business segment the performance was not as strong?

T.K. Sridhar: So, I agree with you because in terms of the headwinds we do not see any big orders, the backlog which we have is fully executable, we do not see any sort of headwinds in the project take off because our due diligence before we get into the customer inlands is pretty much strong in terms of how it is built on cash, how it is built on the project execution portfolio. So, we make sure that we stick to the schedules and also adjust according to the timelines which the customer has with his end customer. So, in terms of Power Grid, definitely they are exposed to infrastructure customers and it also includes export orders which are very much milestone based. So, net, net, we do not find anything which is disproportionate in what the performance is.

Moderator: Thank you. We have the next question from the line of Jai Kakkad from Haitong Securities. Good afternoon

Jai Kakkad: Just on the order inflow side, if you reduce the large orders then the base order comes to around Rs. 2,000-odd crores. Can you share your perspective on how does base orders look like, which are the segments? And also, can you also share some perspective on the exports and the services, what were the contribution in the sales and what is the contribution in the order inflow?

Sanjeev Sharma: So, if you look at the base orders on a like-to-like basis between the previous quarter to this quarter, after removing the large orders what we normally see which includes HVDC in this particular quarter, so we are flat. So let me tell you it is a positive flat, it is not a negative flat, so I would say that because base orders especially in the last quarter we should understand because of the demonetization impact customers were really

reviewing it from the point of how they would really run their operations. And so that had a short-term impact for this particular quarter, but other ways I think we were able to bring home the orders which we wanted to bring.

Jai Kakkad: And sir, the contribution of services and the exports in the revenues in the order for the full year?

Sanjeev Sharma: Services actually grew in the year at 20%, right what we are. So we were talking of 12% earlier which we had as an revenue share of services, today we are talking of 13% because of this growth and focus and reenergizing our reach to the customers on the service base. In terms of exports, this year the export orders which we had got in 2015 started to materialize as revenues and so we are at 15% - 16% exports today.

Jai Kakkad: And sir in the railway order that you spoke of, so in this Budget also there is a lot of push on the electric loco, so will that benefit you, are you placed more on electric side or diesel side, can you just throw some light on that?

Sanjeev Sharma: See, the railway investments are in the areas of electric locos, diesel locos as well as constructing state-of-the-art bogies. And all these three areas impact our portfolio and I think it is a positive development in all these three areas, because we have solutions that go into the new ultra-modern bogies, electrification of the engines and as well as on the diesel engine. Because diesel engine as you may know we are global leaders on the turbocharger side and our solutions in India are also very much entrenched into railways, I think we have about 52% of diesel locomotives running with ABB turbochargers, so that continues to see that growth. And also on the electric locos, significant part of ABB portfolio gets consumed.

Moderator: Thank you. We have the next question from the line of Ashutosh Narkar from HSBC.

Ashutosh Narkar: Two questions, one on the distribution CAPEX. One of my peers earlier asked about the Power Grid, now how much are we capable of taking in business from the Uday Scheme, is that actually showing any traction or is it too early days? And what is the kind of growth we can anticipate in the Power Grids segment over the next two to three years? That is first. Second, we have seen cash now at close to around Rs. 1,200 crores, so if you could give us some idea about what are our plans on CAPEX or returning it back?

Sanjeev Sharma: The second question is what I will take, so in the meantime the first question, Pitamber if you are there on the line, can you explain?

T.K. Sridhar: So I think the question is about Uday Scheme which essentially is restricting the balance sheet of all these state utilities or state distribution companies. Now, the question is what kind of opportunities that we see in that space, Pitamber?

Pitamber Shivnani: C.P. Vyas should address this, because it is medium and low voltage related schemes actually.

Sanjeev Sharma: Alright, so let me answer that question for you. You see the Uday scheme is about really making state utilities as well as distribution companies more focused on creating a viable mechanism of delivering power efficiently and collecting it also efficiently. I think many of the schemes, many of the state utilities are doing well in this and many of them still have to start a significant action. We are working with some very forward looking distribution companies and we find that there is a big push on the digitalization side, new technology side, how do you deliver services to the customer, it is less of hard content but really a new technology content in order to be able to monitor the deliver

the power, availability of the power and as well as instantly revising the consumer when the power availability is high and the consumption is low. So, I think there are a lot of digitalization area opportunities that we see in this particular space where we are participating. And also in a way for the kind of a landscape we have in Indian consumer behavior and Indian distribution system. So, that would be the first part. The second part was about CAPEX. Sridhar?

Ashutosh Narkar: Just on the same, we have not yet kind of seen any improvement or enquiries on orders as yet, right?

Sanjeev Sharma: Yes, you are right. I think that is something Uday Scheme is related to really making the boards healthy. And there are investments but I am saying they are more in the technology, high technology areas, not in the traditional areas of investments. But there are locations which are incremental orders that we continue to receive from the electricity business we like to do business with and that incremental business continues year-on-year.

T.K. Sridhar: So, your next question was on the CAPEX part of it. So, we do have definitely cash which is a surplus at this point of time. But we should remember that the economy is poised to grow and we also want to grow with the economy and participate with the new opportunities, so we will require this cash for working capital. Also, as you all guys know, we had made a NCB structure last year 2015, so that will mature for repayment in 2018 third quarter. So, we have to really look at how we continue manage our working capital and also our CAPEX as we have been seeing will continue at the same \$100 million route, depending upon how the market picks up. So there is nothing like buyback or something like that, if this is what you asked for. And we will invest this money for running the operations as well as planned CAPEX.

Ashutosh Narkar: So, as I understand, \$100 million of CAPEX is what you are arguing for? And probably by the end of the year you would again have close to around Rs. 2,000 crores of cash?

T.K. Sridhar: No, but we will also require it for executing large projects and also the increased demand from the market.

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

Bhavin Vithlani: At the outset, I would like to congratulate Sanjeev Sharma, Sridhar and team for a good performance despite difficult environment. My question is on the exports, so a couple of quarters back, Sanjeev, you spoke about how the product only export of ABB which is global feeder factory is looking more on a regional role. So if you could dwell a bit more on this, what is the progress on the export side of the business? That is one.

And the follow-up question on the railways which an earlier peer talked about, if you could talk about how large is railway for ABB India currently? Which are the new products, if you could specify some of the products that have been introduced, and how large this railway could be over next three, four, five years? Could we see this becoming as larger as the renewable now?

And the last question is, renewable was 15% - 16%, what is the share of the revenue currently?

Sanjeev Sharma: So I think, let me start with a reverse order, let me give the railways question to my colleague Subir Pal, he will give you a bit of a perspective of kind of impact we see with

railways and prospect he sees going forward. And then I will connect on the renewable as well as the export piece. Subir?

Subir Pal: On the railway portfolio, we are in turbochargers for locomotives, we are into propulsion converters for locomotive and we are also into transformers for locomotives. We are also in the line electrification job through our Power Grid division. So it is a multi-division portfolio that we cater. So our exposure to railways is substantial and it can clearly at the currently level exceed 5% of the ABB portfolio in terms of sales. And that is a healthy portfolio going forward as we look at huge investment happening across the board in multiple directions, involving both on the metro rail front as well as on the Indian railways investments. So, it does look as a very positive area for us. How far this percentage would increase, I think I would not like to make any specific comments on that, but overall the trend is positive.

Bhavin Vithlani: Earlier Sanjeev also talked about bogies, so any product in bogies or traction motors, would that be also a part of ABB or planning to be a part of it?

Subir Pal: ABB globally is already into traction motors and certain projects within India have also been catered together with our principles and that continues to be the practice. So, it is not that we have not participated in motor supplies, we are also there in some of the metro rail investments we have participated. So that continues to be the trend.

Sanjeev Sharma: Coming back to your original question about exports, exports I think, apart from ABB India, I would say exports is becoming a good fertile story for India as such. You have a good number of contractors who are working in India and also they are exporting themselves into emerging markets. So, I think that is one area of opportunity we participate, because ABB is a very well-known brand in the exporting countries and it helps the exporting contractors in India to carry our brand into those markets because there the acceptance level is quite high. So that is one part of the export growth and the export participation we have. The other part is our direct export wherein we have feeder factories here in India which are directed for exports and also we have started new lines which were not there earlier part of the portfolio, we started new lines in 2016. I would say the new lines that we have started in 2016, we saw a significant jump in the export side because the market accepted our portfolio from India and I think we saw a very good growth there. The traditional export markets given the subdued demand we have in Africa, in Middle East and Southeast Asia for the overall economic reasons, we did have flat or small de-growth in some of the lines that we do which is a part of the natural cycle. So I would say overall our focus on export is much higher than ever before and our engagement is much, much higher there, our efforts and our investments there are much higher. And the new areas we see is very rapid returns and the traditional areas continue to grow or they are flat in certain areas. So that is the kind of overall scene of exports in 2016, but this remains an real area for us to leverage ABB India footprint to make good of the markets which also give us the orders in dollars.

On the question on renewable, well, renewable continue to be strong for us. Wind was particularly strong for us in 2016 and we also delivered good amount of solar projects. We doubled the capacities of the solar inverters and I mentioned about we are also going for more value-added services in the renewable with micro-grid solutions which are containerized and integrated solutions which have demand not only in India but also very strong demand for the export markets and we see that will grow further. At this point of time our renewable contribution comes to about 15% to 16%.

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

- Charanjeet Singh:** Sir, my question is pertaining to the railway segment. We have seen definitely there has been a lot of allocation for the railway segment continuously in the Budget, but still it is contributing 5% of our revenue. So, what is changing right now for us to get incrementally positive on the railway segment that it can become bigger proportion of revenue?
- Sanjeev Sharma:** See, as I explained to you, our focus is in three areas, utilities, industry, transportation and infrastructure. So, as each of these elements as we map in terms of their growth and our participation, I think we have a very structured and a very balanced growth program. You should know that in railways some time the announcements are ahead of the investments, so right now we feel that the market is caught up with the allocation of future funds into railways and also there is a significant current transaction. So our participation there is quite significant, but you should know when you talk percentage you are working with percentages against very well established and very well entrenched businesses in the market. But we will continue to see railways contributing just like how we started the renewable story few years ago, we see the similar trend will go in the case of not only railways, we consider this as a transportation segment, because there is a huge space not only being filled in by railways, metros, EV charging and as well as electric propulsion. So these markets will open up as we go forward, as India transforms and embraces electrical technology and electrical propulsion systems going forward.
- Charanjeet Singh:** And sir, on the port front you have talked about modernization orders, how large is that opportunity and when we can see those kind of orders getting fructified?
- Sanjeev Sharma:** It is a change of the mindset of the market place. You see, just to give you an example, the port modernization, one aspect is that you have ships which come in and they take very long time on the ports to empty themselves before they move on. I think compared to global standards it is very, very high time of turning out these ships. So one is the port automation and electrification, that is where we are helping a lot of investors who are going into ports. And number two, we are also bringing new technologies like typically when the ships come they continue to run their diesel engines while they are burst in the ports. So what we have is we have new solutions wherein we supply power which is called onshore power to the ships so that they get the power connected and they switch off their engines, less CO2 impact and they can also repair the engines for their onward voyage. So that kind of technologies are something which we are bringing, and to our surprise we created a couple of pilots and after that we see a huge wave in this direction and many, many ports are interested to deploy that technology. Because it takes certain absorption time for the ports, but then after the pilots and the leading ports have implemented it the others follow.
- Moderator:** Thank you. Our next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** My first question was on the HVDC order, the Rs. 3,600 crores order that we have won this time around. Just want to check with you that have we in terms of bidding taken into account any delays beyond the three year execution period as has been seen in other orders which have been given in the past in the country? And essentially are there any clauses which kind of maintain our profitability in case of such an event happening?
- T.K. Sridhar:** So, the zero debt has been answer to that question, the zero debt has been set with the date on which we have entered into this particular contract. We have signed off the contract which was in early January. So that actually does not have the impact of the delay, which was not required. And normally in our bidding models we definitely have very strong method of how we estimate the risk and the returns for any project. And so we have a model which takes care of that.

- Aditya Mongia:** Most of the questions have been answered, just one thing on inverter pricing, how has it moved for you in the year gone by?
- Sanjeev Sharma:** You are saying solar inverter prices?
- Aditya Mongia:** Absolutely.
- Sanjeev Sharma:** Well, I think we do not specifically talk about the market prices, but I would say when we doubled our inverter capacity in the country most of the industry showed up for inauguration, so that shows their strong connect with ABB technology. And what we understood and heard from the industry leaders when we gave them a chance to speak that they really like ABB for the reliability of inverters because they are investing in assets which they will own for 25 years, it is absolutely important that they have the minimum outage in their project. So they really like ABB for that purpose. And I would like to say we maintain that high quality and high market share position due to that.
- Moderator:** Thank you. We will take one last question which is from the line of Ankur Sharma from Motilal Oswal Securities. Please go ahead.
- Ankur Sharma:** A few questions, sir. One, if you could talk about your gross margins, how do you see that going forward especially with the way raw material prices have gone up. And also with this large HVDC order coming through, so clearly the proportion of projects in your mix will go up going forward.
- Sanjeev Sharma:** Well, you see as far as this particular project is concerned, it is very positive for ABB India because the scope that we have that is all run through our factory. So that means the backlog increase that we have that is meant to be manufactured in our factories. So, though it is a project business, but actually it really has underlines high volumes to be manufactured by our factories, so that gives a good healthy backlog going forward for us. As far as the gross margins are concerned, we have a very strong diligence and we are very happy with the gross margin position that we have. It continues to do better than before and we feel that we are in a satisfactory position there in terms of the gross margin growths.
- Ankur Sharma:** So, we can expect these numbers to sustain around, I mean, do you expect these numbers to sustain at these levels?
- Sanjeev Sharma:** Ankur, the answer to your question is, it depends on how the projects and services mix change, right. So, because in any quarter if the product has spiked because of the milestone which you need to achieve, then it would be sort of for that quarter be a bit distorted. But if you look at an average gross margin for the material cost for the last eight to 12 quarters what we have been delivering, we are in the same range of 64% to 66% by and large. So we hope that we will have the same, that is what we could share at this point of time.
- Ankur Sharma:** And sir, just a second question would be on the order inflows by segment, if you could share that. So, while we do have order inflows of close to about Rs. 12,460 crores for the year, could we have it by segment as well? And the reason I ask is because we do not have these numbers for 2015 with the change in the segmental breakup, the way you report numbers. So, either the order inflows for the full year or the order backlog by segment would be appreciated.
- Sanjeev Sharma:** So, if you can wait for the Annual Report to come that will come out, so we will disclose in that.



*ABB India Limited
February 09, 2017*

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

T.K. Sridhar: Thank you very much for all the participants and the interesting questions which you had in this particular call. And thanks to all the management team members who took time to attend this particular call. And if you still have some unanswered questions, please feel free to call Manashwi Banerjee who is the communications incharge dealing with the Investor Relations as such, and also myself. So feel free to write to us, we will get back to you soon. Thank you very much. Thank you very much, everyone on the call. Thank you.

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