



**“ABB Ltd’s Investor Relations & Media call-Q4 &  
Full Year results for 2011Call”**

**February 23, 2012**



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**Moderator**

Ladies and gentlemen good day and welcome to ABB Limited investor relations and media call to discuss the Q4 and full-year results for 2011. For the duration of this presentation all participants' lines will be in the listen-only mode, I will stand by for the question and answer session which has been split into two. Investor relations question and answer session will be first during which we would request the media to disconnect their calls. At 5 PM we will conclude the investor relations call and be on standby for the question and answer session from the media. I would now like to hand the call over to Mr. Vikram V Kanth. Thank you and over to you sir.

**Vikram V Kanth**

Thanks Melissa. Good afternoon everybody the investors and the members of the media community welcome to the Q4 and full-year results of ABB India's 2011. My name is Vikram; I look after communications and investor relations. Present on the call along with me is Bazmi Husain, who is the Managing Director of ABB Ltd. India, Amlan Datta Majumdar, who is the CFO, N Venu – the Senior Vice President who looks after power systems business, Mr. R Narayanan who heads our discrete automation business and Priteesh Mahajan, who heads the process automation division. I also have along with me my colleague Sanaj Natarajan who looks after media. Without any further delay I would like to hand the call to Bazmi and Amlan to share the results of ABB India.

**Bazmi Husain**

Good afternoon everyone and I am very happy to share with you in the 4<sup>th</sup> quarter last year we have continued the growth that we have had double-digit growth throughout the year every quarter or else on an overall basis are up by 39% we have had a 17% increase also in the revenues. This growth that we have achieved is on a fairly challenging year in the market and I would attribute this growth to a number of factors. Number one, is that in the beginning of last year when we've had this telephone call in for the last year's results we had mentioned that we are going to focus on increased localization and indigenization developing our capabilities to actually indigenize many of our products and we were able to do that in course of 2011 we successfully manufactured and shipped 765 KV equipment from our factories there in India. They also put a lot of focus on the operational excellence part of it and that has also helped us to improve our bottom line performance. We also look at new avenues for growth and there I would like to highlight the growth we had in the solar segment where we have grown over five times what we had in 2010. So all in all I would say 2011 has been a good year it has been very satisfied with the performance the action that we have taken in 2010 will continue to bear their fruits for us in 2011 the action that we have taken will continue to bear the fruits for us in the years to come and our focus on developing our technological competence design competence for making more products here in India designing and producing more products here in India as well as our focus on new areas of growth. Looking at the trends that we have of urbanization etc. we will see that these are new areas for growth for us. And also keep the focus on the cost side as improving the quality is of operational excellence will continue to be a key area of focus for us. Now with that I would like to leave Amlan to take you through the numbers and then we can circle back.



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**Amlan Datta Majumdar**

Thank you Bazmi. Good afternoon ladies and gentlemen our investors and analysts and the media friends present on the call thanks for taking time to attend to ABB India's annual results announcement for 2011. As we know the last year has been a very challenging year for the Indian industry and the reforms were slower than the industry expected both in power and on the automation side but we were happy that we could possibly do pretty well in this environment in this difficult market our orders grew by 58% in the 4<sup>th</sup> quarter of the year and for the whole year it is a growth of 29%. The 4<sup>th</sup> quarter revenues grew by 6% while for the whole year it grew by 17%. Profit doubled as compared to the last full year and it was of course 8 times of the last quarter of the last year, so a fairly good performance we were positive in cash close to 1500 million. On the overall if I just go through the results that we have published and some additional information. As we know that we track our orders as a company in 2 buckets. One the large orders which are in excess of 70 crores or Rs. 700 million in values and the base orders which are lower than that. The best part was that we grew in both the baskets our large orders came we talk possibly during the call more about the large HVDC project in Agra that we won in the last quarter for the ABB group which was a huge order for even ABB India it was on large order. Apart from that we have bagged a number of large projects in the power and also in the industry side. Just to mention some of them are the Isolux project in UP in excess of 8000 million, the we won project from SAIL, Bhilai Steel plant which is also in excess of 3000 million than multiple projects from Power Grid, PGCIL Champa, and we won other orders in sub category..

On the industry side we won a last paper project from JK Papers plus number of metal projects for electrics and automation. So overall it has been very satisfying here in terms of large orders. On the base orders almost every division grew at very good pace with a little bit of difficult times for process automation because of the industry and market condition that it is facing today. On the revenues, the revenues have been growing quite steady though the 4<sup>th</sup> quarter revenue has grown slower than the earlier quarters the reason being typically the contractual deliveries that are scheduled so in the 1<sup>st</sup> and the 2<sup>nd</sup> quarter of 2012 many of the revenues will come in but they were not contractual deliverable at the 1<sup>st</sup> quarter. But on overall basis a 17% growth in revenues was reasonably satisfying for the company. On the results side there has been a reasonable decrease in the material costs which has been a concern and these have happened in a scenario where there are rising input costs and low pricing realization is a very common situation in the industry. In spite of that for a full year of our material costs have reduced by 2%. In some of our legacy issues like rural electrification business the impact on the bottom line is coming down which is also help to improve the results. A little bit of concern was on the high interest rates which were affecting both our customers and ourselves. We expect that the government will take necessary measures for softening the interest rates which in our opinion will boost the investor sentiment. Our expenses have been under reasonable control though we had to take lot of efforts to combat the challenges thrown up by the external environment but we could somehow managed that well. During the year on the last month of the year that is in December 2011 we acquired a company called Baldor Electric with supplies high end motors to the industry it is a niche market business very small business yearly business could be in the range of 35 to 40 crores at this stage but we have only one month impact so the ABB standalone results and the



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consolidated results for the year 2011 does not make a difference. But going forward this is a very niche product that we have got in our segment which we will talk about it in future. And as you know during the year in the earlier quarters we have acquired three businesses from, ABB global industries and Services Ltd. which we did in the 1<sup>st</sup> quarter of 2011 they have also started paying good results. Coming to the cash situation we have seen a very difficult liquidity situation in the market with the rising interest rates I mean all the players in the market are very scared about parting with the money so this made our job very difficult but what we did while we cannot influence to the market situation we worked very closely with the customers and we ensured that most of our projects and orders are completed 100% to improve the situation. So finally we could get a reasonably good cash flow situation at the end of the year. Our backlog of orders stands at 91,000 million which is the ever highest backlog ABB India had this gives tremendous visibility to the future revenue of the coming quarters. This is in terms of dollars close to US\$ 2 billion which is largely even by global standards. This is the basic result break that I think that I will share with you and I hand it over back to Vikram.

**Vikram V Kanth**

Thanks Bazmi thanks Amlan. We would now request the media to log off from the call and we will take some questions from the investors and I would request all media colleagues to dial in again at about 5 o'clock. Thank you.

**Moderator**

Thank you. Ladies and gentlemen we will now begin with the question and answer session for investors. We have the first question is from the line of **Aditya Bhartia from CLSA**, please go ahead.

**Aditya Bhartia**

Hello good evening sir. Process automation division's performance has been a little disappointing in the 4<sup>th</sup> quarters with revenues falling and Siemens posting an EBIT level loss, could you please explain the reasons for the same?

**Bazmi Husain**

Okay what I will do is I will start of answering your question and my colleague Priteesh Mahajan who heads that process automation division is going to continue in that. First of all I want to emphasize that what Amlan had mentioned that we seek our business into large buckets, power and automation although our divisions are further subdivided we have to look at the markets as a whole. So if I look at automation as a market, automation as a market actually grew. What has happened in 2011 because of (A) the economic uncertainties that have been there as well as the fact that the capacity utilization has been below the level that our customers begin to invest in new capacities because of that the project ordered that comes in automation segment in which it is what process automation division looks at those were are softer in 2011 and in these circumstances what happens is that the same customers invest more heavily in such period that allows them to get better returns from their existing investment whether it is more energy efficiency or increase production and that is why you see in the discrete automation in the motion division that we are up by 29%. So it is a combination that we have to look at it you are absolutely right that when it comes to project business 2011 was a soft year in the market we have not lost our market share in the market it was a softer year because new projects, the investment in new projects have been either delayed or held back or



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have not yet made economic sense from capacity utilization perspective. Now I will ask my colleague Priteesh he can maybe add on more to it.

**Priteesh Mahajan** Good evening everyone just to add on to what Bazmi said and what Amlan said earlier and it is the same situation we have seen a rise in the input costs in our project business we had a higher cost of funds and lower investor sentiment. And like Bazmi also mentioned I think the big issue has been with surplus capacities there is really no addition to the capacities that our consumers or our consumers have been adding. Obviously if you look at capacities, the capacity addition is not incremental like in consumption but it is more the capacity addition that happened over the last couple of years, whereas the demand is still got to rise to reach the capacity that has been built up. These factors in addition we had the project delays for new projects and slower completion of some of the older projects which made it very quite a challenging quarter I would say for the process automation division.

**Aditya Bhartia** Are you seeing these trends changing?

**Priteesh Mahajan** Over the last two quarters and we all know it as well as you guys know as well as I do and we really have to see some clear positive signals from the government policy now whether it is interest rates or others to improve the company to help the industry to start to grow again. It is going to be challenging for some more time.

**Bazmi Husain** I would rather say we would be optimistic but cautiously optimistic on this.

**Aditya Bhartia** And sir could you please update us on the status of rural electrification business? What would be the pending obligations as of now?

**Amlan Datta Majumdar** We have at the end of December 2011 still Rs. 250 million backlog yet to be executed and as I have told earlier whether we will execute the entire 250 million or we would be able to short close some of them with the customers is still ongoing and the good side is while we had severe impact of this business in terms of our fulfilling our obligation in the earlier years this impact is coming down though there are still impacts there but going forward this will be so minimum maybe we do not have to talk too much about it again. That is our expectation we do not have too many obligations open now.

**Moderator** Thank you. The next question is from the line of **Renu Baid from B&K Securities**, please go ahead.

**Renu Baid** Good evening sir. Very strong set of order inflows that we have reported but the highlights in the inflows that you have mentioned one largely of Isolux and the Bhilai Steel which was already there in the 3<sup>rd</sup> quarter so apart from the HVDC order was there any large orders from the industrial sector you would like to highlight or from the power sectors. At the same time if you can give the outlook on how the order pipeline for both specially the process automation business looks like?



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**R Narayanan** In the industry segment, we got a large order from Tata Steel that is around \$10 million and also couple of orders as far as the renewable segment is concerned that is the solar space from various EPCs.

**Renu Baid** Sir, what would be the size of the solar order?

**R Narayanan** Solar order should Rs. 300 million.

**Renu Baid** These will be all EPC projects and Tata steel has scope of work in this project would be?

**R Narayanan** Scope of work would be that of drives and motors what we are supplying to them. This is for the Kalinganagar blast furnace.

**N Venu** This is Venu here from the power system side. I was just mentioning the large order from the NE Agra HVDC project we also got couple of major lots of stations of 765 KV from PGCIL and we also got electrical balance of plant from private utilities in that. So these are couple of projects have contributed significant order inflow in the 4<sup>th</sup> Quarter.

**Renu Baid** To consult on the outlook of the pipeline of orders that we see coming in from infra as well is from the process automation space more than next 12 months?

**N Venu** On the infra side, let me answer and on the process automation side my colleague would take that. On infra we see a strong pipeline, especially we have three airports coming up and then also both Delhi Metro phase 3 is coming up and then Bangalore phase 2 is coming up in a big way and Jaipur is another thing. On infrastructure we see a very strong pipeline which is going to be decided in the next couple of quarters and on the process automation side.

**Bazmi Husain** when it comes to process automation side as said that is more related to the industrial investments. So it depends really on, is the underlying need for more investments, more consumption is there, whether that turns around in one quarter or two quarter is something that I would not want to speculate, but we see absolutely, whatever we see right now we see that as a temporary phase. How long will that phase last, it is something that is really depends more on the combination of things that has to happen in ....

**Renu Baid** Sure. Sir, my second question is coming back to low profitability or its marginal profit and loss that we have been doing in the power system and process automation very poor, margins in profitability. So when do we expect especially power system to start contributing meaningfully in terms of 1% plus profit margins? Was there any ForEx loss in the current quarter as well, which has slightly impacted the margins outlook in the segment?

**Amlan Datta Majumdar** In the market if you see, in the Systems business whether it is in power systems or process automation, with the investor sentiment being low the cost of borrowing high, there will be definitely be a price realization issue. There are fewer orders, there are many competitors, and this scenario is known. If you look at our power system business we really had challenging times, and we were very forthright in coming up to the market in explaining in the issues and



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how we are addressing it. Now power systems is improving and it will take little bit of time before the market also support because we are taking all actions that are possible. We are executing highest level of project management, we are having the best quality of engineers, and we have ramped up our resources which we have been telling you over the last few years. So we are fully ready to deliver the best to the industries and as the power market improves, you will see definitely better results in case of power systems.

**Bazmi Husain**

Now when it comes to profitability; I would say that there are three main things that impact. One, of course, is the market prices that are there, those have in the recent past, they have been low, it also is a function of our costs coming down for that I've mentioned earlier, on in the call our focus on operational excellence. Let me clarify this kind of componentized operational excellence actions that we have been taking. Not only is that to do with our factories where we are improving, the process flow, making them more efficient, we have invested heavily in those areas, we are improving our supply chain management, our project management delivery of the project, our contract management, these are all areas, which also impact and if these are actions that we have started taking very strongly in 2011, we have seen some results come in 2011 itself but this is an ongoing process and this we will have to continue. The 3<sup>rd</sup> element is clearly taking cost out of our products which is really optimizing the designs and that is again something that I mentioned earlier in my opening remarks that these are the things that we have aggressively gone and created organizational structures in the company to make sure that we increase our competence in that area and many of the products for instance, in September of last year we launched a product called Safe Link which is basically used for making distribution in cities more reliable and we were able to take substantial portion of the cost of our earlier product, 25% of the cost out of our earlier product by actually re-designing the product here. So we had taken a number of steps, some of the results that come, but they will continue to come.

**Renu Baid**

Sir, one of the reason why it looks more concerning is despite we seeing industry wise realization pressures which is true for your competitors and peers as well, but at least there has been some profitability they have been able to remain in black but if you look at, especially our last 18 months performance we are seeing consistent pressures coming from loss from profit and despite the lower intensity of RE based projects in the execution that we have seen. So that is a little more concerning that despite industry wise pressures our performance, in terms of profitability has been relatively sub optimal to peers?

**Bazmi HusainHusain**

We are a long-term player, we look at things over longer horizons. We see more at rate of change and in the direction and action that we are put in place for a longer term turn around and not just an immediate. So while we are doing it that has also increased our investment levels in all those areas.

**Amlan Datta Majumdar**

I am sure you are able to appreciate when you look at the results that yes, the results are not yet that attractive for power systems but if you see one year back where from power system business came in ABB I think, it is a long way that we have come.



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- Renu Baid** Yeah, definitely. And just last follow-up on that side, Sir, I just wanted a comment in terms of how does the margins overall look for the company? Can we see a higher single digit margins or still similar levels itself?
- Amlan Datta Majumdar** Of course you would like to do, why we had single digit, we would like to see double-digit. Of course, we are also optimistic, but it takes a lot of time. It is not only left to ABB as a company, you see the external environment in which we are operating, you know the investor sentiments, the kind of issues we have with fuel linkages and land acquisitions, environmental clearances. So as soon as we see some speedup in the external environment, I think, we are completely geared up to serve the market in the best way. So we hope we should improve but this is not only left to the company.
- Renu Baid** Thank you so much. I will get back if I have more queries.
- Moderator** Thank you. The next question is from the line of **Venkatesh B from Citigroup**, please go ahead.
- Venkatesh B** Good evening sir. Sir, my question was once again on margins, last year your EBIDTA margins overall on a company basis was 1.3% and this year it is around 3.8%. Now if you did not have any rural electrification orders which you would have executed or any pay in because of the rural electrification orders, how much higher would have the margins been this year instead of 3.8%?
- Amlan Datta Majumdar** These are very specific information which would not be very good to share at this stage but certainly it has been set significantly higher.
- Venkatesh B** Sir, significantly higher means what? 200-300 basis points more?
- Amlan Datta Majumdar** Yeah, this is something we don't want to specify but you could be close to the range
- Venkatesh B** Okay and secondly, what is very surprising is, the fact that when the environment is the same for all the companies, whether it be ABB, whether it be Alstom T&D, whether it be Siemens, whether it be Crompton Greaves. Now when other companies are being able to report EBIDTA margins of 7 to 10% or even higher in certain cases in certain quarters, why is ABB struggling so badly and what exactly has gone wrong. I understand you putting in indigenization is a problem, which you have been working on maybe for the last year, year and half. So what exactly is the problem that is really hard to figure out? You had a few orders, where you had problems in the rural electrification side, but I assume, when you are executing up the orders you obviously should be making provisions on a regular basis, historically, for unforeseen things happening in these orders. So why are the numbers looking so bad for almost like two and half years in a row?
- Amlan Datta Majumdar** It is like this, yes when we do business which is apparently risky, we do make provisions if there is a need, but I do not think any company would manage your business based on provisions. And if we know the risks are so higher, if we knew, do you think we would have





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done this business? Possibly, no. So the shock that came out of the rural electrification which have bought down the margins so heavily and not one year, it is over number of years, so this was not unforeseen and we have said in the earlier call regarding this question, we have deliberated. There are multiple reasons for that which I don't want to deliberate once again, that there are challenges in the environment, there are other issues involved where we don't want to get into, but we are getting better indigenization of the product is not only manufacturing locally, I would rather give it to Bazmi to explain a very interesting point we want to address.

**Bazmi Husain**

First of all, I think, you are right that our margins have not come back to what we have said earlier that this is not the corridor we want to be, and we have already said that we will be 8% to 10% corridor. We don't want to talk about the timeframe for that but that is to tell you because that is the information that we as a matter of policy we don't share. But let me come back to, do you think why it is, okay, we had rural electrification. If you look at our gross we made a number of significant new business calls. We went into electrical balance of plants, we went into Metro electrification, and we went to rural electrification as well. Rural electrification while it didn't work out but the others did and they continue to deliver. But what happened with rural electrification was that it took a lot of our bandwidth focused on a set of the project that is why when we started the calls last year, one of the things that we kept emphasizing on is the focus that we have getting back to our core business and the market have changed to 765 kV. The few projects that we did pick up with our long execution cycle projects is still continue to be executed right now, though were lower margins and that what we are seeing right now is that while the margins have improved it is combination of some of the older projects as well as new projects. So the older project margins structures were lower than we are getting now. So our margins are being into improve but the nature of the business is that it will show up in probably in the next few quarters rather than now.

**Venkatesh B**

Sir, my second question, would it be safe to assume that you have the certain order backlog at the end of the year and out of that only maybe only 250 million is rural electrification. So everything else, maybe not in your corridor of comfort which is 8% to 10% margins, but it is definitely in the corridor of 6% to 8% margins which is what we will see next year?

**Bazmi Husain**

If I would say yes or no, it would be forward-looking and I'm not going to say that. Based on what I said earlier, you can make your conclusions and they will be not be far off.

**Venkatesh B**

Thank you very much sir and all the very best for the CY12.

**Moderator**

Thank you. The next question is from the line of **HR Gala from Quest Investment Advisors**, please go ahead.

**HR Gala**

Hello sir. Congratulations for good set of numbers in the challenging time as you have explained. Sir, I have 2 to 3 questions, first question is, can you tell us what the ForEx loss is for the full year as against last year's 94.62 crores?



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**Amlan Datta Majumdar**      There is a gain of 25 crores for the full year.

**HR Gala**                      Okay and how much was in the 4<sup>th</sup> Quarter?

**Amlan Datta Majumdar**      It was in the range of 15 crores.

**HR Gala**                      15 crores gain?

**Amlan Datta Majumdar**      Yeah.

**HR Gala**                      Okay. That was my first question. My second question pertains to that our parent company has done a number of acquisitions in this year about 7 to 8 out of which of course we have also acquired the Indian arm of Baldor. So how do these acquisitions would shape the offerings in the power and the other market going ahead, since that all those technologies and products will be available to us?

**Bazmi HusainHusain**      Let me answer that question to you. You are absolutely right, ABB has last year been extremely active in the M&A area and I would like to also say that when we are getting into newer companies the traditional M&A which we have done also Baldor is one example, another example is a company called Ventyx but we have also done something which is equally significant where we have taken stake sometime minority, sometimes controlling in other companies, for example Novatech which is a German concentrated solar thermal provider. In December of last year we also took the substantial stake in company called Green Volts which is a concentrated PV provider. So you could say that ABB now is one of the few companies which can actually deliver a complete solar plant from PV, whether it is PV or solar thermal equipment and of course in PV, we have very strong offerings from our inverter side of the things plus the electrical balance of plants. So these are offerings that we are bringing to India. I have mentioned in the beginning of the call, you remember solar being a focused growth area. Now I think you should begin to understand what are the kind of areas that we are looking at because we have a portfolio that is pretty much better than anyone else's portfolio in that segment. Ventyx is another area, another company where this should be again. There is increased amount of focus on of course generating power and that needs to be there. But there are other aspects about how power trading has to take place, Ventyx extremely strong in that. They are the world leaders, ABB and ventyx they are the world leaders in that so as there are already 2 power exchanges in the country where power traded that they have plant setting right now less than 5% of power that is produced in the country is traded, that number is going to go up. Our offerings in that segment are extremely strong now. So as our power plants are increasing and they are getting older, asset management solutions there are very important. Ventyx together with the companies that we have acquired in Australia called Mincom now these are all discussion that we are having. These are market segments that we believe will be created and our ability to deal in this markets is clearly superior so we are in a number of discussions already on them.



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**HR Gala** Okay, thank you. My last question is on the capital expenditure side. How much was the CapEx in this year and how much we will incur in 2012 and 2013?

**Bazmi HusainHusain** In the last five years, ABB has invested turnover \$500 million in India and that does not include the billion dollars that ABB invested end of 2010 in buying back 23% of the shares. I don't want to comment on how much we are planning to spend and only thing I would say is that our investment going forward is going to increase, not decrease.

**HR Gala** How much was spent in 2011?

**Amlan Datta Majumdar** It was about 18 crores. That was capitalized value

**HR Gala** Okay, thank you very much and wish you all the best.

**Moderator** Thank you. The next question is from the line of **Sandeep Tulsian from JM financials**, please go ahead.

**Sandeep Tulsian** Good evening sir. Sir, I would just like to have one more clarification on the expense side. The other expenditure has increased about 50% on a YoY basis and it is also increased on a sequential basis, although top line growth was much lower. So you could you clarify as in similar to last quarter, is there a one-time tax or some one-time expenditure which we have incurred?

**Amlan Datta Majumdar** There is no one-time expenditure that we have incurred. Actually, we had a number of events that we organized, like we had an event call Automation and Power World in Delhi which was one of our biggest events where we displayed all ABB products and solutions, 2500 customers attended. Then we have also brought in new technologies and products into the country from our parent companies for which we have to pay license fees and royalty because we have brought in a number of them and we don't want to really share at this stage all the information that have come in and while we were trying to reinvent the organization, make it stronger for the upcoming market. We have to spend a lot of money in various areas in bringing up our state of our factories and various miscellaneous expenditures. We had to undertake a lot of business travels, our project related travels have increased because we wanted to close many sites. Our order intake came only at a cost so the other expenses has been on an increase but I think this has been an extraordinary situation and in the coming quarters, you will see it coming down.

**Sandeep Tulsian** All right. Sir, these units that you have mentioning were not present in the previous quarters. It is something which has happened this time?

**Amlan Datta Majumdar** Yeah, that is, right. It happened later.

**Sandeep Tulsian** All right, so the cumulative I understand you cannot give me a clear breakup of how much you spent for events or probably for the license fee and patents that were acquired but on a cumulative sum basis if these events were not to occur in this quarter?



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**Amlan Datta Majumdar** Yeah, most of it happened now and then you get the annual results anyway and see them. It will have all the information.

**Sandeep Tulsian** Okay, my second question is regarding the depreciation amount, depreciation we have mentioned that we have changed the policy and we would be going for annual impairment now onwards. But even if I add back the 8.2 crores amount that we have mentioned in the footnotes, depreciation seems to have declined substantially on a sequential basis. Highlight the reason for the same?

**Amlan Datta Majumdar** Actually we had a little bit of over charge of depreciation in the earlier period which we have rectified in the 4<sup>th</sup> Quarter.

**Sandeep Tulsian** Sir, if you could please give me the quantum of it?

**Amlan Datta Majumdar** I don't really want to come with a full explanation on these specific numbers but that is the reason it is lower.

**Sandeep Tulsian** Okay sir. Thank you so much, that's all from my side.

**Amlan Datta Majumdar** Amortization has actually come down because of the change of policy.

**Sandeep Tulsian** Sir, this 8.2 crores in the amortization which you would have provided in this quarter, and due to change of policy we have not done the same?

**Amlan Datta Majumdar** Yeah, that is right.

**Sandeep Tulsian** Thank you sir.

**Moderator** Thank you. The next question is from the line of **Mohit Kumar from Antique Portfolio Management**. Please go ahead.

**Mohit Kumar** Good evening sir. Is it possible for you to share the order book breakup between the various sub-segments?

**Bazmi Husain** First of all you do have the thing which is there in all the various divisions. But from each of the divisions we of course power and automation market does not that everything that we do in discrete automation, some part is here, some part is there. So on an overall basis as I mentioned in the beginning of the call itself that we still have ratio of power to automation in the corridor of 35% on the power side and 45% on the automation side and this we see that next few quarters this in India it is more sensitive towards power although globally it is more even for us.

**Mohit Kumar** Okay sir that's it from my side. Thanks for answering my question.



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- Moderator** Thank you. The next question is from the line of **Jay Kakkad from Standard Chartered Securities**. Please go ahead.
- Lakshminarayana** This is Lakshminarayana here. The first question that I have is, obviously you talked a lot about your margin profile and there has been inspect of rural electrification project as well as pricing pressures in the power side. If you look at segmental margins for automation they have also fallen from around 12% levels to roughly 7-7.5, is it a function of low volumes and especially when your automation project business is not too good one would expect these to be a little better than that because products dominate. Can you just throw some light on this?
- Bazmi Husain** Sure I mean the thing is right now there has been a difficult market situation, okay, so that is the reason why we have undertaken a lot of steps to improve our competitiveness. So we are essentially putting a lot of focus on getting cost out of our system because the market prices have become slower than it used to be and that impact is what you see in really our bottom line as well. So our action towards that is taking actions to improve our competitiveness.
- Amlan Datta Majumdar** But you must see the automation and power space as a whole as Bazmi explained in the first question that this segmentation is done for the internal reasons of the company but if you have to add up the automation business and see as a whole you will get a more comfortable picture than it is otherwise.
- Lakshminarayana** Okay and my second question is you talked about this large Isolux order from UP State I believe. One of your large competitors was talking about this project going either getting delayed or possibly cancelled. Can you throw some light on it and cross possible time lines?
- Bazmi Husain** This is a speculative statement and certainly don't want to comment on that.
- Lakshminarayana** Okay can we take it project is very much live and you are expecting revenues next year.
- Bazmi Husain** Yes.
- Lakshminarayana** Fantastic. Thanks a lot.
- Bazmi Husain** Thank you.
- Moderator** Thank you. The next question is from the line of **Venugopal Garre from Barclays Capital**. Please go ahead.
- Venugopal Garre** Hi. Firstly thanks to this opportunity. I had two questions. One is if we were to look at your order inflows in this quarter. Out of the 2,200 odd crores, I just want to understand the HVDC order from what I understand is about 800 crores, the numbers which you had given as the earlier, because this is the one year old order. Is it correct?



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**Bazmi Husain** For the HVDC order that we have got for ABB, of course this is very large order USD 900 billion but for ABB India it is 560 crores, whatever we have locked in there. So in the numbers you see from our order intake 560 crores is North-East Agra HVDC project.

**Venugopal Garre** Okay fair enough sir but on a different context if I remove the 560 crores number which is infact one year old order as we all know so this quarter you have done something like 1,600 crores.

**Bazmi Husain** What do you mean one year old order?

**Venugopal Garre** It is okay for the year financial closure right? This is ...

**Bazmi Husain** We announced this order in March that we are selected and we locked it in December.

**Venugopal Garre** December, fair enough sir. What I wanted to actually hit at it was not at the order just to figure out if I were to look at the core orders excluding this large order in terms of performance of the new order wins one booked in this quarter, do you see that if I see the growth over Y-o-Y basis as well as sequentially Q-o-Q there is a decline because you did 2400 odd crores in the previous quarter. So is it like you are seeing too much of competition because I don't think the market has degrown on a quarter-on-quarter basis from September to December.

**Bazmi Husain** I think we are not able to see where you are getting the decline from?

**Venugopal Garre** Sir, in Q4 September quarter you did 2400 crores of inflows, right?

**Bazmi Husain** Okay.

**Venugopal Garre** And even if I do not exclude your HVDC order you have done 2200 crores, so sequentially there has been a decline in the market or?

**Bazmi Husain** HVDC order is not 2200 crores.

**Venugopal Garre** No. Total order inflows, sir? 2200 crores.

**Bazmi Husain** Yeah.

**Venugopal Garre** Why I am hinting is that I have seen your competitors having a much stronger Q4 in terms of core order inflows unlike yours. So I just want to understand, is it more a market share issue or is it that competition is strong that you decided not to take a few orders.

**Bazmi Husain** It is not that at all. Remember we are in a business where we will have granular things, okay. So what you need to look at that quarter-on-quarter compared to last year we have double digit growth. I think that is the more important part. One quarter to next if you take out five orders, of course, we will not grow. That is hardly the way to look at it. There will be large orders booked in some quarters, some will be booked letter on, that is what I say we don't really



publish all these information but we have these orders. We have large orders, base orders should be steadily coming in that is what our intention. Frankly speaking to say that if we take this out than you are not growing, well if you will take enough out, then certainly we will not grow but.....

**Venugopal Garre** It is in my context to know to understand the market situation in the fourth quarter and what you see.

**Bazmi Husain** The orders that are finalized in a quarter by the time there are in the loggable book there is a many of the large orders that are realized.

**Amlan Datta Majumdar** These are very difficult ways of calculation. If we take our third quarter orders you redeem, say, 800 crores of Isolux, in the same quarter we booked SAIL VSP which is another 300 crores and then if you can take out HVDC NE-Agra in fourth quarter and then compare it, it will show a growth. While taking out we have to be a little bit careful that is our understanding.

**Venugopal Garre** Fair enough sir I take your point. The second thing I wanted to check is more in the working capital side of the things. In the balance sheet cash reserves have almost halved on an annual basis, if I am not wrong looking at the financial balance sheet that you have published, so is it a working capital challenge which you are seeing or is it something else which is out there? I haven't calculated the numbers.

**Amlan Datta Majumdar** Working capital challenge is there. There is no denying of the fact. It is with anyone today. Because you know the liquidity situation in the market everybody wants to do business with somebody else's money. So this is definitely a general situation in the market. Are you looking at cash and bank balances, is that what you are looking at or you are looking at cash...

**Venugopal Garre** I was talking about how the working capital trends are and are you seeing any pressure there?

**Amlan Datta Majumdar** As far as the receivables or debtors are concerned we are not seeing any major increase if you look at it. There is no major increase in the receivables while inventories have grown up. Inventories have grown up for the deliveries we have scheduled in our next two quarters. If you see our order back log is very strong so we have to build up inventory and our lead times are very long for many of our businesses not only in the projects but also in some of our products if you specially look at power product, some portion of discrete automation and motion, lead times are longer so we had to build up inventories. We have been generally fair with our suppliers. Of course there is net working capital pressure but we are handling it well. We are doing the best that is possible. I must also give you this explanation that while we had to sometimes go into borrowing, sometimes we were managing with our own cash, at the end of the year we were actually having no borrowings on our balance sheet like previous year even in this highly challenging liquidity situation. So end of this it remains the challenge net working capital I think we are handling it very confidently. And as Bazmi spoke about it if you recollect we have brought in the best-in-class talents in supply management, operation



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excellence who are working with our business team directly to work on this specifically. This is the biggest focus we are having like any other good company in the market. We are not unduly concerned of that.

**Venugopal Garre**

Okay thanks a lot sir.

**Bazmi Husain**

Thank you very much.

**Moderator**

Thank you Mr. Garre. I would now like to hand the floor back to Mr. Vikram Khan for final remarks. Please go ahead sir.

**Vikram Khan**

Yeah, thanks Mel. Investors, thank you for attending the conference call for the ABB Results. If you have any further questions please feel free to e-mail me all the questions and we will respond to you and have a good rest of the day. Thank you.

**Moderator**

Thank you. Ladies and gentlemen thank you for choosing Chorus Call Conferencing Service. This concludes the conference call for analysts. For further updates 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. Thank you and have a nice day.