



**“ABB India Limited Q2-2014 Results
Investor Relations Conference Call”**

July 23, 2014



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Moderator

Good afternoon ladies and gentlemen. I am Inba, the moderator for this Conference. Welcome to ABB India Limited's investor relations call to discuss the Q2 results for 2014. For the duration of the presentation all participant lines will be in the listen-only mode. I will stand by for the question and answer session. I would like to hand over the call to Mr. T K Sridhar. Thank you and over to you sir.

T K Sridhar

Thank you Inba. Good evening ladies & gentlemen. Welcome to the Q2 results conference call of ABB India. I am T K Sridhar – Head of Investor Relations and the Country Controller for ABB India. Along with me on the call are Bazmi Husain – Managing Director, then Mr. Amlan Datta Majumdar – CFO, Pitamber Shivnani – Head of Power Products, N Venu – Head of Power Systems. Then on the call are Subir Pal – Head of Discreet & Automation Division. Also in this conference call are my colleagues, Sanaj and Sohini. So without any further delay it is over to you Bazmi.

Bazmi Husain

Thanks Sridhar. Good afternoon ladies & gentlemen. Thank you very much for attending this call. I also apologize for the change in the timing of this call. We advanced it by an hour so I appreciate that you could have the flexibility to attend.

Looking at Q2, the market continues to be a challenging market and I am happy to tell you that despite the market situations not really improving, we have improved our performance. We sustained that even in this environment. Our orders have grown for the third successive quarter. At the beginning of this year I had clearly stated to you that our focus now really is to go more after orders, and I am happy to say that we have got growth in the market. You know the market in India is very subdued but we have been able to tackle it with increased exports and I will talk more about that later. So that has given us good 15% growth in orders. Now in our operations side all the efforts that we took and continue to take on higher degree of indigenization or in country for country efforts, our focus on supply chain, our focus on operations looking at productivity and all that has driven a profitability.

So overall I think it has been a satisfactory quarter. Some of the key highlights for the quarter I think in this quarter we added through solution 1200 MW of power into the system here in India. My colleague, Venu, will talk more about that later. We also look at the delivery of the first 420 KV GIS from our factory that we inaugurated in November of last year. Export orders that I had talked about our focus really have been both on product as well as projects. Product export has been a focus for several years but we have also now looked at projects exports especially in our neighboring countries. Happy to report good successes in it.

What we have also done is looked at the projects and looked at new solutions such as we work together with EPC players of India that are doing businesses in other country and actually gave them pre-engineered packages that make it more acceptable for the customers because ABB then guarantees that performance at the same time it is more scalable and lesser risk for us. So this a win-win-win kind of solution and I have mentioned this only to highlight that if we need to grow in market such as this we have to look for new solutions.



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Some of the traditional areas of growth that we have come to expect in the last several quarters, take for example solar, I think this was a little bit more muted this year this quarter and that is because there has been some uncertainty around penalties that have been imposed of imports of solar panels from various countries. That has caused some delay in decision making. We do not see this as anything that will continue but the amount of solar orders placed in the quarter have reduced compared to the same period last year. However our share continues to be dominant as always. So in the automation side, I think we have got wind there has been a good quarter for wind system especially on the wind generators.

As you might be aware that we have a state-of-the-art wind generator factory that we set up a few years ago with a capability of making the largest capacity wind generators in India. We are also looking at exports out of (Inaudible) 6.30 where we have also done quite well. So overall I think on the order front I would say that this is one quarter where all our divisions have grown, all five divisions have grown. So that is I think really a good sign and vindication of all the action that we have taken.

On the revenue side – We are up marginally compared to the same period last year and that also reflected in better profitability, both before and after tax in the range of about 20% better. I think in 2012 we had indicated to you that one way that we will measure ourselves and we measure ourselves internally is really looking at operational EBITDA because that tells us how well we are doing operationally, and in that area we have continued quarter after quarter to improve. So that is I think also something that has been good. Cash generated for the quarter has been positive. So Amlan will talk more about that on the cash front.

Looking at some of our orders I think about 65% of our orders come from the product side, the rest from projects, and that is reflective of the market here in India. We have greater degree of product orders, which also is good in the long run because that shows our competitiveness in that area. Exports that I had mentioned earlier have done well, so all the efforts that we have had to focus actions to push exports is now yielding good results. Services continue to grow as before and in range of now in excess of 10% of our revenues come from service. This is an area of high focus for us and will continue to be so.

Overall, I would say that ABB now is very well positioned to take advantage when the markets have revised. Overall when the economy will revive is hard to predict. We are cautiously optimistic. But whenever it does (revive), I think we are certainly in a very good position now to take advantage of it. Our focus of in a profitable volume, and cash over revenue remains and this will continue to be pushed in the coming quarters. A market reach approach of really looking at penetration in the existing market, innovation and then looking for expansion so that is our focus. And continuing to focus on the execution part looking at productivity, looking at supply chain, looking at actually indigenization of more and more products.

So with that I am going to hand over now to my colleague, Amlan, who is going to take a closer look at the numbers and then we can address Q&A later. Thank you.



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Amlan Datta Majumdar

Thank you Bazmi. Good evening ladies & gentlemen. You have seen the results already but before we come to that if we can just recap the macro situation in the country. The new government has now come in but it is not too long so we have to wait and see what happens but if we see the indicators, I mean we can see huge confidence in the market, stock market and Sensex is moving around 25,000-26,000 and these are all good indications. But also what is encouraging is what we had seen from the beginning of the calendar year that the current account deficit has been coming down, FOREX reserves improving though GDP growth still remain muted. Inflation has come under somehow some control. Sometime it is raising its head a little bit but still under reasonable control. The concern for the businesses like us of course in the macro is interest rates are yet very high and that is not really helping our customers and ourselves to take the next big steps. So that is a little bit of concern but overall the things look to be reasonably good. The budget was presented by the new government in a very short time so it may be a little bit too early to comment on that. But overall this was a good budget but we have to wait for the real ones sometime next year. What we need to see now from a macro perspective is some traction on the ground, because so far the sentiment has become positive and people are more enthusiastic. Both our customers and peer companies, including us, but we have to see I mean this has to turn into reality and we must see some more projects coming up in the market, some more reform measures coming in. So we will wait for that with all optimism.

Coming to the company performance – It is in line with the last couple of quarters that we have seen that we have started growing now in orders as Bazmi also mentioned. If you recollect if our first quarter we had grown by 29%, this quarter is 15%. So the trends are absolutely positive and this we are little more comfortable because as we have been mentioning nothing so much has really changed in the marketplace. In spite of that we are able to improve on the order side that makes us more confident. One of the elements which has really helped this is of course exports, which has grown in high double digit during this quarter and even last quarter was very good. We shared that with you. So the order front looks pretty much okay. The revenue has been showing a modest growth and one of the reasons we have been saying repeatedly and that in the market with a tight liquidity we really wanted to be a little careful while shipping out our material because the interest rates being high there is a reluctance to be free on payment from the market. So we are a little careful on that but our intention in the second half of the year, which starts from July, is to have increased revenues, of course keeping the risk factor in mind. But we will go for higher revenues and the backlog and the execution plans are also in that angle, so hopefully that will also help the other parameters well.

Coming to the profitability – We are seeing about the 20% growth and you know we have always maintained this position that we do not really want to show big ups and big downs. We want to have consistent results and it is in line with that. All our divisions are doing reasonably well. Our power products are doing very well. If you have seen a little bit of dip in the results this time, these are for some one-time charges we have taken - these are not costs really but these are provisions that we had to make because some of the products that we have made first time in this country they have shipped out to a customer as per our policy we are conservative on that



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which we have kept some warranty provisions on that. So it is looking slightly lower but it will pick up again next quarter. So we are very confident that it is going on the right track. The power system which has been our major worry if you recollect a few years back. I think now it has gained ground and it is pretty much stable. It is a business which all companies are facing challenge because of the market and also because of the complexities in the economy. But I think it is doing pretty well now. It has settled and which gives us a lot of confidence and comfort to move forward. Process automation has not grown so much because you know the condition of the industry side.

There are not too many projects, Greenfield projects, not even Brownfields. Investments happening in the market are those which are absolutely essential, nobody can avoid it. So the volumes have not really picked up that way but if you see they have come up very well on the profitability side, which also makes us happy. The low voltage products they have also come up and if you see the volumes have grown. You have also seen the profits have become better. So low voltage products are expected to do much better in the next two quarters.

The profitability is actually pretty much muted in discreet automation and motion and we have said in the last two quarters that this is one market which is so severely affected in terms of price realization. So we expect as the economy comes back as we are all hoping that this division will do increasingly well but we might have to wait for a couple of quarters before we get back our traditional double digit margins in that business.

But overall it has been a satisfactory profitable performance and this has been basically driven by if you look at our results published, if you look at our cost side, we have been talking so far on the market. Let us look at the cost.

Our material cost has now stabilized at 68-69% for the last 2-3 quarters that is the trend and we are very happy about it. Our intention is to improve another few percentage points and bring it down but that too depends on not only our various initiatives that we have taken on supply chain operational excellence and all which will anyway continue but also the price realization in the market is expected to be improved as and when the market revives.

On the people expenses – Personal expenses it is now at around 9% and that is consistent while we have been optimizing our resources and our current headcounts where people number stands at 6212 at the end of June. But we have not been shying away from rewarding our high performers well. So with all that we are able to really maintain our personal expenses at about 9% level and even in absolute value if I look at the first quarter of this year which is the quarter ending March and the quarter ending June, there has not been any significant increase.

Coming to the other expenses – Actually the other expenses figure here, actually there is no increase in the other expenses instead there is a decline. That means we have been able to control costs like travel and maintenance and stuff like that very well. It has actually come down but there has been a FOREX loss in this quarter of 13 crores as against a 2 crores profit in the same



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quarter last year. And I would like to reemphasize here that ABB as a group and ABB India Limited as a part of that group we have a very strong and conservative hedging policy. We cover all our exposures both on purchase and sales side as soon as we have a commitment made. So that hedging policies are very strict but anyway you have seen FOREX impact is also coming out of the wild movement in the currencies at some point in time. It is stabilizing now and I think the movements will be much more predictable going forward but we had a 13 crores loss during this quarter.

The depreciation almost is flat, little increase because of the Capex that we have spent last year in developing our factories in Baroda. One area which continues to worry us a little bit is the interest cost which is really hurting us because of the severe liquidity situation in the market we are still having a borrowing level, net borrowing of about 570 crores and then we would really like to see this going down but last few quarters have not really helped in terms of that. We are still keeping a big focus but we are also very conservative as you know in terms of managing our debtors and stuff like that and we are always doing a check and recheck that we have no risks left there and we are fairly convinced. We just had a big exercise sometime back and we are fairly convinced that we are on the right track. And the interest cost will come down as the borrowing levels drop. And borrowing levels actually going by the size of the company of close to 8000 crores, 500 crores borrowing is a reasonable borrowing in our assessment and we would not be unduly concerned but we will be watching this very carefully.

The overall performance seems okay. We are satisfied if the revenue picks up in the second half of the year we expect to show better results but of course before we take onto the question-answer session we do expect we are very optimistic that we will see some more reform measures from the government and the industry will really start moving up.

Thank you very much for the time and back to you Sridhar for Q&A session.

T K Sridhar

Thank you Bazmi and Amlan. So Inba I think we now can open the call for Q&A.

Moderator

Sure sir, Ladies and gentlemen we will now begin the question and answer session for investors. We will take our first question from Bhavin Vithlani of Axis Capital. Please go ahead.

Bhavin Vithlani

A couple of questions – one is if you can help us what is the breakup of the exports of the orders and the revenues in this quarter and services as well. Secondly, you mentioned in your opening remark that we expect improvement in the raw material to sales ratio going forward even if the pricing environment was not to improve. If you can help us what is the kind of improvement, what you are looking at and last bit is PGCIL was talking about new initiatives such as SVCs and STATCOM, so if you can give us an update on any progress on that front.

Bazmi Husain

So what I am going to do is I am going to take the portions you talked about service and exports and also about SVC/STATCOM actually I will ask my colleague, Venu, to talk about that. And questions you have around the raw material to sales cost ratio, material cost this thing Amlan



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will be able to take that. So let me begin with service as I said, service is now in excess of 10% for revenues. We clearly have a near term target that we want to take this higher up, closer to 15%. So this will continue to move in that direction. When it comes to exports, as I said that we are actually seeing robust growth from double digit growth in exports, fairly strong double digit is what I would say. And this is driven from across our businesses but also the biggest float is this time coming from having good amount on project deliveries into the neighboring countries. So strong double digit growth in exports crossing 10% in our services going further up as we go. The second thing that when it comes to STATCOM and SVC tenders, yes, there is a blueprint on that, there are several inquiries that are going on and Venu could possibly come and talk about it.

Bhavin Vithlani Before we go that if you can help us proportion of exports in orders and revenues in this quarter of first half.

Bazmi Husain We will not get into how much we do, how much for orders and how much for revenue. All I can say is that this is not a one-time event that you will see.

N. Venu Ever since we had the grid failure last year in July, there is a lot of focus on grid reliability and what you are talking about SVC STATCOMs part of this initiative in that. It is not only the PGCIL, many other state utilities having a large network are also working in this direction. I think ABB is having a technology on both SVC and STATCOM. We have been working with PGCIL, as well as other state utilities on that, and some of the tenders of PGCIL have already come out and this being a large tender and it takes a time to finalize to tenders in that.

Bhavin Vithlani So what could be the opportunity for PGCIL and the state transport?

N Venu PGCIL, at least from their public available information, is coming out with close to 12 projects, each worth roughly at \$100 mn.

Bhavin Vithlani And state opportunity could be equivalent of PGCIL or may be a tad lower?

N Venu Slight not all states are going, couple of 4-5 major states having a big network are going into this direction right now.

Bhavin Vithlani Which would be these states?

N Venu Like Gujarat and Maharashtra and couple of other southern states.

Amlan Datta Majumdar You had a question on material cost. We are right now at about 68% plus of revenues and this has come down for the last 2-3 years back if you see we were in the range of 77-78%. So it is a significant improvement but yes, our intention to go, we would think as the first milestone's target of say 65% but when that would happen is very hard to predict because while we are



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working on our initiatives which are giving us results but as you know this percentage is also a function of the market price. So if market prices improve then we might see better results soon.

Bazmi Husain

Just to add to what Amlan just said, our approach for looking at material cost reduction is actually multi-pronged. Supply chain clearly is one element of that where we are looking at better price levels from our suppliers but what is more important is that when we talked about the “in country, for country” effort a large portion of that was really looking at a design which would inherently be more cost effective. So that is something which we see as more than a transactional advantage. It is something that is more sustainable for us. A lot of our revamp of our factory productivity improvement, capacity increases, etc., have also helped in bringing overall material cost down. So it is a multi-pronged effort. It is what we are doing on supply chain. What we are doing as market price revival when that happened and we know it will happen. It does not predict when. I think it is going to further help us in that.

Bhavin Vithlani

If I can slip in one more question, we saw a strong order book of about 17% and one of the other peers have been speaking about orders getting impacted due to the election season. So if you can come in little bit about how was the domestic scenario for the quarter?

Bazmi Husain

As I mentioned right in the beginning the domestic scenario is not been the happiest in that sense. From our perspective we need to grow and we find avenues to grow. And this is where having a global reach is certainly a benefit to us because our ability to address global markets from our operations say in India helps us neutralize times like elections or whatever other events creates some temporary delays in the decision making that our customers have.

Moderator

Our next question is from Renu Baid of B&K Securities. Please go ahead.

Renu Baid

Sir my question, I am just trying to understand little more in terms of how the order flows have moved. Now it has been almost 3 to 4 quarters that have seen order flow stabilizing both from domestic as well as exports but what gives you confidence that despite certain large ticket size orders not moving we will be able to secure incremental growth in the space given that our pipeline still remain a constrained from common sector orders. Are there any particular project pipelines, certain segments which look much more promising in the coming 12 to 18 months with better visibility?

Bazmi Husain

Well you know a combination of two things, I mean let us say exactly which orders will come and which will not come is something that we will only know in future but the thing is that primarily two areas that I want to emphasize on. One is that what we do is we have got things in place to do it differently. As an example I had mentioned about the engineer substations. Now that is a much more scalable business, so we do not need to scale ourselves to do more of that business. That gives us reach that we did not have before. So it is basically do what we do before but do it in a different way. The second aspect is looking at really newer areas for growth. Solar this time as I had mentioned was a little bit muted for the quarter but that I think is where we believe is something that is a passing phase. It will recover, and it will rebound very strongly as



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we go along. So there we focus let us say looking at more of exports, doing more projects as well that gave us a growth. And these two kinds of examples that I have taken is more start of a process where we see a much more potential to actually do more. With that background I would say that at some point in time we would be less confident about that being limiting but this is only the start. So we really think that market is not what is going to stop us from growing. The rate of growth of course depends on how the local markets revive. Ultimately that is there what we are waiting for. Everything else that we do is really to keep us going till the market here begins to boom again.

Amlan Datta Majumdar If I can just add onto that, some of you who have tracked us for the last few years we have been consistently saying that we are not in a short term business. We are taking actions which will help us in the long term. So if you see us three years ago and you see us today we are much more competitive in this market. So in spite of all other factors what Bazmi has said we much more competitive not only in terms of pricing but also in terms of various offerings that we can do what Bazmi also mentioned. So we are better ready so that is also making us more confident.

Renu Baid Right but sir just to add to that last time we did mention that we had seen traction coming in from the metals and cement and certain allied industrial sectors for short cycle products as with large products. So is that sustaining or probably that seems like a bit spot in terms of the maintenance CAPEX from the corporate side?

Amlan Datta Majumdar We thought it would sustain better than it seems to be. Now whether this is something that is temporary or that was temporary is hard to say. But clearly whether it is just a lull that you are seeing because right now there may be a new government in place may be people are still waiting for something or whatever but you are absolutely right a quarter ago we saw more promise from the domestic market. We saw early signs of promise that did not seem to sustain so it is hard to make out whether this is the reality that we need to plan for the future or this is just a very passing phase. Regardless of any of that we do express our intention that we do not intend to stay at the levels where we are. We will grow. The rate of growth depends on of course what the market offers.

Renu Baid And sir just the last question from my side. Given the kind of strong orders we have we are surfacing on incrementally on the execution side, but on the ground are you seeing customers being equally receptive in terms of accepting deliveries and taking them on time? So are you comfortable on that side which will help you to get the sales growth in second half?

Amlan Datta Majumdar Yes, it is a mixed bag. There are clearly areas where, or in a broad sense any delivery or set of delivery which increases the competitiveness is more likely to be accepted under these circumstances rather than things which are just adding capacity.

Moderator We will take our next question from Nirav Vasa of Motilal Oswal Securities. Please go ahead.



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- Nirav Vasa** I just wanted to understand one thing very specifically – what is the kind of growth potential that is visible to you especially from your wind power segment because some of the peers operating from India have given really very robust guidance after a span of a very long time. So just wanted to check are you also sensing a lot of euphoria happening in that particular sector as well?
- Subir Pal** Actually, after a very dull 2012, 2013 itself saw some sort of rebound of wind energy to the previous levels and that trend has continued into 2014. We do see a robust order backlog on the wind sectors and that is also spreading across multiple wind turbine manufacturers so that boards well for the future.
- Nirav Vasa** My second question was, at this point of time the net debt that we have, the net debt is 570 crores. So just wanted to check do we internally have any kind of target as to what is the quantum of net debt that we intend to repay in second half?
- Amlan Dutta Majumdar** Not actually, we want to bring it down to zero, I mean to be honest. But this is very much dependent on market liquidity that you see. But yes we would at least like to reduce it by 20% in the second half of the year, at least if not more. If the liquidity improves we can do much more but at least 20% we can get in the current situation. We are working for it.
- Moderator** Our next question is from Gaurav Sanghavi of Bajaj Allianz. Please go ahead.
- Gaurav Sanghavi** My question is on EBITDA margin. Can you throw some light on the margin and what kind of margins you are expecting on the new orders?
- Amlan Datta Majumdar** Margins are expected to be better. If you have seen consistently it has been showing slightly better trend in the last 12 months and we have mentioned this earlier, especially in some of the orders which we declare officially say about 3 quarters ago that we are careful in taking certain kind of orders especially on the Systems businesses unless the terms & conditions are supportive we want to be careful. So the margins are likely to improve. We had given some indication about two years back that 8% margin should be good to achieve in the short run which we are very close to that now. So our intention is to every time take a couple of percentage better and work for it. But this also depends, you must remember that this is on the market also. If the market is not improving at all the work becomes much tougher. If the market is improving of course it will become easier. But we are working continuously on that. Every two years we are taking a couple of percentage target to get better.
- Gaurav Sanghavi** Second question is on provisioning. The provisioning number has come down by around 70 crores, so which is predominantly on account of any reversal in the provisioning in terms of warranties?
- Amlan Datta Majumdar** Provisioning is a continuous matter. There are various elements in the provision. So they keep changing all the time. We are not taking any conscious decision whatsoever either to increase



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or decrease provisioning at a company level. So that is what we are not doing but it depends on where we have been kept of provision somewhere, so I have not really even looked at it very seriously because provisioning is a very natural thing for us unless we do not take any specific provisions somewhere. So I have not really looked at it so seriously.

- Moderator** We will take next question from Fatema Pacha of ICICI Pru Life Insurance. Please go ahead.
- Fatema Pacha** Just wanted to ask you in your press release you said that you won some large orders this quarter. Could you just give some details on what kind of orders say about 200-250 crores, if you could give some details?
- Pitamber Shivnani** We got a large order from Reliance actually which had transformers. It works for EBoP, electrical balance of plants, which had transformers and GIS. This was almost (+200) crores. This was one of the major orders and then I think Venu we got this Bangladesh orders also.
- Fatema Pacha** Reliance orders is what?
- Pitamber Shivnani** Reliance Industries.
- N. Venu** EBoP which includes all our power products including GIS sub-stations for their captive power plants and we also have received 10 substation orders from Bangladesh Electricity Company.
- Fatema Pacha** That also 200 crores?
- N. Venu** Close to 170 crores.
- Fatema Pacha** Any other big order?
- N. Venu** There are few.
- Fatema Pacha** From railways or something because I remember last quarter you had a big railway order?
- Subir Pal** Yes, I would like to add that we have had some big orders again from railways in this quarter and we also had significant orders in the robotics business from some of the leading automobile manufacturers like Mahindra & Mahindra and also two wheeler manufacturers.
- Fatema Pacha** This also will be around 200 crores, both railways and robotics?
- Subir Pal** All these medium-sized orders, all taken together would be about 100 crores.
- Fatema Pacha** And sir just wanted to ask, exports we said that it has grown high-double digit. Has the domestic order also grown and like would it have grown in the high-single digit or even higher?
- Amlan Datta Majumdar** Both have grown.



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Fatema Pacha And sir if I had to just ask on the working capital, I have seen some working capital stretch from December to now because we have seen that debt and cash both net have reduced by 300 crores.

Amlan Datta Majumdar Working capital is a function of various things but the situation on the ground has not really changed neither any of our situation in terms of the market. So basically one of the reasons why working capital is high we have said earlier and the situation actually continues but since you raised the point let me touch upon that. See in the Systems businesses that we do, Project businesses these are having very huge retention. We have very large orders, I do not want to name right now, the size of the order is in excess of 200 crores. Multiple orders we have taken at some point where the retention is 40% of the revenue. Now this retention is stable after a pretty long timing. We can always discuss whether we should take such orders or whether we should not take. But these are the orders we had to take at some point and so these are sitting there and there is no risk about it but then it takes time. It takes a lot of money and we are hurt by the interest as I mentioned to you. Overall situation has not changed very much while there are a lot of initiatives on the ground inside but the external market is not really showing any great improvement.

Bazmi Husain Just to add one thing to what Amlan said, this is something that we review on a continuous basis. What I would really like to do is to confirm that this is matter of timing not risk because this is something that we review on extremely very critically and on very regular basis. We see that our current level of receivable is high but that is because of the situation of either the projects or the liquidity projects being delayed, etc., or customer liquidity. We do not see either a rest in the questions regarding whether those are due or not or for that matter the ability of these customers to survive.

Fatema Pacha I do not fear that you will not get the money back. The only fear is that I remember last year same time you slowed down the execution when the money was not coming on time. So I am just asking that is that stands a little loosened up, because now you believe that -

Bazmi Husain Not at all, our revenue growth would have been substantially high absolutely. If you look at our inventory and you look at the finished goods and work-in-progress, a large portion of that is because of this reason. That does not take into account the buyouts.

N. Venu Our strategy – cash over revenue remains.

Amlan Dutta Majumdar Yes, that we will continue. This is not a market where we want to do any kind of adventure.

Moderator We will take our next question from Vishnu Sharma of CRISIL. Please go ahead.

Vishnu Sharma Just wanted to check the loans and advances number increase, is it pertaining to be increased advance income tax or is it something else?

Amlan Dutta Majumdar Yes, it is also advanced income tax. No other major item like that.



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Vishnu Sharma And secondly on the current liabilities front the trade payables, is the customer advances this time around lower from the newer orders?

Amlan Dutta Majumdar You are talking about trade payables or advances or both?

Vishnu Sharma Actually I am talking about both the numbers.

Amlan Dutta Majumdar As far as trade payables are concerned, this I think remains clear, there is no major change in that but as far as customer advances are concerned we are getting advances but somewhere we may not accept the advances also. Because some of the customers in project especially are coming up with interest bearing advances and we do not want to borrow money from our customers. That is not what we do.

Vishnu Sharma No because the trade payables at the end of the year was some 2080 crores, now it is down to I think 1850 odd number. So there is a decent swing in that number.

Amlan Dutta Majumdar Yes that is a supplier balance, right. And that depends on our contract with the supplier. Some project, somewhere we have a contract that we will pay the major part back-to-back contract and we pay major part at some point in time during this period. So that has gone out. That is what it is. No special action taken on that.

Vishnu Sharma And the question back on provisions, it is only pertaining to the dividend going out or is it some other item if you can clarify on that?

Amlan Dutta Majumdar Absolutely, what I said provisioning in our case is a very normal process and there is nothing that even has taken place. Nothing much to explain there. It is a very normal process. Sometimes we make, sometimes we have to reverse and mostly followed by accounting norms and our best estimates of the situation. We have neither reversed anything major nor creating anything major.

Moderator Our next question is from Ankur Sharma of PhillipCapital. Please go ahead.

Ankur Sharma My question was on the indigenization efforts we have been taking over the past few years to reduce our cost, specifically on the new technology which are being ordered of the power grids, HVDCs and STATCOMs, SVCs, what are the indigenization initiatives we have taken on those specific products given the fact that these are going to be the ones which will be contributing in terms of the majority of the orders coming henceforth? So if you could just share some color there and also how are you placed against competition in terms of how much you can make out of India and how much needs to be imported?

Bazmi Husain First of all let me just say that when we are talking about the “in country, for country effort” it is not just about products that we will bring into the market or in future or as the market develops further, what new opportunity that might bring. It is equally and in many cases the bigger value is to address those products for which there is already a market because that is where the volume



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is going to be. The volume for new products builds over time. If you look at STATCOM and SVC market you have to look at \$100 million odd, \$200 million at the outset at the moment for the next few years. It has the potential to grow much bigger but that is going to take time. So that is one part of the questions. So the association of the indigenization and “in country, for country effort” towards only new product I just want to address that and say association is more on the volumes that we do today, not volumes that we will do tomorrow. For volumes that we do tomorrow we already have a significant amount that we do here in India. For example, India is for ABB its largest R&D country. So no other country has more R&D that is meant for total ABB global scenario than India does. And that does include newer technology such as HVDC which is what is talked about actually in India and in India most of the businesses what is technically called HVDC classic. There are newer technologies which are now being used in STATCOM like voltage source converters and all and voltage source converter based HVDC is more the next generation of technology but those things, the capability to engineer it is already in India. Today we are doing it more for global projects as the market in India evolves and the grid here moves through a state where it will begin to see value in installing that. Then we are already present, in fact and that is something that we believe we are unique in having that capability already on the grounds. So we are not waiting for the market to develop to have that capability. We have that capability here today serving the global market but as the market develops we just have the local market too.

Ankur Sharma

And just a follow-up sir in terms of the SVC orders being placed by power grid, is there a compulsory domestic manufacturing clause there or can these be entirely imported out of -

N. Venu

There is a clause compulsory domestic manufacturing, one-third of those stations have to be manufactured locally.

Ankur Sharma

And just one follow up question, specifically what Bazmi mentioned earlier was that on the industrial side things remain subdued and most of our order booking is coming from the power side of things. So by when do you really expect ordering in the process automation site to really start picking up? I mean are you optimistic that you will see some signs of pick up may be last quarter of this calendar year or is it more of a CY15 kind of a story?

Bazmi Husain

I would love to hear your idea on timing. All I can say is that it remains uncertain. What we are doing is keeping ourselves prepared, keeping ourselves primed up, making sure that we kind of stay there with performance, with capacity to actually take larger projects and our focus right now in all honesty like I had mentioned that several quarters ago yes, now we do see some medium-to-large size orders but at this point in time more than the size of the orders we also look at the cycle time of orders. We are clearly having a preference of shorter cycle than longer cycle orders. The last thing you as investor would like us to have is to take many orders that we have bought that we have basically taken into our books when it is a buyer's market and have to execute them when it is a seller's market. You know the implications of that. I do not know when the market will revive but I would not say that it is very far away.



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Moderator Thank you. As there are no further questions from the participants I would now like to hand the floor back to Mr. T K Sridhar for final remarks.

T K Sridhar Thank you Inba. Thank you everyone for attending this particular call and thanks to Bazmi, Amlan and other management team who were there with me. So just in case if you still have some unanswered questions please feel free to get back to us. Thank you very much.

Moderator Thank you. Ladies and gentlemen thank you for choosing Chorus Calls Conferencing Service. This concludes the conference for analysts. For further updates on ABB in India you can follow ABBINDIA 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.