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February 24, 2016

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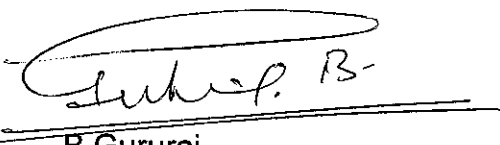
Dear Sirs

Sub: Transcript of Analyst concall

We are sending herewith a copy of the transcript of conference call with analysts, which took place on February 4, 2016, after the announcement of Q4 2015 and annual audited financial results of the Company. The said transcript is also uploaded on the Company's website.

Thanking you

Yours faithfully
For ABB India Limited



B Gururaj
Deputy General Counsel &
Company Secretary
FCS-2631

Encl: as above

“ABB India Limited Q4 Results Conference Call”

February 4, 2016

MANAGEMENT: **MR. SANJEEV SHARMA -- CEO & MANAGING
DIRECTOR, ABB INDIA**
**MR. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER, ABB
INDIA**
**MR. SUBIR PAL – PRESIDENT DISCRETE AUTOMATION
AND MOTION, ABB INDIA**
**MR. MADHAV VEMURI – PRESIDENT PROCESS
AUTOMATION AND HEAD OF SERVICES, ABB INDIA**
**MR. PITAMBER SHIVNANI – PRESIDENT POWER GRIDS,
ABB INDIA**
MR. GIANDOMENICO TESTI – CTO, ABB INDIA
**MR. RAIMONDO SALANDRA – PRESIDENT
ELECTRIFICATION PRODUCTS, ABB INDIA**

Moderator: Ladies and Gentlemen, Good day and welcome to the ABB India's Q4 Results Call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note 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, Inba. Good afternoon to everyone on this particular call. Ladies and Gentlemen, first of all wish you a very happy new year. Welcome to the Q4 2015 and full year 2015 result and analyst call. It is a fully packed team over here. So I have Sanjeev Sharma, the CEO and Managing Director of ABB India, and then by Subir Pal – Local Division Manager for Discrete Automation and Motion and Madhav Vemuri – who has taken over from Priteesh Mahajan as a Local Division Manager for PA. We also have on the call Pitamber Shivnani, Local Division Manager for the newly constructed division Power Grids and Raimondo Salandra – the local Division Manager for EP, Electrification Products. And also, I have Giandomenico Testi – the CTO of ABB India. So without wasting any more time, I hand over to Sanjeev to take us through his views and how it is. And first of all, Sanjeev, welcome to the analyst call on behalf of ABB.

Sanjeev Sharma: Thank you Sridhar. Good afternoon to all of you and thank you all for joining in today. This is my first call for announcing the ABB results; this is of the last quarter and also for the full year. I am really pleased to announce these results, where I find that the team in ABB India has done an excellent job last year given the markets were not as supportive as we wanted it. But we still grew the base orders by 10% in last quarter and that shows that the strategy employed by ABB here in India is working for us, especially our strategy towards penetrating the market, expanding into new areas, it really has paid dividends for us and. We also grew very well in the renewables which is wind and solar and also the railway segment, wherein the investments were quite positive and our product portfolio aligns very well with these new segments - and that is where we took the benefit.

Just to give you an impression, in the solar segment most of the investments which are done, about 50% of the power in the solar sector flows through ABB equipment today in the market. So that is something - when we look forward we see that is an area wherein we will continue to grow and we will continue to have a good impact.

Now in terms of the overall results, we found that in 2015 versus 2014, we grew on orders, we grew on revenue and our profitability has been much better than the previous year, Sridhar later in his comments will expand more on it. And what we see is that the contribution to the growth in our results has been mainly from better operational performance, the execution was much more tight and we had a much better results coming out of localization. So all these factors have contributed to the results that you have seen in our announcement today.

So now from the market perspective, we find that there is lot of caution built in the market place - customers are very cautious - last year that is what our observation was but we were very

careful with our customer selection and the segment which we were growing and that has paid us the dividend.

We enter 2016 with a very good backlog and that shows visibility of how we will do on the revenue side and I think we see there are certain particular segments which are growing well and there are certain segments wherein we find that the market is going to not support as we wanted it. But we will see that is how the situation changes on the policy front and the macro side, on the investment side and we will see how our response would be as the investments come back into the market place.

So going forward, there are certain areas that we will focus more on. One is the service business. This is something which is growing very well for us - last year it was for the first time this business grew above INR 1,000 crores and we will continue to expand the business in 2016. That fairs very well for us for the simple reason that we have a very good install base here in this country and most of our customers they continue to expand in a smaller way and maintain the equipment and also seek more productivity of the equipment that we have installed over the period of time and we have good products in the service area which continue to support growth.

So these are the few areas that we wanted to focus on and especially on the renewable side we see that the new government policy and push to expand into the solar area that is also going to pair very well for us and also on the wind segment.

So these are the few comments I had from my side, I will hand it over to Sridhar to take us through the next step.

T.K. Sridhar:

So thank you Sanjeev, I think it was a overview of what is happening in the market and how ABB is performing in that. So now it is time to take you through the performance.

First of all on economy perspective – I think there were some positives as well as some negatives to start with. Positives, I would say that inflation remains lower. It was very well-controlled, which was actually helping us to plan our activities further. Then the government is trying to start off some initiatives with respect to improving the discom help in terms of giving some new schemes like UDAY Scheme, IPDL, etc. And the good uptake came from investments in railways and of course the growth of renewable energy as what Sanjeev was saying. And while we say that, we definitely have certain very visible negatives which have actually impacted us, as well as the industry, quite substantially in this particular year. One is the core sector performance, which was very dismal that during the entire year and so we were having not much of new investments coming up from the coal sector. They were very selective on the areas where they would actually make their investments. And also this actually turned out to be an poor utilization year where the utilization dropped across various key sectors and also there were delays in implementation of certain strategic reforms which would have definitely given an impetus to the growth in the country. To say for example as everyone knows, the GST, the labor reforms and the Electricity Act amendment.

We are yet to see the actions on ground, people remained cautious on the way they would invest; and that really is the basic challenge for us to go out in the market to flex our muscles and get the orders. But the good thing is that, solar growth in renewable sort of offset the negative mood in the core sector, so we were able to get a decent growth of 2% on overall basis.

Coming to the last quarter, which is the last three month ended December, we definitely had a dip in the orders by 17% and I think like-to-like (yoy) is not a fair comparison because the last quarter of last year had quite a few very large orders which were not there this time. When I will see on base order levels, which is the bread and butter of this organization, I think we have performed satisfactorily over there.

And next point which we would like to highlight is definitely the growth in service. Service has been a backbone for the profitability as well as the growth in this particular year. It is a clear reflection of the capital investments are not taking place and customers diverting their funds to more OPEX related investments and so we could see that traction in the service side of it. And this is not only in specific businesses but it was all across ABB's portfolio.

Now coming to the orders, I think I would like to give a snapshot of which businesses did what orders during the year. For the year Power Products was INR 2610 crores compared to INR 2386 crores last year and Power Systems was INR 1740 crores versus INR 2075. This is the place where we said that the major orders were delayed because of customer decisions. And Discrete Automation and Motion, definitely did well, they went up to INR 2300 crores as against INR 1924 crores last year and Low Voltage Products, despite of less exports, they were able to come to INR 760 crores orders. Process Automation, another systems business, had its challenges in the market and as the major customers being from the core sector, so they were able to do INR 1100 crores compared to INR 1200 crores last year. So in a nutshell, while the system business sort of faced challenges in growth, definitely the product business filled the gap.

Coming to revenue. I think revenues saw definitely growth across all the product division, it was Power Products was INR 2600 crores versus INR 2300 crores and Discrete Automation Motion was INR 2060 crores versus INR 1900 crores last year, it is a growth of 9%, so Power Products grew by 12% and Low Voltage Products was INR 800 crores versus INR 739 crores, with a growth of 8%. So major dip came out from the Power Systems, we were at INR 1900 crores versus INR 2155 crores last year same time and so that was 13% dip for the year. And Process Automation was sort of flat, so it is INR 8250 crores the revenues as last year. The good story is that we still have backlog which is somewhat sort of sound, the order backlog is INR 7900 crores, approximately INR 8000 crores, which is roughly compared to today's one-year revenue and it provided a good visibility. We do not have any non-moving order backlog at this point of time, so we definitely see customers very active in the orders what we have taken and so they are executable over a period of time as per the contract conditions.

Next coming to the profitability, I think profitability was decent pretty much good growth across all division and we would see clearly that products outperformed the systems. And I think if I look at the main attributes for how this happened during the year, I would say one, the positive

side was definitely on the material cost savings, increased focus on localization and driving down the cost, bringing in new, competitive products to the market and was a clear advantage which we saw. Secondly, there was the contribution of higher volumes. Our cost base has now set at predictable levels and so the contribution margins on the excess revenues, really contributed to the bottom-line. And when you look at the revenue mix, it was very clear that when products are outperforming systems, your margins are going to be better. So the question is - are we in an optimal revenue mix, at this point of time? I would really say that is not the case, we will look at projects also picking up in the next few quarters to come so it would definitely undergo a change.

And the next major advantage was definitely the FOREX because our major imports are in Euros and when it declined, we benefitted from it. Of that we had to definitely pass some on to customers; but we definitely gained something. And on other hand, in exports, you had the dollars increasing and the exports getting that benefit out of those particular dollars.

Last but not the least, again to repeat was the service volumes, provided a lot of support. And some of the other initiatives that we took by floating non-convertible debentures resulted in savings of around more than 5 crores for the quarter, in terms of interest. And on the negative side, I would like to mention one thing, so in this particular year there were lot of regulatory compliances which we had to undergo, so one such major one was shifting our depreciation schedule to the Companies Act - the new one which has been published - so that had an impact. So that was the impact, which we had to take.

Other than this, the personal expenses was quite consistent the way it has moved. In other words, we were more predictable in terms of numbers. So we had a decline of around 300 in headcount, which happened through natural attrition. So it is now a question of optimizing on existing strengths. So overall, I would say that - definitely a satisfying quarter as far as the performance is concerned. But is this the end? I think we need to really look at it as to how they strategies for the next because with the markets remaining still challenging. And as Sanjeev was saying that reforms have to take action on the ground, which we are yet to see, so we remain to be cautiously optimistic at this point of time.

So that is from my side. We can now open the call for question-and-answer.

Moderator:

Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Amit Sinha of Macquarie. Please go ahead.

Inder:

Hi gentlemen, this is Inder here from Macquarie. My first question is around the Power Systems and the Power Products divisions. Now we see a very sharp contrast in performance of both these divisions, so can you just throw why Power Product is doing so much better than power systems and do you think that these kind of diversions will continue going into 2016?

T.K. Sridhar:

Inder, as I was telling you, power products we were doing this localization initiative quite extensively across the organization and power product was one of the main benefactors of this.

And so you would see that their mix has definitely changed and so they are able to get that particular benefit, start to get those particular benefit at this point of time. So that is a biggest advantage what we see and Power Systems generally is a systems related business which has got projects in its own, so naturally the projects will have lower margins is what you see.

Inder:

Is it also kind of a reflection of the fact that we have become very cautious bidding for new systems or new projects while in the product side because of our lower cost base, we have become more competitive in taking market share.

T.K. Sridhar:

I would not fully attribute it to that particular reason, I think the main reason as to why products are definitely delivering more is because definitely they have better orders and profitability going up over there and the initiatives what I said. When it comes to power systems, so they are inherently higher cost products and projects which they have and so definitely they will be delivering much lower profits than if you compare to products. And products also has lot of service elements which also adds. They have a huge install base in the market and they have a vintage of as long as 40 to 50 years and so definitely it generates more service revenues for them.

Inder:

Sure, I understand the margin part, I am more interested in knowing on the revenue side that why the diversions and would that continue even going into 2016. And my second and last question is, what is your expectation from this UDAY reforms, as to how soon some of the state governments can actually start to what type of projects will come out and what do you think would be the role of ABB in that? Thank you.

T.K. Sridhar:

So it is like this, on the revenue front of it, as I was saying, products have lot of base orders which have got lesser execution period, but whereas projects have a longer execution period. And, as we are cautious, we will not expose ourselves to a situation where we make revenue but we do not get our money, so we wait for the funds to be tied up for those projects and then start delivering. They have contractual terms and conditions which we need to follow and respect, and so that determines revenue recognition for the project. But it is not that it will continue this way, because when projects mature for execution in the coming years definitely you will see a different trend emerging.

On the UDAY scheme, Pitambar do you want to take this question?

Pitamber Shivnani:

UDAY, actually now the output will come because more opportunities are expected because of that and time will tell how it moves.

Moderator:

Thank you. Our next question is from the line of Renu Baid of IIFL. Please go ahead.

Renu Baid:

Sir my first question, if we look overall orders we started seeing some slowdown in order flows towards the last quarter, though base orders have done well and overall for the year we are broadly flat. So even if we get next year certain large cycle orders, what is the view that growth next year would be higher single-digit or there would be meaningful growth next year, so you

think that would be challenging or what is your view on the execution over the next 12 to 18 months?

T.K. Sridhar: So Renu as you first of all see we do not give predictions for the future - that is number one. Number two, as I was mentioning we have a strong order backlog of more than INR 8000 crores at this point of time. I think that should take us through. I do not find anything which is going to be a constraint in execution in any particular project. So we have the capacity, we have the people, we have all the systems and process and place and I do not think if the customers are ready to lift the material and go ahead on execution, we will find any challenges over there.

Renu Baid: So you broadly believe that at least in the first six, nine months the composition of short cycle orders should remain fairly healthy?

T.K. Sridhar: Yes, and it also depends on how the project starts picking up because we had good order intake in the Q3. So these are the projects which will make you for execution during the particular point of time, so it depends on that as well.

Renu Baid: Second sir on the exports, there was not any meaningful comment, so if you can just elaborate how was the export performance in the fourth quarter and overall for the year, it seemed that it was a bit softer this year.

T.K. Sridhar: Yes, you are right. So exports were definitely not as vibrant as what it was last year. Last year there were quite a few projects in the Sri Lanka, and other neighboring markets which materialized, in the sense, which got decided. And this year we find that there is still a delay in the decision making while the pipeline is definitely stronger.

Renu Baid: Sir I am also asking with respect to the execution, in revenue how much as exports contributed and what was the growth in exports for this year?

T.K. Sridhar: So exports as a contribution to revenues, we still are at 12% to the revenues.

Renu Baid: For the full year, for the quarter?

T.K. Sridhar: For the full year.

Renu Baid: And also wanted to ask on FOREX gain, you did mention you have benefitted, so what was the overall FOREX gain for the current calendar year that we have had or any particular gains in fourth quarter as well?

T.K. Sridhar: Actually it is not like that. What I said on FOREX gain was basically when we import materials, we do so at a lower cost because the currency rates have gone down. If you are mentioning to the FOREX statements which you have in the balance sheet, I think we are totally for the year 34 crores as a variation which we have on account of FOREX gain, loss and compared to 43 crores which we had last year.

- Renu Baid:** And if I can ask one more question, you did mention across various segments, but one has to look in particular on the T&D segment of your business, what is the outlook with respect to order pipeline for the forthcoming year, especially with respect to mid-cycle and large mega projects.
- Sanjeev Sharma:** Well, as we see quarter four I think there were a lot of caution and a lot of projects which were due to be decided, but they did not come across. But looking forward we see fairly strong project pipeline for the large as well as medium size projects. So we do have good engagements and we do feel that in quarter one and quarter two we will see some good conversions.
- T.K. Sridhar:** So Renu while Sanjeev has said this, it is definitely important to understand that the customers also decide depending upon the reform measures by the government. So the bottom-line is pipeline is stronger, so it is in the customers' hands to decide on these particular orders and we believe that they will decide faster.
- Renu Baid:** And I just missed on the export side, the share of exports in orders this year sir?
- T.K. Sridhar:** It will also be in the range of same 11% to 12%.
- Moderator:** Thank you. Our next question is from the line of Harish Bihani of Kotak Institutional Equities. Please go ahead.
- Harish Bihani:** My question is on the process automation and automation product, especially discrete automation and motion. In case you can help us with the contribution of solar inverters in these segments for the year in terms of revenue share and order inflow share and for the sector and for solar in particular how is the overall outlook looking like at least for the next two years?
- Sanjeev Sharma:** Well, I have my colleague Subir Pal who runs the Discrete Automation and Motion division for us, he will give an overview.
- Subir Pal:** Renewable sector as you know has really been strengthening in the market - both solar as well as wind. We have seen an uptick in the pursuit and that is gradually picking up and it is reflecting in our orders as well as revenues because much of this is going to realize into revenues in 2016. We have had almost a twofold increase in the solar inverter business and in terms of megawatts we would have surpassed about 1.3 gigawatt of solar inverter orders last year, which is a landmark in itself, The trend seems to be continuing, we have healthy pursuit list and even 2017 is likely to be pretty strong.
- Harish Bihani:** So what is the share in terms of the overall order inflow for discrete automation and motion coming from solar and if the revenue contribution is also possible for this particular year.
- T.K. Sridhar:** Harish, we do not give those numbers, I am sorry to say that. So as we have been normally maintaining our revenue share from renewables and transportation is definitely a double-digit number.

- Harish Bihani:** And continuing with this particular segment, what are the other areas where things are looking up and some of the areas where things are not looking up at least for the next two years? And I will complete my second question also for the lack of time, if I look at the margin for the Power Products division, if you recall in the third quarter we had highlighted with that because of the change in depreciation policy there was a dip, in fourth quarter we have seen a significantly sharp uptick. So just wanted to understand, is there a provision write-back specifically in the power product segment and in any of the other segment which has kind of helped the fourth quarter margins. Thank you.
- T.K. Sridhar:** So let me take the margin question on Power Products, it was basically because of the composition of revenues and was nothing major provision reversal in this particular year and definitely the revenues and the composition of revenues have changed compared to the Q3 definitely. So Shivnani if you have something, you can add to that.
- Pitamber Shivnani:** Yes, in quarter four also we had more revenue on renewables as well as on traction side actually.
- Moderator:** Thank you. Our next question is from the line of Bhavin Vithlani of Axis Capital. Please go ahead.
- Bhavin Vithlani:** My question is on similar lines, we had about 14% contribution from renewables, if you can update what exactly it is in now and any threat of Chinese competition in the solar segment; specially have we seen any change in the prices because solar tariffs have been going down. Our second question is on the railways, you mentioned that orders have doubled, so what could be the products in which that ABB is doing, are there any new products in the railway that ABB is introducing and the outlook from the railways?
- Subir Pal:** So on the second question on transportation sector, our product offerings broadly remained same but that is dependent on the kind of pursuits happening in the railways sector, transportation sector. Indian railways happens to be one of our largest customers and there seems to be good upward movement in the kinds of projects that are being taken up. From these, we are getting the propulsion converter business, we are getting transformers which go into locomotives, there are turbochargers, which is one of our strongest line of business, and all this together is showing quite a bit of positive movement.
- Bhavin Vithlani:** What could be contribution of railways in the overall share of the business?
- Subir Pal:** It is around 4%.
- Bhavin Vithlani:** And renewables was about 14% last year.
- T.K. Sridhar:** Yes, so renewables and railways put together are at 14%, I mean renewables at 14% remains constant.
- Bhavin Vithlani:** And the outlook on the Chinese competition and the falling tariffs on solar?

- Subir Pal:** See, competition of course whenever there is a very attractive market, very growing market, there will be competition and both Chinese as well as Japanese competition is there in the market. But as you know, we have taken an early lead and our technology is very strong, we are on a very solid foundation on our service and support network. So all these things mean that we do continue to lead the market and we do not see any major threat coming from that side.
- Bhavin Vithlani:** Would pressure on realizations on margins because of the rising competition?
- Subir Pal:** Margins happen for multiple reasons. One is, feeding tariff itself is reducing quite dramatically and therefore it puts a lot of pressure on the entire value chain. And each one of those product lines we are trying to optimize, we are trying to look at the cost. So with all those cost savings we are also having to be in line with the market trends which is definitely pointing towards a downward movement in the market price and therefore it is not only competition but overall trend in this renewable sector.
- Moderator:** Thank you. We will take the next quarter from the line of Gaurav Sanghvi of Bajaj Allianz. Please go ahead.
- Gaurav Sanghvi:** My question is, because of the localization we have seen a significant improvement in the gross margin in last couple of years, if you can just highlight some of the levers which we have and in terms of outlook.
- Giandomenico Testi:** You are right, the intensity of localization in ABB India is quite high and will continue to be high. The root cause of that is not only that we want to interpret our customer demands best, also because this will affect heavily the competitiveness of our products, given the Indian is very tough market. Anyhow, spanning through businesses, you see quite substantial localization to continue in drives, motors, high voltage switchgears, medium voltage switchgears, low voltage components and switchgears, instrumentation. Another element you have to consider, India as the largest R&D and engineering hub for the Group. Which means that several developments are taking place in this country for the entire Group where our LBUs, Local Business Units will benefit from heavily. So from this point of view localization in India is two phases, one is pure development and the other is availing the platforms available in the Group for this market.
- Gaurav Sanghvi:** Sir and another question is on export, you have mentioned that pipeline is very strong, but if just one tries to derive the number on the percentage of sale it seems that export has declined on year-on-year basis, so could you just highlight some of the reason in terms of what gives us confidence for the CY16?
- T.K. Sridhar:** Yes, one more reason it has decreased, of which you guys are already aware, is that the global markets have sort of softened at this particular point of time, so we have a lot of macro uncertainties going around the globe and the offtake from the globe is also less - so exports will definitely be impacted to that particular extent. Why we feel confident is because, one is there will definitely be new markets which will open up where ABB India products could be sold and definitely and also the existing orders which were facing a bottleneck in terms of decision

making are expected to see daylight in the next 2016. So that is how we see that exports will still remain one of our focused areas to go through in the next 2016.

Gaurav Sanghvi: So there is no change in terms of the way Group structure is in terms of sourcing, because if I understand correctly, around 60% to 65% of the export we do it to Group companies. So in terms of it, is there any change which has resulted in decline or it is just end-market are in not good shape?

T.K. Sridhar: I think it is basically the market, there is no other group policy change at this point of time.

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

Charanjit Singh: Sir, we have talked about these markets like renewables and railways and power T&D divisions to our core business, so if you can highlight how do you see the market size changing going forward in this calendar year versus what we saw in the last calendar year for each of these key markets, specifically renewables, railways and power T&D?

T.K. Sridhar: So renewables, I think Subir will take it up, T&D after you complete I think Pitamber.

Pitamber Shivnani: Actually if you see the T&D market, we are expecting similar types of opportunities or maybe slightly higher, we have large projects from Power Grid and various state utilities also interested. And basically if you see the traction side, there are a lot of metros and traction converter opportunities also which we expect will grow in 2016 compared to 2015.

Subir Pal: On the renewable sector, currently as you know in there had been roughly about 2.6 to 2.8 gigawatt of solar in 2015 and on the wind side it was almost at similar level as the previous year going about 3.5 gigawatt. So 2016 also we anticipate that similar number should at least happen given the government push. When it comes to transportation, clearly there is an opportunity there that there are a lot of transportation related projects which are happening all around, how much of that would actually translate into our order books depends on the speed at which the execution happens.

Charanjit Singh: And sir on the services side, we have talked that it is becoming a very important portion of our business, if you can just highlight what are the kind of service agreements we do or how long these AMC contracts or something might be and how we are driving the service business in maybe power or the industrial automation front?

T.K. Sridhar: Charanjit, we will not be able to give you answers for the first two questions which you asked, but we could always give you a flair of what the markets are for service.

Madhav Vemuri: Service perhaps is not just reactive sort of it, steadfast engagements are just trouble shooting or breakdown maintenance have various components including the value enhancement in terms of retrofits upgrades, extensions, optimization, energy efficiency, debottlenecking the processes and all. So our engagement with the existing install base of our own, and also some selective

competitor products and systems, is what we cover as part of the service portfolio and we use this service portfolio basically as an engagement mechanism with our install base and customer connect and create the specific value proposition by working with the customers to reduce their pain or improve their energy efficiency or their operational efficiency.

Moderator: Thank you. Our next question is from the line of Ankit Fitkariwala of Jefferies. Please go ahead.

Ankit Fitkariwala: Sir, my first question is again pertaining to solar, basically a clarification. Sir you said that renewables is about 14% of revenues this year, but based on a fact that we had about 2x increase in solar orders last year, so next year do we see the renewable being a far higher contribution in the revenues?

T.K. Sridhar: I think we should not relate it to the extent of percentage, the reason I say that is cause renewables show a higher percentage today because the core sector input is less. When the core sector picks up and the maximum orders flow in so the sector of renewables as a share will always come down. But I do not undermine the growth which one will have from one year to next year.

Moderator: Thank you. Our next question is from the line of Deepak Agarwala of Elara Capital. Please go ahead.

Deepak Agarwala: In your opening remarks you commented on the capacity utilization being lower, so can you suggest how it has been performed on a YoY basis, like how did you ended the year on an average?

T.K. Sridhar: So capacity utilization when we mentioned was that of our customers' capacities like cement and steel where we see low capacity utilizations because of the overall infrastructure is not picking up. And now when it comes to your question on how we are in terms of capacity utilization, for our mature business lines we still are 75% of capacity utilization.

Deepak Agarwala: And the second question is, can you comment on the FOREX gain that you have got in Q4, like you mentioned 34 crores for the full year, so how much of it was during the Q4?

T.K. Sridhar: It is actually the INR 34 crores is not the gain, it is basically the net cost which we have in the P&L account, INR 34 crores this year was a net loss and INR 43 crores was a net loss last year and for the Q4 we had INR 13.5 crores.

Moderator: Thank you. Our next question is from the line of Ankur Sharma of Motilal Oswal securities. Please go ahead.

Ankur Sharma: Just one question, on the process automation side revenues have been largely flat and I believe if I heard it right even order flows are largely flat YoY, and this is one area we have not spoken much on the call, so if you could just tell us where or which are the pockets where you still see some spending happening on the industrial side and do you expect any pick up over the coming quarters?

- T.K. Sridhar:** Madhav who is in-charge of Process Automation will answer this question.
- Madhav Vemuri:** We continue to see sort of a subdued investment mode in the core process industry sectors like steel, cement and pulp and paper, and also to some extent in oil and gas. And the basic sort of trend that we see in the market is that there are lot of intentions, investment intentions but not action. So going forward we assume or we foresee a sort of growth coming in this sector, if all the client project intentions are converted into orders, but at this point of time it is more of wait and watch mode for our customers. When it comes to the question of revenue, we have a good backlog but it is mostly the attitude of some of our large corporate customers which has resulted in holding back of these revenues or the projects. As Sridhar said, we would prefer as a company to have profitability over the volumes or the revenues. So that is the reason why there is sort of flattish like revenue growth in the last quarter and also the year.
- Ankur Sharma:** And if I can just squeeze in one more question, sir I believe you serve both the solar and the wind markets, obviously solar seems to be getting a lot more attention. What is your personal view in terms of whether wind has taken a backseat and now solar is that the way forward, is that something that you also feel?
- Subir Pal:** It is not that wind has taken a back seat, comparatively the growth rate of solar is higher because solar in absolute terms still has an install base of around 5 gigawatt, while wind energy has crossed 23 gigawatt. So therefore when you compare the rate of growth, solar is much higher, so that is why it is attracting a lot of attention but if you look at gigawatt terms 3.5 gigawatt of wind and 2.6 gigawatt of solar in one year, annually, you have the right comparison within that.
- Moderator:** Thank you. Our next question is from the line of Subhadip Mitra of JM Financials. Please go ahead.
- Subhadip Mitra:** Yes, my question is with regards to your opening remarks, you did mention that the margins in the current year are (Inaudible) we have a mix in terms of products versus projects, so just to get an understanding that moving ahead as the project pipeline improves and we possibly get more orders on the project side, could we possibly see softening of margins going ahead as projects take a larger share?
- T.K. Sridhar:** I would not like to comment on that, the reason is because it becomes a prediction for that matter. So definitely you will have a trend wherein the projects also will catch up on some revenues. At the same time because projects always have a pull-through content within them we also expect products to continue growing. So when projects revenue increase it is also quite possible that products also will go at the same pace.
- Moderator:** Thank you. Our next question is from the line of Fatima Pasha of ICICI Prudential. Please go ahead.
- Fatima Pasha:** Sir, I know you would not want to give guidance, but I just want to ask you, if the order inflows are flat and the backlog is also flattish but our base orders have grown at 10%. So just whatever

your calculations on base orders is, for you to do a double-digit revenue growth next year how much base order growth do you need?

T.K. Sridhar: I cannot tell you that Fatima, I think you first of all opened it with that remark so that gives you the answer.

Fatima Pasha: No, I just want to understand that base orders is what percentage of revenues that gives you that next year double-digit growth is possible?

T.K. Sridhar: We do not give that Fatima, I am sorry, we do not give that.

Moderator: Thank you. Our next question is from the line of Hamsini Amritha. Please go ahead.

Hamsini Amritha: My question is with regards to margins, this particular quarter or rather the year end itself has been a very good payoff for you in terms of margins, much ahead of what most of us were expecting from the company. Give us some bit of guidance as far as whether you see the margins sustainable at the current levels, how much percentage points there should be a decrease we can factor in for?

T.K. Sridhar: We cannot give you any guidance, I am sorry, because it is a very sensitive question so we do not give guidance at this point of time.

Hamsini Amritha: Okay. Then I will go back to the order book situation that you have, over INR 8000 crores which is roughly about to cover one year's revenues for you, how optimistic are you on this on conversion of that into revenue?

T.K. Sridhar: Actually, at this point of time, as I was saying, we do not have any non-moving order backlogs. So we feel that they should definitely happen over a period of couple of quarters, how fast moving or slow moving also depends on how the customers also want to take off on this particular project. So having said that, this 8000 crores also has projects and products. So while products will have a shorter cycle time to deliver, the projects will definitely have a longer time and so in all possibility that it could be spread over couple of years. So that particular gap would definitely be filled in by orders which you booked during the year.

Hamsini Amritha: Sir one last follow-up question, is it more skewed towards product or projects at this point in time?

T.K. Sridhar: We do not give that breakup, I am sorry.

Moderator: Thank you. Our next question is from the line of Girish Nair of BNP Paribas. Please go ahead.

Girish Nair: Sorry to repeat, could you please repeat the order intake because it did not total up to INR 8100 crores as we said, so I just wanted a repeat of the segment wise order intake.

T.K. Sridhar: For the years?

- Girish Nair:** Yes, for a year.
- T.K. Sridhar:** Yes, power products INR 2600 crores, power systems INR 1740, discrete automation INR 2300 and low voltage products roughly INR 770 crores, process automation INR 1100 crores.
- Girish Nair:** So it totals up to around INR 8500 crores?
- T.K. Sridhar:** Yes, but this is our revenues which, I mean these are orders which are gross for the particular division, so inter-division sales get eliminated.
- Girish Nair:** And finally, I just wanted to know what is the number of employees at the end of this year and the CAPEX incurred this year?
- T.K. Sridhar:** Number of employees, we are at 5850 people.
- Girish Nair:** And CAPEX?
- T.K. Sridhar:** CAPEX, we will come back to you, we do not have the number right away but I would come back to you separately on this.
- Moderator:** Thank you. Our next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.
- Sumit Kishore:** Sir, again housekeeping question, what is the total base orders in your reported order booking of Rs.81 billion and like the quarter where you said there is a 10% growth, does the 10% growth hold for the full year as well in base orders?
- T.K. Sridhar:** We do not give that split at this point of time, sorry.
- Sumit Kishore:** So did base orders grow 10% for the full year as well?
- T.K. Sridhar:** Yes, you are right.
- Sumit Kishore:** And you mentioned double-digit growth in the service orders in revenue, just want to get a sense of what that double-digit means, is it 10% or 20% or more than that?
- T.K. Sridhar:** Roughly about 12%, it is between 10% to 12%.
- Sumit Kishore:** Both for revenue as well as orders?
- T.K. Sridhar:** Yes, you are right.
- Moderator:** Thank you. Our next question is from the line of Chockalingam Narayanan of Deutsche Bank. Please go ahead.

Chockalingam Narayanan: Just wanted to get a sense of the provisions, has there been increase in warranty provisions during the year, because provisions are probably at the all-time high at INR 378 crores on the short-term.

T.K. Sridhar: Warranties will definitely have, because if you have sales which is increasing, warranties as an absolute value definitely increase because to that extent you will have to provide for warranties, number one. Number two, it is also relevant on the new products which we bring in, we have to have higher warranties in the initial period and when we have a better experience in the market is where we review the warranty policy. So I think it has been pretty consistent with what we had.

Chockalingam Narayanan: So how often do you review your warranty, is it after two years or three years, does the provision get written back?

T.K. Sridhar: Ever quarter there is a review of the provision because every quarter we have a full-fledged audit, it is not for the local GAAP, then for the US GAAP where we generally have a full-fledged audit where these provisions are always reviewed and sort of restated to the correct levels.

Chockalingam Narayanan: The second question was on receivables, now that has also shot up to all time high, INR 40-odd crores, there is almost about INR 230 crores increase on year-on-year basis. So where is this, if you could help us understand this.

T.K. Sridhar: Yes, if you look at in terms of the increase vis-à-vis whatever is last year to this year, so we are talking of receivables increase which is equal to what revenues we have increased, so I do not find anything much which is more than that, number one. But having said that, I would definitely would like to tell the fact that getting money in the market is definitely a difficult task, so customers are very reluctant to spend the money, so we definitely have challenges to face on liquidity. But it does not mean that they are bad, let me tell you very clearly, they are all sovereign customers so they are basically managing the funds because due to paucity of funds in the market.

Chockalingam Narayanan: But how much of it would be over six months' sir?

T.K. Sridhar: How much of it will be over six months, less than 10%.

Moderator: Thank you. Our next question is from the line of Mayur Patel of DSP Blackrock. Please go ahead.

Mayur Patel: Sir, I am slightly confused on the commentary, on one side I got a very positive feeling listening to the introductory comment and then when I look at process automation which has grown by 13.5% in this quarter and whereas the outlook on one of your answers you mentioned that the utilization levels are very low which is the fact and unless that goes up the CAPEX spend by those steel and other conventional sectors to pick up, it is a difficult thing to tell now. So this

growth in this quarter, the traction in process automation, can you just give us some color about what lead to this?

T.K. Sridhar: So Process Automation as a division was flat in the total revenues compared to last year on a full year basis. The increase in revenues – up 14% - was basically in this particular quarter, which that means in the last three quarters they have been de-growing, and that is why if you see at overall level, for the full year they are flat. This is because they are all on project businesses, mostly serving the industry customers which is the most impacted segment as of today. And so that is a word of caution when we said that industry is facing a tough task in terms of meeting their execution timeline, which they are tuning to the demand side of it.

Mayur Patel: So overall, still a wait and watch situation as you mentioned?

T.K. Sridhar: Exactly, you are right, that comment definitely holds good.

Mayur Patel: And on the Power Products, is it purely T&D which has helped us in this quarter or there are pockets?

T.K. Sridhar: I did not get you.

Mayur Patel: In our product segment the performance was pretty good, so is it purely because of the T&D segment or there are other segments which has helped us in the power product?

Pitamber Shivnani: In fact the railways have thus, in addition to railways actually this and renewable has also helped us.

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

T.K. Sridhar: Thank you very much for joining this particular call, I think it was a very interactive session with more questions for which time was allowed. And in case if you still have some questions, please get in touch with Manashwi, we would be always glad to help you out to clarify your queries. Thank you so much and to the team who joined on this call. Thank you.

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