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May 3, 2016

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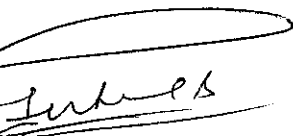
Dear Sirs

Sub: Transcript of Analyst concall

We are sending herewith a copy of the transcript of conference call with analysts, which took place on April 26, 2016, after the announcement of Q1 2016 unaudited 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 Q1 Results Conference Call”

April 26, 2016

MANAGEMENT: **MR. SANJEEV SHARMA – MANAGING DIRECTOR, ABB INDIA LIMITED**
 MR. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER, ABB INDIA LIMITED
 MR. RAIMONDO SALANDRA – LOCAL DIVISION MANAGER, ELECTRIFICATION PRODUCTS, ABB INDIA
 MR. MADHAV VEMURI –LOCAL DIVISION MANAGER, PROCESS AUTOMATION, ABB INDIA
 MR. SUBIR PAL – LOCAL DIVISION MANAGER, DISCRETE AUTOMATION AND MOTION, ABB INDIA
 MR. PITAMBER SHIVNANI – LOCAL DIVISION MANAGER, POWER GRIDS, ABB INDIA

Moderator: Good Day, Ladies and Gentlemen and welcome to the ABB India's Q1 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 this conference call, please signal an operator by pressing * then 0 on your touchtone phone. 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, Malika. Good morning to all of you and thanks for joining this early morning call. Just to give you a brief, we had a Board meeting yesterday which went till late in the evening and so we had no time yesterday to have this particular call, and we have this a little early in the morning. With me on the call are Sanjeev Sharma – Managing Director of ABB India Limited, Raimondo Salandra – Local Division Manager for EP, Madhav Vemuri – The Local Division Manager for Process Automation, Subir Pal on the telephone, he is the Local Division Manager for Discrete Automation and Motion and Pitamber Shivnani, he is also on the phone and he is the Local Division Manager for Power Grids. And apart from that we have a lot of communication colleagues who are joining and listening to this particular call. Thank you so much. So without much delay I hand it over to Sanjeev to take us over to the Q1 performance.

Sanjeev Sharma: Thank you, Sridhar. Good morning to all of you. Just to give you a bit of impression about what we saw in quarter one. First of all, one of the main highlights for ABB India was to host our global CEO Dr. Ulrich Spiesshofer here in India. He made a three-day visit with a view that we meet the policy makers in the country, also sign some strategic memorandum of understanding with different businesses and institutions, and also meet the business leaders around the country to get the pulse of the business as well as the possibilities. We started by meeting the Prime Minister of the country and we had varied discussions on the policy matters - just to understand the direction of policy and the institutional framework, and how ABB as a company can align with the opportunities and possibilities that will open up and are already available.

Later the same day we visited IIT Madras - it was the same day that IIT Madras in Chennai was ranked as the number 1 technical institute in the country. We signed an MoU with IIT Chennai, it is a cooperation agreement to develop micro grids. So we will have a very close collaboration in coming years with IIT Chennai, not only in micro grids but we will also work on new era technologies for battery energy storage which will be very specific to the conditions and the requirements we have here in India. In the rest of the visit, there were meetings with other policy makers like Finance Minister of the country Mr. Jaitley, the Commerce and Industry Minister, Ms. Sitaraman and a number of other Secretarial staff in the Ministry to get a pulse of the policy as well as the direction of the country. So it was overall a very positive meeting for our customer base, as well as for our employees on how we set the direction going forward.

Some of you will also pick up the news, yesterday in Germany, Dr. Spiesshofer presented ABB technology to President Obama and Chancellor Merkel of Germany. We launched the talking motors, which is basically the concept of IoTSP - a revolutionary concept and will determine how the industrial IoT space will look, and this technology will be available in India very soon. So you could see that there is a lot engagement at the leadership level in order to develop new

technologies as well as bringing the best of those technologies in adapted and the same mode to the country, where we are expecting a lot of growth to happen.

Now towards the general market in quarter one, we saw a rather subdued market. The power sector performance was slow and in our observation there was low capacity utilization which meant that CAPEX has declined. And after contracting for three consecutive months IIP reported slight growth in February and we also saw that inflation ease in March. I think one of the positives which will play out in future quarters is the impact of the RBI reducing its policy rate by 0.25% to 6.5% - the lowest in last five years. We do see the FII interest in emerging market making a comeback, and India is on their radar. And most of the colleagues who have been visiting us from all over the world, one thing they pointed out was that among whatever is going around the world, India is seen as one of the rising stars of possibilities among all the markets they are exposed to, which is a kind of positive outlook for a country from an outside-in perspective. But at the same time at the ground level we see some risks and some of the risks are like speed of reform implementation by our current government, given the macroeconomic positive atmosphere we have I think we do require good policy and institutional framework in front of this macroeconomic positivity to really extract more out of this economy and also accelerate the growth. And subdued global growth, I think that is another risk factor between that also has some impact on India because we are a connected economy globally.

Now coming to ABB India's performance, we saw a solid quarter one and performance numbers are available to you and Sridhar will also go in details in a few moments. We saw that there was slowdown in certain sectors but that was made up by a good portion renewables and also we have some very good orders in next generation substations like 132 kv GIS station in Orissa. We had an extraordinary first quarter in terms of revenue and this was the best quarter for revenue-wise in last five years - we were up 10% year-on-year. So that shows that the execution machine did not slowdown from last year to first quarter, so that shows that the focus of the organization to execute orders and deliver them to the customers as promised is gaining momentum. The outcome of a relentless pursuit of cash over revenue and a very disciplined execution we saw that we close the quarter cash positive and this is for the first time in several quarters that we have a cash positive quarter. So there again the effort of our team all across the country with all the customer connect, it worked very well for us.

We have lot of cost and productivity measures running and that are reflected in the run rate in PBT and PAT, both were up 30% year-on-year and we also have a steady and a strong backlog of around a year and that gives us a good base for us to build this business, as well as serve the markets. But let us break it down further. The first quarter also saw implementation of our new division structure which was rolled out globally and we had five divisions merging into four, we had adjustment of the leadership and that transition went very well and we can already see very positive affect and momentum building around it. And we see that the real benefit of reorganization that happens globally and in India coming to us in coming quarters because that makes us much easier to connect with the customer and also customers find it easy to do business with us. Three of our four new divisions witnessed order growth in this quarter. Base order drove

revenue growth in EP and DM divisions and on the power grid division side we almost doubled its PBIT on year-on-year basis.

So these were few of the highlights. And exports reported double-digit growth, so we found that we have lot of opportunity in the neighboring countries as well as in markets of Africa and Southeast Asia and we saw some good positive orders coming, high quality orders coming to us. That is a part of our strategy to use ABB India as one of the base to serve the global growth for these nearby markets and that is gaining momentum and that is something we will focus going forward.

So in my view ABB India is well positioned for when domestic market revives and investment in late cycle industry follow and also to partner in India's growth plan wherein the new opportunities are emerging and also acting as an export hub for the growth. So this will be my overview of the first quarter and now I hand it over to Sridhar to take you through the financials.

T.K. Sridhar:

Thank you, Sanjeev. I think it was a good overview of what is happening in ABB India. So I will take some time to dwell upon the financial numbers. I think that it was a solid credible performance from ABB in India and the good part of it is that we were cash positive right in the first quarter of the year which we have not seen for several quarters and it was all due to the extraordinary effort that people on the ground put in, to close the sites and come out and also realize retention. And the major contributor was definitely Power Grid's division to make this happen and that was one of the good positives. And then coming to the renewable side of it, so we still continue to see renewables as a major contributor in our order and revenue streams. As far as renewables is concerned, 15%, 16% of our business comes from this market. So in a way the sort of muted market environment in the industry is offset by a faster growth base what is happening on the renewable space. So that is a good part of it and this helps us to get more new customers, so if I have a look at what were there in the last quarter and what customers are there, we have a very diversified mix. This makes sure that our market reach has improved a period of time and we are now able to get new customers, new areas from where we are able to get this base orders, so it is an overall healthy outlook which I see. So having said this, I think we still see that the reforms on ground are yet to take real steps in converting into action, so while we wait for it we continue to focus on our mainstream business with the government spend which is happening and PGCL happens to be our major customer there.

And coming to the numbers part, revenue increased by 10% where I think the major contributor for revenue growth was Discrete Automation and Motion and Electrification Products, which grew substantially while the process systems businesses continue to be more static from what it was in the last quarter. And that by nature the systems businesses tend to pickup in the next quarters to come depending on the project execution pattern and it has been quite typical in other industries as well. In terms of profitability, we definitely see a significant improvement on Electrification Products thanks to the localization efforts, the new markets and new customers in which we have been growing, and also on discreet automation motion. Power Grids has improved also on the profitability part of it, I think this is really a case where because of operational efficiencies, improved measures and project management - by the continuous

investment in mastering these particular skills - have started to give the fruits of these investments now. And Process Automation, I think it is basically driven by volume de-growth that we are not able to realize the profitability percentage that is what we had delivered last quarter. However, I think going forward we have a reason to focus on these particular markets and get back to those numbers. And on the trend for the first quarter in the last five years - this was one of the most decent quarters, so the revenues were highest in the last five-year same quarters, profitability also followed the same pattern and EPS probably same pattern. When I come to the sequential quarter, we are better off other than the fourth quarter which is normally our best quarter in the year compared to the first three quarters. I think this a case where our operating efficiencies have started to now yield results.

Coming to the financial results, more on the number part of it, material cost at 64.2%, we are still holding on to that and the supply chain management initiative which has been going across the organization is steady and it is supposed to become stronger because when we see that the opportunity in the market is pretty low and this is expected to become stronger to offset those vagaries of the market. Personnel expenses at 9.3%, slight increase and this is because of the wage revisions which we make every year. And other expenses, you would see a good increase here. This has got various elements to it, first, we have always been introducing new products and new technologies, so when we introduced new products and new technologies in the market we definitely go within prudent policy of having a higher warranty initially and then as the performance sets in for those products we review those warranty provisioning policies. So that is one of the contributors. And the next point is that we are intensifying our training to make the organization more capable to handle growth initiatives that are going to be triggered by the government in years to come; so we will definitely be investing in all tools and resources to make sure that we have a ready organization going forward. And the third element is the market-to-market FOREX impact. As you have seen, the rupee has depreciated against other foreign currencies from where we import, from the last year to this year, especially the CHF, Euro and the Swedish Kronas. So this has also impacted us in terms of other expenses going up.

And as you had seen in the last few quarters that the Group has been taking a lot of initiatives in terms of next level strategy. As a part of the next level strategy, one global shared accounting services will be set up in Bangalore and ABB India will be a major benefactor. It is a world class center, so we will invest towards setting up this world class center here and this is also one of the reasons why our expenses have been slightly higher. So there is also some increase in the other expenses like your travel and other stuff and the reason is because we want to go out to the market, make as much as possible the first two quarters to come so that the next two quarters, the third and fourth quarter we have sufficient backlog to execute and come back on track as the revenues are concerned.

So overall I would say the first quarter was a quarter where we have invested some money to make us ready for the future. And finally as what Sanjeev had said, this was a good quarter for cash collection as well. We hope that this effort will continue and we will emerge stronger. So this is it from my side, so I think now we can open the call for question-and-answers.

- 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 Renu Baid from IIFL. Please go ahead.
- Renu Baid:** My first question is for understanding a little bit more on the increase in other expense. You did share that there is a group investment in which ABB India has participated, so would it be possible for you to share what is the quantum of investments which would be shared in the books of ABB?
- T.K. Sridhar:** Renu, we do not share that so I think we will keep it at what it is, so we could only tell you the reason but not the amount.
- Renu Baid:** But then this is the only quarter in which the hit is taken and how large as in any rough idea whether it would be 1% or 2% of this quarter's sales or not as meaningful yet?
- T.K. Sridhar:** It is definitely an investment as what we see for the future, and it is onetime expense what we will incur and in couple of quarters - this quarter and next quarter - and afterwards it would not be there.
- Renu Baid:** So probably some similar kind of investments would be done in the subsequent second quarter as well?
- T.K. Sridhar:** Exactly, because it is setting up a new infrastructure. We are working towards where there will roughly be more than 1,000 people working over here; not only for ABB but for other entities as well and we are setting it up for a group.
- Renu Baid:** And how would we be compensated in terms of the revenue stream arising from these?
- T.K. Sridhar:** Revenue stream is not going to be the criteria; this particular organization will deliver a lot of savings in terms of cost and it will not be hosted by listed entity, so we will get more cost advantages, labor arbitrage on the efficiencies of scale which we will set it up later.
- Renu Baid:** Secondly, aligning the similar segment, you have mentioned that we have seen relative increase in warranty provisions on the new product segment, overall if you see over the last one year some of these new products as well as newer technologies, what proportion of our revenue mix have they been now, as in just a broad perspective to understand the newer products which have been added to our portfolio?
- T.K. Sridhar:** Renu, as you know that one, we do not give that particular number - that could be a new product or introduction but it is definitely an evolving mix. As you could see from the market - GIS, electrification product, solar invertors and the TROPOS and other communication products, which we introduced in the market are definitely are and it is a good decent percentage, that is what I would say.

- Renu Baid:** Sir my second question is on the export side, you did mention that has grown very strongly, last year was a weak quarter for exports. So what was the share of exports in the order intake in the current quarter and overall in terms of sales as well?
- T.K. Sridhar:** In terms of sales and orders, more or less similar, so there have been not much of change in terms of value is concerned but when I come to the percentage, so it is in the range of 13% to 15%. So what used to be at 11% - 12% we are now talking of 13%-15% that is the amount of one time improvement which we got on export because we had a week fourth quarter on exports.
- Renu Baid:** And these orders which have come in have largely been system orders or product driven orders?
- T.K. Sridhar:** It is equal.
- Moderator:** Thank you. Our next question is from the line of Charanjith Singh from B&K Securities. Please go ahead.
- Charanjith Singh:** Sir, we have seen around 11% growth in the top-line which has been driven mainly by Discrete Automation and Electrification Products, sir how do you see this growth momentum sustaining well, our order backlog continues to remain flat. So like it is the short cycle product business which is driving this growth, if you can just give a color maintaining this momentum going forward or not.
- Sanjeev Sharma:** I will hand to my colleague, our division for EP, Electrification Project, Raimondo Salandra to answer it.
- Raimondo Salandra:** We have had a strong performance in Q1 and now we experiencing a strong backlog, so the growth segment like renewable continues to generating let's say our current backlog in the revenues. So there are no scenario at the moment that this trend should change for the next quarter, I mean they are absolutely positive on keeping this level of customers engagement.
- Charanjith Singh:** And sir on the other segment which is the discreet automation, there we have seen a 32% jump YOY in the quarter and now it is maintaining the run rate of Q4, sir how is that segment positioned?
- Sanjeev Sharma:** We have Subir Pal, our Division Manager for DM, Subir, if you could come off mute and answer that question.
- Subir Pal:** Coming to Discrete Automation And Motion, renewables have a certain cyclicity and March deadline for many of these PPAs signed by number of state governments, it provides peak revenue time in the first quarter but looking at overall scenario of renewables and various other businesses. I think although we have had a peak in the first quarter there is quite a sustainable momentum in growth overall in the coming quarters.
- Charanjith Singh:** So we expect to finish more than double-digit growth in CY16 even in the discrete automation?

- T.K. Sridhar:** So we do not give this prediction Charanjit, you know that, so we do not give this forward-looking statements, so we look at the market positively that is what we can say.
- Charanjith Singh:** And other question is sir on the PowerGrid HVDC order where we are now L1, so what is the status on that and what proportion of that order will be served by ABB India? And we have also added capacities on the convertor, transformer side, so how does that benefit ABB India, sir?
- Sanjeev Sharma:** As a policy we do not comment on a contract which has not been awarded to us yet, we will come back to you when there is any contract awarded to us, I think then only we can talk about it.
- Charanjith Singh:** But what is the expected timeline when do you think it could be finalized?
- Sanjeev Sharma:** Well, as I said this is something which is always in the customer's hand, we bid a lot of contracts all across the country and there are a lot of active bidding there, so we as a policy do not talk about it unless the client has made up his or her mind.
- Moderator:** Thank you. Our next question is from the line of Harish Bihani from Kotak Institutional Equities. Please go ahead.
- Harish Bihani:** Sir, again on the expenses, unallocated expenses have increased sharply 94% YonY, now you indicated that they are certain onetime which will recur, so how many quarters will this recur, if you can explain and how many years, what is this you explained that some center is coming up, will we also do some CAPEX for this particular center that is coming up so OPEX and CAPEX if you can explain a little better. And you also indicated that probably ABB parent is spending for this particular center, so is there any spending done by ABB India on this particular center coming up?
- T.K. Sridhar:** So as I mentioned it will be there for couple of more quarters to come, so that is a one-time expense which as a participating country ABB India has to invest along the Group. And this is a center which will be set up where there will only be OPEX there will be no CAPEX from ABB India, ABB listed entity side. Group will invest in and they will set up a global business shared service center and ABB India will be the major benefactor of this. So going forward in a couple of years' time you could see, while our business volumes are expected to increase going forward, the running expenses for these type of centers goes other way around - realizing savings for the organization. So it is basically an investment in the future savings.
- Harish Bihani:** So will it be safe to say that whatever increase has happened on the unallocated expenses side compared to 1Q15 will continue for next couple of quarters?
- T.K. Sridhar:** Yes, that is the maximum.
- Harish Bihani:** Coming to Discrete Automation and Motion, on the solar inverter side, you indicated in the Annual Report that ABB Installed 1.2 gigawatt in CY15 which if I do a rough calculation would be 20% of our orders and revenue. Now with the broad targets that we have for this particular

year say about 6 to 8 gigawatt will it be safe to assume that ABB will continue to have a 40% to 50% market share or do you see a competitive intensity increasing? And also if you could comment on the capacity constraint that you would have on the solar inverter side and whether you are planning to expand this particular inverter capacity? And I will quickly ask on more question, in the Annual Report there was this increase which continues to happen on the royalty expenses, so over the last couple of years this number is increasing, so is there a particular number, percentage of sales which is in your mind of ABB Global that they would want to charge incrementally from ABB India? Thanks.

T.K. Sridhar:

I will take the question on royalty, and afterwards I think Subir will answer your question on solar. So royalty, as we have been repeatedly saying it is a contribution for bringing towards the group R&D expenses for bringing in new products and new technologies to the country at very competitive price levels. Royalty is a percentage of revenue, and has always been in the range of 3.5% to 4% - which will remain constant. And when new products and new technologies come, this could vary depending upon the cost of that particular technology. So on a blended rate basis it would be between 3.5% to 4.5% maximum. Now Subir you can take the call on the solar side of DM contribution.

Subir Pal:

I would not like to comment specific numbers for market share, but as you are well aware that in 2015 we did have a leadership position in the market as far as solar inverters are concerned and that position we maintain even now, and going forward our ambition is to maintain that similar position in the coming quarters. Coming to the capacity, as I explained in some of the previous calls that we are highly scalable in the way we are organized internally and capacity is not the constraint for us to maintain the growth momentum. We have adequate planning in place, we have factories in place, so this is not the constraint.

Harish Bihani:

And sir competition in pricing coming down sharply, any comment?

Subir Pal:

That is the nature of the business, it is a fast evolving business with many competitors coming in and therefore it is imperative that we ourselves become a lot more internally efficient to handle that competition and stay in the leadership position in the market.

Moderator:

Thank you. Our next question is from the line of Ankit Patkariwala from Jeffries. Please go ahead.

Ankit Patkariwala:

Sir, this question has been asked a couple of times, so it is again on the other expenses side. Just wanted to understand, mainly first if you can quantify the MTM FOREX impact that has been captured in the quarter. And secondly, on the warranty side of it you explained that since new products have been introduced you have higher warranty expenses, so how does this work as in how long do we look at the cycle of higher warranty expenses and then go to have a overlook on them and probably do a ride back or something?

T.K. Sridhar:

So coming back to your question of mark-to-market it is around about 8 crores for the quarter, so that is the FOREX expense which we have, so variation. And now coming to your question

of warranty, it definitely depends on product to product basis, so if it is a new for example transformer or a GIS so it has a cycle, it has got a warranty period of 12 months of its completion. And then similarly if you talk on other hand of motors, so it will have a lesser warranty period. So the question is, we cannot commit to a timeline saying that within this period we will sort of review, so it is a pattern which we need to adopt with the new product and technology introducing, so there will be a constant review on a quarter-on-quarter basis as to how we position ourselves with respect to the performance on these particular products and evaluate the warranties against it.

Ankit Patkariwala: So sir is it safe to say that for a couple of quarters at least next two quarters it will remain same on the higher side or is it like it will go down for next...?

T.K. Sridhar: We cannot project Ankit, we do not give those predictions and that is how it is.

Ankit Patkariwala: And secondly my question is on the solar side, so just wanted to understand whether there has been any pickup in the ordering activity, how has it been in the last quarter and how do you see this year panning out, means not numbers but just a direction guidance what is the market like?

T.K. Sridhar: So let me take the overall renewable side, Subir has already spoken quite a lot on how the solar is panning out. Renewable side continues to be an important source of our revenue pie and we are still looking at somewhere in the range of 16%, 17%, so it was earlier when we started this business it was as low as 6% to 7%, now we are talking about 15% - 16% on this, so it has grown over period of time. And this could as a percentage be higher, but in terms of the growth percentage we are definitely on a double-digit quarter-on-quarter, good double-digit number as far as renewables is concerned. But when the traditional market starts picking up, it might be that the share of this particular business could take some corrections from 16% to normalize to a lower percentage.

Ankit Patkariwala: This growth double-digit is YOY or quarter-on-quarter?

T.K. Sridhar: Quarter-on-quarter.

Ankit Patkariwala: Sequential?

T.K. Sridhar: Yes.

Moderator: Thank you. Our next question is from the line of Puneet Garg from Axis Capital. Please go ahead.

Puneet Garg: Sir, first question was on the renewable space, so what would be the share of win in that? And my second question is related to HVDC projects, so if I understand correctly last time when we executed the northeast Agra project ABB India's share was somewhere close to 15%, so in terms of capability what additional we would have indigenized or localized in that space to increase that share?

- Sanjeev Sharma:** I think on the renewable space we have commented and we have give the explanation. When it comes to the HVDC space you are right, the NEAgra project it has run for a period of time and when you run a project of such a size it creates extraordinary possibilities to create capabilities in the organization and that has happened. We have very good capabilities resident inside the organization which we are leveraging not only for India for the existing project but also for some of our global projects.
- Moderator:** Thank you. Our next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.
- Deepak Agarwal:** My first question is on the level of other income that you have reported, so can you comment, is there any one-off item in the other expense?
- T.K. Sridhar:** There is a one-off item in terms of refunds from the Income Tax Department and interest on the deposits - what we had received when a case was announced in the company's favor.
- Deepak Agarwal:** Like it is not an amount but would it fair to assume that...
- T.K. Sridhar:** It is a one-off case.
- Deepak Agarwal:** My second and a broader question is, can you comment on over the next two to three years what kind of benefit that you see by realigning of this business division into new product categories dividing between grid and utility, utility side as well as the user side. So what kind of benefits that you see in terms of numbers over the long-term?
- Sanjeev Sharma:** I can explain to you what is intended with this change in the organization and what affects we are seeing having experienced it for one quarter. You see we have brought together Power Products and Power Systems divisions and if you recall the Power Systems is a systems division which does the value added work for our customers while we use to channelize the products from the product division through it. So that was how the model was. So what we have done is we have brought now PS and PP together, so it means a complete proposition chain has come under one division, under one decision making. So what it means is for the customers there is a seamless offering for the value added services as well as the product. So if the customer wants to buy a complete system so our integrated team will give a complete solution together with the products we had and if customer wishes to have only the standalone product the same channels are able to provide the product. So there is a lot of optimization that we experience with this in the backend as well as in the front end but not to forget the main aim is to make it easier for the customers to do business with us and also take out the cost which really you get the synergy when you have such kind of synergetic affect that takes place. So that is one good example I can give you and we are already experiencing the effect of it.
- Deepak Agarwal:** And my last question, can you comment on how the services has done this quarter and what is the outlook over the next 12 to 18 months?

- T.K. Sridhar:** I think revenue from service has remained constant about 11% to 12% of revenue stream, so we are focusing services as major focus area and it is one of the major support areas also for profitability perspective. So we remain positive about that.
- Deepak Agarwal:** The percentage share has remained the same versus last year in the same year, so that implies that even this has grown by almost like 10% to 11% in this quarter?
- T.K. Sridhar:** I will not comment on that because we normally do not comment on that but with the percentages remaining the same we can always make that math.
- Deepak Agarwal:** And what is the target, would you see of the services contribution over the next 12 to 24 months?
- T.K. Sridhar:** So I will hand it over to our national service manager Madhav Vemuri to answer.
- Madhav Vemuri:** See, more than the percentage of the orders are revenue, what we target in ABB is the install base penetration, we always target the percentage of ABB's own install base and what portion of that we are able to get connected and leverage is our target because naturally that means it will increase in a market where there is a continuous growth and new install base is being created our focus should be to make the IB penetration as the target than anything else.
- Moderator:** Thank you. Our next question is from the line of Shaily Tibrewala from Edelweiss. Please go ahead.
- Amit Nahar:** Hi sir, this is Amit Nahar from Edelweiss. I just have two questions quickly, first for TK. Congratulations on the decent growth in discrete automation and electrical products, how much of this growth is driven by new products so that we can understand the growth in the incumbent products that we have. Second question is for Sanjeev, with the strengthening of whatever state electricity boards financials which are expected due to the schemes, will ABB upgrade its own strategy of where they discontinue taking large basically exposure in the state contracts, so how do you comment on that strategy? Thank you.
- T.K. Sridhar:** Thank you. So the first question I will answer, so if you look at it, we would first of would not like to give a percentage, so that is pretty much important because we always maintain that we do not give a prediction about it. But on a year-on-year basis we will definitely focus on the area which you have mentioned and then we would come out with decent numbers by the year end.
- Sanjeev Sharma:** Well, with respect to whether it is state electricity boards or even certain private customers, our view towards doing business with the customer is based on certain criteria we had developed inside the organization which we filter and we follow very strictly across the organization and we look at as such worthiness of the customer base before we commit ourselves into contracts with them. So I think over the years it has strengthened and this year we have an acceleration of it that we are strengthening it further because it is not only state electricity board, we are also very watchful of certain private customers as well.

Moderator: Thank you. Our next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: I have a question about your export strategy, you have mentioned that ABB Global is focusing on outsourcing from India and catering to the markets in Africa and southeast Asia. So if you can throw some light on this strategy and what initiatives you guys are taking on that regard and what is the vision for that in next two or three years that what kind of revenue mix you are looking from exports versus domestic near to medium term maybe two, three years?

Sanjeev Sharma: I think that is a good question. You have to see it not only from ABB India point of view but you also have to see from the India point of view. Right now the macroeconomics around India is very positive in terms of availability of the skilled manpower and also ability to produce and serve the markets and that is something which is playing well for ABB and ABB in India. Hence there is a certain focus on ABB India Limited to act as a hub to expand the certain activities for the growth. So that is essentially is the at the core of it. And in terms of the specific actions, what we do is we are a global organization so typically we know the markets quite well, we already know which markets operate in which way. So whenever we engage any new market we do our own diligence in terms of how much to accelerate in that market in terms of the kind of exposure we bring to ourselves. So it is a ongoing process and certain markets which we cater to are more mature, they are more predictable in terms of what kind of terms and conditions and the contract clause are operated there and then there are certain markets which need more study for us. But this is an active process and we will grow ourselves in future in steps, in calibrated steps wherein the markets which are attractive we already use ABB's global infrastructure because we have global field sales in all the countries and they are the ones who represent us in those markets and channelize the kind of activities whether it is product systems of services that we can provide from the country. So it is not that we need to go pull out from India to sell in the market, we already have the markets and the people there who will channelize into that. So that essentially is the fundamental strategy we have. And with respect to the percentage in future, as you know as Sridhar explained this many times we do not give a forward-looking statement on that.

Deepak Narnolia: So that actually means that you are more focused on selling your products from India than some of the companies have done huge CAPEX in India for this outsourcing business model.

Sanjeev Sharma: See, there are two different things, one is selling the product, so we already have a good manufacturing base in India, we have 39 manufacturing plants in 12 locations, so that backbone in any case we will use for the benefit of our domestic market as well as the export to open up. The other part is about outsourcing which is a totally different subject, outsourcing is a model wherein you outsource services which could be the backend services for the group. Yes, we are also supporting the Group in that area in quite a significant way.

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

- Ankur Sharma:** My first question was on the newly formed Power Grids segment, our top-line has degrown by about 7% this quarter, could you talk a little bit more in terms of is it against the systems business which has dragged down the numbers or is it the product business, if you can just throw some more color there as to what is behind the de-growth in the top-line?
- Sanjeev Sharma:** One thing we should know is that one of the bright spots for Power Grids division this quarter was a collection of cash, so there were lot of legacy projects which were sitting in it, the team did an excellent work to unlock some of the cash which was locked in the market and they were the biggest contributor to the cash that came into our kitty in quarter one. I have my colleague, Division Manager for Power Grids Pitamber Shivnani on the call, I will allow him to take this question about the orders in quarter one and what we intend to do going forward. Pitamber?
- Pitamber Shivnani:** In quarter two I think you see quarter one we were little bit down on orders and revenue but I am quite confident in quarter two we will catch up in this area, actually we have opportunities in quarter two so I think we will be able to catch up in quarter two.
- Ankur Sharma:** And sir secondly, would it be possible to share the order book numbers for the new segments as of 1st of January 2016, I mean we do have the numbers for the older segments but if you have it ready in terms of the new segments the opening order book numbers for this year?
- T.K. Sridhar:** We normally do not disclose that Ankur as you know, so we will disclose the revenues and the PBIT, so the order is more on a consolidated level.
- Moderator:** Thank you. Our next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** Sir I joined a little late, so pardon me I am repeating the question. My question is more on the HVDC, if you could highlight earlier we were partnering with ABB Sweden, the parent, and BHEL. Has there been any change on that and what could be the ABB India share in the upcoming HVDC process?
- Sanjeev Sharma:** It is true that the ABB Sweden, our parent company, that is where the core of HVDC technology comes from, we were pioneers as ABB Group to develop this technology in many many years ago and that is where the core is. But as we execute number of projects in this country on HVDC the competence continues to build inside the country. The latest being the NEAgra project which has run its core for last four to five years and that has a lot of contribution by the team based in India and also supply base that we have created. So that always creates a muscle for us to look forward into the opportunities for the new opportunities that will come in our way for HVDC as well as the engineering expertise that is required to stick the whole solution together. So it is a very natural phenomena that you do on a project, you create a more supply base and you also create more expert base and accordingly they share of the content continues to move. It is also true that NE Agra, BHEL, ABB India and ABB Sweden have been the partners and this project has been running smoothly and we have already energized partly the line last year and I think PowerGrid is really satisfied with the performance so far. As you know that PGCIL has been a

sole buyer of HVDC, so we will continue to have the similar approach on case to case basis but also there is a possibility that the private sector will open up on the tariff based bidding, so there could be a BOOT sector market segment which will open up in this area, that would be interesting as well.

Bhavin Vithlani: But what could be ABB India's share in this upcoming HVDC project, would it be like 35% to 40%, historically I understand it was about 50%?

Sanjeev Sharma: Well, typically we do not comment on it, but also technically and practically it is not possible to assess it, we come to know about the content and a particular bid on the last day of submission.

Bhavin Vithlani: So besides this, if you can highlight which are the other HVDC projects which are expected over the next 12 to 24 months?

Pitamber Shivnani: There are number of projects but it is too early to comment on that actually.

Bhavin Vithlani: Any concrete projects where you see some activities where you believe you can bid out over the next 12 to 24 months?

Sanjeev Sharma: Well, I think as you may be aware I think there are active projects, there is Raigarh-Pugalur and Pugalur-Thrissur lines, so these are the projects active out in the market place and then of course others are under planning state.

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

Hamsini Karthik: I just want to continue with your commentary on HVDC project, if you could give us any timeline by which you expect these projects to start kicking in and how much of incremental revenues you expect from this project for calendar year 2016?

Sanjeev Sharma: Do you mean NEAgra project which is under execution, is that what your question is?

Hamsini Karthik: The new ones that have already come out for bidding, what is the timelines that you could give us by which we would get to hear something from on these projects?

Sanjeev Sharma: Well, our experience with these projects is that whenever you bid it is in the bands of the owners and the owner of the project when they award it, so that is why we refrain from commenting on the timeline because that is not in our hands. Our timeline typically starts on the day when the purchase order gets written to us.

Hamsini Karthik: One other question, are you going to maintain your venture with Sweden-BHEL as well for the new HDVC project, is that going to be the composition for the new ones as well?

- Sanjeev Sharma:** Well, BHEL has been a good partner for us in the NE Agra project and there is no reason for us if similar opportunities come in future why we will not consider that continuation of that collaboration.
- Moderator:** Thank you. Our next question is from the line of Charanjith Singh from B&K Securities. Please go ahead.
- Charanjith Singh:** Just wanted to understand, you had done a lot of policy meetings very recently as Sanjeev sir mentioned in the beginning of the call, so directionally where do you see policy reforms or which are the key policy reforms which can be driver for our earnings or segments in the future which will be positive for a longer term perspective from ABB India?
- Sanjeev Sharma:** Sure. I think I can give just my impression because when you meet the policy makers you try to sense the connections, I believe the renewable space is really very-very hot space to watch out going forward, railways is another one wherein I think there is a lot of emphasis and a lot of focus is coming. Also, the urban mobility as well as smart cities will open up the newer spaces for the newer revenue lines. And also I think there will be associated affect you will also see in the water project, given that lot of water availability needs to be done through urbanization because there is a very strong urbanization plan there. So we do get a very strong sense from the policy makers that like what they have done with the LED lights in this country they have tried to reduce the load of the household consumption with the LED lights and the office consumption, Just to give you some data points, typically you can save a lot of energy by using LED lights in the homes because incandescent lamps are not efficient, in the industrial world any process industry where 75% of their energy is consumed by motors and if you replace them by energy efficient motors you could go up to almost 40% saving in the energy. So it is not only adding power in the grid, it is also you can take the power out by using efficient technologies. I think the next way we could also see may come in the industrial energy efficiency, that is another space. And ABB is really good here, and wherever we have participated in such a way we found those countries and those markets have benefitted. Other area we see there is a good emphasis coming on airports and ports.
- Moderator:** Thank you. Ladies and Gentlemen, due to paucity of time that was the last question. I now hand the conference over to Mr. T.K. Sridhar for his closing comments.
- T.K. Sridhar:** Thank you, Malika. I think thank you Ladies and Gentlemen for joining this early morning call. I think you would have got definitely a good perspective of how the results are and how ABB looks at the future performance. So now from now on if you have any unanswered questions please feel free to get in touch with me or Manashwi Banerjee who is the communication person for this and feel free, that is not a problem. Thank you very much.
- Moderator:** Thank you very much, Mr. Sridhar and the members of the management. Ladies and Gentlemen, on behalf of ABB India that concludes this conference. Thank you for joining us and you may now disconnect your lines.