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February 13, 2018

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

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

Attn: Listing Dept.

Dear Sirs

Sub: Transcript of Analyst concall

We are sending herewith a copy of the transcript of conference call with analysts, which took place on February 9, 2018, post announcement of Q4 2017 / Annual 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



“ABB India Limited Q4 2018 Earnings Conference Call”

February 09, 2018



MANAGEMENT: **MR. SANJEEV SHARMA – MANAGING DIRECTOR**
MR. T.K. SRIDHAR – CHIEF FINANCIAL OFFICER
MR. MADHAV VEMURI – PRESIDENT, PROCESS
AUTOMATION
MR. SUBIR PAL – PRESIDENT, DISCRETE AUTOMATION
AND MOTION
MR. PITAMBER SHIVNANI – PRESIDENT, POWER GRIDS
MR. C.P. VYAS – PRESIDENT, ELECTRICAL PRODUCTS
MR. AKILUR RAHMAN – CHIEF TECHNOLOGY OFFICER



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Moderator: Ladies and gentlemen, good day and welcome to the ABB India Q4 Results Conference Call. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touchtone phone. Please 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, Raymond. Good morning to all of you. Welcome to the full year 2017 analyst call. We will be discussing about the full year performance and are glad to take you through the numbers and also performance of the company. So, on the call along with me is Sanjeev Sharma, the Managing Director of ABB India Limited, Subir Pal – Head of Robotics and Automation, and Madhav Vemuri – Head of Industrial Automation, Pitamber Shrivani – Head of Power Grids and CP Vyas – Head of Electrification Products, Akilur Rahman – Chief Technology Officer, and my communication colleagues.

So, over to you Sanjeev.

Sanjeev Sharma: Thank you very much, Sridhar. Good morning to all of you. Thanks for joining on this call. I will give a brief overview of how we see the market and ABB's perspective of it. And then we will go into sectoral insights and we can take the questions around that later.

As you are all aware, ABB has its focus in three distinct areas, one is utilities, second area is industry, third area is transportation and infrastructure. So, that is where our core portfolio or product, services and future technologies are focused on. So, within that framework if we look into 2017, it was really an eventful year for India, as well as ABB. In India there were systemic changes in terms of demonetization effect playing through the system. Mid of the year we had GST, later on we had some initiatives or bank recapitalization. We saw lower inflation, interest rates, there was distinct action taken for NPA resolution, divestment and also we saw strengthening currency in India.

On ABB side, we continue to scan the opportunities in such an environment in India with our footprint that we have created over last 60 years in terms of manufacturing services. And not only in India, we keep scanning the regional countries for opportunities for ABB India. So that has been our focus and it has paid off. ABB took some strong initiatives in 2017 - launching our digitalization focus called ABB Ability where we have a very strong play in India, not only in terms of offering but also co-creating solutions with some of the best in class customers in the country. And also, we acquired some leading companies in the area which really balance our portfolio. For example B&R, it is an Austrian company which we acquired in mid of last year which gives us a portfolio for factory automation and machine automation, and it also has a good and solid footprint here in India and it will play into the value-added solutions to our customer base. Same way you may have heard that ABB chose to acquire GE Industrial Solutions. The acquisition process is underway and we will hear much more about it mid of the year. It will



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definitely give us a strong foothold in the electrification product space in the United States and also in Europe and have some impact in India.

Now, we are very pleased to announce to you the ABB India results. We delivered a solid growth and balance performance in 2017. And when I say balanced growth, just to give you some numbers - I think Sridhar will go into detailed numbers later on - in last quarter we grew 44% in our orders and of course netting out a very large contract that we had in last quarter of 2016 which was the HVDC contract, so if you left that out, net of that we grew 44%. And if you take total 2017 we grew 19% in orders, we had a sustained base order momentum of plus 13%, our revenues grew 5%, profit grew 12% in 2017. So, overall, all businesses, all divisions contributed positively with lot of market as well as operational gains built into this performance.

We have solid fundamentals, and again Sridhar will talk more about it. I am very pleased to inform you we are a zero-debt company with a very solid cash position, very good visibility with our solid order backlog. And this balances any slowing local markets or adjustments in the market sectors, because we have a very, very good loading for our operations going forward.

Now, the new area which is developing, and which captures our mindshare as well as our work is opportunities for digitalization. I do not know if you have been able to assess it properly, but this is one of the bigger opportunities for ABB to deliver very high value for our customers in utilities, industries, transportation and infrastructure. Because traditionally ABB has been supplying assets in to the customer installed base and digitalization has three layers, one is IoT, you have then machine learning capturing the data and doing something about it and artificial intelligence layer on top of it. And in between creating strategies for the customer which really increases their operational efficiency, reliability, predictability and overall productivity of the system. So, this is something which is really the sweet spot for us, it applies equally to all customer segments, and we are seeing a very good traction here in India and we have a very good team which is kind of a globally credited team, very good skill base which is helping the customers to get to the next level of journey. And I must say that the customers in India they are as good as anywhere in the world, they are very aware, and they are engaging very well with us. So, we see a good momentum picking up here. And it is across the segments, across the sub-segments, be it at F&B, cement, oil and gas, steel, paints, power, etc.

And we really draw a lot of satisfaction of having built lot of projects of national importance. Last year as we say that we delivered projects right from Kashmir to Kerala, we helped build the Jammu & Kashmir Chenani-Nashri tunnel, wherein you may be pleased to know that the technology that has gone into the Gotthard tunnel, which is the longest tunnel between Switzerland and Italy, it is the same technology which has been deployed into this 30-kilometer tunnel. And this tunnel has the automated safety system which use best of our drives, motors and software technologies to make travelers safe in the case of any emergencies.



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At the same time, we have projects like solar plant electrification, we have helped build the largest petrochemical company's energy management system, and it happens to be largest energy management system deployed anywhere in the world. I think not many people know about it, but India has the largest installation of energy management system in an industrial plant. And we have delivered more than 10 gigawatts of cumulative wind and solar solutions into the marketplace.

So, we continue to invest in India. As of just two weeks back we opened a new plant, second plant in Nashik which will produce medium voltage products, cutting edge technology in GIS and other areas for domestic as well as export market. And it is an ultra-modern plant and also other information I would like to give you is yesterday we had the Board Meeting and our past Chairman Frank Duggan who has taken a new position in Europe resigned, and we appointed the new Chairman in JC Deslarzes, he is our new Chairman as of yesterday and he is also part of our Board. And ABB India will be lead under his supervision going forward.

So that was a quick update about our view about the market and ABB perspective. And then on the sectoral side, starting with utilities, we do see decline in thermal power investments, but at the same time our portfolio is wide. We saw good traction in export side, which helped balance the decline we had in the Indian market. But at the same time thermal is one power generation avenue, we had a solid solar market, hydropower market portfolio and retrofits. So, I would say overall it balances itself.

And on the solar side, capacity addition continues despite falling tariffs and we continue to make sure that the technology that we supply and the customers who buy, we are seen, and we deliver very high-quality inverters and that is why we keep the highest market share. And I think we continue to serve the industry in a good way.

Same way on the T&D, transmission and distribution focus, we see an outlay of Rs. 15,000 crores is focus on modernization and rural electrification. I can invite a quick comment from Pitamber Shivnani, our President for Power Grid division on the T&D side.

Pitamber Shivnani:

Good morning, ladies and gentlemen. On the T&D side we have a proven track record of executing mega projects. We have commissioned world's largest HVDC multi-terminal, 6000-megawatt NE Agra project and we have also commenced our execution on another HVDC multi-terminal that is Raigarh-Pugalur 800 kV project. We have commissioned Champa substation which is the largest of its kind pooling substation for PGCIL which has a normal operating capacity of 6,000 megawatt. We have engineering, manufacturing and service base, and in line with Government of India's initiative Make in India, we have a huge manufacturing base and local manufacturing of technology intensive HVDC transformer hybrid switchgear strength and we are strengthening local expertise. Thank you, Sanjeev.



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Sanjeev Sharma:

Thank you, Pitamber. So, continuing on the T&D. I think there is a lot of focus which is shifting into modernization and upgradation by states, and I think earlier it used to be very PGCIL centric but now I think it is moving to states and we are capturing those opportunities in the change of channel and focus.

On the industry side we see IIP growth led by niche segments. Private sectors investment and capacity utilization is still muted because of dual balance sheet problems - I think it will resolve itself sooner or later. But we see that we still have a sweet spot here because our focus in industries is to increase the productivity for our customers and reduce the energy consumption. And there we find OPEX investments we continue to participate in last year, be it in the digitalization, energy efficiency, robotics, automation and integration of the customer's existing plants, so we had a good traction.

Now, I will like to invite Madhav to make a quick comment about cement. Madhav, just give a flavor what you see in this segment.

Madhav Vemuri:

It is a peculiar situation, with the sector growing fast in India and also having a very challenging situation in terms of around 60% to 65% capacity utilization. The focus is shifting more from productivity towards the efficiency and overall reliability of the operation, so that opens up a very huge opportunity to really be where we are. Significant installed base in this particular sector for quite many decades.

We have a leadership position in terms of control systems, drives, analyzers, instrumentation, motor, switchgear and other thing what matters for the Indian cement industry, which also includes captive generation of the power. So, off-late we have been focusing on engaging our existing installed base and also the new greenfield projects in terms of leveraging the control systems and the automation that we already have provided by taking it to the next level with digitalization. The focus is to use the existing assets to deliver more in terms of efficiency operation, improve productivity and consistent operation for the kiln and other critical components of the cement process. Same is with the boilers and turbines of the power generation equipment in our assets in the cement plants.

We have been very pleased with the first successes as major engagement with one of the leading cement producers in India in the area of digitalization. Focusing mainly on the energy efficiency and productivity improvement, reliability of assets by having the leading indicators and fault detection like predictive maintenance tools and also improving the overall skill and competencies of the resources that are going to manage these new generation solutions.

We are working mostly on the Brownfield projects to date. In the absence of any major investment coming in the Greenfield side and we are trying to create the preferred partner status to our holistic offerings and the entire value chain focus. The collaborative approach is definitely



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differentiated and this is something which is going to create a significant value proposition for our customer.

Sanjeev Sharma:

Thanks Madhav. I think given the paucity of time we will just quickly wrap up so that we can allow the question-and-answer and Sridhar to give a commentary. So, what we have, just to give very quick data, on we had seen 28% growth in robotics automation revenue, in the oil and gas sector we had 54% more orders and in mining and metals last year we had 60% more orders. And in the transportation and infrastructure we see there is a change of tactics in how railways how distribute very large contracts to get the rapid electrification done. I think that is opening up a good market for us. Same way on the airports lot of building automation opportunities, metro, railways, I think we have good opportunities and play there. Along with smart cities and port developments. So these are the segments we do have focus on, so we feel positive going forward and we are quite happy as a management team of how it has propelled for us for 2017. Thank you very much.

T. K. Sridhar:

Thank you, Sanjeev. So I will just next another 10 minutes on giving you some dissection of the numbers. So, the orders for the year was, we closed at Rs. 9,490 crores compared to like-to-like numbers of Rs. 8,000 crores of last year, which excludes the one-time large orders of HVDC and Alstom Transportation amounting to Rs. 4,467 crores. So, if you look at the segment-wise orders we received:

On the electrification products we are at Rs. 2,481 crores, on industrial automation Rs. 1,525 crores, Power Grid Rs. 3,706 crores and robotics and motion is Rs. 1,982 crores. So, I could see that we have grown substantially in all the divisions, if you take off the one-off orders which we always say that mega orders. And when it comes to exports, I think it has been one of the hallmark year for us, almost 20% of our orders are now comprising of exports on a higher order base. And service remains strong at 14% of our orders coming from the service stream. And when it comes to the revenues, I think the revenues also was very strong from the exports, 15% of revenue is coming from exports and as well as from services we had 13% of our revenues coming from service business line. So, overall, I think that was a good mix of exports and service and also each of the divisions complimenting on the growth.

And if you look at the Q4 numbers, I think revenue picked up after a dull Q3 because of GST implementation, so we grew about 11% on the revenue for the quarter. And as we follow the cash over revenue, I think we have again a very strong cash performance, good recovery of over dues was one of the key elements of this particular year and the quarter. So, net-net, with a strong cost focus we now have a lighter P&L and a strong balance sheet to go ahead for the next few years to come.

You can see from the balance sheet our DSOs have come down, net working capital has improved substantially. Our inventories have slightly gone up but basically because we have our RP800 revenues coming up in the next couple of years and we are in the process of



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manufacturing for delivery to these particular projects. So, overall, I think it was a very commendable and credible year of 2017.

Just driving down still further into the P&L:

Our material cost remained robust, remained stable I would say at 64.8% for the year against 65% last year. And also, our personal expenses at Rs. 796 crores versus Rs. 750 crores of last year, and this is more due to the annual increments which we give every year. Whereas if you look at the productivity per person, it has definitely increased by more than 15%, so that is important criteria to note and our other expenses have also remained stable with 18.3%. And due to working capital initiative and a strong cash position, our interest costs have come down from Rs. 92 crores to Rs. 77 crores for the year.

Finally, we posted a PAT of 4.6% against 4.3% of last year. So even our (ETR) effective tax rate has also seen an improvement compared to the previous year. So, while we see this, also we should note that last year we were doing our footprint rationalization and that had an impact of almost INR 30 cror on last year's income - where we sold some of our assets which were not required, which was one-time impact. And also, we had an embedded derivative gains, which was there last year because we moved into IndAS from 2017, which requires embedded derivatives to be taken in our results. So, overall, I think all the divisions across the company put out a decent performance in a very transforming year when it comes to the market standpoint.

So, I think we can now open up for Q&A.

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

Renu Baid: Sir, first question is, there has been a lot of focus on digitalization, can we throw some light with respect to what proportion of our business today is coming through these indicatives directly / indirectly, and how large can this be in a portfolio overall?

Sanjeev Sharma: So, you can see as far as digitalization opportunities are concerned, if you really isolate from the main business you should see more like a start-up in the large company wherein what you have here is you are trying to create a totally out of the box thinking to bring high level of productivity and energy efficiencies to our customers so that their future cost and future viability of their operation is assured and also there is a high reliability and predictability in their operations. So I would say you should see that part and you should track it as more like a startup within our company. And the advantage we have is that we have a very solid base of knowhow of technology and installed base, we are starting this startup on top of that base that we have created over a period of time. So I would say we will give it a few quarters and may be a year before we start talking about substantial numbers, but this is more of a leverage that we have going forward in future.



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Reenu Baid:

Sure. Sir, second question would be, overall with respect to comment you were fairly optimistic on pickup coming from metal, cement as well as oil and gas space, even industrial automation margins have seen a reasonable good uptick along with revenues. So, can you already share a bit more on the end markets outlook, are we seeing the order pipeline for the coming year improving? And the greenshoots on CAPEX which we have been speaking about from the last couple of quarters, are we seeing them strengthening further? And along with this if you can share, how has been the mix of core industrial driven sectors in our business and backlog versus the previous year? Thank you.

Sanjeev Sharma:

So I will take the first part, and may be Sridhar if you have some data to substantiate it. So, there are two sides of how you run the business, one is what has happened in the macro side of economy wherein which are the sectors that have been grown invested, and plus how you operate yourself as a company participating in the sectors, whether they are growing or not. So, I think there are both sides of it, one is that there are kind of certain sub-segment which are growing and we are participating and taking benefit of it, and then there are segments which are not growing but our market share is not 100% there. So we have a good chance to penetrate, innovate and expand in those. So we are playing with those two strategies. So when you see growth in industrial or utilities, it is not only coming because of the expansion of the market, it is more of higher penetration and more expansion for us into the same customer base because of the specific effort initiatives that we are making. So you can say it is a 50% - 50% effect of the market segment changing their tact in terms of growth and 50% you can say is because how we push ourselves out as a company into those segments.

T. K. Sridhar:

To continue what Sanjeev was saying, definitely we see that the core industries like metals and steel intermediates are still under stress, but whereas the growth is coming more from oil refining, railways, food and beverages, aluminum, mining and these are the areas where we see definitely another growth shoots coming up, and that is helping the industrial automation as well as RM to quite an extent.

Moderator:

Thank you very much. We have the next question from the line of Sujit Jain from HDFC Securities. Please go ahead.

Sujit Jain:

Sir, like GE has got their own IP platform in IoT or digitalization, does ABB globally got its own IP platform? GE's platform for example is like.....

Sanjeev Sharma:

Yes, ABB platform is called 'ABB Ability' and this is a platform which is unlike some of our competitor is not a proprietary one, it is an open platform wherein our customers they can co-create solutions on it. And also later on as the space in the cloud computing improves we will be able to connect the different applications sitting in the cloud to bring more benefit to the customers. So, ABB Ability is ABB's digitalization platform globally.



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- Sujit Jain:** So, a corollary to the question would be, what kind of eventual contribution to revenues and what kind of margins you expect, would it be substantially higher than the current margins in industrial automation business?
- T. K. Sridhar:** Definitely that is what we hope for. And what we find is most of the time the remuneration or the value that you create in a company is a reflection of value you create for your customer. So we believe that as far as digitalization opportunity is concerned, it will create much more value compared to what the traditional portfolio delivers. So that is exactly you can take a reflection, more value you create for the customer more value you bring inside the company.
- Sujit Jain:** So, could it be 14% - 15% kind of range of margin in this business?
- Sanjeev Sharma:** We do not give those indicators because that is an integral part of our offering to the customer. So we give that as a package to him.
- Sujit Jain:** And one last question is, what kind of growth rates we expect in services, solar, exports and of course digitalization?
- T. K. Sridhar:** As far as services are concerned, as we have said that we have a very solid kind of installed base in the country. So despite our all efforts and our penetration rates in the services sector, it can improve a lot. So I think our focus is to really have the focus on penetrating the installed base we have so that we can continue to serve those customers with the retrofits, upgrades and also replacing the old technologies with the new, so that is where the opportunity lies. So it will be safe to say that looking for double-digit growth in the service segment. Which was another one?
- Sujit Jain:** The exports as well.
- T. K. Sridhar:** I think we have a growth traction there and I think export story, at least to my team, we have potential for export increase this year.
- Sujit Jain:** And one last question if I might just squeeze in, EESL tender for EV chargers, what is the status there and what is the size of opportunity that we are looking at eventually in India over let's say five to ten year period?
- T. K. Sridhar:** Well, EESL is a government reflection of kick starting the EV charging, EV revolution in the country, and they are buying the cars by tender and they are buying the corresponding charges. So right now the cars that they are buying as well as the chargers they are buying, they are the low voltage solutions. We believe that the market actually will be played out in future in the more fast charging space, and that space has not opened yet. So, I think the current technology that is being asked for, we believe it may last for may be two years, two and half year, that will not form the basis of it. We believe that it will be the fast charging networks that will play in this market and that is where the best of the global car manufacturers have tenderized on, and that



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part of the market is yet to kick in. But it will take time for this segment to grow, I would say give it two to five years wherein this will start playing the significant play in the market place. And our projection, if you really look for the segment, 2030 it will not be 100% EV, at best we will have 40% EV and 60% continue to be I see in general in the market. So you can see the projection of the auto industry and you can correspondently convert the numbers.

Moderator: Thank you. We have the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Continuing from the previous question, if you can give us a little bit more detail on the exports market where you are growing, because the competitors do not seem to suggest such a big growth, whereas your growth has been quite phenomenal. So if you can give us which product specifically are we doing more indigenization for the group, the export is going to the group or to the direct customers. And secondly on the solar business, if you can give us what is the proportion of the business right now?

Sanjeev Sharma: So, first on the exports, well it is true that India has a very solid footprint to serve Indian market, I think that is our prime focus. And thus, having created this base not only for manufacturing, I think we are perhaps the best in class example of a multi-national company doing Make in India program over last 60 years and we continue to bring the best of technology and localize it. And then it becomes very natural given the engineering knowhow, the project management knowhow as well as manufacturing knowhow that we have that we get connected to the nearby regional markets, whether it is on the African side or in the southeast Asia side. So our focus remains the same. Abhishek, it remains on the utilities, industries, transportation and infrastructure. And let me tell you, in all these areas we have very solid examples last year, we supply quite a bit in the utility side in neighboring countries as well as nearby countries in the region. Same thing we did for industries, with the products as well as the solutions that go for industrial automation or be it motors or what not. And then on the transportation infrastructure, I cannot name the country, but we are also going to have a good electrification solution for the metro of a significant sized country within our region wherein we are supplying the solution. So it is playing out like we play out in India it is playing out into export market as well. And the second question was about?

Abhishek Puri: Solar.

T. K. Sridhar: The solar market, I think we continue to see expansion there and we continue to expand our capacities. So much so that given the expertise of manufacturing as well as delivery expertise we have, we are not only looking into India, we are also now exposed by the ABB Group into the regional as well as the far regional market. So you will see that India contributing not only to Indian solar market but a lot of market is opening up in the Middle East, Southeast Asia to an extent, and even in the America. And India would be a strong contributor into that growth for the Group.



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- Abhishek Puri:** My second question is on some clarification on the results as well. Two things, one on the order book that you have mentioned, Rs. 11,340 crores, if I take the last quarter order book Rs. 12,120 crores and I take the order inflows, has there been some cancellation of orders because your inflows are more than revenues yet your order book has declined by almost Rs. 600 crores on a sequential basis. That is first clarification. And second clarification is on the operational EBITDA numbers that you give, for Q4 2016 you have shown Rs. 250 crores operational EBITDA in the current press release, whereas when I go to last year Q4 2016 press release has operational EBITDA Rs. 281 crores. So where is the difference of about Rs. 31 crores in the numbers there, sir?
- T K Sridhar:** The first thing is about your order book, the GST as a subject is more about tax adjustment to the contract values. So there has been definitely an adjustment to the contract values between the contracts order book what we had already shown and what it is today because today it is more VATable whereas in the earlier case it was more of grossing up. And when we have large contracts like RP800 and the other the frame agreement the Alstom contract and the project contract, so naturally you find its impact on the order backlog. So that is one of the key drivers for why the order backlog isn't so, you find the gap there. And that you will find with every other EPC company because they would have definitely adjusted to this particular extent. And next coming to your question of operational EBITDA, so why there is a difference? In 2016 the company was reporting the numbers under the earlier Indian GAAP, today from 2017 onwards the company is reporting under IndAS, so the translation from Ind-GAAP to IndAS has some adjustments which was also seamlessly driven on the operational EBITDA as well.
- Moderator:** Thank you. We have the next question from the line of Deepak Agarwal from Elara Capital. Please go ahead.
- Deepak Agarwal:** My first question is, if I heard correctly in the opening remarks you mentioned exports and services have grown each by 15% - 13% respectively. Is this the number as a percentage of revenue as well, if you can share or it is just the YoY growth?
- Sanjeev Sharma:** Actually what I mentioned was exports was 15% of the total revenues what we have delivered, and services was 13% of the total revenues. So, as we were mentioning earlier exports both in the orders and revenue have been a solid contributor to this year's performance, and there we said that we are growing by double-digit.
- Deepak Agarwal:** And usually renewable are around 17% to 18% of the top-line, so is that the number almost the same at the close of CY17?
- Sanjeev Sharma:** No, renewable are not at 17% - 18%, renewable are around about 8% to 10% and it is the same.
- Abhishek Puri:** Excluding wind?



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- Sanjeev Sharma:** No, including wind and solar it is 8% to 10% what I said. And if you look at other focus sectors like rail, then it is yes.
- Abhishek Puri:** Okay. So including rail it will be around 17% to 18%?
- Sanjeev Sharma:** Yes, you are right.
- Abhishek Puri:** Okay. And also one clarification on the balance sheet side, if I see there is a very sizable jump in the trade payables and other current liabilities. So I assume the debt of Rs. 600 crores is going as current portion of long-term maturity because the debentures are due in September 2018?
- TK Sridhar:** No, that is part of the loans. So let me tell you, with the implementation of GST unlike what it was in the other regime, so the GST assets and liabilities have to be separately reported, so there is no netting of process in this, so that is why you could see non-trade receivables and your other payables going up by simultaneously same amounts.
- Moderator:** Thank you. Our next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** At the outset, would like to thank for a comprehensive review of the company and the future by Sanjeev and the team. Now if you can help us, what we understand digitalization or automation as a total is \$1.5 billion to \$2 billion in the market size and if you add ABB every part is about Rs. 4,500 crores. How do we see this market on a five-year basis, how large can this grow? Do you believe the growth in this market will be now a multiplier of may be 2x plus of the growth in the industry? that is my first question.
- Sanjeev Sharma:** Subir, if you are there on the call can you basically throw some light on Bhavin's this thing please?
- Subir Pal:** This automation growth in terms of digitalization certainly it has cascading potential on the core businesses itself. So, automation and digital technologies are a key differentiator in the market. So, as we make all our core assets more and more intelligent and our customers do the same, so it is going to be almost exponential dimension which can take place on the automation side, it would not be prudent to speculate exactly how much, but there is a scope for tremendous growth on that side.
- Bhavin Vithlani:** My second and last question is on the robotics, you mentioned significant growth in the robotics, if you can share the growth numbers and how large is robotics as a percentage of the total business of ABB India?
- Subir Pal:** On the robotic side I would like to give you an indication that in the previous year, let's say in 2016 the robots we sold were about 300 and this year in 2017 we sold more than 550 robots. So



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that could be an indication the kind of growth that this sector has seen and the market share growth that ABB has taken in that market. So that is on the robotic side, because automotive sector is doing reasonably well and they are automating their plants very aggressively. So that opens up great opportunity for us in robotics. And currently it is not a very high percentage of the revenue, but it has a potential to be, because when we compare it to China, China is almost 20 times the market and India is also catching up on industrialization phase. So it has a great potential.

Moderator: Thank you very much. Due to time constraints we will be able to take one last question, last question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Sir, actually I would like to understand you were talking about cement and metal sectors some CAPEX pickup happening, so one is like if you could help us understand how large could this prospect pipeline be and when do you see that the meaningful orders can start to finalize? And the other aspect could be also on the railway segment, we have talked about railways being about 5% of our revenues currently and our target was to take it up to around 15%, do you think that could be achieved now in next one or two years or it will take further longer?

Sanjeev Sharma: So I think cement sector definitely has a higher traction than steel, metals, but we do find that our play with these players or the customers stay continuous, because we play both on OPEX and CAPEX cycle. So we have seen more action on the OPEX cycle wherein people are upgrading their infrastructure and the existing plants upgrading to the technologies which can give them higher productivity. And now we are also starting to see green shoots in the cement side on the new project pipeline. But the steel again, on the planning board there are many more, so I think going forward in one, one and half years' time we will have a robust converting pipeline in this area. That is what is our view is at the moment.

Charanjit Singh: And on the railways front?

Sanjeev Sharma: And on the railways side, I think as we mentioned in our brief, railways contracting methodology is changing in terms of accelerating the project and I think that is a very welcome change instead of having small, small procurement and do diversified tenders now they are consolidating it. Just to give you an example, they will have thousand kilometers they will have one EPC doing electrification rather than multiple of them doing 10 kilometers each or 100 kilometer each. So that consolidation of EPCs also brings to a sweet spot of ABB because we can help our EPC customers de-risk their portfolio and execution cycle. And I believe that is how we will benefit from this. And also on the railway engines as well as the new generation kind of passenger cars that are coming in, we will see good traction there. So if you really break down the outlet provide by railway and as they will spend it into electrification of track on the engines, building more of them to run on electrification track, and also then correspondingly more modern, more comfortable passenger cars. So I think if you spread that spend of railways over a period of time you will see a corresponding pickup in ABB exposure and portfolio as well.



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- T. K. Sridhar:** So, Charanjeet, just to add to what Sanjeev was saying, here what we are talking of is more of the product and systems what we will provide to railways and we are not at this point of time looking at large system orders on the metro side of it.
- Moderator:** Thank you very much. Our next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** I just want clarification, exports you said is 25% of orders right now, order inflow or the order book?
- Sanjeev Sharma:** So 20% of orders is coming from exports for this year and last year was 15%.
- Moderator:** Thank you very much. We will take that as the last question. I will now hand the conference call back to Mr. TK Sridhar.
- T. K. Sridhar:** Thank you very much for joining this call to take you through the full year results of 2017. It was as we were mentioning on the call 2017 was a very interesting year and where we were able to give very solid and rounded performance. And we look forward to take it forward in 2018 as well. So thanks to your entire team who could make this possible. And also in case if there are any unanswered question please feel to come back to me or Manasvi, we will come back and reply to you at the earliest. Thank you very much.
- Moderator:** Thank you. On behalf of ABB India Limited, that concludes this conference. Thank you for joining us, Ladies and Gentlemen. You may now disconnect your lines.