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July 27, 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 July 20, 2018, post announcement of Q2 2018 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 Q2 Analyst Conference Call”

July 20, 2018



**MANAGEMENT: MR. SANJEEV SHARMA -- MANAGING DIRECTOR
MR. T. K. SRIDHAR -- CHIEF FINANCIAL OFFICER
MR. CP VYAS – PRESIDENT -ELECTRIFICATION
PRODUCTS
MR. SANJEEV ARORA – PRESIDENT - ROBOTICS &
MOTION
MR. PITAMBER SHIVNANI – PRESIDENT - POWER
GRIDS
MS. SOHINI MOOKHERJEA – ABB INDIA LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the ABB India Q2 Analyst 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 an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjeev Sharma – Managing Director. Thank you and over to you sir.

Sanjeev Sharma: Thank you, Karuna. Good morning to all of you. Thanks for joining us Q2 call for ABB India Limited. My name is Sanjeev Sharma. I am speaking to you from Bangalore and my colleague, CFO – Sridhar is joining us from Chennai.

I think we will run the call as has been planned and please feel free to ask questions but please limit your questions to few so that we are able to attend as many questions in the diversity that is available among you and then we take it forward there. So, I hand it over to our CFO, T.K. Sridhar.

T.K. Sridhar: Thank you, Sanjeev. Welcome to all of you, ladies and gentlemen for this Q2 analyst call of ABB India. So, on an overall to start the note with a positive flavor; I think this is again one more credible and very sustained performance posted by ABB India Limited.

On the call we have the other CMC members; Sanjeev Arora who is President - Robotics and Motion; CP Vyas who is President - Electrification Products and I also have Pitambar Shivnani, who is the President - Power Grids and. But Madhav is visiting to the customer so I think he may not be able to join us, but we will take it through them.

So, without wasting any time, Sanjeev, would you like to take us through your portion of it and then I take it to the financials.

Sanjeev Sharma: Yes, thank you, Sridhar. So, we continue with the slides that are visible to you or available to you, I think whichever way Manashwi has organized it. If you really look into the dashboard that is visible to you, we had a good quarter and a good first half wherein you can see that our revenues grew 19.4%, it is a very strong contribution to the first half and I think our efforts that we have done in previous years they are flowing through our books. Our orders grew in the first half 8.9% YoY basis. We had increase of profit after tax 24% YoY, operationally, EBITDA grew 49% and our profit margins expanded 10 basis points and our operational EBITDA margin expanded 20 basis points.

Now, giving you some highlights:

I think the financial numbers that we present to you, they are the byproducts of the action that we keep taking in the marketplace and keep adding in different market segments as well as our spread in the geography. Key to our core strategy is to also work on some mid-to-long-term



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initiatives which are being led by the government and we work quite closely with the policymakers, for example, in the month of May, signed an MoU with NITI Aayog to make India Artificial Intelligence ready. So, we have a lot of know-how inside the company and we will be working closely with the NITI Aayog and various ministries to help in certain areas which is part of our core competence.

IIT Rourkee is the smart network COE or Center of Excellence for designing the power distribution systems. So, ABB and IIT Rourkee signed an exclusive MoU to develop a smart distribution network system around the campus which has elements of solar, wind, the cogeneration, as well as grid power and in the future we will have hydro as well as the battery mixes in that and using ABB micro grid technology and other smart technologies to make sure to showcase a pilot wherein different distribution companies can come and see what are the elements to integrate to make a smart distribution network for a city or for a large campus. So, this is something we are going to execute in next few months and I think when the time permits we will also publish the outcome of it.

We also continue to push for our digital substation journey wherein we are pushing technologies which will make India as well as our power distribution systems more digital. After Kerala electricity board - we supplied additional substation and we commissioned one in Kerala. We also have now few orders from Maharashtra State Electricity Board wherein we are going to supply digital substation. So, you can see the absorption of technology is gaining momentum in this area.

Partnership with Cochin Shipyard to supply more solutions for ships. So, there we are collaborating well, and we will have some good traction there.

Now, we have some breakthrough orders for traction motors given the expansion of rail investments. So, these are the ones which will flow through our books in future and I think that is a very interesting and very exciting time to be in.

Given that India is also going through the transition to Industry 4.0 and one of the indications available in our portfolio is our robotics sales - they doubled in the first half of 2018 - which shows with the absorption of technology, especially ABB technology, is at a very good receiving end by the industries led by automotive sector at this time.

For the market overview, we go by our core focus areas – Utilities, Industry, Infrastructure and Transportation. First, on the utilities. We believe that the digital solutions are going to be key on seamless integration of renewables and distribution losses reduction in future, because this gives us a lot of leverage in order to understand where the weak spots are there with the analytics and analytics work on data. So, if you pick up a lot of data from the assets, it is much easier for us to predict as well as create algorithms which can make the delivery of power and integrating of renewables easier.



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We are looking at the sector outlook very closely on the electric vehicle push and railway electrification, I think there is a lot of focus and we see in the direction that mid-to-long-term it will be a good segment to operate and I think ABB portfolio is well positioned there. Karnataka, Maharashtra and many other states already have rolled out their EB policy and we do see that at the national level, of course, power grids own investment plants are little subdued for some time but the sub-transmission level at state level and distribution is strengthening its investments.

Amendment to Electricity Act is another point to be noted and energy generation and consumption patterns are now opening new opportunities for the new customer segments and that we see as an opportunity for ABB portfolio as well.

On the industry side, I think what we see is that negative impact of demonetization and GST abated and we see that especially the GST should formalize the economy and it should continue to have a positive impact at the micro level of economy and then consolidating at the macro level. That is why right now we are seeing a very interesting period in the marketplace wherein we see that the macros are not that strong, but we see the micro are very-very strong. So, the industries which are operating at the mid-level or in the value chain level, we see very strong growth there, but the core sector is yet to pick up like in steel, cement and others but at the micro level if you go, certain industry segments like automotive, they are doing very well. But if we spread our portfolio across all these segments, that is where the growth is coming for ABB.

Now, if you really look into the core sector like cement, steel and F&B, I think there are good leading indicators and also delivery from us from their OPEX cycle, and I think that has become quite a strong muscle for us to be able to help the industry which has been struggling with the capacity utilization, we are helping them now with the more productivity within the existing assets and our core technologies for energy efficiency and automation are really helping the industry in that area.

On the Infrastructure and Transportation side, there are new sub-segments opening up like airforce, there is a good push, so there are some technologies that go into this area from us, so we stay focused on it.

Rail, I think is a big positive for ABB offerings. 25 Metro Rail projects. All the eight operational use ABB technology. Water: I think we see that this is going to be a very large segment for India as is consolidate as well as this plant and I think it is something which really draw lot of attention and our portfolio attention to us towards the segment.

Smart Cities: I think this is something which was in a planning phase and a lot of people have different opinions about it but now we feel that smart cities are coming out of the design phase and they are going into the execution mode and that is where we can see that the CAPEX outlay is being spent in the areas which are of good interest to us and we have good focus there going forward.



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Data Center: Given what is happening in terms of privacy laws which are coming for the data as well as expansion of the communication network, there is a big expansion of data center foreseen in India and ABB has a good portfolio direct as well as indirect portfolio to play into that account.

So, just to give you an overview about the technology that we see will shape tomorrow. I think it requires pretty fast track awareness and also need to adapt the business models that will create more value for our customers as well as creating more value for ABB portfolio.

Digital transformation of utilities industry and infrastructure is a big theme for us. We are not only on PowerPoint, but we are actually running 370 projects in 80-countries from India. ABB India is a big center for the digitalization projects. I think our know-how here is quite deep. We are not only leveraging it for our customers here in India but then there are global projects which are getting helped.

It is all about customers. We are trailing and co-creating solutions with the customers which at next level of value at the enterprise level and I believe we have a good play there because our solid asset base that is sitting with the customers plant and then we make them IT and OT enabled, that creates a different value because a lot of data starts coming in with certain analysis and with certain close room action, we are able to give much higher performance for the existing assets. So, we do feel that the customers will continue to make investments with ROI focus rather than one big investment. So, that is why ABB will have digital as part of core of our portfolio. So, it is not an added on.

Sometimes people ask us, "Hey, is it something digital has a new revenue line?" No. What we are looking at is we had a core portfolio which is very solid and strong which is a B2B portfolio goes into multiple segments and digital is making as a more compelling proposition for our customers to stay with ABB and expand more their investments with ABB. So, digital has very quickly become a core portfolio which is spread and built inside our offerings. You can see charging the feature of mobility and then the whole grid of it and it is not only the charger or the car, you can see there have been upgrades that will take place all across the sectors and ABB solutions will work together and we will make it work for our future customers and consumers.

So, the macro outlook, I think what we see and I think is visible to you that GDP growth is likely to bounce back to 7, 7.5% and also the global markets are quite buoyant right now and we believe India should take more benefit of it and especially with the trade and other issues which are going on around the world, I think we need to play smart as a country and also as a company and we keep looking for those opportunities in that space.

We also have utility growth that will be driven by renewable of transmission and distribution at state level. Growth is likely be driven by consumer-led sectors in the short and mid-term and that is where we stay focused. We are not only focused on large projects which are less in the



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market, but we are really connected with the market at the length and span of the market to gain everything that is happening in the consumer-led sectors.

Bank credit growth improved in FY'18 and I think that is a good sign because the credit has not been flowing in the market and I think as the large industries consolidate the different assets, we do feel that this industrial cycle should kick in as well after the NPAs are resolved.

Railways is definitely a big plus and we will continue to take benefit of it with our ABB transportation portfolio.

We have a good growth in the base orders and we are happy about it because in a market where the large orders are less than few. Our quality of the business that is flowing through all our business line is very healthy in the qualitative terms, and I think that is what we are very happy and whenever we see expansion of base orders, I think that is a very-very healthy sign for us. Same thing for services which have grown by 52% YoY. Exports have grown 68% YoY and we continue to keep our focus on the core segments as we go forward.

Sohini Mookherjea:

Sridhar, we are now moving on to the financial slides and I request Sridhar to take them.

T.K. Sridhar:

Thank you, Sohini. Orders for the quarter grew by 7% on an overall basis, for the half year we are at 9% growth level, and order backlog at Rs.10,717 crores is what we are seeing in the slide which is less than previous quarter. I think there are very significant outliers to this because last year at the same time we had almost 3,400 crores of RP-800 order, in that which was just the new into our systems and RP-800 as you rightly say has started to them execute and we are definitely on track with RP-800 execution. So, that has definitely slipped into the revenue, so revenue if you look at it we are Rs.2,713 crores, compared to Rs.2,200 crores last year and which is 21% growth and the growth is just not only in PG but it is across all the segments as what you would see in the segmental information which follows.

Profit before tax. Again a strong quarter with very sustained material cost reduction which has helped us to achieve that, of course, there are still outliers on the FOREX and other commodity prices, but I think that is natural to the market way we operate in. Profit after tax, again 36% growth in line with the profit before tax and operational EBITDA at 5.7 compared to 4.2 for the last quarter the same period. So, on a half year basis, I think right from orders to the bottom line and cash we are absolutely solidly positioned as far as this half year performance is concerned.

The next slide which is more about talking about the structure of how the costs have moved and if you look at that particular slide that you see, we still have the material cost very much under control, again 64% is the material cost what we had last year, they are 66% at this point of time and that is primarily because we have a large content of system order RP-800 coming in, but if I exclude that I think we are fairly in line with the last quarter numbers is what we see. Personnel expense is pretty much flat in line with what we had and the small increase due to people and



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the annual revisions compared to last year. Other expenses are definitely under control and the other one is about depreciation in line with what we had CAPEX and the additions which we had for the GIS factories slightly less and interest cost very much flat and the current tax rate is also maintained at 34.5%, pretty much stable. In a nutshell, the numbers stand up pretty much well compared to the last quarter what we saw.

Over to the next slide, this talks about how each of our segments have behaved. If you look at it sales across the divisions have grown. Profitability margins, other than EP where we have a couple of outliers which has impacted them, is definitely one because EP and RM are the largest importers of material into India for manufacturing and supply. So, currency has definitely impacted this segment.

Also, the next is about solar. The solar market is today experiencing lot of headwinds in the market and so that is another factor which has impacted EP. If you look at IA, PG and RM, they are pretty much stable and IA bouncing back with a very good development on the margins, basically led by high service content and automated solutions which are getting the customer satisfaction and we think the value for that and we are seeing it is reflected in the half year numbers as well.

Going to the other parameters, I think it was again strong cash generating quarter for us, despite 21% of revenue growth. So, the DSOs came down to the ever lowest 112-days end of Q2 from 121 it was last year but if you look at the previous several quarters and several years the same time, the team in India for ABB has done a wonderful job in liquidating quite a few from old receivables which has really helped us generate this particular cash and our model of cash for revenue I think is a fantastic mantra which has been sustaining us to deliver this cash QoQ. The networking capital is 1,516, I think slightly higher than what it could have been and it is more because we have definitely a stock inventory, because we have a backlog which executed within the timeline as agreed to the customers especially on the RM, EP and PG divisions and that sort of momentarily standing out, but I am sure by the year end we will definitely bounce back on this parameter as well.

So, cash for H1 we have cash balance of Rs.1,000 crores, flat year-on-year, in spite of the growth, which was normally consumed cash but they still have definitely earned lot of cash and that is why we are able to maintain the same cash position end of H1 as well. The earnings per share going up to 4.82 which is in line with the growth in the profit as well. So, I think this is the synopsis of how we have performed on the financials front.

Some more data points which I think you normally ask for is about the orders for the quarter. I could give you some more information which is not in the slide. EP Rs.713 crores for the quarter which is about 13% growth on the last year, RM Rs.633 crores which is more than 25% growth for the last year, IA stands at Rs.413 crores, more than 25% in the last year, PG is stagnant, we are at Rs.856 crores compared to Rs.900 crores last year, otherwise I think this has been overall



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a solid quarter for the year. This is how the order content looks like and of course they would have been looking at how the order backlog looks. I think given the flair of what the order breakup which we have, I think it is just not PG, RP-800 which is there in the backlog, we have other segments which have gained up and so we have definitely strong backlog segment-by-segment giving us clear revenue visibility over the next few quarters to come.

That is it from my side, Karuna. I think we can now open the call for any question-and-answer.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Sujit Jain from ASK Investments. Please go ahead.

Sujit Jain: Some deceleration in order inflows in the sense 7% up and order book is down. Could services export meet the digital deficit in PG order inflows and therefore is there a prospect of double digit growth for the full year?

Sanjeev Sharma: This is Sanjeev here. I think one has to see that the markets as well as technology are in a transition right now. If you really look at the global perspective, yes, there is a good opportunity on the digitalization space, but we cannot count very large numbers in short-term. I think that is a market to be formed and prepared and that is what exactly what we are doing, and we have a good acceleration there. So, whether they will act as big contributor by numbers on the digital as a standalone, I think that is something in foreseeable future, but it has a very large impact to sell what we sell as our core portfolio. Now with respect to PGCIL, I think it is very well known that in India we have a bit of subdued sector in the thermal power generation and also how much outlay government and the PGCIL has done for the transmission and distribution network. Those orders they come now and then, but not with the same intensity we had it in the previous years. The action has shifted to the state grids and there we are very selective what we want to bid, which state electricity bid we want to work on it. So, what we do is we have a strong backlog, so if you go back and you see the average of our last five years backlog, we are on the higher side and also we have much more execution ahead of us out of the backlog. But in terms of orders, I think we keep adjusting and adapting ourselves into the new emerging segments and as and when the core power generation segments picks up, I think we will take benefit of it because all our assets and all our capabilities are here in the country and alongside since we have started participating in the export market, the capabilities that we have here, they have started paying us good dividend. So, we will play this out as we go forward.

T.K. Sridhar: To add to what Sanjeev is saying, normally if you look at the ordering pattern of the infrastructure segment, especially which is coming out from the public sector enterprises, follows April to March financial year and normally the first quarter which is their first quarter of April to June is definitely subdued quarter in terms of investments and then they pick it up when they come with the next quarter and this has also reflected over there as a part of the PG order intake, we expect going forward this would have to see some corrections.



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- Sujit Jain:** Solar as a percentage of EP revenues, at annual rate, what it would be and now that pressure you have spoken about a couple of margins in EP because of solar, could these be the steady state margins like 9% and below? What would be the margins in digitalization?
- T.K. Sridhar:** First of all, we do not give any estimates or forward-looking statements on how margins will look like in any segment per se and more diversified information about the solar. So, solar is just not one EP -which we have definitely mentioned that solar plays a good part of it - but solar across the company has got various offerings in terms of electrical balance of plant, in terms of substations, in terms of other equipments and the medium voltage switchgear which go into solar plants and so that being the case, I think solar as a segment we definitely see is undergoing stress, but it is at the same time growth sector for the entire company and we are definitely reengineering ourselves to be still competitive over there and maintain the margins at an overall level.
- Moderator:** Thank you. We will take the next question from the line of Harish Biyani from SBI Mutual Fund. Please go ahead.
- Harish Biyani:** If we look at the robotics and motions first half revenue it has grown by about 35%, margins are broadly flat. Essentially wanted to understand how much of this particular segment revenue is trading business essentially, we are buying products either from parent to outside, if you can help us with that, that will be wonderful?
- T.K. Sridhar:** Harish, it is like this, I think as I was mentioning EP and RM definitely has a fair amount of input content within them, so they are definitely impacted by the current FOREX fluctuations what we see, also that is basically an important factor which you guys have to consider, and they have less of exports, exports are just opening up for RM. But the good factor is that it is more focused towards the industry side of it and industry is definitely showing green suits in terms of adapting automation technology and I think we would aspire to grow on this.
- Harish Biyani:** How much of Robotics and Motion, what we do is we in turn procure from our parent entity in Europe, right, broadly number would be very helpful?
- T.K. Sridhar:** We do not give those finer details, I think I had shared with you the major really and a larger picture of it.
- Moderator:** Thank you. We will take the next question from the line of Sumit Kishore from JP Morgan. Please go ahead.
- Sumit Kishore:** My first question is on the order book number that you have given at the end of June quarter of Rs.107 million. If I were to take the March quarter closing order book number and subtract the revenue for the quarter and add the order inflows, I get Rs.7 million higher order book number.



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Has there been any cancellation which has happened in the quarter, any adjustment to the order book?

T.K. Sridhar: First of all, I think your answer is pretty clear, I think it is more, because we have internal consolidations which happen between the company, so what we are looking at the net order backlog and trying to compare with the order books which I just mentioned and the order booking, so I think that could be a gap, but otherwise I think the number which you said is pretty much clear mathematically as well.

Sumit Kishore: Yes, so mathematically we get a higher number, the internal consolidation has it resulted in restatement of the order backlog number in absolute terms or has it dragged down as it appears mathematically?

T.K. Sridhar: No, it is only consolidation impact, there is no order de-logging in this particular quarter. So, we would definitely inform in case if it is before that.

Moderator: Thank you. We will take the next question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: My question is related to the margin outlook. As you highlighted, currency depreciation has been a big concern and profitability specially for industrial focused products which are fixed by the nature and also there is a higher share of RP-800. So, for a year as a whole, can one expect that the margin improvement could be tough compared to last year given these headwinds or probably there are tailwinds which will support for us on the continued trajectory of margin improvement?

T.K. Sridhar: Renu, it is like this, actually for all the contracts which we have with Power Grid or RP or any other government customers we clearly have a price variation which keeps protection on this particular impact. So, the currency impact which we see because of which there has been an impact of almost Rs.10 crores on account of the mark-to-market which is our derivative accounting period for the quarter and finer information which would give you more clarity on why the margins are looking bit more less than your expectations. Then when it comes to industry customers where we have their own short cycle orders, we are all following very clear hedging policy which protects the margin.

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

Abhishek Puri: On the balance sheet specifically just wanted to check why the creditors and other current assets have gone up significantly in the first half of CY18?



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T.K. Sridhar: Thanks for this technical question. It is more because GST balances which are payable and receivable are accounted separately, that is the non-trade payable and that is how the major shift which you are seeing and also because we have major projects which are linked to milestones of the delivery and so you have an uptick on the trade payables as well. Because we also have better processes implementing in the company, so aligning with the market trends, we also have end of month payment terms, and one payment cycle across the organization so that it helps us boost our DPOs for the project and systems businesses as well.

Moderator: Thank you. We will take the next question from the line of Indrajeet Singh from Macquarie. Please go ahead.

Indrajeet Singh: My question is related to the Robotics and Motion. It is one of the segments which is growing best for us. Is there a sign that the orders started to kind of get better or getting broad-based from your customers and centers other than the cement and F&B which you talked about earlier?

Sanjeev Sharma: As I explained to you earlier that the company strategy for the last few quarters or couple of years to diversify our base, enter new segments and new geographies and definitely there are number of very good growth and some very interesting new segments we have found and we continue to grow them through our portfolio, and our relevancy over portfolio is very, very high, especially when it comes to RM and EP, when it comes to channelizing them through OEMs, channel partners as well as new integrators who are creating solutions for our smaller customers or the smaller end users. So, I think that change of behavior has shifted the focus and part of that is built into the grow that you see in RM and apart from that of course you have a good growth in automotive sector and others which positively reflects on the Robotics orders and we also have a big push during this period wherein not much of Greenfield projects are coming in, people are going for higher energy efficiency and better productivity. So, our portfolio in RM specifically, I think it helps the customer in a big way in that direction. So, those are few of the elements you see you are playing out, but yes, core segments are always important, but we feel that this growth is coming based on this expansive, new strategy that we have played out in the marketplace, and as the new fresh segments pick up in their growth cycle, I think we should take further benefit of that.

Moderator: Thank you. We will take the next question from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: Sir, my question is with regard to B&R we have in the global entity, will that get integrated in our ABB India entity sir?

Sanjeev Sharma: B&R I think it has been great acquisition for ABB because it has added to our portfolio which was missing, that was for factory and machine automation. It is a great company with a great kind of culture and what we are trying to do is to maintain that culture in terms of how we serve that particular proposition from B&R to the customer and that is something we are doing. So,



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B&R is a company which also has their offices and operations in India, they get all the corporate support that they wish from ABB India's structure, right from integrity to finance issues, but we allow that business to operate on its own merit and we are bringing ABB India's portfolio which has synergetic effect channelized through B&R because they are also operating in the market segment and customer segments wherein customers benefit with ABB portfolio. So, that is the strategy we have. But in terms of legal entity and integration part that is not a high priority for us at the moment.

Moderator: Thank you. We will take the next question from the line of Ranjit Shivram from ICICI Securities. Please go ahead.

Ranjit Shivram: Just wanted to understand there is a difference between the operational EBITA that you had reported and the actual EBITDA. So, when we work out it, it is around Rs.40 crores. So, is that related to any FOREX gains?

T.K. Sridhar: It is like this, I think you look at the definition of how we define operational EBITA, I think this is very clear in the press release what we have given, Ranjit, it excludes the derivative impacts because as per the IndAS, we need to also measure the fair value of the instruments which we have and so that sort of impact is excluded and also any restructuring impact which is now there. So, it is basically concerning the mark-to-market impact of the derivatives what we have on the balance sheet, so which is not visible to you because I think you are doing a straightforward calculation of excluding by depreciation and the amortization cost which is not the case when we calculate the operational EBITA.

Ranjit Shivram: Just a follow-up on that, is that in the other expenditure?

T.K. Sridhar: Exactly, it is parked in other expenditure and also in the revenue because mark-to-market impact goes both on the sales as well as in the purchases.

Moderator: Thank you. We will take the next question from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: Sir, my question is pertaining to the export order intake, we have seen a very strong growth of nearly 70% YoY and prior to general elections, and you might see some slowdown in the overall domestic order inflows. So, do you think this growth in exports can completely offset any kind of slowdown that you are missing on the domestic market primarily on the transmission side and at what pace do you expect this exports to grow over the next maybe one to two years?

Sanjeev Sharma: I think when you run a company of ABB complexity in terms of its portfolio, one is that we are fortunate that we have diverse business lines which go into diverse market segments in the market, be it domestic or exports, and that gives us a kind of an edge that one segment sometimes goes up, the other one comes down and I think that is how it keeps on balancing itself rather than



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we are not over exposed to one segment or so. We continue to diversify our portfolio by localizing it, bringing new technology so that we can serve the existing segments by having a higher share of their kind of spends, but at the same time we will make sure that we find the opportunities away from our domestic market and the export market because our global growth seize that the competence level and the localization level, the overall supply chain that we have developed and the quality levels we have developed that we can start serving the global markets from here. We export to about 100 markets from here, not for all the portfolio, and we believe as far as the export story is concerned, though the percentages are very high as a managing director of that company, it is just start of the story, it is not in the middle, and it is not on the end. So, we will continue to play, we will continue to pace it based on how we want to serve diverse customers right from Japan to America, make sure their quality perception about products coming out of ABB India are very high and first we make sure that they feel satisfied, we make sure that our people understand the different cultures, boundaries, how to serve these markets, I think that is where we are doing good job and that is why you will see after few years we are getting acceleration because the acceptance in the export market for the products as well as solutions coming out of India is increasing. So, it will continue to grow irrespective of what happens in the Indian domestic market. Yes, on an overall scheme of things, it can always balance some of the segments which are not growing in this market, but we can catch some segments outside for the same product portfolio for the supply perspective. But as we look in to the domestic market, I think we are very positive on India, we are manufacturing in this country for last 60-years, we have seen all the possible economic cycles and the political cycles in this country and we always take that long-term view, we do not take this quarter-over-quarter view though the quarter view we have the obligation to inform you how did we do and how we prospective are, but we take a long-term view on it and there we say equally positive for the domestic market as well as for the export market based on the potential we have created out of this company in this country.

Moderator: Thank you. We will take the next question from the line of Jay Kakad from Haitong Securities. Please go ahead.

Jay Kakad: Just on this export part, I just wanted to understand given that your parent talks about India is one of the most competitive markets, export margin should generally be better than domestic, right? Also, what kind of export is it – is it project based, product based, is it short cycle or long cycle?

Sanjeev Sharma: I think a good question. As far as exports are concerned and the market price mix is concerned, I think it cannot be said that the domestic prices are better or poorer than the export market because the export markets are also different quality markets, some of them are better and some of them are even lower than Indian market, but important thing one has to do is to really select the markets which you want to serve long-term and not in short-term. When you have a domestic market price level and the competitiveness, and you mix it with the export market, the overall



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gross margin mix goes into the positive direction, so that is true. In terms of mix we have the product load which are the products in the box and they get shipped to the channels and also we have the project orders that we ship out of here. We engineered the solution and it would be, for example, a substation in Nepal, in Bangladesh, or it could be in Vietnam, or it could be in Sri Lanka, so those kind of projects are also part of our portfolio and also some of the products are flowing as far as to Americas both in south and US, Middle East, Africa, Europe as well as in Southeast Asia and right up to Japan.

Moderator: Thank you. We will take the next question from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: The question is on the raw material to sales ratio. Over the past three quarters, we have seen an increase which is roughly in the range of about 200 basis points as compared to say a three year period prior to that. One of the reasons that you have explained in your opening remarks was the HVDC project which is in the thick of execution but is it the commodity price pressure also impacting gross margins and how would you split the impact roughly for us to understand?

T.K. Sridhar: First of all I think as I opened my remark about explaining the material cost, that is a composition of three revenue new streams are very important for us -- Products, Projects and Services. The more the services and better the margin is and also definitely the more the projects are then your material cost definitely has a higher depiction of it, right, and that is basically one scenario of it. Other one which is the scenario is about how the exports and the domestic market come into place in the revenue. I think the person who asked just before, like I was expecting the margins and exports that are going to be better and that is definitely there. So, going forward with the exports increasing and the services increasing and with the optimal mix of products and projects on the ground, I think we should be able to maintain the margins. The next is about how your material cost if you exclude. I think it is pretty much in line with what we have been delivering quarter-on-quarter last year and when it comes to commodity price increases, again I repeat, we are now for the government customers and public sector enterprises, so we are protected by a variation clause and the material come on the commodity price also and we also do hedging for the commodity prices. So, to that extent on a forecasting basis, so we are hedged. Yes, there will be a time lag and if you want to pass this impact to the market with the market prices as on today which fall out in today's results, but definitely on long-term basis would be consistent.

Moderator: Thank you. We will take the next question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: My question is what would be the share of RP800 outstanding in a backlog today? Given that the PG order has declined by just 5% from the perspective that market decline has been significantly higher, so what has actually helped in terms of ABB reducing or capping the decline in their PG business despite the market being much weaker?



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- T.K. Sridhar:** RP800 order backlog is less than Rs.3000 crores to be delivered over the next couple of years to come because that is a 36-month execution cycle, but how PG is able to sustain in spite of the market down turn from the insights of other sectors, I think Pitamber would be able to give you better outlook on that.
- Pitamber Shivnani:** As far as RP is concerned, RP is in a initial phase of execution, the execution is going well, but we have still a good backlog of products of RP, which are going to flow in next one year to one-and-a-half years' time. Meanwhile we are booking quite a good number of orders of equipment side. So, then going forward once RP is through we will have other product order available with us.
- Renu Baid:** From which segment are we booking these orders because overall Power Grid, the biggest customer is significantly lower?
- Pitamber Shivnani:** It is a mix actually of transmission and traction.
- Sanjeev Sharma:** To be very specific what Pitamber is saying is that the transportation segment, the railways, that is quite a good segment for us during this period of time.
- Renu Baid:** The tractors and transformers probably supporting in that case?
- Sanjeev Sharma:** That is right.
- T.K. Sridhar:** And also the exports which have been doing quite consistently is also another factor which is picking up the orders for PG.
- Moderator:** Thank you. We will take the next question from the line of Abhineet Anand from SBI CAP Securities. Please go ahead.
- Abhineet Anand:** Just wanted to know this services and exports. How much they form a part of their overall revenues now?
- T.K. Sridhar:** Exports inched away past the 15% mark, it is slowly climbing with the strong order input which we have, but in terms of revenues we are still at 15% because export uptick which you saw in this quarter and the previous quarter will materialize into revenues in the coming quarter, a) and service still stands to be today at 13% of our total order book and definitely I think it could go in the future.
- Sanjeev Sharma:** Thank you very much, operator. Thanks for joining in today and I am sure if you have additional questions, we will be very open to answer those, those questions can be routed to our team and we will do our best to get you an answer as quickly as possible. Thanks again.



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T.K. Sridhar: Thank you, everyone.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of ABB India that concludes this conference call. Thank you for joining us and you may now disconnect your lines.