



## “ABB India Q2 FY16 Earnings Conference Call

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**Moderator:** Ladies and gentlemen, good day and welcome to ABB India's Q3 FY-'17 results 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. T.K. Sridhar -- CFO, ABB India. Thank you and over to you sir.

**T.K. Sridhar:** Thank you. Good afternoon ladies and gentlemen. Welcome to the Q3 results call of ABB India Limited. On the call along with me is Mr. Sanjeev Sharma -- Managing Director and CEO of ABB India right and my other colleagues, Pitamber Shivnani -- Head of Power Grids; Madhav Vemuri -- Head of Process Automation; Subir Pal -- Head of Discrete Automation & Motion; CP Vyas -- Head of Electrification Products and we also have the Chief Technology Officer of ABB India, Mr. Giandomenico Testi.

So without wasting much of the time so I hand it over to Sanjeev to take us through the Q3 and then I take over the number part of it. Thank you.

**Sanjeev Sharma:** Thank you, Sridhar. Good afternoon to all of you. Q3 for ABB in India, just to give you an overview of what we see in the market, we have seen that there have been steady growth in the GDP numbers at 7.4%, mainly led by services. We did find that government initiatives such as, Make in India, Startup India, ease of doing business, tax reforms are having some impact in the area we operate and there is much more impact to come as we go forward. But at the same time on the industry CAPEX and investment side we find that there is sluggishness which is reflected in declining IIP. So over April to August in 2016, IIP contracted 0.3% compared to growth of 4.1% in the same time last year. Investments in emerging areas like renewables, railways, ports, data centers continue, and as ABB India we are exposed to those segments and we continue to take benefits of that. ABB India's performance this quarter also reflects the current environment. Our base orders are holding steady and we continue to experience positive contribution from emerging market segments and also mix with large orders in the railways segment.

Revenue grew across all our four divisions, including turnaround in Process Automation which was led by our metal segment, service, our revenues were up by 27% and also our exports were up by 28%. This consistent growth we believe has come because ABB in India and our team is focused on delivering high customer experience with suite of market leading technologies that are available with us and we have a good base to serve them from locations and our manufacturing facilities within the country.

Q3 was a packed quarter on all fronts; lot of activities and lot of initiatives were taken from our side. Firstly, we expanded the capacity of our solar inverter factory in Bangalore and this doubles the solar inverter manufacturing capacity. And as you all of you know, India has a plan to add 100 GW of solar power capacity and right now only

8.25 GW has been installed. So this story has to play out and we are ready to serve this particular market segment with this expansion. Also, while we expand our solar inverter factory and manufacturing capacity, we are also introducing product lines which are of even higher efficiency.

There were number of innovative projects which brought new technology to the country. We executed India's first shore to ship power supply for a commercial port in Tuticorin, which will significantly reduce the carbon footprint. Now for us to understand - when a ship comes to a port it continues to run on the diesel engines to provide power and this is a technology which we have introduced wherein they receive the power from the shore and they can switch off the engines and they can do the maintenance for the next voyage. So this is something which is a well used technology globally and ABB is a leader there and we have introduced it here and we see a very strong interest in this area. So we will play out the port segment with this kind of innovation among others.

Also we delivered string inverters to 190 government schools in West Bengal and that also enhances the Solar Power in that area.

We are very proud to have energized 1200 kV Ultrahigh Voltage Power Transformer in the country. This has happened first time anywhere in the world, nobody has achieved this high voltage and ABB has pioneered this technology, and we are very proud that our team in India not only designed it but also manufactured, tested and delivered it to our customer. So this also paves way for future for the country that the alternating current can be transmitted at the 1200 kV and power losses will be even lower.

We also had intensive customer engagement in Q3, wherein our teams had our key customers in the country visit our factory. We had large number of solar customers who visited us in the solar inverter plant, and later on in Vadodara wherein we have the largest factory for our power equipment and motors, we had about 250 customers who visited us in the month of October in one week. So lot of engagement with the customer and customer has a chance to really experience state-of-the-art technology which they can choose in the market segments they operate.

Globally, we announced the III Stage of next level strategy for ABB Group, wherein ABB Group has aligned itself with the future trends which are growing rapidly and there is a big transformation taking place in the area of energy and digitalization. So we are present in both.

On the energy side the type of generation is changing and type of consumption is changing as well. So this is something which is leading to the way of Smart Grids and Micro Grids and ABB is right in the middle of it and ABB India is playing a big role there. By the way, ABB India happens to be Center of Excellence for Micro Grid technology for ABB group for the entire world.

Digitalization is a trend which is going to play a big role going forward not only for ABB's value chain but also for our deliverables to the customer as customers adopt the digitalization in a big way and we believe that ABB India is very well positioned to become a key player in the digital transformation and our customers in India will absorb this technology rapidly.

Power Grids remains a core business in ABB portfolio. As you may be aware that we had a strategic review of this business globally and independent review done by the group with agencies like McKenzie, the result came that this is a very attractive business and a very attractive portfolio for ABB Group and we will continue to invest and serve our customers in this area.

We have announced a division which will be called Robotics and Motion starting January 1<sup>st</sup> next year, which will also focus on future of productivity in the manufacturing sector wherein Robotics will see a very large expansion as per the latest estimates and trends and ABB is a very strong player there and will continue to be a strong player going forward and lot of investment will happen in that area. Same thing on the motion side, we will have a strong footprint there. So the second division will be called Robotics and Motion and erstwhile Process Automation will be called Industrial Automation going forward and Electrification Product division which exist, it will expand its portfolio by including electric vehicle charging solar and power quality businesses which are actually moved from another division under electrification products. So there is a bit of consolidation done so that we are able to serve the customers in a consistent way all across the globe and same will be reflected in ABB India as well.

So going ahead in the coming months we believe that new projects will likely to be lead by government spending, largely on technology upgrades. Industry investments are slightly muted and we believe that may remain so, but we are very well focused and connected with our customer base, which had a huge installed base from ABB and we continue to take benefit of OPEX side of their spending and that shows up in our service growth. We will continue to select projects with discretion. There are projects out there, but we make careful choices in terms of how the credit is available and where it is available and we make due diligence before we engage with the project in the marketplace and that process works quite well for us so far.

We had announced a few Strategic Global Partnerships in October; Microsoft will be a Digital Industrial Transformation Partner for ABB globally - we will have a platform for Digitalization and Microsoft will be a close partner for us in that area.

In October, we also announced a new position of Chief Digital Officer, to be taken up by a gentleman called Guido Jouret, who joined us from Cisco. With a background in ICT, he will also help us in the Digital Transformation journey. We do believe that India, with our R&D setup here and our labs here which are state-of-the-art not only serving our global businesses and also that benefit is available for Indian customer, will play a

key role in serving the India as well as global industry in Digitalization. So we stay cautiously optimistic with our diverse portfolio and we stay deeply engaged with our customers in across market segments.

We are very pleased to be engaged with various industry bodies as well as different open forums in the government, which are trying to seek best-in-class policy framework for ease of doing business and we are actively participating in the forums and helping the government to transform to the best-in-class trade and ease of doing business in the country. Thank you very much.

Over to Sridhar.

**T.K. Sridhar:**

Thank you, Sanjeev. So let me take you through the financial results: I think this quarter again continues to be a strong quarter for us. Orders grew by 29% quarter-on-quarter on a cumulative basis by 13%, revenue grew by 4% for the quarter slightly less than running rate of previous two quarters, roughly about 8% to 10% but on a cumulative basis we are still at 8%. Profit before tax we continue with 30% growth on quarter-on-quarter and profit after tax at 38%. So, as Sanjeev was mentioning this quarter was definitely a packed quarter, we got a large order of Traction Transformers and we have OBL, which is the order backlog, grew by 5% than what it was at the previous quarter same time and the margins on order backlog are definitely supporting profitable growth. Continuing our trend service and exports remain very strong at this point of time.

The most other important factor is that all our NWC-related initiatives prove very positive results. so we are definitely continuing to be in the cash positive at this point of time.

The other income because we also do lot of footprint rationalization initiative as an outcome of those initiatives, we do definitely have an other income on the sale of asset which is now to the tune of Rs.30 crores. So as Sanjeev was saying so we definitely remain cautiously optimistic about the future, the economic scenario as such.

When I go to the segment wise performance level at Discrete Automation and Motion, Electrification products definitely are performing consistently in their both revenues as well as profitability. Process Automation has improved the revenue growth as well as the profitability percentage. Power Grid has to face some headwinds in this particular quarter, basically, they are dealing with customers who are from the infrastructure sector. So we follow a conservative policy of cost recognition. So wherever we find that there are projects which are basically delayed and we estimate that those projects will take in more cost. So while we definitely get compensation from the customers which comes at a later day, we definitely factor into our cost. So that follow prudent policy over there.

Also, we had the FOREX impact mainly getting into Power Grids division. Because of that the Power Grids division results were definitely impacted.

But on an overall basis this was a quarter where we had several initiatives gaining momentum and the expense levels remain fairly consistent with the previous quarter and the material cost still holds at 65.7% to 66%, personnel expense is at Rs.189 crores - 9.2% of the revenue, and it has been consistent, and it has been less than the previous quarter.

The FOREX impact is round about delta Rs.6 crores for the quarter. The depreciation - you would see definitely there is an increase from Rs.36 crores to Rs.41 crores quarter-on-quarter and this is basically due to new factories which we have added and also conversion of an operating lease into finance lease for tax advantages what we normally get from that.

As you know we had borrowed NCDs in the last year in September and with focus on NWC initiative and lower interest rates available in the market, and the NCDs at the floating rate option has really given us a normal saving in the interest cost. So I think this has been a good quarter for us.

Definitely now we would now like to open it up for the question-and-answer.

**Moderator:** Thank you. We will now begin with the Question-and-Answer Session. We take the first question from the line of Jay Kakkad from Haitong Securities. Please go ahead.

**Jay Kakkad:** Just wanted to check, how large is the traction order? Have you booked anything in the HVDC side or anything in this order inflow or this increase is just majorly because of traction?

**Sanjeev Sharma:** Yes, we do have an impact because of a good order from Traction Transformers and plus other portfolio mix that we have. So it is a well-rounded growth in Q3 in the areas that we mentioned before summary that where we are focused on. So it is a good mix of growth all over. In this quarter we have not booked HVDC order.

**Jay Kakkad:** The increase growth in Process Automation that we are seeing, this quarter the growth was superb. So is this showing any revival because you mentioned some metal order you got or it is more OPEX-led?

**Sanjeev Sharma:** Madhav, would you like to take this question? Madhav is our President for Process Automation division.

**Madhav Vemuri:** The growth that we see is predominantly on the revenue side which is coming out of the backlog execution that we are able to now bring in and the market if in terms of the orders we see very early signs of revival, we find very early signs of willingness from the customers and they want us to spend money, still it is more dominantly towards the OPEX side, not so much on the CAPEX side though there are a few large tenders which are under negotiation but they are not yet finalized. So it is a bit early to comment about the revival in Process Automation.

- Jay Kakkad:** The impact that you talk about in the Power Grid segment on the margins, can you quantify how much have you booked as a provision because other expenses have increased 130 basis points year-on-year for the quarter, so just wondering how much would be the impact of higher provisioning due to the orders which have delayed?
- T.K. Sridhar:** Ajay, normally we do not reveal those things but we have just given a reason as to why we have an impact.
- Jay Kakkad:** Any indication on how why the other expenses is up 130 basis points?
- T.K. Sridhar:** That 130 basis points definitely I can tell you because one, we definitely are investing in the high end of IT Solutions which are compatible with the offerings which we give to the customer in terms of satisfying the cyber security and then the digitalization requirements of the futuristic solutions. So that is an investment what we are doing. So we definitely have an increase on account of the other IT expenses what we have. Also, if you see we have definitely the revenues growing into 9% and that is also a contributor because they are definitely volume-based expenses which go along with increasing the revenues. So that is also one of more reasons of that.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Sir, just want to understand a little more on the Power Grid side. Over the last couple of years, we have been fairly conservative on booking large orders of projects. So your comments on seeing headwinds in certain infrastructure orders, are we seeing some of the existing orders getting slower, any delay or lag, if you would like to highlight anything? Also, align with that, sitting with the big chunk of Power System orders from export market, Bangladesh, so how is the execution from those projects picking up... is the margin accretion meaningful from those orders as well?
- T.K. Sridhar:** Pitamber will comment on the Bangladesh order so I will comment on the general margin of this thing. So if you look at it, the orders in the infrastructure sector, I will not say we are facing margin erosion, what I am saying is that when Infra orders they have a time elongation which is there. So we feel that whenever the time for a project may elongate, we as an organization make sure that our estimates reflect the correct costs required for the elongated execution. So what we do is that, and then afterwards we go to the customers, we have process, which is taken to a logical conclusion we follow that process and that is how it comes up better. So in other words this could be a momentary swing at this point of time and we will turn it on when we have the final closing of the projects with the customers. So having said that, what I say that now Pitamber would comment on the execution of the export projects which is in Bangladesh.
- Pitamber Shivnani:** So if you see the execution of Bangladesh projects is going very smoothly, we have team sitting at Bangladesh in Dhaka as well as nearby in Kolkata. So it is very smooth execution I will say is going for these projects actually.

- Renu Baid:** The FOREX element which you mentioned overall in the other expense, that is entirely towards Power Grid or probably Rs.4-5 crores?
- T.K. Sridhar:** Mostly towards Power Grid.
- Renu Baid:** On the asset sale, you did mention, if you can highlight was this a property or any particular asset because Rs.31 crores is a reasonably large number and along with that are there any other identified offices, land parcels which are there which we think over the next 12-24-months could be monetized?
- T.K. Sridhar:** We are not in land bank to be honest. This was a small piece of factory place which we had, so service station which we had round up because it had more cents there and it is a part of consolidation and footprint initiative, and these type of initiatives does not come every now and then, it is not a repetitive in nature. So we always look at way the customers are, where the intensity of customers are shifting, so we also locate ourselves according to that.
- Renu Baid:** Just to understand a little more on orders, after long time good jump in order flows, if one has to just broadly dissect it, how was the contribution in orders from exports regionally as well as on the renewable side, were they largely driven by capacity expansion that you have undertaken or how much were broad-based momentum that we have seen across our end markets?
- T.K. Sridhar:** Renu, it is like this; our exports remain 12% to 13% growth, so we are growing at double-digit growth at this point of time both exports and service and I will not give you any specific numbers to this but this is the color which I would place on that. When it comes to the base orders definitely there is no decline in the base orders compared to the previous quarter to this year.
- Renu Baid:** But you would not like to highlight any large order which was there except the traction transformers which could have been a couple of million rupees?
- T.K. Sridhar:** Yes, there are some large orders which we normally get for substations and other (PA) Process Automation stuff, but significantly enough is what we need to look at.
- Renu Baid:** Just to understand that similar kind of substation or light T&D orders are coming in from Power Grid or which customer base, just to understand the flow of orders that we are seeing in?
- T.K. Sridhar:** From utility base and industry definitely has because if you look at our total product order dimension, 20% comes from the public entities, 65% comes from the industries, 15% comes from the service. So that remains consistent so there is no change in that.
- Moderator:** Thank you. The next question is from the line of Ashutosh Narkar from HSBC. Please go ahead.



**Ashutosh Narkar:** Two-three questions: First one just a follow up on my peer who asked about order inflows. Last three to four quarters we have seen order inflow average roughly around 23-24 million. Now, if you could just give us some idea about which particular industries you have seen this ordering? Second, are we kind of giving up on pricing or how do you see the competitive intensity in the industry at this point in time on the order inflows? On the Power Grid segment, we have seen your sales in that segment kind of flatten out. What is our strategy there...will we kind of try to still hold back primarily because we do not see meaningful margins in that segment?

**Sanjeev Sharma:** Our prime focus as I mentioned earlier is in three areas -- one is Utility, second is Industry and 3<sup>rd</sup> is Infrastructure and Transportation. At this point of time on a very consistent basis our product portfolio at the sub-market segments we are exposed in these three areas, we see a very good traction in the area of Utilities, Transportation and Infrastructure. But as far as industry is concerned for the reasons known to us, and we mentioned before, that is slightly muted. So the bulk of the order that we are realizing at this point of time are in the area of Utility, Transportation and Infrastructure but in the industry area, our focus is on our installed base and customers are spending well on the OPEX side specially which is related to us and that is why you see a good jump and good growth on the Services side.

**Ashutosh Narkar:** What would be the broad breakup of your order backlog of close to around Rs.88 to 90 million across the four segments -- Utility, Industry, Transportation and Infra?

**T.K. Sridhar:** We normally do not give that breakup, you can assume that majority of it which is Power Grid and Systems orders will definitely have a longer shelf life and so majority of it will come from them.

**Sanjeev Sharma:** So just to mention to you from where I see it, there is a very good mix of short cycle orders and also a good mix of orders which are sitting with the frame agreement that we realize over a period of time.

**Ashutosh Narkar:** I just wanted your view on competitive intensity in the industry right now?

**Sanjeev Sharma:** As far as competitive intensity is concerned, I think it is increasing because India is a country standing among all the geographies wherein there is a growth. So it definitely attracts lot of attention right now, lot of people want to play in here. So we do see there is a much more competitive interest compared to previous years, but we have been here for last 60-years with very well entrenched manufacturing and local engineering and know-how capability. That is something which plays to our advantage. So yes to answer your question, we do see higher competitive intensity in the marketplace, there are players coming in.

**Ashutosh Narkar:** Would that be fair to assume that for the next few quarters timeframe or so, margins would kind of continue to remain at these levels, very little chance that margins could see any meaningful improvement?

**T.K. Sridhar:** We do not give a forward-looking statement, so we will not comment on this.

**Sanjeev Sharma:** Only thing we can say is that last week we celebrated 125-years of existence of ABB and it takes a certain special character of a company to survive that long. So you can look at it from the comparative landscape how many companies have stayed that long. We continue to review our cost, portfolio as well as keep aligning with the future trends and there are new trends which are emerging in the markets, I think they are more interesting to talk about something like the change that is happening in the energy area and the changes that are happening in the Digitalization and that is where ABB is far ahead of many of the peers that you may like to talk about and our plans and our focus is pretty good there. I think that gives us very good hope that we will be able to serve most of our targeted customers quite well in the future.

**Ashutosh Narkar:** What would be the total size of our Solar business right now if at all any ballpark number?

**T.K. Sridhar:** Our renewable share is always being 15-16%, so we are steady with that.

**Moderator:** Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

**Abhishek Puri:** Just a couple of the follow-ups on the previous one. So Energy area and Digital India as you said are key areas to look forward to. Can we expect any large orders from there over the next say 6 to 12-months going forward? Secondly, on the HVDC order, just curious to know that the parent company has already booked the order but I think it has not come into the subsidiary as of now. So what is the reason for that and when can we expect it? Third one, your global CEO has highlighted that ABB will look for mergers and acquisitions route to expand the footprint in India. So would want to understand whether this will be from the listed entity or not?

**Sanjeev Sharma:** Abhishek, we talk about orders only when we book it. We make an announcement and we always give all necessary information. So I think that answers your first part of the question. The second part with respect to merger and acquisition, India is a very fertile ground right now with all the start-ups and the new way of thinking in terms of technology. So our global CEO has mentioned that India is a point of interest from the group point of view to acquire and strengthen our portfolio in terms of technologies and the emerging technologies. So we always have a pipeline of assets which we continue to monitor and we continue to analyze. So definitely as has been already announced, we have an active interest there.

**Abhishek Puri:** As far as the first question was concerned, in the Energy area and in the Digital India area, any major large orders expected over next 6-12-months?

**Sanjeev Sharma:** In Energy space, we do feel that there is a big change happening in the whole landscape and we do feel there will be a good acceleration in that area especially in the side of the generation there is a totally new landscape developing on the generation side like on the generation side you have wind, you have solar, you have hydro, you have the pumped hydro storage, there will be lot of battery storage which will come in and also you require lot of remote monitoring of these assets. So I think that will be a good play. Also, on the area of consumption side, you will have more consumption point like the EV charging, you have different other technologies that are playing in and in between you require Smart Grid technologies. So we feel lot of automation and lot of change will happen there and we do feel there will be good contracts that will come up not only from the central utilities like PGCIL but also many state utilities are also very keen in those areas. On the Digitalization side, there will be lot of interest and lot of discussions in the near future and I believe that will also lead to opportunities going forward.

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

**Charanjeet Singh:** We have seen the Sensors segment showing a significant growth and if we understand this segment would be a little better margin versus other segments. So when do we see the margin kind of impact getting visible from the Services? Maybe how is the profitability also in export markets for ABB if you can highlight on that?

**T.K. Sridhar:** First and foremost, we do not give market wise profitability, and Service sector is a combination of various factors. I think Madhav would also speak for a couple of minutes on the service market overview, we also do not give forecast as to how our margins would be and how it would sort of come out over a period of time. Sorry, Charanjeet, actually this question is more leading to a forward-looking statement and we refrain from that.

**Madhav Vemuri:** In ABB, Services are just doing a reactive sort of maintenance service like spare parts or breakdown maintenance, training like transactional thing, it is much more than that in terms of enhancing the value proposition and unleashing the full potential of the assets that we have created electrical and automation in their plants. So our portfolio of services include upgrade, retrofit, energy efficiency, optimization, debottlenecking, various other aspects including some of the futuristic portfolio of offerings like the Cyber Security and then the Data Analytics and multi plant locations and remote operations, etc., So for us the services is a way of getting connected and sustaining our installed base from engagement. Naturally, some of these things what we are providing are of very high value in terms of value proposition to the customers. So naturally they come with a different type of margin corridors. At ABB, we also have a very clear policy of ensuring that the engagement continues by investing in our people, in our portfolio, in

our solutions and also in our reach and channels, etc., So it is not necessarily that everything of what we gain is something which is adding up to the profit, it also goes back as an investment in terms of improving and sustaining our focus on attention to add more value to the customers. That is what we will continue even in future.

**Charanjeet Singh:** On the futuristic thing, I think the drivers of the business are now changing in terms of Digitization in Energy space undergoing a big change. So how do you see this new drivers like EV charging and other things evolving maybe it is 2-3-years timeframe or even longer than that, so just not in terms of value terms, but in a timing front, what is your perspective on that?

**Sanjeev Sharma:** I think the EV charging is already playing out and I will invite Subir Pal, who is the President for DAM Division. Subir, do you like to say a comment on the EV charging and the related areas?

**Subir Pal:** As you know, this is evolving on the technology front as well as on the business front and we see quite a bit of interest developing within the automotive OEMs as well as on the government side and I think it will play out within next 2-3-years in a very big way. I cannot quantify the impact, but definitely it is going in the right direction.

**Charanjeet Singh:** So we will be tie-ing up with automotive OEMs here like, how will the business model be evolving like?

**Subir Pal:** Without going into too much details, there are multiple players, there are operators of such infrastructure which could be an utility itself, it could be set up by government or it could be an association of a couple of automotive OEMs jointly setting up such infrastructure.

**Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

**Bhavin Vithlani:** My question is a bit on the detail. If you could highlight what is the share of export and services in the revenue currently? You also highlighted about a large order from Railways Traction Transformers, what would be the value of that?

**T.K. Sridhar:** Services round about 12% and exports 15%. On the other details what you are looking at from is it is an information which I cannot disclose unless and until we get the customer approval. So when we get that, if it is sizeable enough, so we will definitely make sure that it is given out to the market.

**Bhavin Vithlani:** How large is Railways as a share of revenues currently?

**T.K. Sridhar:** We will get back to you on this, I do not have any specific details on this at this point of time, Bhavin.

- Bhavin Vithlani:** We have seen ABB has been pioneer in adopting the new technologies, mean we have seen in Solar. Could you highlight more in Railways what are the kind of products that ABB is looking at, the two products that we see – Turbo Chargers and Traction Transformers, so if you could elaborate a bit on the products and how large this segment could be for ABB over the next 3 to 5-years, that would be helpful?
- Sanjeev Sharma:** The Traction Transformers you already mentioned, that is something which we are well entrenched. Turbo Chargers, we have very good market share in that area, I think industry relies on us not only in India, all over the globe because of not only products but also excellent service network we have. There is another area which Subir can highlight to you. Subir go ahead what is the other exposure that we have towards Railways?
- Subir Pal:** One big business line is the Propulsion Converter which goes inside locomotives and also something that goes with every train would be the auxiliary converters which powers of the utilities of the train and associated various other power electronic converter panels that goes with it in terms of air-conditioning, etc., So those converters are delivered by us, we have been a steady supplier of this equipment, but besides this there are other products also that is part of ABB's portfolio locally and globally which is called the DC wayside rectifier which power up the metro rail segment track lines. So that is another business possibility with metros.
- Bhavin Vithlani:** So we are not in the traction motors and these items, so any plan of getting into these product lines?
- Subir Pal:** This of course we continue to evaluate as the business develops and without forecasting on the future I can say it is one of the areas of interest which is under evaluation.
- Bhavin Vithlani:** We would be suppliers to GE and Alstom for the new factories. Have we been tied up with them for some products as well?
- T.K. Sridhar:** Bhavin, we do not give very specific confirmation about customers or our orders, so we would not like to comment on this, Bhavin.
- Moderator:** Thank you. The next question is from the line of Gaurav Sanghavi from Bajaj Allianz. Please go ahead.
- Gaurav Sanghavi:** If we look at raw material cost as a percentage of sale, it has started moving up in the last couple of quarters. If you can just help us to understand the same?
- T.K. Sridhar:** I think we have been always maintaining that we will be in the bandwidth of 65% to 66%, I think the movement has been in that particular band and it depends on what is the order mix between projects, products and services and that basically is the cause. We do not see any cause of concern at this point of time on this.



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**Gaurav Sanghavi:** But do we see any improvement because of some internal cost measure or some internal initiatives if you can ...

**T.K. Sridhar:** Our operational excellence initiative continue unabated. So we will focus on the localization part of it and also the hard core cost reduction part of it as well.

**Moderator:** Thank you. That was the last question. I now hand the conference over to Mr. T.K. Sridhar for his closing comments. Over to you, sir.

**T.K. Sridhar:** Thank you, Ladies and Gentlemen for joining this Q3 Results Call. If you still have some unanswered questions, so feel free to write to me or Manashwi we will be able to get back to you quickly. Thank you so much management team who was able to take some time out to attend this.

**Moderator:** Thank you. On behalf of ABB India, that concludes this conference. Thank you for joining us. You may now disconnect your lines.