



## “ABB Limited’s Investor Relation Conference Call”

**November 6, 2012**



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**Moderator**

Good evening ladies and gentlemen, I am Inba, Moderator for this conference. Welcome to ABB Limited's Investor Relations call to discuss the Q3 results for 2012. For the duration of the presentation, all participants will be in the listen-only mode. I will standby for the question and answer session. If you should need any assistance during this conference call, please signal an operator by pressing \* and then 0 on your touch-tone telephone. Please note that this conference is being recorded. I would like to hand over the call to Mr. Vikram Kanth – thank you and over to you sir.

**Vikram Kanth**

Thank you. Good evening ladies and gentlemen. Welcome to ABB India's Q3 results for this year. With me I have Mr. Bazmi Husain, who is the Managing Director of ABB India; Amlan Datta Majumdar – the CFO; I have Narayanan, our colleague who heads our discrete automation and motion business; Priteesh Mahajan, who heads the process automation business and Madhav Vemuri who is the country service manager. To begin this call I give the floor to Bazmi to share the results and give you an overview and then joined by Amlan Datta Majumdar. Thank you

**Bazmi Husain**

Thanks Vikram. Good afternoon ladies and gentlemen and welcome to this ABB telephone conference. Quarter three has been a very challenging quarter for the Indian economy, especially the industrial sector. This is characterized by a lot of delays in a difficult market that have been there, especially for larger projects. Also delays in currently executing projects. However, I think I am very pleased to tell you that from a revenue basis we are marginally up compared to the same quarter last year, 3 percent up, so more or less flat I would say. And on a profit after tax basis we are 4 percent down compared to last year. Now, if you look at sector-wise or division-wise performance for us I would say the good news is that all our product divisions – the power product, the discrete automation and motion and the low voltage products – because of the strategy that we have had since last year, have really been focusing on our 'in country, for country' initiative. We are looking at products which are really cost-competitive in the Indian market, taking the cost out of our system, improving on the operational excellence and supply chain management areas; because of all these initiatives and the three strategies that we have had, which is really looking at people, productivity and products. We see really good performance in the product businesses even in this environment, when it comes to our system businesses the power systems and process automation. As I mentioned earlier, there have been delays in projects, especially customer initiated delays, and because of ABB's accounting policy that we follow, where we are really conservative, that all the cost due to the delays in this project we have taken upfront as per our standard accounting policies and you see that reflected in the result.

In the process automation area I would say that that is main cause of the depth that we have had in the profitability. After several quarters of growth I think there is a dip that we have got, and as I mentioned, this is not due to cost that has been incurred, but cost that we anticipate. Because of the delay, of course we have negotiations with the customers to be able to mitigate these delays, but our accounting policies are such that we take this upfront.



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Process automation is a mix, because like I had mentioned last time, there are a few projects that we have had in the core business that we have where we have had some cost overrun; partly that and partly also project delays have contributed to that, where we have, according to our accounting policy, taken that upfront. So, I think our backlog remains healthy, the good news is that I think since the end of September there have been some good signs in the markets, some good policy changes that have been announced by the government from investor friendly changes and you could all see the investor friendliness of these things that made the market react in a very positive way, so I think we feel that, yes, this is the debt, but our medium to long-term expectation of the market remains actually quite strong.

So, all in all I would say that in the given environment, this is good performance. We have also kept to our tradition of being conservative with our accounting and even the potential exposure that we might have had was prevented because of taking the delays upfront; and our backlog remains very healthy, a fully executable backlog and I think that is good. On the order side we have had a dip, we have had a very substantial dip in the reported numbers of 33 percent and I just want to touch upon that a little bit. Again, if you look at, for example in discrete automation and on the low voltage side we do see growth. On the power side, as I mentioned, delays with the customer side not announcing new projects or not proceeding with them, this has been a cause of many delayed projects there. We are already L1, but the project closure of getting all the paperwork has not yet happened.

We must also remember that in Q3 of last year we had some very large projects that we got and Q3 of last year we had announced **Isolux** project which was an over-800 crores project, and so that's another reason which has resulted in a dip in the overall orders. The good news however, is that the base orders have grown compared to the same period last year, so it is on account of large projects that we see the depth. As the market begins to improve, and your guess is as good, if not better than mine, as to when the markets are going to improve, but I do not think it is very far away. We will see the big project coming back too, so our focus on base product is really beginning to yield results. In summary, I also said that our focus that we had of bringing our cost down, developing new products for the market, is clearly beginning to show in our products businesses, so I think we are prepared very well for the turnaround. I think the market will turn back up and we are certainly much better prepared to take advantage of growing market. So, with that, what I am going to do is, I am going to ask my colleague Amlan to give you other bit of details from the numbers perspective and then we can have some Q&A, thank you.

**Amlan Datta Majumdar**

Thank you Bazmi and good afternoon ladies and gentlemen. Welcome to ABB September quarter results call. Thanks for making your time and attending the call. Before I take you through the results, it would be very pertinent to mention and recap the macro environment that we are living in. We all know about the inflation and the interest rate not softening surely, because inflation is still hovering around 10 percent and the RBI as we all know, is hesitant to soften the rate and this is a little bit of the chicken and egg story – we do not know which one is greater but that's the condition we are in. The IIP has been looking pretty bad though the



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August month has been slightly better, but if you look into the capital goods sector within that, I mean, I think the optimism is extremely low, I mean whether we look at power or industry, the mood is not so high and the investor's sentiments are low, so that's the given situation that we have. In addition to that, rupee volatility is not really going away, it is hovering around 53 but it is hard to predict whether it will come down to the 51 level as some are predicting, or it will remain at the present level by end of the year.

We have seen some policy reforms from the government in recent times, but we have to carefully, but in an optimistic way, observe if that is going to yield results soon or it is going to take a little bit of time. We are not yet hearing very strongly about reforms like GST and company's bill which could have been a great support for the industry but we would cautiously optimistic on the reforms that we expect to follow. In the market, due to this macroeconomic situation, another thing we had been witnessing for the last two quarters, and it has only become stronger during the current quarter, is that in spite of a lot of cash available in the system, the movement of cash has been slow and across the companies and sectors which are announcing results we are seeing that companies are sometimes struggling for cash and ABB also worked in this environment, while we are doing relatively better so far.

Coming to the performance of ABB for the quarter, as Bazmi rightly said, this has not been the least challenging quarter, this has been a very challenging one – not only for ABB. It is also about the industry and economy as a whole. Apart from global impact, that we already discussed, the current market scenario is not really good. There have been very few large orders in the market, especially in the area where we are operating, so our order, if we sell by 33 percent as you would have seen, but I would say that just picking the number of 33 percent may not be a very appropriate comparison, yes this has not been a good quarter in terms of orders, but if you compare with September quarter of the last year, we had, as Bazmi rightly mentioned, the **Isolux** order of 800 crores, and if you remove that I think we are very much closer to what we did in the same period last year. But having said that, we expect some large mega orders to come our way soon and then things should look better than it was in this quarter.

Coming to the revenues, we had a moderate drop, we have a moderate gain and that gain, why it is moderate, one of the reasons is, we have, right now, a focus of cash over revenues. In this credit risk that we see in the current market where many infrastructure companies, and some of our customers are, the balance sheet is highly stretched, we decided that we will be very cautious in maintaining and securing the future of our stakeholders. So for us, first securing ABB's interest and its shareholder's interest is important, rather than trying to show a growth in the revenues. So the revenue growth was moderate, we could have done more but then we decided to stay with that and the growth has been in the power divisions. The growth has been reasonably flat and so has automation, if you take power system, power products together and if you take personal automation, LP and DM together, LP and DM together are pretty flat, slightly growing and process automation of course is very much impacted by the market condition for process industries.



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Coming to the profits – Our profitability for this quarter, profit before tax came down by 15 percent and profit after tax by 4 percent, but this includes our foreign exchange loss of 30 crores in the current quarter as against 8.5 crores gain in the same quarter in the last year, so given the volatile FOREX situation, if we remove the impact of FOREX, that's the way we normally try to assess and benchmark ourselves, I think in spite of all the issues that we have seen in the quarter in the macro environment, our profitability that way has been better. So, we are very happy about it. When you look at our results you will understand from the income statements that our material cost has now stabilized around 70 percent coming from a 75-76 percent, or even higher a couple of years back. We have been talking to you for the last two years about the various initiatives in operation and excellence and supply chain management that we have been taking. We have discussed with you sometimes that we have gone for hiring the best people in the industry in this area to strengthen ABB's value and we are very happy to inform you that this is now beginning. I mean, we have seen it last quarter, this quarter looks even better from that perspective. We are happy that we are able to turn around and move towards a more positive direction.

In terms of expenses we had told you in our call in August that since middle of the year, when we saw the macro environment declining, we took very stringent cost control measures and that covers multiple areas, and we say that please wait for some time and we will see benefits coming in, and again I am very pleased to inform you that our expenses are pretty much flattening up. If you see our personal expenses which are actually lower and if you look at other expenses, which includes 30 crores of foreign exchange loss sitting there, if you take that out, actually our other expenses are again flat or better. So, we are very happy that we could get some control over our expenses, which is very much required in today's environment and our material costs are stabilizing. Apart from what we see in the near term, as we have always said, ABB has a long-term view of the Indian market and we are always preparing ourselves for the long term and we are great believers in this market, we understand, as Bazmi rightly said, that large projects are going to come back soon and when they come back we are very happy to say that we are exactly ready to really reward all our stakeholders with much better performance, which will be supported hopefully by the market.

On this one point I must say that our cash flow for the quarter has done exceedingly well, as compared to the same quarter, say, last year period and cash flow, if you see. We have been somehow able to manage our cash in spite of huge challenges in the market to a large extent, so we expect that this trend will continue and as and when the market bounces back, our results will look more attractive than it is looking today.

On an overall basis I would say that our OPEX, SCM initiative, our HR initiatives, what we talked about, that having the best talent, retaining the best talent and engaging environments on being offered to them, and our strength in technology entering into the new market, the niche market areas, new business lines are really successful. Our service and exports businesses are doing pretty well and so, overall as a company, we look more confident today



than we were ever before so I think that could be a good briefing for you and we can now go to the questions. Thank you very much guys.

**Moderator**

Thank you very much sir. We will now begin the question and answer session for investors. Our first question is from Renu Baid of B&K Securities, please go ahead.

**Renu Baid**

My first question is pertaining to the change in the FOREX policy that we have done and the FOREX amount that you mentioned for the quarter. I think sir mentioned that there was approximately 30 crores of FOREX loss in the current quarter but if we look at the press release, you have mentioned that there is a change in accounting policy and YTD approximately 13 crores have been added back to PBT so I just wanted to align these numbers because if we add back or if we deduct 13 crores from PBT it comes to barely about 18.5-19 crores of PBT for the current year, which is much lower. So, if you could throw some light in terms of what is going to change in accounting policy and how do you see the impact going forward?

**Bazmi Husain**

See, first of all, as we know, in ABB we have a very conservative FOREX accounting policy. All our commitments in the purchase and sales side, we hedge it at the point of commitment; that means we do not have any room to speculate in foreign exchange; that has been our policy. Sometimes you suffer for that, but in the long-term, you do not, actually you gain. Having said that, see we were as per AS11 and AS13 issued by the institute of chartered accountants. The valuation of embedded derivatives is not mandatory in India. Actually we have checks from the public domain none of our peer companies, and for that purpose, none of the company's value embedded derivatives, and when you value embedded derivatives, this will impact your profit and loss account either with a profit or a loss and when the rupee is highly volatile and if the transactions are higher this can affect you very highly. The reason we have introduced the policy way back in 2008 while nobody else did, we thought that IFRS would be coming soon and this is a requirement as per IFRS. Now, when we found that this is not going to happen as we are not being assessed at par with other companies because we have these volatile impact in our results when this embedded derivative is valued, so we decided to discontinue that will have an impact of 13 crores as you rightly read in our press release. Having said that, this is not the only FOREX impact: you have realized gain, you have unrealized gains, other than embedded derivatives. The impact, excluding embedded derivatives, included in our other expenses in the result is 30 crores loss for the current quarter as against 8.5 crores profit in the last quarter. So, if embedded derivative valuation had come, then our loss on account of FOREX would have been 43 crores instead of 30 crores.

**Renu Baid**

So, essentially embedded derivatives covers the derivative contracts involved in the order book which could be spreading across 12 to 18 months not just the year of execution itself or the current accounting year itself.

**Bazmi Husain**

Yes, I mean it depends because see, at the end of the day these are all notional numbers. As you know, things have no impact on the final contract margin, so depending on what period it



spills over, you will be either getting a gain or loss in the interim period, but at the end of the contract this has no impact.

**Renu Baid**

Sir, my second question is as you mentioned in the last quarter as well as in the current quarter that in anticipation of cost overrun or cost increase we have provided for this cost and hence, lower margins. Is it possible for you to broadly share with us, because even if you knock off these losses, other expenses are still approximately 300-odd crores in the current quarter, so what has been the total provision that we have made in our financials pertaining to these likely cost overruns across projects in the power and process side.

**Bazmi Husain**

Are you talking about the current quarter?

**Renu Baid**

Yes, the current quarter and if possible for YTD as well?

**Bazmi Husain**

See, there are certain details that beyond a point we would not really like to share because it may not help so much, but since you have asked the question, we have, see it is very difficult to answer like that, I will tell you why. I will tell you why about the loss I have incurred, but in other contracts we have also gained. We have met significant improvement in margin and some other contracts, so it is about 30 crores loss that we have booked in some projects while we have also gained say about 15 crores in some other projects, so debt is always a continuing number till you come out of this difficult phase, a contrast which is partly created by the macro environment, partly by where we should improve.

**Renu Baid**

So, approximately, it could be a 15 crores kind of number in the current quarter which would be net of?

**Bazmi Husain**

Yes, I would say that will be a right number to take.

**Renu Baid**

You mentioned that you would expect large ticket size orders, probably large, mega orders in pipeline, so if you could just throw some light in terms of from which segments are we expecting the order flows and how is the pipeline looking in terms of medium and large projects for the next 12 to 15 months.

**Bazmi Husain**

I think we are looking basically all across almost every industry, power, or let's say process industries have a lot of projects that are announced, they have reached a certain level, our progress is done and I am not going to name specific projects because the data is available that you can also refer to, so we see a lot of orders, a lot of projects that are already announced and they will happen, but they are delayed okay, so that is one thing and that goes across whether it is substation projects, PGCIL has announced a lot of new investments, those will be coming soon. We have new power projects that are announced, those are also going to be coming up. We have expansions and many of the process industries, cement for example, are looking at expansion, but I think the general economic sentiment, I think the market sentiment has to improve before those will come around, but there are also new opportunities here too for



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example, you are well aware of solar being a very fast growing area in India, in fact, we have also, got an order well over 300 crores for solar projects and we see a lot more of those in the pipeline, so I would say if you look from, which are the projects that are announced, I think there is plenty of those, but it is, I would say, in the last quarter especially, the sentiment that went down has delayed projects and many of those, till the second quarter even on orders we were growing.

**Moderator** Thank you very much. Our next question is from Sandeep Tulsian of JM Financials, please go ahead.

**Sandeep Tulsian** You mentioned that the base orders per quarter, you are seeing a sustainable kind of a growth rate over there, so could you just provide us broadly in terms of your order inflow, break up of these 1680 crores, what percentage does the base order form of this particular inflow number and what has been the growth rate on a Y-o-Y basis in the third quarter and also in the first nine-month period for base orders only.

**Bazmi Husain** For the quarter I would say about 80 percent of the orders that we have got in this quarter are base orders, so this order intake value is largely base orders, yes.

**Sandeep Tulsian** I would just like some clarification, this base order classification is the same right, \$15 million as in line with....

**Bazmi Husain** That is correct.

**Sandeep Tulsian** And what is the Y-o-Y growth number for this?

**Bazmi Husain** Well, about 10 percent.

**Sandeep Tulsian** For the quarter?

**Bazmi Husain** Yes that's correct.

**Sandeep Tulsian** What would be the similar growth rate in the first nine months? And secondly, if you could highlight for power systems, since we have reported a loss in this quarter. What kind of margins do you feel are more sustainable going over the next two to three quarters, or do you expect these cost overruns to continue over the next two quarters until and unless you turn profitable again in this segment?

**Bazmi Husain** Alright, first of all, good try, but we do not give forward-looking guidance, okay, we don't do that. Now, coming back to your question about do we expect these cost overruns to continue, alright. Like I mentioned, we see delays in projects, we make an assessment of that, we have an accounting policy which says when we see a delay we provide for it upfront, that does not mean we expect that for a cost to happen, in many cases and as Amlan mentioned, we have





had a lot of improvement in results, so we do see this is a function of when the economy begins to recover, we do believe that there are a number of significant steps that the government has taken for the economy to rebound and I think as soon as that does, I think we will be back on track.

**Sandeep Tulsian**

Alright that's it from my side, if I can just get the Y-o-Y growth number for nine months base orders it would be great.

**Bazmi Husain**

Well, the year-on-year number is about 5 percent, compared to let's say last year for the nine months on the base orders.

**Moderator**

Thank you very much. Our next question is from Indrajeet Bhatia of Macquarie, please go ahead.

**Indrajeet Bhatia**

Continuing on this question about the mega orders and you talked about improvement. Though you touched upon some sectors where it can come through, is it more on expectation that the government has started to talk about policy changes or have we actually seen bidding activity pick up significantly and some of these orders getting invited. Second part to that question is, have you seen this activity improve primarily from the government side or even the private sector projects have also started to talk about capacity expansion and potentially the bids coming out from their side.

**Bazmi Husain**

Well, I think it's a mix, let's say and it goes across different industries, has different reactions. Cement for example, clearly talking about expansions, new capacities are coming up. I think when it comes to other sectors, whether it is private or government, I think most of the transmission in this country is a public sector driven thing and that is coming from the public sector. You are also aware that after a great problem that was there some months ago there has been, in public domain, a document about the proposed kind of investment that has to be made to make bids more stable. So, those are projects I think are absolutely going to happen. A lot of power generation capacity, which steps are being taken to ease the availability of coal etc., I think many of those projects will also accelerate, so basically the issue is really not so much a basic change for the infrastructure policy, but I think the general sentiment in the market is to improve and I think these projects will then go on.

**Indrajeet Bhatia**

Two questions, one is because of the rupee depreciation vis-à-vis kind of 12 months back, have you seen a change in the competitive intensity, especially from the foreign players, that's one. And the second is, have you seen or what could be the time line when you expect some of the state governments to kind of look to start reinvesting in the opportunity on the T&D side, given the restructuring package that you have been talking about and that ABB has a significant play in that kind of a market, or is it very low end for us to participate.

**Bazmi Husain**

No, not at all, one other thing clearly we see has a lot of growth area is this IBDF, Input-Based Distribution Franchisee, projects where a number of cities in India would actually be



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privatized at the distribution level. ABB is equally strong in the distribution segment as there is more privatization, as there is a focus on improving their efficiencies and the quality of supply. I think ABB is in a very, very strong position there, that was a market that I think is now beginning to come up in India so we are absolutely ready for it. I think I shared with you last time that we are in the process of investing in setting up a new factory for dry-type distribution transformers. It is a brand-new factory, which we are setting up in preparation for the distribution reforms and it seems like IBDF will come up more in India.

**Indrajeet Bhatia**

On the competition side, especially the foreign competition?

**Bazmi Husain**

Well, the thing is that the competition will always be there. There have been, initially when PGCIL project there was a lot of competition and there were a lot of imports, PGCIL made a requirement that there has to be a significant amount of value addition in all the manufacturing in India, so lot of new competitors from the East are putting up factories in India, so once you put up factories in India then of course, I mean it is only the direct imports that are more impacted and the rupee goes up and down **(Inaudible) 37:25**. And we have been focusing a lot on the 'in country, for country initiative' that I have been mentioning several times. So, from a direct import perspective, surely rupee depreciation will help the local players, but on the other hand, rupee depreciation has other impacts as well. Global commodity price has softened, but in India we were not able to take advantage of it because of the depreciating rupee; so these things work in more than one way.

**Moderator**

Thank you. Our next question is from Nirav Vasa of SBI Caps Securities, please go ahead.

**Nirav Vasa**

First thing that I wanted to know is that in the order backlog that we have of 9,062 crores, what would be the quantum of slow-moving projects, if you can quantify that in percentage terms also it would be fine.

**Bazmi Husain**

To confirm, the whole of order backlog is live and executable, so there is no confusion on that front. Number two, about 58 percent to 59 percent of our order backlog is generally based on project type of business, that is process automation and of course power systems. On the product side the movement is slow. In general, the economy is like that but we do not see a very significant problem. On the project side there is no specific project which is going slow *per se* but if you look around, most of the large infrastructure projects in which we participate are going slow across the country, whether it is for financing reasons or it is for right of way of our land acquisition, but generally there is no scare in the system but everything is moving a little bit slow, if your question is, is there a problem project in that, very categorical answer: no, right now.

**Nirav Vasa**

Second question, in the opening remarks you informed that your L1 in certain orders so would it be possible for you to throw some light on that and I would also like to know what is the advance that we have received in the first nine months.



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- Bazmi Husain** Regarding being L1, I can tell the L1 in a number of projects. First, it is our policy not to talk about it till the orders are finalized and they are awarded, so sorry, but would not be able to tell you the **details of these orders**.
- Nirav Vasa** Can you help me with the advance that you have received in the first nine months from customers please?
- Bazmi Husain** One thing for looking at our backlog, I think what Amlan had mentioned earlier also, is that we have had a clear policy of, given the market situation, of number one, putting cash over revenue, so we would rather keep the backlog in revenue, because we need to make sure that our money is secured, number one. The second focus that we have had is really to keep our cost under control, so whether it is personnel cost, whether it is other cost, we are trying to keep that as well as much under control as possible, so I think the bottom line is that this puts us in a much better position to really take advantage of the upturn in the market as and when it happens.
- Amlan Datta Majumdar** Yes, you wanted the advance from customers fixed in the range of 80 crores.
- Nirav Vasa** In first nine months.
- Amlan Datta Majumdar** In nine months.
- Nirav Vasa** What would be the retention money that is stuck with the customers right now?
- Amlan Datta Majumdar** See I haven't tried in front of me but I think it will be unfair if I give very specific information on specific items on the balance sheet when we are not officially declaring that. See, I will tell you, about 40 percent of our receivables are retention, but we don't have a receivable figure right now and unfortunately I can't give you right now, but it is not very different from what you have seen in the last quarter where you have to look at the balance sheet.
- Nirav Vasa** Are you facing any delays in getting the retention money from customers?
- Amlan Datta Majumdar** We are having problems in getting any money from any customer because – I am sure our suppliers might say the same thing – because general movement of funds, what I said in my opening statement – the market is slow, not that there is no money, everybody has money, but the cost of money is in the range of 12 to 13 percent, so there is a general reluctance to give away the money, so this problem is there all over, I am sure we are not the only exceptions.
- Moderator** Thank you. Our next question is from Madan Gopal of Sundaram Mutual Fund, please go ahead.
- Madan Gopal** I am seeing improvement in your low voltage business, last six quarters have been good in terms of growth at least 11 to 12 percent in the last three quarters and margins also kind of



stabilizing at around 5 percent and improving in this quarter. Can you give some details like first I want to understand what you classify as low voltage products and which segments of the individual industry is giving you this kind of a growth and as well as improvement in margins.

**Bazmi Husain**

Well, low voltage, you can say anything that you see which would be like about 1,000 volts and below would be low voltage for us, okay. What are the kind of products are breakers, switches, which is MCBs, we are also into home automation, we are into wiring accessories, we are into control products, so basically various kinds of relays, etc. So that's a full range. What we have done is, this is something as I said earlier, on that much of, let us say about goals in the distribution is also low voltage effort. And we see as a growing need in India, with all the... let's say when you see all the malls coming up, you see all the housing coming up and the condominiums that are coming up, I think we serve that market with our low voltage products. This is a growing market in India where core requirements of this market segment are getting to be higher end. ABB has a poll position globally in many of these things, things that you may not know, but things like the miniature circuit breaker, the MCBs that you find in so many homes, pretty much all of these offerings are available in India., we have been in this business for well over 100 years, it is not a new business for us. Today, same time third quarter of last year, we expanded our MCB manufacturing lines, today we have capacity of about 12 million poles, next year we are doubling that capacity to 24 million poles. Already we have a capacity which is number two in India, starting for about, let's say a little lower a decade ago, where we had no capacity for that, so we have grown from scratch to number two today and within a year we will have the highest capacity in the country.

**Madan Gopal**

So, it is not into actually the ACB distribution, it is primarily the households, the residential, commercial and IT-ITES kind of projects.

**Bazmi Husain**

Also industrial but the industrial would be more, we are not talking at the high voltage level, but then in the plant distribution, a lot of the low voltage equipment will also be used.

**Madan Gopal**

You mentioned, to another caller's query you said, the power generation, if coal availability is made, those policies get cleared, you will see these projects which are stuck moving so the question that I have is there are many projects where the boiler, turbine, generator packages have been ordered to those projects. So, do you mean to say the discrete automation systems or discrete automation products for these projects have not yet been ordered out so that is an opportunity that you are seeing?

**Bazmi Husain**

It varies across project to project, but what is common across all projects is because of the other issues there is a slowdown, these are not projects that have stopped but they have slowed down, many of the projects are slowed down. So, we do not see, that's why I have been saying that we do not see this as a problem in the long run, I think we are going through a temporary phase, well how temporary it is going to be. I think we all know that it depends on multiple issues, but I think they will have to be addressed and they will be addressed.



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- Madan Gopal** So, is it in automation systems or is it for discrete automation products that you are receiving opportunities?
- Bazmi Husain** We served these markets with the whole range, with all the motors and drives and everything, if you have to keep in mind that in an industry whether it is power generation, or whatever the maximum amount of electricity is consumed by various motors and ABB makes not just the motors but also drives; those are devices that control how motors run, to make them run more efficiently.
- Moderator** Thank you very much. We will take our next question from Chinmaye Gandhre of K.R Choksey, please go ahead.
- Chinmaye Gandhre** Had you not changed the accounting policy on the derivatives your FOREX loss would have been 43 crores.
- Amlan Datta Majumdar** Yes, that's true.
- Chinmaye Gandhre** And on the segmental results which you have given those are inclusive of FOREX component?
- Amlan Datta Majumdar** Yes.
- Chinmaye Gandhre** So how would you spread 43 crores among those segments broadly if you could?
- Amlan Datta Majumdar** See, let me first say that the current year that is quarter end September and the nine months ending September these two columns in the segment-wise results are not having valuations of embedded derivatives, so that means it has the impact of the change. While, as you know, we are not allowed to restate the earliest period figure, we are not allowed by law. Now, I would not really like to give details of segment-wise numbers in this area, because we do not disclose too much of detail on the segment-wise results, but if I look at it I can tell you generally all the distribution is very much in line with the results that you see after the impact, except the discrete automation and motion division got very badly hit by FOREX loss, so actually their results are much better if the FOREX loss had not been there. So, otherwise it is in very much the pattern of the distribution thing. Just for your information, if we had changed this accounting policy one year back, that is in September 2011, our results, I do not want to give you specific number, then our results, that means if you have changed last year, the last year's revised results and the revised results as you would have already seen in this year, our results would be very, very much better that I can tell you.
- Chinmaye Gandhre** And regarding customer delaying payments, liquidity customers data that is there in the system, I mean would you like allocated to specific sectors clients, if you would like to throw some light on that.



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- Amlan Datta Majumdar** See, in general everywhere there is a problem, but who are most affected are those in the infrastructure sectors because their requirement of money is high and also they have a problem in that a lot of clearances they need, obtain from government and other agencies, so they are impacted very severely, so their projects are getting slower, in turn we are getting impacted.
- Chinmaye Gandhre** So this would also continue in Q4?
- Bazmi Husain** It is hard to say, you have to ask somebody elsewhere, but yes, our expectation is being still improved, because we can see some changes in the government policies, government looks more optimistic, more determined and I hope that other parts of the society understand the compulsions of this country and the industry.
- Moderator** Thank you. We will take our last question from H R Gala of Quest Investment Advisor, please go ahead.
- H R Gala** Just to get the data point right based on the disclosures that you have been making in the conference call, is it the right number that in nine months of this year we have a total exchange loss of 54 crores, not including that 13 crores because of change in accounting policy.
- Amlan Datta Majumdar** 54 crores – where are you getting that from?
- H R Gala** You had declared this number as 33 crores in the first quarter, then 9 crores gain in the second quarter and now in the third quarter we are seeing it is a 30 crore loss, so I am just adding these three numbers.
- Amlan Datta Majumdar** This gets reversed, some part of it gets reversed and rebooked, it is not an addition.
- H R Gala** Yes, I understand so can you give what would be the nine months number.
- Amlan Datta Majumdar** It is actually the nine months number, just hold on I will give you the nine months number. You want, see I will tell you. First of all, for the accounting policy change we have made, the impact is same for the quarter nine months.
- H R Gala** Okay, that we will ignore, yes.
- Amlan Datta Majumdar** That is 13 crores. The impact for nine months is yes 53.9 crores, yes you are right.
- H R Gala** Okay so I was not very much off.
- Amlan Datta Majumdar** Yes, you are right, thank you.
- H R Gala** And corresponding nine months of CY11?
- Bazmi Husain** Corresponding nine months of CY11 was flat.



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- H R Gala** Flat, right my number is just Rs. 50 lakhs.
- Amlan Datta Majumdar** I have Rs. 42 lakhs, you are very much closer to my number.
- H R Gala** Now, if we see the normal pattern of our run rate of either revenue or profit, say in these nine months we have done 120 crore PAT reported number, which is roughly say a run rate of 40 crore a quarter. Now, if you see the CY11 total PAT it is about 185, so we are adding substantial amount of profit in the last quarter. My simple question is that based on whatever executable orders that we have on hand, which we are likely to execute in Q4, do you expect a similar pattern?
- Amlan Datta Majumdar** See, as you know, we do not give guidance, but if you see a pattern in that, I do not know of any reason why this pattern would change, but you are seeing a pattern in that.
- Moderator** Thank you very much. I would now like to hand the floor back to Mr. Vikram Kanth for final remarks.
- Vikram Kanth** Thank you ladies and gentlemen for joining us for this call. Should you have any questions, please feel free to email me for any questions to be answered. Thank you and have a wonderful evening.
- Bazmi Husain** Thank you.
- Moderator** Thank you very much sir. Ladies and gentlemen thank you for choosing Chorus Call Conferencing Services. This concludes this conference for analysts. For further updates on ABB in India you can follow ABB India on Twitter, the account name is @ABBIndia. Thank you for your participation and you may now disconnect your lines. Thank you and have a nice day.