

Directors' Report

Your Directors have pleasure in presenting their Seventy First Annual Report and Audited Accounts for the year ended December 31, 2020.

1. Financial Results:

Particulars	(₹ in Crores)	
	For the year ended	
	December 31, 2020	December 31, 2019
Profit before tax and exceptional items	230.59	515.35
Profit before tax and after exceptional items	289.38	445.65
Tax expense:		
- Current tax	71.71	130.32
- Deferred tax	(1.55)	11.93
Profit after tax	219.22	303.40
Other comprehensive income/ (loss) (net of tax)	(28.18)	(3.82)
Balance brought forward from previous year	834.90	798.11
Amount available for appropriation	1,025.94	1,097.69
Demerger adjustment	-	(149.93)
Change in Accounting Policy (Net of Tax)	(3.05)	9.77
Appropriations:		
Equity dividend paid	101.72	101.72
Tax on equity dividend paid	-	20.91
Balance carried forward	921.17	834.90

2. The Corona virus (COVID-19) pandemic:

As Members are aware, since March 2020, the Country/World has been seeing the impact due to COVID-19 pandemic. With a significant increase in number of cases in early 2020, the Government has been taking various measures including a national lockdown for three months to contain the virus which in turn affected economic activity in the Country. Your Company has taken various measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees (e.g. social distancing, personal hygiene, working from home) and securing the supply of materials that are essential for production process and virtual technology in testing, commissioning, etc. to ensure business continuity.

3. Dividend:

Your Directors recommend payment of a dividend at the rate of ₹5/- (Rupees Five only) per share for the year ended December 31, 2020 on 211,908,375 equity shares of ₹ 2/- each.

4. Share capital:

During the year under review, there was no change in share capital of the Company.

5. Performance review:

During the year, orders from continuing operations touched ₹5,932 crore as against ₹6,970 crore in the Previous Year. The year 2020 was a year of unprecedented challenges, but the Company's agile business model helped to navigate headwinds and deliver consistent profitable performance for the year. The order backlog at the end of the year held steady at ₹4,114 crore which continued to provide visibility to the future revenue streams. The revenue from continuing operations for the Company for the year 2020 stood at ₹5,821 crore as against ₹7,315 crore in the previous year, reflecting a year of unprecedented changes brought about by the pandemic. For the full year, the Company's profit before tax stood at ₹304 crore (after accounting for net impact of ₹34 crore due to exceptional and one -off items) compared to ₹444 crore in 2019. Profit after tax for the year was ₹230 crore as compared to ₹302 crore last year. On an overall basis, the catalysts for improved profitability include efficient opex management, better mix, improved service and product revenues, supported by a sharp focus on cost savings. The earnings per share for 2020 stood at ₹10.87 per share as compared to ₹14.26 per share in 2019 for continuing operations without Power Grids.

For detailed analysis of the performance, please refer to the Management's Discussion and Analysis given in **Annexure - A**, forming part of this Report.

6. Annual Return:

As per provisions of Section 92(3) of the Companies Act, 2013 (the Act), the Annual Return of the Company is hosted on the website of the Company. The same can be accessed in web-link: <https://new.abb.com/docs/librariesprovider19/default-document-library/annual-return-fy-2020.pdf>

7. Board Meetings held during the year:

During the year, 7 meetings of the Board of Directors were held and one meeting of Independent Directors was also held. The details of the meetings are furnished in the Corporate Governance Report.

8. Compliance on criteria of independence by the Independent Directors:

All Independent Directors of the Company have given declarations to the Company under Section 149 (7) of the Act that, they meet the criteria of independence as provided in Sub-Section 6 of Section 149 of the Act and also under the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and that their names have been included in the data bank of Independent Directors as prescribed under the Act. In the opinion of the Board, the Independent Directors of the Company possess necessary expertise, integrity and experience.

9. Remuneration Policy of the Company:

The Remuneration Policy of the Company for appointment and remuneration of the Directors, Key Managerial Personnel and Senior Management of the Company along with other related matters have been provided in the Corporate Governance Report.

As and when need arises to appoint Director, the Nomination and Remuneration Committee (NRC) of the Company will determine the criteria based on the specific requirements. NRC, while recommending candidature to the Board, takes into consideration the qualification, attributes, experience and independence of the candidate. Director(s) appointment and remuneration will be as per NRC Policy of the Company.

A Statement of Disclosure of Remuneration pursuant to Section 197 of the Act read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is given in **Annexure - B**, forming part of this report.

10. Dividend Distribution Policy:

As required under the Regulation 43A of the Listing Regulations, the Company has a Policy on Dividend Distribution. This Policy can be accessed on the Company's website at www.abb.co.in

11. Particulars of loans, guarantees or investments under Section 186 of the Act:

Your Company has not borrowed any loan or provided any guarantee and / or made any investment within the meaning of Section 186 of the Act during the year under review.

12. Amount, if any, proposed to be transferred to Reserves:

During the year under review, the Company has not proposed to transfer any amount to General Reserves.

13. Material changes and commitment, if any, affecting financial position of the Company from the end of Financial Year and till the date of this Report:

There has been no material change and commitment, affecting the financial performance of the Company that occurred between the end of the Financial Year of the Company to which the Financial Statements relate and the date of this Report.

14. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

The particulars as prescribed under Section 134 of the Act read with Rule 8 (3) of the Companies (Accounts) Rules, 2014, relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo are given in **Annexure - C**, forming part of this report.

15. Risk Management Policy:

The Company has a Risk Management Policy and constituted a Risk Management Committee as required under Listing Regulations. The Committee oversees the Risk Management process including risk identification, impact assessment, effective implementation of the mitigation plans and risk reporting. The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to enterprise risk management.

The details and the process of Risk Management as implemented in the Company are provided as part of Management's Discussion and Analysis which forms part of this Report.

16. Corporate Social Responsibility (CSR) initiatives :

The Company has a Policy on Corporate Social Responsibility and has constituted a CSR Committee as required under the Act for implementing various CSR activities. Composition of the Committee and other details are provided in Corporate Governance Report. Education, Access to Electricity, Health Care, Environment, Skills Enhancement for creating employable opportunities for the differently-abled personnel, etc., are the focal area under the CSR Policy.

The Company has implemented various CSR projects directly and / or through implementing partners and the projects undertaken by the Company are in accordance with Schedule VII of the Act. During the year under review, the Company has spent the required amount on CSR activities.

Detailed report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is given in **Annexure – D**, forming part of this report.

17. Annual evaluation of Board, its Committees and Individual Directors:

The Board of Directors has carried out an annual evaluation of its own performance, its Committees and Directors pursuant to the requirements of the Act and the Listing Regulations.

Further, the Independent Directors, at their exclusive meeting held during the year, reviewed the performance of the Board, its Chairman and Non-executive Directors and other items as stipulated under the Listing Regulations.

18. Audit Committee:

The details pertaining to composition of the Audit Committee and terms of reference are included in the Corporate Governance Report, which forms part of this Report.

19. Demerger of Power Grids business:

Pursuant to order dated November 27, 2019 passed by the Bengaluru Bench of National Company Law Tribunal, sanctioning the Scheme of Arrangement between the Company, ABB Power Products and Systems India Limited (APPSIL) and respective shareholders & creditors involving the demerger of the Power Grids business of the Company to APPSIL under the provisions of Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 (Scheme), the Company has already transferred the power grids business to APPSIL. As per approved Scheme of Arrangement, APPSIL has allotted the equity shares to the eligible members of the Company

and these equity shares have been listed in BSE Limited and National Stock Exchange of India Limited.

20. Sale of Company's Solar Inverter Business.

During the year under review, the Company has sold Company's Solar Inverter Business as a going concern on slump sale basis to a wholly owned Indian Subsidiary of Italian Company, FIMER S.p.A viz, "Marici Solar India Private Limited", for a total value of ₹105.63 Crore by way of Business Transfer Agreement (BTA) which was effective April 1, 2020. For the Financial Year, 2019, the Solar Inverter Business had a turnover of ₹664 Crore which is approximately 9% of the total turnover of the Company.

21. Related Party Transactions:

The Board of Directors has adopted a policy on Related Party Transactions. The objective is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties. All contracts or arrangements with related parties, entered into or modified during the financial year were at arm's length basis and in the ordinary course of the Company's business except the transactions reported here in below:

The Scheme of Arrangement for demerger of Power Grids Business of the Company to ABB Power Products and Systems India Limited (APPSIL) had become effective from December 1, 2019. To ensure smooth continuation of operations of the demerged Power Grids business in APPSIL, the Company agreed to extend certain services to APPSIL by entering into some Transitional Agreements and also executed certain Lease Agreements. These agreements fall within the definition of Related Party Transaction under the provisions of Section 188 of the Companies Act, 2013 (the Act), requiring disclosures to be made in Form No.AOC-2 pursuant to Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 which is attached as **Annexure-E**.

All contracts or arrangements were entered into only with prior approval of the Audit Committee, except transactions which qualified as Omnibus transactions as permitted under law.

During the year, the Company has appointed Ernst & Young LLP (EY) to review the approved Related Party Transactions, to verify and ensure and confirm that the transactions carried out were in the ordinary course of business and at arm's length basis. EY submits its Report to the Audit Committee at its meetings on quarterly basis.

Transactions with related parties, as per the requirements of Indian Accounting Standard 24 are disclosed in the notes to accounts annexed to the

financial statements. Your Company's Policy on Related Party Transactions, as adopted by your Board, can be accessed on the Company's website. Link for the same is: <https://new.abb.com/docs/librariesprovider19/default-document-library/related-party-transaction-policy.pdf?sfvrsn=2>

22. Reporting of frauds:

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and/or Board under Section 143(12) of the Act and Rules framed thereunder.

23. Transfer to Investor Education and Protection Fund:

As required under Section 124 of the Act, the unclaimed dividend amount aggregating to ₹31.63 lakh lying with the Company for a period of seven years pertaining to the financial year ended on December 31, 2012, was transferred during the Financial Year 2020, to the Investor Education and Protection Fund established by the Central Government.

24. Particulars of Employees:

The information on employee particulars as required under Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time, are given in **Annexure - F**, forming part of this report. In terms of Section 136 of the Act, the Report and Financial Statements are being sent to the Members and others entitled thereto, excluding this Annexure. This Annexure shall be provided to Members on a specific request made in writing to the Company. The said information is available for electronic inspection by the Members on any working day of the Company up to the date of the 71st Annual General Meeting.

25. Directors' Responsibility Statement:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) and 134(5) of the Act, that:

- (a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at December 31, 2020 and of the profit and loss of the Company for the year ended on that date;

- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

26. Disclosure on confirmation with the Secretarial Standards:

Your Directors confirm that the Secretarial Standards issued by the Institute of Company Secretaries of India have been duly complied with.

27. Corporate Governance Report and Certificate:

As required under Regulation 34 (3) read with Schedule V (C) of the Listing Regulations, a report on Corporate Governance and the certificate as required under Schedule V (E) of the Listing Regulations from Messrs V. Sreedharan & Associates, Practicing Company Secretaries, regarding compliance of conditions of Corporate Governance are given in **Annexure – G** and **Annexure – H** respectively, forming part of this report.

28. Business Responsibility Report:

As required under Regulation 34 of the Listing Regulations, the Business Responsibility Report forms part of the Annual Report.

29. Whistle Blower Policy:

The Company has a Vigil Mechanism for Directors and Employees to report their concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The mechanism provides for adequate safeguards against victimization of Director(s) and Employee(s) who avail of the mechanism.

The Whistle Blower Policy is available on Company's website at www.abb.co.in

30. Directors and Key Managerial Personnel:

Mr. Jean-Christophe Deslarzes (DIN: 08064621), Director, liable to retire by rotation has tendered resignation effective conclusion of the Board Meeting

on February 10, 2021 before expiry of his term. Consequently, the Board of Directors of the Company at its meeting held on February 10, 2021 appointed Ms Maria Rosaria Varsellona (DIN: 08892891), as Director (Non-executive and Non-independent) of the Company with effect from February 10, 2021, liable to retire by rotation, in the casual vacancy caused due to the resignation of Mr. Jean-Christophe Deslarzes, subject to approval of the Shareholders. Accordingly, the proposal for her appointment is included in the Notice of Annual General Meeting for approval of the Shareholders of the Company. Necessary Notice under Section 160 of the Act has been received from Members proposing the candidature of the aforesaid Director of the Company.

Mr. Darius E. Udawadia (DIN: 00009755) and Mrs. Renu Sud Karnad (DIN: 00008064) were appointed as Independent Directors of the Company for another term of three consecutive years effective May 6, 2020, in the last AGM held on July 24, 2020. Mr. Morten Wierod (DIN: 08753868), was appointed as Director (Non-executive and Non-independent) of the Company with effect from June 19, 2020, liable to retire by rotation, in the casual vacancy caused due to the resignation of Mr. Tarak Mehta, in the last AGM held on July 24, 2020.

In accordance with the provisions of the Act read with Article 157 of the Articles of Association of the Company, Mr. Morten Wierod, Director, will retire by rotation at the ensuing Annual General Meeting of the Company, and being eligible, offers himself for re-appointment.

Apart from aforesaid changes there are no changes in Directors and Key Managerial Personnel of the Company. Details of Directors, Key Managerial Personnel and composition of various Committees of the Board are provided in the Corporate Governance Report forming part of this report.

The Board places on record its appreciation for the valuable service, support and guidance provided by Mr. Jean-Christophe Deslarzes to the Company during his tenure as the Director/Chairman of the Company.

As on date, Mr. Sanjeev Sharma (DIN: 07362344), Managing Director, Mr. T.K. Sridhar, Chief Financial Officer, and Mr. B.Gururaj, Company Secretary are the Key Managerial Personnel of the Company.

31. Deposits:

During the year under review, your Company did not accept any deposit within the meaning of the provisions of Chapter V – Acceptance of Deposits by Companies, of the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

32. Significant and Material Orders Passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company:

There has been no significant and material order passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations.

33. Internal Control Systems and their adequacy:

The details on Internal Control Systems and their adequacy are provided in the Management's Discussion and Analysis which forms part of this Report.

34. Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. As required under law, an Internal Complaints Committee has been constituted for reporting and conducting inquiry into the complaints made by the victim on the harassments at the work place. During the year 2020, one complaint of sexual harassment was received, which has been investigated and concluded. There is no complaint of sexual harassment pending as at the date of this report.

35. Statutory Auditors:

Pursuant to provisions of Section 139 of the Act read with the Companies (Audit and Auditors) Rules, 2014, Messrs B S R & Co. LLP, Chartered Accountants (Firm Registration No.101248W/W-100022), were appointed as Statutory Auditors of the Company for a term of 5 years, to hold office from the conclusion of 67th Annual General Meeting held on May 9, 2017 until the conclusion of 72nd Annual General Meeting.

36. Cost Auditor:

In terms of the provisions of Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, the Board of Directors, on the recommendation of the Audit Committee, has appointed Messrs Ashwin Solanki & Associates, Cost Accountants (Registration No: 100392) as Cost Auditor of the Company, for the financial year ending December 31, 2021, on a remuneration as mentioned in the Notice convening the 71st Annual General Meeting for conducting the audit of the cost records maintained by the Company.

A Certificate from Messrs Ashwin Solanki & Associates, Cost Accountants has been received to the effect that their appointment as Cost Auditor of the Company, if made, would be in accordance with the limits specified under Section 141 of the Act and Rules framed thereunder.

A resolution seeking Members' approval for remuneration payable to Cost Auditor forms part of the Notice of the 71st Annual General Meeting of the Company and same is recommended for your consideration.

Cost Audit and Compliance reports for the year 2019 were filed with the Registrar of Companies, within the prescribed time limit.

37. Secretarial Audit:

Pursuant to provisions of Section 204 of the Act read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendments thereto and SEBI Listing Regulations, your Company engaged the services of Messrs BMP & Co. LLP, Company Secretaries, Bengaluru, to conduct the Secretarial Audit of the Company for the financial year ended December 31, 2020. The Secretarial Audit Report is given in **Annexure- I**, forming part of this report.

38. Change of Registered Office:

Effective February 1, 2021, your Company's Registered Office is shifted to "Plot No. 5 & 6, 2nd Stage, Peenya Industrial Area IV, Peenya, Bengaluru - 560 058, Karnataka".

39. Acknowledgements:

The Board of Directors take this opportunity to thank the Company's parent company, customers, members, suppliers, bankers, associates, Central and State Governments and employees at all levels for their support and co-operation extended to the Company during the year.

For and on behalf of the Board

J C Deslarzes
 Chairman
 DIN: 08064621

Place: Bengaluru
 Date: February 10, 2021

