# Notes to the financial statements for the year ended December 31, 2020

## 1. Corporate information

ABB India Limited ('the Company') has served utility and industry customers for over six decades with the complete range of engineering, products, solutions and services in areas of Automation and Power technology. The Company has extensive installed base for manufacturing and a countrywide marketing and service presence. Besides catering to Indian domestic market, the Company is also playing an increasing role in the global market.

The Company is a public limited company domiciled in India and incorporated under the provisions of the Indian Companies Act. The registered office is located at Bengaluru. Its shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

The financial statements are approved for issue by the Company's Board of Directors on February 10, 2021.

## 2. Significant accounting policies

### 2.1 Basis of preparation of financial statements

**A Statement of compliance**



These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

**B Functional and presentation currency**

The financial statements are presented in INR in crores, rounded off to two decimal places, except when otherwise indicated.

**C Basis of measurement**

The financial statements have been prepared on the historical cost convention basis, except for certain financial instruments (refer accounting policy regarding financial instruments), which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services as at the date of respective transactions.

### 2.2 Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.3. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

## 2.3 Critical accounting estimates and judgements

### 2.3.1 Estimates

#### a. Project revenue and costs

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

#### b. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

#### c. Employee benefits

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rate and past trends. Further details about gratuity obligations are given in Note 35.

#### d. Provision for litigations and contingencies

The provision for litigations and contingencies are determined based on evaluation made by the management of the present obligation arising from past events the settlement of which is expected to result in outflow of resources embodying economic benefits, which involves judgements around estimating the ultimate outcome of such past events and measurement of the obligation amount. Due to the judgements involved in such estimations the provisions are sensitive to the actual outcome in future periods.

#### e. Allowance for credit loss on receivables

The Company determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Company considered current and anticipated future economic conditions relating to the countries where it operates. In calculating allowance, the Company has also considered credit reports and other related credit information for its customers to estimate the probability of default in future.

**f. Taxes:**

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

**2.3.2 Judgements**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes
- Note 41 - leases: whether an arrangement contains a lease; and
- Note 41 - lease classification;

**2.4 Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

All assets and liabilities have been classified as current or non- current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non- current classification of assets and liabilities, except for projects business. The projects business comprises long-term contracts which have an operating cycle exceeding one year. For classification of current assets and liabilities related to projects business, the Company uses the duration of the individual life cycle of the contract as its operating cycle.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- The Company classifies all other liabilities as non-current.
- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

**2.5 Foreign Currency**

Functional currency
The functional currency of the company is the Indian Rupee.

Transactions and translations
Initial recognition transactions in foreign currencies are recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. The gains or losses resulting from such translations are recognised in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

**2.6 Revenue Recognition**

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue are stated exclusive of goods and service tax and net of returns and trade and quantity discount.

Revenue from sale of products is recognised on transfer of control of the products to the customers, which is usually on delivery of goods to the customer or as per contractual terms with the customer.

Revenues from fixed price contracts are recognized on the percentage of completion method, in proportion that the contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs. Contract revenue earned in excess of billing has been reflected under “Other current assets” and billing in excess of contract revenue has been reflected under “Other current liabilities” in the balance sheet. Full provision is made for any loss in the year in which it is first foreseen. Liquidated damages / penalties are provided for as per the contract terms wherever there is a delayed delivery attributable to the Company.

Revenue from services is recognised as per the terms of the contract with the customer using the percentage of completion method, in proportion that the costs incurred for work performed up to the reporting date bear to the estimated total costs.



Revenue from the development services are recognised on a cost plus basis and billed in accordance with the terms of arrangement with the customer.

Commission income is recognised as and when the terms of the contract are fulfilled.

Interest income is recognised on time proportion basis, based on the underlying interest rates.

**2.7 Income Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 2.8 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major overhaul is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in statement of profit or loss as incurred. The Company identifies and determines cost of each component/ part of Property, plant and equipment separately, if the component/ part has a cost which is significant to the total cost of the Property, plant and equipment and has useful life that is materially different from that of the remaining asset.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances and cost of assets not ready for use at the balance sheet date are disclosed under capital work- in- progress.

The Company depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

Useful lives estimated by the management in years:

| | |
|---|---|
| • Leasehold land, leasehold improvements and other leased assets | Over the period of lease |
| • Factory buildings | 15-30 |
| • Other buildings | 3-60 |
| • Furniture and fixtures | 10 |
| • Office equipments | 3-5 |
| • Plant and equipment | 2-21 |
| • Vehicles | 5 |
| • Freehold land is not depreciated | |



Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

### 2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred. The estimated useful life of assets are as follows:

| | |
|---|---|
| • Technical know-how fees | 3-10 |
| • Capitalized software costs | 3-5 |
| • Goodwill on business acquisition is not amortized but tested for impairment. | |

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

**2.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**2.11 Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of various categories of inventories is arrived at as follows:

Stores, spares, raw materials, components and traded goods - at rates determined on the moving weighted average method.

Goods in Transit – at actual cost.

Work-in-progress and finished goods - at full absorption cost method which includes direct materials, direct labour and manufacturing overheads. Cost is determined on weighted average method.

Provision for obsolescence is made wherever necessary.



Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**2.12 Impairment**

**a Financial assets**

Financial assets (other than at fair value) The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 ('Financial Instruments') requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company provides for impairment upon the occurrence of the triggering event.

**b Non-financial assets**

**Intangible assets and property, plant and equipment**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

**2.13 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2.14 Other income**

Other income is comprised primarily of interest income. Interest income is recognized using the effective interest method.

**2.15 Provisions, Contingent liability and assets**

**General**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of time value of money is material, Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



**Warranty provisions**

Provisions for warranty-related costs are recognised when the product is sold to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognised or disclosed in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the relatedasset is not a contingent asset and is recognised.

**2.16 Financial instruments**

**2.16.1 Initial recognition**

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

**2.16.2 Subsequent measurement**

**a. Non-derivative financial instruments**

**(i) Financial assets carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held within a business where the objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**(ii) Financial assets at fair value through other comprehensive income**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business where the objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

**(iii) Financial assets at fair value through profit or loss**

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

**(iv) Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method, For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

**(v) Derecognition**

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**b. Derivative financial instruments**

The company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Commodity risk is mitigated by entering into future contracts to hedge against fluctuation in commodity prices.

**Financial assets or financial liabilities, at fair value through profit or loss.**

This category has derivative financial assets or liabilities which are not designated as hedges.

Although the company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated a hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in the statement of profit and loss. when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income / expenses. Assets/ liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

Certain commercial contracts may grant rights to the Company or the counterparties, or contain other provisions that are considered to be derivatives. Such embedded derivatives are assessed at inception of the contract and depending on their characteristics, accounted for as separate derivative instruments and shown at their fair value in the balance sheet with changes in their fair value recognized through profit or loss.

**2.17 Fair value of financial instruments**

Fair value hierarchy:
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



**2.18 Earnings per share**

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period. The Company has no potentially dilutive equity shares.

**2.19 Employee benefits**

**2.19.1 Gratuity & Provident Fund - Defined benefit plans**

The present value of the obligation under defined benefit plans are determined based on actuarial valuation performed by an independent actuary at each balance sheet date using the Projected Unit Credit Method. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on a net basis.

Incase of defined benefit plans, remeasurement comprising of actuarial gains and losses is recognized in other comprehensive income (OCI) and is reflected in retained earnings and is not eligible to be reclassified to profit or loss.

The Company recognises the following changes in the net defined benefit obligation as an expense in statement of profit and loss:

- Service cost including current service cost, past service cost and gains and losses on curtailments and settlements; and
- Net interest expense or income.

Provident fund has been considered as a defined benefit plan since any additional obligations on account of investment risk and interest rate risk are required to be met by the Company.

### 2.19.2 Superannuation - Defined contribution scheme

Contribution to Superannuation Fund, is made at pre-determined rates to the Superannuation Fund Trust and is charged to the statement of profit and loss during the period in which the employee renders the related services. There are no other obligations other than the contribution payable to the Superannuation Fund Trust.

### 2.19.3 Compensated absences

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefits. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company presents the entire accumulated leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using the projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the balance sheet date.

### 2.19.4 Share based compensation

The company recognizes compensation expense relating to share-based payments in net profit using fair-value in accordance with Ind AS 102, Share-Based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding account.



Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

### 2.20 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash and cheque at hand / remittance in transit and cash and deposit with bank.

### 2.21 Operating cycle

A portion of the Company's activities (primarily long-term project activities) has an operating cycle that exceeds one year. Accordingly, assets and liabilities related to these long-term contracts, which will not be realized/paid within one year, have been classified as current. For all other activities, the operating cycle is twelve months.

**2.22 Non-current assets held for sale and discontinued operations**

Non-current assets (including disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Non-current assets classified as held for sale are measured at lower of their carrying amount and fair value less cost to sell.

Non-current assets classified as held for sale are not depreciated or amortised from the date when they are classified as held for sale.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of de-recognition.

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations and;

(b) is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the statement of profit and loss The comparative statement of profit and loss is re-presented as if the operation had been discontinued from the start of the comparative period.



**2.23 Leases**

The Company has applied the new standard Ind AS 116 Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under the previous standard Ind AS 17, Leases.

The Company's significant leasing arrangements are mainly in respect of land and buildings, plant and equipment and vehicles.

**Policy applicable from January 1, 2020**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

**The Company as lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

**The Company as lessee**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.



The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised insubstance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

**Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of use assets and lease liabilities for leases of low value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Company's significant leasing arrangements are mainly in respect of land & buildings, plant & equipment and vehicles.

**Transition to Ind AS 116**

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases, which replaces the existing lease standard, Ind AS 17 leases and other interpretations.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116, effective annual reporting period beginning from 1 January 2020 using the modified retrospective method, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (1 January 2020). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on 1 January 2020.

For transition, the Company has elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition by class of asset and leases for which the underlying asset is of low value on a lease-by lease basis. The Company has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at January 1, 2020. The principal portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flow from operating activities.

**Policy applicable before January 1, 2020**

Refer note 2 – Significant accounting policies – Leases, in the annual financial statements of the Company for the year ended December 31, 2019, for the accounting policy as per Ind AS 17, the previous standard on Leases.



**2.24 Recent Indian Accounting Standards (Ind AS)**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from January 1, 2021.

## 3 Property, plant and equipment and capital work-in-progress

(₹ in Crores)

| | Owned assets | | | | | | | | | Leased assets | | ROU Assets | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land | Lease hold Land | Leasehold Improve-ments | Factory Buildings | Other Buildings | Plant and Equip-ment | Office Equip-ments | Furniture and Fixtures | Vehicles | Plant and Equip-ment | Total | Land and Buildings | Plant and Equipment | Vehicles | Total |
| **Gross carrying value** | | | | | | | | | | | | | | | |
| As at January 1, 2019 | 54.99 | 20.46 | 20.92 | 291.44 | 88.12 | 533.98 | 20.95 | 58.53 | 0.71 | 15.71 | 1,105.81 | - | - | - | - |
| Additions | - | - | 0.21 | 18.18 | 5.78 | 103.50 | 6.21 | 6.11 | - | 13.31 | 153.30 | - | - | - | - |
| Disposal | - | - | (0.17) | (0.55) | (1.08) | (21.13) | (1.95) | (4.51) | (0.40) | - | (29.79) | - | - | - | - |
| Transferred to discontinued operations | (0.12) | (9.13) | (0.05) | (135.34) | (24.53) | (26.13) | (3.84) | (6.46) | - | - | (205.60) | - | - | - | - |
| Assets held for sale | - | - | - | (5.10) | (0.36) | (32.70) | (0.77) | (0.35) | - | - | (39.28) | - | - | - | - |
| As at December 31, 2019 | 54.87 | 11.33 | 20.91 | 168.63 | 67.93 | 557.52 | 20.60 | 53.32 | 0.31 | 29.02 | 984.44 | - | - | - | - |
| Additions | **-** | **-** | **0.01** | **1.57** | **2.33** | **60.87** | **2.13** | **2.20** | **2.68** | **-** | **71.79** | **44.12** | **20.32** | **14.20** | **78.64** |
| Disposals | **(0.02)** | **-** | **(3.96)** | **(0.04)** | **(0.67)** | **(9.52)** | **(2.05)** | **(1.35)** | **-** | **-** | **(17.61)** | **-** | **(11.51)** | **-** | **(11.51)** |
| Transferred from owned / leased assets | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **10.28** | **13.55** | **-** | **23.83** |
| Transferred to ROU assets | **-** | **(11.33)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(29.02)** | **(40.35)** | **-** | **-** | **-** | **-** |
| Transferred from asset held for sale | **-** | **-** | **-** | **3.98** | **0.35** | **0.92** | **0.32** | **0.23** | **-** | **-** | **5.80** | **-** | **-** | **-** | **-** |
| **As at December 31, 2020** | **54.85** | **-** | **16.96** | **174.14** | **69.94** | **609.79** | **21.00** | **54.40** | **2.99** | **-** | **1,004.07** | **54.40** | **22.36** | **14.20** | **90.96** |
| **Accumulated depreciation** | | | | | | | | | | | | | | | |
| Balance as at January 1, 2019 | - | 0.87 | 5.04 | 33.16 | 9.05 | 155.12 | 7.47 | 14.74 | 0.27 | 8.79 | 234.51 | - | - | - | - |
| Depreciation charge for the year | - | 0.25 | 2.70 | 8.37 | 2.47 | 55.14 | 4.55 | 6.45 | 0.14 | 6.68 | 86.75 | - | - | - | - |
| Disposals | - | - | (0.17) | (0.08) | (0.37) | (14.46) | (1.82) | (4.35) | (0.34) | - | (21.59) | - | - | - | - |
| Transferred to discontinued operations | - | (0.30) | (0.04) | (16.18) | (4.00) | (7.25) | (1.75) | (2.05) | - | - | (31.57) | - | - | - | - |
| Assets held for sale | - | - | - | (0.37) | (0.01) | (2.80) | (0.21) | (0.07) | - | - | (3.46) | - | - | - | - |
| As at December 31, 2019 | - | 0.82 | 7.53 | 24.90 | 7.14 | 185.75 | 8.24 | 14.72 | 0.07 | 15.47 | 264.64 | - | - | - | - |
| Depreciation charge for the year | **-** | **0.23** | **2.61** | **7.46** | **1.80** | **56.49** | **4.34** | **6.07** | **0.70** | **-** | **79.70** | **9.57** | **9.86** | **4.58** | **24.01** |
| Disposals | **-** | **-** | **(2.47)** | **(0.01)** | **-** | **(7.88)** | **(1.79)** | **(0.96)** | **-** | **-** | **(13.11)** | **-** | **(7.34)** | **-** | **(7.34)** |
| Transferred from owned / leased assets | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Transferred to ROU assets | **-** | **(1.05)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(15.47)** | **(16.52)** | **-** | **-** | **-** | **-** |
| Transferred from asset held for sale | **-** | **-** | **-** | **0.18** | **0.07** | **0.26** | **0.12** | **0.04** | **-** | **-** | **0.67** | **-** | **-** | **-** | **-** |
| **As at December 31, 2020** | **-** | **-** | **7.67** | **32.53** | **9.01** | **234.62** | **10.91** | **19.87** | **0.77** | **-** | **315.38** | **9.57** | **2.52** | **4.58** | **16.67** |
| Net carrying value as at December 31, 2019 | 54.87 | 10.51 | 13.38 | 143.73 | 60.79 | 371.77 | 12.36 | 38.60 | 0.24 | 13.55 | 719.80 | - | - | - | - |
| **Net carrying value as at December 31, 2020** | **54.85** | **-** | **9.29** | **141.61** | **60.93** | **375.17** | **10.09** | **34.53** | **2.22** | **-** | **688.69** | **44.83** | **19.84** | **9.62** | **74.29** |
| Capital work in progress as at December 31, 2019 | | | | | | | | | | | 59.48 | | | | |
| **Capital work in progress as at December 31, 2020** | | | | | | | | | | | **74.86** | | | | |

**Notes:**

a) The Company had acquired freehold land of 20 acres 36 guntas on a slump sales basis, in 2011. Out of such free hold land acquired 17 acres and 12 guntas is registered in the Company's name and the balance 3 acres and 24 guntas is in the process of being registered.

b) There are no tangible assets given on operating lease.

## 4 Intangible assets

(₹ in Crores)

| | Goodwill | Other intangible assets | | |
|---|---|---|---|---|
| | | Technical Know-how fees | Capitalised Software | Total |
| **Gross carrying value** | | | | |
| As at January 1, 2019 | 14.62 | 14.92 | 6.58 | 21.50 |
| Additions | - | 0.61 | 3.12 | 3.73 |
| Disposal | - | (2.24) | (0.20) | (2.44) |
| Assets held for sale | - | (0.68) | (0.06) | (0.74) |
| As at December 31, 2019 | 14.62 | 12.61 | 9.44 | 22.05 |
| | | | | |
| Additions | **-** | **-** | **0.73** | **0.73** |
| Disposals | **-** | **(2.75)** | **(0.05)** | **(2.80)** |
| **As at December 31, 2020** | **14.62** | **9.86** | **10.12** | **19.98** |
| | | | | |
| **Accumulated amortisation / impairment** | | | | |
| Balance as at January 1, 2019 | - | 10.88 | 3.40 | 14.28 |
| Amortisation charge for the year | - | 1.93 | 1.72 | 3.65 |
| Disposals | - | (2.24) | (0.20) | (2.44) |
| Assets held for sale | - | (0.68) | (0.03) | (0.71) |
| As at December 31, 2019 | - | 9.89 | 4.89 | 14.78 |
| | | | | |
| Amortisation charge for the year | **-** | **1.13** | **1.52** | **2.65** |
| Disposals | **-** | **(2.55)** | **(0.03)** | **(2.58)** |
| **As at December 31, 2020** | **-** | **8.47** | **6.38** | **14.85** |
| | | | | |
| Net carrying value as at December 31, 2019 | 14.62 | 2.72 | 4.55 | 7.27 |
| **Net carrying value as at December 31, 2020** | **14.62** | **1.39** | **3.74** | **5.13** |



### Note

(₹ in Crores)

| | **2020** | 2019 |
|---|---|---|
| Breakup of Goodwill CGU wise | | |
| Electrification Products | **14.62** | 14.62 |
| | **14.62** | 14.62 |

### Goodwill and CGU's impairment testing

The Company tests whether goodwill has suffered any impairment on an annual basis as at 31 December. The recoverable amount of a Cash Generating Unit ('CGU') is determined based on value-in-use calculations which require the use of assumptions. The calculations use pre-tax cash flow projections based on financial budgets approved by the management. An average of the range of each assumption used is mentioned below.

| | **2020** | 2019 |
|---|---|---|
| Growth rate | **5% - 6%** | 5% - 6% |
| Operating margins | **6% - 13%** | 6% - 13% |
| Discount rate | **9% - 10%** | 9% - 10% |

The above discount rate is based on the Weighted Average Cost of Capital (WACC) which represents the weighted average return attributable to all the assets of the CGU. These estimates are likely to differ from future actual results of operations and cash flows.

Based on the above assessment, there has been no impairment of goodwill.

## 5 Investments

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Investment in bonds and debentures** | | | | |
| **Unquoted:-** | | | | |
| **(Carried at amortised cost)** | | | | |
| **10** 5.95%, 15 years Non-cumulative bonds of Karnataka Water & Sanitation Pooled Fund Trust of ₹ **83,334** ( December 31, 2019 - ₹ 83,334) each fully paid. | **-** | - | **0.08** | 0.08 |
| | **-** | - | **0.08** | 0.08 |
| Aggregate amount of Unquoted investments | **-** | - | **0.08** | 0.08 |

## 6 Loans receivable

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| (Unsecured considered good, unless otherwise stated) | | | | |
| Security deposits | **9.12** | 10.51 | **13.82** | 14.84 |
| Loans to related party | **-** | - | **-** | 347.62 |
| Loans to employees | **-** | - | **4.06** | 4.07 |
| | **9.12** | 10.51 | **17.88** | 366.53 |

## 7 Other financial assets

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| (Unsecured considered good) | | | | |
| Non current bank balances | **0.88** | 9.76 | **-** | - |
| Interest accrued on fixed deposits | - | - | **6.14** | 2.29 |
| Deposits with customers | - | - | **6.84** | 10.11 |
| Other receivables** | - | - | **832.50** | 584.57 |
| Mark to market gain on forward contracts* | - | - | **36.83** | 10.44 |
| Mark to market gain on embedded derivatives* | - | - | **4.85** | 6.46 |
| | **0.88** | 9.76 | **887.16** | 613.87 |



* At fair value through profit and loss
** Includes receivable from related party and receivables on behalf of related party towards non-novated contracts (Refer note 43).

## 8 Income tax

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| **The major components of income tax expense for the years ended December 31,** | | |
| **Statement of profit and loss:** | | |
| **Profit or loss section (continuing and discontinued operations)** | | |
| **Current income tax:** | | |
| Current income tax charge | **70.57** | 130.80 |
| Deferred tax | **2.22** | 11.45 |
| | | |
| **Income tax expense reported in the statement of profit and loss** | **72.79** | 142.25 |
| | | |
| **Other comprehensive income** | | |
| Deferred tax related to items recognised in OCI during the year: | **8.07** | 1.28 |
| | | |
| **Income tax expense charged to OCI** | **8.07** | 1.28 |
| | | |
| **Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate** | | |
| Accounting profit before income tax (continuing and discontinued operations) | **289.38** | 445.65 |
| At India's statutory income tax rate of 25.17% (December 31, 2019 - 27.61%) | **72.84** | 123.04 |
| Adjustments in respect of current income tax | | |
| Non-deductible expenses for tax purposes | **3.42** | 5.13 |
| Other deductible expenses for the tax purpose | **-** | 1.53 |
| Impact of tax rate change | **-** | (25.18) |
| Others | **(3.47)** | 37.73 |
| **At the effective income tax rate of 25.154%** (December 31, 2019 - 31.920%) | **72.79** | **142.25** |

Statutory income tax rate for the period January 1, 2020 to December 31, 2020 is 25.167%. (Statutory income tax rate for the period January 1, 2019 to March 31, 2019 was 34.944% and for the period April 1, 2019 to December 31, 2019 was 25.167%).

| **Deferred tax:** | **Balance Sheet** | |
|---|---|---|
| Deferred tax relates to the following: | **2020** | 2019 |
| | | |
| Property, plant and equipment | **(52.82)** | (26.36) |
| Other intangible assets | **(0.08)** | (0.08) |
| Provision for doubtful debts and advances | **94.28** | 94.84 |
| Expenditure debited to the statement of profit and loss but allowable for tax purpose in subsequent years | **75.83** | 41.94 |
| **Net deferred tax assets/(liabilities)** | **117.21** | 110.34 |
| | | |
| **Reflected in the balance sheet as follows:** | | |
| Deferred tax assets | **170.11** | 136.78 |
| Deferred tax liabilities | **(52.90)** | (26.44) |
| **Deferred tax assets, net** | **117.21** | 110.34 |

## 9(a) Income tax asset (net)

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Advance income-tax (net of provision for tax) | **333.11** | 174.42 | **-** | 112.34 |
| | **333.11** | 174.42 | **-** | 112.34 |

## 9(b) Income tax liability (net)

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Provision for taxation (net of advance tax) | | | **49.67** | 30.56 |
| | | | **49.67** | 30.56 |

## 10 Other non-current assets

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| Capital advances | **13.75** | 17.44 |
| Advances recoverable in cash or kind (considered doubtful) | **5.13** | 4.66 |
| | **5.13** | 4.66 |
| Less: Provision for doubtful advances | **5.13** | 4.66 |
| | **-** | - |
| Taxes and duties recoverable | **175.20** | 177.58 |
| Prepaid rent | **-** | 1.42 |
| | **188.95** | 196.44 |

## 11 Trade receivables

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Unsecured** | | | | |
| Considered good | **-** | - | **1,694.96** | 1,947.54 |
| Considered doubtful | **-** | - | **125.82** | 111.77 |
| Credit impaired | **227.38** | 250.31 | **-** | - |
| | **227.38** | 250.31 | **1,820.78** | 2,059.31 |
| Less: | | | | |
| Loss allowance on doubtful trade receivable | **227.38** | 250.31 | **125.82** | 111.77 |
| | **-** | - | **1,694.96** | 1,947.54 |

## 12 Cash and cash equivalents

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| Balances with banks | | |
| - On current accounts | **239.47** | 564.10 |
| - Deposit accounts (Original maturity upto 3 months) | **1,930.00** | 920.00 |
| Cheques on hand / remittance in transit | **34.47** | 110.81 |
| Cash on hand | **0.01** | - |
| | | |
| | **2,203.95** | 1,594.91 |



## 13 Bank balances other than cash and cash equivalent

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| Unpaid dividend | **2.62** | 2.66 |
| | **2.62** | 2.66 |

## 14 Inventories (valued at lower of cost and net realisable value)

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| Raw materials and components<br>(including goods in transit of ₹ **98.19 Crores,** December, 31 2019 ₹ 62.51 Crores) | **536.19** | 536.12 |
| Work-in-progress | **187.62** | 187.37 |
| Finished goods | **83.28** | 103.66 |
| Traded goods | **31.95** | 33.10 |
| Stores and spares | **1.79** | 1.48 |
| | **840.83** | 861.73 |

During the year ended **December 31, 2020 - ₹ 26.91** Crores (December 31, 2019 - ₹ 22.51 Crores) was recognized as an expense in relation to inventory obsolescence.

## 15 Others current assets

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| Prepaid expenses | **30.03** | 23.39 |
| Contract assets (refer note 44) | **61.08** | 171.36 |
| Advances to suppliers | **69.59** | 33.06 |
| Advances to others | **10.20** | 6.24 |
| Balance with government authorities | **138.48** | 133.88 |
| Taxes and duties recoverable | **73.95** | 89.87 |
| Other receivables | **52.83** | 18.16 |
| | **436.16** | 475.96 |

## 16 Equity

| Share capital | 2020 | | 2019 | |
|---|---|---|---|---|
| | Equity shares | | Equity shares | |
| | Numbers | (₹ in Crores) | Numbers | (₹ in Crores) |
| **Authorised share capital** | | | | |
| At December 31, 2019 | **21,25,00,000** | **42.50** | 21,25,00,000 | 42.50 |
| **At December 31, 2020** | **21,25,00,000** | **42.50** | 21,25,00,000 | 42.50 |
| | | | | |
| | Preference shares | | Preference shares | |
| | Numbers | (₹ in Crores) | Numbers | (₹ in Crores) |
| 11% Redeemable 10 years, cumulative preference shares | | | | |
| At December 31, 2019 | **7,50,000** | **7.50** | 7,50,000 | 7.50 |
| **At December 31, 2020** | **7,50,000** | **7.50** | 7,50,000 | 7.50 |
| | | | | |
| **Issued equity share capital** | | | | |
| **Equity shares of ₹ 2 each issued, subscribed and fully paid** | Numbers | (₹ in Crores) | Numbers | (₹ in Crores) |
| At December 31, 2019 | **21,19,08,375** | **42.38** | 21,19,08,375 | 42.38 |
| **At December 31, 2020** | **21,19,08,375** | **42.38** | 21,19,08,375 | 42.38 |

### Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.



### Details of shareholders holding more than 5% of the shares in the Company

| Name of the shareholders | Numbers | % of holding | Numbers | % of holding |
|---|---|---|---|---|
| ABB Asea Brown Boveri Limited - the holding company | **15,89,31,281** | **75%** | 15,89,31,281 | 75% |

As per records of the Company and other declarations received from shareholders, the above shareholding represents both legal and beneficial ownerships of shares.

| Shares held by holding / ultimate holding company | Numbers | ₹ in Crores | Numbers | ₹ in Crores |
|---|---|---|---|---|
| ABB Asea Brown Boveri Limited - the holding company | **15,89,31,281** | **31.79** | 15,89,31,281 | 31.79 |
| | **15,89,31,281** | **31.79** | 15,89,31,281 | 31.79 |

As per records of the Company and other declarations received from shareholders, the above shareholding represents both legal and beneficial ownerships of shares.

## 17 Other equity

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| a) | **Securities premium** | | |
| | Opening balance | **43.28** | 60.00 |
| | Less: Demerger adjustment (refer note 33) | **-** | (16.72) |
| | **Closing balance** | **43.28** | 43.28 |
| | | | |
| b) | **Surplus in the statement of profit and loss** | | |
| | Opening balance | **834.90** | 798.11 |
| | Less: Demerger adjustment (refer note 33) | **-** | (149.93) |
| | Net profit for the year | **219.22** | 303.40 |
| | Other comprehensive income/ (loss) (net of tax) | **(28.18)** | (3.82) |
| | Less: Appropriations during the year | | |
| | Equity dividend paid | **101.72** | 101.72 |
| | Tax on equity dividend paid | **-** | 20.91 |
| | **Balance as at December 31,** | **101.72** | 122.63 |
| | | | |
| | Change in accounting policy of retention discounting | **-** | 15.01 |
| | Change in accounting policy of leasing | **(4.07)** | - |
| | Deferred tax | **1.02** | (5.24) |
| | Net impact of change in accounting policy of retention discounting | **(3.05)** | 9.77 |
| | | | |
| | **Closing balance** | **921.17** | 834.90 |
| | | | |
| c) | **Employee stock options reserve** | | |
| | Opening balance | **0.07** | 0.07 |
| | Add: Employee compensation expense for the year | **-** | - |
| | **Closing balance** | **0.07** | 0.07 |
| | | | |
| d) | **Capital reserve** | | |
| | Opening balance | **0.92** | 1.10 |
| | Less: Demerger adjustment (refer note 33) | **-** | (0.18) |
| | **Closing balance** | **0.92** | 0.92 |
| | | | |
| e) | **Capital redemption reserve** | | |
| | Opening balance | **7.50** | 7.50 |
| | **Closing balance** | **7.50** | 7.50 |
| | | | |
| f) | **General reserve** | | |
| | Opening balance | **2591.06** | 3098.16 |
| | Less: Demerger adjustment (refer note 33) | **-** | (507.10) |
| | **Closing balance** | **2,591.06** | 2,591.06 |
| | | | |
| | **Total other equity** | **3,564.00** | 3,477.73 |



### Nature and purpose of other reserves

**a) Securities premium**

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act.

**b) Employee stock option reserve**

The share options outstanding account is used to recognise the grant date fair value of the options issued to employees under Employee Share Acquisition Plan schemes.

**c) Capital reserve**

Capital reserve pertains to acquisitions in the earlier years.

**d) Capital redemption reserve**

The Company had transferred to Capital redemption reserve, a sum equal to the nominal amount of preference shares to be redeemed out of the profits available for distribution as dividend.

**e) General reserve**

General reserve is created out of profits earned by the Company by way of transfer from surplus in the statement of profit and loss. The Company can use this reserve for payment of dividend and issue of fully paid-up shares. As General reserve is created by transfer of one component of equity to another and is not an item of other comprehensive income, items included in the General reserve will not be subsequently reclassified to statement of profit and loss.

## 18 Borrowings

(₹ in Crores)

| | Non-current | |
|---|---|---|
| | **2020** | 2019 |
| **(At amortized cost)** | | |
| **Secured:** | | |
| Finance lease obligations | - | 7.06 |
| | | |
| | - | 7.06 |

## 19 Other financial liabilities



(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Security deposits received | **5.27** | 3.56 | **0.04** | 0.04 |
| | | | | |
| Unpaid dividends | - | - | **2.62** | 2.66 |
| Payable towards purchase of fixed assets | - | - | **39.55** | 61.16 |
| Employee related payables | - | - | **68.45** | 78.93 |
| Mark to market loss on embedded derivatives* | - | - | **14.80** | 10.71 |
| Mark to market loss on forward contracts* | - | - | **5.60** | 12.42 |
| Current maturities of finance lease liabilities | - | - | - | 6.48 |
| Other payables** | - | - | **1,141.37** | 1,043.61 |
| | **3.56** | 3.49 | **1,272.43** | 1,216.01 |

* At fair value through profit and loss

**Includes payables from related party and payables on behalf of related party towards non-novated contracts (Refer note 43).

## 20 Lease liabilities

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Lease liabilities | **44.93** | - | **13.31** | - |
| | **44.93** | - | **13.31** | - |

## 21 Provisions

(₹ in Crores)

| | Non-current | | Current | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Provisions for employee benefits** | | | | |
| Gratuity | - | - | **7.14** | 4.76 |
| Provident fund | - | - | **23.39** | 0.32 |
| Leave benefits | - | - | **23.55** | 32.52 |
| **Other provisions** | | | | |
| Warranties | - | - | **100.43** | 93.00 |
| Loss orders | - | - | **28.97** | 23.57 |
| Litigations | - | - | **0.57** | 0.57 |
| Sales tax | - | 44.97 | **106.00** | 56.20 |
| | - | 44.97 | **290.05** | 210.94 |

**Nature of provisions:**

i) Warranties: The Company provides warranties for its products, systems and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provision made as at December 31, 2020 represents the amount of the expected cost based on technical evaluation and past experience of meeting such obligations. It is expected that this expenditure will be incurred over the contractual warranty period.

ii) Loss orders: A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental cost necessary to fulfill the obligation under the contract.

iii) Provision for litigation represents claims against the Company not acknowledged as debts that are expected to materialise in respect of matters in litigation. The outflow would depend on the cessation of the respective events.

iv) Provision for sales tax represents mainly the differential sales tax liability on account of non-collection of declaration forms. The outflow would depend on the cessation of the respective events.

**Movement in provisions: (Figures in brackets are in respect of the previous year)**

(₹ in Crores)

| Class of provisions | As at January 1, 2020 | Additions | Amounts used | Unused amounts reversed | Provisions pertaining to discontinued operations / Assets held for sale | As at December 31, 2020 |
|---|---|---|---|---|---|---|
| Warranties | **93.00** | **14.44** | **1.38** | **5.63** | **-** | **100.43** |
| | (86.40) | (93.19) | (26.13) | (20.17) | (40.29) | (93.00) |
| Loss orders | **23.57** | **16.48** | **11.08** | **-** | **-** | **28.97** |
| | (17.33) | (10.14) | (3.90) | - | - | (23.57) |
| Litigations | **0.57** | **-** | **-** | **-** | **-** | **0.57** |
| | (0.57) | - | - | - | | (0.57) |
| Sales tax | **101.17** | **5.88** | **-** | **3.35** | **(2.30)** | **106.00** |
| | (56.01) | (44.45) | - | (3.01) | (2.30) | (101.17) |

## 22 Trade payables

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| | | | |
| | Dues to micro and small enterprises | **60.51** | 24.71 |
| | | | |
| | | **60.51** | 24.71 |
| | Dues to creditors other than micro and small enterprises | | |
| | Acceptances | **464.27** | 438.44 |
| | Other trade payables | **1,195.96** | 1438.45 |
| | | **1,660.23** | 1,876.89 |
| | | | |
| | | **1,720.74** | 1,901.60 |
| | | | |
| | The Company has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at **December 31, 2020.** | | |
| | | | |
| **(i)** | The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year: | | |
| | | | |
| | Principal amount | **55.62** | 17.98 |
| | Interest | **2.61** | 2.48 |
| | | | |
| **(ii)** | The amount of interest paid by the Company in terms of Section 16 of the MSMED Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during each accounting year. | **91.31** | 101.19 |
| | | | |
| **(iii)** | The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006. | **-** | - |
| | | | |
| **(iv)** | The amount of interest accrued and remaining unpaid at the end of each accounting year. | **2.28** | 4.28 |
| | | | |
| **(v)** | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purposes of disallowance as a deductable expenditure under the MSMED Act, 2006 | **16.69** | 11.80 |

The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors/suppliers.

## 23 Other current liabilities

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| | | |
| Billing in excess of contract revenue | **220.66** | 182.40 |
| Statutory dues payable | **46.22** | 32.08 |
| Advance from customer | **242.27** | 244.94 |
| Advance received for sale of property, plant and equipment | **39.00** | - |
| Other payables | **39.57** | 34.96 |
| | | |
| | **587.72** | 494.38 |

## 24 Revenue from operations (net)

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of products | **5,255.81** | 6,808.88 |
| Sale of services | **501.36** | 420.12 |
| | **5,757.17** | 7,229.00 |
| | | |
| **Other operating revenues** | | |
| Scrap sales | **10.86** | 21.55 |
| Commission income | **0.59** | 1.62 |
| Income from development services | **36.88** | 35.78 |
| Miscellaneous income | **15.45** | 27.11 |
| | **63.78** | 86.06 |
| | | |
| **Revenue from operations (net)** | **5,820.95** | 7,315.06 |
| | | |
| **Detail of revenue from contracts with customers** | | |
| **(i) Sale of products** | | |
| Switchgear of all types | **2,050.73** | 2,260.33 |
| Electronic control and supply units for variable speed drives and other applications | **1,180.08** | 1,747.87 |
| Motors and other machines | **1,056.49** | 1,386.17 |
| Others | **968.51** | 1,414.51 |
| | **5,255.81** | 6,808.88 |
| | | |
| **(ii) Sale of services** | | |
| Erection, commissioning and other engineering services | **501.36** | 420.12 |
| | **501.36** | 420.12 |
| | | |
| | **5,757.17** | 7,229.00 |



## 25 Other income

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| **Finance income** | | |
| Interest income: | | |
| Interest on security deposit | **0.40** | 0.41 |
| Interest from deposits with bank | **43.24** | 53.43 |
| Interest income - on tax refunds etc. | **20.23** | 12.28 |
| Interest from long-term investments | **-** | 0.01 |
| Interest from loan to related party | **3.85** | 12.23 |
| | **67.72** | 78.36 |
| | | |
| **Other income** | | |
| Profit on sale of fixed assets (net) | **1.25** | 7.64 |
| Other non operating revenue | **37.90** | 8.31 |
| | **39.15** | 15.95 |
| | **106.87** | 94.31 |

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| **26 Cost of materials consumed** | | |
| **Raw material and components consumed** | | |
| Inventory at the beginning of the year | **536.12** | 629.22 |
| Add : Purchases during the year | **3,228.01** | 4,101.87 |
| Less : Inventory at the end of the year | **536.19** | 536.12 |
| **Cost of raw materials consumed** | **3,227.94** | 4,194.97 |
| **27 Purchases of traded goods** | | |
| Motors and other machines | **105.56** | 29.11 |
| Switchgears | **3.02** | 6.30 |
| Power invertors | **1.25** | 24.12 |
| Others | **346.83** | 411.49 |
| | **456.66** | 471.02 |
| **28 Changes in inventories of finished goods, traded goods and work-in-progress** | | |
| Opening stock | | |
| - Finished goods | **103.66** | 80.84 |
| - Work-in-progress | **187.37** | 186.89 |
| - Traded goods | **33.10** | 29.67 |
| | **324.13** | 297.40 |
| Closing stock | | |
| - Finished goods | **83.28** | 103.66 |
| - Work-in-progress | **187.62** | 187.37 |
| - Traded goods | **31.95** | 33.10 |
| | **302.85** | 324.13 |
| | **21.28** | (26.73) |
| **29 Employee benefit expenses** | | |
| Salaries, wages and bonus | **492.36** | 496.71 |
| Gratuity | **7.48** | 5.22 |
| Provident fund | **17.34** | 15.71 |
| Contribution to superannuation and other funds | **15.34** | 15.74 |
| Staff welfare expenses | **24.17** | 35.19 |
| Training, recruitment and transfer expenses | **11.32** | 11.05 |
| | **568.01** | 579.62 |
| **30 Finance costs** | | |
| Interest expenses | **5.32** | 9.72 |
| Finance cost lease obligation | **3.42** | - |
| Bill discounting and other charges | **6.69** | 11.03 |
| Interest expense on provisions measured at amortised cost | **1.44** | 0.61 |
| | **16.87** | 21.36 |
| **31 Depreciation and amortisation expense** | | |
| Depreciation of property, plant and equipment | **93.70** | 86.75 |
| Amortisation of intangible assets | **2.65** | 3.65 |
| Depreciation of right to use assets | **24.01** | - |
| | **120.36** | 90.40 |

## 32 Other expenses

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| Consumption of stores and spares | **10.60** | 12.90 |
| Packing expenses | **22.62** | 23.24 |
| Royalty and technology fees | **172.64** | 214.46 |
| Freight and forwarding | **77.95** | 108.29 |
| Postage and telephone | **2.59** | 4.52 |
| Commission (other than sole selling agent) | **0.04** | 2.73 |
| Power and fuel | **32.10** | 22.44 |
| Travelling and conveyance | **28.93** | 86.42 |
| Insurance | **11.08** | 13.46 |
| Rates and taxes (net) | **23.87** | 20.87 |
| Rent | **16.25** | 31.37 |
| Repairs : | | |
| Buildings | **6.16** | 5.31 |
| Plant and machineries | **18.59** | 19.30 |
| Others | **3.87** | 4.13 |
| Reversal of provision for doubtful debts and advances (net) | **(13.36)** | (28.89) |
| Bad debts / advances written off | **119.51** | 48.87 |
| Printing and stationery | **2.04** | 3.90 |
| Bank charges | **7.75** | 6.83 |
| Corporate social responsibility expenditure | **12.77** | 12.45 |
| Legal and professional | **37.91** | 55.42 |
| Auditor's remuneration | **1.55** | 1.98 |
| Trade-mark fees | **60.93** | 80.74 |
| Information technology expenses | **183.31** | 207.89 |
| Exchange and commodity (gain) / loss (net) | **(4.76)** | 42.12 |
| Director's fees and commission | **1.35** | 1.29 |
| Services from third parties | **94.10** | 115.14 |
| Testing and inspection charges | **12.54** | 8.21 |
| Seminar and publicity expenses | **6.47** | 13.39 |
| Group management fees | **68.48** | 85.90 |
| Network cost | **31.81** | 26.57 |
| Warranty | **10.75** | 49.00 |
| Miscellaneous (net) | **46.12** | 42.90 |
| | **1,106.56** | 1,343.15 |
| | | |
| **Auditor's remuneration (excluding goods and service tax)*** | | |
| | | |
| As auditor: | | |
| Audit fee | **0.48** | 0.70 |
| Tax audit fee | **0.20** | 0.30 |
| Limited review | **0.60** | 0.60 |
| In other capacity: | | |
| Group reporting fees | **0.15** | 0.13 |
| Certification, etc | **0.10** | 0.10 |
| Reimbursement of expenses | **0.02** | 0.15 |
| | **1.55** | 1.98 |
| | | |
| **Details of corporate social responsibility expenditure** | | |
| | | |
| Gross amount required to be spent during the year | **12.77** | 12.45 |
| | | |
| Amount spent during the year | | |
| Construction/acquisition of any asset | **8.55** | 3.89 |
| On purposes other than above | **4.22** | 8.56 |
| | | |
| | **12.77** | 12.45 |

## 33 Discontinued operations

On March 5, 2019, the Board of Directors of Company approved the Scheme of Arrangement amongst the Company and ABB Power Products and Systems India Limited (APPSIL) for Demerger of Company's Power Grids business to APPSIL ("Demerger") and the Appointed date for the Demerger was April 1, 2019. The Demerger was approved by National Company Law Tribunal ('NCLT') and the NCLT approval had been filed with the Registrar of Companies on December 1, 2019 (Effective date).

On effective date, with effect from the Appointed Date i.e., April 1, 2019, the Power Grid business of the Company ('the transferred business') was transferred into "APPSIL", ('the resulting company'). The financial results of Power Grids business was presented as discontinued operations in the year ended December 31, 2019. Further, expenses incurred during the year relating to the discontinued business is disclosed as part of discontinued operations."

Further, as the scheme became effective on December 1, 2019 with the appointed date of April 1, 2019, the profit of Power Grids business for the period January 1, 2019 to March 31, 2019 and costs relating to demerger comprising stamp duty (accrued on estimate basis) and other expenses was presented as discontinued operations in the statement of profit and loss in the year ended December 31, 2019. The whole of the assets and liabilities of the transferred business became the assets and liabilities of the resulting company and were transferred at their book value as per the Order, as appearing in the books of the Company with effect from the appointed date (i.e. April 1, 2019).

The financial performance and cash flows for power grid business:

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| a) | **Analysis of profit from discontinued operations** | | |
| | **Income** | | |
| | Revenue from operations | - | 894.84 |
| | Other income | - | (0.02) |
| | **Total income** | - | 894.82 |
| | **Expenses** | | |
| | Cost of raw materials, components consumed and project bought outs | - | 476.21 |
| | Purchases of traded goods | - | 0.49 |
| | (Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods | - | (11.34) |
| | Subcontracting charges | - | 78.29 |
| | Employee benefit expenses | **2.70** | 86.67 |
| | Depreciation and amortisation expense | - | 13.59 |
| | Finance costs | - | 7.76 |
| | Other expenses# | **12.29** | 241.50 |
| | **Total expenses** | **14.99** | 893.17 |
| | **Profit before tax** | **(14.99)** | 1.65 |
| | Tax expense: | **3.77** | 0.48 |
| | **Profit after tax** | **(11.22)** | 1.17 |
| | # includes demerger related expenses Nil (December 31, 2019 ₹ 40.77 Crores) | | |
| b) | **Net cash flows attributable to the discontinued operations** | | |
| | Net cash (outflows) / inflows from operating activities | **(7.99)** | 82.63 |
| | Net cash (used in) investing activities | - | (37.17) |
| | Net cash (outflows) / inflows from financing activities | - | (7.76) |
| | Net cash outflows | **(7.99)** | 37.70 |

| | |
|---|---|
| **c) Book value of assets and liabilities of discontinued operations** | |
| Property, plant and equipment and intangible assets (including CWIP) | 605.40 |
| Non-current financial assets | 6.09 |
| Other non-current assets | 7.20 |
| Inventories | 469.58 |
| Trade receivables | 1,407.44 |
| Cash and cash equivalents | - |
| Current financial assets | 273.01 |
| Other current assets | 63.40 |
| **Total assets (A)** | 2,832.12 |
| Deferred tax liabilities (net) | 10.95 |
| Non-current financial liabilities - provisions | 101.24 |
| Trade payables | 1,071.63 |
| Other financial liabilities | 223.30 |
| Other current liabilities | 608.10 |
| Current liabilities - provisions | 142.97 |
| **Total liabilities (B)** | **2,158.19** |
| **Net Assets (A - B)** | **673.93** |
| Reserves transferred as per the Scheme | 667.01 |
| Note: As per the demerger scheme, net assets transferred in excess of reserves is debited to securities premium. | |



## 34 Earning per share (EPS)

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| The following reflects the income and share data used in the basic and diluted EPS computations | | |
| **a) Profit after tax** | | |
| From continuing operations | **230.44** | 302.23 |
| From discontinued operations | **(11.22)** | 1.17 |
| **b) Profit attributable to equity shareholders** | **219.22** | 303.40 |
| **c) Weighted average number of Equity Shares outstanding during the year** | **21,19,08,375** | 21,19,08,375 |
| **d) Nominal value of shares (in ₹)** | **2.00** | 2.00 |
| **e) Earnings per share- Basic and diluted (in ₹)** | | |
| From continuing operations **(in ₹)** | **10.87** | 14.26 |
| From discontinued operations **(in ₹)** | **(0.53)** | 0.06 |
| From continuing and discontinued operations **(in ₹)** | **10.35** | 14.32 |

## 35 Gratuity and other post-employment benefit plans

The Company has defined benefit gratuity plan and provident fund plan managed by trusts.

**Gratuity Plan :**

Gratuity is payable to all eligible employees of the Company as per the provisions of the Payment of Gratuity Act, 1972 or as per the Company's scheme, whichever is higher.

**Provident Fund Plan :**

The Company manages provident fund plan through a provident fund trust for its employees which is permitted under the Provident Fund and Miscellaneous Provisions Act, 1952. The Contribution by employee and employer together with interest are payable at the time of separation from service or retirement whichever is earlier.

Assumptions relating to future salary increases, attrition, interest rate for discount and overall expected rate of return on assets have been considered based on relevant economic factors such as inflation, market growth and other factors applicable to the period over which the obligation is expected to be settled.

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| A | **Gratuity** | | |
| | The following table sets out movement in defined benefits liability and the amount recognised in the financial statements: | | |
| | Gratuity provision | **7.14** | 4.76 |
| | **Total** | **7.14** | 4.76 |

(₹ in Crores)

| | | Defined benefit obligation | Fair value of plan assets | Benefit liability |
|---|---|---|---|---|
| i | **Changes in the defined benefit obligation and fair value of plan assets as at December 31, 2020:** | | | |
| | **Gratuity cost charged to profit or loss:** | | | |
| | As at January 1, 2019 | 136.47 | 129.67 | 6.80 |
| | Service cost | 8.56 | - | 8.56 |
| | Net interest expense / income | 6.95 | 7.61 | (0.66) |
| | **Total amount recognised in statement of profit and loss (Note 29)** | 15.51 | 7.61 | 7.90 |
| | Acquisitions (credit)/cost | (61.81) | (55.32) | (6.49) |
| | **Remeasurement (gains)/losses in other comprehensive income:** | | | |
| | Return on plan assets (excluding amounts included in net interest expense) | - | (3.93) | 3.93 |
| | Actuarial changes arising from changes in financial assumptions | 2.81 | - | 2.81 |
| | Experience adjustments | (1.64) | - | (1.64) |
| | **Total amount recognised in other comprehensive income** | 1.17 | (3.93) | 5.10 |
| | Contributions by employer | - | 8.55 | (8.55) |
| | Benefits paid | (3.69) | (3.69) | - |
| | As at December 31, 2019 | 87.65 | 82.89 | 4.76 |
| | Service cost | **7.88** | **-** | **7.88** |
| | Net interest expense | **5.72** | **6.12** | **(0.40)** |
| | **Total amount recognised in statement of profit and loss (Note 29)** | **13.60** | **6.12** | **7.48** |
| | Demerger adjustment# | **(61.81)** | **(55.32)** | **(6.49)** |
| | **Remeasurement (gains)/losses in other comprehensive income:** | | | |
| | Return on plan assets (excluding amounts included in net interest expense) | **-** | **(1.19)** | **1.19** |
| | Actuarial changes arising from changes in financial assumptions | **7.64** | **-** | **7.64** |
| | Experience adjustments | **7.42** | **-** | **7.42** |
| | **Total amount recognised in other comprehensive income** | **15.06** | **(1.19)** | **16.25** |
| | Contributions by employer | **-** | **21.35** | **(21.35)** |
| | Benefits paid | **(9.62)** | **(9.62)** | **-** |
| | **As at December 31, 2020** | **106.69** | **99.55** | **7.14** |

#Pursuant to demerger, plan assets was transferred in the ratio of liability.

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| ii | **Amount recognized in balance sheet** | | |
| | Present value of funded obligations | **106.69** | 87.65 |
| | Fair value of plan assets | **99.55** | 82.89 |
| | **Net funded obligation** | **(7.14)** | (4.76) |
| | **Net defined benefit (liability) / asset recognised in balance sheet** | **(7.14)** | (4.76) |
| iii | **Expense recognised in profit or loss** | | |
| | Current Service Cost | **7.88** | 8.56 |
| | Interest Cost | **(0.40)** | (0.66) |
| | | **7.48** | 7.90 |
| iv | **Remeasurements recognised in other comprehensive income** | | |
| | Actuarial (gain) loss on defined benefit obligation | **15.06** | 1.17 |
| | Return on plan assets excluding interest income | **1.19** | 3.93 |
| | | **16.25** | 5.10 |
| v | **The major categories of plan assets of the fair value of the total plan assets are as follows:** | | |
| | **Investments quoted in active markets** | | |
| | Government of India Securities (Central and State) | **4.86%** | 8.28% |
| | PSU securities | **3.85%** | 6.45% |
| | Special deposit scheme / Funds with LIC | **85.32%** | 67.78% |
| | Others (including bank balances) | **5.97%** | 17.49% |
| | **Total** | **100.00%** | 100.00% |
| vi | **The principal assumptions used in determining gratuity obligations are shown below:** | | |
| | Discount rate | **6.00%** | 6.90% |
| | Future salary increases | **7.75%** | 7.75% |
| vii | **The following payments are expected contributions to the defined benefit plan in future years** | | |
| | Within the next 12 months (next annual reporting period) | **8.97** | 5.43 |
| | Between 2 and 5 years | **39.11** | 37.13 |
| | Beyond 5 years | **84.97** | 63.78 |
| | **Total expected payments** | **133.05** | 106.34 |
| | The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years. | | |

(₹ in Crores)

| | | **December 31, 2020** | | December 31, 2019 | |
|---|---|---|---|---|---|
| | | **Discount rate** | **Future salary increases** | Discount rate | Future salary increases |
| viii | **A quantitative sensitivity analysis for significant assumption as at December 31, 2020 is as shown below:** | | | | |
| | **Assumptions** | | | | |
| | Sensitivity analysis | | | | |
| | 1% increase | **(8.43)** | **9.52** | (6.74) | 7.64 |
| | 1% decrease | **9.78** | **(8.38)** | 7.78 | (6.76) |
| | **Impact on defined benefit obligation** | | | | |
| | The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. | | | | |

## B Provident fund

(₹ in Crores)

| | | Defined benefit obligation | Fair value of plan assets | Benefit liability |
|---|---|---|---|---|
| **i** | **Changes in the defined benefit obligation and fair value of plan assets** | | | |
| | As at January 1, 2019 | 634.93 | 636.30 | (1.37) |
| | Current service cost | 60.73 | - | 60.73 |
| | Demerger adjustment# | (208.18) | (204.63) | (3.55) |
| | Interest expense | 38.61 | 38.17 | 0.44 |
| | Return on plan assets | - | (13.54) | 13.54 |
| | Contributions | - | 59.15 | (59.15) |
| | Benefit payments | (33.89) | (33.89) | - |
| | Actuarial (gain)/loss | (10.32) | - | (10.32) |
| | As at December 31, 2019 | 481.88 | 481.56 | 0.32 |
| | Current service cost | **69.17** | **-** | **69.17** |
| | Demerger adjustment# | **246.15** | **244.96** | **1.19** |
| | Interest expense/income | **50.92** | **50.90** | **0.02** |
| | Return on plan assets | **-** | **40.96** | **(40.96)** |
| | Contributions | **-** | **67.31** | **(67.31)** |
| | Benefit payments | **(40.43)** | **(40.43)** | **-** |
| | Actuarial (gain)/loss | **60.96** | **-** | **60.96** |
| | **As at December 31, 2020** | **868.65** | **845.26** | **23.39** |
| | #Pursuant to demerger, plan assets was transferred in the ratio of liability. | | | |

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| **ii** | **Amount recognized in balance sheet** | | |
| | Present value of funded obligations | **868.65** | 481.88 |
| | Fair value of plan assets | **845.26** | 481.56 |
| | **Net funded obligation** | **(23.39)** | (0.32) |
| | **Net defined benefit (liability) / asset recognised in balance sheet** | **(23.39)** | (0.32) |
| **iii** | **The principal assumptions are shown below:** | | |
| | Discount rate | **6.00%** | 6.90% |
| | Expected return on EPFO | **8.50%** | 8.65% |
| **iv** | **A quantitative sensitivity analysis for significant assumption as at December 31, 2019 is as shown below:** | | |
| | 0.5% increase in discount rate | **(17.15)** | (10.05) |
| | 0.5% decrease in discount rate | **25.72** | 17.19 |

The sensitivity results above determine their individual impact on the plan's end of year defined benefit obligation. In reality, the plan is subject to multiple external experience items which may move the defined benefit obligation in similar or opposite direction, while the plan's sensitivity to such changes can vary over time.
Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach.

| | | 2020 | 2019 |
|---|---|---|---|
| **v** | **The major categories of plan assets of the fair value of the total plan assets are as follows:** | | |
| | **Investments quoted in active markets** | | |
| | Government of India Securities (Central and State) | **52.14%** | 52.14% |
| | PSU securities | **34.20%** | 34.20% |
| | Others (including bank balances) | **13.66%** | 13.66% |
| | **Total** | **100.00%** | 100.00% |

**vi** The Company contributed ₹ **15.46** Crores towards employer's contribution for provident fund during the year December 2020.

**vii** The provident plans are applicable only to employees drawing a salary in Indian rupees and there are no other significant foreign defined benefit plans.

## 36 Fair value hierarchy

The Company's assets and liabilities which are measured at amortised cost for which fair value are disclosed at December 31, 2020.

### (i) Fair value hierarchy

(₹ in Crores)

| Particulars | 2020 | 2019 |
|---|---|---|
| **Financial Assets at amortised cost** | | |
| Investments (refer note 5) | **0.08** | 0.08 |
| Loans (refer note 6) | **27.00** | 377.04 |
| Trade and other receivables (refer note 11) | **1,694.96** | 1,947.54 |
| Cash and cash equivalents (refer note 12) | **2,203.95** | 1,594.91 |
| Other financial assets (refer note 7) | **846.36** | 606.73 |
| **Financial assets at fair value through profit and loss :** | | |
| Derivative instruments (refer note 7) | **41.68** | 16.90 |
| **Total financial assets** | **4,814.03** | 4,543.20 |
| **Financial liabilities at amortised cost** | | |
| Borrowing (refer note 18) | **-** | 7.06 |
| Lease liability (refer note 20) | **58.24** | - |
| Trade payables (refer note 22) | **1,720.74** | 1,901.60 |
| Other financial liability (refer note 19) | **1,257.30** | 1,196.44 |
| **Financial assets at fair value through profit and loss :** | | |
| Derivative instruments (refer note 19) | **20.40** | 23.13 |
| **Total financial liabilities** | **3,056.68** | 3,128.23 |

(₹ in Crores)

| Particulars | Amount | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets at fair value through profit and loss :** | | | | |
| **Derivative instruments (refer note 7) - As at December 31, 2020** | **41.68** | **-** | **41.68** | - |
| Derivative instruments (refer note 7) - As at December 31, 2019 | 16.90 | - | 16.90 | - |
| **Financial liabilities at fair value through profit and loss :** | | | | |
| **Derivative instruments (refer note 19) - As at December 31, 2020** | **20.40** | **-** | **20.40** | - |
| Derivative instruments (refer note 19) - As at December 31, 2019 | 23.13 | - | 23.13 | - |

### Valuation techniques and significant unobservable inputs

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

There were no transfers between Level 1, Level 2 and Level 3 during the year.

The carrying value of trade receivables, loans, trade payables, other financial assets and liabilities and cash and cash equivalents are considered to be the same as there fair value, due to there short term in nature.

The fair value of financial assets and liabilities is included at the amount at which the instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Company enters into derivative financial instruments with banks/ financial institutions. Foreign currency forward contracts are valued using valuation techniques which employs the use of market observable inputs using present value calculations. The model incorporates various inputs including the deal specific fundamental, market conditions, maturity period, transaction size, comparable trades, foreign currency spot and forward rates.

## 37 Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to support its operations. The Company's principal financial assets include investments, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, liquidity risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a Risk management committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Risk management committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

### i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, trade payables, deposits and investments.

**Commodity contracts**

The Company uses commodity future contracts to hedge risk against fluctuation in commodity prices. The following are outstanding future contracts entered into by the Company as on December 31, 2020.

| Year | Commodity | Number of contracts | Contractual quantity | Buy /Sell |
|---|---|---|---|---|
| **As at December 2020** | **Copper** | **129** | **2,736 MTs** | **Buy** |
| **As at December 2020** | **Silver** | **48** | **1,04,948 Ounce** | **Buy** |
| As at December 2019 | Copper | 121 | 2,466 MTs | Buy |
| As at December 2019 | Silver | 53 | 96,635 Ounce | Buy |

### ii. Foreign Currency Risk

The Company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the CHF. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not Company's functional currency (INR).

**(a) Unhedged in foreign currency exposure**

(₹ in Crores)

| Currency | EUR | NPR | BDT | BTN | SEK | CHF | LKR | Others |
|---|---|---|---|---|---|---|---|---|
| **Trade Receivables** | | | | | | | | |
| **As at December 31, 2020** | **52.92** | **2.44** | **9.43** | **5.70** | **-** | **32.31** | **8.27** | **5.09** |
| **1% increase** | **0.53** | **0.02** | **0.09** | **0.06** | **-** | **0.32** | **0.08** | **0.05** |
| **1% decrease** | **(0.53)** | **(0.02)** | **(0.09)** | **(0.06)** | **-** | **(0.32)** | **(0.08)** | **(0.05)** |
| As at December 31, 2019 | - | 3.86 | 0.82 | 1.75 | - | 16.75 | - | 1.08 |
| 1% increase | - | 0.04 | 0.01 | 0.02 | - | 0.17 | - | 0.01 |
| 1% decrease | - | (0.04) | (0.01) | (0.02) | - | (0.17) | - | (0.01) |
| **Trade payables** | | | | | | | | |
| **As at December 31, 2020** | **216.25** | **1.59** | **5.17** | **2.54** | **123.37** | **85.95** | **6.59** | **44.70** |
| **1% increase** | **2.16** | **0.02** | **0.05** | **0.03** | **1.23** | **0.86** | **0.07** | **0.45** |
| **1% decrease** | **(2.16)** | **(0.02)** | **(0.05)** | **(0.03)** | **(1.23)** | **(0.86)** | **(0.07)** | **(0.45)** |
| As at December 31, 2019 | 28.73 | 2.90 | 1.47 | - | - | 80.04 | 1.86 | 7.01 |
| 1% increase | 0.29 | 0.03 | 0.01 | - | - | 0.80 | 0.02 | 0.07 |
| 1% decrease | (0.29) | (0.03) | (0.01) | - | - | (0.80) | (0.02) | (0.07) |
| **Cash and cash equivalents** | | | | | | | | |
| **As at December 31, 2020** | **-** | **0.14** | **5.40** | **36.23** | **-** | **-** | **2.33** | **-** |
| **1% increase** | **-** | **0.00** | **0.05** | **0.36** | **-** | **-** | **0.02** | **-** |
| **1% decrease** | **-** | **(0.00)** | **(0.05)** | **(0.36)** | **-** | **-** | **(0.02)** | **-** |
| As at December 31, 2019 | - | 0.73 | 10.19 | 33.25 | - | - | 8.77 | - |
| 1% increase | - | 0.01 | 0.10 | 0.33 | - | - | 0.09 | - |
| 1% decrease | - | (0.01) | (0.10) | (0.33) | - | - | (0.09) | - |



The above sensitivity analysis is based on a reasonably possible change in the underlying foreign currency against the Indian rupee computed from historical data and is representative of the foreign exchange currency risk inherent in financial assets and financial liabilities reported at the reporting date.

**(b) Forward contracts outstanding as of December 31, 2020**

| Currency | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Number of Contracts** | **Amount in Foreign Currency Crores** | **(₹ in Crores)** | Number of Contracts | Amount in Foreign Currency Crores | (₹ in Crores) |
| **Exports** | | | | | | |
| CHF | **23** | **0.11** | **8.78** | 18 | 0.18 | 13.27 |
| EUR | **57** | **0.47** | **42.86** | 143 | 1.16 | 93.81 |
| SEK | **3** | **4.89** | **44.05** | 3 | 4.89 | 37.31 |
| USD | **202** | **4.45** | **337.48** | 275 | 6.30 | 455.85 |
| Others | **5** | **0.06** | **3.51** | 21 | 20.10 | 25.32 |
| | | | **436.68** | | | 625.56 |

| Currency | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Number of Contracts | Amount in Foreign Currency Crores | (₹ in Crores) | Number of Contracts | Amount in Foreign Currency Crores | (₹ in Crores) |
| **Imports** | | | | | | |
| CHF | **9** | **0.42** | **34.72** | 50 | 1.48 | 111.56 |
| EUR | **300** | **1.73** | **157.02** | 664 | 5.16 | 425.82 |
| SEK | **1** | **4.27** | **38.46** | 7 | 6.31 | 50.16 |
| USD | **271** | **1.31** | **99.64** | 834 | 4.51 | 326.04 |
| Others | **55** | **4.77** | **53.38** | 88 | 8.67 | 48.37 |
| | | | **383.22** | | | 961.95 |

## iii Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

### (i) Trade receivables

Trade receivables consists of a large number of customers spread across diverse industries.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable. Under the simplified approach,the Company does not track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from initial recognition.

The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At year end, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount of trade receivable and the amount of the loss is recognised in the statement of profit and loss within other expenses.

Specific allowance for loss is also been provided by the management based on expected recovery on individual customers.

The provision provided in books for trade receivables overdue:

**Reconciliation of loss allowance**

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| **Opening balance** | **367.69** | 578.26 |
| Add: Additional ECL provision/(reversal) | **14.05** | (41.54) |
| Add: Additional provision/(reversal) | **105.11** | 84.83 |
| Less: Transferred on Demerger | **-** | 191.61 |
| Less: Utilisation/reversals | **133.65** | 62.25 |
| **Closing balance** | **353.20** | 367.69 |

Management does not expect any significant loss from non-performance by counterparties on credit granted during the financial year that has not been provided for.

### (ii) Other than trade receivables

Management believes that the parties from which the receivables are due have strong capacity to meet the obligations and risk of default is negligible or nil and accordingly no provision for expected credit loss has been provided for.

### iv. Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and debentures. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Company maintains flexibility in funding by maintaining availability under committed credit lines.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

(₹ in Crores)

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | **On demand** | **Less than 1 year** | **More than 1 year** | **Total** | On demand | Less than 1 year | More than 1 year | Total |
| **Year ended** | | | | | | | | |
| **December 31, 2020** | | | | | | | | |
| Borrowings | - | - | - | - | - | - | 7.06 | 7.06 |
| Lease liability | - | **13.31** | **44.93** | **58.24** | - | - | - | - |
| Other financial liabilities | - | **1,252.03** | **5.27** | **1,257.30** | - | 1,192.88 | 3.56 | 1,196.44 |
| Trade payables | - | **1,720.74** | - | **1,720.74** | - | 1,901.60 | - | 1,901.60 |
| **Total non-derivative liabilities** | - | **2,986.08** | **50.20** | **3,036.28** | - | 3,094.48 | 10.62 | 3,105.10 |

### 38 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

(₹ in Crores)

| | **2020** | 2019 |
|---|---|---|
| Borrowings | - | 7.06 |
| Lease liability | **58.24** | - |
| Trade payables | **1,720.74** | 1,901.60 |
| Other financial liabilities | **1,277.70** | 1,219.57 |
| Less: cash and cash equivalents | **(2,203.95)** | (1,594.91) |
| **Net debts** | **852.73** | 1,533.32 |
| | | |
| Total equity | **3,606.38** | 3,520.11 |
| | | |
| **Capital and net debt** | **4,459.11** | 5,053.43 |
| | | |
| **Gearing ratio** | **19.12%** | 30.34% |

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2020.

### 39 Share based payments

The employees of the Company are entitled to the shares of ABB Limited, Zurich (Ultimate holding company) under an equity settled share based plan. The share based payments expense accounted during the year is not material and hence the required disclosures have not been provided.

## 40 Contingent liabilities and contingent assets

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| **Contingent liabilities (Claims against the Company not acknowledged as debts)** | | |
| Excise duty /service tax and sales tax liabilities dispute | **354.81** | 370.56 |
| Custom duty liabilities in dispute | **20.05** | 20.05 |
| Income tax matters in dispute | **13.17** | 14.35 |
| Other matters | **175.95** | 176.09 |
| | **563.98** | 581.05 |

The Company does not have any contingent assets at the balance sheet date.

The Company is contesting the demands and the management believes that its position will likely be upheld in the various appellate authorities/courts. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company's financial position.

In respect of the above contingent liabilities, the future cash outflows are determinable only on receipt of judgement pending at various forums / authorities.

## 41 Commitments

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| **(a)** | **Capital commitments** | | |
| | Estimated amount of contracts remaining to be executed on account of capital commitments and not provided for (net of advances) | **77.52** | 134.18 |

**(b) Transition to IND AS 116**

The Company has adopted Ind AS 116, effective annual reporting period beginning January 1, 2020 and applied the standard to its leases, retrospectively using modified retrospective method for transitioning with the cumulative effect of initially applying the standard, recognised on the date of initial application (January 1, 2020). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on January 1, 2020.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at January 1, 2020. Accordingly, a right-of-use asset of ₹ **51.37** crores and a corresponding lease liability of ₹ **55.44** crores has been recognized. The cumulative effect on transition in retained earnings net off taxes is ₹ **4.07** crores (including a deferred tax of ₹ **1.02** crores). The principal portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 Leases, were earlier reported under cash flow from operating activities. The weighted average incremental borrowing rate of 6.52% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-of-use asset, and finance cost for interest accrued on lease liability.

During the year ended December 31, 2020, the Company incurred expenses amounting to ₹ **16.25** crores towards short-term leases and leases of low-value assets disclosed as Rent in the other expense schedule. The total cash outflows for leases, including short-term leases and low-value assets amounted to ₹ **53.33** crores.

The maturity analysis of the lease liabilities have been disclosed under Liquidity Risk in Note 37

**Finance lease**

The Company has leases that were classified as finance leases applying Ind AS 17. For such leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of Ind AS 116 is the carrying amount of the lease asset and lease liability on the transition date as measured applying Ind AS 17. Accordingly, an amount of ₹ **30.12** crores has been reclassified from property, plant and equipment to right-of-use assets. An amount of ₹ **9.72** crores has been reclassified from other current financial liabilities to lease liability – current and an amount of ₹ **10.12** crores has been reclassified from borrowings – non-current to lease liability – non-current.

## 42 Segment disclosures

### 42(a) Segment information

**The Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by operating segments. For management purposes, CODM organises the company into business units based on its products and services and has five reportable segments, as follows**

**i) Composition of business segments**

The Company's business segments are organized around products and system solutions provided to its customers, which include utilities, industries, channel partners and original equipment manufacturers.

**Motion segment (MO)** provides products, solutions and related services that increase industrial productivity and energy efficiency. Its motors, generators and drives provide power, motion and control for a wide range of automation applications.

**Robotics and Discrete Automation segment (RA)** provides value-added solutions in robotics, machine and factory automation.

**Electrification segment (EL)** provides technology across the full electrical value chain from substation to the point of consumption, enabling safer and more reliable power. A range of digital and connected innovations for low- and medium-voltage, including EV infrastructure, solar inverters, modular substations, distribution automation, power protection, wiring accessories, switchgear, enclosures, cabling, sensing and control.

**Industrial Automation segment (IA)** provides products, systems and services designed to optimize the productivity of industrial processes. Solutions include turnkey engineering, control systems, measurement products, life cycle services, outsourced maintenance and industry specific products. The industries served include oil and gas, power, chemicals and pharmaceuticals, pulp and paper, metals and minerals, marine and turbocharging.



**Power Grids segment (PG)** offers power and automation products, systems, service and software solutions across the generation, transmission and distribution value chain. Its portfolio includes grid integration, transmission, distribution and automation solutions and a complete range of high voltage products and transformer.

**ii)** The accounting policies used in the preparation of the financial statements of the Company are also applied for segment reporting.

**iii)** Segment revenues, expenses, assets and liabilities are those, which are directly attributable to the segment or are allocated on an appropriate basis. Corporate and other revenues, expenses, assets and liabilities to the extent not allocable to segments are disclosed in the reconciliation of reportable segments with the financial statements.

**iv) Inter segment transfer pricing**

Inter segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimization objective for the Company.

**v)** Power Grids segment (PG) is considered as discontinued operation and held for sale. Information about the demerger is provided in Note. 33

## vi) Segment Information

**(Figures in brackets are in respect of the previous year)**

(₹ in Crores)

| Composition of business segments | Power Grids (Discontinued) | Robotics and Discrete Automation | Motion | Electrification Products | Industrial Automation | Total |
|---|---|---|---|---|---|---|
| External sales | **-** | **153.56** | **2,159.49** | **2,141.18** | **1,271.61** | **5,725.84** |
| | (889.98) | (269.45) | (2,472.82) | (2,843.58) | (1,527.08) | (8,002.91) |
| Inter segment sales | **-** | **1.62** | **70.87** | **39.79** | **11.16** | **123.44** |
| | (13.13) | (2.33) | (139.73) | (132.28) | (32.61) | (320.08) |
| Other operating revenue | **-** | **0.04** | **7.71** | **41.40** | **2.24** | **51.39** |
| | (4.86) | (0.04) | (5.91) | (43.52) | (3.49) | (57.82) |
| Segment revenues | **-** | **155.22** | **2,238.07** | **2,222.37** | **1,285.01** | **5,900.67** |
| | (907.97) | (271.82) | (2,618.46) | (3,019.38) | (1,563.18) | (8,380.81) |
| Segment results | **(14.99)** | **4.70** | **241.58** | **234.38** | **-56.91** | **408.76** |
| | (50.20) | (23.98) | (241.62) | (297.11) | (96.19) | (709.10) |
| Segment assets | **-** | **115.12** | **1,148.97** | **1,272.03** | **966.27** | **3,502.39** |
| | - | (139.46) | (1,107.88) | (1,560.41) | (1,060.61) | (3,868.36) |
| Segment liabilities | **-** | **89.11** | **952.77** | **777.12** | **812.27** | **2,631.27** |
| | - | (114.48) | (844.17) | (916.74) | (725.67) | (2,601.06) |
| Depreciation / amortisation | **-** | **1.60** | **19.65** | **36.31** | **7.27** | **64.83** |
| | (13.59) | (0.44) | (18.31) | (33.59) | (5.25) | (71.18) |

**vii) Reconciliation of reportable segments with the financial statements**

(₹ in Crores)

| | Revenues | Results / Net profit | Assets | Liabilities | Depreciation / amortisation |
|---|---|---|---|---|---|
| Total segments | **5,900.67** | **408.76** | **3,502.39** | **2,631.27** | **64.83** |
| | (8,380.81) | (709.10) | (3,868.36) | (2,601.06) | (71.18) |
| Power grids (Discontinued) | **-** | **(14.99)** | - | - | - |
| | (907.97) | (50.20) | (-) | (-) | (13.59) |
| Corporate - unallocated (net) | **43.72** | **(161.30)** | **4,088.11** | **1,352.85** | **55.53** |
| | (149.17) | (123.84) | (3,832.47) | (1,579.66) | (32.81) |
| Exceptional item - solar business | - | 58.79 | - | - | - |
| | (-) | (69.70) | (-) | (-) | (-) |
| Inter segment sales | **123.44** | **-** | **-** | **-** | **-** |
| | (306.95) | (-) | (-) | (-) | (-) |
| Interest expense | **-** | **(16.87)** | **-** | **-** | **-** |
| | (-) | (21.36) | (-) | (-) | (-) |
| Provision for tax | **-** | **(73.93)** | **-** | **-** | **-** |
| | (-) | (141.77) | (-) | (-) | (-) |
| As per financial statements | **5,820.95** | **230.44** | **7,590.50** | **3,984.12** | **120.36** |
| | (7,315.06) | (302.23) | (7,700.83) | (4,180.72) | (90.40) |



**(b) Composition of geographical segments**

(₹ in Crores)

| | India | Rest of world | Total |
|---|---|---|---|
| Segment revenues | **4,870.99** | **949.96** | **5,820.95** |
| | (6,015.12) | (1,299.94) | (7,315.06) |
| Segment non-current assets* | **1,056.54** | **-** | **1,056.54** |
| | (1,017.88) | (-) | (1,017.88) |

* Non current assets does not include deferred tax assets, financial instruments and non-current tax assets.

‘No customer individually accounted for more than 10% of the revenues from the continuing operations in the year ended December 31, 2020 and 2019.

## 43 Related party disclosures

**(a) Parent Company**

**Party where control exists:**

ABB Limited, Zurich, Switzerland (Ultimate Holding Company)

ABB Asea Brown Boveri Limited, Zurich, Switzerland (Holding Company)

**Entities with common directors and also a fellow subsidiary***

ABB Global Industries and Services Private Limited, Bengaluru, India

ABB Power Products and Systems India Limited, Bengaluru, India (fellow subsidiary until June 30, 2020)

* Transactions with the parties has been disclosed as part of transactions with fellow subsidiaries.

**Entities over which key management personnel are able to exercise significant influence**

ABB India Foundation

**Entities under common control**

**Name of the Fellow subsidiaries:**

ABB Australia Pty Limited, Moorebank, NSW, Australia
ABB (Namibia) (Pty) Ltd., Windhoek, Namibia
ABB (Pty) Ltd., Gaborone, Botswana
ABB A/S, Skovlunde, Denmark
ABB AB, Västerås, Sweden
ABB AG, Mannheim, Germany
ABB AG, Wiener Neudorf, Austria
ABB Algeria SpA Asea Brown Boveri , Hydra, Algeria
ABB Algerie Produits SpA, Hydra, Algeria
ABB AS, Billingstad, Norway
ABB AS, Jüri, Estonia
ABB Asea Brown Boveri Ltd, Zurich, Switzerland
ABB Asea Brown Boveri SRL, BUCHAREST, Romania
ABB (Hong Kong) Ltd., Hong Kong, Hong Kong Special Administrative Region of China
ABB Automacao Ltda, Sorocaba, Brazil
ABB Automation And Electrification (Vietnam) Company Limited, Ho Chi Minh, Viet Nam
ABB Automation GmbH, Mannheim, Germany
ABB Automation Products GmbH, Ladenburg, Germany
ABB B.V., Rotterdam, Netherlands
ABB Bailey Beijing Engineering Co. Ltd., Beijing, China
ABB Bailey Japan Limited, Shizuoka-Ken, Japan
ABB Beijing Drive Systems Co. Ltd., Beijing, China
ABB Beijing Switchgear Limited, BeiJing, China
ABB Bulgaria EOOD, Sofia, Bulgaria
ABB Business Services Sp. z o.o., Warsaw, Poland
ABB Capital B.V., Rotterdam, Netherlands
ABB Chongqing Transformer Company Ltd., Chongqing, China
ABB Colombia Ltda, Bogota, Colombia
ABB Contracting Company Ltd., Riyadh, Saudi Arabia
ABB d.o.o., Belgrade, Serbia
ABB Ecuador S.A., Quito, Ecuador
ABB Electrical Equipment (Xiamen) Co., Ltd., Xiamen, China
ABB Electrical Equipment Ltd., Lipetsk, Russian Federation
ABB Electrical Industries Co. Ltd., Riyadh, Saudi Arabia
ABB Electrical Machines Ltd., Shanghai, China
ABB Electrical Products (Shanghai) Co., Ltd., Shanghai, China
ABB Elektrik Sanayi A.S., Istanbul, Turkey
ABB Eletrificacao LTDA, Sorocaba, Brazil
ABB Engg. Technologies Co. (KSCC), Safat, Kuwait
ABB Engineering (Shanghai) Ltd., Shanghai, China
ABB Engineering Trading and Service Ltd., Budapest, Hungary
ABB Limitada, Maputo, Mozambique
ABB Enterprise Software Inc., Atlanta, GA, United States
ABB Equity Limited, Zurich, Switzerland
ABB for Electrical Industries (ABB ARAB) S.A.E., Cairo, Egypt
ABB France, Cergy Pontoise, France
ABB FZ-LLC, Dubai, United Arab Emirates
ABB Power & Automation (Private) Limited, Lahore, Pakistan
ABB Power Grids Argentina S.A.U., Ciudad Autonoma de Buenos Aires, Argentina
ABB Power Grids Australia Pty Ltd, Brisbane, Queensland, Australia
ABB Power Grids Bulgaria EOOD, Sevlievo, Bulgaria
ABB Power Grids Canada Inc, Saint-Laurent, Quebec, Canada
ABB Power Grids Chile SA, Santiago, Chile
ABB Transmission & Distribution Limited LLC, Abu Dhabi, United Arab Emirates
ABB Power Grids Denmark A/S, Skovlunde, Denmark
ABB Power Grids Germany AG, Mannheim, Germany
ABB Power Grids Hong Kong Limited, Hong Kong, Hong Kong Special Administrative Region of China
ABB Power Grids Italy S.p.A., Milano, Italy
ABB Power Grids Ltd., Moscow, Russian Federation
ABB Power Grids Malaysia Sdn Bhd, Kuala Lumpur, Malaysia
ABB Power Grids Peru S. A., Lima, Peru
ABB Power Grids Poland Sp. z o.o., Warsaw, Poland
ABB Power Grids Singapore Pte. Ltd., Singapore , Singapore
ABB Power Grids South Africa (Pty) Ltd, Johannesburg, South Africa
ABB Power Grids Sweden AB, Västerås, Sweden
ABB Power Grids Switzerland Ltd, Baden, Switzerland
ABB (China) Ltd., Beijing, China
ABB Power Protection LLC, Wilmington, DE, United States
ABB Power Protection SA, Gambarogno, Switzerland
ABB Power Systems Portugal, S.A, Oeiras, Portugal
ABB Pte. Ltd., Singapore, Singapore
ABB S.A., Buenos Aires, Argentina
ABB S.A., Casablanca, Morocco
ABB S.A., Lima, Peru
ABB S.A., Santiago, Chile
ABB S.p.A., Milan, Italy
ABB s.r.o., Prague, Czech Republic
ABB SARL, Kinshasa Gombe, Congo, Democratic Republic of the
ABB Schweiz AG, Baden, Switzerland
ABB Sécheron S.A., Satigny, Switzerland
ABB Shanghai Free Trade Zone Industrial Co., Ltd., Shanghai, China
ABB Shanghai Motors Co. Ltd., Shanghai, China
ABB Shanghai Transformer Co. Ltd., Shanghai, China
ABB South Africa (Pty) Ltd., Modderfontein, South Africa
ABB Sp. z o.o., Warsaw, Poland
Power-One Renewable Energy Solutions LLC, Wilmington, DE, United States
ABB Power Products and Systems India Limited; Bengaluru; India
ABB Global Marketing FZ LLC, Dubai, United Arab Emirates
ABB High Voltage Switchgear (Xiamen) Company Ltd., Xiamen, China
ABB High Voltage Switchgear Co., Ltd. Beijing, Beijing, China
ABB Holdings Sdn. Bhd., Subang Jaya, Malaysia
ABB Inc., Cary, NC, United States
ABB Inc., Saint-Laurent, Quebec, Canada
ABB GISL Employees Gratuity Trust
ABB Industrial Solutions (Switzerland) SA, Riazzino, Switzerland

ABB Industries (L.L.C.), Dubai, United Arab Emirates
ABB Industries FZ, Dubai, United Arab Emirates
ABB Information Systems Ltd., Zurich, Switzerland
ABB Installation Products Inc, Memphis, TN, United States
ABB Jiangjin Turbo Systems Company Limited, Chongqing, China
ABB Jiangsu Jingke Instrument Transformer Co., Ltd., Suqian, Jiangsu, China
ABB K.K., Tokyo, Japan
ABB Enterprise Software (PGHV US non-legal entity), Mt. Pleasant, PA, United States
ABB Limited/Jordan LLC., Amman, Jordan
ABB Limited, Auckland, New Zealand
ABB Limited, Bangkok, Thailand
ABB Limited, Dar Es Salaam, Tanzania, United Republic of
ABB Limited, Dhaka, Bangladesh
ABB Limited, Dublin, Ireland
ABB Limited, Nairobi, Kenya
ABB Limited, Warrington, United Kingdom
ABB LLC,, Muscat, Oman
ABB LLC, Doha, Qatar
ABB LLP., Almaty, Kazakhstan
ABB Logistics Center Europe GmbH, Menden, Germany
ABB Ltd., Hanoi, Viet Nam
ABB Ltd., Kampala, Uganda
ABB Ltd., Kyiv, Ukraine
ABB Ltd., Lusaka, Zambia
ABB Ltd., Moscow, Russian Federation
ABB Ltd., Seoul, Korea, Republic of
ABB Ltd., Taipei, Taiwan (Chinese Taipei)
ABB Ltd., Zagreb, Croatia
ABB Ltda., São Paulo, Brazil
ABB LV Installation Materials Co. Ltd. Beijing, Beijing, China
ABB Malaysia Sdn Bhd., Subang Jaya, Malaysia
ABB Management Holding Ltd., Zürich, Switzerland
ABB Management Services Ltd., Zurich, Switzerland
ABB Mexico S.A. de C.V., San Luis Potosi SLP, Mexico
ABB Motion Limited, Bristol, United Kingdom
ABB Motors and Mechanical Inc, Fort Smith, AR, United States
ABB N.V., Zaventem, Belgium
ABB Near East Trading Ltd., Amman, Jordan
ABB Oy, Helsinki, Finland
ABB Supply Operations Ltd., Baden, Switzerland
ABB Substations Contracting India Private Limited, Banglore, India
ABB Technologies Ltd., Haifa, Israel
ABB Technologies S.A., Dakar, Senegal
ABB Technology SA, Abidjan, Cote d'Ivoire
ABB Power Grids Colombia Ltda, Bogotá, Colombia
ABB Turbo Systems (Hong Kong) Limited, Hong Kong, Hong Kong Special Administrative Region of China
ABB Turbo Systems AG, Baden, Switzerland
ABB Xiamen Surge Arrestor Co., Ltd., Xiamen, China
Asea Brown Boveri Industrial, Technical & Commercial Company of Imports – Exports S.A., Metamorphossis Attica , Greece
ABB Xiamen Smart Technology Co., Ltd., Xiamen, China
ABB Xiamen Switchgear Co. Ltd., Xiamen, China
ABB Xi'an Power Capacitor Company Limited, Xi'an, China
ABB Xinhui Low Voltage Switchgear Co. Ltd., Xinhui , China
ABB, Inc., Paranaque, Metro Manila, Philippines
ABBNG Limited, Lagos, Nigeria
ABB Xiamen Low Voltage Equipment Co. Ltd., Xiamen, China
Asea Brown Boveri Lanka (Private) Limited, Colombo, Sri Lanka
Asea Brown Boveri Ltd., Moka, Mauritius
Asea Brown Boveri S.A., Madrid, Spain
B&R Industrial Automation Pvt. Ltd., Pune, India
Busch-Jaeger Elektro GmbH, Lüdenscheid, Germany
Electrical Materials Center Co. Ltd, Riyadh, Saudi Arabia
Industrial C&S Hungary Kft., Budapest, Hungary
Iraq Technology for Advanced Energy LLC, Baghdad, Iraq
Power-One Italy S.p.A., Terranuova Bracciolini (AR), Italy
ABB Stotz-Kontakt GmbH, Heidelberg, Germany
PT ABB Sakti Industri, Jakarta, Indonesia
Pucaro Elektro-Isolierstoffe GmbH, Roigheim, Germany
Shanghai ABB Power Transmission Company Ltd., Shanghai, China
Shantou Winride Switchgear Co., Ltd., Longhu District Shantou, China
Sucursal Panama de ABB SA, Panama, Panama
Thomas & Betts Asia (Singapore) Pte. Ltd., Singapore, Singapore
Trasfor SA, Monteggio, Switzerland
Turbo Systems United Co. Ltd., Tokyo, Japan
Asea Brown Boveri Ltd .Employees Gratuity Fund
ABB India Employees' Provident Fund Trust
Asea Brown Boveri Ltd. Senior Executives Superannuation Scheme
ABB SRL, Bucharest, Romania

**Key Managerial Personnel :**

| | |
|---|---|
| **(a) Managing Director** | Sanjeev Sharma |
| **(b) Non-Executive cum Independent Directors** | Nasser Munjee (upto July 24, 2020)<br>Darius E. Udwadia<br>Renu Sud Karnad<br>V K Viswanathan (w.e.f November 13, 2019) |
| **(c) Non-Executive Directors** | Jean-Christophe Deslarzes<br>Martin Wierod (from June 19, 2020)<br>Diane de Saint Victor (November 13, 2019 to July 24, 2020)<br>Tarak Mehta (upto June 19, 2020) |
| **(d) Chief Financial Officer** | T. K. Sridhar |
| **(e) Company Secretary** | B. Gururaj |

(₹ in Crores)

| | | | 2020 | 2019 |
|---|---|---|---|---|
| **(b)** | **Transactions with related parties** | | | |
| | Transaction value in excess of 10% with a fellow subsidiary has been individually disclosed below. All other cases have been grouped and disclosed as 'other fellow subsidiaries'. | | | |
| | **i)** | **Revenue from operations** | | |
| | | Holding Company | **4.25** | 4.85 |
| | | Fellow Subsidiaries | | |
| | | - ABB Power Products and Systems India Limited; Bengaluru; India | **23.31** | 22.11 |
| | | - ABB Schweiz AG, Baden, Switzerland | **69.14** | 65.46 |
| | | - Power-One Renewable Energy Solutions LLC; Wilmington, DE; United States | **1.83** | 249.13 |
| | | - Other fellow subsidiaries | **551.12** | 756.12 |
| | | | **645.40** | 1,092.82 |
| | | | **649.65** | 1,097.67 |
| | **ii)** | **Interest Income** | | |
| | | - ABB Power Products and Systems India Limited; Bengaluru; India | **3.85** | 12.23 |
| | **iii)** | **Other non operating revenue** | | |
| | | - ABB Power Products and Systems India Limited; Bengaluru; India | **22.98** | 8.31 |
| | | - ABB Power Technology Services Private Limited; Bangalore, India | **2.05** | - |
| | | | **25.03** | 8.31 |
| | **iv)** | **Purchases of raw materials, components, project items and traded goods** | | |
| | | Fellow Subsidiaries | | |
| | | - ABB Schweiz AG;Baden;Switzerland | **220.19** | 232.36 |
| | | - ABB Oy, Helsinki, Finland | **207.46** | 434.82 |
| | | - ABB Pte. Ltd., Singapore | **191.08** | 255.38 |
| | | - ABB AB, Västerås, Sweden | **126.63** | 69.30 |
| | | - Other fellow subsidiaries | **713.67** | 1,151.50 |
| | | | **1,459.03** | 2,143.36 |
| | **v)** | **Expenditure on ESAP charges** | | |
| | | Fellow Subsidiaries | | |
| | | - ABB Equity Limited; Zurich; Switzerland | **0.88** | - |
| | **vi)** | **Expenditure on royalty, technology and trade-mark fees** | | |
| | | Holding Company | **60.93** | 90.94 |
| | | Fellow Subsidiaries | | |
| | | - ABB Schweiz AG, Baden, Switzerland | **162.67** | 247.82 |
| | | - Other fellow subsidiaries | **9.03** | 12.72 |
| | | | **171.70** | 260.54 |
| | | | **232.63** | 351.48 |
| | **vii)** | **Expenditure on information technology, engineering, management and other services** | | |
| | | Holding Company | **0.29** | 11.92 |
| | | Fellow Subsidiaries | | |
| | | - ABB Information Systems Ltd., Zurich, Switzerland | **129.78** | 152.71 |
| | | - ABB Global Industries and Services Private Limited, Bengaluru, India | **88.38** | 66.83 |
| | | - ABB Management Services Ltd., Zurich, Switzerland | **37.77** | 38.87 |
| | | - ABB Oy; Helsinki; Finland | **28.80** | 57.27 |
| | | - Other fellow subsidiaries | **43.39** | 21.58 |
| | | | **328.12** | 337.26 |
| | | | **328.41** | 349.18 |
| | **viii)** | **Expenses recovered from group companies** | | |
| | | Holding Company | **-** | 0.16 |
| | | Fellow Subsidiaries | | |
| | | - ABB Power Products and Systems India Limited; Bengaluru; India | **89.56** | 64.27 |
| | | - ABB Substations Contracting India Private Limited, Bengaluru, India | **9.26** | 29.44 |
| | | - ABB Global Industries and Services Private Limited, Bengaluru, India | **2.92** | 2.97 |
| | | - ABB Management Services Limited, Zurich, Switzerland | **1.83** | 3.18 |
| | | - ABB AB, Västerås, Sweden | **1.23** | 0.83 |
| | | - Other fellow subsidiaries | **23.61** | 5.49 |
| | | | **128.41** | 106.18 |
| | | | **128.41** | 106.34 |

| | | 2020 | 2019 |
|---|---|---|---|
| | | | (₹ in Crores) |
| ix) | **Other capital expenditure** | | |
| | Fellow Subsidiaries | | |
| | - ABB Engineering (Shanghai) Ltd.; Shanghai; China | **1.10** | 1.05 |
| | - ABB Oy; Helsinki; Finland | **0.82** | 2.48 |
| | - ABB Global Industries and Services Private Limited, Bengaluru, India | **0.03** | 0.22 |
| | - Other fellow subsidiaries | **0.68** | 0.83 |
| | | **2.63** | 4.58 |
| x) | **Dividend paid during the year** | | |
| | Holding Company | **76.29** | 76.29 |
| | Fellow Subsidiaries | **-** | - |
| | | **76.29** | 76.29 |
| xi) | **Repayment of loan granted** | | |
| | - ABB Power Products and Systems India Limited; Bengaluru; India | **347.62** | - |
| xii) | **Loan granted** | | |
| | - ABB Power Products and Systems India Limited; Bengaluru; India | **-** | 347.62 |
| xiii) | **Remuneration to key managerial personnel** | | |
| | The remuneration of key management personnel and a relative of key management personnel of the company are set out below in aggregate for each of the categories specified in Ind AS 24 Related party disclosures | | |
| | **Particulars** | | |
| | Short term employee benefits | **10.74** | 9.73 |
| | Post employment benefits# | **0.50** | 0.45 |
| | Directors' Sitting fees | **0.12** | 0.13 |
| | Commission to Directors | **1.23** | 1.06 |
| | **Total** | **12.59** | 11.37 |
| | # Does not include gratuity and compensated absences as these are provided in the books of accounts on the basis of actuarial valuation for the company as a whole and hence individual amount cannot be determined | | |
| xiv) | **CSR Contribution** | | |
| | - ABB India Foundation | **9.08** | 9.17 |

xv) Pursuant to demerger of Power Grid business to ABB Power Products and System India Limited, during the year, the Company has accounted sales and purchases amounting to ₹ **1,139** Crores and ₹ **249.74** Crores respectively towards the contracts yet to be novated by the APPSIL's customers and vendors. The aforesaid sales and purchases has not been considered in the revenue from operations and cost of sales of the Company. The receivables and payables towards the aforesaid non novated contracts amounting to ₹ **597.87** Crores and ₹ **613.99** Crores have been disclosed as other receivables and other payables. (Refer note 7 and 19).

**(c) Amount due to / from related parties**

Balances in excess of 10% with a fellow subsidiary has been individually disclosed below. All other cases have been grouped and disclosed as 'other fellow subsidiaries'.

| | | 2020 | 2019 |
|---|---|---|---|
| i) | **Trade receivables** | | |
| | Holding Company | **1.01** | 0.72 |
| | Fellow Subsidiaries | | |
| | - ABB Schweiz AG, Baden, Switzerland | **29.33** | 24.64 |
| | - ABB Power Products and Systems India Limited; Bengaluru; India | **22.07** | - |
| | - Power-One Renewable Energy Solutions LLC; Wilmington, DE; United States | **-** | 132.58 |
| | - Other fellow subsidiaries | **140.43** | 196.13 |
| | | **191.83** | 353.35 |
| | | **192.84** | 354.07 |
| | - Add/ (Less ) :Impact of foreign currency restatement | **1.23** | 3.39 |
| | | **194.07** | 357.46 |

(₹ in Crores)

| | | 2020 | 2019 |
|---|---|---|---|
| **ii)** | **Other financial assets** | | |
| | Holding Company | **0.09** | - |
| | | | |
| | Fellow Subsidiaries | | |
| | - ABB Global Industries and Services Private Limited, Bengaluru, India | **14.87** | 9.31 |
| | - ABB Substations Contracting India Private Limited, Bengaluru, India | **4.06** | 4.05 |
| | - ABB Power Products and Systems India Limited; Bengaluru; India | **168.61** | 244.71 |
| | - ABB Schweiz AG, Baden, Switzerland | **0.33** | 0.54 |
| | - Other fellow subsidiaries | **5.40** | 5.13 |
| | | **193.27** | 263.74 |
| | | | |
| | | **193.36** | 263.74 |
| | - Add/ (Less ): Impact of foreign currency restatement | **0.00** | 0.03 |
| | | **193.36** | 263.77 |
| | | | |
| **iii)** | **Other current assets** | | |
| | Fellow Subsidiaries | | |
| | - ABB AB, Västerås, Sweden | **1.65** | 1.65 |
| | - ABB Inc.;Cary, NC;United States | **1.18** | - |
| | - ABB Sp. z o.o.;Warsaw;Poland | **0.44** | 0.44 |
| | - ABB South Africa (Pty) Ltd.; Modderfontein; South Africa | **0.12** | 0.70 |
| | - ABB Oy, Helsinki, Finland | **-** | 2.70 |
| | | **3.39** | 5.49 |
| | - Add/ (Less ) :Impact of foreign currency restatement | **0.43** | 0.19 |
| | | **3.82** | 5.68 |
| | | | |
| **iv)** | **Trade payables** | | |
| | Holding Company | **1.30** | - |
| | | | |
| | Fellow Subsidiaries | | |
| | - ABB Power Products and Systems India Limited; Bengaluru; India | **1.87** | - |
| | - ABB AB, Västerås, Sweden | **76.65** | 36.20 |
| | - ABB Oy, Helsinki, Finland | **53.39** | 149.29 |
| | - ABB Schweiz AG, Baden, Switzerland | **82.12** | 86.65 |
| | - Other fellow subsidiaries | **408.07** | 451.46 |
| | | **622.10** | 723.60 |
| | | **623.40** | |
| | - Add/ (Less ): Impact of foreign currency restatement | **10.01** | 4.33 |
| | | **633.41** | 727.93 |
| **v)** | **Other financial liabilities** | | |
| | Holding Company | **23.33** | 39.55 |
| | | | |
| | Fellow Subsidiaries | | |
| | - ABB S.p.A.;Milan;Italy | **5.26** | 6.12 |
| | - Asea Brown Boveri Lanka (Private) Limited;Colombo;Sri Lanka | **5.11** | 0.77 |
| | - ABB Global Industries and Services Private Limited, Bengaluru, India | **0.38** | 14.88 |
| | - ABB Power Products and Systems India Limited; Bengaluru; India | **481.54** | 591.90 |
| | - ABB Management Services Ltd.; Zurich; Switzerland | **-** | 23.35 |
| | - Other fellow subsidiaries | **6.65** | 31.15 |
| | | **498.94** | 668.17 |
| | | **522.27** | 707.72 |
| | - Add/ (Less ) :Impact of foreign currency restatement | **0.56** | 2.42 |
| | | **522.83** | 710.14 |
| | | | |
| **vi)** | **Other current liabilities** | | |
| | Fellow Subsidiaries | | |
| | - ABB Engg. Technologies Co. (KSCC);Safat;Kuwait | **6.01** | 1.66 |
| | - ABB Transmission & Distribution Limited LLC; Abu Dhabi; United Arab Emirates | **5.01** | 11.41 |
| | - ABB Schweiz AG, Baden, Switzerland | **(0.12)** | 0.05 |
| | - Other fellow subsidiaries | **6.66** | 4.46 |
| | | **17.56** | 17.58 |
| | - Add/ (Less ) :Impact of foreign currency restatement | **0.05** | 0.45 |
| | | **17.61** | 18.03 |

### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

During the previous year, the Company had provided inter corporate loan to APPSIL at the rate of 10% p.a which was repayable on demand. The loan has been fully repaid by APPSIL in the current year.

There have been no guarantees provided or received for any related party receivables or payables.

## 44 Revenue from contracts with customers

(₹ in Crores)

| | 2020 | 2019 |
|---|---|---|
| **a) Disaggregated revenue information** | | |
| **Revenue by geography** | | |
| India | **4,870.99** | 6,015.12 |
| Other countries* | **949.96** | 1,299.94 |
| | **5,820.95** | 7,315.06 |
| * Exports to any single country are not material to be disclosed. | | |
| # only continued operations. | | |
| Out of the total revenue recognised under Ind AS 115 during the period, ₹ **959.67** crores (December 31, 2019: ₹ 1,349.76 crores ) is recognised over a period of time and ₹ **4,861.28** crores (December 31, 2019: ₹ 5,965.30 crores) is recognised at a point in time. | | |
| b) Contract balances | | |
| Trade receivables | **1,694.96** | 1,947.54 |
| Advance from customers (Contract liabilities) | **242.27** | 244.94 |
| Billing in excess of contract revenue | **220.66** | 182.40 |
| Contract assets | **61.08** | 171.36 |
| | **2,218.97** | 2,546.24 |
| # previous year number is only for continued operations. | | |



A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer and hence is not a financial assets. In Company's contracts with customers, since the contractual right to payment arises only upon achievement of milestones specified in the contract, it is believed that the performance completed until the achievement of a particular milestone should be recorded as a contract asset under non-financial assets.

During the year ₹ **148.92 Crores** (previous year ₹ 177.61 Crores) from opening balance of contract assets has been reclassified to trade receivables upon billing to customers on completion of milestones.

Revenue recognized during the year from opening balance of contract liabilities amounts to ₹ **164.16** Crores (previous year ₹ 120.06 Crores).

c) There is no revenue recognised during the year from the performance obligation that is satisfied in previous year (arising out of contract modifications.

**d) Performance Obligation on fixed price contracts**

The fixed price contracts are ordinarily presumed to consist of combined obligations which are not distinct in the context of the contract (i.e., single performance obligation). This is highly attributed to the long-term construction nature of the projects, whereby deliverables are typically highly interrelated and combined. The typical scope of turnkey contracts arrangements includes Engineering, manufacturing, shipment, delivery installation, testing, erection and commissioning and civil works. Although there are several components to the overall scope of the contract, the turnkey contracts are generally considered one performance obligation.

**e) Remaining performance obligations**

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue.

The aggregate value of performance obligations that are completely or partially unsatisfied as at December 31, 2020 is ₹ **4,114.34 Crores**. The conversion to revenue is highly dependent on meeting the delivery schedules, contractual terms and conditions with customers, availability of customer sites, changes / variation in scope / prices etc. In view of these, it is not practical to define the accurate timing of conversion to revenue. However, it will be in a range of 1 to 3 years.

**f) Reconciliation between revenue recognized and contract price:**

(₹ in Crores)

| | | **2020** | 2019 |
|---|---|---|---|
| **a)** | **Disaggregated revenue information** | | |
| | Contract price | **5,769.09** | 7,252.63 |
| | Less: Reductions towards variable consideration components* | **51.86** | 62.43 |
| | **Revenue** | **5,820.95** | 7,315.06 |

* Reduction towards variable consideration components include discounts, liquidated damages, etc.

g) Information regarding segment wise disaggregation of revenue has been included in segment information [Refer note 42].

**45 Impact on transition to Ind AS 115**

Effective January 1 2019, the Company adopted IND AS 115, "Revenue from Contracts with customers". The Company adopted the aforesaid standard retrospectively with a cumulative impact of ₹ 9.77 Crores (net of tax impact ₹ 5.24 Crores) credited to the retained earnings as on January 1, 2019 on account of retention discounting.

**46** The Board at its meeting held on July 9, 2019, granted in-principle approval for sale of Company's solar inverter business (Business) to an Italian Company, FIMER S.p.A. Consequently, pursuant to the requirements of Ind AS 105 - Non Current Assets held for Sale and Discontinued Operations, the Company classified the assets as at December 31, 2019 pertaining to the Solar Inverter Business as Assets held for sale and measured the same at lower of cost and fair value (fair value less costs to sell). In this regard, during the year ended December 31, 2019, the Company accounted exceptional cost amounting to ₹ 69.70 Crores towards the remeasurement of fixed assets and inventories at realisable values.

After obtaining Board's final approval for sale of Business, on March 30, 2020, the Company entered into a Business Transfer Agreement (BTA) with Marici Solar India Private Limited, a wholly owned entity of FIMER S.p.A., in India ('Marici India') for sale of Solar inverter business for a consideration of ₹ 105.63 Crores. The effective date of BTA is April 1, 2020. Pursuant to the BTA, during the year, the Company reversed exceptional loss amounting to ₹ 58.79 Crores representing consideration receivable in excess of net assets to be transferred based on the aforesaid BTA.

Carrying value of asset and liabilities classified as held for sale

| | (₹ in Crores) 2020 |
|---|---|
| Assets classified as held for sale | |
| Non-current assets | **26.48** |
| Trade receivables | **237.32** |
| Inventories | **96.93** |
| Other Current assets | **61.84** |
| | |
| **Total assets of disposal group held for sale** | **422.57** |
| | |
| Liabilities directly associated with assets classified as held for sale | |
| Non-current liabilities | **2.29** |
| Trade payable | **205.73** |
| Other current liabilities | **63.62** |
| | |
| **Total liabilities of disposal group held for sale** | **271.64** |
| | |
| Solar inverter business is part of electrification segment | |

**47** (a) Pursuant to the strategic decision to ramp-down and de-risk the Energy industries division's projects (part of the Industrial Automation segment), the management during the year ended 31 December 2020 has re-assessed efforts to be expended on the long term legacy projects and recoverability of related receivables. Such re-assessment resulted in an aggregate impact of ₹ **79.45** Crores effected in the income statement under relevant heads.

(b) During the year ended 31 December 2020, the Company announced and executed a voluntary retirement scheme for its employees in one of the division of Industrial Automation segment. The Company recorded an additional cost of ₹ **13.5 Crores** towards this scheme in the statement of profit and loss as "Employee costs".

**48** The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations due to lockdowns, disruptions in transportation, supply chain, travel bans, quarantines, social distancing and other emergency measures. The COVID -19 pandemic is rapidly spreading throughout the world. ABB's plants and offices were under nationwide lockdown since March 24, 2020. Effective middle of May 2020 as per the directives of Ministry of Home Affairs(MHA) wherein some relaxation was announced, the Company opened up its manufacturing activities in its locations across the country after putting in place the due safety precautions and standard norms and processes prescribed by the MHA and the respective State Governments. The Company has ramped up its manufacturing activities in line with the demand pick up and supply chain stabilization. As a result of lockdown the volumes for the year has been impacted. The Company has evaluated its liquidity position and of recoverability and carrying values of its assets and has concluded that no material adjustments are required at this stage in the financial statements.

**49 Subsequent events:**

The Board of Directors in their meeting held on February 10, 2021 have proposed a final dividend of ₹ **5** per equity share for the year ended December 31, 2020. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

As per our report of even date attached
for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm's Registration No.: 101248W/W-100022

**Amit Somani**
Partner
Membership no.: 060154
Bengaluru, February 10, 2021

For and on behalf of the Board

| | |
|---|---|
| Sanjeev Sharma (DIN-07362344) | Managing Director |
| V K Viswanathan (DIN-01782934) | Director |
| T. K. Sridhar | Chief Financial Officer |
| B. Gururaj (FCS-2631) | Company Secretary |

Bengaluru, February 10, 2021