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# **Chairman's statement**

70<sup>th</sup> Annual General Meeting,  
Bengaluru, July 24, 2020

**Ladies and gentlemen,**

On behalf of the Board of Directors of ABB India Limited, I am delighted to welcome you to the 70<sup>th</sup> Annual General Meeting (AGM) of your company.

This is the first time in the Company's history that we will not be able to meet in person for the AGM. However, I hope that you and your families continue to stay safe and as a responsible corporate citizen, we chose to have this meeting virtually, in order to follow the norms set by the government in India as well as to put safety and health first, as we always do in our Company.

Let me begin by stressing how hard our Managing Director, Sanjeev Sharma, his management team and all employees of ABB India Limited have worked during the COVID-19 crisis. While ensuring our people are kept safe, aware and informed, we stayed in contact with our customers, continued to service them well and made sure that our processes are compliant with government norms. Sanjeev will mention more details on the same in his presentation, but I wanted to start in expressing my gratitude to all employees for the consistent engagement and to you – our shareholders – and other stakeholders for the confidence in our Company during these difficult times.

2019 was the year of consolidation and transformation of businesses in ABB Group across the globe and this included India. Your Company continued its journey of growth and value creation for all stakeholders, while ensuring that the transformation was on track. It successfully navigated a rapidly changing market as a leaner, more customer focused digital industry leader.

In my present speech, I will provide more details about the external environment, an update on ABB's transformation and the growth trajectory with business continuity. Sanjeev will then outline ABB India's strategy, mitigating as strongly as possible the Covid-19 impact on the 2020 performance and address some other highlights.

### **External environment**

2019 was the year of elections in India, with the earlier government returning with a decisive mandate.

India emerged as second largest growth driver of primary energy consumption in the world, behind China, even though it reduced the demand of fossil fuels (BP Energy Statistical Review). The year in review witnessed sporadic pockets of growth. The volatile global market had some conducive consequence for India, like liquidity due to lower interest rates, increase in net Foreign Direct Investments, and relatively stable and lower oil prices.

The government introduced many reforms, including infrastructure projects pipeline or reforms in contract manufacturing to attract more investors and it reduced corporate tax rates by 10 percentage points. In 2019, industries demonstrated a steady pattern of project execution, although a slow-down has been noted in the last few months of the year. The Company continued its focus on the solid fundamentals of quality growth at a time of constricted market opportunities. The growth windows offered in capital goods, limited revival in process industries, transportation and energy were reflected in diverse order books.

### **Transformation update**

The impending divestment of the Power Grids business announced in December 2018 entailed that significant attention and resources were devoted to executing a detailed, consistent demerger plan for India, which is the only location where ABB Group has a publicly listed Company; and there is a strong ABB Power Grids history and identification in the country.

An extremely competent team - globally as well as in India – has overseen the seamless transition. We had allowed ourselves 18 months to implement a smooth separation plan, while continuing to focus on the businesses' performance, which has been on a well-established growth trajectory in the country. By means of an effective and efficient plan as well as thanks to the commitment of the country management and the project taskforce, we delivered to the markets yet another world-class company in ABB Power Products and Systems India Limited. This was done through a market valued demerger, rigorously respecting the regulatory landscape and all statutory formalities within the stipulated timelines. I would like to congratulate Sanjeev and the entire team for this unique effort.

### **Building a lean, more focused global technology company**

Complementing our shift away from power transmission and large-scale infrastructure projects, we have focused on simplifying our business model and operational structure to create a leaner, more agile and customer-focused ABB. The four businesses of Electrification, Motion, Industrial Automation and Robotics & Discrete Automation consistently focused on their respective performance, to ensure that your Company's growth trajectory was on track while the transformation was ongoing.

The four businesses have over the years built a strong foundation in India, allowing them to withstand any temporary headwinds whilst delivering operational and financial excellence.

### **The digital transformation of industries**

Your Company will continue to be a technology leader in the digital transformation of industries. It will be an exemplary corporate citizen that safeguards essential infrastructure, contributes to a more sustainable world, and delivers superior customer experience and financial performance through continued innovation, with a talented, motivated workforce. This essence was reflected in India where ABB has played a pioneering role in introducing greater automation and digitalization in the manufacturing sector. The digital transformation comprises for example the following:

- Transforming our own operations to smart factories to cater to domestic and global customers more effectively.
- Transform existing industrial components with the support of sensors for motors, remote monitoring for drives and robots. Approximately 2'000 connected devices in India and 8'000 connected robots spread across the globe "speak" to one another.
- Our ABB Ability™ portfolio solutions are deployed for the first time in the cement, steel and mining sectors.
- Digital solutions like ABB flowmeters or smart power distribution solutions to monitor and save precious natural resources like energy and water across multiple Indian cities.

### **Self-reliance and innovation in India**

With continuous advances in technology, driving an unprecedented rate of development, our customers' businesses in the country are being profoundly impacted. Indian customers are also looking for more complete solutions, combining the right products with leading engineering expertise and domain capability.

Recent developments have resulted in a series of announcements by the government to encourage Indian self-reliance in manufacturing. Global technology and automation companies like ABB have been examples in this respect for decades. For example, ABB's blending solutions to help Indian energy companies to reduce the cost of Liquid Petroleum Gas imports; or a specific software to make Indian steel melt shops safer.

2019 was the third year of double-digit growth for your Company's exports, despite global volatility, with all businesses contributing to "making in India for the world". ABB India has continued its journey of growth in the local markets with five manufacturing locations, 26 factories and 22 product lines. Sanjeev will describe those in detail for you.

## **Solid performance in 2019 with sustainable operations and diverse workforce**

2019 was a year that demonstrated the resilience of our business model. We were able to leverage pockets of growth and progress on cost, profit and cash. Your Company delivered consistently a double-digit growth from 2015 to 2019 (10.5% average), despite an uncertain market and unstable geopolitics. We remain committed to delivering a sustainable dividend and despite the crisis that the world is experiencing, we have proposed a dividend of 240% per share at this AGM.

Also, you will be proud to know that your Company has performed well as a responsible corporate citizen, recycling 90% of the waste in 2019 and therefore ensuring that much lower waste travels to the landfills. Furthermore, we used 54% of green power for our operations, including the Power Grids business. Our 16 community projects helped in improving the lives of around 100,000 people.

In order to build a more inclusive and diverse workforce of the future, your Company worked hard to increase the diversity among employees to represent nation's diverse culture. Our special focus also saw women participation in our workforce increase by almost 50% in the last 2.5 years. We have a high ambition of our diversity journey and this will remain a key management focus area.

## **Acknowledgements**

I am very grateful to all of you shareholders, to our customers, channel partners, suppliers, banks, financial institutions, the Government and other stakeholders for their continued support, partnership and invaluable contribution in facilitating the Company's operations in India, not only in the year 2019 we are reporting on, but in particular for the last difficult months.

I would especially like to thank Sanjeev and his management team for the multi-pronged strategy put in place with joint forces to counter the COVID-19 crisis, and all employees for remaining focused and committed.

I look forward to the continued support of all our shareholders as we advance towards optimizing our operations and playing an important role in the digital transformation of industries in India and beyond. I also thank the ABB Group for their unstinted support to the Company's operations, and my colleagues on the Board for their unfailing guidance. I speak for the board members and for ABB Group when I say that we have full confidence in the fantastic leadership team of your Company to lead the way for next level growth of the businesses in a competent, compliant and transparent manner.

And again, on behalf of the entire Board and all shareholders, I wish to acknowledge the dedication and commitment shown by the management and all employees of your Company.

ABB is well positioned for the post COVID-19 recovery growth cycle, in order to effectively support customers in and outside of India with the latest innovative technology "made in India" in our Electrification, Motion, Industrial Automation as well as Robotics & Discrete Automation businesses.