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## **Chairman's Statement**

Statement made by  
Mr. Gary Steel, Chairman,  
ABB Limited,  
at its 59th Annual General Meeting  
held at Bangalore on  
May 19, 2009

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Ladies and Gentlemen, I cordially welcome you all to this 59th Annual General Meeting of the Company. It is my privilege to address this gathering and a great honour to do so as the Chairman of ABB India. Before proceeding with the agenda items as per Notice convening this meeting, I would like to share with you my views on the current business environment, the Company's operations during the year 2008 and also my thoughts on the prospects for the future, going forward.

### **Background and experience**

As this is my first opportunity to address you as Chairman of the Board, let me start with a few words about myself. I completed my Bachelors in Commerce from the University of Edinburgh in Scotland, the country I hail from. I joined Shell Chemicals, UK in 1976 and held various positions in different divisions and subsidiaries of the Company up till 2002 when I took over as Human Resources Director, Group Finance at Shell. Then in January 2003 I moved to ABB where I assumed my current responsibilities as Head of Human Resources and Member of the Group Executive Committee of ABB Ltd. Three months ago, I took over the additional responsibility of Chairman of ABB India and I am indeed delighted to have taken up this role and look forward to the journey ahead.

### **Business environment**

With India's increasing integration with the global economy, we remain susceptible to the volatilities in the world markets for currency, commodity and finance. One of the key concerns for growth prospects would be an extended global credit crunch which could place upward pressure on interest rates thereby impacting key economic activities.

India's GDP (Gross Domestic Product) grew at around 7 percent with industry growth at around 5 percent. It is inevitable that the growth shall be affected by the world economy, as export demand continues to fall, and external financing becomes progressively constrained.

However, there are some inherent strengths within the Indian economy such as inclusive growth from much needed infrastructure, vibrant rural economy, a large, young and consuming middle class, favourable saving-investment dynamics and a sound financial sector. The increase in per capita income over the past few years is expected to provide enough of a demand stimulus to ensure continued economic growth.

Infrastructure continues to be India's biggest challenge and the power sector remains a key focus area. Significant investment in power generation, transmission and distribution sectors totalling over 150 BUSD are underway and will provide the necessary boost in your Company's business.

We remain optimistic about the power sector with utilities investing in new capacity and augmentation across generation, transmission and distribution as well as improvements in grid reliability and efficiency. Despite the slowdown, focus on improving operational excellence and improving energy efficiency in industries will continue to drive demand for our innovative automation solutions

On the whole, the Indian economy is expected to be on a growth path and macro economic trends continue to be encouraging, providing a positive business climate.

## Operations

During the year 2008, the Company secured orders worth Rupees 80,541 million, a modest growth of 5 percent higher than the previous year's orders of Rupees 76,682 million. The Company had good inflow of orders particularly in the first half of the year, however due to the global slowdown and deferred investment decision by our industrial customers, lower order intake was witnessed in the second half of the year. The Company's order backlog at the end of the year increased by 23 percent to Rupees 61,618 million as compared to Rupees 50,260 million at the beginning of the year and this will support revenue growth in the days to come.

Revenues during the year were at Rupees 69,675 million, a growth of 16 percent over the previous year revenues of Rupees 60,014 million. Increased credit risk and deferment of supplies from industrial customers in the latter half of the year affected the overall rate of revenue growth. Net profit after tax at Rupees 5,474 million for the year was 11 percent higher than last year. Earnings per equity share of face value of Rupees 2 was also higher at Rupees 25.83 compared to Rupees 23.20 in the previous year.

To support business growth and improve operational efficiencies, the Company is executing several investment projects for building facilities to manufacture new products and upgrading its existing manufacturing units. Adoption of best manufacturing practices and quality standards, efficiency in supply chain and vendor management for various businesses coupled with capital efficiency management were other key focus areas, fostering sustained profitable growth of the Company.

From the HR perspective, the Company focused on talent management, competency development and employee engagement within the organization. Building a positive and productive place to work is an ongoing effort in ABB and in this regard an employee engagement initiative titled "Pratibimb" was conducted with the help of Gallup Research. The outcome of the survey has been analyzed and an action plan has been put in place to work towards a common objective of creating a more engaged workplace.

As part of its sustainability efforts, the Company continued to actively involve itself with several community development projects, in areas of primary education, working with the differently-abled and environment protection. Occupational health and safety continued to remain a focus area and several initiatives were taken up aiming at strengthening the safety culture with extensive training, contractor certification and performance evaluation based on safe working practices. Shining examples of the commitment to safety were witnessed with the Company's infrastructure sites at Nelamangala, near Bangalore and Vadodara achieving more than 1.5 million safe man-hours at each location and also at prestigious project sites such as Delhi International Airport.

The Company strengthened its relationship with academia, working with leading engineering colleges and universities. The ABB Jürgen Dormann Foundation for Engineering Education awarded scholarship programmes to three students of RV College of Engineering, a leading technical institution in Karnataka. The Foundation has also decided to extend the same programme to MS University in Vadodara and Jadavpur University in Kolkata.

## **Future prospects**

With the current state of global economy, the expected GDP growth for India shall be in the region of 6 percent for the current fiscal and short term outlook of the Company remains stable.

On the positive side, the Company has a healthy order backlog, increased export volumes, adequate manufacturing and engineering capacities on the backdrop of continued investment in energy and infrastructure. Considering the growing power demand and the need for significant upgradation of country's infrastructure with the infusion of state-of-the-art technologies, the management is optimistic about profitable growth.

Moreover, the ABB Group remains committed to increasingly leverage the Indian operations for projects, products and services within the region and globally. In line with these strategies and with access to latest global technologies from ABB Group, the Company shall continue to grow its core businesses, expand its portfolio and augment manufacturing and engineering capacities as required. The Company remains resolute in its objective to pursue the path of sustained profitable growth, continuously improving operational efficiencies and striving to attain the highest standards of quality, safety, productivity and environment friendliness.

The overall outlook for the Company remains positive and the management remains optimistic with regards to continued profitable growth in the long term.

## **Acknowledgements**

I would like to place on record my sincere gratitude to all customers, channel partners, shareholders, suppliers, the Government, banks and financial institutions and other stakeholders for their support, partnership and invaluable contribution in facilitating the success of the Company. I ask for your unwavering support and trust in these times with which we can ensure the Company remains on the path to success. I would also like to thank the ABB Group for their unstinted support to the Company's operations and my fellow colleagues on the Board for their guidance and support. At this juncture I want to bring to your notice that Bernhard Jucker and Veli-Matti Reinikkala have resigned from the ABB India Board, although Bernhard Jucker has been appointed as an Alternate Director for Peter Leupp who could not be here today. I want to put on record my sincere thanks on behalf of the Company for the immense support they rendered. Before I conclude, I would like to convey, on behalf of the entire Board and all shareholders, our sincere appreciation to the Management and employees for their hard work, commitment and continued dedication in nurturing the Company's business principles and taking it from strength to strength.

I thank you all for your kind attention.

