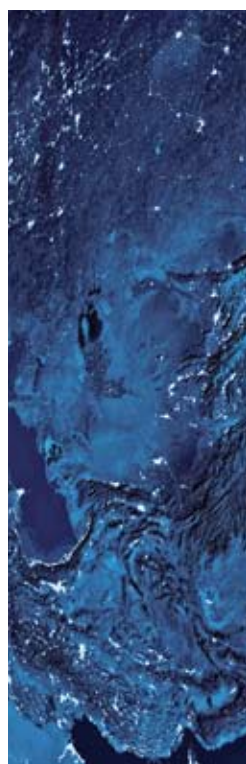


India

ABB Limited - Annual Report 2006

Power and productivity for a better world



The ABB logo, consisting of the letters 'ABB' in a bold, red, sans-serif font.

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ABB Limited

Board of Directors

Dinesh Paliwal, Chairman
Ravi Uppal, Vice Chairman and Managing Director
Biplab Majumder, Executive Director (w.e.f. 24/01/2006)
Nasser Munjee
N S Raghavan
D E Udwadia
K Sridhar (upto 23/06/2006)
Tom Eric Sjoekvist
Bernhard Jucker (w.e.f. 24/01/2006)

Company Secretary

B Gururaj

Corporate Management Committee

Ravi Uppal
Biplab Majumder
I K Sadhu
K Rajagopal
P C Rajiv
Shyam Karmarkar
V Swamy
Madhav M Digraskar
N Ravi
Prakash Nayak
Prakash Kanagalekar
S Karun

Bankers

ICICI Bank Limited
Canara Bank
The Hongkong and Shanghai Banking Corporation Limited
ABN AMRO Bank
HDFC Bank Limited
Deutsche Bank
Industrial Development Bank of India Limited
State Bank of India
Citibank N.A.
Union Bank of India
Standard Chartered Bank

Auditors

M/s. S R Batliboi & Co.
Chartered Accountants

Registered Office

2nd Floor, East Wing
Khanjia Bhavan
49, Race Course Road
Bangalore - 560 001

Registrar & Share Transfer Agents

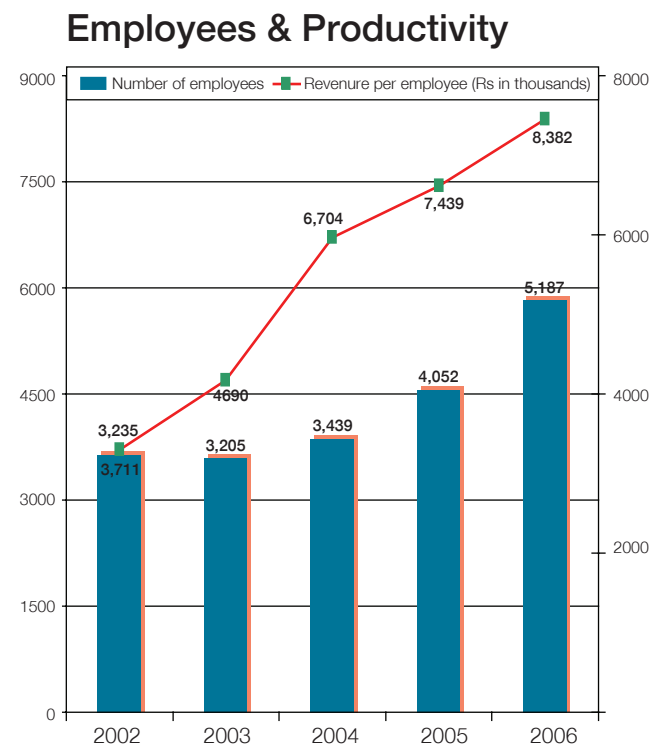
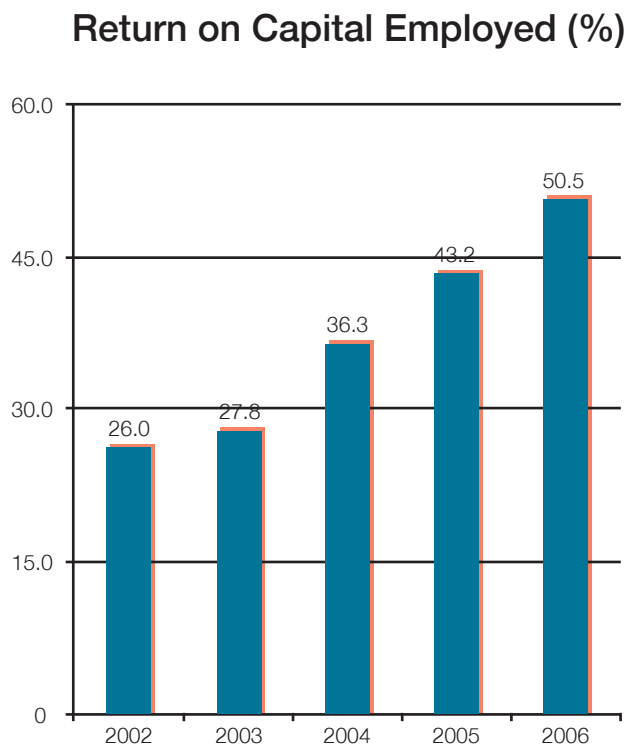
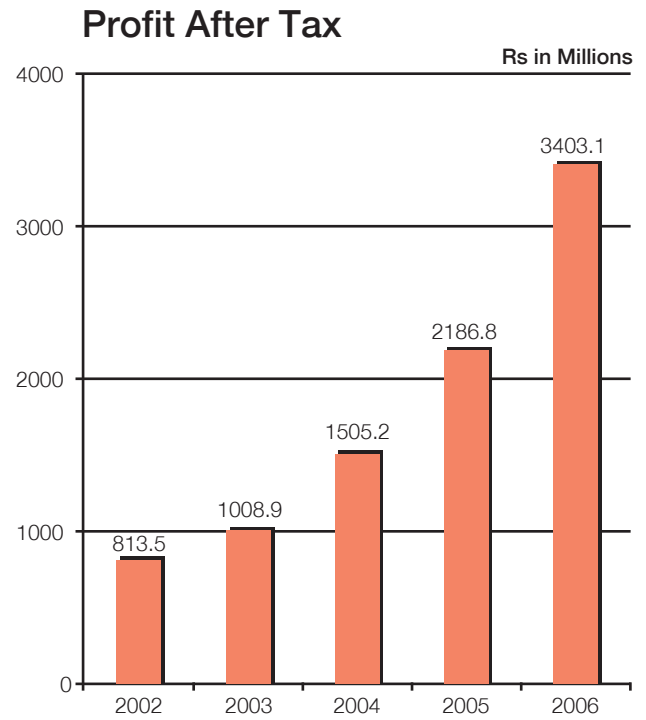
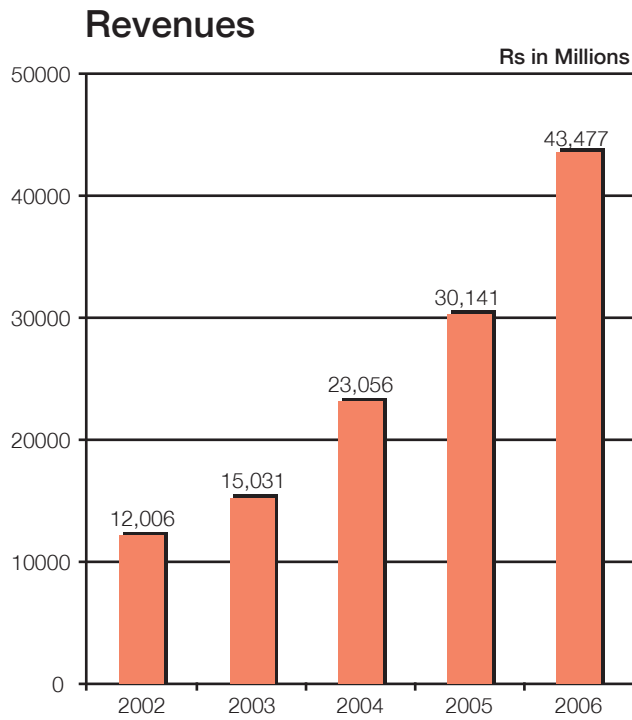
Karvy Computershare Private Limited
No. 51/2, T.K.N.Complex
Vanivilas Road
Opp. National College
Basavanagudi
Bangalore - 560 004

5 Year Highlights

Description	(Rs in Millions)				
	2006	2005	2004	2003	2002
Sources of Funds					
Share Capital	423.8	423.8	423.8	423.8	423.8
Reserves	11,386.5	8,466.7	6,669.4	5,461.6	4,539.2
Net Worth	11,810.3	8,890.5	7,093.2	5,885.4	4,963.0
Borrowings	15.5	27.3	14.9	101.0	123.7
Funds Employed	11,825.8	8,917.8	7,108.1	5,986.4	5,086.7
Income and Profits					
Sales & Other Income	43,477.0	30,141.4	23,055.7	15,030.6	12,005.7
Operating Profit Before Interest and Depreciation	5,504.0	3,692.6	2,582.3	1,722.8	1,418.9
Profit Before Tax	5,232.1	3,394.8	2,365.2	1,528.9	1,229.7
Tax	1,829.0	1,208.0	860.0	520.0	416.2
Profit After Tax	3,403.1	2,186.8	1,505.2	1,008.9	813.5
Dividend / Dividend Tax	483.3	389.4	335.4	319.5	259.1
Retained Earnings	2,919.8	1,797.4	1,169.8	689.4	554.4
Other Data					
Gross Fixed Assets	5,190.0	4,324.4	3,428.1	3,037.9	2,707.0
Debt Equity Ratio	0.01:1	0.01:1	0.01:1	0.02:1	0.02:1
Net Worth Per Equity Share - Rs	278.7	209.8	167.4	138.9	117.1
Earnings Per Equity Share - Rs	80.3	51.6	35.5	23.8	19.1
Dividend Per Equity Share - Rs	10.0	8.0	7.0	6.0	6.0
Profit After Taxes as % to Average Net Worth	32.9	27.4	23.2	18.6	17.6

Excludes revaluation of fixed assets, revaluation reserve and exceptional items.

5 Year Highlights



Excludes revaluation of fixed assets, revaluation reserve and exceptional items.

Corporate Management Committee



Front Row (Left to Right): Shyam Karmarkar, Head - Marketing, S Karun, Head - Service, Inder Sadhu, Head - Power Systems, Ravi Uppal, Vice Chairman & Managing Director, K Rajagopal, Chief Financial Officer, Biplab Majumder, Chief Operating Officer & Head - Automation Products, Prakash Kanagalekar, Head - Operational Excellence, V Swamy, Head - Building Solutions

Back Row (Left to Right): PC Rajiv, Head - Human Resources, N Ravi, Head - Process Automation, Madhav Digraskar, Head - Power Products, Prakash Nayak, Head - Corporate Research Center

Welcome to ABB



LV Distribution electricals factory, Haridwar



LV Control Gear Unit, Bangalore.



LV Motors Unit, Bangalore

The ABB Group of companies operates in over 100 countries and employs about 108,000 people. As one of the world's leading engineering companies, ABB's technology competence, broad application know-how and global presence offers customers easy access to leading electrical engineering and industry automation solutions.

Technology & Innovation

In a world of ever-diminishing resources and soaring energy demand, the focus of ABB's R&D is on developing efficient and sustainable ways to generate, transmit, distribute and use electrical energy. Thanks to this research, technologies have been developed to transmit ultrahigh-voltage AC and DC electricity over long distances with low energy losses. Motors and drives at the heart of ABB industrial solutions are now even more energy efficient, so plant production, flexibility and quality go up while energy consumption comes down. New technology lets utilities manage their power generation, transmission and distribution networks more efficiently, and helps improve grid reliability.

Keeping alive its 120 year heritage of technology and innovation, ABB spends over one billion US dollars on research and order-related development. In view of dynamic global markets and the consistently high quality of research staff in emerging countries, ABB has significantly expanded its research base in India.

Our 6,000 scientists and engineers around the world are driven by the knowledge that the energy efficient products, systems and solutions they develop and bring to market will help our customers and the world. That's why we define our statement of purpose as "Power and Productivity for a better world".

ABB in India

ABB in India, employs over 5,000 employees, has 12 manufacturing facilities, a global Engineering & Operations Center as well as a Group Corporate R&D center. The company also has an extensive countrywide presence with around 28

marketing offices, 8 service centers, 3 recently established logistic centers and a network of over 700 channel partners.

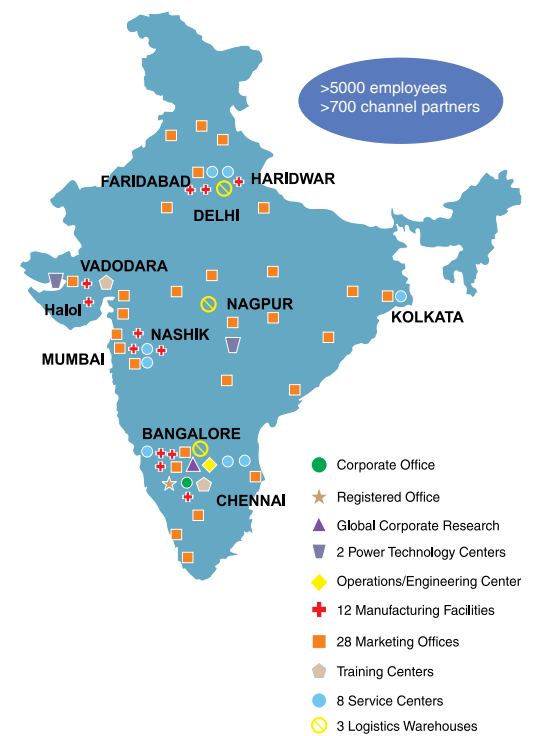
ABB continues to bring value to customers in India through leading-edge technologies, domain expertise and project execution abilities. The company's product focus continues in the form of portfolio expansion and market penetration.

To meet growing demand, capacity and range expansion is underway across businesses and locations. In addition to enhancing the capacity of existing plants, many new manufacturing units have been set up across the country. Some recent ones include a new motors plant and control products unit in Bangalore as well as the recently commissioned low voltage distribution electricals factory at Haridwar.

The company's technology strengths, wide offering portfolio and unique ability to package solutions and provide a single window approach to verticals continue to be a key differentiator. While the top-line grows as we create value for customers, focus on productivity, operational efficiencies and working capital management continues to ensure that profitability remains in focus.

Strong macro economic fundamentals, integration with the world economy, industrial pickup and the significant work that still remains to be done with reference to the power sector, continue to offer bright prospects for power and automation technologies in India and ABB is well positioned to leverage these market opportunities.

The ABB Group views India as a key focus country, both as a market and as an important regional and global resource base. As part of ABB's regional approach, India has been designated as the hub for the South Asia region which includes countries ranging from Afghanistan, Pakistan, Singapore, Indonesia, Malaysia, Thailand, Philippines, Vietnam, all the way to Australia and New Zealand.



Grid Reliability



Advanced power products and systems to enhance grid reliability

Power Systems

The Power Systems division offers turnkey solutions and services for power generation plants, as well as for transmission and distribution grids. In India, ABB is playing a key role in developing the national grid through urban and rural electrification projects, both new and retrofit, for utilities as well as industrial and commercial customers.

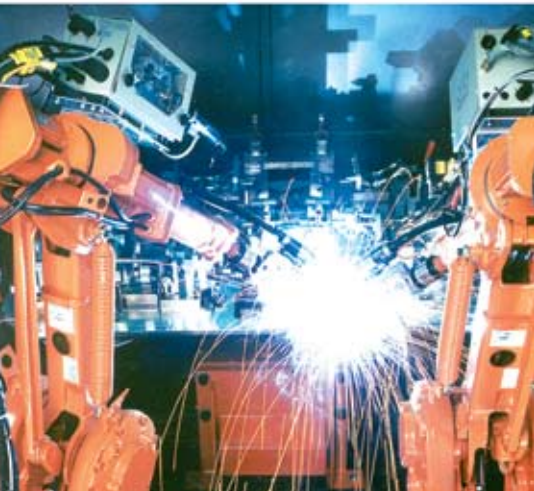
The offering includes solutions like High Voltage Direct Current (HVDC) and Flexible AC Transmissions Systems (FACTS) that facilitate higher capacity utilization as well as efficient and reliable transmission of quality power.

ABB also offers turnkey solutions for substations, distribution automation and network management. This includes Supervisory Control and Data Acquisition (SCADA) systems, Wide Area Monitoring Systems (WAMS) and a host of technologies that help reduce T&D losses, increase uptime and improve the overall reliability of the grid.

Power Products

World-class power products from ABB facilitate reliable and efficient transmission and distribution of electricity. ABB's product offering covers a wide spectrum of technologies across the entire voltage range, including indoor and outdoor circuit breakers, air and gas insulated switchgear, disconnectors, high and low voltage capacitors, reactive power compensators, several types of transformers and a range of distribution products including Compact Secondary Substations (CSS), Ring Main Units (RMUs), MV Switchgear etc. ABB also provides a full range of lifecycle services from spare parts and equipment repair, training, migration to remote monitoring and technical support.





Industrial Productivity

ABB's state-of-the-art automation products and solutions help
improve industrial productivity

Process Automation

The Process Automation division serves customers across the industry spectrum be it process manufacturing or consumer industries and even the buildings and infrastructure sector. ABB offers turnkey solutions for automation and control, plant optimization, electrification and other industry-specific applications, serving a range of industries including oil and gas, power, chemicals and pharmaceuticals, pulp and paper, metals and minerals, marine and turbocharging, among others. ABB's automation solutions fully integrate industrial processes backed by world-class platforms and the offering includes complete electricals, process control and a broad range of software applications to help manage plants and processes. Key customer benefits include improved productivity, efficiency and energy savings.

Robotics

ABB has the world's largest installed base of industrial robots and also provides application software, peripheral equipment and modular manufacturing cells for tasks such as assembly, painting and finishing, and machine tending. Key markets include

Automation Products

The Automation Products division serves customers with reliable and energy efficient products to improve productivity and enhance competitiveness. This includes a wide range of standard products like motors, drives, power electronics, low voltage products as well as control, instrumentation and analytics. This business serves customers spanning wide range of industry and utility operations, as well as commercial and residential buildings directly and through channel partners. All products are supported by world-class service backup and asset management solutions. In India, ABB's channel partner network as grown to over 700, enabling the company's products to reach markets across the country.

automotive, foundry, packaging, material handling and consumer industries. A strong solution focus leverages thousands of successful applications for manufacturers worldwide.



Sustainability



Nellagadenahalli Govt. School, Primary Block, Peenya, Bangalore



Govardhan School, Nasik



Nourishing mid-day meal for students, Bangalore



'Share your Joy' initiative

Living our commitment to sustainability

ABB follows a 'triple bottom line' approach aimed at achieving a balance in the economic, environmental and social impact of the company's business and actively contributing to economic progress, environmental stewardship and sustainable development. In keeping with this commitment, ABB has a dedicated sustainability organization in place, headed by a Country Sustainability Controller working closely with NGOs on multiple projects across the country. The ABB India Foundation, a registered charitable Trust ensures dedicated focus, independence and continuity of social initiatives in a planned manner.

ABB India has put in place a focused sustainability programme with clearly defined pillars.

Education

ABB India's education pillar focuses on **primary education** for economically and socially disadvantaged children, by supporting schools in the proximity of the company's major manufacturing locations.

ABB supports the schools with infrastructure development and basic amenities like drinking water, toilets, classrooms, teaching aids etc. The children are also provided with a nourishing mid-day meal in collaboration with leading NGOs. Medical camps are another initiative adopted to support this

cause.

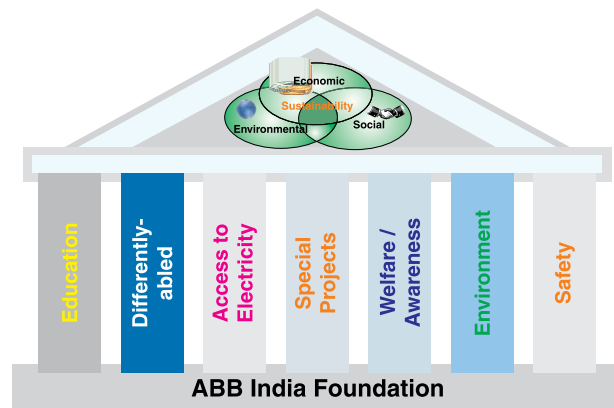
The company recently commissioned an additional primary school building to house 300 children of the Nellagadenahalli Government (NGH) School in Bangalore, close to the company's Peenya manufacturing facility. Another new project taken up during 2006 was the renovation of the Govardhan School at Nashik.

As part of the company's approach to support, sustain and facilitate the overall learning process of young minds, ABB is deepening its engagement with the schools it supports and in line with this endeavor, educational trips were organized for the senior students of the supported schools in Bangalore, Vadodara and Nashik.

'Share Your Joy' was another new initiative taken up during the year, aimed at encouraging employee involvement. ABB employees across the country participated by contributing toys, games, reading material and stationery, bringing smiles to around 3000 children.

In order to encourage the students of ABB supported schools, the company also organized a painting competition and the winning entries were featured on New Year greeting cards.

ABB India also strives to foster **industry-academia relationships** and works with several renowned academic institutions in



Sustainability pillars



Project Roshni - Prerana, Bangalore



Over 500 homes across four hamlets in Rajasthan now have access to electricity



Around 1000 people affected by Tsunami tragedy where rehabilitated with help from ABB



Greening initiative, Vadodara

fields related to power and automation technologies.

ABB India presently has partnerships with institutes like the RV College of Engineering, Bangalore, Indian Institute of Science, Bangalore and MS University, Vadodara. ABB recently entered into partnership with IIT - Delhi and will support a professorial Chair as well as provide scholarships to undergraduate and graduate students in the field of electrical and electronic engineering.

Supporting the differently-abled

Project 'Roshni' is an initiative where the company works with the differently-abled to help them live a life of dignity by facilitating a regular source of income. This initiative is being implemented around major ABB manufacturing locations, where the inmates are trained in putting together simple components and sub-assemblies which, are subsequently absorbed by the units. Projects presently underway include working with physically-disabled girls at Prerana in Bangalore, with the mentally challenged at Prabodhini in Nashik and the latest addition is Seva Tirth in Vadodara. The company has also been honoured with the Helen Keller Award by NCPEDP (National Center for Promotion of Employment for Disabled People) in recognition of this initiative.

Access to Electricity

As part of a global programme ABB in India began work on this initiative to bring light to the darkest areas. The programme started with a small village in Rajasthan and soon expanded to four hamlets covering around 500 households located in the interiors of the desert, for whom grid access was an unviable and distant dream. The programme is based on homes being lit with the help of Solar panels, which charge during the day and are used to light up the houses at night. These simple village folk, many of whom are tailors are now able to work longer hours. The women are able to cook at leisure and the children are able to study longer!

Special Projects

With special projects, ABB springs into action when there is a 'need for help' from communities affected by natural disasters, a recent example being the Tsunami tragedy. Besides providing immediate relief, ABB India completed the programme to help rehabilitate nearly 1000 people and rebuild their livelihoods, in partnership with NGOs.

Welfare / Awareness

ABB also focuses on the welfare of its employees and the communities it operates in. This includes awareness programmes, health checks, medical camps etc. A country health advisor has been appointed to facilitate this objective. The company enforces a policy that mandates the use of helmets for two wheeler users and safety belts in four-wheelers.

Environment

All units of ABB India are ISO14001 certified. Some of the environmental initiatives underway across locations include greening, recycling, energy conservation, rainwater harvesting and vermiculture. ABB also helps with environmental initiatives in its main areas of operation by extending support to greening initiatives, tree plantations, extending green cover, maintaining traffic islands, providing tree guards etc.

Health & Safety

ABB in India continued to enhance its focus on occupational health and safety. A clear safety policy is in place with a dedicated safety organization across locations. Regular audits and ongoing communications ensure continued emphasis on this vital area.

Notice to Members

NOTICE is hereby given that the FIFTY-SEVENTH ANNUAL GENERAL MEETING of the Members of **ABB Limited** will be held at The Atria Hotel, "Chancery", No.1, Palace Road, Bangalore – 560 001, on **Friday, May 25, 2007** at 3.00 PM (IST) to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at December 31, 2006 and the Audited Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. Dinesh Paliwal, who retires by rotation at this Annual General Meeting, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N S Raghavan, who retires by rotation at this Annual General Meeting, and being eligible, offers himself for re-appointment.
5. To appoint M/s. S.R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

Special Business:

6. To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and pursuant to Article 22 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for sub-division of the face value of each equity share of the Company of Rs.10/- each into 5 equity shares of the face value of Rs.2/- each.

RESOLVED FURTHER THAT the unnumbered paragraph following Clause IV of the present Memorandum of Association be numbered Clause V and the words "The Authorised Share Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty crores) divided into 4,25,00,000 Equity Shares of Rs.10/- (Rupees Ten) each and 7,50,000 - 11% Redeemable 10 years, Cumulative Preference Shares of Rs.100/- (Rupees One Hundred) each" therein be and are hereby replaced by the following:

- V. "The Authorised Share Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty crores) divided into 21,25,00,000 Equity Shares of Rs.2/- (Rupees Two) each and 7,50,000 - 11% Redeemable 10 years, Cumulative Preference Shares of Rs.100/- each"

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "the Board", which expression shall include a Committee thereof) and / or the Company Secretary be and are hereby severally authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient, to give effect to the above resolution including but not limited to filing of necessary forms with the Registrar of Companies and other deeds / documents / writings as may be required by depositories / stock exchanges, issue of new

share certificates representing the sub-divided equity shares with new distinctive numbers and / or crediting the shareholders' dematerialisation account maintained by them with their respective depositories, subject to the provisions laid down under the Companies (Issue of Share Certificates) Rules, 1960 and the Articles of Association of the Company and to delegate all or any of the powers herein vested, to the officials of the Company, to give effect to the aforesaid resolution.

AND RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board and / or the Company Secretary be and are hereby authorised on behalf of the Company, to take all necessary actions which in its absolute discretion deem necessary, to resolve and settle all questions and difficulties that may arise in the sub-division of equity shares, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

7. To consider, and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), the existing Article 5 of the Articles of Association of the Company be and is hereby replaced by the following new Article 5:

5. The Authorised Share Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty Crores) divided into 21,25,00,000 equity shares of Rs.2/- (Rupees Two) each and 7,50,000 – 11% Redeemable 10 Years, Cumulative Preference Shares of Rs.100/- each."
8. To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to and in accordance with the provisions of Sections 198, 269, 309, 316, 317 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force, ("Act"), read with Schedule XIII thereto, consent of the Company be and is hereby accorded to the re-appointment of and payment of remuneration to, Mr. Ravi Uppal as the Vice Chairman & Managing Director of the Company (hereinafter referred to as 'Mr. Uppal'), for a further period of 5 (five) years from October 1, 2006 to September 30, 2011 (both days inclusive), on the terms and conditions set out in the draft Agreement to be entered into between the Company and Mr. Uppal, placed on the table and initialed by the Chairman for the purpose of identification with authority to the Board of Directors of the Company ("Board") to alter, vary and modify, from time to time, the terms and conditions of the said draft Agreement including review of remuneration annually and / or otherwise, in such manner as may be agreed upon by the Board and Mr. Uppal, and in accordance with the limits prescribed under Schedule XIII to the Act.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Act, the remuneration payable to Mr. Uppal by way of salary, perquisites, commission and other allowances, shall not in any event exceed 5% of the net profits of the Company and if there is more than one such director, 10% for all of them together in that financial year.

RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. Uppal, the remuneration, perquisites and other allowances shall be governed by the limits prescribed in Section II of Part II of Schedule XIII to the Act.

AND RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board, be and is hereby authorized to enter into an Agreement on behalf of the Company with Mr. Uppal in terms of the aforesaid draft Agreement and to do all such acts, deeds, matters and things as may be considered by it to be necessary, expedient or desirable in this regard.”

9. To consider, and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to Article 154A of the Articles of Association of the Company and the provisions of Section 309 (4) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to payment of remuneration by way of commission to the Non-Executive Directors of the Company of an amount not exceeding 1% per annum, of the net profits of the Company computed in the manner as laid down in the Act, for a period of five (5) financial years from January 1, 2007 to December 31, 2011 (both days inclusive), in such manner and proportion as may be decided by the Board of Directors of the Company, from time to time.”

By Order of the Board
For ABB Limited

B Gururaj
Vice President - Legal &
Company Secretary

Place : Bangalore
Date : February 16, 2007

Registered Office:
2nd Floor, East Wing,
Khanija Bhavan,
49, Race Course Road,
Bangalore – 560 001

Notes:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out the material facts in respect of special business under item Nos. 6 to 9 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DULY FILLED, STAMPED, SIGNED AND SHOULD BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES, PARTNERSHIP FIRMS, ETC., MUST

BE SUPPORTED BY APPROPRIATE RESOLUTION / AUTHORITY AS APPLICABLE, ISSUED ON BEHALF OF THE APPOINTING ORGANISATION.

3. Members should bring the duly filled in attendance slip sent herewith for attending the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from **Wednesday, May 16, 2007 to Friday, May 25, 2007** (both days inclusive) for the purpose of payment of dividend.
5. The dividend, as recommended by the Board of Directors of the Company, if declared at the Annual General Meeting, will be paid on or after Monday, May 28, 2007, to those Members or their mandates whose names stand registered on the Company's Register of Members:-
 - a) as Beneficial Owners as at the end of business hours on Tuesday, May 15, 2007 as per the list to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of shares held in dematerialised form.
 - b) as Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company, on or before Tuesday, May 15, 2007.
6. Members are requested to note that dividends not encashed or remaining unclaimed for a period of seven (7) years from the date of transfer to the Company's Unpaid Dividend Account, shall be transferred, under Section 205-A of the Companies Act, 1956, to the Investor Education and Protection Fund, established under Section 205C of the said Act. Members who have not yet encashed the dividend warrant(s) from the financial year ended 31st December 1999 onwards are requested to forward their claims to the Company's Registrar and Share Transfer Agents. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount. It may also be noted that the unclaimed dividend amounts which were lying with the company upto the year ended on December 31, 1998, have been transferred to the Investor Education and Protection Fund.
7. Members are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses, either to the Company or to its Registrar and Share Transfer Agent, viz. Karvy Computershare Private Limited, #51/2, T.K.N. Complex, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore 560 004, Karnataka, or to their respective Depository Participant ("DP") in case the shares are held in dematerialised form.
8. Members holding shares in physical form can avail of the nomination facility by filing Form 2B (in duplicate) with the Company or its Registrar & Share Transfer Agent which will be made available on request and in case of shares held in dematerialised form, the nomination has to be lodged with their DP.
9. As required under clause 49(V)(G) of the Listing Agreement of the stock exchanges, the relevant details of persons seeking appointment / reappointment as directors are furnished in the Corporate Governance Section of this Annual Report.

Annexure to Notice

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

Item Nos. 6 and 7

The equity shares of the Company are currently listed on the National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and Calcutta Stock Exchange Association Limited (CLSE). The shares are actively traded on NSE and BSE.

The market price of the shares of the Company has witnessed a significant spurt over the last 1-2 years and the Company's shares are currently traded on the stock exchanges at a price of around Rs.3,800/- per share.

In order to enhance the liquidity of the Company's shares in the stock market and to make it affordable to the small investors, the Board of Directors of the Company ("the Board") at its meeting held on February 16, 2007, considered it desirable to sub-divide the nominal value of the equity shares of Rs.10/- each into 5 equity shares of Rs.2/- each.

The approval of the Members of the Company is being sought to the above sub-division pursuant to section 94 of the Companies Act, 1956, ("the Act") read with Article 22 of the Articles of Association of the Company. In the event of the shareholders approving the sub-division of the Company's equity shares in terms of the first resolution at Item No.6 of the Notice the existing capital clause of the Memorandum of Association of the Company needs to be suitably amended pursuant to section 16 of the Act to reflect the aforesaid sub-division. The second resolution at Item No.6 of the Notice is of a consequential nature. Hence, the second resolution at Item No.6 of the Notice.

The date on which the sub-division would become effective, will be decided by the Board and the same would be communicated to the members, the stock exchanges and the depositories at appropriate time.

In the event of the shareholders approving the sub-division of the Company's equity shares in terms of the first resolution at Item No.6 of the Notice the existing Article 5 of the Articles of Association of the Company needs to be suitably amended pursuant to section 31 of the Act to reflect the aforesaid sub-division. Hence, the resolution at Item No.7 of the Notice. The resolution at Item No.7 of the Notice is of a consequential nature.

A copy of the Memorandum of Association and Articles of Association of the Company will be available for inspection by Members at the Registered Office of the Company during office hours on any working day of the Company, upto the date of the Annual General Meeting.

Mr. Ravi Uppal and Mr. D E Udhwadia, Directors, are interested in the said resolution to the extent of their respective shareholding in the Company.

The Directors recommend the passing of the Ordinary Resolutions set out at Item No.6 and Special Resolution at Item No.7, of the Notice.

Item No. 8

At the meeting of the Board held on July 24, 2006, the Board has, subject to the Members' approval in General Meeting, re-appointed Mr. Ravi Uppal (hereinafter referred to as "Mr. Uppal") as the Vice Chairman & Managing Director of the Company for a further period of 5 years from October 1, 2006 to September 30, 2011 (both days inclusive) upon the remuneration and on

the terms and conditions set out in the draft Agreement. A notice pursuant to Section 257 of the Act along with a deposit of Rs.500/- has been received from a member in writing, proposing the candidature of Mr. Uppal as the Vice Chairman & Managing Director of the Company.

The material provisions as contained in the said draft Agreement referred to in the resolution at Item No.8 of the Notice are as under:

1. Tenure of re-appointment

The re-appointment is for a period of five years from October 1, 2006 to September 30, 2011 (both days inclusive). Mr. Uppal whilst holding the office of Vice Chairman & Managing Director of the Company, is not subject to retirement by rotation.

2. Subject to such orders and directions as may from time to time be given to him by the Board and subject also to such restrictions as the Board may in its sole and uncontrolled discretion from time to time impose on him, Mr. Uppal shall have the management of the whole of the affairs of the Company with power to appoint and dismiss employees of the Company, to enter into contracts on behalf of the Company in the ordinary course of business and to do and perform all other acts and things, which, in the ordinary course of business, he may consider necessary or proper or in the interest of the Company.

3. During the period of his employment, Mr. Uppal shall whenever required by the Company, undertake such travelling in India and abroad as the Board may from time to time direct in connection with or in relation to the business of the Company.

4. Remuneration and Perquisites

Mr. Uppal shall be entitled to the following remuneration and perquisites:

(a) Salary

Rs.9,900,000/- (Nine Million Nine Hundred Thousand Rupees only) per annum.

(b) Commission

Mr. Uppal shall be entitled to an annual performance related commission based on the results achieved against the targets fixed and determined by the ABB Group and the Board of Directors. Under the best performance targets, the commission amount shall not exceed Rs.4,950,000/- (Four Million Nine Hundred and Fifty Thousand Rupees only) per annum at 100% achievement level of the performance target.

(c) Perquisites

Mr. Uppal shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof, reimbursement of medical expenses incurred in India or abroad for self and family, leave travel concession, contribution to Provident Fund, Superannuation Fund and Gratuity Fund, and other amenities and all other payments in the nature of perquisites and allowances as agreed to between Mr. Uppal and the Board, from time to time, subject however, that the aggregate monetary value of all perquisites of whatsoever nature, in any financial year shall not exceed Rs.7,150,000/- (Seven Million One Hundred and Fifty Thousand Rupees only) per annum.

(d) Others

Mr. Uppal is also eligible for Company's car(s) with chauffeur, membership / subscription fee for two clubs, personal accident insurance coverage, telephone / telefax and other suitable communication facilities at residence.

(e) Leave

Leave with full pay or encashment as per rules of the Company.

(f) Overall Remuneration

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Act read with Schedule XIII to the said Act, as may for the time being be in force.

(g) Minimum Remuneration

In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary, commission and perquisites shall be governed by the limits prescribed under the Section II of Part II of Schedule XIII to the Act.

(h) Mr.Uppal shall be entitled to:

- (i) the reimbursement of entertainment expenses actually and properly incurred by him in the course of the legitimate business of the Company in accordance with the rules and regulations of the Company in force from time to time or as may be approved by the Board; and
- (ii) the reimbursement of travelling, hotel and other expenses incurred by him in India and abroad exclusively on the business of the Company in accordance with the rules and regulations of the Company in force from time to time or as approved by the Board.

5. Mr. Uppal shall not, during the term of the Agreement with the Company, engage himself, either directly or indirectly or be interested in any capacity whatsoever or render assistance to any firm, company or persons whatsoever whether a manufacturer, dealer or trader in goods or products which are of the same or similar kind and nature as those of the Company.
6. Notwithstanding anything to the contrary contained in the Agreement, either party shall be entitled to terminate the Agreement at anytime by giving to the other party 180 days' notice in writing in that behalf without the necessity of showing any cause and on the expiry of the period of such notice, the Agreement shall stand determined and in view thereof and as a consequence of such termination by notice, Mr.Uppal shall cease to be a Director of the Company.
7. The terms and conditions in the draft Agreement may be altered or varied or modified, from time to time, by the Board, as may be permissible and if deem fit, with liberty to the Board for review of remuneration annually and / or otherwise, so as not to exceed the limits specified in the Act or any amendments made thereto.

This abstract of terms of re-appointment and memorandum of concern or interest as required under the provisions of Section 302 of the Act have already been sent to the members during August 2006.

The draft Agreement referred to in the resolution at Item No.8 of the accompanying notice is open for inspection by the Members at the Registered Office of the Company during office hours on any working day of the Company, upto the date of the Annual General Meeting.

Mr. Uppal, is interested in the said resolution since it relates to his re-appointment as the Vice Chairman & Managing Director of the Company and to the remuneration payable to him as such.

The Directors recommend the passing of the resolution set out at Item No.8, of the accompanying Notice.

Item No. 9

At the 52nd Annual General Meeting of the Members of the Company held on April 24, 2002, the Company had obtained the approval of the Members for payment of commission to the Non-executive Directors, upto an amount not exceeding 1% per annum of the net profits of the Company, the validity of which has expired on December 31, 2006.

Keeping in view, the increased responsibilities of the Non-executive Directors and the Corporate Governance regulations, it is appropriate that they are compensated reasonably, commensurate with their responsibilities and the contributions made by them.

It is therefore proposed that the Non-Executive Directors be paid a remuneration by way of commission of an amount, not exceeding 1% per annum of the net profit of the Company, computed in accordance with the Act. The quantum of remuneration payable to the Non Executive Directors will be decided by the Board, from time to time.

Section 309(4) of the Act, requires a Special Resolution to be passed by the members in General Meeting approving the payment of remuneration to the non-executive directors of the company by way of commission on the net profits of the Company. Hence, the approval of Members is sought for payment of commission to the Non-executive Directors of the Company, for a period of five financial years commencing from January 1, 2007 to December 31, 2011 (both days inclusive).

Mr N S Raghavan, Mr Nasser Munjee and Mr D E Udwardia, all Non-Executive Directors, are interested in the special resolution to the extent of the commission that may be received by them in pursuance thereof.

The Directors recommend the passing of the special resolution set out at Item No.9 of the Notice.

By Order of the Board
For ABB Limited

B Gururaj
Vice President - Legal &
Company Secretary

Place : Bangalore
Date : February 16, 2007

Registered Office:
2nd Floor, East Wing,
Khanija Bhavan,
49, Race Course Road,
Bangalore – 560 001

Directors' Report

Your Directors have pleasure in presenting their Fifty-seventh Annual Report and Audited Accounts for the year ended December 31, 2006.

Financial Results

(Rs in Thousands)

	For the year ended December 31, 2006	For the year ended December 31, 2005
Profit Before Taxation	5,232,062	3,394,770
Less: Provision for Tax		
- Current Tax	1,671,000	1,204,000
- Deferred Tax	81,000	(48,000)
- Fringe Benefit Tax	77,000	52,000
Profit After Tax	<u>3,403,062</u>	<u>2,186,770</u>
Balance Brought Forward from last year	<u>349,450</u>	<u>302,122</u>
Amount available for Appropriation	<u><u>3,752,512</u></u>	<u><u>2,488,892</u></u>
Appropriations		
General Reserve	2,750,000	1,750,000
Proposed Dividend	423,817	339,053
Corporate Dividend Tax	59,440	47,552
Corporate Dividend Tax – 2004	-	2,837
Balance Carried Forward	<u>519,255</u>	<u>349,450</u>
	<u><u>3,752,512</u></u>	<u><u>2,488,892</u></u>

Dividend

Your Directors recommend payment of a dividend at the rate of Rs.10.00 (previous year Rs.8.00) per equity share for the year ended December 31, 2006 on 42,381,675 equity shares of Rs.10 each.

Sub-division of Equity Shares

In order to enhance the liquidity for the Company's shares in the stock market and to make it affordable to the small investors, the Board of Directors of your Company at their meeting held on February 16, 2007, have recommended sub-division of the face value of the equity shares from Rs.10/- each per share to Rs.2/- each per share, subject to the approval of the shareholders in the ensuing Annual General Meeting.

Performance Review

Orders received during the year at Rs 56,236 million were 50% higher compared to Rs 37,645 million in the previous year. Orders backlog at the end of 2006 was healthy at Rs 33,723 million compared to Rs 21,032 million at the end of the previous year.

Sales and other income for the year were higher by 44% at Rs 43,477 million compared to Rs 30,141 million in the previous year. Profit before tax was significantly higher at Rs 5,232 million compared to Rs 3,395 million in the previous year. Growth in profit was mainly attributable to volume growth, operational efficiencies and higher other income.

Profit after tax at Rs 3,403 million for the year has improved by 56% compared to Rs 2,187 million in the previous year. Earning per equity share of face value of Rs 10 correspondingly improved to Rs 80.30 compared to Rs 51.60 in the previous year.

Operating performance of all the segments, power products, power systems, automation products and process automation was significantly better than previous year. For detailed analysis of the performance, please refer to the management's discussion and analysis section of the annual report.

Transfer to the Investor Education and Protection Fund

In terms of Section 205C of the Companies Act, 1956, the unclaimed dividend amount aggregating to Rs.535,430/- lying with the Company for a period of seven years pertaining to year ended on December 31, 1998, was transferred during the year to the Investor Education and Protection Fund.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure – A, forming part of this report.

Environment, Health and Safety

The Company has in place a system for controlling and monitoring pollutants at all factories complying with environmental standards and legislation. All the manufacturing units of the Company have received certificates for ISO 14001 (EMS). Environment, health and safety are given high priority. All the units of the Company have been awarded OHSAS18001 certification for the health and safety system. Several environmental management projects are underway across the locations. Some of these include energy conservation, waste management, rain water harvesting and greening initiatives.

Delisting of Equity Shares

In accordance with the approval of the shareholders at the 56th Annual General Meeting of the Company held on May 26, 2006, the Company applied for voluntary delisting of its equity shares with Ahmedabad Stock Exchange Limited, Delhi Stock Exchange Association Limited and Calcutta Stock Exchange Association Limited.

While Ahmedabad Stock Exchange Limited and Delhi Stock Exchange Association Limited have confirmed the delisting effective July 31, 2006 and September 21, 2006, respectively, confirmation from Calcutta Stock Exchange Association is awaited.

Particulars of Employees

The statement under sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended and forming part of this report is given in Annexure-B. The said Annexure - B shall, however, be provided to the Members on request to be made to the Company Secretary.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed by the Company;
- ii. appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2006 and of the profit of the Company for the year ended on that date;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. the annual accounts have been prepared on a going concern basis.

Corporate Governance

As required under Clause 49 of the listing agreement of stock exchanges, a report on corporate governance and a certificate from M/s D. R. Shreshtha & Associates, Practicing Company Secretaries, confirming compliance with the requirements of corporate governance are given in Annexure - C and Annexure - D respectively, which forms part of this report.

Board of Directors

Mr. K Sridhar resigned as a Director of the Company effective June 23, 2006. Your Directors place on record their appreciation of the valuable services rendered by Mr. Sridhar, during his tenure as a Director of the Company.

The Board of Directors of the Company at its meeting held on July 24, 2006, has re-appointed Mr. Ravi Uppal as the Vice Chairman & Managing Director of the Company for a period of five years with effect from October 1, 2006, subject to the approval of the shareholders in General Meeting.

Mr. Dinesh Paliwal and Mr. N S Raghavan, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The particulars of the retiring Directors are furnished in the Corporate Governance section annexed to this report.

Auditors

The Company's Auditors - M/s. S.R. Batliboi & Co., Chartered Accountants, holds office upto the conclusion of the ensuing Annual General Meeting. The Company has received a requisite certificate from them pursuant to Section 224(1B) of the Companies Act, 1956, confirming their eligibility for re-appointment as Auditors of the Company.

For and on behalf of
the Board

Bangalore
February 16, 2007

Dinesh Paliwal
Chairman

Annexure - A to Directors' Report

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo - Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

(A) Conservation of energy

(a) Energy conservation measures taken during the year

Energy audit at Vadodara factory was carried out. Efforts were made to moderate peak load demand, optimisation of oven power ratings and deployment of regenerative method for load testing of HT motors. Training programmes were conducted to increase awareness on energy saving at different locations of the Company.

(b) Proposals being implemented for reduction of consumption

Areas of work included power factor improvement up to 0.999 at various plants of the Company by installation of STATCON, capacitor banks for power factor improvement, usage of thermic fluid heating for oven, optimization of thermic fluid system, air conditioning system, oven ratings and regenerative methods for load testing.

(c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods

Total energy saving is estimated at around 200,000 kWh of energy per annum. This savings, however, has no appreciable impact on cost of goods, as the Company's production processes are not energy intensive.

(B) Technology absorption

(a) Research and Development (R&D)

(1) Specific areas in which R&D is carried out by the Company

R&D effort were carried out in almost all the products and processes. The major area includes numeric relays for over current - earth fault protection NI40/41, cougar family of ultra low end relays- REF601 and REJ601, micro-controller based time-lag relay, self power relay - REJ603, upgrades for 150 kVAR & 50 kVAR STATCON, universal speech interface card for PLCC application, development of M2BAI motor series frame 71-132, flame proof motors and flame proof flange mounted motors, motors suitable for ambient temperature of 500°C (HX+), 3600 A current rating, 400 kV current transformer, fuse-less capacitor units, high voltage switched capacitor bank using vacuum contactors, bushing terminal arrangement for the HV capacitors, low energy drive for 145 kV breakers, traction converters and instrument transformer design and processes.

(2) Benefits derived as a result of the above R&D

Apart from strengthening of technical base and increased participation in Global projects, other benefits derived includes:

- improvement of product reliability
- introduction of new product ranges and adaptation of designs to suit domestic markets
- reduction in material cost

- increased acceptability of products in global markets and increase in exports
- confirmation to new stringent standards
- better productivity and first pass yields

(3) Future plan of action

Continuous efforts are made to integrate R&D activities with reference to customers' requirement. Future plan includes:

Numeric relay designs, usage of 3D modeling techniques for design optimization of components, development of higher rating Statcon (300/500) kVAR, Statcon for 3-phase application along with lower order harmonic cancellation technique and load balancing, new M2BA motors for frames 160 – 250, new M3BPI motors for frames 280 – 400, brake motors frame 71-132, development of oil immersed internal breaker for transformer, 3600 Amps, 220 kV and 132 kV current transformers, composite insulators for 132, 220, 420 kV current transformers, installation of HV capacitor configurator and low energy drive for 400 kV breakers.

(4) Expenditure on R&D

(Rs in Thousands)

i)	Capital	6,872
ii)	Revenue	<u>38,299</u>
iii)	Total	<u>45,171</u>
iv)	Total R&D expenditure as a percentage of turnover	0.10

(b) Technology absorption, adaptation and innovation

(1) Efforts made towards technology absorption, adaptation and innovation

Involvement of local designers in product development efforts at the parent units, changeover to automation friendly processes and flexibility for different levels of production on manufacturing lines and extensive training and skill building exercises were conducted in-house and at the collaborators' end to improve design, development, production, commissioning and servicing. Some of the products and applications covered were:

Drive for 245kV breakers with single pole and three pole operation, fuse-less capacitor technology, 3600 A, 400 kV current transformer, IEC 61850 based protection and substation automation systems and EMU traction transformers.

(2) Benefits derived as a result of above efforts

(i) Product improvement

As a result of the above efforts, product quality, performance and reliability have improved. Product offerings with IEC 61850 compliance are now possible.

(ii) Cost reduction

Usage of specialized software and tools has helped in reduction of

the production cycle time. Significant cost reductions have been achieved through design changes, standardization of components, indigenisation of components and developments in HT and LT motors, HV and MV breakers, disconnectors, PLC components and EPAX, transformers, relay and switchgear cubicles.

(iii) Product development

Important products developed were NI40/41 numeric relays, prototype for 180 kVA and 25 kVA traction converters, 400 kV current transformer, M2BA motors, motors for high speed compressor and wind mill applications.

(iv) Import substitution

Import substitution was mainly carried out for the test facilities for the high end products and insulating materials.

(3) Imported Technology (imported during last five years)

(i) Technology imported

• 400kV Power Transformer	2002
• High voltage circuit breakers (36kV to 420kV)	2003
• Instrument transformers (36kV to 420kV all types)	2003
• Miniature circuit breakers	2003
• Power capacitor units and Banks	2003
• HT Motors	2003
• LV Capacitors	2003
• Transformer Bushings	2004
• 3100 HP Supercharger	2004
• INDUCTIC 1425 telemetering equipment	2004
• Air circuit breakers	2004
• 'A' range contactors up to 40A	2005
• Residual current circuit breakers	2005
• PR521 and PR512 relays	2005
• SPAD 346C relays	2005
• Operating mechanism- BLK222 245kV CB	2005
• ACS 550 Drives	2005

(ii) Has technology been fully absorbed?

Yes, except HT motors for hazardous area and TEFC (M3BM) types.

(C) Foreign exchange earnings and outgo

(a) Activities related to Exports; initiative taken to increase exports; development of new export markets for products and services; export plans

Revenues from exports at Rs 4,331 million were 85% higher than Rs 2,337 million in the previous year. Power products segment consolidated its position in the export markets with coverage of more than 85 countries so far. It also strengthened its position as global focus feeder factory for 72 kV circuit breakers for the group. This group had significant success in South Africa for this breaker. A major order for Disconnectors was received from Nigeria and from Angelique International Limited, New Delhi, for supply of various HV switchgear products. Process automation segment got certain important orders for export for cement and steel industries and for spares and service of turbochargers. Automation products segment has strategies in place to increase export of various products and services to Europe and in South Asian region. There was significant increase in exports from global engineering and sourcing centre, established last year and is further expected to grow in coming years. Power system segment had substantial increase in revenues on execution of project orders at Syria and Bangladesh. Company management's efforts continue towards increasing export revenues. Moreover, the ABB Group remains committed to increased sourcing from India. Overall growth prospects for export continues to be promising.

(b) Total foreign exchange used and earned

	(Rs in Millions)
a) Foreign Exchange earned (including deemed exports)	4,929
b) Foreign Exchange used	12,489

For and on behalf of the Board

Bangalore
February 16, 2007

Dinesh Paliwal
Chairman

Annexure – C to Directors' Report

Report on Corporate Governance

(1) Corporate Governance Philosophy

The Company is committed to good Corporate Governance. The Company fully realises the rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. The Company provides detailed information on various issues concerning the Company's business and financial performance, to its shareholders. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself for increasing long-term shareholder value, keeping in view the needs and interests of all its stakeholders. The Company is committed to transparency in all its dealings and places emphasis on business ethics.

(2) Board of Directors

(i) Composition / Category of Directors / Attendance at Meetings / Directorships & Committee Memberships in Other Companies as on December 31, 2006

Name	Category of Director	Attendance			Directorships / Mandatory Committee Memberships in Other Companies		
		No. of Board meetings held during 2006	No. of Board Meetings attended	Last AGM attendance	Directorships	Committee memberships	Committee Chairmanships
Mr. Dinesh Paliwal (Chairman)	Non-executive	4	1	YES	1	Nil	Nil
Mr. Ravi Uppal (Vice Chairman & Managing Director)	Executive	4	4	YES	6	Nil	1
Mr. Biplab Majumder (*) (Executive Director)	Executive	4	4	YES	Nil	Nil	Nil
Mr. N S Raghavan	Non-executive & Independent	4	4	YES	5	1	Nil
Mr. Nasser Munjee	Non-executive & Independent	4	3	YES	14	Nil	Nil
Mr. Tom Eric Sjoekvist	Non-executive	4	-	NO	Nil	Nil	Nil
Mr. D E Udawadia	Non-executive & Independent	4	4	YES	19	7	1
Mr. Bernhard Jucker (*)	Non-executive	4	1	NO	Nil	Nil	Nil
Mr. K Sridhar (**)	Non-executive & Independent	4	2	YES	7	Nil	Nil

(*) Mr. Biplab Majumder was appointed as an Additional Director and also as Executive Director of the Company, with effect from January 24, 2006. Mr. Bernhard Jucker was appointed as a Director of the Company, with effect from January 24, 2006, in the casual vacancy caused by the resignation of Mr. Peter Smits on December 22, 2005.

(**) Mr. K Sridhar resigned as a Director of the Company on June 23, 2006.

None of the Non-executive and Non-Independent Directors has any pecuniary relationship or transactions with ABB Group Companies except for holding Directorship and / or employment in ABB Group Companies.

(ii) No. of Board Meetings held in the Financial Year 2006 and dates on which held

The Board meets at least once in a quarter to consider amongst other business, the quarterly performance of the Company and the financial results. The Board has held four meetings during the financial year 2006 i.e., on January 24, 2006, April 25, 2006, July 24, 2006 and October 30, 2006.

(3) Audit Committee

(i) Terms of Reference

The Audit Committee is responsible for overseeing the Company's financial reporting process, reviewing the quarterly / half-yearly / annual financial statements, reviewing with the management the financial statements and adequacy of internal audit function, recommending the appointment / re-appointment of statutory auditors and fixation of audit fees, reviewing the significant internal audit findings / related party transactions, reviewing the Management Discussion and Analysis of financial condition and result of operations and also statutory compliance issues. The Committee acts as a link between the management, external and internal auditors and the Board of Directors of the Company.

The Committee has discussed with the external auditors their audit methodology, audit planning and significant observations / suggestions made by them. The Committee has also discussed major issues related to risk management and compliances.

In addition, the Committee has discharged such other role / function as envisaged under Clause 49 of the Listing Agreement of the Stock Exchange and the provisions of Section 292A of the Companies Act, 1956.

(ii) Composition, name of members & Chairperson, meetings held during the year and attendance at meetings

The Company has complied with the requirements of Clause 49 of the Listing Agreement of the Stock Exchange and Section 292A of the Companies Act, 1956, as regards composition of Audit Committee.

The Audit Committee presently consists of three Non-executive Independent Directors. The Committee has held four meetings during the financial year 2006 i.e., on January 23, 2006, April 25, 2006, July 24, 2006 and October 30, 2006. The Composition of the Audit Committee as on December 31, 2006 and the attendance of members at the meetings of the Audit Committee held during the financial year 2006 were as follows:

Members of Audit Committee	No. of meetings attended
Mr. Nasser Munjee (Chairman)	3
Mr. N S Raghavan	4
Mr. D E Udawadia	4
Mr. K Sridhar (*)	2

(*) Mr. K Sridhar resigned as Director on June 23, 2006.

(4) Remuneration Committee

(i) Terms of Reference

The Remuneration Committee of the Board which was constituted in the year 2000 was re-constituted, from time to time, due to changes in directorships. The role of the Remuneration Committee is to recommend to the Board, the remuneration package for the Executive Directors. Remuneration of Executive Directors is governed by the external competitive environment, track record, potential and performance of the executive and performance of the Company.

(ii) Composition, name of members & Chairperson, meetings held during the year and attendance at meetings

The Remuneration Committee presently consists of 2 Non-executive Directors (consequent to the resignation of Mr. K. Sridhar), the Chairman being Non-executive and Independent. The Committee has held one meeting during the financial year 2006 i.e., on April 25, 2006. The Composition of the Remuneration Committee as on December 31, 2006 and the attendance of members at the meeting of the Remuneration Committee held during the financial year 2006 were as follows:

Members of Remuneration Committee	No. of meetings attended
Mr. N S Raghavan (Chairman)	1
Mr. Dinesh Paliwal	-
Mr. K Sridhar (*)	1

(*) Mr. K Sridhar resigned as Director on June 23, 2006.

(iii) Remuneration Policy

The Company has a credible and transparent policy in determining and accounting for the remuneration of the Executive / Non-executive Directors. Their remuneration is determined in accordance with the experience and nature of responsibilities as well as industry standards. The same is subject to the approval of the Remuneration Committee of the Board of Directors and the Members.

(iv) Details of remuneration to all the Directors during the financial year 2006

(Rs in Thousands)

Name	Sitting Fees	Salary & Perquisites	Commission (*)	Stock Option	Pension	Total
Mr. Ravi Uppal	Nil	16,844	4,950	Nil	Nil	21,794
Mr. Biplab Majumder	Nil	4,406	1,168	Nil	Nil	5,574
Mr. N.S.Raghavan	100	NA	300	Nil	Nil	400
Mr. Nasser Munjee	55	NA	300	Nil	Nil	355
Mr. D E Udawadia	95	NA	300	Nil	Nil	395
Mr. K Sridhar	40	NA	300	Nil	Nil	340

(*) subject to the approval of the Board.

Fixed Component / Performance Linked Incentive / Criteria

The Vice Chairman and Managing Director and the Executive Director shall be entitled to an annual performance related commission based on the results achieved against the targets fixed and determined by the Board. Under the best performance targets, the commission amount shall not exceed Rs.4,950,000/- and Rs.1,300,000/- per annum, respectively, at 100% achievement level of the performance target.

Service Contract / Notice Period / Severance Fees

- The Contract of Service entered into by the Company with Mr. Ravi Uppal, Vice Chairman & Managing Director, provides that the Company and Mr. Ravi Uppal shall be entitled to terminate the agreement by giving to the other party 180 days notice in writing.
- The Contract of Service entered into by the Company with Mr. Biplab Majumder, Executive Director, provides that the Company and Mr. Biplab Majumder shall be entitled to terminate the agreement by giving to the other party 90 days notice in writing.
- No severance fee is payable by the Company on termination of the agreement.

Criteria of payments to Non-executive Directors

The Non-executive Directors are compensated by way of a commission, the criteria being their attendance in the Board / Committee Meetings.

(5) Shareholders' Committee

The Board of Directors of the Company had set up a Share Transfer and Investors' Grievance Committee which has been authorised to approve the transfer / transmission / transposition of shares. At the Board Meeting of the Company held on October 30, 2006, the Board has renamed the said Committee as Investors' Grievance Committee.

In order to expedite the process, the Board of Directors has also delegated the authority to the Vice Chairman & Managing Director (VC&MD) and the Company Secretary to approve the share transfers and accordingly, the VC&MD or the Company Secretary approves the transfer / transmission of shares at a frequency of about twice a month.

Four meetings of Investors' Grievance Committee were held during the financial year 2006 i.e., on January 23, 2006, April 25, 2006, July 24, 2006 and October 30, 2006.

Mr. B Gururaj, Vice President – Legal & Company Secretary is the Compliance Officer of the Company.

The composition of Investors' Grievance Committee as at December 31, 2006 and attendance of the Committee members at these meetings were as follows:

Members of Investors' Grievance Committee	No. of meetings attended
Mr. D E Udawadia (Chairman)	4
Mr. N S Raghavan	4
Mr. Ravi Uppal	4

The details of investors' complaints received and resolved during the financial year 2006 is as under:

No. of investors' complaints received during 2006	No. of investors' complaints resolved during 2006	Investors' complaints pending at the end of 2006
453	453	NIL

(6) General Body Meetings

(i) Location and time where last three Annual General Meetings (AGMs) held

For the year	Venue	Day & Date	Time
2005	ITC Hotel Windsor Sheraton & Towers, "Regency", No.25, Golf Course Road, Bangalore – 560 052	Friday, May 26, 2006	3.00 p.m. (IST)
2004	ITC Hotel Windsor Sheraton & Towers, "Windsor Square", No.25, Golf Course Road, Bangalore – 560 052	Tuesday, May 24, 2005	3.00 p.m. (IST)
2003	Chowdiah Memorial Hall, G.D. Park Extension, Vyalikaval, Bangalore - 560 003	Tuesday, April 27, 2004	3.00 p.m. (IST)

(ii) Special Resolution passed in the previous three Annual General Meetings

A Special Resolution was passed in the last Annual General Meeting of the Company held on May 26, 2006, wherein approval of the members was obtained for voluntary delisting of equity shares of the Company from Ahmedabad Stock Exchange Limited, Delhi Stock Exchange Association Limited and Calcutta Stock Exchange Association Limited.

A Special Resolution had been passed in the Annual General Meeting of the Company held on May 24, 2005, for keeping the register of members, index of members, register & index of debentureholders, records relating to annual returns of allotment from time to time, copies of annual returns etc., at the Office of Karvy Computershare Private Limited, the Registrar and Share Transfer Agents of the Company, situated at #51/2, TKN Complex, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore – 560 004, instead of being kept at the Registered Office of the Company.

(iii) Postal Ballot

No Special Resolution has been passed by the Company in the last year through postal ballot. As on date, the Company does not have any proposal to pass any special resolution by way of postal ballot.

(7) Disclosures

(i) Disclosures on materially significant related party transactions

There was no materially significant related party transaction during the year having potential conflict with the interests of the Company.

(ii) Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authorities or any matter related to capital markets during the last three years

The Company has complied with all the requirements of the Listing Agreement of the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years.

(iii) Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee

The Company has not adopted Whistle Blower Policy. However, the Company has not denied access to any personnel to approach the Management on any issues.

(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause

The Company has fully complied with the mandatory requirements of Clause 49 of the Listing Agreement of the Stock Exchange. Further, the Company has adopted non-mandatory requirement of clause 49 of the listing agreement, viz., Remuneration Committee of the Board which has been constituted to determine the remuneration package of the Executive Directors.

(8) Means of Communication

(i) Quarterly Financial Results

The quarterly / half-yearly / annual financial results are published in The Economic Times / Business Standard / Financial Express (English Daily) and Samyukta Karnataka (Kannada Daily). The financial results and the official news releases are also placed on the Company's website www.abb.com/in. The Company has a dedicated help desk with email ID: investor.helpdesk@in.abb.com in the Secretarial Department for providing necessary information to the investors.

(ii) Official News Releases

The Company holds press meets / analyst's meets and makes necessary presentation, to apprise and make public the information relating to the Company's working and future outlook.

(9) General Shareholder Information

(i) Annual General Meeting

Day, Date, Time and Venue :

The Company will be holding its 57th Annual General Meeting on Friday, May 25, 2007 at 3.00 PM (IST) at The Atria Hotel, 'Chancery', No. 1, Palace Road, Bangalore - 560 001

Agenda :

- a) Adoption of Audited Accounts, Directors' & Auditors' Report
- b) Declaration of Dividend
- c) Re-appointment of Directors
- d) Re-appointment of M/s. S R Batilboi and Co., Chartered Accountants, as Auditors
- e) Consent of Members for sub-division in the nominal value of equity shares and consequent amendments to Memorandum & Articles of Association
- f) Consent of Members for re-appointment and payment of remuneration to Vice Chairman & Managing Director
- g) Consent of Members for payment of commission to the non-executive directors for the years 2006-2011

(ii) Profile of Directors seeking re-appointment / appointment

The profile of Directors who are seeking re-appointment / appointment at the Annual General Meeting is furnished below:

Brief resume of Directors and nature of their expertise in functional areas	Directorships / Committee Memberships in other companies	Shareholding in ABB Limited
Mr. Dinesh Paliwal Mr. Dinesh Paliwal, aged 49, holds a Master's Degree in Paper Science and Engineering from Roorkee University, India, a Master's Degree in Applied Science and Engineering as also Masters' of Business Administration (Finance) from Miami University, Ohio, USA. He is the President, Global Markets and Technology - ABB Group, Zurich, and a Member of ABB Group's Executive Committee. Mr. Paliwal has nearly 3 decades of experience in process industries. He began his career with Ballarpur Industries Limited and before heading ABB's Pulp, Paper, Metals and Minerals business in 1998, he was Head of ABB's multi-industry business, including several joint ventures in China. Mr Paliwal has served in Australia, China, Singapore, Switzerland and United States in various engineering, marketing, sales and management functions for ABB.	Directorships 1. ABB Holdings (South Asia) Limited Committee Memberships: NIL	NIL

Brief resume of Directors and nature of their expertise in functional areas	Directorships / Committee Memberships in other companies	Shareholding in ABB Limited
<p>Mr. N S Raghavan</p> <p>Mr. N S Raghavan, aged 63, is a graduate in Electrical Engineering. He served in the Ministry of Defence, Government of India for 9 years handling various responsibilities in the Corps of Electrical and Mechanical Engineers. He worked as an Engineer in Andhra Pradesh State Electricity Board and as Head - Electrical Department in Kothari Sugars and Chemicals Limited, Trichy. He was the Joint Managing Director of Infosys Technologies Limited for 19 years.</p>	<p>Directorships</p> <ol style="list-style-type: none"> 1. Syndicated Research Worldwide Pvt. Ltd. 2. Nadathur Holdings and Investments Pvt. Ltd. 3. Nadathur Fareast Pte Ltd. 4. Mediassist India Private Limited 5. Sobha Developers Limited <p>Committee Memberships:</p> <ol style="list-style-type: none"> 1. Sobha Developers Limited (Audit Committee) 	NIL
<p>Mr. Ravi Uppal</p> <p>Mr Ravi Uppal, aged 54, is a B-Tech from Indian Institute of Technology (IIT), Delhi and did his Post Graduation Diploma in Business Administration from Indian Institute of Management (IIM), Ahmedabad. He started his career with BHEL in 1975. He joined Asea Limited in 1980. In the merged entity Asea Brown Boveri Limited, he held the position of Vice President (Power Projects) and then of (Industrial Electronics and Systems Segment). After putting 16 years of service in ABB Group, in 1996, he took over as the Managing Director of Volvo India Private Limited.</p> <p>During September 2001, he joined ABB Limited as the Managing Director and currently he is holding the position of Vice Chairman and Managing Director of the Company.</p>	<p>Directorships</p> <ol style="list-style-type: none"> 1. Transport Corporation of India Limited 2. ABB Global Services Ltd. (Chairman) 3. ABB Holdings (South Asia) Ltd. (Managing Director) 4. Bhoruka Power Corporation Limited 5. ST-CMS Electric Co. Pvt. Ltd. 6. Page Industries Limited 7. ABB Limited, Mauritius 8. ABB (Pvt.) Limited, Pakistan <p>Committee Chairmanships:</p> <ol style="list-style-type: none"> 1. ABB Holdings (South Asia) Ltd. (Audit Committee) 	305

(iii) Financial Year

Indicative calendar of events for the year 2007 (January - December) excluding Extra Ordinary General Meeting(s), if any, is as under:

Fourth Quarter Financial Results (Year 2006)	February 2007
First Quarter Financial Results	April 2007
Annual General Meeting	May 2007
Second Quarter Financial Results	July 2007
Third Quarter Financial Results	October 2007

(iv) Date of Book Closure

The Company's Register of Members and Share Transfer Books will remain closed for the purpose of payment of dividend from May 16, 2007 to May 25, 2007 (both days inclusive).

(v) Dividend Payment Date

The dividend, as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting will be paid on or after May 28, 2007, to those shareholders whose names appear on the Company's Register of Members as on May 15, 2007

(vi) Listing on Stock Exchanges

The equity shares of the Company are currently listed at National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE), and Calcutta Stock Exchange Association Limited (CLSE). The Company has paid till date, appropriate listing fee to all the above stock exchanges where the Company's equity shares are listed.

In accordance with the approval of the shareholders at the 56th Annual General Meeting of the Company held on May 26, 2006, the Company had applied for voluntary delisting of its equity shares with Ahmedabad Stock Exchange Limited, Delhi Stock Exchange Association Limited and Calcutta Stock Exchange Association Limited.

While Ahmedabad Stock Exchange Limited and Delhi Stock Exchange Association Limited have confirmed the delisting effective July 31, 2006 and September 21, 2006, respectively, confirmation from Calcutta Stock Exchange Association Limited is awaited.

(vii) Stock Code

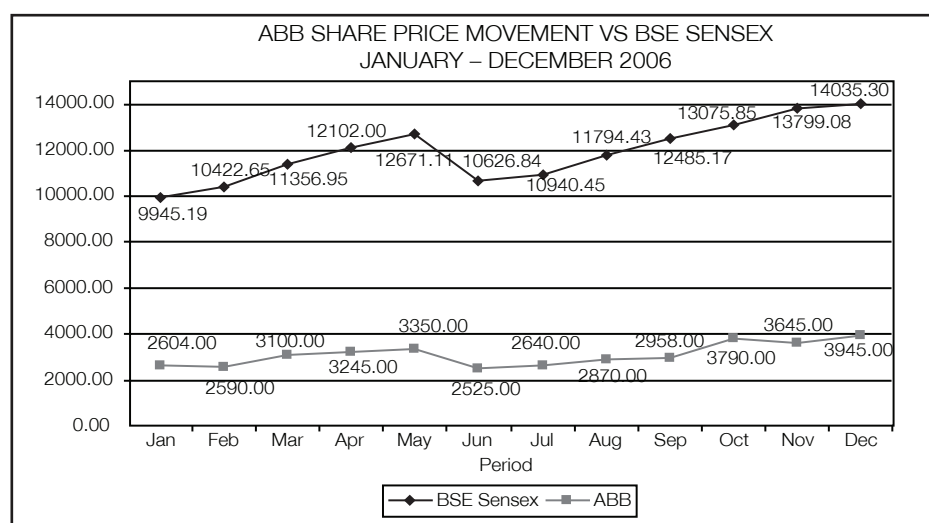
National Stock Exchange	Mumbai Stock Exchange	Calcutta Stock Exchange
ABB	500002	11074 (physical) 10011074 (demat)

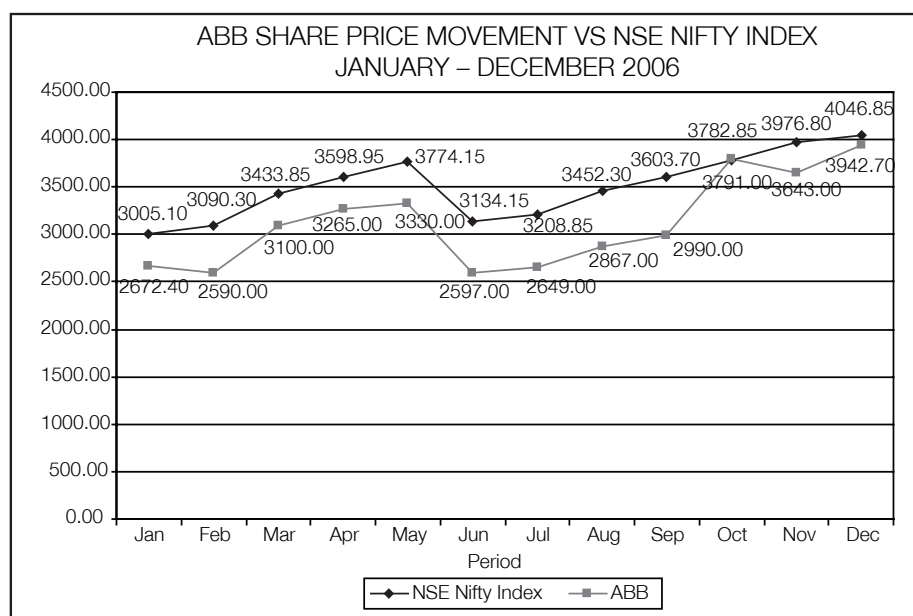
(viii) Market Price Data

The market price data and volume of the Company's shares traded in the Mumbai Stock Exchange and the National Stock Exchange, during the year 2006 was as follows:

Period 2006	BSE (Rs)		BSE Sensex Index		NSE (Rs)		NSE Nifty Index	
	High	Low	High	Low	High	Low	High	Low
January	2604.00	1910.00	9945.19	9158.44	2672.40	1911.00	3005.10	2783.85
February	2590.00	2355.00	10422.65	9713.51	2590.00	2355.00	3090.30	2928.10
March	3100.00	2515.20	11356.95	10344.26	3100.00	2530.00	3433.85	3064.00
April	3245.00	2863.00	12102.00	11008.43	3265.00	2700.10	3598.95	3290.35
May	3350.00	2090.00	12671.11	9826.91	3330.00	1900.00	3774.15	2896.40
June	2525.00	1920.00	10626.84	8799.01	2597.00	1901.00	3134.15	2595.65
July	2640.00	2246.00	10940.45	9875.35	2649.00	2244.60	3208.85	2878.25
August	2870.00	2379.00	11794.43	10645.99	2867.00	2375.00	3452.30	3113.60
September	2958.00	2772.25	12485.17	11444.18	2990.00	2770.00	3603.70	3328.45
October	3790.00	2900.00	13075.85	12178.83	3791.00	2905.00	3782.85	3508.65
November	3645.00	3347.00	13799.08	12937.30	3643.00	3345.00	3976.80	3737.00
December	3945.00	3310.00	14035.30	12801.65	3942.70	3311.00	4046.85	3657.65

(ix) Performance in comparison to broad-based indices viz., BSE Sensex and NSE Nifty





(x) Registrar and Transfer Agents

Kary Computershare Private Limited,
(Unit: ABB Limited)
#51/2, T.K.N. Complex, Vanivilas Road,
Opp. National College, Basavanagudi, Bangalore 560 004.
Phone: 080-26621192 Fax : 080-26621169
Email: kannans@kary.com

(xi) Share Transfer System

The Company's shares being in compulsory demat list, are transferable through the depository system. However, shares in the physical form are processed by the Registrar & Transfer Agent, and approved by the Investors' Grievance Committee. In order to expedite the process, the Board of Directors has also delegated the authority to the Vice Chairman & Managing Director (VC&MD) and the Company Secretary to approve the share transfers and accordingly, the VC&MD or the Company Secretary approve the transfer / transmission of shares at a frequency of about twice a month. The share transfer process is reviewed by the said Committee.

(xii) Shareholding Pattern (Equity Shares of Rs.10 each)

Shareholders	As on 31.12.2006		As on 31.12.2005		Variation	
	No.of shares	%	No.of shares	%	No.of shares	%
ABB Asea Brown Boveri Ltd. Zurich & ABB Norden Holdings AB, Sweden	22084057	52.11	22084057	52.11	0	0.00
Non-Resident Individuals / OCBS	63064	0.15	53885	0.13	9179	0.02
Directors and their relatives	755	0.00	472	0.00	283	0.00
LIC / UTI/ Other Insurance Cos.	6412915	15.13	5949298	14.04	463617	1.09
Nationalised Banks / Other Banks	89299	0.21	99288	0.23	-9989	-0.02
Mutual Funds	1323096	3.12	1842558	4.35	-519462	-1.23
Foreign Institutional Investors	7305329	17.24	6849582	16.16	455747	1.08
General Public including bodies corporate	5103160	12.04	5502535	12.98	-399375	-0.94
Total	42381675	100.00	42381675	100.00	0	0.00

(xiii) Distribution of Shareholding as on December 31, 2006

Category	No. of Shareholders	No. of Shares held	%age of equity capital
1 – 5000	42,842	4,658,812	10.99
5001 – 10000	54	394,519	0.93
10001 – 50000	84	1,946,153	4.59
50001 – 100000	25	1,829,373	4.32
100001 and above	34	33,552,818	79.17
Total	43,039	42,381,675	100.00

(xiv) Dematerialisation of Shares and liquidity

The equity shares of the Company are available under dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd., (CDSL). The Company's equity shares are compulsorily traded in the dematerialized form. The Code No. allotted by NSDL and CDSL to your Company is ISIN: INE 117A01014.

As on December 31, 2006, 20,010,889 equity shares of the Company have been dematerialised representing 47.22% of the total shares. (19,818,770 equity shares were in dematerialised form representing 46.76% of the total shares as on December 31, 2005).

(xv) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity

As on date, the Company has not issued GDRs, ADRs or any other Convertible Instruments and as such, there is no impact on the equity share capital of the Company.

(xvi) Code of Conduct

The Company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and that the same has been hosted on the Company's website. All the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct, as on December 31, 2006.

(xvii) Plant Locations

The Company's plants are located at Bangalore, Faridabad, Haridwar, Mumbai, Nashik and Vadodara.

(xviii) Address for Correspondence

ABB Limited
2nd Floor, East Wing, Khanija Bhavan,
49, Race Course Road,
Bangalore 560 001.
Phone: 080-22949150 to 22949154 Fax : 080-22949148
Corporate Secretarial E-mail ID: investor.helpdesk@in.abb.com
Corporate Website: www.abb.com/in

(xix) Non-Mandatory Requirements

The Company has a Remuneration Committee of the Board to determine the remuneration package for the Executive Directors.

For and on behalf of
the Board

Bangalore
February 16, 2007

Dinesh Paliwal
Chairman

Annexure - D to Directors' Report

Practicing Company Secretary Certificate -

Compliance of conditions of Corporate Governance as per clause 49 of the listing Agreement with the Stock Exchange.

To The Members of ABB Limited

We have examined all relevant records of ABB Limited (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with National Stock Exchange (NSE), Mumbai Stock Exchange (BSE) and Calcutta Stock Exchange (CSE), for the financial year ended 31.12.2006. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with:

- (a) All the mandatory conditions of the said Clause 49 of the Listing Agreement.
- (b) The following Non-mandatory requirement of the said Clause 49 – “Constitution of Remuneration Committee”.

FOR D.R.SHRESSHA & ASSOCIATES
PRACTICING COMPANY SECRETARIES

Bangalore
February 16, 2007

D.R.Shressha
PROPRIETOR
C. P. Practice No. 6119

Management's Discussion and Analysis

Operating Results of the Company

During the year 2006, the Company secured orders worth Rs 56,236 million, 50 percent higher than the previous year's orders of Rs 37,645 million. There had been significant growth in orders across all the segments of the Company. Higher GDP growth, focussed infrastructure development action taken by the Government and capacity built up in various industries has given overall favourable economic environment in the country to operate. This coupled with strategic initiatives on market and product portfolio front adopted by the Company helped to realise this exceptional growth. New business/product lines introduced during last few years have also contributed significantly towards overall growth in orders. As a result of healthy order intake, the Company's order backlog was further augmented by 60 per cent to Rs 33,723 million as compared to Rs 21,032 million at the beginning of the year.

The Company also achieved a strong top-line performance with revenues of Rs 43,477 million for the year, registering a growth of 44 per cent over the previous year. Volume growth, operational efficiencies and higher financial income (net) resulted in healthy profit improvement inspite of increase in material expense due to increase in commodity prices. Profit before tax was Rs 5,232 million as compared to Rs 3,395 million in the previous year.

Net profit after tax at Rs 3,403 million for the year was 56 per cent higher than last year. Earnings per equity share (face value Rs 10) was also significantly higher at Rs 80.30 compared to Rs 51.60 in the previous year.

The Company carried out significant expansion of manufacturing capacities and continued to expand its range of offering, introducing several new products during the year. In addition to capacity and range expansion, the Company also upgraded and modernised many of its manufacturing, office and employee welfare facilities in order to enhance efficiency and productivity.

Outlook for the Company

India's current state of economy and expectation of GDP growth reaching around 10%, continued investment in power and other infrastructure sector and booming globalizing industrial sector offers an excellent opportunity to the Company to operate. Several strategies towards market penetration, product and range expansion, manufacturing and engineering capacity augmentation, operational excellence, focused organisation structure, IT and other system development, human resource development and retention actions are expected to further strengthen Company's position. 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 this strategy, the Company will 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 profitable and sustainable growth, maximising operational efficiencies and striving to attain the highest standards of quality, safety and productivity. The overall outlook for the Company continues to be positive and the Management remains optimistic with regards to continued growth.

Business Segment Analysis

To bring focused attention to market and operational efficiencies, Company had adopted a new segment structure from beginning of the 2006, in alignment with ABB Group organisation structure. The relative distribution of revenues amongst these segments is as under.

	2006	2005
Power Systems (PS)	33 %	34 %
Power Products (PP)	27 %	28 %
Process Automation (PA)	20 %	18 %
Automation Products (AP)	20 %	20 %

Power Systems Segment (PS)

The summarised performance of the segment is as under.

	2006	2005
Orders Received	20,141	14,698
Order Backlog	14,796	9,752
Revenues	15,097	10,633
Result	1,631	829

Central Government's focus on power sector reforms and introduction of national electricity policy in past few years is reflected in increasing investment in this sector. Capacity additions, development of transmission network and power distribution improvements and reforms on domestic front resulted in strong orders and revenue growth during the year. Orders received grew by 37% and revenues were higher by 42%. The market showed positive signs in most areas of segment's operation and future outlook continues to remain promising.

Major orders received includes for transmission and distribution substations on turnkey basis from PGCIL for 400kV substations at Kota, Damoh, Karikuddi, Narendra, Hiriyur and Davanagiri, from KPTCL for 220 kV substations at Kanakpura, Holenarsimpura and Bijapur and from WBSEB for 220 kV substation at Bishnupur. The segment also received major orders from GESCO, CESCO and HESCO under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and orders for eBOP from Tata Projects for Giral thermal power project and JSW Energy Limited for 2 x 300 MW power plant.

Major projects commissioned during the year includes 220 kV substations at Guttur and Puttur for KPTCL, 400kV substation for PGCIL at Lucknow, Narendra and Rihand and 400 kV Substation for UPCL at Kashipur. The segment supplied and commissioned a number of distribution substations and APDRP projects for MPSEB and BESCO, control and instrumentation projects for NTPC at Vindhychal, Ramagundam, Sipat & Singrauli. Newly developed substation automation system based on REX 670 platform with IEC 61850 protocols were supplied to PGCIL for a number of 400 kV substations.

Prices of raw materials like structural steel, copper, aluminium, etc continues to remain area of concern. Numbers of strategic actions were implemented to improve project management. This helped in improving profitability of the segment.

Power Products Segment (PP)

The summarised performance of the segment is as under.

	(Rs in Millions)	
	2006	2005
Orders Received	15,295	9,300
Order Backlog	9,577	6,412
Revenues	12,130	8,748
Result	1,382	1,113

Due to Governments policies, prospects from ultra mega power generation projects and demand for electricity, investments in the transmission and distribution sector remained buoyant. Significant capacity addition in industries and service sector continued at a fast pace. This offers excellent prospects for different products of the segment. Orders received grew by 64% and growth in revenues was 39%. Products for improving power quality and energy efficient technologies are also gaining demand. Large target has been proposed in the XIth five-year plan (2007-12) for power transmission (increase in inter-regional capacity from 9000 MW to 30,000 MW), power generation (capacity addition of around 86,500 MW). New opportunities have emerged in the field of 765 kV switchgear and transformer products as well as large volume low end products.

Major orders received during the year included an order from NTPC for 11 units of 260 MVA 400 kV GSU and 200 MVA 400 kV ICT and an order for HV circuit breakers from MSEB.

Power products exports consolidated its position in the export markets catering to more than 85 countries with order booking of Rs 1,545 million. With order intake of about 1,000 ED circuit breakers during the year, the segment continued to consolidate its position as Global focused feeder factory for 72.5 kV circuit breakers for the ABB Group. Segment has won significant contracts for 72.5kV SF6 circuit breakers from South Africa. Significant growth in exports is expected in coming years from Sub Sahara Africa, Latin America, South East Asia and North America.

The Transformer business consolidated its market position in with doubling of orders during the year and growth in revenues. A 200 MVA 400 kV transformer successfully passed short-circuit testing at KEMA, Netherlands. Stabilisation of production at newly set Insulation Kit Center has helped in improving the quality of transformer insulation.

With buoyancy in distribution sector and introduction of several new products, significant growth continued for medium voltage switchgears. This business recorded a number of successes during the year including a repeat order from PSEB for 709 panels and a breakthrough order from Grasim for Unigear panels. The distribution automation business secured important order for RE 500 relays from HPCL. A new low cost relay, NI40/41 was successfully type tested and is ready for manufacturing and marketing. Focus on channel partners and retrofit business continues to yield dividends for the MV business. The Ring Main Unit facility produced over 5000 units in the first year of production and the business is expected to grow significantly in coming years. Segment's R&D unit continued to rise in the global value chain. It successfully developed new products and participated in several global product development projects.

A new mechanical testing laboratory for stringent quality tests on HV circuit breakers was established during the year. This will help in monitoring and improving product quality.

Several new products and product ranges were introduced during the year. This included 245 kV and 400 kV LTB E circuit breakers, NI 40/ 41 relays, low-cost compact sub-station and distribution transformers up to 100 KVA. Recent introduction of GIS, GCB and PASS in the Indian market will cater to the growing demand for modular solutions and new technologies.

To support business growth, there are plans to augment capacities for power and distribution transformers, HV and MV products. A global manufacturing facility for low-end relays and new factory for the existing range of distribution automation products is also planned at Vadodara.

Concerns for the segment includes lower demand for HT capacitor, delivery schedules and prices for insulators for the HV products and tanks for transformers and emerging competition from several local players and Chinese manufacturers in the medium voltage segment.

Domestic market for power products continues to remain on the ascent. This coupled with increasing prospects for exports, capacity augmentation, introduction of new products and range expansion, focus on services and operational excellence, offers extremely positive outlook for the segment.

Process Automation Segment (PA)

The summarised performance of the segment is as under.

	(Rs in Millions)	
	2006	2005
Orders Received	13,317	7,729
Order Backlog	8,312	4,135
Revenues	9,140	5,549
Result	983	581

During the year, industrial climate in country remained buoyant with strong growth across almost all the industries. With current low capita consumption of several metals, paper and other industrial products and demand from infrastructure development gives excellent growth opportunities to industries. Most industries have announced investment plans for augmentation of capacities and efficiency improvement. This environment augurs well for the Process Automation Segment. Growth in orders during the year was 72% and growth in revenues was 65%. A global sourcing and engineering centre established last year has stabilized and contributed significantly to growth of the segment.

Paper Industry is investing in new machines to meet the growing demand. Segment received several DCS and QCS orders during the year. Growth in crane business is driven by Industrial sector in general and steel sector in particular. Steel sector is poised for growth and proposed investments in this sector is expected to exceed 80 BUSD in next 6 years. This includes investment in greenfield steel projects by international players like POSCO and Mittal Steel. Various existing medium and large size Indian companies have also announced the significant expansion plans. With increased spending on infrastructure and buildings, capacity addition of about 54 Million Tonnes by the year 2010 is expected for the cement. Further there is consolidation taking place in the market with several multinationals cement manufacturer taking over Indian cement companies as well as setting up new facilities in India. In Oil & Gas sector refining capacity of India at present stands at 120 million MT. This capacity is expected to go up to 200 million MT by the year 2010. Segment has several opportunities to take composite electrification orders from most industry segments. New markets are opening up for Manufacturing Execution Systems (MES) in Metal, Paper & Cement Industries.

Segment has received several large and important orders during the year. This includes a turn key order for SCADA (supervisory control and data acquisition system) from Oil & Natural Gas Corporation (ONGC) at Rs 4,300 million, for DCS and emergency shut down (ESD) from ONGC and Essar Oil Limited, electrics and automation from Binani Industries Limited, Welspun Gujrat Ltd., Thyssen Krupp India for a cement plant and bucket wheel excavators for Neyveli Lignite Corporation Ltd. Other important orders booked were from Jindal Steel and Power Limited, Hissar, plate mill, the first order for plate mill for the segment, an order from Emirate Steel for power distribution package and an orders from Kirloskar Oil Engines Limited for turbochargers. Segment also had significant growth in export orders.

Major projects commissioned during the year included electrics and automation of Andhra Pradesh Paper Mills Limited and GPT Steels Limited, electrics for Haldia's ship to shore cranes and Wire Rod Mill of Steel Authority of India Limited.

With several prospects emerging in the country, several local and international players have become active. OEMs are also consolidating their offerings with electrical solution to give a complete package to the customers. With several project on hand, segment has challenge in timely execution of orders, particularly from steel and cement sectors. Segment will continues to remain customer focused to sustain its competitive advantage through constant innovation and technology development. The overall outlook for the segment remains positive.

Automation Products Segment (AP)

The summarised performance of the segment is as under:

	(Rs in Millions)	
	2006	2005
Orders Received	9,933	6,845
Order Backlog	2,171	1,417
Revenues	9,179	6,354
Result	1,145	793

With significant investments taking place for industrial capacity augmentation and efficiency improvement, segment witnessed surge in demand for automation products during the year. A positive market environment coupled with a strategic thrust on product range and capacity expansion and market penetration helped in registering 45% growth in orders and revenues compared to previous year. During the year several orders for products were received from steel, cement, paper, oil and gas industries and OEMs. Segment had break through success from water and sewage application, opening up a new stream of revenues with securing of orders for Bhima and Kalwakurthy Lift irrigation projects.

During the year new factories at Haridwar for LV apparatus and at Bangalore for LV electric motors commenced production. Further increases in range and capacity augmentation are planned for LV motors, HT motors, Drives and LV switchgear. New series of EFF1 and EFF 2 motors in frame size 71 – 132 are ready for introduction in domestic and export market.

The channel partner network was further expanded to over 700 compared to 530 at the end of last year, helping in increase in business over 50 percent. The business through the web increased by more than 75 percent to around Rs 2,700 million, making it the largest B 2 B transaction volume through the web for this kind of business in India. During the year central warehouse was established at Bangalore for automation products for off the shelf immediate delivery to the customers. Two more such warehouses are planned to be opened in the year 2007 in northern and western part of India.

Increase in competition, bringing pressure on volume and price realisation, increase in metal prices and product design piracy are some of the concerns for the segment. Several supply chain management actions have been planned for reduction in material and other input costs. The overall outlook for the segment continues to be positive.

Building Systems (BS)

Building systems business provides integrated building management solutions (IBMS) covering lighting, networking, heating, ventilation, air conditioning, electrical installations, energy management, fire alarm, protection system and other building facilities and solutions to various customers across the sectors, included under PS and PA segments, performed extremely well during the year. Volumes continued to grow based on the growing infrastructure spending in all

major metros in the country and capacity expansion by industries. Major growth sectors continue to be IT, corporate buildings, shopping malls, hotels, pharma and health care. Based on per capita health care spending and India's growing reputation as a major source of cost effective generic drugs, major investments in healthcare and hospitality sectors are expected. BS group had growth in revenues of 40% during the year with improvement in margin.

Major orders received during the year includes from ONGC, IBM for Noida facility, Wipro for their Chennai facilities, Himmatsingka Linens, Vardhaman Fabrics, Maruthi Udyog and BHEL. Growing installed base has opened up further opportunities for repeat orders and after sales services. Major projects orders commissioned during the year include BHEL, Rihand, NTPC Vindychal, Wockhardt Bangalore, ETL BPO Park and DMRC, Mandi house.

Increase in competition, price level of metals and availability and retention of skilled manpower are area of concern for the group. Focus on IBMS and services, certain supply management actions and improvements in project management processes are expected to improve margin and competitiveness for this group.

Finance

The Company continued to focus on optimising its working capital, which resulted in a further improvement in the cash position. Net cash position (cash and bank balances less loan fund) at the end of the year had significantly increased to Rs 5,449 million compared to Rs 3,982 million at the end of the previous year. Surplus funds, not committed in operation, were deployed in tax-free bonds and short term fixed deposits with reputed banks, ensuring security and liquidity of the fund. The expenditure of Rs 933 million, on fixed assets, during the year was fully financed from internal accruals. Net financial income during the year was higher at Rs 210 million compared to Rs 166 million in the previous year, primarily due to better interest rates on short term deposits. Foreign exchange management and valuation was further automated during the year. As in the past, Company maintained excellent relationship with major banks operating in India and was able to negotiate favourable terms for various banking facilities used.

Human Resources

Attracting and retaining dedicated and skilled human resource, offering them an attractive working environment and excellent development opportunities are currently prime HR focus. In a fast growing and turbulent employment market, appointment and retention of the human resource pose a unique challenge, which if carefully handled can be the key differentiator in a competitive landscape. Innovative and highly effective recruitment process was adopted to support growth in the business. A dedicated Human Resource Centre was established at Bangalore to accomplish end-to-end recruitment process ensuring uniformity and efficiency in the process. The HR center also encompasses other transactional HR processes like payroll, employee induction and employee information management.

Leadership development assessments process to identify and develop leaders continued during the year with coverage of over 500 employees so far. Functional competency assessment was carried out to ensure operational excellence in staff functions. To further strengthen training and competence development, a dedicated training organisation viz., ABB University, was set up during the year with four learning centers in India.

As in the past, industrial relation continued to remain cordial at all the locations of the company. The company had 5,187 employees at the end of 2006.

Internal Control Systems

The Company has in place effective systems of internal control ensuring **accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with laws and regulations.**

The Company has an exhaustive budgetary control system and the management regularly reviews actual performance. The Company has also put in place a well-defined organisation structure, clear authority levels and detailed internal guidelines for conducting business transactions. The Company has an internal audit department that conducts regular audits to ensure adequacy of the control system, adherence to management instructions and legal compliance. The Audit committee of the Board of Directors periodically reviews audit plans, observations and recommendations of the internal and external auditors with reference to significant risk areas and adequacy of internal controls.

Provisions of the Clause 49 of the listing agreement with stock exchanges relating to CEO and CFO certification to the Board of Directors of the Company covering various areas including maintenance and state of internal controls over financial reporting, accounting policies, instances of fraud and confirmation of review and opinion on financial statement of the Company are applicable to the Company since last year. CEO and CFO certificate, as furnished to the Board of Directors for the year ended 31 December, 2006, is part of this annual report.

Provisions of the Section 404 of the Sarbanes Oxley Act, 2002 (USA), that deal with management's responsibility for establishing and maintaining an adequate internal control structure and procedure for financial reporting and also assessment of effectiveness of internal controls over financial reporting at the end of every year are also applicable to the Company in view of the parent Company's shares being listed at New York Stock Exchange. As per these requirement management has established adequate internal control procedures over financial reporting. Based on detailed review and testing of various processes and transactions effecting financial reporting, managements has concluded that internal control over financial reporting is effective as at 31 December, 2006.

During the year, the Company further automated and centralised several processes at the Accounting Centre, Bangalore, resulting in uniform, timely and accurate accounting, enhanced efficiency, reduced operational cost and improved internal controls. Some of the processes which were centralised for all the business units of the Company in India at Accounting Centre included vendor bill booking, vendor payment, costing, capital expenditure management, travel management and certain period end financial closing processes. Master maintenance for general ledger accounts, customers and vendors and role based authorisation for SAP system access remained centrally controlled based on well defined rules.

CEO / CFO Certification

**To
The Board of Directors
ABB Limited**

We certify that;

1. We have reviewed the financial statements and cash flow statement of ABB Limited for the year ended December 31, 2006 and to the best of our knowledge and belief;
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. To the best of our knowledge and belief, there are, no transactions entered into by the company during the year, which are fraudulent, illegal or violating the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls over financial reporting and we have evaluated the effectiveness of internal control systems of the company over financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls over financial reporting, if any, of which we are aware and the steps we have taken, propose to take to rectify these deficiencies. In our opinion, there are adequate internal controls over financial reporting.
4. We have indicated to the auditors and the audit committee that there are
 - (i) significant improvement in internal controls over financial reporting during the year;
 - (ii) no significant changes in accounting policies during the year.
 - (iii) no instances of significant fraud of which we have become aware and the involvement there in, if any, of the management or an employee having a significant role in the company's internal control system on financial reporting.

Bangalore
February 16, 2007

Ravi Uppal
Chief Executive Officer
Vice Chairman & Managing Director

K Rajagopal
Chief Financial Officer
Sr. Vice President - Finance

Auditors' Report To The Members of ABB Limited

1. We have audited the attached balance sheet of ABB Limited as at December 31, 2006 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4 A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on December 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2006;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No.: 35141

Istanbul, Turkey
February 16, 2007

Annexure referred to in paragraph 3 of our report of even date

Re: ABB Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year. In respect of stocks lying with the third parties, confirmation for most of the stocks has been received.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered. None of the transactions made in pursuance of such contracts or arrangements exceed the value of Rupees five lakh in respect of any one such party in the financial year.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, excise duty, wealth-tax, service tax and customs duty with the appropriate authorities. Undisputed statutory dues towards sales-tax, income-tax and cess have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount *(Rs in Thousands)	Period to which the amount relates	Forum where dispute is pending
Excise Act	Freight charges for valuation	589	1997-98	Central Excise and Service Tax Appellate Tribunal
	Availment of CENVAT credit	719	1999	Central Excise and Service Tax Appellate Tribunal
	Excise duty on bought out goods	882	2000-05	Commissioner (Appeals)
Service Tax	Service tax on freight charges and erection services	2,403	1997-06	Central Excise and Service Tax Appellate Tribunal
Sales Tax Act	Works contract tax charged	15,827	1992-01	Sales Tax Appellate Tribunal
	Differential tax charged	113,994	2003-06	Deputy Commissioner
	Submission of Statutory Forms	5,964	1999-03	Deputy Commissioner
		121,185	1993-03	Deputy Commissioner (Appeals)
		26,240	2000-03	Joint Commissioner (Appeals)
		900	1994-95	High Court
	1,799	1993-98	State Appellate Tribunal	
Faridabad Development Act [Octroi]	Product classification	30,400	1986-94	High Court
Income Tax	Tax on Income	246,013	2001-04	Commissioner of Income Tax (Appeals)

* - Net of Rs 104,924 thousand, paid under protest

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & CO.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No.: 35141

Istanbul, Turkey
February 16, 2007

Balance Sheet

As at December 31, 2006	Schedule	(Rs in Thousands)	
		2006	2005
Sources of Funds			
Shareholders' Funds			
Share Capital	1	423,817	423,817
Reserves and Surplus	2	<u>11,534,601</u>	<u>8,617,462</u>
		11,958,418	9,041,279
Loan Funds			
Finance Lease Obligations	17(9)	15,457	26,957
Unsecured Loans	3	<u>-</u>	<u>310</u>
		15,457	27,267
Deferred Tax Liability (net)	17 (11)	<u>165,271</u>	<u>84,271</u>
		<u>12,139,146</u>	<u>9,152,817</u>
Application of Funds			
Fixed Assets			
Gross Block	4	5,145,167	4,141,636
Less: Depreciation and Amortisation		<u>2,073,446</u>	<u>1,875,025</u>
Net Block		<u>3,071,721</u>	<u>2,266,611</u>
Capital Work in Progress including Capital Advances		<u>246,217</u>	<u>384,239</u>
		3,317,938	2,650,850
Investments	5	773,546	871,503
Current Assets, Loans and Advances			
Inventories	6	3,546,995	2,015,803
Sundry Debtors	7	15,702,677	10,292,566
Cash and Bank Balances	8	5,464,424	4,009,654
Loans and Advances	9	1,778,220	1,274,843
Other Current Assets	10	<u>1,474,409</u>	<u>2,278,328</u>
		27,966,725	19,871,194
Less: Current Liabilities and Provisions			
Current Liabilities	11	19,363,315	13,728,741
Provisions	12	<u>555,748</u>	<u>511,989</u>
		19,919,063	14,240,730
Net Current Assets		<u>8,047,662</u>	<u>5,630,464</u>
		<u>12,139,146</u>	<u>9,152,817</u>
Notes to Accounts	17		

The Schedules referred to above form an integral part of the accounts

As per our report of even date
For S. R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Istanbul, February 16, 2007

For and on behalf of the Board

Dinesh Paliwal
Ravi Uppal
Biplab Majumder
Nasser Munjee
N S Raghavan
K Rajagopal
B Gururaj

Bangalore, February 16, 2007

Chairman
Vice Chairman & Managing Director
Executive Director
Director
Director
Chief Financial Officer
Company Secretary

Profit and Loss Account

For the year ended December 31, 2006	Schedule	(Rs in Thousands)	
		2006	2005
Income			
Sales and Services		46,045,615	31,999,328
Less : Excise Duty		<u>3,305,522</u>	2,368,802
Sales and Services (Net)	13	42,740,093	29,630,526
Other Income	14	<u>736,929</u>	510,857
		<u>43,477,022</u>	30,141,383
Expenditure			
Cost of Materials and Erection Services		31,445,493	21,311,378
Personnel Expenses	15	2,414,186	1,783,830
Other Expenses	16	4,113,353	3,353,601
Depreciation/ Amortisation		267,341	234,073
Less: Transfer from Revaluation Reserve		<u>2,666</u>	2,666
		264,675	231,407
Interest Expenses		<u>7,253</u>	66,397
		<u>38,244,960</u>	26,746,613
Profit Before Tax		<u>5,232,062</u>	3,394,770
Provision for Tax:			
Current Tax		1,671,000	1,204,000
Deferred Tax		81,000	(48,000)
Fringe Benefits Tax		<u>77,000</u>	52,000
Profit After Tax		<u>3,403,062</u>	2,186,770
Add: Balance brought forward		<u>349,450</u>	302,122
Profit available for appropriation		<u>3,752,512</u>	<u>2,488,892</u>
Appropriations			
General Reserve		2,750,000	1,750,000
Proposed Dividend		423,817	339,053
Corporate Dividend Tax		59,440	47,552
Corporate Dividend Tax - 2004		-	2,837
Balance carried forward		<u>519,255</u>	349,450
		<u>3,752,512</u>	<u>2,488,892</u>
Basic and Diluted Earnings per Equity Share (in Rs)	17(3)	80.30	51.60
(Face value Rs 10 per share)			
Notes to Accounts	17		

The Schedules referred to above form an integral part of the accounts

As per our report of even date
For S. R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Istanbul, February 16, 2007

For and on behalf of the Board

Dinesh Paliwal
Ravi Uppal
Biplab Majumder
Nasser Munjee
N S Raghavan
K Rajagopal
B Gururaj

Bangalore, February 16, 2007

Chairman
Vice Chairman & Managing Director
Executive Director
Director
Director
Chief Financial Officer
Company Secretary

		(Rs in Thousands)	
As at December 31, 2006		2006	2005
Schedule 1 - Share Capital			
Authorised			
42,500,000	Equity Shares of Rs 10 each	425,000	425,000
750,000	11% Redeemable 10 year, Cumulative Preference Shares of Rs 100 each	75,000	75,000
		<u>500,000</u>	<u>500,000</u>
Issued, Subscribed and Paid Up			
42,381,675	Equity Shares of Rs 10 each	<u>423,817</u>	<u>423,817</u>

Notes :

Share Capital includes:

- a) 9,237,105 equity shares of Rs 10 each allotted as fully paid up at par, pursuant to contracts for consideration other than cash.
- b) 200,000 equity shares of Rs 10 each issued at a premium of Rs 10 each to the holders of 40,000 - 8.57% cumulative preference shares of Rs 100 each on cancellation of the preference shares in terms of a Scheme of Compromise between the Company and its preference/equity shareholders in 1988.
- c) 8,443,893 and 10,354,589 equity shares of Rs 10 each issued as fully paid up bonus shares by capitalisation of the General Reserve Account and Securities Premium Account respectively.
- d) 19,575,991 equity shares are held by ABB Asea Brown Boveri Limited, Zurich, Switzerland, the ultimate holding company and 2,508,066 equity shares are held by ABB Norden Holdings AB, Sweden, a subsidiary of the ultimate holding company.

	(Rs in Thousands)	
As at December 31, 2006	2006	2005
Schedule 2 - Reserves and Surplus		
Capital Reserve Account	10,971	10,971
Capital Redemption Reserve Account	75,000	75,000
Revaluation Reserve Account		
As per last Balance Sheet	150,748	153,414
Transferred to Profit and Loss Account	<u>(2,666)</u>	<u>(2,666)</u>
	148,082	150,748
Securities Premium Account	593,990	593,990
Foreign Projects Reserve Account		
As per last Balance Sheet	12,500	79,400
Transferred to General Reserve Account	<u>(5,000)</u>	<u>(66,900)</u>
	7,500	12,500
General Reserve Account		
As per last Balance Sheet	7,424,803	5,607,903
Transferred from Foreign Projects Reserve Account	5,000	66,900
Transferred from Profit and Loss Account	<u>2,750,000</u>	<u>1,750,000</u>
	10,179,803	7,424,803
Profit and Loss Account		
Balance carried forward	<u>519,255</u>	349,450
	<u>11,534,601</u>	<u>8,617,462</u>
Schedule 3 - Unsecured Loans		
Sales tax deferral loans		
(Due within one year Rs Nil		
Previous Year Rs 310 thousand)	<u>-</u>	<u>310</u>

As at December 31, 2006

(Rs in Thousands)

Schedule 4 - Fixed Assets

Description	Gross Block			Depreciation/ Amortisation				Net Block		
	As at January 1, 2006	Additions	Deductions	As at December 31, 2006	As at January 1, 2006	For the Year	Deductions December 31, 2006	As at December 31, 2006	As at December 31, 2006	As at December 31, 2005
A. Tangible Assets										
1. Own Assets										
Freehold Land	137,515	-	-	137,515	-	-	-	-	137,515	137,515
Leasehold Land	9,826	-	-	9,826	207	90	-	297	9,529	9,619
Leasehold Improvements	63,997	13,225	14,028	63,194	30,205	9,962	9,455	30,712	32,482	33,792
Factory Buildings	464,095	154,095	-	618,190	135,539	16,726	-	152,265	465,925	328,556
Other Buildings	103,108	198,460	5,243	296,325	19,392	2,937	1,430	20,899	275,426	83,716
Residential Quarters	14,390	-	-	14,390	4,490	255	-	4,745	9,645	9,900
Plant and Machinery	2,593,223	599,742	69,335	3,123,630	1,246,406	167,934	54,117	1,360,223	1,763,407	1,346,817
Furniture and Fixtures	191,303	81,133	3,891	268,545	69,424	12,273	3,175	78,522	190,023	121,879
Vehicles	10,924	8,721	27	19,618	6,080	1,165	25	7,220	12,398	4,844
	<u>3,588,381</u>	<u>1,055,376</u>	<u>92,524</u>	<u>4,551,233</u>	<u>1,511,743</u>	<u>211,342</u>	<u>68,202</u>	<u>1,654,883</u>	<u>2,896,350</u>	<u>2,076,638</u>
2. Leased Assets										
Plant and Machinery	83,141	-	-	83,141	41,271	13,734	-	55,005	28,136	41,870
Vehicles	13,481	-	2,413	11,068	3,158	987	718	3,427	7,641	10,323
	<u>96,622</u>	<u>-</u>	<u>2,413</u>	<u>94,209</u>	<u>44,429</u>	<u>14,721</u>	<u>718</u>	<u>58,432</u>	<u>35,777</u>	<u>52,193</u>
Total Tangible assets	<u>3,685,003</u>	<u>1,055,376</u>	<u>94,937</u>	<u>4,645,442</u>	<u>1,556,172</u>	<u>226,063</u>	<u>68,920</u>	<u>1,713,315</u>	<u>2,932,127</u>	<u>2,128,831</u>
B. Intangible Assets										
Technical Know-how Fees	324,667	26,131	-	350,798	229,395	27,278	-	256,673	94,125	95,272
Capitalised Software	131,966	16,961	-	148,927	89,458	14,000	-	103,458	45,469	42,508
Total Intangible assets	<u>456,633</u>	<u>43,092</u>	<u>-</u>	<u>499,725</u>	<u>318,853</u>	<u>41,278</u>	<u>-</u>	<u>360,131</u>	<u>139,594</u>	<u>137,780</u>
	<u>4,141,636</u>	<u>1,098,468</u>	<u>94,937</u>	<u>5,145,167</u>	<u>1,875,025</u>	<u>267,341</u>	<u>68,920</u>	<u>2,073,446</u>	<u>3,071,721</u>	<u>2,266,611</u>
Previous Year	<u>3,580,288</u>	<u>611,430</u>	<u>50,082</u>	<u>4,141,636</u>	<u>1,680,241</u>	<u>234,073</u>	<u>39,289</u>	<u>1,875,025</u>		
Capital Work in Progress including Capital Advances									<u>246,217</u>	<u>384,239</u>
Grand Total									<u>3,317,938</u>	<u>2,650,850</u>

Notes :

1. Certain freehold and leasehold land, factory and other buildings and residential quarters were revalued during 1985, 1986 and 1996 respectively.
2. Residential Quarters include cost of shares in Lotus Court Private Limited Rs 56 thousand.

As at December 31, 2006	(Rs in Thousands)	
	2006	2005
Schedule 5 - Investments		
Long Term (At Cost) :		
Trade :-		
Quoted :		
280,500 Equity Shares of Rs 10 each fully paid up in Integra Hindustan Control Limited	2,805	2,805
Non Trade : -		
Government Securities -		
Quoted :		
6.25% Government of India Bonds	159,600	159,600
Unquoted :		
12 Year National Savings Certificates	-	6
12 Year National Defence Certificates	-	2
	<u>159,600</u>	<u>159,608</u>
Others -		
Quoted :		
853,064 (Previous Year 551,748) 6.75% Tax Free US64 Bonds of Rs 100 each fully paid up in Unit Trust of India	90,497	60,335
2,000,000 5.25% 10 Year Tax Free Nuclear Power Corporation Limited Infrastructure Bond of Rs 100 each fully paid up	200,000	200,000
2,386,496 (Previous Year 429,461) 6.60% Tax Free Bonds 2009 of Rs 100 each fully paid up in Unit Trust of India	241,617	44,728
	<u>532,114</u>	<u>305,063</u>
Unquoted :		
5.5% National Housing Bank - Capital Gains Bonds	-	210,000
5.5% Small Industries Development Bank of India - Capital Gains Bonds	-	100,000
7.10% 5 Year Non - Cumulative Non - Convertible Redeemable Bonds of Rural Electrification Corporation Limited	-	15,000
5.15% 5 Year Non - Cumulative Non - Convertible Redeemable Bonds of Rural Electrification Corporation Limited	69,000	69,000
5.95% 15 Year Non - Cumulative Bonds of Karnataka Water & Sanitation Pooled Fund Trust	10,000	10,000
1,000 Shares of Rs 25 each fully paid up in Co-operative Bank of Baroda	25	25
6.5% Non - Redeemable Debentures of Bengal Chamber of Commerce and Industry	2	2
	<u>79,027</u>	<u>404,027</u>
	<u><u>773,546</u></u>	<u><u>871,503</u></u>
Notes :		
Quoted Investments aggregate (Market value - Rs 714,776 thousand; Previous Year - Rs 527,169 thousand)	694,519	467,468
Unquoted Investments aggregate	79,027	404,035

As at December 31, 2006	(Rs in Thousands)			
	2006	2005		
Schedule 6 - Inventories				
Stores and Spares	6,283	5,845		
Raw Materials and Components	2,012,756	1,222,777		
Goods in Transit - Raw Materials and Components	303,898	93,287		
Finished Goods	341,227	143,258		
Work-in-progress	882,831	550,636		
	<u>3,546,995</u>	<u>2,015,803</u>		
Schedule 7 - Sundry Debtors				
Unsecured :				
Debts outstanding for a period exceeding six months				
- Considered Good	4,167,006	2,428,374		
- Considered Doubtful	332,821	386,681		
	<u>4,499,827</u>	<u>2,815,055</u>		
Other Debts - Considered Good	11,535,671	7,864,192		
	<u>16,035,498</u>	<u>10,679,247</u>		
Less: Provision for Doubtful Debts	332,821	386,681		
	<u>15,702,677</u>	<u>10,292,566</u>		
Schedule 8 - Cash and Bank Balances				
Cash and Cheques on hand	2,409	3,047		
Balances with Scheduled Banks				
- On Current Account	2,843,587	1,995,193		
- On Deposit Account	2,605,341	2,000,728		
	<u>5,448,928</u>	<u>3,995,921</u>		
With Non Scheduled Banks - on Current Account	13,087	10,686		
	<u>5,464,424</u>	<u>4,009,654</u>		
Current Accounts with Non Scheduled Banks include				
	As at	As at	Maximum	Maximum
	December 31,	December 31,	amount	amount
	2006	2005	outstanding	outstanding
			at any time	at any time
			during the	during the
			year	previous year
a) Hongkong & Shanghai Banking Corporation Ltd., Sri Lanka.	3,359	1,251	4,616	1,519
b) Hongkong & Shanghai Banking Corporation Ltd., Bangladesh	9,728	9,435	14,570	9,808

	(Rs in Thousands)	
As at December 31, 2006	2006	2005
Schedule 9 - Loans and Advances		
Unsecured :		
Loans, Considered Good	11,841	14,142
Advances recoverable in cash or in kind or for value to be received:		
- Considered Good	1,441,978	1,022,225
- Considered Doubtful	43,472	37,082
	<u>1,485,450</u>	<u>1,059,307</u>
Less: Provision for Doubtful Advances	<u>43,472</u>	<u>37,082</u>
	1,441,978	1,022,225
Advance Tax (net of provision)	298,695	195,760
Balances with Customs, Port Trusts and Excise authorities	25,706	42,716
	<u>1,778,220</u>	<u>1,274,843</u>
Schedule 10 - Other Current Assets		
Contract Revenue in Excess of Billing	1,338,530	2,151,246
Interest Accrued on Investments and Fixed Deposits	135,879	127,082
	<u>1,474,409</u>	<u>2,278,328</u>
Schedule 11 - Current Liabilities		
Acceptances	5,026,789	2,886,096
Sundry Creditors		
Due to Small Scale Industrial Undertakings	346,427	333,108
Others	10,359,399	7,819,125
	10,705,826	8,152,233
Advance Payments from Customers	2,887,537	2,266,525
Billing in Excess of Contract Revenue	735,482	417,372
Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due	7,681	6,515
	<u>19,363,315</u>	<u>13,728,741</u>
Schedule 12 - Provisions		
Proposed Dividend	423,817	339,053
Corporate Dividend Tax	59,440	47,552
Fringe Benefits Tax (net of advance tax)	24,678	20,000
Leave Encashment	47,813	105,384
	<u>555,748</u>	<u>511,989</u>

For the year ended December 31, 2006

Schedule 13 - Capacities, Production, Stock and Turnover (Refer Note 12 of schedule 17)

(Figures in brackets are in respect of previous year)

Class of goods	Annual Capacities		Opening Stock of Finished Goods		Production of Finished Goods	Closing Stock of Finished Goods		Turnover of Finished Goods	
	Quant. Denom.	Installed	Quantity	Rupees in Thousands	Quantity	Quantity	Rupees in Thousands	Quantity	Rupees in Thousands
Motors and Other Machines	HP	2,527,433	46,480	35,590	2,068,611	66,565	80,622	1,977,871	2,243,891
		(1,464,945)	(31,936)	(34,216)	(1,322,348)	(46,480)	(35,590)	(1,264,720)	(1,377,710)
Switchgear of all types	Nos.	10,180,350	189,885	38,012	5,541,175	462,107	197,561	3,692,105	9,215,265
		(4,174,000)	(66,956)	(22,042)	(4,150,963)	(189,885)	(38,012)	(3,171,358)	(7,516,158)
PLCC Equipment	Nos.	2,850	-	-	1,443	-	-	1,311	214,401
		(2,850)	(-)	(-)	(1,058)	(-)	(-)	(824)	(100,367)
Multiplexures	Nos.	100	-	-	38	-	-	38	19,572
		(100)	(-)	(-)	(66)	(-)	(-)	(55)	(35,083)
Telemetry Equipment	Nos.	150	-	-	15	-	-	6	5,220
		(150)	(-)	(-)	(26)	(-)	(-)	(22)	(11,830)
Turbochargers	Nos.	200	-	-	189	-	-	189	481,356
		(200)	(-)	(-)	(138)	(-)	(-)	(138)	(445,464)
Transformers	MVA	12,000	-	-	8,127	-	-	7,050	2,703,177
		(10,000)	(-)	(-)	(5,555)	(-)	(-)	(5,410)	(1,895,910)
Electronic Control and Supply Units for Variable Speed Drives and other applications	Nos.	100,000	-	-	78,271	-	-	77,285	2,223,434
		(70,000)	(-)	(-)	(55,235)	(-)	(-)	(54,687)	(1,571,776)
Mini Computer/Microprocessor based Systems	Value Rs in Thousands	2,300,000	-	-	2,259,133	-	-	-	2,259,133
		(1,000,000)	(-)	(-)	(999,564)	(-)	(-)	(-)	(999,564)
Non-Microprocessor Based Electronics (Analog and Digital) for Weighing, Batching and Force Measuring Systems and Sub-Systems	Value Rs in Thousands	70,000	-	-	9,823	-	-	-	9,823
		(70,000)	(-)	(-)	(36,670)	(-)	(-)	(-)	(36,670)
Power Capacitors of all types	MVAR	3,700	-	-	2,579	-	-	2,507	323,825
		(3,700)	(-)	(-)	(2,810)	(-)	(-)	(2,578)	(330,290)
Robotics	Nos.	15	-	-	5	-	-	5	90,893
		(15)	(-)	(-)	(1)	(-)	(-)	(1)	(1,350)
Gas Analysers and Systems	Nos.	300	-	-	202	-	-	202	229,685
		(300)	(-)	(-)	(184)	(-)	(-)	(184)	(152,777)
Process Control Instruments	Nos.	30,225	-	-	28,139	-	-	27,220	549,315
		(24,975)	(-)	(-)	(22,391)	(-)	(-)	(21,665)	(453,255)
Others									630,781
									(473,545)
Project Items				69,656			63,046		19,408,228
				(36,936)			(69,656)		(12,641,469)
Erection and Other Services									2,132,094
									(1,587,308)
				143,258			341,229		42,740,093
				(93,194)			(143,258)		(29,630,526)

Note: The Company's products are exempt from licensing requirement under the industrial policy by virtue of notification No 477 (E) of 25.07.91

	(Rs in Thousands)	
For the year ended December 31, 2006	2006	2005
Schedule 14 - Other Income		
Dividend		
Long Term Investments - Trade	421	421
Long Term Investments - Others	8	-
	<u>429</u>	<u>421</u>
Interest		
Long Term Investment	44,472	59,922
Deposit with Banks	165,808	154,964
(Tax deducted at source Rs 36,409 thousand; Previous Year Rs 34,703 thousand)		
Others (net)	6,405	16,695
	<u>216,685</u>	<u>231,581</u>
Profit on Sale of Fixed Assets (net)	7,134	-
Scrap Sales	85,228	53,169
Commission Income	88,085	79,284
Miscellaneous Income	339,368	146,402
	<u><u>736,929</u></u>	<u><u>510,857</u></u>
Schedule 15 - Personnel Expenses		
Salaries, Wages and Bonus	2,014,446	1,500,426
Contribution to Gratuity Fund	58,859	29,666
Contribution to Provident and Other Funds	141,856	90,206
Workmen and Staff Welfare Expenses	123,731	92,459
Other Personnel Expenses	75,294	71,073
	<u><u>2,414,186</u></u>	<u><u>1,783,830</u></u>

	(Rs in Thousands)	
For the year ended December 31, 2006	2006	2005
Schedule 16 - Other Expenses		
Tools and Stores	320,467	239,440
Royalty	60,852	45,330
Freight and Forwarding (net)	472,785	273,906
Postage and Telephone	96,009	76,622
Commission	142,985	209,087
Discount	21,377	21,224
Power, Fuel and Water	190,068	149,088
Travelling and Conveyance	551,037	462,139
Insurance	173,596	106,148
Rates and Taxes	41,508	53,319
Rent	90,941	90,426
Repairs :		
Buildings	32,816	27,575
Plant and Machinery	63,985	53,958
Others	30,710	23,712
Provision for Doubtful Debts and Advances	(47,470)	134,769
Bad Debts / Advances Written Off	129,163	146,315
Loss on Sale of Fixed Assets (net)	-	691
Printing and Stationery	52,721	40,888
Bank Charges	93,703	67,604
Legal and Professional	77,658	39,054
Trade Mark Fees	213,700	148,153
Miscellaneous	1,304,742	944,153
	<u>4,113,353</u>	<u>3,353,601</u>

Schedule 17 - Notes to the Accounts

1. Nature of Operations

ABB Limited ('the Company') has served utility and industry customers for over 50 years 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.

2. Significant Accounting Policies

2.1. Basis of Preparation of Financial Statements

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention, except for revaluation of certain fixed assets, in accordance with the accounting principles generally accepted in India and comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India, as applicable and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

2.2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3. Fixed Assets

Fixed assets are stated at the cost of acquisition, except for revaluation of certain land and building, less accumulated depreciation and impairment losses, if any. Cost of fixed assets comprises purchase price, duties, levies and any directly attributable cost of bringing the asset to its working condition for the intended use. Borrowing costs related to the acquisition or construction of the qualifying fixed assets for the period up to the completion of their acquisition or construction are capitalised. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work in progress.

Capitalised software includes costs on Enterprise Resource Planning (ERP) Project and other costs relating to software, which provide significant future economic benefits. ERP Project costs comprise licence fees and cost of system integration services. All costs relating to upgradations/enhancements are generally charged off as revenue expenditure unless they bring significant additional benefits of lasting nature.

Assets acquired under finance lease from April 1, 2001 are capitalised at the lower of their fair value and the present value of the minimum lease payments.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the greater of the assets' net selling price and value in use.

2.4. Depreciation/Amortisation

Depreciation on assets (except those described below) is provided on the straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, which management considers as being representative of the useful economic lives of such assets. Depreciation is provided from the date of capitalisation till the date of sale of assets.

The following assets are depreciated / amortised on the straight line method over a period of their estimated useful lives:

- Leasehold land and leasehold improvements over the primary period of the lease.
- Technical know-how fees over a period of six years.
- Capitalised software costs over a period of five years.

Assets individually costing Rs 5,000 or less are depreciated fully in the year of purchase.

Assets under finance lease are depreciated over the lower of the lease term or the useful life of the asset unless there is reasonable certainty that the Company will obtain ownership, wherein such assets are depreciated on the straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

2.5. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

2.6. 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 and components - 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 based on annual average cost of production. Excise duty is included in the value of finished goods inventory.

Provision for obsolescence is made wherever necessary.

2.7. Retirement Benefits

Contributions to Provident Fund/Superannuation Fund, defined contribution schemes, are made at pre-determined rates to the recognised Provident Fund Trust/Superannuation Fund Trust and are charged to the profit and loss account.

Contributions to the recognised Gratuity Fund and provision for leave encashment, defined benefit schemes, are made on the basis of actuarial valuations made at the end of each financial year and are charged to the profit and loss account.

2.8. Revenue Recognition

- Sales of products and services are recognised when significant risks and rewards of ownership of products are passed on to customers or when the service has been provided. Sales are stated at contractual realisable values, net of excise duty, sales tax, value added tax and trade discounts.
- Revenues from long-term contracts are recognised 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 "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.
- Commission income is recognised as per contracts/receipt of credit note.
- Dividend income is recognised when the right to receive dividend is established.
- Interest income is recognised on the time proportion method.

2.9. Provisions

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical evaluation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

2.10. Research and Development

All revenue expenses pertaining to research and development are charged to the profit and loss account in the year in which they are incurred and expenditure of capital nature is capitalised as fixed assets, and depreciated as per the Company's policy.

2.11. Foreign Currency Transactions

Foreign currency transactions are recorded by applying the respective monthly average rates. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account for the year, other than exchange differences related to the liabilities for import of fixed assets that are adjusted to the cost of the related fixed assets.

All foreign currency denominated monetary assets and liabilities are translated at the exchange rates prevailing on the balance sheet date. The resultant exchange differences are recognised in the profit and loss account for the year, other than exchange differences related to the liabilities for import of fixed assets that are adjusted to the cost of fixed assets.

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. The premium or discount on forward exchange contracts is recognised in the profit and loss account over the period of the contract.

Gain or loss on restatement of forward exchange contracts for hedging purposes are recognised in the profit and loss account for the year in which it occurs.

2.12. Taxation

Tax expense comprises current tax, deferred tax and fringe benefits tax.

The current charge for income tax and fringe benefits tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Provision for current income tax is made on the basis of the results of the year although the actual liability will be computed and paid on the basis of the results for the year ending March 31, 2007.

The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

2.13. Operating Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Company's benefit.

For the year ended 31 December

	2006	2005
3. Earnings Per Share		
a) Weighted Average number of Equity Shares of Rs 10 each outstanding during the year	42,381,675	42,381,675
b) Net profit after tax attributable to equity shareholders (Rs in thousand):	3,403,062	2,186,770
c) Basic and Diluted Earnings Per Share (in Rs)	80.30	51.60

4. Segment Reporting

A) Primary Segment Reporting (by Business Segments)

i) Composition of Business Segments

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

Power Products Segment (PP) manufactures, engineers, supplies key components to transmit and distribute electricity, improving power supply and energy efficiency. The segment produces transformers, high and medium voltage switchgears, circuit breakers, capacitors, distribution relays etc.

Power Systems Segment (PS) offers turnkey systems and services for transmission and distributions for power grid and power plants. The segment offers the instrumentation, control and the entire balance of power plants, which improve performance and energy efficiency through flexible alternating current transmission systems (FACTS), high voltage direct current (HVDC) systems, network management systems (SCADA) and utility communications.

Automation Products Segment (AP) provides products to improve customers' productivity with high efficiency motors, variable speed drives, low voltage products, instrumentation and power electronics.

Process Automation Segment (PA) provides customers with integrated solutions for control, plant optimization and industry specific application knowledge. The industries served include oil and gas, power, chemicals and pharmaceuticals, pulps and paper, metals and minerals, marine and turbo charging.

Others Segment consist of robotics systems.

- 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 optimisation objective for the Company.

- v) Figures in brackets are in respect of the previous year.

vi) Segment Revenues, Results and Other Information

	(Rs in Thousands)					
	Power Products	Power Systems	Automation Products	Process Automation	Others Segment	Total
External Sales (net of Excise Duty)	10,549,064 (7,843,180)	14,811,972 (10,471,031)	8,387,140 (5,812,068)	8,847,359 (5,411,838)	144,555 (92,237)	42,740,090 (29,630,354)
Inter Segment Sales	1,351,951 (789,544)	155,021 (74,634)	753,344 (526,552)	227,832 (124,875)	118 (9,317)	2,488,266 (1,524,922)
Other Income	229,325 (115,068)	129,360 (87,677)	38,446 (14,931)	65,080 (11,924)	2,118 (-1,336)	464,329 (228,264)
Segment Revenues	12,130,340 (8,747,792)	15,096,353 (10,633,342)	9,178,930 (6,353,551)	9,140,271 (5,548,637)	146,791 (100,218)	45,692,685 (31,383,540)
Segment Results	1,381,555 (1,113,551)	1,630,706 (829,265)	1,145,178 (792,738)	982,809 (580,577)	9,398 (13,700)	5,149,646 (3,329,831)
Segment Assets	7,033,875 (5,310,958)	8,265,082 (6,625,200)	4,640,672 (2,920,859)	4,509,189 (2,646,282)	89,299 (13,431)	24,538,117 (17,516,730)
Segment Liabilities	4,830,711 (3,230,953)	6,660,245 (5,305,810)	3,539,119 (2,394,112)	3,673,671 (2,232,545)	92,402 (16,045)	18,796,148 (13,179,465)
Capital Expenditure	221,574 (377,425)	86,786 (54,177)	526,584 (372,377)	16,014 (31,031)	1,873 (2,098)	852,831 (837,108)
Depreciation / Amortisation	107,942 (87,984)	9,961 (9,899)	58,927 (45,405)	18,022 (17,696)	299 (322)	195,151 (161,306)

vii) Reconciliation of Reportable Segments with the Financial Statements

	(Rs in Thousands)			
	Revenues	Results/ Net Profit	Assets	Liabilities
Total of Segments	45,692,685	5,149,646	24,538,117	18,796,148
	(31,383,540)	(3,329,831)	(17,516,730)	(13,179,465)
Corporate - Unallocated (net)	272,603	89,669	7,520,092	1,303,643
	(282,765)	(131,336)	(5,876,817)	(1,172,803)
Inter Segment Sales	-2,488,266	-	-	-
	(-1,524,922)	(-)	(-)	(-)
Interest Expense	-	-7,253	-	-
	(-)	(-66,397)	(-)	(-)
Provision for tax	-	-1,829,000	-	-
	(-)	(-1,208,000)	(-)	(-)
As per Financial Statement	43,477,022	3,403,062	32,058,209	20,099,791
	(30,141,383)	(2,186,770)	(23,393,547)	(14,352,268)

viii) The segment disclosures have been revised in the current year and presented in line with Company's new organisation structure.

B) Secondary Segment Reporting (by Geographical Segments)

Secondary segment disclosures are reported on the basis of geographical location of customers.

	India	Rest of World	Total
Revenues	39,106,997	4,370,025	43,477,022
	(27,766,756)	(2,374,627)	(30,141,383)
Total Assets	31,164,637	893,572	32,058,209
	(22,831,690)	(561,857)	(23,393,547)
Capital Expenditure	960,072	374	960,446
	(946,373)	(-)	(946,373)

	(Rs in Thousands)	
As at 31 December	2006	2005
5. Amounts due from companies under the same management as defined in sub-section (1-B) of Section 370 of the Companies Act, 1956, are as under:		
a) Sundry Debtors		
- ABB Global Services Limited	13,751	5,636
b) Loans and Advances		
- ABB Global Services Limited (Maximum amount due during the year Rs 48,934 thousand, Previous Year Rs 20,062 thousand)	48,934	20,062
- ABB Holdings (South Asia) Limited (Maximum amount due during the year Rs 5,330 thousand, Previous Year Rs 752 thousand)	5,330	752
6. Sundry creditors include amounts due to Small Scale Industrial Undertakings (SSI's). Names of the SSI's to whom the Company owes any sum, which is outstanding for more than 30 days as at December 31, 2006 are as per attached Annexure.	346,427	333,108

This disclosure is on the basis of information available with the Company regarding the status of suppliers.

As at 31 December	(Rs in Thousands)	
	2006	2005
7. Contingent Liabilities		
i) Claims against the Company not acknowledged as debts in respect of sales tax, excise and other matters	299,699	395,584
ii) Bills discounted	9,486	46,160
The above excludes bills co-accepted by the customers' bankers/guaranteed by the State Governments Rs 143,491 thousand (Previous Year Rs 267,473 thousand)		
iii) Income tax matters in dispute	371,803	280,364
8. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	274,710	328,643

9. Finance Lease Obligations

The Company normally acquires computers and vehicles under finance lease with the respective underlying assets as security. Minimum lease payments outstanding as of December 31, 2006 in respect of these assets are as follows:- (Figures in brackets are in respect of the previous year):

Due	(Rs in Thousands)		
	Total Minimum Lease Payments outstanding as on December 31, 2006	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	11,296 (13,666)	1,555 (2,970)	9,741 (10,696)
Later than one year and not later than five years	6,036 (18,219)	320 (1,958)	5,716 (16,261)
	17,332 (31,885)	1,875 (4,928)	15,457 (26,957)

10. The Company has no non-cancelable operating lease obligations as on December 31, 2006. Rental expenses towards cancelable and non-cancelable operating leases charged to the profit and loss account amounts to **Rs 90,941 thousand** (Previous Year Rs 90,426 thousand).

11. Deferred Tax

The break up of net deferred tax liability as at December 31, 2006 is as follows: (Figures in brackets are in respect of the previous year):

	(Rs in Thousands)	
	Deferred tax asset	Deferred tax liability
Timing differences on account of :		
Difference between book depreciation and depreciation under the Income-tax Act, 1961		330,977 (287,531)
Expenditure under Section 43B of the Income-tax Act, 1961	17,813 (36,927)	
Lease Finance	5,203 (9,074)	
Provisions for doubtful debts and advances	126,660 (142,639)	
Others	16,030 (14,620)	
	165,706 (203,260)	330,977 (287,531)
Net Deferred Tax Liability		165,271 (84,271)

12. Capacities, Production, Stock and Turnover (Refer Schedule 13)

12.1 Capacities

- a) Installed capacities are as certified by the Managing Director, but not verified by the Auditors, being a technical matter.

12.2 Production

- a) Production of finished goods is inclusive of production for captive use.
- b) "Others" represent internally manufactured components, sold during the year. The Company considers these 'meant for sale' when actually sold. Since the quantitative denominations of these items are dissimilar, it is impracticable to disclose the quantitative information in respect of production and turnover.

12.3 Project items

- a) These comprise sale of equipment and miscellaneous items meant for execution of projects and trading items. Since the quantitative denominations of these items are dissimilar, it is impracticable to disclose the quantitative information in respect thereof.
- b) Purchases of these items during the year aggregated to **Rs 16,387,389 thousand** (Previous Year Rs 10,407,353 thousand).

12.4 Work -in-Progress

The Work-in-progress at the beginning of the year amounted to **Rs 550,636 thousand** (Previous Year Rs 522,721 thousand).

For the year ended 31 December	(Rs in Thousands)	
	2006	2005
13. Earnings in Foreign Exchange (on accrual basis)		
i) Export of Goods		
- Direct on FOB basis	3,879,123	2,108,830
- Deemed Exports	265,329	211,474
ii) Goods supplied/services rendered locally against foreign exchange remittances	293,247	45,593
iii) Erection and other services	364,241	150,798
iv) Other Income:		
a. Commission	87,418	76,984
b. Others	39,243	38,015
	<u>4,928,601</u>	<u>2,631,694</u>

14. Consumption of Raw Materials and Components

		2006		2005	
		Quantity	Amount	Quantity	Amount
Ferrous Metals	MT	<u>333</u>	<u>36,096</u>	635	38,777
Non-Ferrous Metals	MT	<u>1,766</u>	<u>552,546</u>	1,386	322,677
Components		*	<u>9,692,829</u>	*	7,089,285
Others			<u>2,373,479</u>		<u>1,308,389</u>
			<u>12,654,950</u>		<u>8,759,128</u>
		%		%	
Imported		<u>40.51</u>	<u>5,126,274</u>	44.03	3,856,645
Indigenously acquired		<u>59.49</u>	<u>7,528,676</u>	55.97	4,902,483
		<u>100.00</u>	<u>12,654,950</u>	<u>100.00</u>	<u>8,759,128</u>

For the purpose of para 4D (c) of Part II of Schedule VI to the Companies Act, 1956, components and spare parts are assumed to mean those incorporated in the product finally sold and not those used as spares for the repairs and maintenance of Plant and Machinery.

* Since the quantity denominations and the type of components are dissimilar in nature, it is impracticable to disclose the quantitative information in respect thereof.

	(Rs in Thousands)	
For the year ended 31 December	2006	2005
15. Value of imports on CIF basis (on accrual basis)		
Raw Materials and Components	6,060,330	4,151,815
Finished Goods	1,425,545	872,032
Maintenance Spare Parts	-	14
Capital Goods including Technical Know-how	76,393	91,582
Software	55,664	15,229
Project items	3,429,398	1,732,271
	<u>11,047,330</u>	<u>6,862,943</u>
16. Expenditure in foreign currency (on accrual basis)		
Royalty	60,852	45,330
Trade Mark Fees	213,700	148,153
Commission and Discount	5,322	18,300
Professional / Project Consultancy	100,782	108,954
Others	884,492	422,255
	<u>1,265,148</u>	<u>742,992</u>
17. Amount remitted during the year in foreign currency, on account of dividend		
i) Number of non resident shareholders	3	3
ii) Number of equity shares held by them on which dividend was paid	22,084,198	22,084,198
iii) Year ended to which the dividend related	December 2005	December 2004
iv) Amount remitted	176,674	154,589
18. Managerial Remuneration		
a) i) Directors' fee	290	130
ii) Other remuneration		
Salary	11,129	6,245
Commission to Managing Director and Executive Director	6,118	3,375
Commission to Non Executive Directors	1,200	1,200
Contribution to Provident and other funds	3,005	1,834
Other perquisites	7,117	2,406
	<u>28,569</u>	<u>15,060</u>
	<u>28,859</u>	<u>15,190</u>

For the year ended 31 December	(Rs in Thousands)	
	2006	2005
b) Computation of Net Profit as per Section 349 of the Companies Act, 1956		
Profit Before Tax as per profit and loss account	5,232,062	3,394,770
Add: Managerial Remuneration	28,859	15,190
Loss on Sale of Fixed Assets	3,359	3,896
Provision for doubtful debts and advances	<u>(47,470)</u>	<u>134,769</u>
	<u>(15,252)</u>	<u>153,855</u>
	<u>5,216,810</u>	<u>3,548,625</u>
Less: Profit on sale of Fixed Assets	<u>10,493</u>	<u>3,205</u>
	<u>10,493</u>	<u>3,205</u>
Net Profit as per Section 349 of the Companies Act, 1956	<u>5,206,317</u>	<u>3,545,420</u>
Commission to Managing Director	4,950	3,375
Commission to Executive Director	1,168	-
Commission to Non Executive Directors	<u>1,200</u>	<u>1,200</u>
	<u>7,318</u>	<u>4,575</u>

Commission to Managing Director and Executive Director is subject to further recommendation and approval of Remuneration Committee and the Board. For the year ended December 31, 2005, Rs 3,318 thousand was paid as commission to Managing Director based on recommendation and approval of Remuneration Committee and the Board.

19. Auditors' Remuneration

(excluding service tax)

i Audit Fee	4,300	3,350
ii Tax Audit Fee	1,975	1,975
iii Other Services		
- SOX Fee	7,800	-
- Quarterly Limited Review Fee	2,625	2,625
- Others	1,600	1,300
iv Reimbursement of out of pocket expenses	<u>2,251</u>	<u>1,587</u>
	<u>20,551</u>	<u>10,837</u>

20. Interest charge for the year includes **Rs 2,923 thousand** (Previous Year Rs 16,809 thousand) being interest on Fixed period loans.

21. Net foreign exchange loss of **Rs 49,992 thousand** (Previous Year Rs 69,388 thousand) has been accounted for in the profit and loss account.

22. Research and development expenditure of **Rs 38,299 thousand** (Previous Year Rs 28,520 thousand) on revenue account has been incurred during the year.

23. Construction Contracts

	(Rs in Thousands)	
	2006	2005
Contract revenue recognised as revenue for the year ended December 31, 2006	19,295,977	12,836,356
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to December 31, 2006 for all the contracts in progress	28,997,716	21,714,827
The amount of customer advances outstanding for contracts in progress as at December 31, 2006	1,352,747	1,401,191
The amount of retentions due from customers for contracts in progress as at December 31, 2006	2,915,207	1,761,065

24. Related Party Disclosures

a) List of Related Parties

Party where control exists:

ABB Asea Brown Boveri Limited, Zurich (Holding Company)

Other Related parties with whom transactions have taken place during the year:

Fellow subsidiaries:

ABB (Asea Brown Boveri) S.A., Amadora, Portugal
ABB (China) Ltd., Beijing, China
ABB (Hong Kong) Ltd., Hong Kong
ABB (P.J.S.C.), Teheran, Iran
ABB (Pty) Ltd., Gaborone, Botswana
ABB (Pvt.) Limited, Lahore, Pakistan
ABB A/S, Skovlunde, Denmark
ABB AB, Västerås, Sweden
ABB AG Power Technoloiges
ABB AG, Mannheim, Germany
ABB AG, Vienna, Austria
ABB Agencies Pte. Ltd., Singapore
ABB AP Trading & Engineering AG, Zurich, Switzerland
ABB Arab S.A.E., Cairo, Egypt
ABB AS Billingstad, Norway
ABB AS, Tallinn, Estonia
ABB Asea Skandia As, Oslo, Norway
ABB Asia Pacific Ltd., Hong Kong
ABB Asia Pacific Services Ltd., Hong Kong
ABB Australia Pty Limited, Sydney, Australia
ABB Automation E.C., Bahrain
ABB Automation GmbH, Mannheim, Germany
ABB Automation Ltd., Stevenage, United Kingdom
ABB Automation Products GmbH, Ladenburg, Germany
ABB Automation Products S.A., Barcelona, Spain
ABB Automation SAS, Massy, France
ABB Automation Systems Ltd., Warrington
ABB Automation Technologies AB, Västerås, Sweden
ABB Avangard AD, Sevlievo, Bulgaria
ABB Bailey Pte. Ltd., Singapore
ABB Bailey Beijing Controls Co.Ltd., Beijing
ABB Barranquilla Inc., Princeton, NJ, USA
ABB Beijing Drive Systems Co. Ltd., Beijing, China
ABB Bomem Inc., Quebec, Canada
ABB BV, Rotterdam, Holland
ABB Capital, B.V., Amsterdam, Holland
ABB Chongqing Transformer Company Ltd.,Chongqing City, China
ABB Contracting Co. Ltd., Riyadh
ABB Control Ltd., Exhall, Coventry, United Kingdom
ABB d.o.o., Belgrade, Serbia
ABB Distribution Transformer (Hefei) Limited, Anhui, China
ABB Electrical Co. S.A.L., Beirut, Lebanon
ABB Electrical Industries Ltd., Riyadh, Saudi Arabia
ABB Electrical Service Company Spa, Hydra, Algeria
ABB Electroengineering Ltd., Moscow, Russia
ABB Elektrik Sanayi A.S., Istanbul, Turkey
ABB Elektro s.r.o., Bratislava, Slovakia
ABB Energy Automation S.p.A , Abu Dhabi, U.A.E.
ABB Energy Automation S.p.A., Milan, Italy
ABB Energy Engineering AG, Zurich, Switzerland
ABB Ltd., Seoul, South Korea
ABB Ltd., Taipei, Taiwan
ABB Engg Technologies Co. (KSCC), Safat, Kuwait
ABB Engineering (Shanghai) Ltd., Shanghai, China
ABB Engineering Trading and Service Ltd., Budapest, Hungary
ABB Entrelec SAS, Villeurbanne, France
ABB Flexible Automation Ltd., Warrington, United Kingdom
ABB Gebaudetechnik Ag, Mannheim, Germany
ABB Global Services Limited, India
ABB Group Process Center S.A.E, Cairo, Egypt
ABB Group Services Center GmbH, Mannheim, Germany
ABB Grundbesitz Berlin GmbH & Co. Objekte Berlin OHG, Berlin, Germany
ABB Heifei Transformer Co.Ltd., Hefei, China
ABB High Voltage Co. S.A.E., Heliopolis/Cairo, Egypt
ABB High Voltage Switchgear Co. Ltd., Beijing, China
ABB Holding A.S., Istanbul, Turkey
ABB Holding AS, Billingstad, Norway
ABB Holdings (Pty) Ltd., Sunninghill, South Africa
ABB Holdings (South Asia) Limited, Bangalore, India
ABB Holdings Inc., Norwalk, CT, United States
ABB Holdings Pte. Ltd., Singapore
ABB Holdings Sdn. Bhd., Subang Jaya, Malaysia
ABB Huadian High Voltage Switchgear (Xiamen) Co.Ltd., Xiamen, China
ABB Inc. Canada
ABB Inc., Raleigh, NC, United States
ABB Inc., St. Laurent, Quebec, Canada
ABB Industria S.p.A. Milan, Italy
ABB Industrial & Building Systems Ltd., Moscow, Russia
ABB Industrial Systems Ltd., Dundalk
ABB Industries (L.L.C.),Dubai, U.A.E
ABB Industries AB, Vasteras, Sweden
ABB Industry Pte. Ltd., Singapore
ABB Information Systems Ltd., Zurich, Switzerland
ABB Instrumentation Ltd., St. Neots, United Kingdom
ABB Instrumentation Ltd., Warrington
ABB Instrumentation S.p.A., Milan, Italy
ABB Instrumentation, Massy, France
ABB International Marketing Ltd., Zurich, Switzerland
ABB International Services AG, Zurich, Switzerland
ABB K.K., Tokyo, Japan
ABB Limited, Auckland, New Zealand
ABB Limited, Bangkok, Thailand
ABB Limited, Dar es Salam, Brunei
ABB LLC, Al Hamriya, Oman
ABB Logistics Center Europe GmbH, Menden, Germany
ABB Ltd., Dublin, Ireland
ABB Ltd., Hanoi, Vietnam
ABB Ltd., Amman, Jordan
ABB Ltd., Kampala, Uganda
ABB Ltd., Kiev, Ukraine
ABB Ltd., London, United Kingdom
ABB Ltd., Lusaka, Zambia
ABB Sp. zo.o., Warsaw, Poland
ABB Steward (PVT) Ltd., Harare, Zimbabwe

ABB Ltd., Warrington, United Kingdom
 ABB Ltd., Zagreb, Croatia
 ABB Ltd., Zurich, Switzerland
 ABB Ltda., Osasco, Brazil
 ABB Lummus Heat Transfer B.V., The Hague, Holland
 ABB LV Installation Materials Co. Ltd., Beijing, China
 ABB Malaysia Sdn Bhd, Subang Jaya, Malaysia
 ABB Management Services Ltd., Zurich, Switzerland
 ABB Manufacturing & Consumer Industries AB, Västerås, Sweden
 ABB Manufacturing Sdn. Bhd. Subang Jaya, Malaysia
 ABB MC, St Ouen l'Aumone, France
 ABB MEA Participation Ltd., Zurich, Switzerland
 ABB Mexico S.A. de C.V., Tlalnepanitla, Mexico
 ABB N.V., Zaventem, Belgium
 ABB Near East Trading Ltd., Amman, Jordan
 ABB Norden Holding AB, Stockholm, Sweden
 ABB Oy, Helsinki, Finland
 ABB Participation AB, Västerås, Sweden
 ABB Payment Services B.V., Amstelveen, Holland
 ABB Power Systems and Automation Technology S.A.E, Cairo, Egypt
 ABB Power Technologies AB, Ludvika, Sweden
 ABB Power Technologies Products AB, Ludvika, Sweden
 ABB Power Technologies S.p.A., Milano, Italy
 ABB Power Technologies SpA, Hydra, Algeria
 ABB Power Technology Management Ltd., Zurich, Switzerland
 ABB Power Technology S.A., Zaragoza, Spain
 ABB Process Industrie, Aix les Bains, France
 ABB Process Industries Division, Oslo, Norway
 ABB Process Industries GmbH, Eschborn, Germany
 ABB Process Solutions & Services SPA, Milan, Italy
 ABB Progetto S.p.A., Bergamo, Italy
 ABB Reaktor GmbH, Mannheim, Germany
 ABB Robotics Products AB, At - Robotics, Västerås, Sweden
 ABB S A PTY Ltd, South Africa
 ABB S.A., Buenos Aires, Argentina
 ABB S.A., Panama, Panama
 ABB S.A., Paris La Defense, France
 ABB S.A., Rueil-Malmaison, France
 ABB S.A., Santiago, Chile
 ABB S.G.P.S, S.A., Amadora, Portugal
 ABB S.p.A., Milan, Italy
 ABB s.r.o., Prague, Czech Republic
 ABB SACE S.p.A., Sesto S. Giovanni(MI), Italy
 ABB SAE S.p.A, Milan, Italy
 ABB Shanghai Motors Co. Ltd, Shanghai, China
 ABB Schaltanlagentechnik GmbH, Ladenburg, Germany
 ABB Schweiz AG, Baden, Switzerland
 ABB Sécheron S.A., Satigny, Switzerland
 ABB Service (Private) Ltd., Harare, Zimbabwe
 ABB Service AB, Vasteras, Sweden
 ABB Service Co. Ltd., Al Khobar, Saudi Arabia
 ABB Servomotors S.r.l., Milan, Italy
 ABB Solutions S.p.A., Milano, Italy
 ABB South Africa (Pty) Ltd., Sunninghill, South Africa

ABB Stotz-Kontakt Electrica, Unipessoal, Lda, Porto, Portugal
 ABB Stotz-Kontakt GmbH, Heidelberg, Germany
 ABB Stromberg DO 27 Oy, Helsinki, Finland
 ABB Technologies Ltd., Tirat Carmel, Israel
 ABB Technologies W.L.L., Bahrain
 ABB Technology Ltd., Zurich, Switzerland
 ABB Trade S.A., Metamorphosis Attica, Greece
 ABB Transformatoren GmbH, Bad Honnef, Germany
 ABB Transformers Ltd, Waterford, Ireland
 ABB Transmission & Distribution Automation Equipment (Xiamen) Co. Ltd., China
 ABB Transmission & Distribution Ltd., Abu Dhabi, UAE
 ABB Transmission and Distribution Sdn. Bhd., Subang Jaya, Malaysia
 ABB Trasmisione & Distribuzione S.p.A., Milan, Italy
 ABB Tubio S.A., San Luis, Argentina
 ABB Turbocharger Servicios, S.A., Amatitlan, Guatemala
 ABB Turbo-Systems AG, Baden, Switzerland
 ABB Ukrelektroapparat Transformer Ltd., Khmelnytzkiy, Ukraine
 ABB Utilities AB, Västerås, Sweden
 ABB Utilities GmbH, Mannheim, Germany
 ABB Vetco Gray U.K. Ltd., Aberdeen, United Kingdom
 ABB Xiamen Electrical Controlgear Co. Ltd., Fujian Province, China
 ABB Xiamen Low Voltage Equipment Co. Ltd., Xiamen, China
 ABB Xiamen Switchgear Co. Ltd., Xiamen, China
 ABB Xi'an Power Capacitor Co.Ltd., Xi'an, China
 ABB Xinhui Low Voltage Switchgear Co. Ltd., Xinhui, China
 ABB Zamech Marine Sp. zo.o., Elblag, Poland
 ABB Zhongshan Transformer Co. Ltd., Zongshan, China
 ABBNG Limited, Abuja, Nigeria
 Asea Brown Boveri (China) Investment Ltd., Beijing, China
 Asea Brown Boveri Holding Ltd., Bangkok, Thailand
 Asea Brown Boveri Inc., Norwalk, CT, United States
 Asea Brown Boveri Inc., Paranaque, Metro Manila, Philippines
 Asea Brown Boveri Jumet S.A., Jumet, Belgium
 Asea Brown Boveri Ltd., Nairobi, Kenya
 Asea Brown Boveri Ltd., Port Louis, Mauritius
 Asea Brown Boveri Ltda., Bogotá, Colombia
 Asea Brown Boveri Ltda., La Paz, Bolivia
 Asea Brown Boveri S.A., Brussels, Belgium
 Asea Brown Boveri S.A., Caracas, Venezuela
 Asea Brown Boveri S.A., Casablanca, Morocco
 Asea Brown Boveri S.A., Lima, Peru
 Asea Brown Boveri S.A., Madrid, Spain
 Asea Brown Boveri S.A., Metamorphosis Attica, Greece
 Asea Brown Boveri S.A., Quito, Ecuador
 Asea Brown Boveri S.A., Santiago, Chile
 Asea Brown Boveri S.A.E., Cairo, Egypt
 Busch-Jaeger Elektro GmbH, Mannheim, Germany
 Electrical Materials Center, Riyadh, Saudi Arabia
 Hartmann & Braun GmbH & Co. KG, Eschborn, Germany
 Modulec S.A., San Luis, Argentina
 PT ABB Sakti Industri, Jakarta, Indonesia
 PT ABB Transmission and Distribution, Jakarta, Indonesia
 Pucaro Elektro-Isolierstoffe GmbH, Roigheim, Germany
 Soulé Protection Surtensions, Villeurbanne, France

Associate :
Managing Director :
Executive Director :
Chief Financial Officer :

Integra Hindustan Control Limited
 Mr. Ravi Uppal
 Mr. Biplab Majumder
 Mr. K. Rajagopal

		(Rs in Thousands)	
		2006	2005
b) Transactions with related parties			
i) Sales, Services and Other income			
Fellow Subsidiaries			
- Asea Brown Boveri Inc., Norwalk, CT, United States	602,367	136,619	
- Other fellow subsidiaries	<u>1,650,076</u>	<u>1,384,403</u>	
	<u>2,252,443</u>	<u>1,521,022</u>	
Integra Hindustan Control Limited (an associate)	4,697	21,145	
ii) Purchases of Raw Materials, Components and Project items			
Fellow Subsidiaries			
- ABB Automation Technologies AB, Vasteras, Sweden	1,175,026	828,289	
- ABB Oy, Helsinki, Finland	1,430,981	859,813	
- ABB SACE S.p.A., Sesto S. Giovanni (MI), Italy	916,775	601,927	
- Other fellow subsidiaries	<u>4,333,386</u>	<u>2,463,973</u>	
	<u>7,856,168</u>	<u>4,754,002</u>	
iii) Expenditure on Royalty, Trade-mark, Technical and Consultancy Services			
Holding Company	213,700	148,153	
Fellow Subsidiaries			
- ABB Power Technologies AB, Ludvika, Sweden	76,378	70,403	
- ABB Oy, Helsinki, Finland	32,049	4,892	
- ABB AG, Mannheim, Germany	21,489	-	
- Other fellow subsidiaries	<u>23,201</u>	<u>23,497</u>	
	<u>153,117</u>	<u>98,792</u>	
iv) Expenditure on Other Services			
Holding Company	17,678	-	
Fellow Subsidiaries			
- ABB Information Systems Ltd., Zurich, Switzerland	82,135	67,425	
- ABB Technology Ltd., Zurich, Switzerland	346,555	228,593	
- Asea Brown Boveri S.A., Madrid, Spain	116,086	-	
- Other fellow subsidiaries	<u>88,784</u>	<u>157,916</u>	
	<u>633,560</u>	<u>453,934</u>	
v) Capital expenditure for Technical Know how			
Fellow Subsidiaries			
- ABB Oy, Helsinki, Finland	1,937	11,275	
- ABB SACE S.p.A., Sesto S.Giovanni (MI), Italy	5,185	11,153	
- ABB Entelec SAS, Villeurbanne, France	<u>12,396</u>	<u>-</u>	
	<u>19,518</u>	<u>22,428</u>	
vi) Capital expenditure			
Fellow Subsidiaries			
- ABB AS Billingstad, Norway	4,950	9,073	
- ABB SACE S.p.A., Sesto S.Giovanni (MI), Italy	15,888	-	
- Other fellow subsidiaries	<u>1,264</u>	<u>2,739</u>	
	<u>22,102</u>	<u>11,812</u>	

	(Rs in Thousands)	
	2006	2005
vii) Outstanding balances		
Debtors and Advances		
Holding Company	-	783
Fellow Subsidiaries		
- Asea Brown Boveri Inc., Norwalk, CT, United States	93,590	20,872
- Other fellow subsidiaries	<u>548,991</u>	<u>338,581</u>
	642,581	359,453
Integra Hindustan Control Limited (an associate)	3,678	3,358
Creditors		
Holding Company	88,656	80,388
Fellow Subsidiaries		
- ABB Oy, Helsinki, Finland	542,157	297,944
- ABB Automation Technology AB, Västerås, Sweden	451,324	242,071
- ABB SACE S.p.A., Sesto S.Giovanni (MI), Italy	268,419	199,590
- Other fellow subsidiaries	<u>1,701,778</u>	<u>876,764</u>
	2,963,678	1,616,369
viii) Dividend Paid during the year		
Holding Company	156,608	137,032
Fellow Subsidiaries	20,065	17,556
ix) Remuneration to Managing Director*	21,795	13,860
x) Remuneration to Executive Director *	5,574	-
xi) Remuneration to Chief Financial Officer *	4,565	3,341
xii) Dividend received from Associate	421	421

* The above does not include Provision for Leave Encashment and Gratuity as it is provided in the books on the basis of actuarial valuation for the Company as a whole and hence individual figures cannot be identified. The remuneration to Executive Director for December 31, 2006 is w.e.f. January 24, 2006, since the date of his appointment as Director.

25. The pro rata difference between the forward contract rate and the exchange rate on the date of transaction to be charged to profit and loss account is **Rs 62,824 thousand** (Previous Year to be credited Rs 18,778 thousand).

26. Disclosure required by Accounting Standard (AS) 29 'Provisions, Contingent Liabilities and Contingent Assets':

	(Rs in Thousands)				
Class of provisions	As at January 1, 2006	Additions	Amounts used	Unused Amounts reversed	As at December 31, 2006
Product Warranties	196,904	494,891	291,462	-	400,333
	(81,150)	(223,614)	(107,860)	(-)	(196,904)
Sales Tax	16,813	36,921	6,874	-	46,860
	(3,565)	(13,248)	(-)	(-)	(16,813)
Litigations	57,092	5,068	-	-	62,160
	(58,092)	(-)	(-)	(1,000)	(57,092)
Restructuring	68,281	-	1,584	-	66,697
	(71,184)	(-)	(2,903)	(-)	(68,281)

b) Nature of provisions:

- a. Product Warranties: The Company provides warranties for its products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provision made as at December 31, 2006 represents the amount of the expected cost based on technical evaluation and past experience of meeting such obligations. Part of the increase in amount used during the year and provision as at December 31, 2006 is towards preventive replacement of certain product components.
- b. Provision for Sales Tax represents mainly the differential sales tax liability on account of non – collection of declaration forms.
- c. Provision for litigation represents claims against the Company not acknowledged as debts that are expected to materialise in respect of matters in litigation.
- d. Provision for restructuring represents the liability that is expected to materialise in respect of units hived off in past.

27. The employees of the Company are entitled to purchase shares of ABB Ltd, Zurich (the ultimate holding company) on the settlement date, at a price fixed based on the fair market price on the grant date under "ABB Employee Share Acquisition Plan". Guidance Note on "Accounting for Employee Share-based Payments" permits as an alternative the intrinsic value method of accounting with fair value disclosures. There is no discount on the intrinsic value and any settlement obligations as of date. Further, the scheme detailed above is assessed, managed and administered by the ultimate holding company, accordingly, the Company has not accounted/ disclosed for the above plans as per the said Guidance Note.

28. Derivative Instruments

- i) Forward cover for export debtors outstanding as of balance sheet date is **Rs 801,358 thousand**.
- ii) Forward cover for expected future sales or highly probable forecast transaction as of balance sheet date is **Rs 350,199 thousand**.
- iii) Forward cover for import creditors outstanding as of balance sheet date is **Rs 3,623,557 thousand**.
- iv) Forward cover for expected future purchases or highly probable forecast transaction as of balance sheet date is **Rs 2,981,428 thousand**.
- v) Foreign currency exposure (net) that are not hedged by derivative instruments or otherwise is **Rs 345,187 thousand**.

29. Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as at December 31, 2006.

30. In accordance with ASI 14 (Revised) on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs 3,305,522 thousand has been reduced from sales in profit and loss account and excise duty on increase in inventory of finished goods amounting to Rs 27,279 thousand has been accounted in the profit and loss account under the head 'Cost of Materials and Erection Services'.

31. The figures of the previous year have been regrouped/reclassified, where necessary, to conform with the current year's classifications.

As per our report of even date	For and on behalf of the Board	
For S. R. Batliboi & Co.	Dinesh Paliwal	Chairman
Chartered Accountants	Ravi Uppal	Vice Chairman & Managing Director
	Biplab Majumder	Executive Director
per Sunil Bhumralkar	Nasser Munjee	Director
Partner	N S Raghavan	Director
Membership No. 35141	K Rajagopal	Chief Financial Officer
	B Gururaj	Company Secretary
Istanbul, February 16, 2007	Bangalore, February 16, 2007	

Annexure to note 6 of Schedule 17- Notes to the Accounts

Names of the Small Scale Industrial Undertakings to whom the Company owes any sum which is outstanding for more than 30 days as at December 31, 2006.

A.R.Engineering Works	Chaitanya Engineering Works
A.S.Insulators	Champion Engineering Industries
Aarti Enterprises	Comet Industries
Abhilasha Engineers	Continental Engineering
Adept Polymers Private Limited	Crescent Engineering
Advance Components And Instruments	Crystal India
Aeroaids Corporation	Crystal Plastic Industries
Agya Enterprises	Darpan Electricals & Electronics
Aim Plast	Dawn Enterprise
Akshar Dies & Tools	Deep Industries
Alfa Engineering	Deeparti Silicons
Altop Industries	Desai Engineers
Amey Industries	Desai Udyog
Amey Innovatives	Devshree Enterprises
Anand Enterprise	Dham Fastners
Ani Stamping & Lamination	Dharam Fasteners
Apex	Dhruv Packaging & Engineers
Apr Electronics Private Limited	Dikshit Industries
Aradhana Trading Company	Dixit Enterprises
Arc Weld Engineers	Eapen Joseph & Company
Arden Enterprise	Efficient Engineering
Ashish Udyog	Electronic Relays (India) Private Limited
Ashok Printers	Electrodeal
Asp Sealing Products	Electronics & Controls Power
Atharva Associates	Energytech Equipments
Athulya Bellows & Engineering Private Limited	Engineers India Industries
Auto Repowering Works	Excel Metal Engineering Private Limited
Avon Data Cables Private Limited	Excelsior Enterprises
B.B.Electrotechnic	F.S.Engineers
B.K.Enterprises	Ferro-Tic Dies & Moulds
Bakulesh Fabricators	Fibretech Industries
Baroda Valves & Solenoids	Ficus Pax Private Limited
Beico Industries	Fluidyne Engineers India Private Limited
Bhagavati Enterprises	Fluoro Polymers Products
Bharat Corrub Industries	Futura Automation Private Limited
Bharat Milling Industries	G Net Power Systems
Bharat Packaging	Gala Precision Technology
Bharat Plastics & General Industries	Gangashree Metal Finishers
Bharat Timber Enterprises	Garda Tools
Bharat Wooden Industries	Gayatri Engineering Corporation
Binay Opto Electronics Private Limited	General Hardware Industries
Bombay Oil Seals Company	Goyal Electronic Industries
Bri Electricals Private Limited	Graphic Creations
BSA Enterprises	Gujarat Cables & Enamelled
C.K.Industries	Gupta Industrial Corporation
C.P.Traders	H.B.Trading Company
Hari Electronics	Megatech Engineers
Hbb Employees Cooperative Cons. Stores	Mehta Tubes Private Limited
Helee Petroleum	Metalcraft Engineering & Spring
Herodex Power Systems Private Limited	Micro Craft Engineering
Hilberk	Micro Precision Products Private Limited

Annexure to note 6 of Schedule 17- Notes to the Account - contd

Hind Tools	Mileen Engineers
Hindustan Polythene & Plastic Works	Minilec (India) Private Limited
Hitech Magnetics	Mita Fasteners Private Limited
I-Con Industries	Modison Metals
Ideal Sales Corporation	Monal Equipment Engineers Private Limited
India Labels	Monarch Industries
Indian Switchgears & Consultants	MTL India Private Limited
Indo Electricals	Narayan Powertech Private Limited
Industrial Tapes & Fabrics Private Limited	Nasik Wood Packers Private Limited
Innova Rubbers Private Limited	Neelay Industries
Innovative	Neelay Metal Industries
Jadhav Electricals	Nice Engineering Works
Jayvir Engineers	Nikitech Electric Private Limited
Jigar Engineering Works	Nilchandra Engineering Private Limited
JLC Electromet Private Limited	Nitesh Udyog
K.P.Engineers & Fabricators	Nitiraj Plastic & Engineering Private Limited
Kabeer Engineering Works	Noble Agencies
Kalpana Engineering Works	Nootan Engineering Industries
Kamal Engineering Works	Nucon Switchgears Private Limited
Kamal Enterprises	Okay Tools Private Limited
Kaps Industries	Om Enterprises
Kartikeya Engineering Works	Omega Rolling Mills Private Limited
Kedar Enterprises	Orion Packart
Klenzaid's Bioclean Private Limited	P Beersain Jain Factory
Kluber Lubrication (India) Private Limited	Paarth Industries
Kotsons Private Limited	Panchal Electro Controls Private Limited
Krishna Industries	Pankti Enterprises
Ksh International Private Limited	Par Excellence
Kunal Industries	Paramount Seals & Packings
Laxmi Die Castings	Pefco Foundry
Laxmi Sales Corporation	Perfect Auto Products
Lokmanya Stores	Perfect Controls
M & M Fasteners India	Phenoplast Corporation
M.B.Control & Systems Private Limited	Plastic Products Engineering
M.G.Marketing	Plasto Form Products
Macline Engineering	Plastofab
Magna Motors	Polymer Products
Maharashtra Plastic & Engineering	Polyrub Extrusions (India) Private Limited
Mahesh Vidyut Udyog	Pooja Industries
Mahindra Engineering & Chemicals	Popular Switchgears Private Limited
Maktel Systems	Portwell-Laxsons (India) Private Limited
Maruti Engineers	Pragati Electricals Private Limited
Maruti Technical Services	Praj Engineers
Mech & Fab Industries	Pranav Engineering Works
Meck Industries	Pratibha Plastics Udyog Private Limited
Meera Engineering Works	Preci Tools
Precision Spring Works	Shah Electrical Engineers
Press "O" Parts Industries	Shah Fabricators & Engineers
Press Metal Industries	Shakti Insulated Wires Private Limited
Pretech Plast Private Limited	Sheetal Corporation
Printsellers	Shinograph
Priti Advertiser	Shivam Engineering
Pritika Engineering Industries	Shkomin Services
Purshotam Industries	Shree Cables & Conductors Private Limited
R.J.Industrials	Shree Electrical & Engineering Company

Annexure to note 6 of Schedule 17- Notes to the Account - contd

R.M.Industries	Shree Traders
Radicon Engineering Company	Shree Vallabh Industries
Rajesh Electronics	Shri Ambika Poly Plast
Rajesh Industries	Shripad Agencies
Ramani Enterprises	Shubhada Polymers Products (Private) Limited
Ramdutt Enterprise	Sonic Engineers
Ratnaparkhi Electronics Industries	Sorbead India
Ravi Industries	Spares & Components Company
Raxa Engineering Industries	Spark Engineers
Rays Electro Products	Sparkline Equipments Private Limited
Recherche Industries	Specialised Components Private Limited
Rexnord Electronics & Controls	SR Engineering Works
Rita Pad Printing Systems	Sree Cha Plastik
Rmm And Associates	Sree Venkateswara Power Industries
Rockford Rubbertext (India)	SSP Enterprises
Rollex Engineering Works	Standard Engineering Works
Rolliflex Industries	Sukrut Udyog
Ruby Electronics	Sunmet Industries
S.R.Engineers	Super Packers
S.S.Fasteners	Supreme Steel Industries
Sabar Industries	Supriya Enterprises
Sai Advertising & Marketing	Suresh Industries Private Limited
Sai Baba Suppliers	Suttatti Enterprises Private Limited
Sai International	Suwinka Engineering Private Limited
Sai Packaging Industries	Suyash Engineering
Sam Tech	Swambe Chemicals
Sameer Udyog	Swastik Industrial Works
Sanghvi Fasteners	Swastik Metal Works Private Limited
Saniyo Engineers	Swastika Castal
Sara Enterprises	Switron Devices
Sargam Industries	T.K.Engineers
Satellite Vision	Tai Engineering Works
Satguru Engineering	Technocrafts Switchgear (I)
Satyam Engineering	Technocrat's Marketing
Satyam Industries	Teknic Controls
Sbee Cables (India)	Termico Electricals
Scope T&M Private Limited	Tex Udyog Centre
Sealvel Rubber Products Private Limited	The Turning Point
Seemaco Agencies	Tilak & Tej Industries
Senapathy Whiteley Private Limited	TKW Fasteners Private Limited
Trelleborg Sealing Solutions	Vibha Fluid Systems Engineers
Trinity Ventures	Vibronics Private Limited
Trisons Corporations	Vijay Industries
Tushar Industry	Vikas Glass Apparatus Company
Tushar Metals Private Limited	Vir Electro Engineering Private Limited
Ultra Tool Mac Engineers	Vohra Engineering Works
Umiya Industrial Supplier	Volco Industries
Uni-Deritend	Vrushali Sales Corporation
United Engineers	Western Hivolts Equipments Private Limited
United Network Solutions	Wezmann Electrical Systems
Unitrade India	Yamuna Gases & Chemicals
V.G.Patel	Yes Pee Engineering
Vacuum Plant & Instruments Mfg.	Yogya Enterprises
Vaibhav Engineers Private Limited	Yoshama & Company Private Limited
Variturn Electro Products Private Limited	Zenith Industrial Products

Cash Flow Statement

	(Rs in Thousands)	
For the year ended December 31, 2006	2006	2005
A. Cash Flow from Operating Activities		
Net Profit Before Tax	5,232,062	3,394,770
Adjustments for		
Depreciation/ Amortisation	264,675	231,407
Unrealised Losses/ (Gains) on Restatement of Monetary Assets (net)	5,757	3,881
Unrealised Losses/ (Gains) on Restatement of Monetary Liabilities (net)	(1,973)	(16,170)
Loss / (Profit) on Sale of Fixed Assets, (net)	(7,134)	691
Interest Income	(216,685)	(231,581)
Dividend Income	(429)	(421)
Interest Expense	7,253	66,397
Operating Profit before Working Capital Changes	<u>5,283,526</u>	<u>3,448,974</u>
Movement in Working Capital		
Decrease/(Increase) in Sundry Debtors	(5,415,973)	(4,031,968)
Decrease/(Increase) in Inventories	(1,531,192)	(332,948)
Decrease/(Increase) in Loans and Advances	(400,337)	(188,347)
Decrease/(Increase) in Other Current Assets	812,716	(1,316,255)
Increase/(Decrease) in Current Liabilities and Provisions	5,550,542	4,453,162
Cash Generated from Operations	<u>4,299,282</u>	<u>2,032,618</u>
Direct Taxes Paid (net of refunds)	<u>(1,846,257)</u>	<u>(1,260,547)</u>
Net cash generated from Operating Activities	<u><u>2,453,025</u></u>	<u><u>772,071</u></u>
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(933,178)	(903,183)
Proceeds from sale of Fixed Assets	33,151	10,102
Purchase of Investments	(227,051)	(54,728)
Sale/Maturity of Investments	325,008	252,894
Interest Received	207,888	156,541
Dividends Received	429	421
Net cash used in Investing Activities	<u><u>(593,753)</u></u>	<u><u>(537,953)</u></u>

	(Rs in Thousands)	
For the year ended December 31, 2006	2006	2005
C. Cash Flow from Financing Activities		
Proceeds from new Borrowings	2,100,500	821,538
Repayment of Borrowings	(2,112,310)	(809,203)
Interest Paid	(7,253)	(66,397)
Dividend paid	(385,439)	(337,911)
Net cash used in Financing Activities	(404,502)	(391,973)
Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	1,454,770	(157,855)
Cash and Cash Equivalents (Opening Balance)	4,009,654	4,167,509
Cash and Cash Equivalents (Closing Balance)	5,464,424	4,009,654
Components of Cash and Cash Equivalents as at 31 December	2006	2005
Cash and Cheques on Hand	2,409	3,047
Balances With Banks - on Current Account	2,856,674	2,005,879
- on Deposit Account	2,605,341	2,000,728
	5,464,424	4,009,654

Note: The figures of the previous year have been regrouped/reclassified, where necessary, to conform with the classification of the current year.

As per our report of even date
For S. R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Istanbul, February 16, 2007

For and on behalf of the Board

Dinesh Paliwal
Ravi Uppal
Biplab Majumder
Nasser Munjee
N S Raghavan
K Rajagopal
B Gururaj

Bangalore, February 16, 2007

Chairman
Vice Chairman & Managing Director
Executive Director
Director
Director
Chief Financial Officer
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

II Capital Raised During the year (Rs In Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III Position of Mobilisation and Deployment of Funds (Rs in Thousands)

Total Liabilities

Total Assets

Sources of Funds

Paid Up Capital

Reserve and Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV Performance of the Company (Rs in Thousand)

Turnover

Total Expenditure

+/- Profit/Loss Before Tax

+/- Profit/Loss After Tax

Earnings per share in Rs

Dividend Rate %

V Generic Names of Three Principal products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

