



**REPORT OF THE AUDIT COMMITTEE OF ABB INDIA LIMITED (THE "COMPANY") HELD ON MARCH 5, 2019 AT 10.00 AM AT OFFICE OF ABB UNITED ARAB EMIRATES, 10TH FLOOR, CONCORD TOWER, DUBAI MEDIA CITY DUBAI - UNITED ARAB EMIRATES RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN ABB INDIA LIMITED AND ABB POWER PRODUCTS AND SYSTEMS INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**Members present:**

Mr. Nasser Munjee	Chairman of the Committee
Mr. Darius E Udwardia	Member
Mrs. Renu Sud Karnad	Member

**Also present:**

Mr. J C Deslarzes	Chairman
Mr. Sanjeev Sharma	Managing Director
Mr. B Gururaj	Company Secretary
Mr. T K Sridhar	Chief Financial Officer

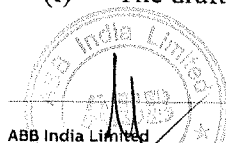
**1. Background of the proposed scheme of arrangement**

A meeting of the Audit Committee of the Company was held on March 5, 2019 to consider and, if thought fit, recommend the proposed scheme of arrangement amongst the Company, ABB Power Products and Systems India Limited ("**Transferee Company**") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") (the "**Scheme**"). The Scheme, *inter alia*, provides for the transfer by way of demerger of the Company's Power Grids Business (as defined in the Scheme, and such undertaking, the "**Demerged Undertaking**"), from the other businesses carried out by the Company with effect from the opening of business on April 1, 2019, and the consequent issue of equity shares to shareholders of the Company by the Transferee Company ("**Demerger**"). Pursuant to the Demerger, all the shareholders of the Company will be allotted shares in the Transferee Company in proportion to their shareholding in the Company.

The Scheme will be presented before the National Company Law Tribunal, Bengaluru Bench under Sections 230-232 and other applicable provisions of the Act, the rules and regulations made thereunder, and will also be in compliance with Section 2 (19AA) of the Income-tax Act, 1961 and the circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 on Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 issued by SEBI (as amended) ("**Scheme Circular**").

The following documents were placed before the Audit Committee:

- (i) The draft Scheme;



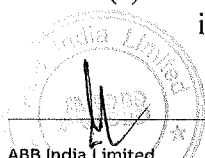
- (ii) Share entitlement ratio reports in a sealed envelope addressed to the Board of Directors of the Company tabled before the Chairman of the Audit Committee:
- (a) Issued by S R B C & Co. LLP (firm registration no 324982E/E300003), Mumbai, dated March 5, 2019 independent chartered accountants to the Company describing, *inter alia*, the methodology adopted by them in arriving at the share entitlement ratio and setting out the detailed computation of share entitlement ratio for the proposed Demerger;
  - (b) Issued by B.B. & Associates, Chartered Accountants, Firm Registration No: 023670N, CA Balwan Bansal IBBI Registration No: IBBI/RV/05/2018/10200, ICAI Membership No: 511341, dated March 4, 2019 independent chartered accountant, describing, *inter alia*, the methodology adopted by them in arriving at the share entitlement ratio and setting out the detailed computation of share entitlement ratio for the proposed Demerger;
- (iii) Fairness opinion dated March 5, 2019 issued by ICICI Securities Limited, category I Merchant Banker, Mumbai (SEBI Registration No MB/INM000011179), a SEBI registered merchant banker in a sealed envelope addressed to the Board of Directors of the Company tabled before the Chairman of the Audit Committee;
- (iv) Auditors' certificate dated March 5, 2019 issued by B S R & Co. LLP, firm Registration no. 101248W/ W-100022, the statutory auditors of the Company.
- (a) pursuant to para 1(A)(5)(a) of the Scheme Circular in the prescribed format.
  - (b) as per para 1(A)( 9) (c) of the Scheme Circular.

## 2. Rationale for the de merger proposed under the Scheme of Arrangement

Mr Sanjeev Sharma, Managing Director made a presentation to the Audit Committee setting out the rationale of the proposed Scheme, key financial and other indicators. The Audit Committee noted the rationale of the Scheme, which were as set out below.

The Demerger is proposed for the following reasons:

- (a) The Company has been driving industrial change as a pioneering technology leader. The Company is now taking fundamental actions to realign the business to focus, simplify and lead in digital industries for enhanced customer value and shareholder returns.
- (b) These actions include the separation of the Company's portfolio of digital industries from the Company's traditional, long gestation, projects led, business of power grids, with requirements that include access to financing, by transfer of the Power Grids Business to a demerged legal entity.
- (c) The simplification of Company's business model and structure with the implementation of this new organization is expected to provide each business





with full operational ownership of products, functions, R&D and territories. These actions are likely to position the Company with a leadership role in digital solutions, and evolving technologies such as artificial intelligence in India, while allowing the Transferee Company to independently focus on a likely leadership position in the Power Grids Business with its unique and established market dynamics.

- (d) With continuous advances in technology driving an unprecedented rate of development, the Company's customers' businesses in the country are being profoundly impacted. Indian customers are looking for more complete solutions, combining the right products with leading engineering expertise and domain capability.
- (e) The planning of fundamental actions whose objective is to focus, simplify and lead in digital industries is expected to allow the Company to more effectively meet customers' needs and capture market opportunities in Indian industries at an inflection point of digital transformation, with an even stronger customer proximity.
- (f) The new structure with a demerged self-contained Power Grids Business is likely to help deliberate refocusing onto industrial customers. Focus on digital industries in an era of energy and fourth industrial revolution, needs to be distinguished from the slower cycle, government influenced, financing support enabled large projects of Power Grids Business.
- (g) The proposed Demerger is expected to assist the current power grids division to independently pursue the business excellence built over a long period in the power infrastructure with its robust and time tested business model.
- (h) In order to effect the segregation of the Power Grids Business from the other businesses of the Company, the Company proposes to transfer the Power Grids Business to the Transferee Company by way of Demerger in accordance with Sections 230-232 of the Act and the Scheme Circular.
- (i) In consideration of the Demerger, the shareholders of the Company will receive equity shares in the Transferee Company, which will be listed on the stock exchanges on which the shares of the Company are listed. The shares held by the Company in the Transferee Company will be cancelled upon effectiveness of the Scheme.
- (j) The Demerger and consequent issue of equity shares by the Transferee Company are proposed to allow shareholders of the Company and the Transferee Company and investors to invest in the distinct key businesses and allow shareholders of the Company and the Transferee Company unlock the value of their investments.

It was noted that the proposed Scheme would not adversely impact the shareholders of the Company who would as a result thereof be the shareholders of both the Company and Transferee Company.



75



Ravin Bansal and Navin Vohra of S R B C & Co. LLP then made a presentation to the Audit Committee explaining the methodology adopted by them in arriving at the share entitlement ratio in respect of the Scheme. Upon completion of the presentations, a sealed envelope containing the share entitlement issue reports was handed over to the Chairman of the Audit Committee. The envelope was then unsealed by the Chairman and the share entitlement ratio, in respect of the shares to be allotted pursuant to the Demerger, were read out to the Audit Committee.

The Audit Committee noted that S R B C & Co. LLP (firm registration no 324982E/E300003), Mumbai, the independent chartered accountant, and B.B. & Associates (IBBI Registration No: IBBI/RV/05/2018/10200), independent chartered accountant, appointed to determine the share entitlement ratio for the Demerger recommended that 1 (one) fully paid-up equity shares, of face value Rs. 2/- (Rupees Two) each in Transferee Company for every 5 (five)] fully paid up equity share(s) of face value Rs. 2/- (Rupees Two) each of the Company, pursuant to the Demerger.

The Audit Committee reviewed at length the draft Scheme. Clarifications on various provisions of the Scheme were sought and they were explained and provided by the Managing Director, Chief Financial Officer and Company Secretary of the Scheme.

The Chairman of the Audit Committee was handed over sealed envelopes addressed to him with regards to at item (ii) (a), (b) and item (iii). The sealed envelopes were opened, and the members of the Audit Committee were advised of their respective contents. The Audit Committee discussed the share entitlement ratio for Demerger received in the documents at items (ii) (a), (b) and item (iii) and the rationale thereof.

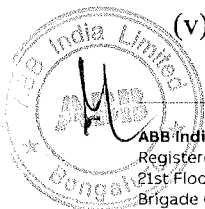
Presentations were made by representatives of SRBC & Co LLP and B.B. & Associates on the share entitlement ratio recommended by them respectively and the rationale therefor and by the representatives of ICICI Securities Limited vis-à-vis the fairness opinion. Members sought clarifications on some aspects of the presentations and these were provided. The Audit Committee appreciated the above presentations and conveyed the same to the representatives who made them.

After discussion, the Audit Committee unanimously agreed that the share entitlement ratio it would recommend to the board of directors of the Company for the consideration would be:

1 (one) fully paid-up equity share, of face value Rs. 2/- (Rupees Two) each in Transferee Company for every 5 (five)] fully paid up equity share(s) of face value Rs. 2/- (Rupees Two) each of the Company.

If the allotment of the new equity shares by the Transferee Company would result in the shareholders of the Company being issued fractional certificates, the Audit Committee referred the provisions of Clause 16.3 of the draft Scheme and agreed that they be dealt with as per Clause 16.3 of the draft Scheme.

The Audit Committee then reviewed the remaining documents referred to in items (iv), (v) and (vi) above, noted the contents, accepted the same and took them on record.



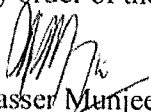


Taking into consideration, all of the foregoing, including the above presentations and all the above documents, the Audit Committee, unanimously agreed to recommend the draft Scheme with the above agreed share entitlement ratio to be reflected in Clause 16.1 thereof and the issue of resulting fractional shares to be dealt with as per Clause 16.3 thereof to the board of directors of the Company for consideration along with the originals of all the documents tabled before it and reviewed by it.

Finally, a draft of the report of the Audit Committee necessary to comply with the requirements of the Scheme Circular was tabled by the Company Secretary. The same was discussed and approved by the Audit Committee who then authorized the Chairman to sign a report in terms thereof and submit it to the board of directors of the Company.

This report therefore is issued by the Chairman in terms of the Audit Committee's authorization.

By order of the Audit Committee of ABB India Limited

  
Nasser Munjee  
Chairman of the Audit Committee  
DIN: 00010180

Place: Dubai, UAE  
Date: March 5, 2019

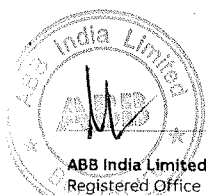


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Page 5 of 5  
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77