

Chairman's Statement



Dear Shareholders,

Financial Year 2017-18 was a challenging year and Siemens Limited operated in a mixed macro-economic environment. The pick-up in GDP growth is encouraging, with improvement evident in government investments and industrial production. The Company is well-positioned to exploit the opportunities that arise in a growing economy, utilizing its strengths in vertical domain expertise, digital solutions and services.

Driving business performance through digitalization

In Financial Year 2017-18, the Company achieved significant headway in digitalization. Customers across industries have evinced strong interest for digitalization solutions for enhancing energy efficiency, productivity, speed, quality and flexibility in their operations. The Company engaged with these customers with its co-creation approach, where Siemens experts work together with the customers to find solutions for business challenges.

Siemens Limited has created a clear differentiation in the market through new digital services, development of applications and business models in Power Generation, Transmission and Distribution, Smart Cities and numerous industry verticals such as Food & Beverage, Cement, Automotive and Pharmaceuticals. The Company is currently executing over 100 digital projects working together with 150 customers to deliver business value. The launch of the MindSphere Application Centers further boosts the Company's capabilities in this space.

Among the instances where customers experienced business benefits are: A power substation connected to the Cloud benefited from reduced footprint, lower maintenance cost and flexibility of expansion. In addition to improving the life of its turbine, a power plant can now increase its power output to balance the power grid, allowing ramp-up in 20 seconds. An automotive manufacturer reduced product development time by 50 percent, a pharmaceutical company improved batch quality while reducing batch cycle time by 15 percent and a cement plant - reduced power consumption by 8 percent whilst increasing mill feed by 20 tonnes per hour! These successes in helping customers improve business performance can be replicated across industries.

Driven by this continued thrust on digitalization and creating Smart Infrastructure, the Company is committed to continue its commitment to profitable growth.

Strong performance across businesses

The Company has partnered the industry and the government through technology solutions in electrification, automation and digitalization. In Financial Year 2017-18, Siemens Limited remained at the forefront of implementing world-class technologies.

The Company set an industry milestone in the area of Additive Manufacturing in the power generation industry with the Company's first replacement parts 3D-printed from metal for an industrial steam turbine. These parts are installed at JSW Steel Ltd.'s plant in Salem, Tamil Nadu. It also set a new milestone in the modernization plans of the Indian Navy by setting up the Medium Voltage Lab at INS Valsura, the Indian Navy's oldest training establishment. It commissioned the world's largest static synchronous compensator (STATCOM) solution, manufactured in the Company's Goa factory for Power Grid Corporation of India Limited. The technology is used for grid stabilization.

With an aim to boost technology adoption by small and medium enterprises in manufacturing, the Company flagged off 'Ingenuity Tour' during the Financial Year. The Ingenuity Tour demonstrates a comprehensive array of innovative products, solutions and services covering electrification, automation and digitalization for the manufacturing segment. The initiative will cover over 23 states and 120 cities across India over a period of two years.

Operationally, the Company performed well across businesses and most financial parameters. For the Financial Year ended 30th September 2018, Sales (excluding Other Operating Revenues) increased by 11.1 percent to ₹ 122,927 million, compared with ₹ 110,602 million in the previous year. The Company received New Orders valued at ₹ 127,404 million, compared to ₹ 135,030 million in the Financial Year ended 30th September 2017.

The Order Backlog as of 30th September, 2018 stood at ₹ 123,528 million compared with ₹ 122,627 million in the previous year. Profits from Operations stood at ₹ 11,194 million compared to ₹ 8,546 million in the previous year.

For the Financial Year ended 30th September 2018, the Company's Profit before Tax stood at ₹ 13,912 million compared to ₹ 11,016 million in the previous year (excluding Exceptional Income of ₹ 5,675 million). The Profit after Tax for the year was ₹ 8,939 million, compared to ₹ 7,051 million in the previous year (excluding Exceptional Income of ₹ 4,285 million).

The Board of Directors has recommended a dividend of ₹ 7/- per equity share of face value of ₹ 2/- each (350%) for the financial year ended 30th September 2018. In the previous year, the Company had declared a dividend of ₹ 7/- per equity share.

Business Responsibility – making real what matters

During the Financial Year 2017-18, Siemens Limited continued to ramp up its Corporate Social Responsibility (CSR) activities. The Company has made considerable progress in its contribution towards education (Science and Technology), social development (enhancing living condition) and environmental conservation (resource efficiency). As a responsible corporate citizen with a purpose to serve society, the Company has endeavored to deliver lasting benefits and create sustainable communities using the Company's core competencies.

Through the various interventions such as widening water channels and recharging ground water levels, over 110 million litres of water was made available to farmers. Other initiatives focused on the environment have led to around 1,760 tonnes of carbon dioxide reduction and approximately 805 kilowatt-hour of clean energy being produced daily. These resource efficiencies have been achieved by implementing the Company's technologies and solutions. Over two lakh women now have access to quality healthcare. More than 1,100 acres of agricultural land has been made available for farming, leading to higher income levels and lower migration.

The Company's Scholarship Program expanded to 49 colleges and 22 States, and now provides holistic development to 435 Scholars. These Scholars hail from the marginalized sections of society. Siemens Scholars who have graduated from this program have been placed in Siemens as well as leading companies in various sectors, turning into role models in the community. The Siemens Scholarship Program is for engineering students and is based on the German dual education pedagogy.

These projects are ongoing and will continue to contribute to the sustainable development of society, education and conservation of the environment using sustainable and inclusive technology that is scalable and replicable. The Company spent the two percent of the average net profits, computed as per the requirements of the Companies Act, 2013, on sustainable projects and programs creating long term impact.

People Excellence – towards making Siemens a great place to work

During the Financial Year, the Company continued to focus on nurturing its employees. Many initiatives have been undertaken by the Company to make Siemens a great place to work and the most preferred engineering company in India. These initiatives will continue to focus on learning and development, health management, environmental protection and safety. Considering the increased demand for digital transformation among customers, the Company invested efforts in enhancing the competence of its employees on digital technologies.

It is a matter of pride that the Company has been certified by the Great Place to Work Institute for the period September 2018 to August 2019. This is an outcome of the numerous initiatives undertaken within the Company and I commend the efforts of all employees in achieving this success.

Outlook

In the face of global economic volatility and risks driven by socio-political factors, India's macro-fundamentals are robust. While being one of the highest-growth economies in the world driven by domestic consumption, India still has high growth potential offering numerous investment opportunities.

The Company will continue to focus on sustaining profitable growth in new orders and maintain operational excellence. Together with digitalization, the Company will continue to focus on co-creating solutions together with customers to stabilize the grid, smart infrastructure, transmission and distribution systems, and delivering business benefits across industry verticals in the manufacturing segment.

With the Company's strengths and competence in electrification, automation and digitalization, I am confident that it can support the government's initiatives such as Make in India, 24/7 Power for All, Digital India and Smart Cities Mission and contribute to achieving various targets which is imperative for the nation's overall economic and social growth. With its expertise in Smart Infrastructure, the Company is committed to contribute to the development India's infrastructure to meet global standards.

In conclusion, I would like to sincerely thank our customers, the board, management, unions and most importantly, the dedicated employees for their constant support and commitment to Siemens Limited.

Deepak Parekh

Chairman