

# Directors' Report

Dear Members,

The Directors have pleasure in presenting the 61<sup>st</sup> Annual Report of your Company and the Audited Financial Statements for the year ended 30<sup>th</sup> September 2018.

## 1. Financial Performance

(₹ in million)

|  | Standalone    |               |
|--|---------------|---------------|
|  | 2017-18       | 2016-17       |
| Turnover   | 127,251       | 113,483       |
| Less: Expenses   | 116,057       | 104,937       |
| Profit from operations before other income and finance costs       | 11,194        | 8,546         |
| Add: Other Income  | 2,800         | 2,547         |
| Less: Finance costs  | 82            | 77            |
| Profit before exceptional items and tax                            | 13,912        | 11,016        |
| Add: Exceptional items   | -             | 5,675         |
| Profit before tax  | 13,912        | 16,691        |
| Less: Tax  | 4,973         | 5,355         |
| Profit for the year  | 8,939         | 11,336        |
| Other Comprehensive income   | 61            | 70            |
| Balance in the Statement of Profit and Loss brought forward        | 42,665        | 33,831        |
| Amount available for appropriation                                 | 51,665        | 45,237        |
| Appropriations:  |               |               |
| Proposed Dividend  | 2,493         | 2,137         |
| Dividend Distribution Tax  | 507           | 435           |
| <b>Balance in the Statement of Profit and Loss carried forward</b> | <b>48,665</b> | <b>42,665</b> |

## 2. Operations

The Turnover of the Company was ₹ 127,251 million for the year ended 30<sup>th</sup> September 2018 as compared to ₹ 113,483 million in the previous year. The Company's Profit from Operations for the year ended 30<sup>th</sup> September 2018 was ₹ 11,194 million as compared to ₹ 8,546 million in the previous year.

The Profit after Tax for the year ended 30<sup>th</sup> September 2018 was ₹ 8,939 million as compared to ₹ 11,336 million during FY 2016-17.

## 3. Dividend

The Board of Directors has recommended a dividend of ₹ 7 per equity share having face value of ₹ 2 each, subject to the approval of the Members at the 61<sup>st</sup> Annual General Meeting ("AGM"), In the previous year, the Company paid a Dividend of ₹ 7 per equity share of ₹ 2 each.

Pursuant to the requirements of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"), the Dividend Distribution Policy of the Company is available on the Company's website at <http://www.siemens.co.in/en/index/investor.htm>.

## 4. Proposed divestment

The Board of directors of the Company, at its meeting held on 21<sup>st</sup> February 2018, inter-alia, took the following decisions:

- (i) In light of the Memorandum of Understanding signed by and between Siemens AG, Germany (Parent Company of Siemens Limited) ("SAG") and Alstom SA, France ("Alstom"), to combine Siemens' mobility business including rail traction drives business with Alstom, the Board of Directors of the Company has agreed in-principle, subject to terms and conditions to be determined, to sell its Mobility Division and Rail Traction Drives business (included in

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Process Industries and Drives Division which provides products and services to Mobility Division) as also its wholly owned subsidiary (Siemens Rail Automation Private Limited), to SAG or its subsidiary.

- (ii) Following a global announcement made by SAG to set up a standalone company for the Mechanical Drives business, the Board of Directors of the Company has agreed in-principle, subject to terms and conditions to be determined, to sell its Mechanical Drives business (included in Process Industries and Drives Division) to SAG or its subsidiary.

In this regard, the Board of Directors has constituted a Committee of Directors to determine the consideration, terms and conditions and such other matters as may be considered expedient with respect to the aforesaid proposed transactions and make recommendations thereon to the Board of Directors for its consideration.

## 5. Subsidiary company

Siemens Rail Automation Private Limited (SRAPL) is a non-material and unlisted subsidiary of the Company pursuant to LODR. SRAPL is engaged in the business of manufacture, supply, design, installation and commissioning of Railway Signaling equipment consisting of trackside and on board equipment.

The Company has not made any equity investment in SRAPL during the year. Your Company has obtained a certificate from the Statutory Auditors certifying that the Company is in compliance with the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2017 with respect to the downstream investments.

A summary of performance of SRAPL is provided below.

The Turnover of SRAPL for FY 2017-18 stood at ₹ 806 million (0.6% of consolidated turnover of the Company) as compared to ₹ 609 million in the previous year and its Profit from Operations for the year ended 30<sup>th</sup> September 2018 was ₹ 102 million as compared to ₹ 15 million in the previous year.

SRAPL has reported Profit after Tax for the year ended 30<sup>th</sup> September 2018 of ₹ 73 million as compared to ₹ 30 million during FY 2016-17.

The Company does not have any joint venture or associate companies during the year.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 ("the Act"), a statement containing salient features of Financial Statements of SRAPL in the prescribed Form AOC-1 is provided in **Annexure I** forming part of this Report. The audited Financial Statements of SRAPL for FY 2017-18 are available on the Company's website at <http://www.siemens.co.in/en/index/investor.htm> and the same are also available for inspection at the Registered Office of the Company as per the details mentioned in notice of the 61<sup>st</sup> AGM. Your Company will also make available these documents upon request by any Member of the Company interested in obtaining the same.

### Consolidated Financial Statements

The Annual Audited Consolidated Financial Statements together with the Report of Auditors' thereon forms part of this Annual Report.

## 6. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Information pursuant to Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014 (as amended) is provided in **Annexure II** forming part of this Report.

## 7. Business Responsibility Report

In compliance with Regulation 34(2)(f) of LODR, your Company has included Business Responsibility Report, as part of the Annual Report, describing initiatives taken by the Company from an environmental, social and governance perspective.

As a Green Initiative, the BRR for FY 2017-18 has been hosted on the Company's website, which can be accessed at [http://www.siemens.co.in/en/index/investor/annual\\_report.htm](http://www.siemens.co.in/en/index/investor/annual_report.htm) and [http://www.siemens.co.in/en/about\\_us/index/sustainability.htm](http://www.siemens.co.in/en/about_us/index/sustainability.htm)

Any Member interested in obtaining a copy of BRR may write to the Company Secretary.

## 8. Corporate Governance

A detailed review of the operations, performance and future outlook of the Company and its businesses is given in the Management's Discussion and Analysis, which forms part of this Report as **Annexure III**.

Pursuant to the requirements of LODR, a detailed report on Corporate Governance along with the Auditor's Certificate confirming thereon forms part of this Report as **Annexure IV**.

General Shareholder Information forms part of this Report as **Annexure V**.

## 9. Directors and Key Managerial Personnel

During FY 2017-18, on recommendation of the Nomination and Remuneration Committee (NRC) of the Company and in accordance with the provisions of the Act and LODR, the Board of Directors have appointed Mr. Mehernosh B. Kapadia (DIN: 00046612) as an Additional Director and Independent Director of the Company for a term of five years with effect from 2<sup>nd</sup> May 2018, subject to approval of Members. As per provisions of Section 161 of the Act and Article 104 (b) of the Articles of Association of the Company, Mr. Kapadia shall hold office as Additional Director upto the date of the forthcoming 61<sup>st</sup> AGM and is eligible for appointment as a Director. Notice under Section 160 of the Act has been received from a Member proposing his candidature for the office of Director of the Company.

Pursuant to LODR, a person who has attained the age of seventy five years can continue directorship in a listed company as a non-executive director only if approval of its Members is obtained by way of a special resolution. The said provision will come into effect from 1<sup>st</sup> April 2019. In light of the same, Special Resolutions for continuation of directorship of Mr. Yezdi Malegam (DIN: 00092017), Mr. Deepak Parekh (DIN: 00009078) and Mr. Darius Shroff (DIN: 00170680) who has / would attain the age of seventy five years, form part of the Notice of the 61<sup>st</sup> AGM and respective resolutions are recommended for your approval.

The Independent Directors of the Company viz. Mr. Deepak Parekh, Mr. Yezdi Malegam, Mr. Darius Shroff, Mr. Keki Dadiseth (DIN: 00052165) and Mr. Mehernosh Kapadia have furnished declarations to the Company under Section 149(7) of the Act, confirming that they meet the criteria prescribed for Independent Directors under Section 149(6) of the Act as well as under LODR.

On recommendation of NRC and the Audit Committee, as applicable, the Board of Directors has re-appointed -

- Mr. Sunil Mathur (DIN: 02261944) as Managing Director and Chief Executive Officer of the Company for further period of five years with effect from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2023.
- Mr. Christian Rummel (DIN: 01992982) as Executive Director and Chief Financial Officer of the Company for further period of one year with effect from 1<sup>st</sup> February 2019 to 31<sup>st</sup> January 2020.

The terms and conditions of the aforementioned re-appointments including remuneration are subject to the approval of the Members and concerned authorities, if any.

At the forthcoming 61<sup>st</sup> AGM, Mr. Josef Kaeser retires by rotation and being eligible, offers himself for re-appointment.

The resolutions for aforementioned appointment and re-appointments along with the brief profiles of the appointees' form part of the Notice of the 61<sup>st</sup> AGM and respective resolutions are recommended for your approval.

Mr. Sunil Mathur, Managing Director and Chief Executive Officer, Mr. Christian Rummel, Executive Director and Chief Financial Officer and Mr. Ketan Thaker, Company Secretary (ACS No.: 16250) are the Key Managerial Personnel of the Company as on the date of this Report.

## 10. Board Meetings

During FY 2017-18, six meetings of the Board of Directors were held. The details of the attendance of Directors at the Board Meetings are mentioned in the report on Corporate Governance annexed hereto.

## 11. Annual evaluation of Board, its Committees and individual Directors

The details of the Annual evaluation of Board, its Committees and individual Directors are mentioned in the report on the Corporate Governance.

## 12. Audit Committee

The Company has an Audit Committee pursuant to the requirements of the Act read with the rules framed thereunder and LODR. The details relating to the same are given in the report on Corporate Governance forming part of this Report. During FY 2017-18, the recommendations of Audit Committee were duly approved and accepted by the Board.

## 13. Corporate Social Responsibility

At Siemens, we have an unrelenting drive and promise to sustainably improve living conditions for as many people as possible, worldwide. We deliver on this promise by combining our innovation with our know-how – in the areas of electrification and automation, enhanced by digitalization and by acting as a reliable and responsible partner. Our company-wide Corporate Citizenship framework forms a part of the Sustainability & Citizenship priority area. The Company considers it as its economic, environmental and social responsibility to foster sustainable local development as well as add value to the local economy in which it operates.

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In accordance with the provisions of Section 135 of the Act and Rules framed there under, the Company has a Corporate Social Responsibility ("CSR") Committee of Directors comprising of Mr. Deepak Parekh (Chairman), Ms. Mariel von Schumann, Mr. Sunil Mathur and Mr. Christian Rummel. The Committee reviews and monitors the CSR projects and expenditure undertaken by the Company on a regular basis.

The Company implements the CSR projects directly as well as through implementing partners. The details of such initiatives, CSR spend, CSR Policy, etc., have been provided as **Annexure VI** to this Report, as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended).

## 14. Remuneration Policy

On recommendation of NRC, the Company has formulated, amongst others, a policy on Directors' appointment as well as Remuneration Policy for Directors, Key Managerial Personnel, Senior Management and other employees. The details of the Remuneration policy are mentioned in the report on the Corporate Governance and the same is also placed on the Company's website at <http://www.siemens.co.in/en/index/investor.htm>.

A Statement of Disclosure of Remuneration pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended), is provided as **Annexure VII** forming part of this Report.

## 15. Vigil Mechanism

As per the provisions of Section 177(9) of the Act and Regulation 22 of LODR, the Company is required to establish a Vigil Mechanism for Directors and employees to report genuine concerns. The Company has a Policy for Prevention, Detection and Investigation of Frauds and Protection of Whistleblowers ("the Whistleblower Policy") in place and the details of the Whistleblower Policy are provided in the Report on Corporate Governance forming part of this Report. The Company has disclosed information about the establishment of the Whistleblower Policy on its website <http://www.siemens.co.in/en/index/investor/business-ethics.htm>.

## 16. Risk Management Policy

Siemens Enterprise Risk Management (ERM) is a company-wide framework of methods and processes used to identify, assess, monitor and mitigate risks and seize opportunities related to achievement of Siemens business objectives. The Siemens ERM approach is based on the globally accepted "The Committee of Sponsoring Organizations of the Treadway Commission" ("COSO") framework i.e. "ERM – Integrated Framework". The COSO framework provides a generic concept which has been customized to reflect Company's requirements.

Major risks identified by the Business Divisions and Corporate Departments are systematically addressed through mitigating actions on a continuing basis. The Company has a Risk Management Committee in accordance with the requirements of LODR to, inter alia, monitor the risks and their mitigating actions. The Board of Directors of the Company also reviews the Risk Assessment and Mitigation Report annually.

Details in respect of adequacy of internal financial controls with reference to the Financial Statements are given in the Management's Discussion and Analysis, which forms part of this Report.

## 17. Directors' Responsibility Statement

Pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, the Directors confirm to the best of their knowledge and belief:

- a) that in the preparation of the Annual Financial Statements for the year ended 30<sup>th</sup> September 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) that such accounting policies have been selected and applied consistently and judgment 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 30<sup>th</sup> September 2018 and of the profit of the Company for the year ended on that date;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual Financial Statements have been prepared on a going concern basis;
- e) that proper internal financial controls are in place and that such internal financial controls were adequate and were operating effectively;
- f) that proper systems have been devised to ensure compliance with the provisions of all applicable laws and are adequate and operating effectively.

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## 18. Extracts of Annual Return

The Extracts of Annual Return in Form MGT 9 as required under Section 92(3) of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014 (as amended) forms part of this Report as **Annexure VIII**.

## 19. Particulars of contracts or arrangements with Related Parties

The particulars of contracts or arrangements with Related Parties referred to in Section 188(1) of the Act, in the prescribed Form AOC - 2, forms part of this Report as **Annexure IX**.

## 20. Particulars of Loans, Guarantees or Investments

A statement providing particulars of loans, guarantees or investments under Section 186 of the Act form part of this Report as **Annexure X**.

## 21. Fixed Deposits

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

## 22. Amount, if any, proposed to transfer to reserves

The Company has made no transfer to reserves during FY 2017-18.

## 23. Employees

Your Directors place on record their deep appreciation for the contribution made by the employees of the Company at all levels.

The information on employees particulars as required under Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended), is provided in the Annexure forming part of the Report. In terms of Section 136 of the Act, the Report and Financial Statements are being sent to the Members and others entitled thereto, excluding aforesaid Annexure. The said information is available for inspection by the Members at the Registered Office of the Company as per the details mentioned in notice of the 61<sup>st</sup> AGM on any working day of the Company up to the date of the 61<sup>st</sup> AGM. Any Member interested in obtaining a copy of the same may write to the Company Secretary.

## 24. Policy on Prevention of Sexual Harassment at Workplace

The Company has Policy on Prevention of Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder and Internal Complaints Committee has also been set up to redress complaints received regarding sexual harassment. During the year, one complaint with allegations of sexual harassment was received by the Company and the same was investigated and resolved.

## 25. Auditors

- i) Pursuant to provisions of Section 139 of the Act read with the Companies (Audit and Auditors) Rules, 2014 (as amended), Messrs S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003) ("SRBC") were appointed as Statutory Auditors of the Company for a term of four years, to hold office from the conclusion of 57<sup>th</sup> AGM held on 30<sup>th</sup> January 2015, until the conclusion of forthcoming 61<sup>st</sup> AGM, subject to ratification of their appointment at every subsequent AGM.

Accordingly, SRBC ceases to be the Statutory Auditors of the Company on the conclusion of forthcoming 61<sup>st</sup> AGM of the Company to be held on 6<sup>th</sup> February 2019.

In accordance with the provisions of the Section 139 of the Act and Rules framed thereunder and in view of mandatory rotation of the Statutory Auditors, based on the recommendations of the Audit Committee, the Board of Directors has recommended the appointment of Messrs B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022) ("BSR") as the Statutory Auditors of the Company for a period of 5 years from the conclusion of 61<sup>st</sup> AGM until the conclusion of 66<sup>th</sup> AGM of the Company at a remuneration as may be agreed upon by the Board of Directors and the Auditors subject to the approval of the Members.

A resolution seeking their appointment forms part of the Notice convening the 61<sup>st</sup> AGM and the same is recommended for your approval.

The Auditors' Report dated 18<sup>th</sup> November 2018 issued by SRBC for FY 2017-18 does not contain any qualification, reservation, adverse remark or disclaimer.

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- ii) The Board of Directors, on recommendation of the Audit Committee, has re-appointed Messrs R. Nanabhoy & Co., Cost Accountants (Firm Registration No. 000010), as Cost Auditors of the Company, for the Financial Year ending 30<sup>th</sup> September 2019, at a remuneration as mentioned in the Notice convening the 61<sup>st</sup> AGM and same is recommended for your consideration and ratification.

The Company had filed the Cost Audit Report for FY 2016-17 on 16<sup>th</sup> February 2018, which is within the time limit prescribed under the Companies (Cost Records and Audit) Rules, 2014 (as amended).

As per the requirements of the Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014, the Company is required to maintain cost records and accordingly, such accounts are made and records has been maintained in respect of the applicable products for the year ended 30<sup>th</sup> September 2018.

- iii) Pursuant to provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended), the Secretarial Audit Report for FY 2017-18 issued by Secretarial Auditors i.e. Messrs Parikh Parekh & Associates, Practicing Company Secretaries (Unique Code No. P1978MH01000) is provided as **Annexure XI** to this Report. The Secretarial Audit Report FY 2017-18 does not contain any qualification, reservation, adverse remark or disclaimer.
- iv) There have been no instances of fraud reported by abovementioned Auditors under Section 143(12) of the Act and Rules framed thereunder either to the Company or to the Central Government during FY 2017-18.

## 26. Compliance with Secretarial Standards

During FY 2017-18, the Company has complied with applicable Secretarial Standards issued by the Institute of the Company Secretaries of India.

## 27. Material changes and commitment, if any, affecting financial position of the Company from financial year end and till the date of this report

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the Financial Year of the Company to which the Financial Statements relate and the date of this Report.

## 28. Significant and Material Orders passed by the Regulators or Courts

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and operations of the Company in future.

## 29. Acknowledgements

The Board of Directors takes this opportunity to thank Siemens AG - the Parent Company, customers, members, suppliers, bankers, business partners / associates and Central and State Governments for their consistent support and co-operation to the Company.

On behalf of the Board of Directors

For **Siemens Limited**

**Deepak S. Parekh**

Chairman

DIN: 00009078

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Sunday, 18<sup>th</sup> November 2018