

# Directors' Report

Dear Members,

The Directors have pleasure in presenting the 63<sup>rd</sup> Annual Report of your Company and the Audited Financial Statements for the year ended 30<sup>th</sup> September, 2020.

## 1. Financial Performance

(₹ in million)

	Standalone	
	2019-20	2018-19
Turnover	105,407	136,838
Less: Expenses	98,020	124,254
Profit from operations before other income and finance costs	7,387	12,584
Add: Other Income	3,102	3,946
Less: Finance costs	296	114
Profit before tax	10,913	16,416
Less: Tax	2,628	5,547
Profit for the year	7,565	10,869
Other Comprehensive income	(278)	(499)
Impact of Ind AS 116 on opening reserves	(72)	-
Balance in the Statement of Profit and Loss brought forward	56,030	48,665
Amount available for appropriation	63,245	59,034
Appropriations:		
Proposed Dividend	2,493	2,493
Dividend Distribution Tax	512	512
Balance in the Statement of Profit and Loss carried forward	60,240	56,030

## 2. State of the Company's affairs

### i. Operations

The Turnover of the Company was ₹ 105,407 million for the year ended 30<sup>th</sup> September, 2020 as compared to ₹ 136,838 million in the previous year. The Company's Profit from Operations for the year ended 30<sup>th</sup> September, 2020 was ₹ 7,387 million as compared to ₹ 12,584 million in the previous year.

The Profit after Tax for the year ended 30<sup>th</sup> September, 2020 was ₹ 7565 million as compared to ₹ 10,869 million during 30<sup>th</sup> September, 2019.

### ii. Acquisition of C&S Electric Limited

During the year under review, the Company has entered into definitive agreements for the acquisition of 99.22% (approx.) of the paid-up Equity Share capital of C&S Electric Limited from its Promoters at a price of ₹ 21,200 million on a cash free / debt free basis and subject to other adjustments that are mutually agreed between the parties to the transaction.

In this regard, approval from Competition Commission of India has since been received. The proposed acquisition is still subject to receipt of other approvals and fulfilment of condition precedents as agreed between the parties.

### iii. Sale and transfer of Mechanical Drives business

The Board of Directors of the Company at its Meeting held on 26<sup>th</sup> August 2020 approved the sale and transfer of the Company's Mechanical Drives ('MD') Business, to Flender Drives Private Limited, a subsidiary of Flender GmbH, which in turn is a subsidiary of Siemens AG, as a going concern on a slump sale basis, with effect from 1<sup>st</sup> January, 2021 subject to receipt of requisite statutory and regulatory approvals, as applicable and fulfilment of condition precedents as agreed between the parties, for a cash consideration of INR 4,400 million (Indian Rupees Four Thousand Four Hundred million), subject to adjustment for the change in net current assets and capital

expenditure, subsequent to 30<sup>th</sup> June, 2020 upto the date of actual transfer of the MD Business. The MD business achieved a revenue of ₹ 6,713 million for FY 2020 and had an operating loss of ₹ 11 million.

iv. **COVID-19 update**

A major part of the period under review was impacted on account of the COVID-19 pandemic. This was mainly on account of a disruption in the supply chain, capacity under-utilization, logistics-related issues, substantial ramp up costs including additional costs required to ensure the health and safety of all employees in each of the Company's factories and project sites. All of the Company's offices remained closed during the second half of the financial year. However, employees continued to work from home during this period to ensure minimum disruption to the business.

During the period under review, in response to COVID-19 pandemic, the Company had focused on supporting the public health system in dealing with the COVID-19 pandemic as also supporting the most vulnerable members of the society.

A cross-functional taskforce was set up to constantly review the rapidly changing situation to ensure that measures are continuously implemented to keep employees safe during the pandemic period while also attempting to ensure business continuity.

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 63<sup>rd</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 <https://new.siemens.com/in/en/company/investor-relations.html>

4. **Share Capital**

During the year under review, there was no change in share capital of the Company.

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 Auditor certifying that the Company is in compliance with the Foreign Exchange Management Act with respect to downstream investment.

A summary of performance of SRAPL is provided below.

The Turnover of SRAPL for FY 2019-20 stood at ₹ 913 million (0.9%) of consolidated turnover of the Company as compared to ₹ 896 million in the previous year and its Profit from Operations for the year ended 30<sup>th</sup> September, 2020 was ₹ 117 million as compared to ₹ 137 million in the previous year.

SRAPL has reported Profit after Tax for the year ended 30<sup>th</sup> September, 2020 of ₹ 121 million as compared to ₹ 125 million during FY 2018-19.

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 2019-20 are available on the Company's website at <https://new.siemens.com/in/en/company/investor-relations/financials-of-our-subidiaries.html> and the same are also available for inspection as per the details mentioned in notice of the 63<sup>rd</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.

# Directors' 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 is provided in **Annexure II** forming part of this Report.

## 7. Corporate Governance

A detailed review of the operations, performance and future outlook of the Company and its businesses is given in the Management 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 thereon forms part of this Report as **Annexure IV**.

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

## 8. Directors and Key Managerial Personnel

During FY 2019-20, based on recommendation of the Nomination and Remuneration Committee ('NRC') of the Company, the Board of Directors has appointed Mr. Tim Holt (DIN: 08742663) as an Additional Director (Non-Executive Non-Independent Director) of the Company with effect from 1<sup>st</sup> June 2020.

Mr. Cedrik Neike (DIN: 07810035) Special Director (Nominee of Siemens AG) has taken up new role and responsibility at Siemens AG. Consequently, he has resigned as Director of the Company with effect from close of business hours of 30<sup>th</sup> November 2020.

The Board of Directors at its Meeting held on 25<sup>th</sup> November 2020 has appointed Mr. Matthias Rebellius as an Additional Director (Non-Executive Non-Independent Director) and as a Special Director (Nominee of Siemens AG) of the Company with effect from 1<sup>st</sup> December 2020 or on allotment of DIN (by the Ministry of Corporate Affairs, Government of India) whichever is later.

As per the provisions of Section 161 of the Act and Article 107 of the Articles of Association of the Company, Mr. Tim Holt and Mr. Matthias Rebellius shall hold office as an Additional Director upto the date of the forthcoming 63<sup>rd</sup> AGM and are eligible for appointment as Director. The resolutions for aforesaid appointments along with the brief profile of Mr. Holt and Mr. Rebellius forms part of the Notice of the 63<sup>rd</sup> AGM and resolutions are recommended for your approval.

During FY 2019-20, Mr. Darius Shroff (DIN:00170680) and Mr. Keki Dadiseth (DIN:00052165) ceased to be Independent Directors of the Company with effect from 30<sup>th</sup> January 2020 upon completion of their tenure.

The Board places on record the appreciation for the valuable services, support and guidance rendered by Mr. Shroff, Mr. Dadiseth and Mr. Neike during their tenure as Director of the Company.

At the forthcoming 63<sup>rd</sup> AGM, Ms. Mariel von Schumann (DIN: 06625674) retires by rotation. However, she has informed that with a view to pursue opportunities outside Siemens, she does not seek re-appointment as Director at ensuing 63<sup>rd</sup> AGM of the Company and accordingly she will cease to be a Director of the Company on conclusion of 63<sup>rd</sup> AGM of the Company. The Board proposes that the vacancy caused by her retirement be not filled up. The Board places on record the appreciation for the valuable services, support and guidance rendered by Ms. von Schumann during her tenure as Director of the Company.

The Independent Directors of the Company viz. Mr. Deepak S. Parekh (DIN: 00009078), Mr. Yezdi Malegam (DIN:00092017), Mr. Mehernosh Kapadia (DIN: 00046612) and Ms. Anjali Bansal (DIN: 00207746) 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 and that their names have been included in the data bank of Independent Directors as prescribed under the Act.

During the year under review, Mr. Deepak S. Parekh (DIN: 00009078) and Mr. Yezdi Malegam (DIN:00092017) were re-appointed as Independent Directors by the Members with effect from 30<sup>th</sup> January 2020 to hold office for a period of three years and one year respectively. The Board of Directors is of opinion that Independent Directors possess necessary expertise, integrity and experience.

Mr. Sunil Mathur, Managing Director and Chief Executive Officer (DIN:02261944), Dr. Daniel Spindler, Executive Director and Chief Financial Officer (DIN: 08533833) and Mr. Ketan Thaker, Company Secretary (ACS No.: 16250) are the Key Managerial Personnel of the Company as on the date of this Report.

## 9. Board Meetings

During FY 2019-20, 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.

**10. 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.

**11. 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 2019-20, the recommendations of Audit Committee were duly accepted by the Board.

**12. Corporate Social Responsibility**

At Siemens, we have an unrelenting drive and promise to sustainably improve living conditions for as many people as possible. 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.

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) (DIN: 00009078), Ms. Mariel von Schumann (DIN: 06625674), Mr. Sunil Mathur (DIN: 02261944) and Dr. Daniel Spindler (DIN: 08533833). 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 etc., have been provided as Annexure VI to this Report, as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014.

**13. 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 <https://new.siemens.com/in/en/company/investor-relations.html>

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, is provided as Annexure VII forming part of this Report.

**14. 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 <https://new.siemens.com/in/en/company/investor-relations/business-ethics.html>

**15. 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.

# Directors' Report

## 16. Directors' Responsibility Statement

Pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, the Directors confirm that, 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 2020, 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 2020 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.

## 17. Annual Return

In accordance with the provisions of Section 92(3) of the Act, Annual Return of the Company is hosted on website of the Company at <https://new.siemens.com/in/en/company/investor-relations/annual-reports.html>

## 18. 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 VIII**.

## 19. Particulars of Loans, Guarantees or Investments

A statement providing particulars of loans, guarantees or investments under Section 186 of the Act is provided as **Annexure IX** forming part of this Report.

## 20. 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 2019-20 has been hosted on the Company's website, which can be accessed at <https://new.siemens.com/in/en/company/investor-relations/annual-report.html>

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

## 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 2019-20.

## 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, 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 as per the details mentioned in notice of the 63<sup>rd</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. The Report issued by Messrs. B S R & Co. LLP, Chartered Accountants (Firm Registration No.101248W/W-100022), Statutory Auditor for FY 2019-20 does not contain any qualification, reservation, adverse remark or disclaimer.
- 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 Auditor of the Company, for the Financial Year ending 30<sup>th</sup> September 2021, at a remuneration as mentioned in the Notice convening the 63<sup>rd</sup> AGM and same is recommended for your consideration and ratification.

The Company had filed the Cost Audit Report for FY 2018-19 on 4<sup>th</sup> March 2020, which is within the time limit prescribed under the Companies (Cost Records and Audit) Rules, 2014.

As per requirements of 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 and records has been maintained in respect of the applicable products for the year ended 30<sup>th</sup> September 2020.

- iii. Pursuant to provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and pursuant to requirement of LODR, the Secretarial Audit Report for FY 2019-20 issued by Secretarial Auditor i.e. Messrs. Parikh Parekh & Associates, Practicing Company Secretaries (Unique Code No. P1978MH01000) is provided as **Annexure X** to this Report. The Secretarial Audit Report for FY 2019-20 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 2019-20.

**26. Compliance with Secretarial Standards**

During FY 2019-20, the Company has complied with all applicable Secretarial Standards issued by The Institute of Company Secretaries of India and adopted under the Act.

**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 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 – 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

Mumbai  
Wednesday, 25<sup>th</sup> November 2020