

Report of the Board of Directors

To the Members

Your Directors present their Sixty-Sixth Annual Report and the Audited Statement of Accounts for the year ended 31 March, 2020.

1. FINANCIAL RESULTS

₹ in crores

	Consolidated		Standalone	
	2019-20	2018-19	2019-20	2018-19
Total Income	7,889	7,310	7,656	6,956
Profit for the year after meeting all expenses but before interest, depreciation and exceptional items	917	798	852	648
Interest	21	33	9	23
Depreciation and amortization	32	24	27	20
Profit before exceptional items	864	741	816	605
Share of Profit/(Loss) of Joint Ventures and Associates	(69)	(52)	--	--
Exceptional items (Net)	(51)	(12)	(55)	26
Profit before tax	744	677	761	631
Tax expenses	223	163	191	166
Profit after tax	521	514	570	465
Other Comprehensive Income (Net)	(190)	(24)	(210)	(36)
Total Comprehensive Income	331	490	360	429

2. Operations

The beginning of the year witnessed a series of global headwinds, starting from rising trade barriers and the spill-over effects of the US-China trade war to early uncertainty around Brexit, tensions in Iran and the attack on Saudi Arabia's oil facility. In India, sector-specific weakness in automobile, real estate, banking and textile, amidst political tension and unrest following the implementation of the Citizenship (Amendment) Act, 2019 continued to overshadow growth.

Q4 began with even greater challenges - escalated global pressures given the unrest between US-Iran and the rapid spread of coronavirus (COVID-19). In an unprecedented way, the pandemic continues to affect global health, economic and financial stability, resulting in the International Monetary Fund (IMF) revising World growth in 2020 sharply downward into the negative territory. At the same time, global lockdown brought into being, a hitherto unimaginable situation of Oil futures being traded at negative, posing challenges to many Oil rich economies.

Voltas achieved sales increase of around 52% in the Unitary Cooling Products business for the first 11 months of the year and was moving ahead for a much better

performance for the financial year 2019-20. Unfortunately, the lockdown commenced before seasonal sales in March 2020 could accelerate, adversely affecting primary dispatches and resulting in a substantial loss of revenue. Nonetheless, the Unitary Cooling Products Business delivered an impressive full year revenue growth of 30% over the previous year, accompanied by a smart expansion in profitability - segment margin for the year improved by some 230 bps, extracting benefits from input cost efficiencies and improved mix, helping to register an impressive bottom line. Even more satisfying is the fact that Voltas was able to improve the YTD market share to 24.2%, consolidating a lead of over 1000 bps over the nearest competitor.

We are also happy to report that Voltas has achieved a leadership position in the fast growing Inverter Air conditioner segment, overtaking its nearest competitor in the months of January and February. Inverters now account for as much as 64% of Split ACs sold and around 52% of all ACs. Sharper focus on customer centric innovation, expansion of distribution channel (currently at over 19,000 touch points), and a balanced supply chain are yielding desired outcomes.

Meanwhile, there was better traction in the Air Cooler segment (growth of 63%) given a variety of measures, including availability of the complete range, wider distribution network, and competitive pricing. The brand is now placed at number 2 with market share of close to 10%, exit February 2020. The Commercial Refrigeration Products vertical has also grown, and appears set for a promising future. The Company's strategy remains steadfast - offering best in class, value for money, convenience products with unmatched consumer experience and improving reach across the length and breadth of India.

In the Projects business, the order inflow across domestic and international was substantially better in 2019-20, resulting in a carry forward order book of close to ₹ 7,800 crores with a healthy mix of Water, Metro, Airport, Solar and general MEP projects. While continued diligence in bidding and securing orders has helped mitigate project related risks, the lockdown has impacted performance with follow through consequences on the pace of work, labour availability, certification and payments.

Nevertheless, the Company has, as compared to previous year, reported higher consolidated total income of ₹ 7,889 crores, with income from operations at ₹ 7,627 crores and profit before tax at ₹ 744 crores.

There have been no material changes and commitments, that affect 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.

3. COVID-19: Impact on Business Operations:

The COVID-19 pandemic has posed significant operational and financial challenges to businesses across industries. However, recognising opportunity within these challenges to ensure that they translate into proactive and meaningful longer term changes for our business, is also what the Company is focused on.

The performance of the Company, like most other Corporates has been impacted by the nation-wide lockdown due to COVID-19, including disruption of supplies and suspension of manufacturing activities across OEMs. In addition, Room Air-conditioner (RAC) business is seasonal in nature and the peak season and demand generally starts from March and continues up to mid-July. The month of March is very crucial for the Company

considering primary billing to the trade partners. While Secondary sales to the end consumer have been badly affected, we expect this to have a subsequent impact on Primary sales as dealers would prefer to liquidate their existing inventories to generate cash, post lockdown. The market is expected to take some time to return to normalcy.

Projects business too has its own challenges in the midst of the lockdown. Nevertheless, work in some of the domestic projects qualifying under Essential Services, continued even during the lockdown period. The Company's Unitary Cooling Products and Domestic Projects Businesses continued to partner the nation during this period to cater to Essential Services in the healthcare and infrastructure sector. Despite challenges, the Project teams were operational across 260 sites, providing our Customers, operation, maintenance and breakdown support during this difficult time. Execution of overseas projects also progressed at a slower pace than desired. Post lockdown, the remobilization of the workforce and severe liquidity crisis might pose challenges in the execution of on-going projects and would need to be dealt with suitably.

The Company has placed utmost priority on the health and safety of the employees and has been sharing regular travel advisories while ensuring precautionary social distancing and hygiene at workplace. 'Work from Home' (WFH) policy was being encouraged even prior to the announcement of the lockdown. Employees have been provided with necessary software to facilitate working from a remote location without any technical interruptions. Virtual Meeting Room (VMR) software Cisco was also set up to ensure smooth functioning of all business functions. Awareness programs related to COVID-19, technical trainings and programs at the Voltas Virtual Campus in collaboration with SkillsSoft (a 24*7 learning platform), etc., has enabled a culture of continuous learning even through this lockdown.

The Board of Directors have proactively taken cognizance of the slowdown in the economy and the liquidity crisis which is being faced by both the Government Sector as well as the Private Sector. There would be delays in collection of receivables that would have its own challenges in terms of time-based provisioning. The Board has thus advised the Management to conserve cash and follow various austerity measures, and be cautious on the capital expenditure without impacting the long-term strategic plan.

In response to the crisis, the Government has announced various stimulus packages and diverted funds to provide relief and succor to the poor and needy people. Large Corporate Houses too have come forward to provide support to the Government in this endeavor. As a business conglomerate that has always been committed to building the Nation for over a century, Tata Trusts, Tata Sons and other Tata group companies are also assisting the Government to fight and tide over the current situation, and have committed ₹ 1,500 crores towards the PM CARES Fund.

4. Reserves

An amount of ₹ 20 crores was transferred to the General Reserve out of Profit available for appropriation.

5. Dividend

The Company's Dividend Policy which is uploaded on the Company's website, is based on the need to balance the twin objectives of appropriately rewarding its shareholders with dividend and of conserving resources to meet its future needs. Based on Company's performance and with a view to conserve cash, the Directors recommend same dividend of ₹ 400 per equity share of ₹ 1 each (400%) for the year 2019-20 (2018-19: 400%). The dividend would result in a cash outflow of ₹ 132.35 crores, reflecting payout of 23.22%. Last year, the Dividend Distribution Tax was also included for calculating the payout and hence, despite the same rate of dividend (400%), the payout was more than 25% in line with the Company's Dividend Policy.

The dividend on Equity Shares is subject to the approval of the Shareholders at the Sixty-Sixth Annual General Meeting (AGM) scheduled to be held on 21 August, 2020. The Register of Members and Share Transfer Books of the Company will remain closed from 7 August, 2020 to 21 August, 2020 (both days inclusive) for the purpose of payment of the dividend for the financial year ended 31 March, 2020 and the AGM.

6. Finance

While the environmental factors continued to influence the economy during the start of the financial year, rise in temperatures and extended summer in the country, benefitted the Air Conditioning industry as a whole. It is pertinent to note that despite the loss of selling activity in the last few weeks of March 2020 owing to the COVID-19 pandemic, Voltas has registered a growth higher than the Industry and continues to be the profitable market leader in the Room Air-conditioner category.

In the Project business, Voltas recorded its highest ever order book of ₹ 7,788 crores. However, the lower carry forward order book at the beginning of the year coupled with execution challenges has led to a de-growth in both, top line and bottom line. Although careful evaluation of projects secure certainty of collection of cash to a large extent, delay in certification and liquidity constraint continues to engage working capital at an even higher level.

Meanwhile, the Joint Venture company, Voltbek Home Appliances Private Limited (Voltbek) has successfully commissioned a state-of-the-art manufacturing facility spread over 60 acres of land in Sanand, Gujarat and started its production of Direct Cool refrigerators. In the last one year of its commercial launch, Voltbek products have garnered reasonable market share, especially in washing machines and frost-free refrigerators. As a part of long-term strategic plan, the Company has so far invested around ₹ 335 crores in the share capital of Voltbek, primarily towards capital expenditure in setting up of its factory in Sanand.

The year 2019-20 witnessed volatility in the interest rates amidst several negative financial outcomes, impacting debt instruments, as a result of mark-to-market valuation. Notwithstanding, the liquidity position of the Company remains strong with overall cash of ₹ 1,939 crores as on 31 March, 2020.

7. Tata Business Excellence Model (TBEM)

TATA Business Excellence Model (TBEM) is a framework followed by several TATA group companies to achieve excellence in their business performance. In order to assess the progress made by various Companies in the group, the Tata Business Excellence Group (TBExG) conducts external assessments across Tata Companies.

As an outcome of the external assessment conducted in October 2018 by TBExG to assess the progress made by Voltas towards Business Excellence, the Company was recognised as an 'Emerging Industry Leader' in the JRDQV function held on 29 July, 2019.

Based on the outcome of the assessment, the Company has developed and implemented comprehensive action plans to take its Business Excellence journey forward by benchmarking its processes with companies within and outside the Tata Group. The Company developed more than 80 Business Excellence champions to facilitate a seamless progress of the Business Excellence journey.

Learning programs / missions were organised at other TATA companies to learn/ share information on key areas like Strategic business planning, Theory of constraints, HR, Safety and other areas. Looking into the importance of managing key accounts effectively, KAM (Key Account Management) programs have been initiated within the Company.

The Business Unit wise customer engagement surveys were conducted to evaluate the satisfaction levels. The results of the recent surveys for Unitary Products Business Group (UPBG)-AC household customers, Domestic Project customers and UPBG-Commercial Refrigeration Product customers indicate improvement in satisfaction scores and Net Promoter Scores compared to the previous years. These improvements augur well for the future of Voltas.

The Company participated in the "Making Customers Smile" contest organised by TATA Group this year and one of the entries on "Special Services" from Textile Machinery Division has won the contest at an organisation level.

The Company also participated in Tata Innovista, a Tata Group level contest to recognise and celebrate innovation. During 2019-20, Voltas registered 8 entries in the TATA Innovista 2020 cycle. From over many applications across multiple companies, one of the teams from Voltas on 'Adjustable Cooling Capacity Mode' in air conditioners qualified for the regional rounds at Delhi.

8. IT Initiatives

This year, Voltas IT worked towards the following three identified tracks – 'Business Advantage', 'User Delight' and 'Secure Environment'.

The year 2019-20 was marked by many business process changes and IT provided the necessary support with agile flexibility to help the Business Divisions align with their priorities. The Projects businesses were engaged with Datamatics for Invoice Processing; the Cooling Products business migrated its Supply Chain to Delivery Private Limited, a third-party logistics provider; SAP modules were deployed for the newly acquired Solar Business, for the Voltbek Sanand factory and for Projects in Bahrain. Further, multiple interfaces were established with banks for E-collect, Hundi payments and Bank Reconciliation.

Multiple initiatives were undertaken to provide an enhanced experience to all IT users. All PCs with obsolete Windows versions were replaced, network links of locations were upgraded for faster speed, and use of

digital signature for signing documents was increased thus reducing paper work for users. Web and Mobility applications were simultaneously released to users providing intuitive and real-time system interfaces.

IT Security has remained a key focus area in Voltas. The IT team conducted an IT Security Audit and VAPT (Vulnerability Assessment and Penetration Testing) exercise through third party Security Firms and has worked diligently to close all observations. SAP PIVPO was adopted as the middleware for the Company and interfaces for all applications were converted to SAP PO. The Internet Proxy tool was changed to an enhanced version, Siebel Servers and Applications were upgraded, backup capacity for both Windows and AIX environments were upgraded and all Firewall rules were reviewed to secure vulnerabilities. Additionally, during the COVID-19 lockdown, IT provided necessary support for business operations, ensuring seamless connectivity and remote collaboration.

9. Safety and Health

At Voltas, safety performance is reviewed by a Board Committee comprising 3 Directors and a Steering Committee comprising the Corporate Management Group periodically monitors the implementation of various safety initiatives. In addition, a 3 tier internal SHE Committee periodically reviews the progress made along with Business Units (BUs) leaders and the best performing Project site/Plant /Service Franchise is recognised and appreciated. In order to ensure safety compliance and resilience of Safety controls, 149 major projects were audited, with a weighted score on the Tata Group Safety Standards compliances. This was in addition to the regular Safety inspections and audit of sites, manufacturing units, Customer Care premises, offices and warehouses. Emphasis on multi-pronged training led to significant increase in awareness training to cover approx. 2,52,759 personnel (multiple training per person), an increase of 11% over last year. At the same time, 100% Induction training is ensured for all personnel at project sites. Safety leadership program focused on developing ownership has been imparted to 19 Business and Functional heads, 43 HR and Admin staff and 139 Project directors / managers. Mandatory module-based trainings have been introduced for all workforce who handle Voltas equipment or work for Voltas Digital learning platform, Handy Train has been leveraged to reach out to more than 10,000 UPBG and Customer Care technicians.

ISO 14001 and 45001 certifications have been completed for O&M sites. Regrettably, during 2019-20, there was one fatal incident at project site which has been dealt with seriously. Stern actions are put in place to identify causes and ensure no similar recurrence. The deceased person's family has been provided with necessary financial support through the Company's insurance policy.

The Company has recently introduced Safety mascot 'Vol-Ty' to improve communications and enhance awareness towards safety.

The Company has also received several appreciation letters and awards in recognition of enhancing the Safety standards from various clients, including Reliance Industries and West Bengal State Electricity Board Distribution Company Limited.

10. Sustainable Development

At Voltas, social responsibility has been a commitment even before it became a mandate. Sustainable and inclusive development has been one of the top agendas for the Company. It was also very important for Voltas to build its social responsibility initiatives based on its community needs. The Company, therefore first mapped the priority community needs and created a framework for its social interventions, which are strategic and long term in nature. There are three verticals in the framework, including Sustainable Livelihood, which essentially deals with skilling and employability building for marginalised youth and women, Community development which emphasizes issues like quality education, and water, and third vertical called Issues of National Importance which addresses national level issues like Disaster Management, Affirmative Action, and Sanitation. For all its CSR initiatives, sustainability is at the core and hence, a lot of thrust is given on the community participation, engagement and ownership.

(a) Sustainable Livelihood

Voltas has focussed on skilling and employability building, especially for the youth and women from the bottom of the pyramid. Skilling which ensures gainful employment or self-employment, became a flagship program for the Company. Voltas has over 31 partnership Skill Development Centres in 14 States across the Country. The Company not only offers the skilling programs related to Refrigeration and Air-conditioning (RAC) and Central AC, but also technical and non-technical trades

[Business Correspondent and Business Facilitator (BCBF), Retail, and Sewing and Tailoring etc.] based on the market demand. The end-to-end intervention in partnership with likeminded and renowned organisations like Tata Strive, GMR, ICICI, Tech Mahindra Foundation, etc., ensures complete technical support, well-equipped laboratories, training, On the Job training (OJT), assessment and placement support to students. The placement rate during 2019-20 was over 85%. The Company trained around 3000 students through its technical and non-technical courses. Recognition of Prior Learning (RPL) which primarily focuses on the untrained (or those who are not formally trained) technicians also received good traction over the period. The Company trained and certified over 3000 technicians under RPL in 2019-20. This training has not only helped them with better skills, confidence and dignity, but also better emoluments.

(b) Community Development

This vertical essentially focusses on priority community issues like Education and Water. The quality education program conducted in Government schools covered the following crucial aspects: (1) Teachers Training for Quality Education (2) Improving English Language Skills and (3) Inculcating reading habits.

Voltas, through its CSR interventions in Quality Education is striving to enrich the current teaching-learning process by introducing much more child centric, creative, joyful pedagogy. The Company believes that the holistic approach, is a first crucial step to engage with the community stakeholders to sustain their interest in Education and achieve the larger objective of holistic, inclusive and enjoyable education for the marginalised communities, which makes an important building block for sustainable development. Through its various educational initiatives, the Company has impacted over 8900 students in 2019-20. The interventions have also built capacities of over 250 teachers, who in-turn will keep impacting many more children in the years to come.

The need based integrated rural development project in Dadra dealt with irrigation and improved agricultural practices in the hamlets of Dadra. The three-pronged strategy of the project was to build capabilities of the farmers with respect to improved agricultural practices, support them in availing Government livelihood schemes and programs, and hand-hold them to get into livelihood

activities. The agricultural projects with demonstration plots offered hands-on training in vegetable farming, animal husbandry and poultry as allied activities. The project directly impacted around 500 people in the hamlets directly.

(c) Issues of National Importance

There are three sub-themes under this vertical, namely Disaster Management, Affirmative Action (for inclusion of socio-economically weaker sections in the development process) and Sanitation.

Participatory Ground Water Management in Beed District of Maharashtra aimed at long-term intervention to address water scarcity in the perennially drought prone area. In phase two of the program, six needy villages have been identified for Participatory Ground Water Management. The program aims at improving the lives of people through adoption of integrated approach for Water Resource Management, Sustainable Agriculture and Livelihood Enhancement.

The program aims at reducing the impacts of drought by undertaking various water conservation and recharging measure with people's participation. The thoughtfully designed project also has a systematic approach to situational analysis before intervening, so as to ensure mid-term and end-line impact assessment.

The program will benefit a population of over 13,000, covering 3,435 families, of which around 40% families fall under SC/ST/NT category.

Under Affirmative Action besides reaching out to SC/ST youth through its various program by default, Voltas is also making an effort of reaching out to them through some exclusive programs, designed to cater to their needs. Electrical or Plumbing training through skilling centre at Panvel or Stitching and tailoring classes at Bethany Panvel, mainly aim at supporting the beneficiaries to be gainfully employed.

On projects of National Importance, Voltas also initiated an integrated sanitation project in Waghodia near Vadodara in Gujarat, in partnership with Tata Trusts. It has 4 components: (1) Household Toilets (2) School Sanitation (3) Solid Waste Management and (4) Menstrual Hygiene Management. The project emphasizes community participation and convergence with Government programs and schemes and is being implemented in 5 villages around Voltas Waghodia Plant.

11. Corporate Social Responsibility (CSR)

Disclosure as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 in prescribed form is enclosed as Annexure I to the Directors' Report.

During the financial year 2019-20, the Company has spent ₹ 10.10 crores (as compared to 2% spend requirement of ₹ 9.95 crores) towards various CSR activities, in line with the requirements of Section 135 of the Companies Act, 2013 ('Act'). Details of composition of CSR Committee and Meetings held during 2019-20 are disclosed in the Corporate Governance Report.

12. Subsidiary/Joint Ventures/Associate Companies

The Company has 9 subsidiaries, 5 joint ventures and 2 associate companies.

As per the requirements of Section 129(3) of the Act, a statement containing salient features of the financial statements of subsidiaries, joint venture and associate companies in prescribed Form No. AOC-1 is attached to the financial statements of the Company. Further, pursuant to Section 136 of the Act, the stand-alone financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries are available on the website of the Company - www.voltas.com

The Policy for determining material subsidiaries of the Company has also been provided on the Company's website at https://voltas.com/assets/mg/sustainability/corp_gov/pdf/38085.pdf

Performance of key operating subsidiary and joint venture companies in India are given below:

- Universal Comfort Products Limited (UCPL), a wholly owned subsidiary of the Company, engaged in the business of manufacturing air conditioners, reported turnover of ₹ 1,242 crores and profit before tax of ₹ 105 crores for the year ended 31 March, 2020 as compared to ₹ 924 crores and ₹ 75 crores, respectively in the previous year. UCPL has recommended dividend of 175% (₹ 48 crores), same as last year.

Amalgamation of UCPL with the Company: The Directors of the Company have at the Board Meeting held on 27 September, 2019, approved a proposal for amalgamation of UCPL with the Company with

effect from 1 April, 2019 (Appointed Date). This would enhance the shareholders value by leveraging the synergies of doing business; enable a common governance structure and effective management of compliances; result into consolidation of business to ensure more focused operational efforts; reduce administrative costs and overhead expenses. Further, it would streamline the overall structure by reducing the number of entities, legal and regulatory compliances required at present and rationalise the costs by eliminating multiple record keeping and administrative functions. Based on an application made, the National Company Law Tribunal (NCLT), Mumbai has dispensed with the requirement of convening the Shareholders as well as Creditors Meeting of the Company. However, NCLT has advised to send Notice of amalgamation to all the Regulatory Authorities. The Company would initiate the process once the lockdown is lifted and the overall situation resumes normalcy.

- Rohini Industrial Electricals Limited (RIEL), a wholly owned subsidiary of the Company, is engaged in the business of undertaking rural electrification projects. RIEL has reported turnover of ₹ 451 crores and profit before tax of ₹ 12 crores approx. in 2019-20 as compared to ₹ 542 crores and ₹ 13 crores approx. respectively, in the previous year.
- Voltbek Home Appliances Private Limited (Voltbek) has in its first full year of operations (2019-20) made good progress and reported turnover of ₹ 290 crores. Voltas Beko products have been well accepted by the Consumers as well as the Trade and despite being a new brand, Voltbek had a market share of around 1.9% in February 2020, both in Frost Free Refrigerators and Washing Machines. Voltbek has set up its manufacturing plant at Sanand in Gujarat and the factory was inaugurated on 30 January, 2020 and was attended by large number of dignitaries, including senior members of Koç family. The factory has come up well and all the equipment and machinery are running and operational. Voltbek had produced around 4,000 Direct Cooled (DC) Refrigerators in March 2020 of which around 3,000 were sold before the lockdown was announced. The DC Refrigerators are priced appropriately and well accepted by the market. The paid-up capital of Voltbek as on 31 March, 2020 was ₹ 684 crores. During 2019-20, the Company

invested ₹ 138 crores in the share capital of Voltbek and the Company's total investment in Voltbek (49% share) was ₹ 335 crores approx.

There have been no material changes in the nature of the business of the subsidiaries, including associates and joint ventures during the financial year 2019-20.

13. Number of Board Meetings

During 2019-20, nine Board Meetings were held on 9 May, 2019; 11 June, 2019; 7 August, 2019; 12 August, 2019; 27 September, 2019; 6 November, 2019; 10 January, 2020; 7 February, 2020 and 12 March, 2020.

14. Policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director

Based on the recommendation of the Nomination and Remuneration Committee (NRC), the Board has adopted the Remuneration Policy for Directors, KMPs and other Employees. NRC has formulated the criteria for determining qualifications, positive attributes and independence of an Independent Director and also the criteria for Performance Evaluation of individual Directors, the Board as a whole and the Committees. The Company's policy on Directors' appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the Corporate Governance Report, which is a part of this report and is also available on https://voltas.com/assets/img/sustainability/corp_gov/pdf/98899.pdf

15. Evaluation of Performance of Board, its Committees and of Directors

Pursuant to the provisions of the Act and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Board has carried out an evaluation of its own performance, Committees and performance of individual Directors. The performance of the Board as a whole, Committees and individual Directors was evaluated by seeking inputs from all Directors based on certain parameters as per the Guidance Note on Board Evaluation issued by SEBI on 5 January, 2017, such as: Board structure and composition; Meetings of the Board in terms of frequency, agenda, discussions and dissent, if any, recording of Minutes and dissemination of information; Functions of the Board including governance and compliance, evaluation of risks, stakeholder value and responsibility, Board and Management including evaluation of performance of the

management. The Directors also made a self-assessment of certain parameters - Attendance, Contribution at Meetings and guidance/support extended to the Management. The feedback received from the Directors was discussed and reviewed by the Independent Directors at their annual separate Meeting held on 9 March, 2020 and also shared with the NRC/Board. At the separate annual Meeting of Independent Directors, performance of Non-independent directors, including Chairman, Board as a whole and various Committees was discussed. The Independent Directors in the said Meeting also evaluated the quality, quantity and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties and expressed their satisfaction in respect thereof. The performance of the individual Directors, performance and role of the Board/ Committees was also discussed at the Board Meeting held on 29 May, 2020. Performance evaluation of Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

16. Statutory Auditors

At the 63rd Annual General Meeting (AGM) held on 28 August, 2017, the Members had approved the appointment of S R B C & Co. LLP (SRBC) as Statutory Auditors as well as Branch Auditors of the Company, to examine and audit the accounts of the Company for five consecutive financial years between 2017-18 and 2021-22. The Auditors' Report for the financial year 2019-20 does not contain any qualification, reservation or adverse remarks, except for Key Audit Matters and impact assessment of COVID-19.

17. Cost Auditors

The Company has maintained the accounts and cost records as specified by Central Government under Section 148(1) of the Companies Act, 2013. The Board had appointed M/s. Sagar and Associates, Cost Accountants as the Cost Auditors for the financial year 2019-20 and they have been re-appointed as Cost Auditors of the Company for the financial year 2020-21. Approval of the Members is being sought for ratification of their remuneration at the ensuing AGM.

18. Secretarial Auditor

M/s. N. L. Bhatia and Associates, the Practising Company Secretaries were appointed as Secretarial Auditor to undertake Secretarial Audit of the Company for the year 2019-20. Their Secretarial Audit Report, in prescribed Form No. MR-3, is annexed to the Directors Report as Annexure

IV, and does not contain any qualification, reservation or adverse remarks. M/s. N. L. Bhatia and Associates have been re-appointed as the Secretarial Auditor for the financial year 2020-21.

19. Audit Committee

The Audit Committee presently comprise Mr. Zubin Dubash (Chairman), Mr. Debendranath Sarangi and Mr. Arun Kumar Adhikari, all Independent Directors, in line with the requirements of Section 177 of the Act. Mr. Nani Javeri ceased to be the Chairman of Audit Committee upon expiry of his term as an Independent Director on 31 August, 2019. Mr. Zubin Dubash who was appointed as an Independent Director of the Company at the last Annual General Meeting on 9 August, 2019 was appointed as a Member of Audit Committee and thereafter, as the Chairman, upon retirement of Mr. Nani Javeri. The Board has accepted the recommendations made by the Audit Committee from time to time. Details of Audit Committee Meetings held during the year 2019-20 have been disclosed in the Corporate Governance Report.

20. Internal Financial Controls

The Internal Financial Controls (IFCs) and its adequacy and operating effectiveness is included in the Management Discussion and Analysis, which forms part of this Report. The Auditors Report also includes their reporting on IFCs over Financial Reporting.

21. Risk Management

Pursuant to Section 134(3)(h) of the Act and Regulation 21 of Listing Regulations, Risk Management Committee is in place comprising Mr. Zubin Dubash (Chairman), Mr. Debendranath Sarangi and Mr. Arun Kumar Adhikari. Mr. Nani Javeri ceased to be member of the Committee upon his retirement on 31 August, 2019. The Company has formulated a Risk Management Policy to establish an effective and integrated framework for the risk management process. During 2019-20, two meetings were held on 26 September, 2019 and 9 January, 2020 where, the top 10 risks identified for the Company and various mitigation measures in respect thereof were reviewed and discussed.

22. Particulars of Employees

The information required under Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

(a) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year:

Directors	Ratio to median remuneration
Mr. Noel N. Tata	0.57
Mr. Nani Javeri (upto 31 August, 2020)	*
Mr. Vinayak Deshpande	0.30
Mr. Debendranath Sarangi	3.73
Mr. Bahram N. Vakil	3.68
Ms. Anjali Bansal	3.04
Mr. Hemant Bhargava	0.79
Mr. Arun Kumar Adhikari	2.84
Mr. Zubin Dubash (w.e.f 9 August, 2019)	*
Executive Directors	
Mr. Pradeep Bakshi Managing Director & CEO	58.26
Mr. Anil George Deputy Managing Director & CFO	51.83

* Since the remuneration of these Directors is only for part of the year, the ratio of their remuneration to median remuneration is not comparable and hence not stated.

Note: Ratio of Remuneration of Directors is computed based on Sitting fees and Commission paid during 2019-20. However, in line with the internal guidelines, no commission has been paid since last year onwards (for 2018-19 and 2019-20) to Mr. Noel N. Tata and Mr. Vinayak Deshpande as they are in full time employment with another Tata company. They are paid Sitting fees only.

(b) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary	% increase in remuneration in the financial year
Mr. Noel N. Tata	13.33
Mr. Pradeep Bakshi (MD & CEO)	15.86
Mr. Anil George (Deputy MD & CFO)	16.36
Mr. Nani Javeri (upto 31 August, 2020)	*
Mr. Vinayak Deshpande	-10.00
Mr. Debendranath Sarangi	-4.84
Mr. Bahram N. Vakil	-18.03
Ms. Anjali Bansal	-26.45
Mr. Hemant Bhargava	-0.45

Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary	% increase in remuneration in the financial year
Mr. Arun Kumar Adhikari	61.27
Mr. Zubin Dubash (w.e.f 9 August, 2019)	*
Mr. V.P. Malhotra (Company Secretary)	9.33

* Since the remuneration is for part of the year, the percentage increase in their remuneration is not comparable and hence not stated.

(c) Percentage increase in the median remuneration of employees in the financial year:

26.36%

(d) Number of permanent employees on the rolls of Company:

2,777 employees.

(e) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstance for increase in managerial remuneration:

7.57% for Employees other than Managerial Personnel. Average increase in remuneration of Managerial Personnel (MD and DMD) is 16.10%.

(f) Affirmation that the remuneration is as per the Remuneration policy of the Company:

The Company affirms that the remuneration paid is as per the Remuneration policy of the Company.

(g) A statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees 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 a separate Annexure forming part of this Report. Further, the Report and the Accounts are being sent to the members excluding the aforesaid Annexure. In terms of Section 136 of the Act, the said Annexure is open for inspection at the Registered Office of the Company.

Any shareholder interested in obtaining a copy of the same may write to the Company Secretary. None of the employees listed in the said Annexure are related to any Director of the Company.

23. Employee Stock Option

The Company has not issued any Employee Stock Options.

24. Conservation of energy, technology absorption, foreign exchange earnings and outgo

Information pursuant to Section 134(3)(m) of the Act, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given as Annexure II to this Report.

25. Directors and Key Managerial Personnel

In accordance with the provisions of the Act and the Company's Articles of Association, Mr. Pradeep Bakshi and Mr. Vinayak Deshpande retire by rotation and being eligible, offer themselves for re-appointment. Mr. Nani Javeri ceased to be an Independent Director of the Company with effect from 31 August, 2019 upon completion of his term. The Directors place on record their sincere appreciation of the valuable guidance and support given by Mr. Nani Javeri during his long tenure as a Director of the Company.

Mr. Zubin Dubash was appointed as an Independent Director for a term of 5 years with effect from 9 August, 2019 with the approval of the shareholders at the Sixty-Fifth AGM held on 9 August, 2019.

Due to personal commitments, Mr. Abhijit Gajendra Gadkar had tendered his resignation as the CFO and KMP with effect from 30 June, 2019. The Board placed on record their appreciation for the services rendered by Mr. Gajendra Gadkar during his tenure as the CFO of the Company. Consequently, Mr. Anil George was given the additional responsibility of the Chief Financial Officer and was re-designated as the Deputy Managing Director & CFO of the Company with effect from 1 July, 2019.

Mr. Pradeep Bakshi and Mr. Anil George were appointed as Executive Directors of the Company with effect from 1 September, 2017 for a period of three years upto 31 August, 2020. Subsequently, Mr. Pradeep Bakshi was appointed as the Managing Director & CEO and Mr. Anil George as the Deputy Managing Director, with effect from 10 February, 2018 for the remainder period of their contract upto 31 August, 2020. The Nomination & Remuneration

Committee and the Board have at their respective Meetings held on 29 May, 2020, approved the reappointment of Mr. Pradeep Bakshi for a further period of five years with effect from 1 September, 2020, subject to approval of shareholders at the ensuing Annual General Meeting. However, Mr. Anil George, who was also eligible for re-appointment has due to certain personal commitments and plans to migrate outside India to stay with his children, decided not to seek reappointment upon expiry of his existing term of contract on 31 August, 2020. Nevertheless, at the request of the Management, Mr. Anil George has kindly agreed to continue as a Chief Financial Officer (CFO) of the Company for another 2 months, upto around October 2020 so that the Company is in a position to identify and recruit a new CFO of the Company and facilitate smooth transition of the responsibilities of Mr. Anil George to the new candidate.

None of the Directors is the Managing or Whole-time Director of any subsidiary of the Company.

During the year under review, the Non-Executive Directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees, commission and reimbursement of expenses incurred by them (if any) for the purpose of attending meetings of the Board/Committees of the Company.

Mr. Pradeep Bakshi (Managing Director & CEO), Mr. Anil George (Deputy Managing Director and CFO) and Mr. V. P. Malhotra (Vice President-Taxation, Legal and Company Secretary) are the Key Managerial Personnel (KMPs) of the Company, in line with the requirements of Section 203 of the Act.

26. Declaration by Independent Directors

Pursuant to Section 149(7) of the Act, the Company has received declarations from all Independent Directors confirming that they meet the criteria of independence as specified in Section 149(6) of the Act, as amended, read with Rules framed thereunder and Regulation 16(1)(b) of Listing Regulations. In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence and that they are independent of the Management.

The Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act and have also completed and confirmed their registration with the databank of Independent Directors maintained by the Indian Institute of Corporate Affairs in compliance with the requirements of the Companies (Appointment and Qualifications of Directors) Rules, 2014.

27. Corporate Governance

Pursuant to Schedule V of Listing Regulations, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance forms part of the Annual Report. A declaration signed by the Managing Director in regard to compliance with the Code of Conduct by the Board Members and Senior Management personnel also forms part of the Annual Report.

28. Details of establishment of vigil mechanism for Directors and employees

The Company had adopted a Whistle Blower Policy ("the Policy") as required under Section 177(9) of the Act and Listing Regulations. The Policy provides a mechanism for Directors and employees of the Company to approach the Ethics Counsellor/Chairman of the Audit Committee of the Company in case of any concern. The Whistle Blower Policy can be accessed on the Company's website at the link:

https://voltas.com/assets/img/sustainability/corp_gov/pdf/21782.pdf.

29. Particulars of loans, guarantees or investments under Section 186 of the Act during 2019-20

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient are provided in the standalone financial statements (Please Refer to Notes 7, 8, 17 and 41 of the standalone financial statements).

30. Particulars of contracts or arrangements with related parties

During the year under review, the Company did not have any contracts or arrangements with related parties in terms of Section 188(1) of the Act.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act along with the justification for entering into such contracts or arrangements in Form AOC-2 does not form part of the Report, as the same is not applicable.

31. Secretarial Standards

The Company has complied with the provisions of Secretarial Standards on Meetings of the Board of Directors (SS-1) and on General Meetings (SS-2).

32. Directors' Responsibility Statement

Based on the framework and testing of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors, including audit of internal financial controls over financial reporting by the Statutory Auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2019-20. Accordingly, pursuant to Section 134(5) of the Act, the Board of Directors, based on the assurance given of the business operations, to the best of their knowledge and ability, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied their recommendations consistently and made judgements and estimates that are reasonable and

prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit of the Company for that period;

- (iii) they have taken proper and sufficient care to the best of their knowledge and ability, 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;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls were adequate and operating effectively; and
- (vi) they have devised proper system to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

33. Extract of the Annual Return

Pursuant to Sections 92(3) and 134(3)(a) of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return in prescribed Form No. MGT-9 is given as Annexure III to this Report.

34. Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has zero tolerance for sexual harassment at workplace and has adopted a 'Respect for Gender' Policy on prevention, prohibition and redressal of sexual harassment in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. During the end of financial year 2019-20, one complaint was received from a female employee alleging objectionable behaviour by a male employee at one of the branch offices of the Company. The Internal Committee is in the process of investigation.

35. General

The Notes forming part of the Accounts are self-explanatory or to the extent necessary, have been dealt with in the preceding paragraphs of the Report.

On behalf of the Board of Directors

Date: 29 May, 2020
Place: Mumbai

Noel N. Tata
Chairman