

SCHAEFFLER

FAG

M A K E I N I N D I A



# Ten Years' Highlights



(₹ in million)

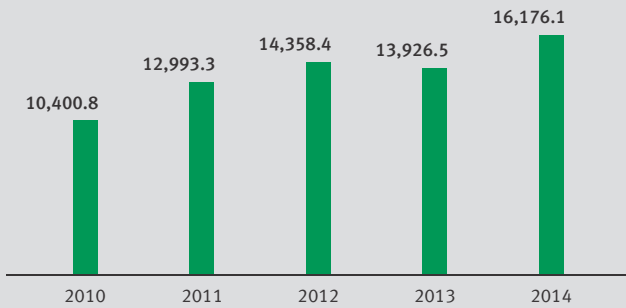
Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>SOURCES OF FUNDS</b>										
Share Capital	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2
Reserves*	10,888.9	9,708.9	8,607.8	7,112.6	5,546.1	4,428.3	3,860.4	2,990.7	2,285.4	1,624.2
Net-Worth*	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6	3,156.9	2,451.6	1,790.4
Borrowings - long-term	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Funds employed	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6	3,156.9	2,451.6	1,790.4
<b>INCOME AND PROFITS</b>										
Sales (net)	16,176.1	13,926.5	14,358.4	12,993.3	10,400.8	7,976.9	7,444.1	6,413.0	5,420.4	4,083.2
Gross operating profit	2,826.9	2,294.5	2,650.4	2,848.1	2,054.4	1,318.8	1,728.0	1,412.5	1,290.1	854.5
Profit before tax	2,323.7	1,854.4	2,334.7	2,609.6	1,818.8	995.8	1,473.5	1,244.8	1,107.8	677.6
Tax	794.9	636.1	742.9	849.9	603.8	340.4	516.3	449.5	370.8	198.7
Profit after tax	1,528.8	1,218.3	1,591.8	1,759.7	1,215.0	655.4	957.2	795.3	737.0	478.9
Dividend Per Share (₹)**	7.5	6.0	5.0	10.0	5.0	4.5	4.5	4.0	4.0	3.5
Retained earnings	1,383.0	1,101.0	1,495.2	1,566.5	1,117.8	567.9	869.7	715.5	661.2	412.0
<b>OTHER DATA</b>										
Gross fixed assets	7,594.8	7,554.5	7,148.5	5,320.7	4,275.9	4,200.4	4,152.7	3,741.1	3,525.7	3,058.6
Net worth per equity (₹)	665.3	594.3	528.0	438.0	343.8	276.5	242.3	190.0	147.5	107.7
Debt equity ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current ratio	3.4	2.4	2.9	2.7	3.1	3.2	2.8	2.5	2.1	1.8
Production (Nos. in million)	112.3	91.6	80.7	78.3	67.7	47.7	46.4	45.1	44.1	32.3
Sales (Nos. in million)	112.7	92.9	81.5	77.4	66.3	49.2	45.4	44.6	43.0	32.1
Employees (Nos.)#	1,477	1,495	1,580	1,456	1,343	1,334	1,375	1,282	1,157	1,037
Shareholders (Nos.)#	8,701	7,808	8,465	8,205	7,876	7,276	7,623	7,439	7,714	8,033

\*Excluding revaluation reserve \*\*Proposed # As on December 31

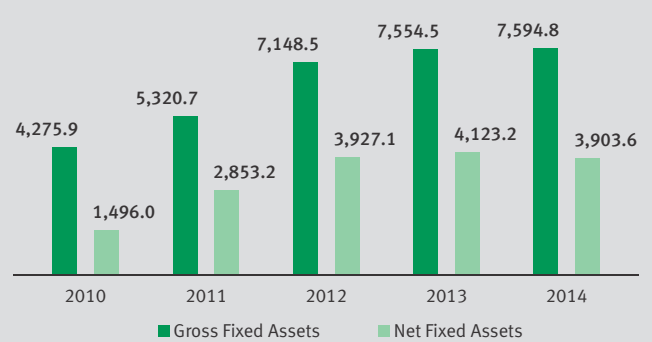
## Performance Highlights

(₹ in million)

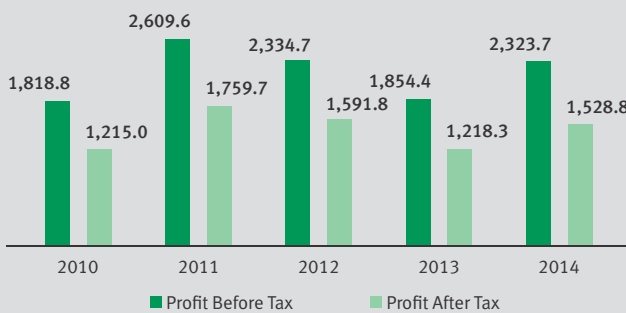
### Net Sales



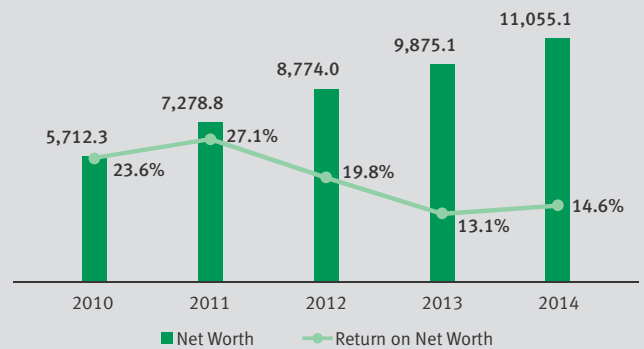
### Gross and Net Fixed Assets



### Profit Before Tax and Profit After Tax



### Net Worth and Return on Net Worth



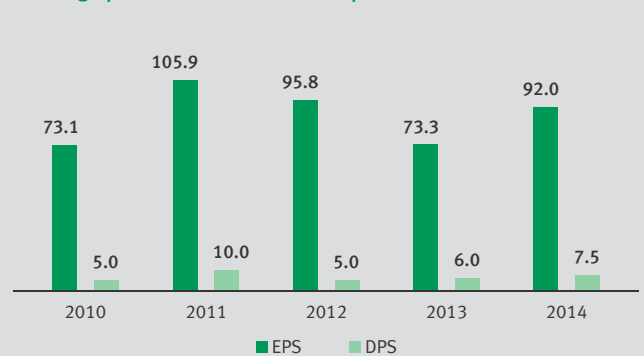
### Book Value per Share

(In ₹)

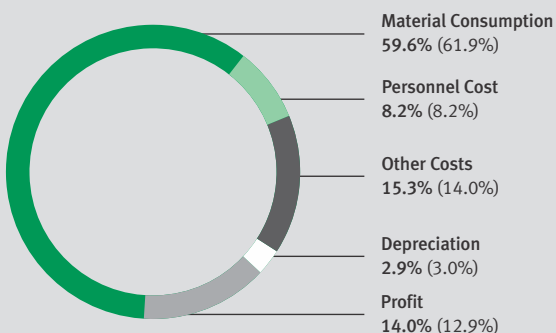


### Earnings per Share and Dividend per Share

(In ₹)

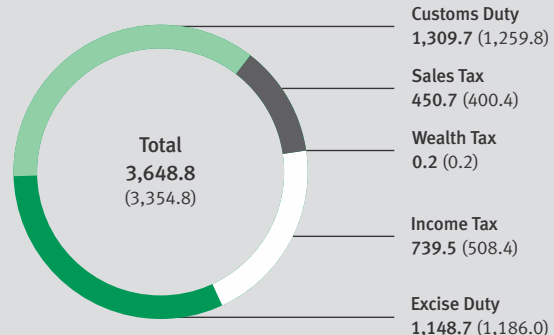


### Distribution of Income



### Contribution to Exchequer

(₹ in million)



Bracket denotes previous year's figures

# Highlights 2014

## Contributing to Honda's 'Power of Dreams'

Honda Motorcycle & Scooters India Limited recognized FAG India as a

## 'QCD Competitive Multi-sourcing Supplier'

commending FAG's excellent level of quality products and business support provided during the year 2014.



## Spinning Success with Rieter India

Rieter India Pvt. Ltd, the Swiss MNC and a global leader in Textiles Spinning Systems with plants in India, recognized FAG India's reliability when they awarded us as

## 'Best Delivery Supplier'

during the year 2014.



## JOSH Jeet Ka

Year 2014 marked the 50th anniversary of commencement of production at Vadodara plant. FAG used this opportunity to invigorate energy and spirit among its employees.

Our celebration for this event was aptly named 'Josh Jeet Ka' to reflect the fighting spirit, teamwork and winning attitude of our employees over past many years.



## Skilling Up to Scale Up

At FAG, we believe that development of our business and development of our people are closely linked.

We emphasize on continuous skill up-gradation of all our employees. It was a matter of pride for us when one of our employees received the Gold trophy at Work Skill India regional competition organized by CII.





## Maruti Suzuki Counts on Us

Maruti Suzuki recognized FAG India with an award for

### 'Focused Cost Down'

approach towards introduction of new car models in competitive Indian market.



## Co-creating the Future

FAG partners with its key customers at an early stage of product development process. This often involves investments in new processes that are necessary to provide innovative solutions in response to customers' challenges.

At our plant in Savli, we commissioned the advanced Black Oxidation facility in presence of top management of ZF Wind Power Coimbatore. Savli with its set up of global standards is now fully equipped to manufacture and provide advanced technology solutions for wind applications.



## Continuous Improvement

We encourage participation of all employees towards our endeavour for continuous improvement in all spheres of our business. Employees work in team and achieve remarkable results by following structured kaizen approach. In a competition organized by ACMA, one of the kaizens presented by our employees was awarded Best Kaizen trophy under 'Cost Category'.



## Excellence in Quality

FAG always aims for ZERO defect quality. Breakthrough in Quality performance is only possible by involvement of all our employees.

Our employees learn, train, re-learn and apply quality principles in their daily work. They always strive to showcase their experience & knowledge and prove their mettle to the outside world.

FAG India employees won 5 Gold, 1 Silver and 1 Bronze trophies in the Quality Circle Competition organized by Quality Circle Forum of India (QCFI).



# Board of Directors

Mr. Avinash Gandhi



Mr. Rajendra Anandpara



Mr. Dietmar Heinrich



Dr. Sanak Mishra



Mr. R. Sampath Kumar

Mr. Klaus Rosenfeld



Mrs. Renu Challu



Mr. Rakesh Jinsi



Mr. Frank Huber

### Key Managerial Personnel



Mr. Satish Patel



Mr. Raj Sarraf





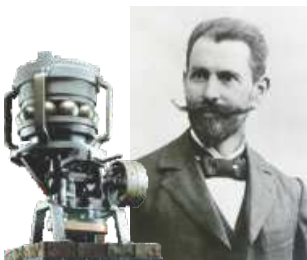
"As we look back, we are reminded of three milestones that defined our company's manufacturing footprint in India: Start of production at Vadodara plant in 1964, setting up of Export Oriented Unit in 1997 and recent commissioning of the best-in-class Savli plant in 2012. Each of this has played and will play a decisive role in shaping the future of our company."

Sameer Mathur | Chief Operating Officer

## Make In India

Human progress is closely linked with progress in industrialization. Desire to improve quality of life, desire to explore new places, desire to stay connected with near and dear ones – have inspired humans to constantly think of new ideas. We found innovative ways to overcome the forces of nature, developed new tools and discovered new sources of energy to power our dreams.

For example, the need for mobility led to invention of wheel, a symbol of progress, more than six thousand years ago. Invention of automotive engine gave power to the wheels. Invention of the ball grinding machine by Friedrich Fischer, the founder of FAG, set the foundation for modern rolling bearings in 1883. Since then, continuous technological progress in rolling bearings has facilitated rapid progress in mobility concepts.



Friedrich Fischer's innovation of ball grinding machine in 1883 that set the foundation of modern rolling bearing industry in India. Fischer's company FAG (Fischers Aktien-Gesellschaft) is today, a part of 12 bn Euro Schaeffler Group.

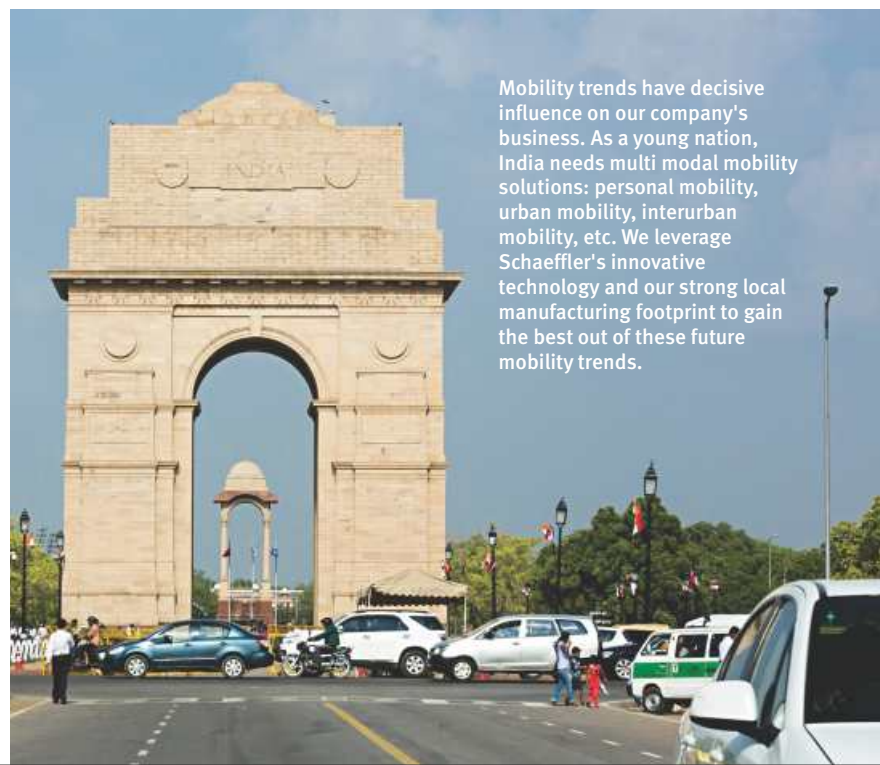
Manufacturing makes innovation, a reality. While design gives shape to an idea, it is manufacturing that transforms the idea into its intended physical form. Successful countries therefore always invest in Innovation, Development and Manufacturing.

Strong manufacturing forms the backbone of an economically strong and progressive nation.

Post India's independence, especially in 1950s and 1960s, many progressive entrepreneurs invested in manufacturing and dreamt of leveraging manufacturing to power economic progress of the country. Your company FAG Bearings India Ltd. (then Precision Bearings India Ltd.) was born out of one such dream. While the Company was registered in 1962, production commenced in 1964 at Maneja, Vadodara. In 2014, we achieved a milestone of 50 years of production in India. 50 years of fulfilling a golden dream called 'Make in India'.



In 2014, Vadodara plant completed 50 years of production.



Mobility trends have decisive influence on our company's business. As a young nation, India needs multi modal mobility solutions: personal mobility, urban mobility, interurban mobility, etc. We leverage Schaeffler's innovative technology and our strong local manufacturing footprint to gain the best out of these future mobility trends.





Over past decades we have moved many ideas. Whether it was developing and supplying reliable bearings to Indian Railways or being the first Indian supplier to Maruti, FAG was always there contributing in its small way, to help the nation move on the path of progress.

In 1997 with the commencement of India's first 100% Export Oriented Unit in India, we successfully introduced 'Made in India' bearings to global markets.

Following Schaeffler's global approach 'In the region – For the region', we have continued to invest in new technologies, have increased production capacities and built development competence to stay contemporary and competitive. Affirming

our commitment to reach global standards of excellence in manufacturing, we set up a world-class production facility at Savli near Vadodara and are confident that this new footprint will serve as a basis to support the future manufacturing growth of our company for many years to come.

Today, India stands on a cusp of major challenge. It prepares to transform itself towards a path of unprecedented economic progress. 'Make in India' captures India's vision to grow share of country's manufacturing sector from 15% to 25% of India's GDP. A vision that motivates us to further strengthen our manufacturing and engineering footprint in India as a foundation of our long-term, sustainable growth strategy.



"In recent years, while we invested a lot in modernizing the Vadodara plant, we were quick to realize that together with upgradation of technology, we would need to invest in renewal of people capabilities. Our refresher program on Q Basics was born out of this need. We focused on enhancing Five S and problem solving skills of all our employees. We implemented Line Challenger - a reverse FMEA initiative with vigour. We now notice a great enthusiasm among our employees to produce Zero Defect Quality."

Sathyanarayanan Gopalakrishnan | Plant Manager - FAG Vadodara Plant

## Growing with Markets

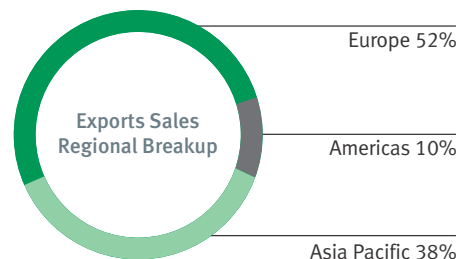
The Vadodara plant started its operation with the production of ball bearings, a product which even today forms the largest part of our local production. Ball bearings produced in Vadodara plant are used in cars, trucks, motorcycles, electric motors, material handling equipment and so on. In fact, there is hardly any rotating application where ball bearings are not used.

As the pace of industrialization grew in India, so did the capacity at our Vadodara plant. In essence, our Vadodara plant mirrors the development of Indian market over the years. Starting with one production hall, Vadodara plant today houses five production halls. Besides adding capacities in ball bearings, the plant now produces cylindrical roller bearings, spherical roller bearings, wheel bearings and a small volume of tapered roller bearings.

Keeping pace with the growth in Indian market and responding to dynamism that is inherent in Indian business, the plant at Vadodara has regularly adapted itself to become a mid-volume and flexible yet efficient production set-up. With Vadodara plant's ability to handle complexities effectively, we have constantly expanded our product portfolio and have developed capabilities to meet our customers' expectations of supplying a wide range of products within short delivery periods.



Ball Bearings have wide ranging applications across different sectors



**Export by Region:** Small size Cylindrical Roller Bearings produced at Vadodara plant are successfully exported to customers in many countries.



Since many years, Spherical Roller Bearings and Cylindrical Roller Bearings made at FAG's Vadodara plant have been extensively used for diverse Railway applications





Change has been the only constant at Vadodara plant. As a matured plant, it has constantly renewed itself to embrace modern principles of productivity. MOVE, Schaeffler Group's worldwide program that involves all our employees and is aimed at achieving continuous improvement in all areas of operations has been a moving force at FAG. Based on the principles of 'Lean Management', we have initiated a number of MOVE projects to cut waste and free up excess resources for productive use. MOVE provides the necessary energy and impetus to our plants towards realizing operational excellence.

While our customers' expectations on quality parameters have constantly changed and grown; our commitment to provide Zero Defect quality has remained constant, at all times. This year, we accelerated the implementation of our proven

'Fit for Quality' program at Vadodara plant. By launching initiatives like 'Daily Quality', by re-training our employees on 'Quality Basics' and by taking up 'Line Challenger' initiatives, we were successful in making our processes robust, and substantially reduce customer concerns on quality.

At FAG, we believe that success of a manufacturing organization can only be enhanced, when we continuously upgrade our process and people capabilities, make interfaces seamless, demand high standards from each other and raise the bar well above market expectations. Years of experience at Vadodara plant helps us to achieve just that. We call it Excellence.



"Innovation requires thinking ahead of times and pioneering spirit. At FAG, we realize tomorrow's solution, today. By investing in new ideas and processes, we drive technological progress forward."

Javed Shaikh | Application Engineer

## From a standard product, to a better product, to a perfect solution.

As a member of the Schaeffler Group, we imbibe innovative strength as a central organizational philosophy. Our ability to turn innovations into top class products is a decisive factor in organizational success.

We see immense potential in improving performance capability and functionality of a seemingly simple looking product like bearing. Our X-life range of bearings is one example of how high quality leads to high performance.



X-life products are characterized by significantly higher dynamic load ratings than the previous standard products. Under the same conditions, the operating life of X-life bearings is significantly longer or alternatively, higher loads can be applied while maintaining the same rating life values. The state-of-the-art manufacturing technologies enable a better and more uniform surface over the whole contact zone between the rolling elements and raceways. The internal construction is designed for optimum functionality. The end result is a bearing with higher dynamic load rating, longer nominal rating life, less friction, lower bearing temperatures as well as a reduction in the strain on the lubricant.

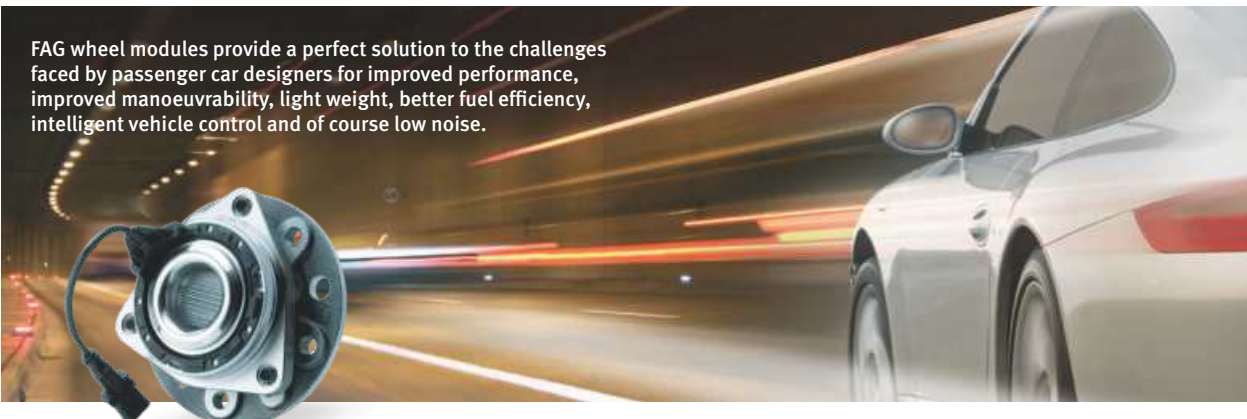
At Vadodara plant, we have invested in upgradation of manufacturing technology and have created prerequisites for production of X-life bearings. Cylindrical Roller bearings and Spherical Roller bearings with X-life label produced at Vadodara plant have become the first choice of our customers in diverse sectors.

Our approach towards finding a perfect solution, is now extended to life cycle performance. FAG SmartCheck is a cost effective, innovative online measuring system for continuous monitoring of machine and process parameters on a decentralized basis. In India, we partnered with an OEM customer in Power Transmission Sector to install FAG SmartCheck as an OE fitment in gearbox. As increasing competition drives companies to reduce their maintenance costs, we see opportunity to leverage the SmartCheck advantage and find a perfect productivity solution for our customers.



FAG SmartCheck is the innovative device for ensuring the availability of all machines - today and tomorrow.

FAG wheel modules provide a perfect solution to the challenges faced by passenger car designers for improved performance, improved manoeuvrability, light weight, better fuel efficiency, intelligent vehicle control and of course low noise.







In the automotive sector, boundary conditions are changing quicker than ever before. Passenger cars and light vehicles have been continuously improved to meet customer expectations of faster, safer and efficient mobility. The expectations of light vehicle include improved performance, improved manoeuvrability, lighter weight, better fuel efficiency, intelligent vehicle control and of course low noise. FAG Wheel Modules provide just the perfect solution to these challenges.

The conventional solution featuring two individual bearings was replaced with a compact double row angular contact bearing with integrated seals. That was the evolution of FAG 1st Generation wheel bearings. Other wheel components such as knuckles and hub were then integrated with bearings, leading to development of 2nd and 3rd Generation FAG wheel

bearing designs. These designs have been constantly improved to incorporate features that contribute to higher safety, zero maintenance and environment friendliness.

FAG was ahead of time when, in 1999, it set up production facilities for 1st Generation wheel bearings at Vadodara plant. Since then, we have won our customers' confidence by leveraging innovative ideas, creative engineering and comprehensive manufacturing expertise. Wheel bearing production at Vadodara plant has been regularly expanded since then.

Today, our sophisticated facilities at Vadodara plant are not only capable of high volume production of 1st, 2nd and 3rd Generation wheel bearings; we have also set basis for excellence in product quality and performance.



"At Savli, robust process orientation forms the backbone of our approach towards operational excellence. We harness and align the capabilities of our processes and people to reach global standards of quality and productivity. We realize that quality and productivity are moving targets; and we still have a long way to go. But having taken the first steps right, we are confident of meeting future challenges, successfully."

Chinmaya Mishra | Plant Manager - FAG Savli Plant

## Setting Global Standards

'Make in India' dream can become successful only when quality and productivity of Indian manufacturing beat global benchmarks. It was with this vision of reaching global standards of manufacturing excellence that we set up a modern manufacturing facility at Savli near Vadodara.

We focused on 3Ps to realize our vision – Excellence in Plant, Process and People. Collaborative endeavours of six Schaeffler entities located in different parts of the world ensured that Savli plant receives the best of Schaeffler know-how and is built to global standards.

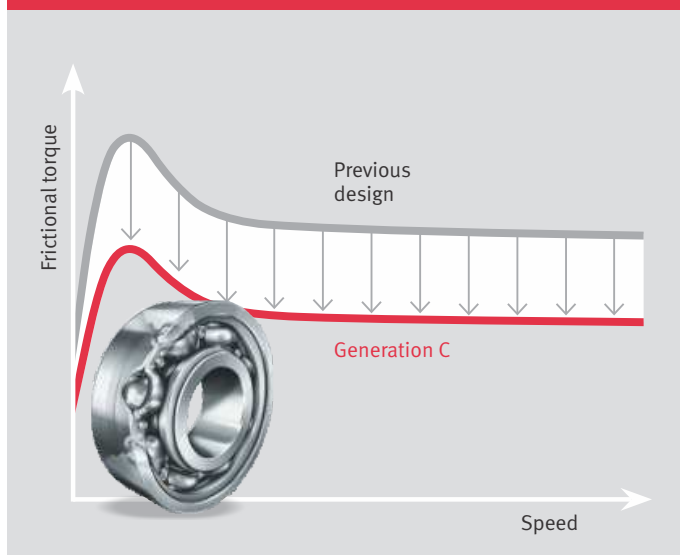
A sophisticated plant requires highly skilled and motivated employees so that it can perform to its potential. We trained our employees extensively in India as well as at our lead plants in Europe before Savli plant was commissioned.

Positive results of this 3P approach are beginning to show. In a short span of 2 years, the Savli plant has successfully realized global standards of quality and productivity in its operations. For our valued customers this means high quality and high performance of FAG Bearings.



Operating conditions in wind turbine are very demanding. FAG's customised designs with special surface treatment to reduce wear and rust provide perfect solution for critical applications

### Deep groove ball bearing Generation C: Benchmark in energy efficiency



A case in point is the low friction Generation C Ball Bearing that we produce at Savli. These technologically advanced deep groove ball bearings experience significantly less friction-induced performance losses compared to previous generation. Improved materials and surface quality, increased ball precision, redesigned cages, use of special greases and highly efficient seal design, have all contributed to this improvement. To our customers this means, reduced energy consumption, significantly longer operating life, less noise and less heat even at high speeds and overall a performance that delights.



Large size bearings from Savli plant are customized for demanding applications.





Besides manufacturing of low friction ball bearings, Savli also houses production facility for Large Size Bearings (LSB). Our plant at Vadodara can produce bearings up to 320mm outside diameter. With LSB facility at Savli, the manufacturing scope has been extended to outside diameter of ~ 1 meter.

The production of Large Size Bearings is a different ball game. Instead of producing large or medium volume of standard parts which is characteristic of our existing plants, the LSB plant focuses on production of low volume, application-specific products. Over the past two years, Savli has developed a large number of products for application in gearboxes, large electric motors, coal pulverising mills, wind power, mining, steel and

other heavy industries – All in line with exacting specifications.

For example, in Wind Gearboxes, bearings must operate reliably under extreme operating conditions. With Schaeffler's competence in surface technology, we installed black oxidation plant at Savli, thus fulfilling essential quality pre-requisites for Wind Gearbox application.

Savli plant's LSB production volumes remained small in 2014. But with technological competence acquired, this plant will play a greater role in fulfilling bearing requirements for critical applications in the future.





## Global Competence in India

At FAG, we realize our customers' growing expectations not only by producing excellent quality but also by applying our keen engineering know-how. Our application engineers are trained to see the 'Big Picture in Small Things'. So, besides bringing in expertise in bearing domain, our engineers also develop sub systems and systems know-how and are capable of analyzing, simulating, optimizing interfaces and influences in bearing applications. It is this technical competence that makes FAG the preferred development partner of our customers.

This year Schaeffler Headquarters recognized our high standards of technical expertise when it certified FAG India as the first Schaeffler Technology Centre in India after an extensive competence audit and thus put us on the map of Global Technology Network.



## COMPANY INFORMATION

### Board of Directors

<b>Chairman</b>	Mr. Avinash Gandhi
<b>Managing Director</b>	Mr. Rajendra Anandpara
<b>Directors</b>	Mr. Klaus Rosenfeld Mr. Dietmar Heinrich Mr. Frank Huber Mr. R. Sampath Kumar Dr. Sanak Mishra Mrs. Renu Challu Mr. Rakesh Jinsi

### Key Managerial Personnel

<b>Chief Financial Officer</b>	Mr. Satish Patel
<b>Company Secretary</b>	Mr. Raj Sarraf

<b>Bankers</b>	ICICI Bank Limited
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<b>Auditors</b>	B S R & Co. LLP, Chartered Accountants
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<b>Collaborators</b>	Schaeffler Group, Germany
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<b>Registered Office</b>	Nariman Bhavan, 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021, Maharashtra, India
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<b>Head Office</b>	P.O. Maneja, Vadodara - 390 013 Gujarat, India
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<b>Manufacturing Location / Plant</b>	1. P.O. Maneja, Vadodara - 390 013 Gujarat, India 2. Plot No.1 (Alindra), Savli GIDC Phase - III, Taluka: Savli, Vadodara - 391 775, Gujarat, India
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<b>Sales Offices</b>	Bengaluru, Chennai, Kolkata, Coimbatore, Hyderabad, Udaipur, Mumbai, New Delhi, Pune, Jamshedpur, Kanpur, Ludhiana
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## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 52<sup>nd</sup> Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2014.

### Financial Highlights

Year	2014	2013	(₹ in million)
<b>TOTAL INCOME (Net)</b>	<b>16,731.0</b>	<b>14,482.8</b>	
Gross Operating Profit (Earnings before depreciation, interest, tax and prior period adjustments)	2,826.9	2,294.5	
Depreciation / Amortisation	493.5	432.5	
Interest (Net)	9.7	7.6	
Prior period adjustments	–	–	
<b>PROFIT BEFORE TAX</b>	<b>2,323.7</b>	<b>1,854.4</b>	
Provision for Tax	794.9	636.1	
<b>PROFIT AFTER TAX</b>	<b>1,528.8</b>	<b>1,218.3</b>	
Balance brought forward	6,490.3	5,739.3	
Profit available for appropriation	8,019.1	6,957.6	
<b>APPROPRIATIONS</b>			
Proposed dividend	124.6	99.7	
Income tax on dividend	21.2	17.6	
Transfer to General Reserve	400.0	350.0	
Balance carried to Balance Sheet	7,473.3	6,490.3	
	<b>8,019.1</b>	<b>6,957.6</b>	



### Financial and Operational Performance

#### Economy

After witnessing low GDP growth of 4.7 % in FY 2013-14, the year 2014 saw moderate improvement in the country's economic climate. GDP growth in the first six months of financial year 2014-15 improved to 5.5%. Service sector continued its strong growth trend while Agriculture too, contributed through reasonable development. Development of Industrial Production though remained very erratic as reflected in the Index of Industrial Production (IIP) which grew very modestly at 1.5% during the year 2014.

Inflation remained in control as the Wholesale Price Index (WPI) continued the trend of deceleration. A sharp drop in crude oil prices, pushed WPI trend further south – from high of 6% in May 2014, WPI dropped to just 0.1% by December 2014.

After the historic general elections in May 2014, a new majority government at the Centre was formed in India. There are high expectations that a strong government not constrained by coalition politics will usher in significant reforms that can

accelerate growth in the medium term.

Despite positive sentiments, the year 2014 saw lacklustre momentum in investment cycle. RBI continued its conservative approach on interest rates and only marginally reduced the repo rate by 25 bps in January 2015.

On the Foreign Exchange Rate front, after a period of high volatility in year 2013, Indian Rupee seems to have stabilised with respect to USD while it improved considerably with respect to Euro.

#### Industry Trend and Demand Development

Against the above backdrop, growth in demand of your Company's products both for automotive and industrial sector remained moderate during the year 2014.

The two wheeler sector surprised by notching up 2-digit growth. On other hand, passenger cars and commercial vehicles did not grow as expected; while production of agricultural tractors declined in 2014 after registering growth in 2012 and 2013.

Due to overall cash crunch and slow progress in implementation of infrastructure and capacity increase in projects, demand from sectors such as Electric Motors, Industrial Gearbox, Railways and Heavy Industries was sluggish throughout the year 2014. Demand from Aftermarket was stable though the market saw intensified competitive actions thus limiting scope for smart recovery in volume and margins.

In the exports markets, demand of your Company's products was strong.

**> Performance**

Your Company's Income for the year 2014, was placed at ₹ 16,731 million which is 15.5% higher than corresponding figures for the year 2013.

With increase in production at Maneja and Savli plants, exports grew by 33%. Other sectors of your Company's business viz. Automotive, Industry and Aftermarket - each posted a good double digit growth. Profit from ordinary activities Before Tax increased to ₹ 2,323.7 million (2013: ₹ 1,854.4 million); while Profit After Tax increased to ₹ 1,528.8 million (2013: ₹ 1,218.3 million) Given modest economic environment, we consider your Company's performance as encouraging.

**> Strategy**

Your Company continues to pursue its long-term strategy to invest in profitable and sustainable growth. At our plant in Maneja - Vadodara, we enhanced production of Wheel bearings to meet growing demand of our Automotive customers. Increase in production of roller bearings supported growth in exports as well as domestic markets.

Production of low friction ball bearings at Savli, continues to improve following high global standards of quality and productivity. Though capacity utilisation of our Large Size Bearing production at Savli remained low, we initiated development of number of technologically advanced products there. New products for demanding applications in sector such as Wind, Power Generation, Industrial Transmission and Heavy Industries are gaining customer acceptance.



Your Company is confident that on the strength of Quality and Innovation, our production capacities at Savli and Maneja plants will be gainfully utilised.

The strength of your Company lies in its engineering capabilities. We continued our investment towards developing technical competence of our engineers. Beyond gaining expertise in bearing domain, our engineers are now well trained to develop subsystem and system understanding. This competence helps them immensely while partnering with our

customers at an early stage of development. Our engineers combine their application know-how with process and manufacturing expertise to deliver efficient solutions that delight our customers.



Our efforts to build local engineering competence were recognised this year by the Group when FAG India was certified and became a member of the Schaeffler Global Technical Network, after an extensive qualification audit by Schaeffler Germany.

With emphasis on innovation, R&D and sector approach, your Company was successful in developing large number of value added and energy efficient solutions for our customers in Automotive and Industrial sectors. In Aftermarket sector, we undertook service projects at customer locations and supported our customers' initiatives towards reduction of Total Cost of Ownership (TCO).

At FAG, we believe that Quality and Productivity are moving targets. During the year, we intensified implementation of MOVE and Fit for Quality (FFQ) initiatives and progressed further towards our objective of realising operational excellence.

**> Outlook**

As we look ahead, effective implementation of economic agenda holds the key to nation's progress. Industry indeed faces challenges of rigid labour laws, poor infrastructure, to name a few. Yet there is growing optimism that the government at the Centre is pushing reforms and will take actions to create a positive climate where dream of 'Make in India' becomes a reality. In the short term, economic and industrial growth will largely depend on revival of investment cycle. The year 2015, may prove to be a year in transition before the economy moves to fast-track mid and long-term growth.

Your Company has strong fundamentals, follows robust customer and innovation focused strategy, emphasises on operational excellence and constantly empowers and motivates its people to pursue higher goals. This gives us confidence that your Company is capable of meeting growing customer expectations and is well prepared to benefit from medium and long-term growth of Indian economy.

## DIRECTORS' REPORT

### ➤ Dividend

Your Directors recommend for your approval dividend for the year ended December 31, 2014 at the rate of ₹ 7.5/- (2013: ₹ 6.0) per equity share amounting to ₹ 124.6 million. (2013: ₹ 99.7 million).

The Company will pay the Income Tax on dividend as per the provisions of the Income Tax Act, 1961.

### ➤ Transfer to General Reserve

A sum of ₹ 400 million has been transferred to the General Reserves of the Company. This reflects well on the financial strength of the Company.

### ➤ Transfer to Investor Education and Protection Fund

Pursuant to provisions of Section 205A of the Companies Act, 1956 the unpaid & unclaimed dividend pertaining to the year ended on December 31, 2006 amounting to ₹ 365,016/- (including interest accrued thereon) which was lying in the Company's separate unpaid dividend account and remaining unclaimed for a period of seven years, was transferred to the Investor Education and Protection Fund.

### ➤ Subsidiary and Associate Companies

'FAG Roller Bearings Private Limited' [U29130MH2001PTC134044] has become wholly owned subsidiary of 'FAG Bearings India Limited' with effect from January 1, 2015.

### ➤ Management's Discussion and Analysis

A detailed review of operations, performance and future outlook of the Company is covered under a separate Annexure to this report as Management's Discussion & Analysis. (ANNEXURE - I)

### ➤ Directors

At the forthcoming Annual General Meeting, Mr. Sampath Kumar Raman and Mr. Frank Huber will retire by rotation and being eligible, will offer themselves for re-appointment in terms of the Articles of Association of the Company. A brief resumé / particulars relating to them are given separately under the report on Corporate Governance. Your Directors recommend their re-appointment at the forthcoming Annual General Meeting.

Mrs. Renu Challu, Independent Director (Woman Director), has been appointed as an Additional Director with effect from November 6, 2014. Your Directors recommend her re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

Dr. Sanak Mishra, Independent Director has been appointed as an Additional Director with effect from November 6, 2014. Your Directors recommend his re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

Mr. Rakesh Jinsi has been appointed as an Additional Director (Independent) with effect from February 11, 2015. Your Directors recommend his re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

Mr. Klaus Rosenfeld has been appointed as an Additional Director with effect from February 11, 2015. Your Directors recommend his re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

Mr. Moreswar Garde and Mr. Bernhard Steinruecke have resigned from the directorship with effect from November 6, 2014. Mr. Robert Schullan and Mr. Dharmesh Arora have resigned from the directorship with effect from February 7, 2015 and February 11, 2015 respectively. The Board wishes to place on record its appreciation of services rendered by them during their tenure as the Directors of the Company.

### ➤ Key Managerial Personnel

Mr. Rajendra Anandpara, Managing Director & Chief Executive Officer, Mr. Satish Patel, Chief Financial Officer and Mr. Raj Sarraf, Company Secretary of the Company are Key Managerial Personnel of the Company as on December 31, 2014.

### ➤ Particulars of Employees

The statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of this report is given in Annexure - IV. However, pursuant to provisions of proviso (b) (iv) to Section 219 (1) of the Companies Act, 1956 all reports and accounts are being sent to all the shareholders of the Company except this Annexure - IV. Any shareholder interested in getting a copy of the said statement may write to the Company Secretary at Registered Office or at Head Office of the Company.

### ➤ Corporate Governance

A separate Section on Corporate Governance is included in the Annual Report and the certificate from M/s. Samdani Kabra & Associates, Company Secretaries, Vadodara (Gujarat), the Company's Secretarial Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed thereto. (ANNEXURE - II)

### ➤ Auditors

The Statutory Auditors, B S R & Co. LLP, Chartered Accountants, Mumbai, who will retire at the conclusion of 52<sup>nd</sup> Annual General Meeting to be held on April 24, 2015 and being eligible, will offer themselves for re-appointment for a period of five years subject to their eligibility and ratification of appointment in Annual General Meeting. A certificate from them has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013.



### ➤ Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo

Information required as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 has been given in the Annexure forming part of this Report (ANNEXURE - III).

### ➤ Environmental Protection and Occupational Health & Safety Policy

Commitment to Environmental protection, Occupational health and safety are important part of your Company's Management principles. Details of actions taken by your Company towards protecting environment and safety are covered under Management's Discussion & Analysis (Annexure I to the Directors' report).

### ➤ Directors' Responsibility Statement

The Directors state that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) Accounting Policies as listed in notes to the financial statements have been selected and applied consistently. Reasonable and prudent judgements as

well as estimates have been made so as to give a true and fair view of the state of affairs of the Company as on December 31, 2014 and of the profit of the Company for that period;

- c) Proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provisions of the Companies Act, 1956 / 2013 so as to safeguard the assets of the Company and to detect and prevent fraud and other irregularities.
- d) The annual accounts have been prepared on a going concern basis.
- e) Internal Financial Controls System is in place and the same has been followed by the Company. Further, such Internal Financial Controls are adequate and were operating effectively.
- f) Proper systems to ensure compliance with the provisions of all applicable law and such systems were adequate and operating effectively.

### ➤ Acknowledgements

Your Directors place on record their sincere appreciation for the wholehearted and continued support extended by the Shareholders, Schaeffler Group, Suppliers, Customers, Stockists & Importers, Banks and all Employees of the Company during the year under report.

Mumbai: February 11, 2015

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

#### Notes:

We refer to a General Circular No. 08/2014 No.1/19/2013-CL-V dated April 4, 2014, issued by the Ministry of Corporate Affairs, Government of India, that states "The financial statements (and documents required to be attached thereto), auditors report and Boards' Report in respect of financial years that commenced earlier than April 1, 2014 shall be governed by the relevant provisions / Schedules / Rules of the Companies Act, 1956". Therefore, in adherence to this Circular, Financial Statements, Auditors' Report and Board's Report are prepared in accordance with the provisions of the Companies Act, 1956. However, in view of improved disclosure and corporate governance norms, additional information has been provided to the extent possible.

## MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to the Directors' Report)

### A MACRO-ECONOMIC ENVIRONMENT

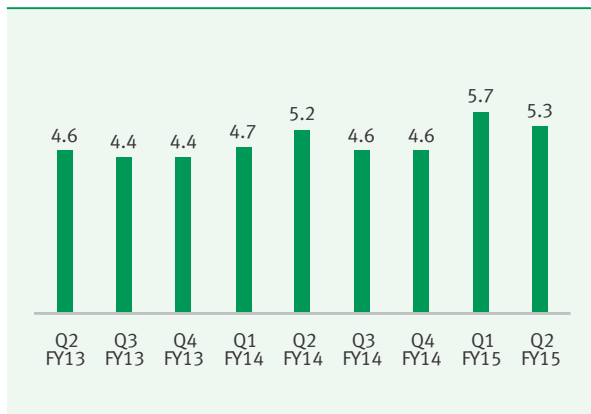
During the year 2014, the global economy struggled to gain momentum. According to World Bank's Economic Prospects report released in January 2015, global growth in year 2014 was placed at 2.6%.

The report mentions rise in economic activity in United States while Euro area continues to give mixed signals and China seems to be undergoing a carefully managed slowdown. Sharp decline in oil prices since mid 2014 is expected to support economic activity especially in oil importing developing economies. Overall, the report expects global economic growth in year 2015 at 3.0%, that is only slightly higher than year 2014.

At home in India, after slowing to sub 5% in financial year 2013-14, Indian economy is showing signs of moderate growth momentum during the current fiscal year 2014-15.

#### DEVELOPMENT OF GDP GROWTH IN INDIA

##### GDP – Overall (%YOY)



Going forward the nation has high expectations that the current government at the Centre will take measures to boost the Indian economy in short and medium term. This is a challenging task as the government would be required to strike a balance between the expectations and fiscal prudence. The key focus area would be to revive the investment cycle. Policies and reforms to make, 'Make in India' campaign successful would play an important role in powering the economic growth. In general, there are expectations that economic growth in financial year 2015 will be better than year 2014. The recent

World Bank report forecasts India's GDP growth at around 6.4% in financial year 2015.

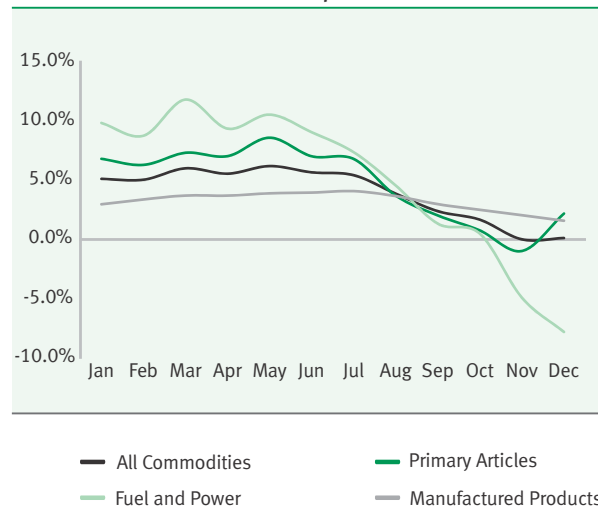


India with its favourable demographics, rising education levels and growing urbanisation, offer potential for long-term economic development.

Supported by benign oil prices, Wholesale Price Index continued to decline during the year 2014 to reach 0.1% in December 2014. Further development in Wholesale Price Index will be influenced by long-term equilibrium in oil prices and stability in prices of primary articles.

#### DEVELOPMENT OF WHOLESALE PRICE INDEX IN 2014

##### Wholesale Price Index : Development at Article level



**B INDUSTRY STRUCTURE AND DEVELOPMENT**

Your company operates across the following major market sectors :

- (a) Automotive OEM
- (b) Industry OEM
- (c) Aftermarket
- (d) Exports

According to first estimates, rolling bearings demand in year 2014 grew by about 8-10% over the low base of year 2013. The demand is currently estimated at approximately INR 85-90 billion. Besides local production, imports of bearings also grew in 2014 and is currently placed at over 45% of the total demand.

The company's market share in year 2014 was placed in the range of 15 to 16 %. In terms of products, your company has strong local production for ball bearings, wheel bearings, cylindrical roller bearings and spherical roller bearings. On the other hand, we have relatively low local production of tapered roller bearings and no presence in needle roller bearings segment.

**1. AUTOMOTIVE SECTOR**

**Development of Automotive Production in India**

(Quantity in thousand numbers)

	2010	2011	2012	2013	2014	Change % 2011 vs 10	Change % 2012 vs 11	Change % 2013 vs 12	Change % 2014 vs 13
<b>Two &amp; Three Wheelers</b>	13,542	15,928	16,524	17,257	19,429	17.60%	3.70%	4.40%	12.60%
<b>Passenger Vehicles</b>	2,806	3,054	3,285	3,132	3,157	8.80%	7.50%	-4.60%	0.80%
<b>Light Truck (LCV)</b>	391	509	539	516	433	30.30%	5.80%	-4.30%	-16.00%
<b>Medium &amp; HCVs</b>	332	372	338	226	249	12.20%	-9.10%	-33.10%	9.90%
<b>Tractors</b>	496	631	588	683	667	27.20%	-6.80%	16.20%	-2.30%

Source: SIAM

**Two & Three Wheelers**

After moderate growth in year 2012 and 2013, production of Two & Three Wheelers grew smartly at 12.6% during 2014. Within the sector, Scooters grew by more than 30%. Based on potential of further penetration, we expect Two Wheelers sector to continue growth in 2015 though at lower rate.

**Passenger Vehicles**



*Car penetration in India is estimated to be as low as 15 cars per 1,000 people compared to over 60 cars in China. Production of Cars and Utility vehicles in India stood at around 3 million in 2014, compared to 20 million vehicles in China. This again points towards high potential for growth of automotive sector in India.*

Passenger Vehicles (Passenger Cars & Utility Vehicles) continued to have indifferent development in 2014. The excise duty reduction which was announced in February 2014 has since been withdrawn. The difference between diesel and petrol prices has also narrowed down significantly. Nevertheless, we believe that decline in sales has bottomed out and 2015 could see a growth in the range of 5%.

**Commercial Vehicles**

The production of Medium and Heavy Commercial Vehicles recovered slightly in 2014 though the current levels are significantly lower than the peak numbers in 2011 and 2012. With increased industrial activity, lower fuel prices and pick up in infrastructure projects, the Medium & Heavy Commercial Vehicles are expected to see reasonable growth especially in the second half of financial year 2015-16. Development in Light trucks, though, may remain moderate in 2015.

**Agricultural Tractors**

Agricultural tractors industry has always been cyclic. After growing rapidly in 2013, the industry entered a phase of de-growth in 2014. Low Kharif crop output and stagnant Mandi prices do not encourage optimism in the short run. The annual outlook depends on revival of Rabi crop and favourable monsoon season.

Notwithstanding short-term trends, medium and long-term outlook for automotive sector is very positive. Favourable demographics, growing middle class and rapid urbanisation will drive the need for personal and public transportation. At the same time, industry will increasingly follow the global trend towards higher efficiency, controlled emissions, high safety and improved driving comfort.



## MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to the Directors' Report)

As a member of Schaeffler Group, your company benefits from extensive system competence in this sector. We continue to emphasize on enhancing our engineering and development competence. Our engineers are well trained and leverage their system competence as success factor. We work together with our customers in automotive sector at an early stage of their product development process. This gives us an opportunity to offer improved products, features and modules that support our customers in realising higher efficiency and sustainable solutions.

In sectors such as Two Wheelers and Agricultural Tractors where Indian market is uniquely different compared to the developed economies, your company works together with other Schaeffler

Companies in India. This so called "Hub Concept" pulls together innovative ideas and defines product development initiatives to realise cost efficient and sustainable solutions for our Indian customers.

Besides investing in development of engineering competence, your company has also set up manufacturing capacities for advanced technology such as First, Second and Third Generation Wheel bearings.

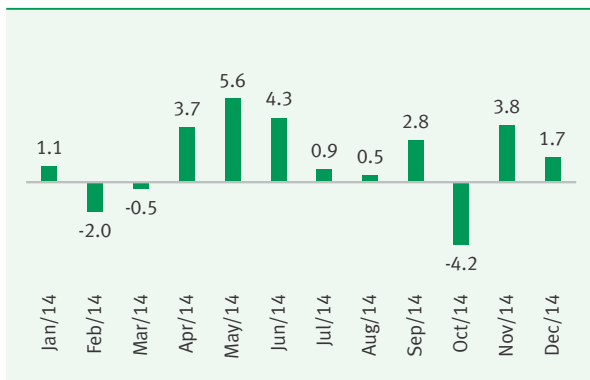
With our approach to continually expand our engineering and manufacturing footprint in India, we set basis for long-term success in this sector.

### 2. INDUSTRIAL SECTOR

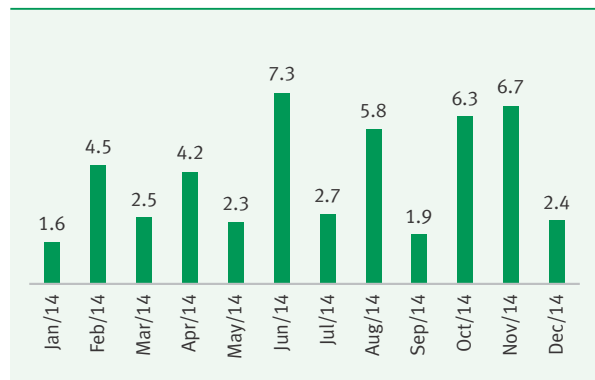
Growth in overall Industrial activity was far below expectations during the year 2014 as reflected in the development of Index of Industrial Production(IIP). The average growth in IIP for the year 2014 was placed at 1.4%. Lower production of Consumer Goods, reduced mining activity and moderate development in manufacturing sector led to this unsatisfactory development.

#### Development of Industrial production in 2014

##### IIP - OVERALL (%YOY)



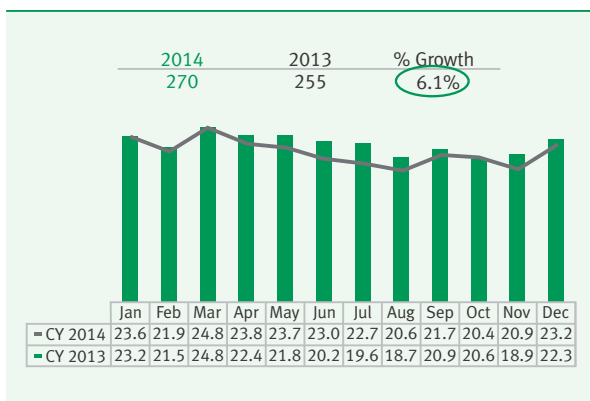
##### Core Industry Growth



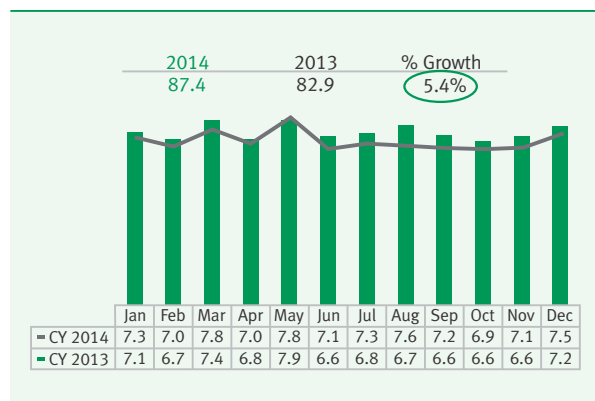
Core Sector industries performed relatively better with growth rate of above 4%, though, the rate is considered insufficient considering the huge scope for infrastructure development in the Country.

#### Development of production of Key Core Sectors in India in year 2014

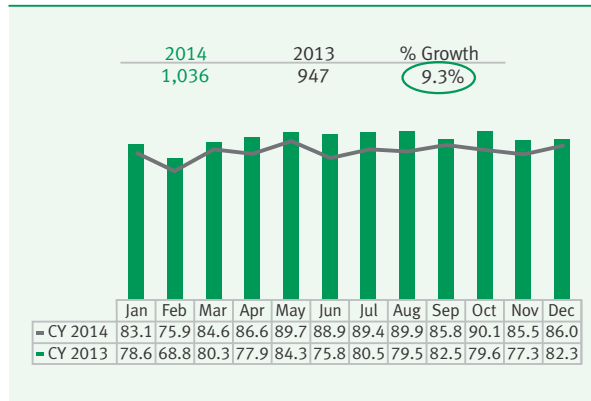
##### Cement Production (Mio Tonnes)



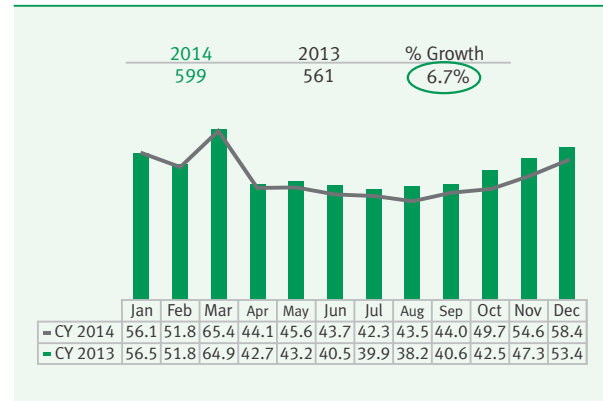
##### Steel Production (Mio Tonnes)



Electricity (Bn KWH)



Coal (Mio Tonnes)



Further development of industrial production is linked to revival of investment cycle and expected softening of interest rates.

The outlook of our customer sectors such as Industrial Transmission and Electrical Machinery is dependent on new projects resulting from revival of investments.

In the Rail sector, the government has ambitious plans for growth and modernisation, though, the implementation will depend on success in mobilising resources necessary for growth projects.

The new government policies are clearly targeted to provide impetus to renewable sector. Though, solar energy production does not require rolling bearings, stronger development in Wind sector augurs well for your company.



India needs large investments to improve basic infrastructure. FAG's comprehensive product and service portfolio gives it immense strength in sectors like construction machinery, cement and power plants to name a few.

Development of Aftermarket demand is linked to capacity utilisation and new projects in sectors such as Steel, Mining, Cement and Paper industry to name a few. Since most of our

customers in these sectors are still to utilise their full capacities, development in Aftermarket demand therefore remained subdued.

Trend in Aftermarket is clearly towards reduced Total Cost of Ownership(TCO). The customers are also looking for very short lead times. At the same time, the competitive intensity in this sector continues to increase as more and more brands both local and imported vie with each other to get the share of Aftermarket demand.

Your company has strong presence in industrial business. Based on trends towards growing urbanisation, multi modal transportation, development of infrastructure and focus on conventional as well as renewable energy, your company foresees strong development of industrial demand in the medium and long-term. Some of the initiatives taken by your company to secure long-term success in industrial business are as follows:

- 1) We have invested in advanced technology to produce low friction ball bearings at Savli plant.
- 2) Our production technology at Vadodara plant has been upgraded to produce highly efficient X-life cylindrical roller and spherical roller bearings.
- 3) With setting up of Large Size bearings plant at Savli, we have set a basis for development and production of high performance bearings for demanding applications in Heavy Industries and Energy sectors. We have also invested in special processes like Black Oxidation to meet high quality expectations for applications in renewable sector.
- 4) The technical competence of our engineers is the key success factor for your organisation. Our comprehensive understanding of customer's business and his processes, deep know-how of key equipment and applications help us in designing and providing efficient and sustainable solutions far beyond a mere supply of products to our customers. Technical competence of our engineers was duly acknowledged by Schaeffler Headquarters when they certified us as a member of the Schaeffler Technology Centre in the year 2014 after an extensive evaluation process.

## MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to the Directors' Report)

- 5) We continue to develop new products and expand our portfolio to get increased share with our customers in focus sectors.
- 6) In the Aftermarket, responding to the trend towards reducing Total Cost of Ownership (TCO), we offer value added services such as bearing mounting, lubrication, shaft alignment, condition monitoring and roll shop maintenance to name a few. During the year under review, your company successfully operated maintenance / condition monitoring contracts in steel and paper industries.
- 7) We continued to expand our channel reach in the country especially in rural markets. Our initiative to enhance technical competence of our channel partners adds to our strength.

Based on positive economic outlook for year 2015 and our successful strategy to invest in continued expansion of manufacturing and engineering footprint, your company is determined to maintain its growth approach in the short and long-term.

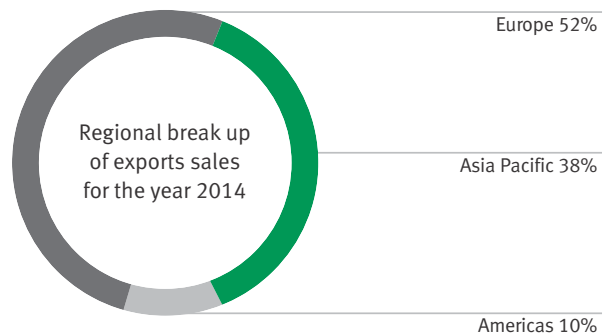


*Future technology in Industry will be different. Germany's 'Industry 4.0' concept envisions future of development in Industry. More and more machines are being equipped with intelligent functions for communicating with external environment enabling them to function ever more precisely, efficiently and reliably.*

### 3. EXPORTS

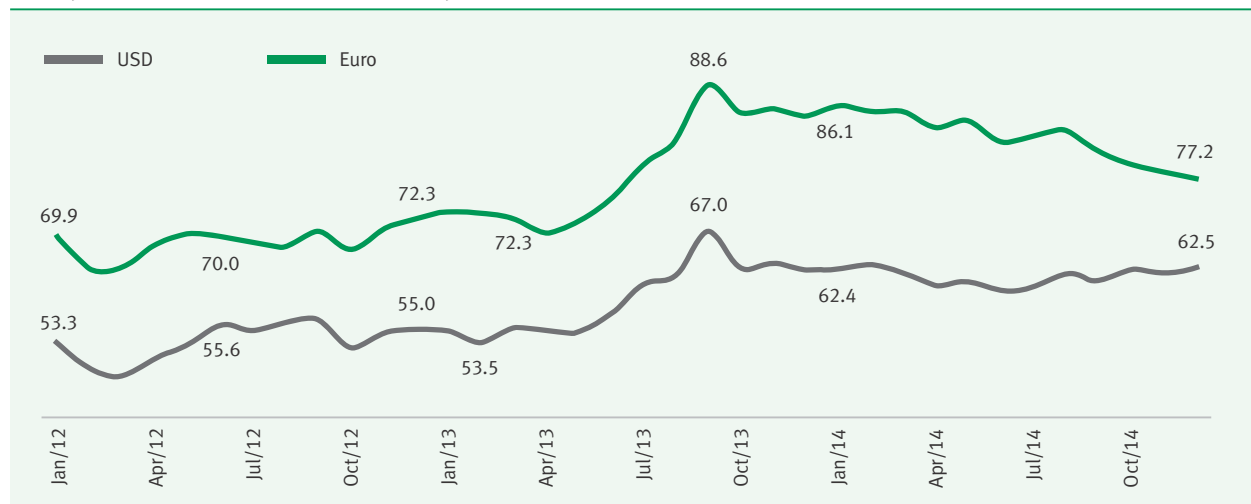
Your company sells products manufactured in Vadodara and Savli plants to Schaeffler Companies worldwide. During the year, revenue from exports grew by 34% due to extension of product scope and due to favourable impact of exchange rates.

Further development in export business is influenced by global economic outlook. Your company continues to focus on realising global levels of quality and productivity to remain competitive in these markets.



### 4. DEVELOPMENT OF FX RATES (USD AND EURO VS INR)

Development of USD and EURO against Indian Rupee





During the year Indian Rupee gradually stabilised against the US Dollar. On the other hand, weakening of Euro led to surprising appreciation of Indian Rupee especially in the latter half of the year 2014. Your company follows long-term hedging strategy with regard to foreign exchange exposure. While such a strategy safeguards against risks in the long run, high volatility in exchange rate as experienced in recent times does expose the company to mixed impacts on P&L in the short term.

In a competitive industry such as ours, it is not always possible to pass on the impact of fluctuating exchange rate to our customers. The foreign exchange fluctuation thus does pose a risk to your company's business results. Your company as a part of its long-term strategy continues to invest in localisation of products and components to mitigate these risks.

## C RISK MANAGEMENT SYSTEM

Like any other ongoing business, your company is exposed to a large number of potential risks that can adversely affect its business. Your company has established a comprehensive Risk Management System to ensure that risks to the company's continued existence as a going concern and to its development are identified and addressed on timely basis.

The Management identifies and evaluates such risks at an early stage (especially those which could jeopardise continued existence or development) and also defines and implements measures to control these risks. The Risk Management System consists of multi-phased process. Initially, all risks are identified by different departments and functions as a bottom-up approach. These risks are then analysed and evaluated by the company's management team before these are reported to the Board of Directors.

Risks are classified in different categories such as Financial

## 5. COMPETITION

Competitive intensity in the bearing industry is gradually increasing as described below:

- 1) With expectations of long-term positive development of Indian economy, some global and Chinese brands are expanding their manufacturing base in India.
- 2) Some of the brands manufactured in China are imported and sold in the country at very low prices.
- 3) Due to weak implementation of IPR in India, counterfeit products continue to pose unhealthy competition to reputed brands like ours.

Your company continues to represent above issues at appropriate forums together with other members of Ball and Rollers Bearings Manufacturers' Association (BRBMA). At the same time we are convinced that Indian customers have faith in our brand due to excellent quality of our products and due to our ability to offer value added services. We, therefore stay focussed on our long-term strategy to invest in and offer best-in-class engineered solutions to our customers.

risk, Operational risk, Legal risk and Strategic risk. These risks are then classified and quantified depending on probability of occurrence and the extent of potential damage. This analytical approach clearly leads to categorisation of risks as follows:

- 1) Material Risk - Risk with high probability and high negative impact.
- 2) Significant Risk - Risk with medium probability and medium negative impact on profit or value of the company.
- 3) Non-critical Risk - Risk with either low probability of occurrence or which has negligible impact on profit or value of the company.

The management presents above risk analysis along with planned mitigation to the Board of Directors periodically. Risk management strategy as approved by Board of Directors is implemented by the company management.

## D INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has an adequate Internal Audit System that promotes reliable financial reporting, safeguards assets, encourages adherence to fair management policies as well as to the Schaeffler Group Guidelines and Specifications, as far as these are applicable and promote ethical conduct.

The Audit Committee of Board of Directors, at regular intervals and in co-ordination with Internal and Statutory Auditors, reviews the adequacy of Internal Control Systems within the company.

The company has an Independent Internal Audit Department. Based upon the recommendations of the Audit Committee, an Annual Audit Plan (AAP) is prepared by the Internal Audit

Department, which is reviewed periodically by the top management and the Audit Committee.

The internal audit focuses on compliance as well as on robustness of various business processes. A feedback on non-conformities along with recommendation for process improvements is directly provided to the top management of the company. Compliance on audit findings and tracking of process improvements is regularly carried out.

All transactions are authorised as per company's Approval and Signature Guidelines, which are recorded and reported in an organised manner.

## MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to the Directors' Report)

### E FINANCE

Your company's total income (including other income) was placed at ₹ 16,731 million in year 2014 (year 2013: ₹ 14,483 million) representing a growth of 15.5%. Profit Before Tax was placed at ₹ 2,324 million (year 2013: ₹ 1,854 million) representing a growth of 25.3%.

Higher sales both in domestic and exports markets together with slight improvement in realisation had favourable impact on bottom line. At the same time, your company faced

challenges resulting from lower capacity utilization at Savli, exchange rate fluctuations etc. Under the circumstances, we consider your company's performance as satisfactory.

Your company has been consistently practising prudent finance and working capital management. The strong focus on working capital and liquidity management has helped timely generation of sufficient internal cash flow to invest in long-term strategic objectives of the company.

### F HUMAN RESOURCE AND INDUSTRIAL RELATIONS

At FAG, our fundamental belief in the immense power of human potential and team work is reflected in our people approach.

Your company continued its focus on people excellence and implemented a number of initiatives involving employees and their families.

Our EDD (Employee Development Dialogue) program maps employee competence with current and future needs of organisation and thus sets basis for a systematic developmental intervention. Our multi-level leadership development initiatives such as Essential Leadership Program, Advanced Leadership Program, Development Circle Leadership, Development Circle Business are immensely helpful in developing leadership capabilities. High potential executives are nominated to Schaeffler's Central Management Program and International Management Program which prepares them as global leaders.

#### 1. COMPETENCE BUILD UP

##### ➤ Engineering Competence Model

Your company considers engineering competence of its sales and technical team as its core competitive advantage. We have designed a systematic engineering competence model which covers all our Sales Engineers, Product Designers, Application Engineers and Field Service Engineers. This multi-phased program imparts a clear understanding of bearing and engineering principles. Besides learning tools like BearinX, participants also learn about diverse bearing applications and develop an understanding for translating customer needs into engineering specification. We also encourage short and long-term training of our engineers at German Headquarters for developing specialist know-how.

##### ➤ VIKAS

Initiative VIKAS (meaning development) manifests our core belief that breakthrough changes in shop floor productivity can only be realised and sustained through empowerment and involvement of blue collar employees. During the year, we accelerated implementation of VIKAS initiative and trained potential employees in modern manufacturing practices, lean management, quality management principles and in behavioural aspects, besides, providing them an understanding of the company's customers and markets.

##### ➤ Leadership and Talent Management

As a part of Schaeffler, we follow the globally standardised leadership and talent management practices.

#### 2. EMPLOYEE ENGAGEMENT

We lay great emphasis on regular communication with our employees and their families to share and promote organisational values. Town hall meetings are regularly held as a platform to share organisational priorities and best practices with our employees.

Year 2014 marked the 50<sup>th</sup> anniversary of commencement of production at Vadodara plant. Our celebration for this event was aptly named 'Josh Jeet Ka' to reflect fighting spirit, teamwork and winning attitude of our employees over past many years.

Last year we had set up our WEe Wonder FAG Children Club which provides children of our employees an excellent platform to ideate, create and interact with peers from diverse background and thus helps in spreading the values of togetherness, positive thinking and mutual respect. This year the WEe Wonder club hosted a family get together involving all employees and their families. This event called FAG Fusion 2014 was extremely successful as family members of diverse age group shared the platform and demonstrated their artistic and creative skills.



At the FAG WEe Wonder Club event named 'Fusion Fair', young children demonstrated their creative capabilities on canvas.

## ➤ Helping in Crisis

Recognising the uncertainties of modern life and the harsh realities that families face in the event of untimely demise of an earning member, last year the company had decided to do something special for our employee's families in such a crisis. We had introduced 'Employee Death Assistance'

scheme to provide immediate additional assistance to the family members in the event of an unforeseen demise of an existing employee.

During the current year, we continued the scheme which provides an assistance of lump sum amount equivalent to 120 months of last salary (basic + DA) drawn by the deceased employee and thus provides immense relief to the family. This unique scheme has been widely appreciated by all our employees.

## ➤ Other Details

At the end of this year, employee strength of the company was 1,477. During the year 2014, we maintained our track record of Industrial Harmony and Peace.

The statement under Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975 as amended and forming part of this report is given in Annexure - IV. However, pursuant to proviso (b) (IV) to Section 219 of the Companies Act, 1956 all reports and accounts are being sent to all the shareholders of the company except Annexure - IV. Any shareholder interested in getting a copy of the said statement may write to the Company Secretary at the registered or at head office of the company.

## G ENVIRONMENT & SUSTAINABILITY

At FAG, we traditionally place great emphasis on combining economic success with taking responsible action towards Environment and Society. The commitment to sustainable management is anchored in our corporate management principles. Additionally, we take care of India-specific laws and rules in our daily operations.

- ✓ Towards fulfilling our responsibility for environment, we systematically analyse risks, evaluate all possible impacts and take appropriate decisions to execute our strategy.
- ✓ Our plant at Maneja - Vadodara has long been validated regarding environmental protection in accordance with E-MAS and ISO 14001 certification. In addition Occupational Safety function is certified in accordance with OHSAS 18001.
- ✓ Our new plant at Savli was also recently certified with ISO 14001 and OHSAS 18001.
- ✓ Our company has competent environmental protection and safety officers located at each of our plant sites. These experts have regular communication and interaction with Schaeffler's global Competence Centre for Environment, Health and Safety (CC-EHS). This allows clear understanding of global benchmark practices and lessons learnt which are then taken as actionable points in respective plant locations.
- ✓ We carry out systematic and periodic measurement of

indices such as Water Consumption, Effluent Discharge, Gas Emission and Electric Consumption. These measurements are transparently shared among all employees. Besides creating general awareness among employees towards environmental protection, the management encourages initiatives that are targeted towards reduction in consumption of resources and improvement in resource efficiency across all our processes.

- ✓ Our organisation-wide initiative - MOVE (German acronym for 'More without Waste') has been very effective in identifying waste in our processes and in improving overall process efficiency. We continue to emphasize on training all our employees at our MOVE Academy where they are imparted training on MOVE principles through classroom studies and simulation games.
- ✓ Together with our customers, we design products which are energy efficient. Our plant at Vadodara already produces high performance X-Life bearings. These bearings are designed and manufactured to carry higher load ratings within the existing boundary dimensions. This allows customers to use downsized bearings for the same application or alternatively customers can expect much longer service life in existing applications.
- ✓ Our advanced products such as Wheel module combine various functionalities within a bearing and thus



## MANAGEMENT DISCUSSION AND ANALYSIS

### (Annexure to the Directors' Report)

significantly reduce system weight and improve reliability and efficiency.

- ✓ Our Savli plant is successfully producing Low Friction ball bearings which besides reducing noise levels also reduce friction significantly.
- ✓ FAG has strong presence in the Renewable Energy sector. Our comprehensive product portfolio to wind sector includes technologically advanced Main Rotor shaft bearings, Gear-box bearings and Generator bearings. With ramp up of Large Size bearing plant and commissioning of Black Oxidation facility at Savli, we are now able to design and manufacture customized products for Wind energy customers in India.
- ✓ Towards the objective of improving efficiency and reducing Total Cost of Ownership (TCO), we offer comprehensive service portfolio to our customers. Our engineers work in customers' shop floor and identify scope of improving efficiency and reducing overall cost. Due to strong technical

capabilities of our service team, our customers could avoid significant break-downs and thus improve overall equipment efficiency.

- ✓ Together with other Schaeffler Companies in India, INA and LuK, we collaborate to integrate futuristic concepts of sustainable development. Our engineers are contributing towards development of India specific next generation vehicle platforms such as Concept Car and Concept Bike. Leveraging this know-how, we are partnering with our customers on specific projects to increase efficiency and reduce waste / emissions.
- ✓ In the area of Occupational Safety, our goal is to create safe and healthy work environment by designing work stations and workflows based on the principles of occupational safety and ergonomics. Our workforce is well trained in preventive aspects of safety and is highly motivated to achieve target of 'ZERO' work related accidents.

## H CORPORATE SOCIAL RESPONSIBILITY

While your company is in the process of rolling out a comprehensive CSR strategy in line with new Companies Act, 2013 requirement, we continued our ongoing efforts towards sustainable development of the society. The ongoing initiatives include the following:

- 1) Construction of full-fledged hostel for differently abled children (girls).
- 2) Providing mobile health services to villages located around our factory.

- 3) Preservation of heritage, art & culture by organising educational trip of school children to places of cultural interest.
- 4) Supporting local schools by providing educational kits.

We are in the process of identifying further initiatives for welfare of communities which will be implemented in the year 2015.

## I CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied therein. Important factors that could

make a difference include raw material availability and prices thereof, cyclical demand and pricing in the company's principal markets, changes in Government regulations and tax regime, economic developments within India and the countries in which the company conducts business and other incidental factors.

Mumbai: February 11, 2015

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO



(Annexure to the Directors' Report)

### A ENERGY CONSERVATION MEASURES TAKEN DURING THE YEAR 2014

New dimensions have been added for energy conservation through better available technology of variable drive operated pumps, required efficiency of equipment driven by motors obtained through constant improving power factor reaching almost to 100, using natural resources of solar power in lighting, using non metallic still strong blades for cooling towers, altering high flashpoint washing media to prevent evaporation, replacing water cooled compressors by air cooled compressor thus saved water consumption.

Examples are as follows:

1. Use of VRF based water cooled Air Conditioning technology in central Air Conditioning.
2. Use of energy efficient air cooled medium pressure Air Compressors.
3. Use of LED lights in street lights & production area.
4. Use of alternate material in piping - PPRC & PPCH.
5. Use of high flash point washing fluid in place of low flash point washing fluid to reduce consumption.
6. Use of FRP blades in cooling tower fans.
7. Use of high speed centrifuge for separation of oil from industrial effluent - Trial successful.
8. Air cooled compressors are being installed and water cooling technology is replaced thus saving natural resources.

### B TECHNOLOGY ADAPTATION, ABSORPTION & INNOVATION

FAG India believes in investing in new technology of global standards keeping necessary inputs from its Headquarters for all the products made in Indian Plants, parallel to keeping and maintaining its existing assets fit to deliver what market needs in terms of Quality, Cost and Delivery.

FAG India invested in in-house surface treatment (Black Oxidation facilities), OD Grinding machines, Wheel Bearing Race Grinding machines and in the most modern & fully automatic DGBB Grinding and assembly line at our new Plant. Also 2014 was the year to assess existing machine and technology, identify the gaps and fill those gaps with best technology of global standards.

Our approach is constantly towards improvement through optimisation in cycle time and processes, low cost automation and localization of key focus requirements for our product and machines.

With all these initiatives we are equipped with all necessary information for next five-year plan of Investments, improved productivity, 'First time right' Products, 'Deliver what customer wants' to keep pace with market demand and reduction in process cost.

### C FOREIGN EXCHANGE EARNING AND OUTGO

Import substitution and alternate sourcing is used as a measure of cost reduction, where possible. (₹ in million)

Particulars	Year 2014	Year 2013
<b>Earning:</b>		
<b>Earning in foreign exchange</b>		
Service Income	–	0.2
FOB value of exports	2,922.5	2,219.4
Other	11.8	13.9
<b>Total foreign exchange earned</b>	<b>2,934.3</b>	<b>2,233.5</b>
<b>Outgo:</b>		
<b>Imports CIF value of</b>		
Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods	5,836.3	5,487.2
<b>Expenditure in foreign currency</b>		
Fee for use of Technology / Trademark, Charges for SAP / R3 and its connectivity & maintenance and other expenses	394.3	491.7
<b>Dividend paid to Shareholders (net of tax)</b>	<b>51.2</b>	<b>42.6</b>
<b>Total foreign exchange used</b>	<b>6,281.8</b>	<b>6,021.5</b>

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

Mumbai: February 11, 2015

## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

### 1 COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company is committed to maintain high standards and continues to practise good Corporate Governance. The core principles of Corporate Governance are:

- |  |  |   |
|--|--|---|
| <b>1</b> Lay emphasis on integrity and accountability. | <b>2</b> Incorporate several practices aimed at a high level of business ethics and effective supervision. | <b>3</b> Provide for enhancement of value for all stakeholders. |
|--|--|---|

FAG India's Corporate Governance conforms to all regulatory and legal requirements. The basic philosophy behind an endeavour towards better Corporate Governance is to achieve business excellence. This Corporate Governance Report sets out a description of FAG India's main Corporate Governance Practices.

### 2 BOARD OF DIRECTORS

Your Board of Directors, closely monitors the performance of the Company and Management, approves the plans, reviews the strategy and determines the remuneration of the key managerial personnel based on performance. Your Board ensures statutory and ethical conduct with high quality financial reporting. It holds itself accountable to the shareholders as well as other stakeholders for the long-term well-being of the Company.

#### (A) Composition of Board

- (i) The Management of your Company is entrusted to the Managing Director, who is assisted by a Management Core Team and Senior Executives having rich experience and expertise in their respective fields.
- (ii) None of the Directors on the Board is a Member of more than 10 committees or a Chairman of more than 5 committees (as stipulated in Clause 49 of the Listing Agreement), across all the Indian Public Companies, in which he / she is a Director. The necessary disclosure regarding the committee position has been made by the Directors.
- (iii) The names and categories of the Directors on the Board, their attendance at Board Meetings and last Annual General Meeting held during the year and number of directorships held by them in Indian Public Companies and Private Companies and committee chairmanship / membership held by them in Indian Public Companies are given herein below. For reckoning the maximum number of chairmanships / memberships, only two committees viz. 'Audit Committee' and 'Stakeholders Relationship Committee' of the Board are considered.

Name of Director(s)	DIN	Category	No. of Directorships	No. of Membership in Committees (Chairmanship)	Attendance in Board Meetings held in 2014 (physical)	The last AGM Attended; 'Yes' or 'No'
			As on December 31, 2014			
Mr. Avinash Gandhi	00161107	NE & ID	10	5(3)	4	Yes
Mr. Rajendra Anandpara	02461259	E & NID	1	1	4	Yes
Mr. Robert Schullan	06717166	NE & NID	1	–	1	Yes
Dr. Sanak Mishra	00027288	NE & ID	1	2	1	NA
Mrs. Renu Challu	00157204	NE & ID	9	3	1	NA
Mr. Frank Huber	00689169	NE & NID	1	–	4	Yes
Mr. Moreswar Garde (Up to November 6, 2014)	00689103	NE & NID	–	–	4	Yes
Mr. Bernhard Steinruecke (Up to November 6, 2014)	01122939	NE & NID	–	–	2	Yes
Mr. Dharmesh Arora	05350121	NE & NID	3	1	4	Yes
Mr. Dietmar Heinrich	00928243	NE & NID	1	–	4	Yes
Mr. R. Sampath Kumar	00495192	NE & NID	3	1	4	Yes
Mr. Bruno Krauss (Up to January 31, 2014)	02946930	NE & NID	–	–	–	NA
Mr. Kamlesh Tapadar (Alternate to: Mr. Kraus up to January 31, 2014 Mr. Heinrich up to April 22, 2014)	00161186	NE & ID	–	–	2 (as Invitee)	Yes
Mr. Yezad Kapadia (Alternate to Mr. Schullan up to April 22, 2014)	00161133	NE & ID	1	–	2 (1 as Invitee)	Yes

\*E & NID: Executive and Non-independent Director      \*NE & NID: Non-executive and Non-independent Director  
 \*NE & ID: Non-executive and Independent Director



**(iv) Executive Director:**

Except, Mr. Rajendra Anandpara, the remaining eight Directors are Non-executive Directors and out of them, three are 'Independent Directors'.

**(v) Independent Directors:**

- Mr. Avinash Gandhi, a professional, having vast experience in the Automobile Industry, is the Chairman of the 'Board' and classified as 'Non-executive and Independent Director'.
- Dr. Sanak Mishra, Fellow Member of the Indian National Academy of Engineering, is a 'Non-executive and Independent Director'.
- Mrs. Renu Challu, having vast experience in Banking and Finance, is a 'Non-executive and Independent Director'.
- Mr. Bernhard Steinruecke, acted as Non-executive and Independent Director up to November 6, 2014.
- Mr. Moreshwar Garde, acted as Non-executive and Independent Director up to November 6, 2014.

**(vi) Non-independent Directors:**

- Mr. Dietmar Heinrich, Mr. Frank Huber, Mr. Robert Schullan, Mr. Dharmesh Arora and Mr. Bruno Krauss (Director up to January 31, 2014), are professionals and working at senior positions with "Schaeffler" and are 'Non-independent Directors'. Mr. R. Sampath Kumar is a lawyer, rendering legal services to "Schaeffler" and is a 'Non-independent Director'.
- The 'Board of Directors' is constituted with appropriate combination of Independent, Non-independent Directors, Woman Director, Executive and Non-executive Directors as per Clause 49 of the Listing Agreement with the Stock Exchanges.

**(vii) Alternate Directors:**

- Mr. Yezad Kapadia (Director up to April 22, 2014), acted as Alternate Director of Mr. Robert Schullan up to April 22, 2014. Mr. Kamlesh Tapadar (Director up to April 22, 2014), acted as Alternate Director of Mr. Bruno Krauss up to January 31, 2014 and as Alternate Director of Mr. Dietmar Heinrich up to April 22, 2014. As on December 31, 2014 there is no Alternate Director on the Board.

**➤ Profile of Directors seeking Appointment / Re-appointment in 52<sup>nd</sup> Annual General Meeting**

<b>Name</b>	<b>Dr. Sanak Mishra</b>
<b>Father's Name</b>	Mr. Harihar Mishra
<b>Date of Birth</b>	December 18, 1945
<b>Director Identification Number</b>	00027288
<b>Qualification</b>	MS, PhD Metallurgical Engineering; University of Illinois at Urbana-Champaign (UIUC), USA. Alexander von Humboldt Fellow, Aachen Technical University, West Germany.
<b>Specialisation</b>	Metallurgical Engineering
<b>Experience</b>	Over 30 years
<b>Association</b>	Since 2014 with FAG Bearings India Limited
<b>Category</b>	Non-executive and Independent Director
<b>Shareholding in the Company</b>	Nil
<b>Directorship*</b>	FAG Bearings India Limited
<b>Committee Membership<sup>§</sup></b>	FAG Bearings India Limited: Audit Committee - Member Nomination & Remuneration Committee - Chairman Stakeholders Relationship Committee - Member

\* Directorship means directorship in Indian Companies.

§ Membership means membership in Committees of Directors of Indian Public Companies.

## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

### ➤ Profile of Directors seeking Appointment / Re-appointment in 52<sup>nd</sup> Annual General Meeting

<b>Name</b>	<b>Mrs. Renu Challu</b>
<b>Father's Name</b>	Mr. Johri Mal Jain
<b>Date of Birth</b>	January 30, 1952
<b>Director Identification Number</b>	00157204
<b>Qualification</b>	Master's Degree in Economics (Gold Medallist) from University of Lucknow
<b>Specialisation</b>	Banking
<b>Experience</b>	Over 38 years
<b>Association</b>	Since 2014 with FAG Bearings India Limited
<b>Category</b>	Non-executive and Independent Director
<b>Shareholding in the Company</b>	Nil
<b>Directorships*</b>	1 FAG Bearings India Limited 2 SMS Infrastructure Limited 3 Reliance Life Insurance Company Limited 4 Torrent Power Limited 5 NCC Limited 6 Fullerton India Credit Company Limited 7 Graphite India Limited 8 LT Foods Limited 9 Minda Industries Limited
<b>Committee Membership<sup>§</sup></b>	1 Torrent Power Limited - Member of Audit Committee 2 Reliance Life Insurance Company Limited - Member of Audit Committee 3 FAG Bearings India Limited - Chairperson of Audit Committee 4 FAG Bearings India Limited - Member of Corporate Social Responsibility Committee 5 FAG Bearings India Limited - Chairperson of Stakeholder Relationship Committee

\* *Directorship means directorship in Indian Companies.*

§ *Membership means membership in Committees of Directors of Indian Public Companies.*

### ➤ Profile of Directors seeking Appointment / Re-appointment in 52<sup>nd</sup> Annual General Meeting

<b>Name</b>	<b>Mr. Rakesh Jinsi</b>
<b>Father's Name</b>	Mr. Somnath Jinsi
<b>Date of Birth</b>	January 15, 1955
<b>Director Identification Number</b>	00182187
<b>Qualification</b>	Bachelor of Engineering (Electrical) from Punjab Engineering College, Chandigarh
<b>Specialisation</b>	Business Management
<b>Experience</b>	Over 36 years
<b>Association</b>	Since 2015 with FAG Bearings India Limited
<b>Category</b>	Non-executive and Independent Director
<b>Shareholding in the Company</b>	Nil
<b>Directorship*</b>	FAG Bearings India Limited Hero Motors Limited

Continued...

## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)



...Continued

<b>Committee Membership</b> <sup>\$</sup>	FAG Bearings India Limited; Corporate Social Responsibility Committee - Chairman Audit Committee - Member Nomination & Remuneration Committee - Member
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\* Directorship means directorship in Indian Companies.

<sup>\$</sup> Membership means membership in Committees of Directors of Indian Public Companies.

### ➤ Profile of Directors seeking Appointment / Re-appointment in 52<sup>nd</sup> Annual General Meeting

<b>Name</b>	<b>Mr. Klaus Rosenfeld</b>
<b>Father's Name</b>	Mr. Hermann Rosenfeld
<b>Date of Birth</b>	May 6, 1966
<b>Director Identification Number</b>	07087975
<b>Qualification</b>	Master of Business Administration
<b>Specialisation</b>	Management
<b>Experience</b>	Leadership, Business Management and Strategy
<b>Association</b>	Since 2015 with FAG Bearings India Limited
<b>Category</b>	Non-executive and Non-independent Director
<b>Shareholding in the Company</b>	Nil
<b>Directorship*</b>	FAG Bearings India Limited
<b>Committee Membership</b> <sup>\$</sup>	Nil

\* Directorship means directorship in Indian Companies.

<sup>\$</sup> Membership means membership in Committees of Directors of Indian Public Companies.

### ➤ Profile of Directors seeking Appointment / Re-appointment in 52<sup>nd</sup> Annual General Meeting

<b>Name</b>	<b>Mr. R. Sampath Kumar</b>
<b>Father's Name</b>	Mr. Seshachari Santhana Raman
<b>Date of Birth</b>	September 4, 1959
<b>Director Identification Number</b>	00495192
<b>Date of Last Appointment</b>	April 20, 2012
<b>Qualification</b>	B.Com (Hons.), LL.B.
<b>Profession</b>	Attorney-at-Law
<b>Skills and Experience</b>	Legal
<b>Association</b>	Since April 1999 with FAG Bearings India Limited
<b>Category</b>	Non-executive & Non-independent Director
<b>Shareholding in the Company</b>	Nil
<b>Directorships*</b>	1 FAG Bearings India Limited 2 Voss Exotech Automotive Private Limited 3 Needle Industries (India) Private Limited
<b>Committee Membership</b> <sup>\$</sup>	Nil

\* Directorship means directorship in Indian Companies.

<sup>\$</sup> Membership means membership in Committees of Directors of Indian Public Companies.



## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

### ➤ Profile of Directors seeking Appointment / Re-appointment in 52<sup>nd</sup> Annual General Meeting

<b>Name</b>	Mr. Frank Huber
<b>Father's Name</b>	Mr. Karl Huber
<b>Date of Birth</b>	December 9, 1955
<b>Director Identification Number</b>	00689169
<b>Date of Last Appointment</b>	April 20, 2012
<b>Qualification</b>	Attorney of Law (University of Wuerzburg, Law) Member of Bamberg BAR Association
<b>Occupation</b>	General Counsel Schaeffler Group (Industrial / Aerospace Division)
<b>Skills and Experience</b>	Legal
<b>Association</b>	Since April 1997 with FAG Bearings India Limited
<b>Category</b>	Non-executive and Non-independent Director
<b>Shareholding in the Company</b>	Nil
<b>Directorship*</b>	FAG Bearings India Limited
<b>Committee Membership<sup>§</sup></b>	Nil

\* Directorship means directorship in Indian Companies.

§ Membership means membership in Committees of Directors of Indian Public Companies.

#### (B) Non-executive Directors' Compensation and Disclosures

Non-executive Directors (except for those who are in whole-time employment of the Company or other Schaeffler Associate Company) are paid sitting fees for attending Board / Committee Meetings and no commission / share of profit is paid to them. The details of compensation paid to them are disclosed under point no. 4 of this report.

#### (C) Board Meeting(s) During 2014

In all, four Board Meetings were held during 2014 on the following dates:

Board Meeting (s)	I	II	III	IV
<b>Dates</b>	February 11	April 24	July 31	November 6
<b>Start Timing</b>	11:00 am	11:00 am	11:00 am	11:00 am
<b>Venue</b>	Mumbai	Mumbai	New Delhi	Mumbai

The details of attendance of each of the Directors at the Board Meeting(s) are given in the table at point no. 2A.

#### (D) Board Meeting Procedure

Annual Calendar of Board Meetings of the year is usually considered in the last Board Meeting of the previous year. The notice convening Board Meeting is sent to each of the Directors along with relevant papers well in advance of the meeting date. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. All significant developments and material events are brought to the notice of the Board either as a part of the agenda papers in advance of the meeting or by way of presentations and relevant documents during the meeting. The Managing Director briefs the Board on the financial performance of the Company during the previous quarter and trend analysis as compared to the budgets, operational performance and market scenario.

The Board has complete access to all the information of the Company. The following information are provided to the Board as and when occasion arises:

1. Annual operating plans, budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the Company and its operating divisions or business segments.
4. Minutes of meetings of Audit Committee & other committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.

6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
13. Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business.
14. Quarterly details of foreign exchange exposure and the steps taken by the Management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer etc.

**(E) Code of Conduct**

The Company has laid down a Code of Conduct, under Clause 49 of the Listing Agreement, for all its Board Members and Senior Management Personnel for avoidance of conflicts of interest. The declarations with regard to compliance with the Code of Conduct have been received for the year 2014 from all the Board Members and Senior Management Personnel.

There were no material financial and commercial transactions, in which Board Members and Senior Management Personnel had personal interest, which could lead to potential conflict of interest with the Company during the year. The Code of Conduct is also available on Company's website.

**3 AUDIT COMMITTEE**

- (A) The Company has an Audit Committee at the Board level, with the powers and roles in accordance with the requirements of the Listing Agreement and the Companies Act, 2013. The Committee acts as a link between the Management, Auditors and the Board of Directors. The existing Audit Committee lastly re-constituted in a Board Meeting held on February 11, 2015 with following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category under Clause 49 of the Listing Agreement
1	Mrs. Renu Challu	Chairperson	Independent & Non-executive
2	Dr. Sanak Mishra	Member	Independent & Non-executive
3	Mr. Rakesh Jinsi	Member	Independent & Non-executive
4	Mr. Avinash Gandhi	Member	Independent & Non-executive

The Company Secretary is the Secretary of the Audit Committee.

- (B) Details of the Audit Committee Meetings held during 2014 are as follows:

Audit Committee Meeting(s)	I	II	III	IV
Dates	February 11	April 24	July 31	November 6
Start Timing	09:30 am	09:30 am	10:00 am	09:30 am
Venue	Mumbai	Mumbai	New Delhi	Mumbai
Attended by Members	Mr. A.P. Gandhi Mr. M.D. Garde Mr. R. Sampath Kumar	Mr. A.P. Gandhi Mr. M.D. Garde Mr. B. Steinruecke Mr. R. Sampath Kumar	Mr. A.P. Gandhi Mr. M.D. Garde Mr. R. Sampath Kumar	Mr. A.P. Gandhi Mr. M.D. Garde Mr. B. Steinruecke Mr. R. Sampath Kumar

The meetings of the Audit Committee were also attended by the Managing Director, the Chief Financial Officer, the Company Secretary and the Internal Auditor of the Company.

The Statutory Auditors attended all four meetings and Cost Auditor attended meeting held on April 24, 2014.

All the members of Audit Committee are financially literate and majority of them have accounting and financial management expertise. The Chairman of the Audit Committee, Mr. Avinash Gandhi, attended the 51<sup>st</sup> Annual General Meeting held on Thursday, April 24, 2014.

## CORPORATE GOVERNANCE REPORT

### (Annexure to the Directors' Report)

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- 1 Management discussion and analysis of financial condition and results of operations.
- 2 Statement of significant related party transactions (as defined by the Audit Committee), submitted by the Management.
- 3 Management letters / letters of internal control weaknesses issued by the statutory auditors.
- 4 Internal audit reports relating to internal control weaknesses.
- 5 The appointment, removal and terms of remuneration of the Chief Internal Auditor.

#### (C) Terms of Reference

The terms of reference of this Committee include matters specified in the Companies Act, 2013, Rules made thereunder, Listing Agreements and those specified by the Board in writing. Besides having access to all required information within the Company the Committee may investigate any activity within its terms of reference, seek information from any employee, secure attendance of outsiders with relevant expertise, or obtain legal or other professional advice from external sources, whenever required.

The Committee acts as a link amongst the Management, Auditors and the Board of Directors. The Audit Committee shall act in accordance with the terms of reference which shall, inter alia, include;

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the Management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the 'Director's Responsibility Statement'.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgment by Management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statement.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in the draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower Mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is included in the terms of reference of the Audit Committee.



#### 4 MANAGERIAL REMUNERATION

##### ➤ Remuneration to the Executive Director (Managing Director)

As per the Employment Agreement dated August 1, 2014, approval of the Board by way of Board resolution passed on February 11, 2014, and approved by shareholders by way of ordinary resolution passed on April 24, 2014 the details of remuneration paid / payable during the year to the Managing Director are as follows:

	(₹ in million)
Salary & Performance Bonus	5.50
Allowance & Perquisites	2.77
Company's contribution to funds	1.04
<b>Total</b>	<b>9.31</b>

Notes:

- Company's contributions to fund include Superannuation Fund and Provident Fund and exclude the accruals for gratuity as it is funded on the basis of an actuarial valuation for the Company as a whole.
- The Company did not have any Stock option Scheme as at December 31, 2014.

The remuneration limit of Mr. Rajendra Anandpara for the period up to and including 2019 will be in accordance with the 'Employment Agreement' and the annual increment for the year 2015 will be decided by the Board of the Company.

##### ➤ Remuneration to the Non-executive Directors

Directors (except for those who are in whole-time employment of the Company or other Schaeffler Associate Company) are paid sitting fees for attending Board / Committee Meetings and no commission / share of profit is paid to them. The details of sitting fees paid to them for attending Board / Committee Meetings during the year are as follows:

Name of the Director	Number of Meetings attended			Amount (₹)			
	Board Meetings		Audit Committee	Investor's Grievance	Sitting Fees	Ex-Gratia	Total
	As Director	As Invitee					
	₹ 20,000/- meeting - for I, II, III Qtr. of 2014	₹ 50,000/- meeting - for IV Qtr. of 2014	₹ 20,000/- per meeting	₹ 10,000/- per meeting			
Mr. Avinash Gandhi	4	–	4	–	190,000	–	190,000
Mr. B. Steinruecke	2	–	2	–	110,000	–	110,000
Mr. Moreshwar Garde	4	–	4	1	200,000	–	200,000
Mr. R. Sampath Kumar	4	–	4	1	200,000	–	200,000
Dr. Sanak Mishra	1	–	–	–	50,000	–	50,000
Mrs. Renu Challu	1	–	–	–	50,000	–	50,000
Mr. Yezad Kapadia®	1	1	–	–	20,000	–	20,000
Mr. Kamlesh Tapadar®	–	2	–	–	–	20,000	20,000
<b>Total</b>					<b>820,000</b>	<b>20,000</b>	<b>840,000</b>

® Alternate Directors were paid ex gratia for attending Board Meetings as Invitees and sitting fees for attending the Board Meetings as Directors.

All the Directors have been reimbursed expenses incurred by them in discharge of their duties. The payments made to a Director in his individual capacity or to his relatives have been disclosed. However, none of these Directors has any material pecuniary relationship or transactions with the Company, its promoters, its Directors, its senior management or its holding Company, its subsidiaries and associates which may affect their independence. The Company has not entered into any materially significant transaction with Promoters, Directors or their relatives or its management or subsidiary that may have potential conflict with the interests of the Company.

Transactions of the Non-executive Directors or their relatives with the Company during the year 2014 are as follows:

- Professional consultation fees (excluding Service Tax and reimbursement of expenses) paid to Mr. Avinash Gandhi is ₹ 600,150/-.
- ₹ 96,000/- was paid to relatives of Mr. Avinash Gandhi towards rent.
- Professional consultation fees paid to Mr. Bernhard Steinruecke is ₹ 375,000/-.
- Professional consultation fees paid to Mr. Moreshwar Garde is ₹ 150,000/-.

## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

### ► Directors' Shareholding in the Company

Except Alternate Director Mr. Kamlesh Tapadar (Alternate Director up to April 22, 2014) who holds 75 Shares, no other Director holds shares of the Company as on December 31, 2014.

### 5 STAKEHOLDERS RELATIONSHIP COMMITTEE

Pursuant to provisions of Section 178(5) of the Companies Act, 2013 and Listing Agreement, 'Stakeholders Relationship Committee' of the Board was constituted effective July 31, 2014 replacing the 'Investor's Grievances & Share Transfer Committee'. This Committee lastly reconstituted at the Board Meeting held on February 11, 2015 consisting of following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category under Clause 49 of the Listing Agreement
1	Mrs. Renu Challu	Chairperson	Independent & Non-executive
2	Dr. Sanak Mishra	Member	Independent & Non-executive
3	Mr. Rajendra Anandpara	Member	Non-independent & Executive

The Committee meets to deal with matters relating to redressal of complaints from shareholders regarding transfers, non-receipt of Balance Sheet, non-receipt of declared dividends etc. and to review effectiveness of investors' relations system of the Company.

The Company Secretary is the Secretary of this Committee and also appointed as Compliance Officer of the Company.

During 2014, three (3) complaints were received from SEBI, shareholders / investors, which were attended to and resolved satisfactorily during the year leaving no complaint pending as on December 31, 2014.

### 6 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to provisions of Section 135 of the Companies Act, 2013, 'Corporate Social Responsibility Committee' of the Board was constituted effective July 31, 2014. This Committee lastly reconstituted at the Board Meeting held on February 11, 2015 consisting of following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category under Clause 49 of the Listing Agreement
1	Mr. Rakesh Jinsi	Chairman	Independent & Non-executive
2	Mrs. Renu Challu	Member	Independent & Non-executive
3	Mr. Rajendra Anandpara	Member	Non-independent & Executive

### 7 NOMINATION AND REMUNERATION COMMITTEE

Pursuant to provisions of Section 178 of the Companies Act, 2013 read with Listing Agreement, 'Nomination and Remuneration Committee' of the Board was constituted effective November 6, 2014. This Committee lastly reconstituted at the Board Meeting held on February 11, 2015 consisting of following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category under Clause 49 of the Listing Agreement
1	Dr. Sanak Mishra	Chairman	Independent & Non-executive
2	Mr. Rakesh Jinsi	Member	Independent & Non-executive
3	Mr. Dietmar Heinrich	Member	Non-independent & Non-executive
4	Mr. Avinash Gandhi	Member	Independent & Non-executive

Besides having access to all required information within the Company, the Committee may investigate any activity within its terms of reference, seek information from any employee, secure attendance of outsiders with relevant expertise, or obtain legal or other professional advice from external sources, whenever required.

The Committee acts as a link amongst the Management and the Board of Directors. The Committee shall act in accordance with the terms of reference which shall, inter alia, include;

i. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the

remuneration of the Directors, key managerial personnel and other employees;

ii. Formulation of criteria for evaluation of Independent Directors and the Board;

iii. Devising a policy on Board diversity;

iv. Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;

v. Evaluation of every Director's performance.

## 8 GENERAL BODY MEETINGS

Details of Annual General Meetings held in last three years are as follows;

Particulars	Meetings		
	51 <sup>st</sup> AGM	50 <sup>th</sup> AGM	49 <sup>th</sup> AGM
Date	April 24, 2014	April 25, 2013	April 20, 2012
Start Timing	3:00 PM	3:00 pm	3:00 pm
Venue	Kamalnayan Bajaj Hall, Gr. Floor, Bajaj Bhavan, 226, Nariman Point, Mumbai - 400 021		
<b>Resolutions Passed</b>			
<b>Ordinary Business:</b>			
(1) Adoption of Accounts as at	December 31, 2013	December 31, 2012	December 31, 2011
(2) Declaration of Dividend	₹ 6 per equity share of ₹ 10 each	₹ 5 per equity share of ₹ 10 each	₹ 10 per equity share of ₹ 10 each
(3) Re-appointment of Rotational Directors	Mr. Avinash Gandhi	Mr. Bernhard Steinruecke	Mr. Frank Huber
	Mr. Moreshwar Garde	Mr. Bruno Kraus	Mr. Wolfgang Dangel
(4) Appointment of Auditors & to fix their remuneration	B S R & Co. LLP, Chartered Accountants, Mumbai		
<b>Special Businesses:</b>			
Appointment of Directors	Mr. Dharmesh Arora Mr. Robert Schullan Mr. Dietmar Heinrich	Mr. Udo Bauer	Mr. R. Sampath Kumar
Re-appointment of Managing Director	Mr. Rajendra Anandpara	–	–

- No special resolution was passed in any of the last three 'Annual General Meetings'.
- No 'Extraordinary General Meeting' was held during the last three years.
- No postal ballot was conducted during the year.
- At the forthcoming 'Annual General Meeting', there is no item on the agenda requiring postal ballot.

## 9 DISCLOSURES

- (i) The Board has received disclosures from the Senior Management relating to material, financial and commercial transactions, where they and / or their relatives have personal interest. There are no materially significant related party transactions of the Company, which have potential conflict with the interest of the Company at large; however, transactions with related parties as per requirements of Accounting Standard - 18 are disclosed under notes to accounts.
- (ii) All transactions with related party, as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement, during the year were in ordinary course of business & at arms length basis and do not attract provisions of Section 188 of the Companies Act, 2013. The Board has approved a policy on dealing with related party transactions, and the same has been uploaded on the Company's website.
- (iii) There have been no instances of any penalties or strictures imposed on the Company on any matter relating to the capital market, either by Stock Exchange, SEBI or any statutory authority during the last three years.
- (iv) The Company has adopted and complied with mandatory requirements as per Clause 49 of the Listing Agreement. Some of the non-mandatory requirements have also been complied with.
- (v) The requisite certificates from CEO and CFO were placed before the Board Meetings for consideration.
- (vi) The Company has adequate risk assessment and minimization system in place. The risk management procedure is reviewed periodically.

### Non-mandatory Requirements of Clause 49 (Annexure – XIII to the Listing Agreement)

#### (A) The Board

Mr. Avinash Gandhi, being Non-executive Chairman, is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.

#### (B) Shareholder's Rights

A letter from the Chairman, on half yearly financial performance of the Company including summary of the significant events is circulated to all shareholders.



## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

### (C) Audit Qualification

There has been no Audit Qualification in the Audit Report by the Auditor in the year 2014.

### (D) Separate Posts of Chairman and CEO

The Chairman and Managing Directors are two separate

individuals with vast experience and expertise.

### (E) Reporting of Internal Auditor

Mr. Devang Shah, an Internal Auditor of the Company, submits report to the Audit Committee regularly.

## 10 MEANS OF COMMUNICATION

Pursuant to provisions of the Listing Agreements periodical financial results and other publications of the Company are being published in a widely circulated English newspaper (Business Standard) and a Vernacular Marathi newspaper (Tarun Bharat). Financial results, as soon as they are approved by the Board, are forwarded to the Stock Exchanges (BSE & NSE) and also displayed on Company's Website [www.schaeffler.co.in](http://www.schaeffler.co.in). Along with the financial results, other information as per the listing guidelines such as Annual Report and Shareholding Pattern, are being uploaded on website [www.corpfiling.co.in](http://www.corpfiling.co.in)

under "Corporate Filing and Dissemination System (CFDS)", <https://listing.bseindia.com/login.aspx> under "BSE Listing Centre" and on <https://connect2nse.com/LISTING/> under "NSE Electronic Application Processing System (NEAPS)".

The Company generally does not make any presentation to analysts or to institutional investors. A letter from the Chairman, along with half-yearly results, is sent individually to all the shareholders at their registered address.

## 11 GENERAL SHAREHOLDER INFORMATION

### (i) 52<sup>nd</sup> Annual General Meeting is scheduled to be held

**On:** Friday, the 24<sup>th</sup> day of April, 2015  
**At:** 3:00 pm

**At:** Padmabhushan Vasantdada Patil Sabhagruha, Sakhar Bhavan, 12<sup>th</sup> floor, Nariman Point, Mumbai - 400 021, Maharashtra, India.

### (ii) Financial Year

A twelve month period starting from January 1, 2015 to December 31, 2015.

Financial Reporting for:

- |   |                                       |
|---|---------------------------------------|
| (a) 1 <sup>st</sup> quarter ending March 31, 2015             | - by the end April 2015,              |
| (b) 2 <sup>nd</sup> quarter & half year ending June 30, 2015  | - by the end July 2015,               |
| (c) 3 <sup>rd</sup> quarter ending September 30, 2015         | - by the end October 2015,            |
| (d) 4 <sup>th</sup> quarter and year ending December 31, 2015 | - by the end January / February 2016. |

### (iii) Date of Book Closure

April 1, 2015 to April 6, 2015 (Both days inclusive)

### (iv) Dividend

The Dividend for the year 2014 may be declared under agenda item no. 2 of forthcoming 52<sup>nd</sup> Annual General Meeting scheduled on April 24, 2015, and shall be paid within the time limit prescribed in the Companies Act, 2013 / Companies Act, 1956.

### (v) Audit in 2014

Sr. No.	Audits	Auditors in 2014	Audit Firm
1	Statutory Audit	Statutory Auditors	B S R & Co. LLP Chartered Accountants, Mumbai
2	Cost Audit	Cost Auditors	Y. S. Thakar & Co. Cost Accountants, Vadodara
3	Tax Audit	Auditors for Financial Year Audit and Tax Audit	K. C. Mehta & Co. Chartered Accountants, Vadodara
4	Secretarial Audit / Reconciliation of Share Capital Audit	Secretarial Auditors	Samdani Kabra & Associates Company Secretaries, Vadodara

### (vi) Listing of Equity Shares on Stock Exchanges

The Equity Shares of the Company are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The requisite listing fees have been paid to the Stock Exchanges up to March 31, 2015.

### (vii) Custodial Fee to Depositories

The Company has paid custodial fees for the year 2014 – 2015 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

(viii) **Stock Code**

BSE Limited (BSE)	>	505790
National Stock Exchange of India Limited (NSE)	>	FAGBEARING
International Security Identification Number (ISIN)	>	INE513A01014
Corporate Identification Number (CIN)	>	L29130MH1962PLC012340

(ix) **Market Price Data**

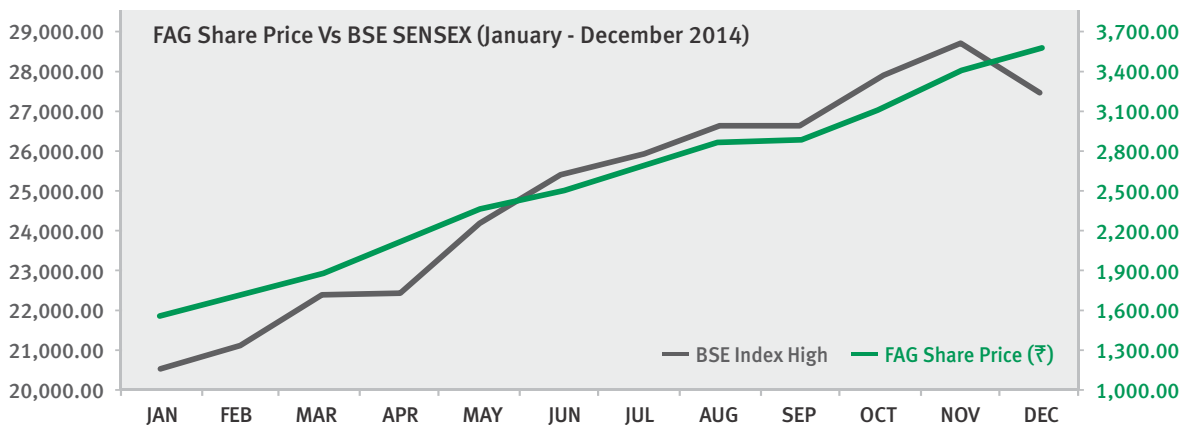
A summary containing monthly High / Low share prices at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) is as under:

For the Year 2014

	Equity Shares			
	BSE Limited, (BSE)		National Stock Exchange of India Limited, (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January	1,679.00	1,467.70	1,678.95	1,505.00
February	1,749.00	1,537.60	1,745.00	1,530.00
March	1,915.00	1,680.00	1,900.00	1,678.00
April	2,148.20	1,830.00	2,148.95	1,830.00
May	2,400.00	2,051.00	2,445.00	2,031.00
June	2,610.00	2,280.00	2,589.00	2,261.60
July	2,825.00	2,500.00	2,830.00	2,480.00
August	2,999.85	2,668.00	3,001.55	2,651.15
September	3,039.20	2,721.00	3,015.00	2,716.60
October	3,150.00	2,750.25	3,150.00	2,706.60
November	3,402.00	2,888.00	3,440.00	2,878.70
December	3,825.00	3,167.15	3,830.00	3,178.00

(x) **Stock Performance**

The performance of the Company's shares relative to the BSE Sensitive Index for the year 2014 is given below:



(xi) **Registrar and Share Transfer Agent [RTA]**

The details are as under:

<b>Name:</b> Link Intime India Private Limited	<b>Address :</b> B-102 & 103, Shangrila Complex, 1 <sup>st</sup> Floor, Opp. HDFC Bank, Nr. Radhakrishna Char Rasta, Akota, VADODARA (Gujarat) - 390 020 INDIA.	<b>Phone:</b> +91-265-2356573, 2356794	<b>E-mail:</b> vadodara@linkintime.co.in
		<b>Fax:</b> +91-265-2356791	<b>Website:</b> www.linkintime.co.in

'Link Intime India Private Limited' is acting as 'Registrar & Share Transfer Agent' for Company's Equity shares in physical and dematerialised form.

## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

### (xii) Share Transfer System

Trading of Company's equity shares is possible in physical as well as dematerialised form. Shares sent for transfer in physical form are registered on a fortnightly basis and returned within prescribed period from the date of receipt of document, provided all the documents are valid and complete in all respects. This practice was changed from October 1, 2012 as per the new guidelines issued by Securities Exchange Board of India. Consequently, now shares sent for transfer in physical form are registered on a weekly basis and returned within a period of fifteen days from the date of receipt of documents, provided all the documents are valid and complete in all respect. The authority to approve the share transfer / transmission lies with the Board of Directors.

Further, with an intention to expedite the process of share transfer / transmission, the Board has delegated authority in favour of 'Key Managerial Personnel' up to 5,000 shares per transfer deed including demat request and to issue duplicate shares certificates in lieu of originals up to 2,000 shares per request.

The Company confirms that there is no share transfer pending as on December 31, 2014, for more than fifteen days, from the date of lodgement thereof. All requests for demat / remat received by the Company / Registrar and Share Transfer Agent were confirmed / rejected within prescribed period from the date of receipt thereof.

### (xiii) Information of Dividend

Pursuant to provisions of Law, the Company is committed to make timely payment of dividend. The dividend amount that remains unpaid and unclaimed for the financial year ended on December 31, 2007 is due to be transferred on May 25, 2015, to "Investor Education and Protection Fund" (IEPF), a Fund constituted by the Central Government.

Entitled Members are requested to lodge their claims before the last date for claiming unpaid and unclaimed dividend as shown in the table below for the dividend in respective years. For the claims lodged after the last due dates, the Company does not take any responsibility for payment, as the balance amount on last due dates along with interest earned thereon shall be transferred to the IEPF.

### ► Details of unclaimed and unpaid dividend

Year ended on	Date of declaration of dividend	Amount due for transfer to IEPF on	Amount lying unpaid (₹) as on 31.12.2014
31.12.2007	17.04.2008	25.05.2015	365,016.00
31.12.2008	24.04.2009	31.05.2016	423,874.00
31.12.2009	22.04.2010	29.05.2017	460,041.00
31.12.2010	21.04.2011	28.05.2018	528,380.00
31.12.2011	20.04.2012	27.05.2019	998,120.00
31.12.2012	25.04.2013	26.05.2020	575,090.00
31.12.2013	24.04.2014	26.05.2021	653,940.00
<b>Total amount lying unpaid as on December 31, 2014</b>			<b>4,004,461.00</b>

### (xiv) Distribution of Shareholding

(As on December 31, 2014)

Analysis of Shareholding	2014		2013	
	Number of Shareholders	Number of Shares held	Number of Shareholders	Number of Shares held
1 - 50	5,046	88,361	4,076	80,224
51 - 100	1,340	112,339	1,340	113,604
101 - 250	1,120	190,550	1,150	196,480
251 - 500	531	195,357	574	211,036
501 - 1,000	310	229,932	329	246,521
1,001 - 5,000	241	506,356	235	498,036
5,001 and above	113	15,294,375	104	15,271,369
<b>Total</b>	<b>8,701</b>	<b>16,617,270</b>	<b>7,808</b>	<b>16,617,270</b>

Note: The information given above in Distribution Schedules is on the basis of a Certificate received from the Registrar & Share Transfer Agent, Link Intime India Private Limited, on which the auditors have relied.



## ➤ Category-wise summary of Shareholding

(As on December 31, 2014)

Sr. No.	Category	No. of Shareholders	No. of Shares	%
1	Promoters (FAG Kugelfischer GmbH)	1	8,529,183	51.33
2	Mutual Fund	52	2,858,071	17.20
3	Foreign Institutional Investor	28	705,489	4.25
4	Public	8,019	1,509,660	9.08
5	Bodies Corporate	278	1,215,011	7.31
6	Qualified Foreign Investor	-	-	-
7	Others	323	1,799,856	10.83
	<b>Total</b>	<b>8,701</b>	<b>16,617,270</b>	<b>100.00</b>

## (xv) Top Ten Shareholders with their Shareholdings

(As on December 31, 2014)

Sr. No.	Name of Shareholder	Category*	Number of Shares held	% of total Paid-up Share Capital
1	FAG Kugelfischer GmbH	Promoter	8,529,183	51.33
2	ACACIA Partners, LP	FII	602,688	3.63
3	ACACIA Institutional Partners, LP	FII	517,959	3.12
4	Sundaram Mutual Fund A/c Sundaram Select Midcap	MF	499,657	3.01
5	IDFC Premier Equity Fund	MF	461,217	2.78
6	HDFC Trustee Company Ltd. A/c HDFC Midcap Opportunities Fund	MF	358,314	2.16
7	ICICI Prudential Life Insurance Company Limited	OBC	299,146	1.80
8	Franklin Templeton Mutual Fund A/c Franklin India Prima Fund	MF	224,114	1.35
9	Shree Capital Services Limited	OBC	212,470	1.28
10	ACACIA Banyan Partners	FII	190,276	1.15
	<b>TOTAL</b>		<b>11,895,024</b>	<b>71.61</b>

\* FII - Foreign Institutional Investor, MF - Mutual Fund, OBC - Other Body Corporate.

## (xvi) Dematerialisation of Shares and Liquidity

98.67% of the Paid-up Equity Share Capital is held in Dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on December 31, 2014.

	NSDL	CDSL	Physical	Total
Shares (nos.)	16,080,809	315,796	220,665	16,617,270
Shares (%)	96.77	1.90	1.33	100.00

## (xvii) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on Equity: NIL

## (xviii) Plant Location

The manufacturing activities are being carried out from the plants located at Vadodara, State of Gujarat.

## (xix) Address for correspondence

Shareholders / Beneficial owners are requested to correspond with the Company's RTA (Registrar & Share Transfer Agent) as shown in Para (xi) with respect to any query, request, information or clarification pertaining to shares and are further advised to quote their folio number, DP & Client ID number as the case may be, in all correspondence with it. In addition to the Registrar's details given in (xi), shareholders may correspond at the following addresses:

**Registered Office:**

Nariman Bhavan, 8<sup>th</sup> Floor, 227 Backbay Reclamation,  
Nariman Point, Mumbai - 400 021, Maharashtra, INDIA.  
Phone: +91-22-6681 4444 to 6681 4499 Fax: +91-22-2202 7022

**Head Office:**

P.O. Maneja, Vadodara - 390 013, Gujarat, INDIA.  
Phone: +91-265-660 2000-2004 Fax: +91-265-263 8804  
E-mail: raj.sarraf@schaeffler.com

## CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

(xx) **Information through Internet / Company's Website**

The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements are being uploaded and can be viewed by the general public on [www.corpfiling.co.in](http://www.corpfiling.co.in), [www.listing.bseindia.com/login.apex](http://www.listing.bseindia.com/login.apex) and [www.connect2nse.com/LISTING/](http://www.connect2nse.com/LISTING/). Apart from this, the Company's website [www.schaeffler.co.in/](http://www.schaeffler.co.in/) contains comprehensive information about the Company, its products, services, solutions, press releases and investor's information, etc. The required information is being placed from time to time on the website.

(xxi) **Other useful information to shareholders**

**ECS / NECS Facility**

The Company uses "Electronic Clearing Services" (ECS) facility for remitting dividend to its shareholders wherever available.

In terms of notification issued by the Reserve Bank of India, with effect from October 1, 2009, remittance of dividend through ECS is replaced by "National Electronic Clearing Services" (NECS). Banks have been instructed to move to the NECS platform. The advantages of NECS over ECS include faster credit of remittance to the beneficiary's account, coverage of more bank branches and ease of operations.

NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS) for centralised processing of inward instructions and efficiency in handling bulk transactions.

To enable remittance of dividend through NECS, Members are requested to provide their new account number allotted to them by their respective banks after implementation of CBS. The account number must be provided to the Company in respect of shares held in physical form and to the Depository Participants in respect of shares held in electronic form.

Shareholders holding shares in physical form are requested to provide details of their bank account for availing NECS facility in the form attached to the Notice of the Annual General Meeting. However, if the shares are held in dematerialised form, the NECS mandate has to be communicated to the Depository.

(xxii) **PAN requirement for Share Transfer / Dematerialisation transactions**

The Securities and Exchange Board of India (SEBI) vide circular ref. no. MRD/DoP/Cir-05/2007 dated April 27, 2007 made PAN (Permanent Account Number) mandatory for all securities market transactions. Thereafter, vide Circular no. MRD/DoP/Cir-05/2009 dated May 20, 2009, SEBI has clarified that for securities market transactions and off-market / private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company / RTAs for registration of such transfer of shares.

(xxiii) The Management Discussion and Analysis Report for the year ended on December 31, 2014, forms part of the Annual Report.

Mumbai: February 11, 2015

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

To,

The Members of FAG Bearings India Limited

**Re.: Declaration by CEO under Clause 49(II)(E)(2) of the Listing Agreement**

I, RAJENDRA ANANDPARA, Managing Director of FAG Bearings India Limited, hereby declare that to the best of my knowledge and belief, all members of the Board of Directors and Senior Management Personnel have confirmed compliance with Company's Code of Conduct for the year ended on December 31, 2014.

Mumbai: February 11, 2015

**Rajendra Anandpara**  
Managing Director & CEO  
DIN: 02461259

**To the Members of FAG Bearings India Limited**

We have examined the compliance of the conditions of Corporate Governance by FAG Bearings India Limited for the year ended December 31, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Governance. It is neither an audit nor an expression of an opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended December 31, 2014, no investor grievances are pending against the Company, as per the records maintained by the Company and presented to the Investors / Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Vadodara: February 11, 2015

**Suresh Kumar Kabra**  
Company Secretary  
Partner  
**Samdani Kabra & Asso.**  
Company Secretaries  
ACS / CP NO. 9711/9927

## CEO AND CFO CERTIFICATE

To,  
**The Board of Directors,**

This is to certify that;

- (a) We have reviewed Financial Statements and the Cash Flow Statement for the year ended December 31, 2014 and that to the best of our knowledge and belief;
  - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining Internal Controls for financial reporting and that we have evaluated the effectiveness of Internal Control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such Internal Controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit committee;
  - i) Significant changes in the Internal Control over financial reporting during the year ended December 31, 2014;
  - ii) Significant changes in accounting policies during the year ended December 31, 2014 and that the same have been disclosed in the notes to the Financial Statements; and
  - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

**For FAG Bearings India Limited**

**Rajendra Anandpara**  
Managing Director

**Satish Patel**  
Chief Financial Officer

Mumbai: February 11, 2015



## INDEPENDENT AUDITORS' REPORT

to the Members of FAG Bearings India Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of FAG Bearings India Limited ('the Company'), which comprise the Balance Sheet as at December 31, 2014, the Statement of Profit and Loss, and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ('the Act') read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting

principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Emphasis of Matter

We draw attention to Note 43 to the financial statements in respect of change in accounting policy in respect of accounting for forward contracts. During the year, the Company has adopted and applied the principles of hedge accounting as set out in Accounting Standard (AS)-30, 'Financial Instruments: Recognition and Measurement' issued by Institute of Chartered Accountants of India to forward contracts in respect of highly probable transactions or firm commitments which were previously accounted following the principles of prudence as per AS-1 'Disclosure of Accounting Policies'. Consequently, the Company has recorded ₹ 203 million representing mark to mark loss in the hedging reserve as at December 31, 2014 resulting in net profit for the year being higher to that extent. Our opinion is not qualified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
  - (e) on the basis of written representations received from the Directors as on December 31, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on December 31, 2014, from being appointed as a Director in terms of Section 164(2) of the Companies Act, 2013.

For B S R & Co. LLP  
Chartered Accountants  
Firm's Reg. No. 101248W / W-100022

Vijay Mathur  
Partner  
Membership No. 046476

Mumbai: February 11, 2015

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

December 31, 2014

With reference to the Annexure referred to in our report of even date, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, a part of the fixed assets were physically verified by the management in the current year and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the ongoing concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stocks lying with certain third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no Companies, firms or other parties covered in the register required under Section 301 of the Act / Section 189 of the Companies Act, 2013 (as applicable). Accordingly, paragraph (iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under Section 301 of the Act / Section 189 of the Companies Act, 2013 (as applicable).
- (vi) The Company has not accepted any deposits from public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act / Section 128 of the Companies Act, 2013 (as applicable), in respect of bearings and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Value added tax, Investor Education and Protection Fund and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Value added tax, Investor Education and Protection Fund and other material statutory dues were in arrears as at December 31, 2014 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Service tax, Wealth tax, Excise duty, Customs duty, and Value added tax, which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned below:

Name of the statute	Nature of the dues	Amount (₹ in million)	Period	Forum where the dispute is pending
State and Central Sales Tax Act	Duty and interest	2.8	2004-05	Joint Commissioner Appeals
		3.7	2008-09	Joint Commissioner Appeals
		9.9	2009-10	Commissioner Appeals
		1.4	2009-10	Dy. Commissioner Sales Tax
		0.3	2006-07	Dy. Commissioner Sales Tax

Continued...

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

December 31, 2014

# FAG

...Continued

Name of the statute	Nature of the dues	Amount (₹ in million)	Period	Forum where the dispute is pending
Central Excise Act, 1944	Duty, interest and penalty	12.4	2003-04, 2004-05, 2006-07, 2007-08	High Court
		13.1	2003-04, 2004-05, 2006-07, 2007-08, 2009-10	Commissioner Appeals
		2.2	2004-05	Appellate Tribunal
The Income Tax Act, 1961	Tax and interest	174.4	2000-01 to 2010-11	Income Tax - Appellate Tribunal and Assessing Officer

The above are net of amounts paid under protest for Sales tax ₹ 78.3 million and for Income tax ₹ 2,691.4 million. The Income tax dues of ₹ 174.4 million mentioned above represent cases where the Company has received favorable orders and the department has gone for further appeals with higher authorities for various assessment years.

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) As stated in paragraph (iii) above, there are no Companies / firms / parties covered in the register required to be maintained under Section 301 of the Act / Section 189 of the Companies Act, 2013 (as applicable). Accordingly, paragraph (xviii) of the Order is not applicable.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Reg. No. 101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No. 046476

Mumbai: February 11, 2015

## BALANCE SHEET

as at December 31, 2014

(₹ in million)

	Note	31.12.2014	31.12.2013
<b>(I) EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	166.2	166.2
Reserves and surplus	3	10,908.7	9,729.3
<b>Non-current liabilities</b>			
Deferred tax liabilities (net)	4	154.0	174.1
Other long term liabilities	5	15.2	16.1
Long-term provisions	6	329.0	205.0
<b>Current liabilities</b>			
Trade payables	7	2,160.6	2,404.7
Other current liabilities	8	420.0	488.5
Short-term provisions	9	188.2	148.8
<b>TOTAL</b>		<b>14,341.9</b>	<b>13,332.7</b>
<b>(II) ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible fixed assets	10	3,699.4	3,983.4
Intangible fixed assets	10	3.0	5.5
Capital work-in-progress	10	201.2	134.3
Non-current investments	11	43.5	43.5
Long-term loans and advances	12	999.4	1,765.1
Other non-current assets	13	–	4.6
<b>Current assets</b>			
Inventories	14	1,908.9	1,705.8
Trade receivables	15	2,900.5	2,906.0
Cash and bank balances	16	3,294.5	2,376.6
Short-term loans and advances	17	1,201.9	347.1
Other current assets	18	89.6	60.8
<b>TOTAL</b>		<b>14,341.9</b>	<b>13,332.7</b>
Significant accounting policies	1		
Notes to the financial statements	29-46		

The notes referred to above form an integral part of the financial statements.

*As per our report of even date attached*

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Reg. No. 101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No. 046476

Mumbai: February 11, 2015

For and on behalf of the Board of Directors of FAG Bearings India Limited

**Avinash Gandhi**  
Chairman

**Rajendra Anandpara**  
Managing Director

**Satish Patel**  
Chief Financial Officer

**Raj Sarraf**  
Company Secretary

Mumbai: February 11, 2015



## STATEMENT OF PROFIT AND LOSS

for the year ended December 31, 2014

# FAG

(₹ in million)

	Note	31.12.2014	31.12.2013
<b>REVENUE FROM OPERATIONS</b>	<b>19</b>		
Sale of products (gross)		17,320.6	15,110.0
Less: Excise Duty		1,144.5	1,183.5
Sale of products (net)		16,176.1	13,926.5
Sale of services		32.7	17.1
Other operating revenues		112.7	80.6
<b>Total</b>		<b>16,321.5</b>	<b>14,024.2</b>
<b>Other income</b>	<b>20</b>	<b>409.5</b>	<b>458.6</b>
<b>Total revenue</b>		<b>16,731.0</b>	<b>14,482.8</b>
<b>EXPENSES</b>			
Cost of materials consumed	21	6,020.8	5,036.8
Purchases of stock-in-trade	22	3,973.5	4,256.1
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	(21.1)	(322.0)
Employee benefits	24	1,379.4	1,191.3
Finance costs	25	9.7	7.6
Depreciation and amortisation	26	493.5	432.5
Other expenses	27	2,551.5	2,026.1
<b>Total expenses</b>		<b>14,407.3</b>	<b>12,628.4</b>
<b>PROFIT BEFORE TAX</b>		<b>2,323.7</b>	<b>1,854.4</b>
<b>Tax:</b>			
Current tax		815.0	526.4
Deferred tax charge / (credit)		(20.1)	109.7
<b>PROFIT FOR THE YEAR</b>		<b>1,528.8</b>	<b>1,218.3</b>
Earnings per equity share [Nominal value of share ₹ 10 each (Previous year: ₹ 10 each)]	28		
Basic		92.00	73.32
Diluted		92.00	73.32
Significant accounting policies	1		
Notes to the financial statements	29-46		

The notes referred to above form an integral part of the financial statements.

*As per our report of even date attached*

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Reg. No. 101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No. 046476

Mumbai: February 11, 2015

For and on behalf of the Board of Directors of FAG Bearings India Limited

**Avinash Gandhi**  
Chairman

**Rajendra Anandpara**  
Managing Director

**Satish Patel**  
Chief Financial Officer

**Raj Sarraf**  
Company Secretary

Mumbai: February 11, 2015

## CASH FLOW STATEMENT

for the year ended December 31, 2014

(₹ in million)

	31.12.2014	31.12.2013
<b>Cash flows from operating activities</b>		
Net profit before tax	2,323.7	1,854.4
Adjustments:		
Depreciation and amortisation	493.5	432.5
Finance costs	9.7	7.6
Unrealised exchange loss (net)	37.6	37.6
Interest income	(349.2)	(253.8)
Loss on fixed assets sold (net)	11.1	4.1
Provision for doubtful debts / advances	7.9	(1.4)
Debts / advances written off	14.6	-
Provision for Gratuity / leave encashment	82.1	(34.5)
Provision no longer required written back - others	(2.3)	(5.8)
TDS on other Income	(0.3)	(0.3)
	304.7	186.0
<b>Operating cash flow before changes in working capital</b>	<b>2,628.4</b>	<b>2,040.4</b>
(Increase) / Decrease in trade and other receivables	(20.2)	(321.1)
(Increase) / Decrease in inventories	(203.1)	(283.7)
Increase / (Decrease) in trade and other payables	(508.7)	680.0
	(732.0)	75.2
<b>Cash generated from operations</b>	<b>1,896.4</b>	<b>2,115.6</b>
Income tax paid (net of refunds)	(722.6)	(494.9)
<b>A Net cash generated from operating activities</b>	<b>1,173.8</b>	<b>1,620.7</b>
<b>Cash flows from investing activities</b>		
Purchase and construction of fixed assets (tangible and intangible fixed assets) (see note below)	(405.2)	(673.6)
Proceeds from sale of fixed assets	4.2	6.7
Intercompany loans given	-	(650.0)
(Investment in) / maturity of fixed deposits (maturity of more than three months)	(1,390.0)	569.8
Interest received	266.6	228.6
<b>B Net cash used in investing activities</b>	<b>(1,524.4)</b>	<b>(518.5)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(9.7)	(7.6)
Dividends paid on equity shares	(99.5)	(82.9)
Tax paid on dividends	(16.9)	(13.5)
<b>C Net cash used in financing activities</b>	<b>(126.1)</b>	<b>(104.0)</b>
<b>Net increase (decrease) in cash and cash equivalents (A + B + C)</b>	<b>(476.7)</b>	<b>998.2</b>
Cash and cash equivalents at the beginning of period (see note below)	2,106.6	1,108.4
Cash and cash equivalents at the end of period (see note below)	1,629.9	2,106.6
	<b>(476.7)</b>	<b>998.2</b>

Continued...

## CASH FLOW STATEMENT

for the year ended December 31, 2014

# FAG

...Continued

### Notes:

- (1) Purchase of fixed assets includes payments for items in capital work in progress and advances of capital nature.
- (2) Cash and Cash equivalents comprise of:

	31.12.2014	31.12.2013
Cash on hand	–	–
Cheques on hand	75.0	94.4
With scheduled banks on:		
Current accounts [includes Restricted balance of unpaid dividend ₹ 4.0 (Previous year: ₹ 3.8)]	544.9	682.2
Deposit accounts (maturity upto three months)	1,010.0	1,330.0
	<b>1,629.9</b>	<b>2,106.6</b>

*As per our report of even date attached*

For **B S R & Co. LLP**

Chartered Accountants

Firm's Reg. No. 101248W / W-100022

**Vijay Mathur**

Partner

Membership No. 046476

Mumbai: February 11, 2015

**For and on behalf of the Board of Directors of FAG Bearings India Limited**

**Avinash Gandhi**

Chairman

**Rajendra Anandpara**

Managing Director

**Satish Patel**

Chief Financial Officer

**Raj Sarraf**

Company Secretary

Mumbai: February 11, 2015

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (A) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government under Section 211 (3C) of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, other accounting principles generally accepted in India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except as stated in Note G(ii). The financial statements are presented in Indian rupees million rounded off to one decimal place.

#### (B) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities at the date of the financial statements and during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision in accounting estimates is recognised prospectively in current and future periods.

#### (C) Fixed Assets and Depreciation

- (i) Fixed assets are stated at cost of acquisition or construction (including directly attributable expenses thereto) or at revalued amounts, net of impairment loss if any, less depreciation / amortisation. Cost includes financing costs of borrowed funds attributable to acquisition or construction of qualifying fixed assets, up to the date the assets are put to use. Acquired intangible assets are recorded at its acquisition price and amortised over its estimated useful life as per the Company's depreciation / amortisation policy.
- (ii) **Depreciation / Amortisation:**
  - (a) **Tangible assets:**
    - (i) Leasehold land is depreciated over the period of the lease except where the lease is convertible to freehold land under lease agreements at future dates.
    - (ii) Depreciation on Buildings and Roads acquired prior to April 2, 1987 is provided on straight line method at the rates - 3.39% and 2.31% (as applicable) which are different

from the principal rates prescribed in Schedule XIV to the Companies Act, 1956.

- (iii) Assets individually costing ₹ 5,000 or less are depreciated fully in the year when the assets are put to use.
- (iv) In respect of the other assets, depreciation is provided on straight line method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956.

#### (b) Intangible assets:

These are amortised equally over a period of three years.

#### (D) Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date to determine if there is any indication of impairment based on internal / external factors. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, recognised. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company measures its 'value in use' on the basis of discounted cash flows of projections estimated based on current prices.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### (E) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at the lower of cost and fair value. Changes in the carrying amount of current investments are recognised in the Statement of Profit and Loss. Long-term investments are valued at cost, less any provision for diminution to recognise a decline, other than temporary, in the value of such investments; decline, if any, is charged to the Statement of Profit and Loss. Cost comprises cost of acquisition and related expenses such as brokerage and stamp duties.

#### (F) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is ascertained on a moving weighted average basis except for goods in transit which is ascertained on a specific identification basis. Work-in-progress and manufactured finished goods are valued on full absorption cost basis and include material, labour and factory overheads.



**(G) Foreign Currency Transactions**

**Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency prevailing at the date of transaction.

**Conversion**

Foreign currency monetary items are reported using the closing rate.

**Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.

**Derivatives**

- (i) In case of forward contracts, to which AS-11, 'The Effects of Changes in Foreign Exchange Rates' applies, the difference between the forward rate and the exchange rate on the date of the contract is recognised as income or expense over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the period in which the exchange rates change.
- (ii) The Company enters into forward exchange contracts to cover its exposure in respect of highly probable transactions or firm commitments and no premium or discount is recorded separately on such forward exchange contracts. The gains / losses arising on settlement / cancellation of the contracts are recognised in the Statement of Profit and Loss of the period of such settlement / cancellation.
- (iii) During the current year, the Company has adopted the principles of hedge accounting set out in Accounting Standard (AS)-30, 'Financial Instruments: Recognition and measurement' with effect from August 1, 2014 for the purpose of accounting of forward contracts entered into by the Company to hedge highly probable transactions which are outside the scope of AS-11. The Effects of Changes in foreign exchange rates which are of firm commitments, are fair valued at each Balance Sheet date. The resultant gain or loss (except relating to the effective portion of cash flow hedges) from these transactions are recognised in the Statement of Profit and Loss. The gain or loss on effective portion of cash flow hedges is recorded in the Hedging Reserve (reported under the head 'Reserves and Surplus') which is transferred to the Statement of Profit and Loss in the same period in which the hedged item affects the Statement of Profit and Loss. If the hedging instrument

no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in the Hedging Reserve is reclassified in the Statement of Profit and Loss. Also refer note 43.

**(H) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- (i) Sale of goods is recognised on shipment or dispatch to customers when the risks and rewards of ownership are transferred to the customer. 'Sales' are net of excise duty, sales tax, value added tax, returns and trade discounts and volume rebates.
- (ii) Commission income on indenting business is recognised based on intimation received for sales made.
- (iii) Dividend income from investments is recognised when the Company's right to receive payment is established.
- (iv) Interest income is accounted for, on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (v) Claims are accounted to the extent lodged with the appropriate authorities. Export incentives are accounted on accrual basis based on shipment.
- (vi) Rental Income is accounted for, on accrual basis.

**(I) Employee Benefits**

**(i) Short-term employee benefits:**

Employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognised in the period in which the employee renders the related service.

**(ii) Post-employment benefits (defined benefit plans):**

All employees are covered under Employees' Gratuity Scheme which is a defined benefit plan. The Company contributes to the Fund on the basis of the year-end liability actuarially determined in pursuance of the Scheme. All actuarial gains / losses arising during the accounting year are recognised immediately in the Statement of Profit and Loss as income or expense.

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of certain employees towards Provident Fund to a Company managed PF Trust. The contributions are charged to Statement of Profit and Loss as they accrue. The Company has an obligation to fund any

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

shortfall in the Trust Fund as determined on the basis of year-end actuarial valuation.

**(iii) Post-employment benefits (defined contribution plans):**

All other employees are covered under contributory Provident Fund benefit of a contribution of 12% of salary and certain allowances. Certain employees are also covered by a Company managed Superannuation Fund benefit at a contribution of 15% of salary and certain allowances. Both are defined contribution schemes and the contributions are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no obligations other than the contributions payable to the respective fund.

**(iv) Long-term employee benefits:**

Long-term employee benefits comprise of compensated absences. These are measured on the basis of year-end actuarial valuation in pursuance of the Company's leave rules.

**(v) Warranty:**

Warranty expenses are accounted for based on actual experience of claims received during the last three years.

**(vi) Income and Deferred Taxes:**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income tax reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence

that they can be realised against future taxable profits.

At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**(J) Earnings Per Share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and equivalent diluted equity shares outstanding during the year, except where the results would be anti-dilutive.

**(K) Operating Lease**

Lease, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset during the lease term, are classified as operating leases. Operating lease payments and receipts are recognised as an expense and income respectively in the Statement of Profit and Loss on a straight-line basis over the lease term.

**(L) Provisions and Contingencies**

A provision is recognised when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Contingent Assets are not recognised or disclosed in the financial statements.

**(M) Cash and Cash Equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank and cash / cheques in hand and short-term deposits with banks.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

# FAG

(₹ in million)

2 SHARE CAPITAL	31.12.2014	31.12.2013
<b>Authorised</b> 20,000,000 (Previous year: 20,000,000) equity shares of ₹ 10 each	200.0	200.0
<b>Issued</b> 16,818,270 (Previous year: 16,818,270) equity shares of ₹ 10 each	168.2	168.2
<b>Subscribed &amp; Paid-up</b> 16,617,270 (Previous year: 16,617,270) equity shares of ₹ 10 each	166.2	166.2
<b>Total</b>	<b>166.2</b>	<b>166.2</b>

### ➤ Reconciliation of shares outstanding at the beginning and at the end of the year

	As at 31.12.2014		As at 31.12.2013	
	Number	Amount	Number	Amount
<b>Equity Shares</b>				
Shares outstanding at the beginning and at the end of the year	16,617,270	166.2	16,617,270	166.2

### ➤ Rights, preferences and restrictions attached to equity shares

- (i) The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of shareholders are in proportion to its share of paid-up equity capital of the Company.
- (ii) On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company.

### ➤ Shares held by Holding / Ultimate Holding Company and/or their Subsidiaries / Associates

Name of Shareholder	As at 31.12.2014		As at 31.12.2013	
	No. of Shares held	Amount	No. of Shares held	Amount
FAG Kugelfischer GmbH (the Holding Company)	8,529,183	85.29	8,529,183	85.29

### ➤ Particulars of shareholders Holding more than 5% shares of a class of shares

Name of Shareholder	As at 31.12.2014		As at 31.12.2013	
	No. of Shares held	% of total Shares	No. of Shares held	% of total Shares
FAG Kugelfischer GmbH (the Holding Company)	8,529,183	51.33	8,529,183	51.33

3 RESERVES AND SURPLUS	31.12.2014	31.12.2013
<b>Securities premium account</b>	<b>200.2</b>	<b>200.2</b>
<b>Revaluation reserve</b>		
At the commencement of the year	20.4	21.0
Less: Transferred to Statement of Profit and Loss on account of additional depreciation on revalued assets (refer note 26)	(0.6)	(0.6)
<b>Closing balance</b>	<b>19.8</b>	<b>20.4</b>
<b>General reserve</b>		
At the commencement of the year	3,018.4	2,668.4
Add: Transfer from surplus	400.0	350.0
<b>Closing balance</b>	<b>3,418.4</b>	<b>3,018.4</b>

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

...Continued

(₹ in million)

	31.12.2014	31.12.2013
<b>Hedging reserves</b>		
At the commencement of the year	–	–
Add: Addition during the year (refer note 43)	(203.0)	–
<b>Closing balance</b>	<b>(203.0)</b>	<b>–</b>
<b>Surplus (Profit and Loss balance)</b>		
At the commencement of the year	6,490.3	5,739.3
Add: net profit for the current year	1,528.8	1,218.3
Appropriations:		
Less: proposed dividend	124.6	99.7
Less: tax on proposed dividend	21.2	17.6
Less: transferred to general reserve	400.0	350.0
<b>Closing balance</b>	<b>7,473.3</b>	<b>6,490.3</b>
<b>Total</b>	<b>10,908.7</b>	<b>9,729.3</b>

<b>4 DEFERRED TAX LIABILITIES (NET)</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Deferred tax liabilities</b>		
Excess of depreciation / amortisation on fixed assets under Income-tax law over depreciation / amortisation provided in accounts	251.0	240.9
Others	0.2	4.6
	<b>251.2</b>	<b>245.5</b>
<b>Deferred tax assets</b>		
Provision for employee benefits	83.1	60.0
Provision for expenses	9.2	9.2
Provision for doubtful trade receivables	4.9	2.2
	<b>97.2</b>	<b>71.4</b>
<b>Total</b>	<b>154.0</b>	<b>174.1</b>

<b>5 OTHER LONG-TERM LIABILITIES</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Security deposits from customers and vendors	15.2	16.1
<b>Total</b>	<b>15.2</b>	<b>16.1</b>

<b>6 LONG-TERM PROVISIONS</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Provision for employee benefits</b>		
Gratuity	19.5	–
Leave encashment	191.9	153.2
<b>Other provisions</b>		
Provision for tax and other statutory matters (being litigated)	52.0	50.0
Provision for tax (net of advance tax)	65.6	1.8
<b>Total</b>	<b>329.0</b>	<b>205.0</b>

The provisions are made for ongoing litigation on tax and regulatory matters, the liabilities for which will be ascertained on conclusion of the respective assessments.

### ➤ Additional disclosures relating to certain provisions (as per AS-29)

	31.12.2014	31.12.2013
<b>Provision for tax and other statutory matters (being litigated)</b>		
At the commencement of the year	50.0	51.9
Provision made during the year	2.0	–
Provision utilised during the year	–	(1.9)
<b>At the end of the year</b>	<b>52.0</b>	<b>50.0</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

# FAG

(₹ in million)

7 TRADE PAYABLES	31.12.2014	31.12.2013
Trade payables	2,160.6	2,404.7
<b>Total</b>	<b>2,160.6</b>	<b>2,404.7</b>

For dues to micro and small suppliers, refer note 45.

8 OTHER CURRENT LIABILITIES	31.12.2014	31.12.2013
Employee liabilities		
- Personnel cost	48.0	95.1
- Contribution to provident fund	3.9	3.7
Accrued expenses	100.2	102.2
Creditors for capital goods	54.4	94.9
Advances from customers / dealers	81.2	72.6
Unclaimed dividends*	4.0	3.8
Service tax payable	2.2	1.8
Excise duty payable	11.9	22.9
TDS payable	11.5	10.4
Other statutory dues	42.0	36.3
Other payables	60.7	44.8
<b>Total</b>	<b>420.0</b>	<b>488.5</b>

\*The figures reflect the position as at the year end. The actual amount to be transferred to Investor Education and Protection Fund in this respect shall be determined on the due dates.

9 SHORT-TERM PROVISIONS	31.12.2014	31.12.2013
Provision for employee benefits		
Current portion of leave encashment	39.6	29.4
Other provisions		
Provision for proposed dividend	124.6	99.7
Provision for tax on proposed dividend	21.2	16.9
Provision for wealth tax	0.3	0.3
Provision for warranties*	2.5	2.5
<b>Total</b>	<b>188.2</b>	<b>148.8</b>

\*The provision for warranty is on account of warranties given on products sold by the Company, which usually carry a warranty period of 12 months from the date of sale. The provision is determined based on the historical data.

### ➤ Additional disclosures relating to certain provisions (as per AS-29)

	31.12.2014	31.12.2013
Warranties		
At the commencement of the year	2.5	3.6
Provision made during the year	1.8	-
Provision utilised during the year	(1.8)	(1.1)
<b>At the end of the year</b>	<b>2.5</b>	<b>2.5</b>

## 10 FIXED ASSETS

TANGIBLE FIXED ASSETS	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Total
<b>Gross block</b>								
Balance as at Jan. 1, 2012	19.4	121.8	251.1	4,177.1	90.9	16.8	26.3	4,703.4
Additions	-	-	345.8	925.5	14.3	19.2	0.5	1,305.3
Disposals	-	-	-	53.2	0.1	-	2.2	55.5
<b>Balance as at Dec. 31, 2012</b>	<b>19.4</b>	<b>121.8</b>	<b>596.9</b>	<b>5,049.4</b>	<b>105.1</b>	<b>36.0</b>	<b>24.6</b>	<b>5,953.2</b>

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

...Continued

(₹ in million)

<b>TANGIBLE FIXED ASSETS</b>	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Total
Balance as at Jan. 1, 2013	19.4	121.8	596.9	5,049.4	105.1	36.0	24.6	5,953.2
Additions	–	–	38.9	1,585.4	10.9	4.7	1.4	1,641.3
Disposals	–	–	–	226.4	0.2	0.2	7.3	234.1
<b>Balance as at Dec. 31, 2013</b>	<b>19.4</b>	<b>121.8</b>	<b>635.8</b>	<b>6,408.4</b>	<b>115.8</b>	<b>40.5</b>	<b>18.7</b>	<b>7,360.4</b>
Balance as at Jan. 1, 2014	19.4	121.8	635.8	6,408.4	115.8	40.5	18.7	7,360.4
Additions	–	–	6.6	201.6	6.0	1.4	3.4	219.0
Disposals	–	–	2.0	232.1	4.6	1.2	9.6	249.5
<b>Balance as at Dec. 31, 2014</b>	<b>19.4</b>	<b>121.8</b>	<b>640.4</b>	<b>6,377.9</b>	<b>117.2</b>	<b>40.7</b>	<b>12.5</b>	<b>7,329.9</b>
<b>Depreciation</b>								
Balance as at Jan. 1, 2012	–	–	100.3	2,761.7	44.9	5.6	8.3	2,920.8
Depreciation for the year	–	–	13.2	278.3	5.8	1.5	2.4	301.2
Accumulated depreciation on disposal	–	–	–	49.0	0.1	–	1.9	51.0
<b>Balance as at Dec. 31, 2012</b>	<b>–</b>	<b>–</b>	<b>113.5</b>	<b>2,991.0</b>	<b>50.6</b>	<b>7.1</b>	<b>8.8</b>	<b>3,171.0</b>
Balance as at Jan. 1, 2013	–	–	113.5	2,991.0	50.6	7.1	8.8	3,171.0
Depreciation for the year	–	–	19.4	400.7	5.6	1.7	1.8	429.2
Accumulated depreciation on disposal	–	–	–	220.2	0.1	–	2.9	223.2
<b>Balance as at Dec. 31, 2013</b>	<b>–</b>	<b>–</b>	<b>132.9</b>	<b>3,171.5</b>	<b>56.1</b>	<b>8.8</b>	<b>7.7</b>	<b>3,377.0</b>
Balance as at Jan. 1, 2014	–	–	132.9	3,171.5	56.1	8.8	7.7	3,377.0
Depreciation for the year	–	–	20.3	456.9	6.3	2.0	2.2	487.7
Accumulated depreciation on disposal	–	–	1.2	224.6	2.7	0.5	5.2	234.2
<b>Balance as at Dec. 31, 2014</b>	<b>–</b>	<b>–</b>	<b>152.0</b>	<b>3,403.8</b>	<b>59.7</b>	<b>10.3</b>	<b>4.7</b>	<b>3,630.5</b>
<b>Net Block</b>								
<b>As at Dec. 31, 2013</b>	<b>19.4</b>	<b>121.8</b>	<b>502.9</b>	<b>3,236.9</b>	<b>59.7</b>	<b>31.7</b>	<b>11.0</b>	<b>3,983.4</b>
<b>As at Dec. 31, 2014</b>	<b>19.4</b>	<b>121.8</b>	<b>488.4</b>	<b>2,974.1</b>	<b>57.5</b>	<b>30.4</b>	<b>7.8</b>	<b>3,699.4</b>

<b>INTANGIBLE FIXED ASSETS</b>	Software	Technical Know-how Fees	Total
<b>Gross block</b>			
Balance as at Jan. 1, 2012	35.8	13.1	48.9
Additions	10.9	–	10.9
<b>Balance as at Dec. 31, 2012</b>	<b>46.7</b>	<b>13.1</b>	<b>59.8</b>
Balance as at Jan. 1, 2013	46.7	13.1	59.8
Additions	–	–	–
<b>Balance as at Dec. 31, 2013</b>	<b>46.7</b>	<b>13.1</b>	<b>59.8</b>
Balance as at Jan. 1, 2014	46.7	13.1	59.8
Additions	3.9	–	3.9
<b>Balance as at Dec. 31, 2014</b>	<b>50.6</b>	<b>13.1</b>	<b>63.7</b>
<b>Amortisation</b>			
Balance as at Jan. 1, 2012	35.2	13.1	48.3
Amortisation for the year	2.1	–	2.1
<b>Balance as at Dec. 31, 2012</b>	<b>37.3</b>	<b>13.1</b>	<b>50.4</b>
Balance as at Jan. 1, 2013	37.3	13.1	50.4
Amortisation for the year	3.9	–	3.9
<b>Balance as at Dec. 31, 2013</b>	<b>41.2</b>	<b>13.1</b>	<b>54.3</b>
Balance as at Jan. 1, 2014	41.2	13.1	54.3
Amortisation for the year	6.4	–	6.4
<b>Balance as at Dec. 31, 2014</b>	<b>47.6</b>	<b>13.1</b>	<b>60.7</b>
<b>Net Block</b>			
<b>As at Dec. 31, 2013</b>	<b>5.5</b>	<b>–</b>	<b>5.5</b>
<b>As at Dec. 31, 2014</b>	<b>3.0</b>	<b>–</b>	<b>3.0</b>

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

# FAG

...Continued

(₹ in million)

### CAPITAL WORK-IN-PROGRESS

TANGIBLE	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Total
Balance as at Jan. 1, 2012	–	–	57.0	510.1	0.4	–	–	567.5
Additions	–	–	325.9	1,511.0	16.6	19.2	0.5	1,873.2
Assets capitalised during the year	–	–	345.8	925.5	14.2	19.2	0.5	1,305.2
<b>Balance as at Dec. 31, 2012</b>	<b>–</b>	<b>–</b>	<b>37.1</b>	<b>1,095.6</b>	<b>2.8</b>	<b>–</b>	<b>–</b>	<b>1,135.5</b>
Balance as at Jan. 1, 2013	–	–	37.1	1,095.6	2.8	–	–	1,135.5
Additions	–	–	22.0	603.0	9.0	4.7	1.4	640.1
Assets capitalised during the year	–	–	38.9	1,585.4	10.9	4.7	1.4	1,641.3
<b>Balance as at Dec. 31, 2013</b>	<b>–</b>	<b>–</b>	<b>20.2</b>	<b>113.2</b>	<b>0.9</b>	<b>–</b>	<b>–</b>	<b>134.3</b>
Balance as at Jan. 1, 2014	–	–	20.2	113.2	0.9	–	–	134.3
Additions	–	–	5.6	270.4	5.1	1.4	3.4	285.9
Assets capitalised during the year	–	–	6.6	201.6	6.0	1.4	3.4	219.0
<b>Balance as at Dec. 31, 2014</b>	<b>–</b>	<b>–</b>	<b>19.2</b>	<b>182.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>201.2</b>

INTANGIBLE	Software	Total
Balance as at Jan. 1, 2012	0.9	0.9
Additions	10.1	10.1
Assets capitalised during the year	11.0	11.0
<b>Balance as at Dec. 31, 2012</b>	<b>–</b>	<b>–</b>
Balance as at Jan. 1, 2013	–	–
Additions	–	–
Assets capitalised during the year	–	–
<b>Balance as at Dec. 31, 2013</b>	<b>–</b>	<b>–</b>
Balance as at Jan. 1, 2014	–	–
Additions	–	–
Assets capitalised during the year	–	–
<b>Balance as at Dec. 31, 2014</b>	<b>–</b>	<b>–</b>

### 11 NON-CURRENT INVESTMENTS

31.12.2014 31.12.2013

Trade Investments: Unquoted  
(Valued at cost unless stated otherwise)

Investment in equity instruments

4,350,000 (Previous year: 4,350,000) equity shares of ₹ 10 each fully paid-up of FAG Roller Bearings Private Limited, Associate Company\*

43.5 43.5

Total

43.5 43.5

\*The Board of Directors vide meeting dated November 6, 2014 have approved the acquisition of additional 75% equity shares of FAG Roller Bearings Private Limited to make it a 100% subsidiary of the Company w.e.f. January 1, 2015.

### 12 LONG-TERM LOANS AND ADVANCES

31.12.2014 31.12.2013

To parties other than related parties (unsecured and considered good)

Capital advances

5.7 3.6

Security Deposits (Unsecured)

32.2 32.1

Security deposits

37.9 35.7

Other loans and advances

VAT receivable (amount paid under protest)

78.3 68.3

Advance tax recoverable [net of provision (for earlier years)]

184.5 185.3

262.8 253.6

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

...Continued

(₹ in million)

	31.12.2014	31.12.2013
<b>To related parties</b>		
(unsecured and considered good)		
Capital advances	98.7	25.8
(secured and considered good)		
Other loans and advances	1,450.0	1,450.0
Less: Current portion of loans and advances (refer note 17)	(850.0)	–
	<u>600.0</u>	<u>1,450.0</u>
	698.7	1,475.8
<b>Total</b>	<b>999.4</b>	<b>1,765.1</b>

Capital advances are given to FAG Roller Bearings Private Limited, associate Company ₹ 98.7 (Previous year: ₹ 25.8). Other loans and advances comprises of loans given to fellow subsidiaries INA Bearings India Private Limited ₹ 850 (Previous year: ₹ 850) and LuK India Private Limited ₹ 600 (Previous year: ₹ 600), secured by way of hypothecation of plant and machinery. The maximum amount outstanding of secured loan for fellow subsidiaries INA Bearings India Private Limited ₹ 850 (Previous year: ₹ 850) and LuK India Private Limited ₹ 600 (Previous year: ₹ 600).

### 13 OTHER NON-CURRENT ASSETS

	31.12.2014	31.12.2013
Bank deposits (due to mature after 12 months from the reporting date)	–	4.6
<b>Total</b>	<b>–</b>	<b>4.6</b>

### 14 INVENTORIES (valued at the lower of cost and net realisable value)

	31.12.2014	31.12.2013
Raw materials and components [including goods-in-transit ₹ 164.2 (Previous year: ₹ 154.3)]	631.0	489.5
Work-in-progress	99.7	116.4
Finished goods	396.8	334.2
Stock-in-trade [including goods-in-transit ₹ 219.2 (Previous year: ₹ 153.3)]	574.5	599.3
Stores and spares [including goods-in-transit ₹ 5.2 (Previous year: ₹ 1.5)]	153.6	126.4
Loose tools	53.3	40.0
<b>Total</b>	<b>1,908.9</b>	<b>1,705.8</b>

At December 31, 2014, the provision for write-down of the inventories to net realisable value amounted to ₹ 158.0 (Previous year: ₹ 156.1).

### 15 TRADE RECEIVABLES

	31.12.2014	31.12.2013
Trade receivables outstanding for a period exceeding six months from the date they became due for payment		
Secured, considered good	0.5	0.3
Unsecured, considered good	3.5	0.6
Doubtful	14.3	6.4
Less: Provision for doubtful debts	(14.3)	(6.4)
<b>(A)</b>	<b>4.0</b>	<b>0.9</b>
Other receivables		
Secured, considered good	5.4	6.1
Unsecured, considered good	2,891.1	2,899.0
<b>(B)</b>	<b>2,896.5</b>	<b>2,905.1</b>
<b>Total (A+B)</b>	<b>2,900.5</b>	<b>2,906.0</b>

Trade receivable (unsecured, considered good) include ₹ 1.3 (Previous year: ₹ 10.9) due from Companies in which a Director is a Director.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

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(₹ in million)

16 CASH AND BANK BALANCES	31.12.2014	31.12.2013
<b>Cash and cash equivalents</b>		
Cash on hand	–	–
Cheques on hand	75.0	94.4
Balances with banks		
On current accounts	540.9	678.4
On deposit accounts (with original maturity of 3 months or less)	1,010.0	1,330.0
Restricted deposits (unpaid dividend)	4.0	3.8
	<u>1,629.9</u>	<u>2,106.6</u>
Other bank balances	1,664.6	270.0
<b>Total</b>	<u>3,294.5</u>	<u>2,376.6</u>
<b>Details of bank balances / deposits</b>		
Bank balances available on demand / deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	1,010.0	1,330.0
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	1,664.6	270.0
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 13)	–	4.6

17 SHORT-TERM LOANS AND ADVANCES	31.12.2014	31.12.2013
<b>To parties other than related parties</b> (unsecured, considered good)		
Advances to employees	2.5	3.0
Balance with tax authorities		
- Excise receivable	225.5	229.9
- VAT receivable	59.6	50.9
- Service tax receivable	10.2	17.4
Sundry prepayments	9.5	8.1
Advances for supply of goods and other sundry advances	37.7	17.1
	<u>345.0</u>	<u>326.4</u>
<b>To related parties</b> (unsecured, considered good, unless otherwise stated)		
Loans and advances to associate / fellow subsidiary Companies (secured and considered good)	6.9	20.7
Other loans and advances (current portion - refer note 12)	850.0	–
	<u>856.9</u>	<u>20.7</u>
<b>Total</b>	<u>1,201.9</u>	<u>347.1</u>
Loans and advances to associate / fellow subsidiary Companies include:		
LuK India Private Limited	2.0	2.6
INA Bearings India Private Limited	2.3	17.0
Schaeffler Holding (China) Company Limited	–	1.1
The Barden Corporation	2.5	–
Schaeffler Tech. GmbH & Co. KG	0.1	–

The maximum amount outstanding for advances given to fellow subsidiaries Luk India Private Limited ₹ 18.8 (Previous year: ₹ 15.3), INA Bearings India Private Limited ₹ 35.0 (Previous year: ₹ 32.4), Schaeffler Holding (China) Company Limited ₹ 1.1 (Previous year: ₹ 1.1), Schaeffler Tech. GmbH & Co. KG. ₹ 3.0 (Previous year: ₹ 2.5) and The Barden Corporation ₹ 2.5 (Previous year: Nil).

18 OTHER CURRENT ASSETS	31.12.2014	31.12.2013
(unsecured, considered good)		
Export incentive receivable	10.1	18.5
Receivable from customs	4.0	8.0
Interest accrued on fixed deposits	72.5	14.5
Interest accrued - others	3.0	6.1
Gratuity fund	–	13.7
<b>Total</b>	<u>89.6</u>	<u>60.8</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

(₹ in million)

<b>19 REVENUE FROM OPERATIONS</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Sale of products</b>		
Finished goods	12,368.9	10,555.4
Traded goods	4,951.7	4,554.6
Less: Excise duty	1,144.5	1,183.5
<b>Sale of products (net)</b>	<b>16,176.1</b>	<b>13,926.5</b>
<b>Sale of services</b>	<b>32.7</b>	<b>17.1</b>
<b>Other operating revenues</b>		
Export incentives	72.9	55.8
Scrap sales	39.8	24.8
<b>Total</b>	<b>16,321.5</b>	<b>14,024.2</b>
<b>Break up of revenue from sale of products:</b>		
<b>Manufacturing goods (net of excise)*</b>		
Ball & roller bearings	11,208.6	9,359.1
Components	15.8	12.8
<b>Total - (A)</b>	<b>11,224.4</b>	<b>9,371.9</b>
<b>Traded Goods</b>		
Ball & roller bearings	4,760.7	4,315.1
Axle box housing, Re-Railing equipment and its component**	188.6	200.2
High sea steel bars / rods	2.4	39.3
<b>Total - (B)</b>	<b>4,951.7</b>	<b>4,554.6</b>
<b>Total - (A+B)</b>	<b>16,176.1</b>	<b>13,926.5</b>

\* Includes bearings partially processed inhouse which are considered manufactured products in accordance with The Central Excise Act, 1944.

\*\* For some of these items purchased for sale, assembly / minor processing by outside parties is carried out. These items are considered as traded items.

<b>20 OTHER INCOME</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Interest income on fixed deposits	167.9	130.2
Interest income - others	181.3	142.0
Provisions no longer required written back - others	2.3	5.8
Net gain on account of foreign exchange fluctuations	-	111.9
Rental Income from property lease (refer note 40)	3.1	3.1
Other non-operating income	54.9	65.6
<b>Total</b>	<b>409.5</b>	<b>458.6</b>

<b>21 COST OF MATERIALS CONSUMED***</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Inventory of materials at the beginning of the year	489.5	534.7
Purchases	6,162.3	4,991.6
Inventory of materials at the end of the year	631.0	489.5
<b>Total</b>	<b>6,020.8</b>	<b>5,036.8</b>
<b>Break up of cost of materials consumed</b>		
Ferrous Metals	0.3	1.5
Forged Rings	70.1	83.5
Components#	5,950.4	4,951.8
<b>Total</b>	<b>6,020.8</b>	<b>5,036.8</b>
<b>Break up of inventory materials</b>		
Ferrous Metals	128.1	54.5
Forged Rings	13.5	4.0
Components	489.4	431.0
<b>Total</b>	<b>631.0</b>	<b>489.5</b>

\*\*\* The consumption figures shown above have been ascertained on the basis of materials consumed, and after considering excesses and shortages ascertained on physical count.

# Excludes raw materials supplied by the Company to the outside parties for manufacture of components. Such components are considered as consumed when issued for production.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

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(₹ in million)

<b>22 PURCHASES OF STOCK-IN-TRADE</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Bearings	3,845.9	4,084.8
Axle box housing, Re-Railing equipment and its component	125.5	132.8
High sea steel bars / rods	2.1	38.5
<b>Total</b>	<b>3,973.5</b>	<b>4,256.1</b>

## 23 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE\*

Particulars	For the year ended 31.12.2014			For the year ended 31.12.2013		
	Opening inventory	Closing inventory	(Increase) / Decrease in inventory	Opening inventory	Closing inventory	(Increase) / Decrease in inventory
<b>Manufactured goods</b>						
Ball & Roller Bearings	332.0	394.8	(62.8)	260.3	332.0	(71.7)
Components	2.2	2.0	0.2	0.4	2.2	(1.8)
	<b>334.2</b>	<b>396.8</b>	<b>(62.6)</b>	<b>260.7</b>	<b>334.2</b>	<b>(73.5)</b>
<b>Traded goods</b>						
Bearings	565.9	535.2	30.7	360.1	565.9	(205.8)
Component of axle box housing, Re-Railing equipment and its component	33.4	39.3	(5.9)	12.4	33.4	(21.0)
	<b>599.3</b>	<b>574.5</b>	<b>24.8</b>	<b>372.5</b>	<b>599.3</b>	<b>(226.8)</b>
<b>Work-in-progress</b>						
Work-in-progress - Bearings	116.4	99.7	16.7	94.7	116.4	(21.7)
	<b>116.4</b>	<b>99.7</b>	<b>16.7</b>	<b>94.7</b>	<b>116.4</b>	<b>(21.7)</b>
<b>Total</b>	<b>1,049.9</b>	<b>1,071.0</b>	<b>(21.1)</b>	<b>727.9</b>	<b>1,049.9</b>	<b>(322.0)</b>

\*Closing stock is net off scrapped / reworked items and shortages / excess.

<b>24 EMPLOYEE BENEFITS</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Salaries, wages and incentives	1,122.9	1,017.8
Contributions to:		
- Provident fund	49.5	41.3
- Gratuity fund	52.8	(10.0)
- Superannuation fund	22.0	19.2
Staff welfare expenses	132.2	123.0
<b>Total</b>	<b>1,379.4</b>	<b>1,191.3</b>

<b>25 FINANCE COSTS</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Interest expense	9.7	7.6
<b>Total</b>	<b>9.7</b>	<b>7.6</b>

<b>26 DEPRECIATION AND AMORTISATION</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Depreciation of tangible fixed assets	487.7	429.2
Less: Depreciation on revaluation increase transferred from revaluation reserve	(0.6)	(0.6)
Amortisation of intangible fixed assets	6.4	3.9
<b>Total</b>	<b>493.5</b>	<b>432.5</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

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<b>27 OTHER EXPENSES</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Consumption of stores and spare parts	565.9	436.3
Power and fuel	330.0	242.5
Freight, clearing and forwarding	268.4	213.8
Rent	26.5	24.2
<b>Repairs:</b>		
- Building	11.3	11.5
- Machinery	17.7	18.5
- Others	27.4	21.8
Insurance	18.1	19.9
Rates and taxes	19.7	29.5
Excise duty (refer note 42)	3.8	11.7
Travelling expenses	97.1	102.9
Legal and professional fees	21.0	20.4
Auditors' remuneration (refer note below)	4.9	4.6
Fees for use of technology / trademark	255.7	220.5
Advertising and sales promotion	158.0	105.9
Bank charges	5.3	4.3
Telephone and other communication expenses	18.2	16.7
Printing and stationery	7.6	7.7
Provision for doubtful debts	7.9	-
Bad debts written off	15.5	-
Warranty costs	1.8	0.7
Cash discount	137.6	123.5
Outside services	337.3	362.0
Net loss on account of foreign exchange fluctuations	139.4	-
Net loss on sale / retirement of fixed assets	11.1	4.1
Miscellaneous expenses	44.3	23.1
<b>Total</b>	<b>2,551.5</b>	<b>2,026.1</b>
<b>Note: Auditors' remuneration</b>		
<b>As auditor</b>		
Statutory audit	3.4	3.0
Limited review of quarterly results	1.3	1.2
Other services (certification)	0.1	0.1
Reimbursement of expenses	0.1	0.3
<b>Total</b>	<b>4.9</b>	<b>4.6</b>

<b>28 EARNINGS PER SHARE (EPS)</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
(a) Amount used as the numerator		
Profit after tax attributable to equity shareholders (₹ in million)	1,528.8	1,218.3
(b) Weighted average number of equity shares used as the denominator	16,617,270	16,617,270
(c) Nominal value of share (in ₹)	10.0	10.0
(d) Earnings per share (basic and diluted) (in ₹)	92.00	73.32

## 29 FIXED ASSETS

- (a) (i) Land, Buildings and Roads were revalued as at December 31, 1985 at depreciated market value on the basis of valuation made by a Government Registered Valuer. The revalued amounts were revised during the year ended December 31, 1987 by the said Valuer based on certain information provided by the Company. The indices, if any, used are not stated in the valuation. The amounts added on revaluation after the aforesaid revision are given here:
- |                     |             |
|---------------------|-------------|
| Land                | 19.1        |
| Buildings and Roads | 19.0        |
| <b>Total</b>        | <b>38.1</b> |
- (ii) Depreciation on the increase in the value of fixed assets due to revaluation is charged to the Revaluation Reserve. Consequently, the depreciation charge for the year shown in the Statement of Profit and Loss is after deducting an amount of ₹ 0.6 million (Previous year: ₹ 0.6 million), representing depreciation on the increase due to revaluation of Buildings and Roads transferred from the Revaluation Reserve.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

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- (b) Buildings and Roads include ₹ 250, being cost of five ordinary shares of ₹ 50 each of Nariman Bhavan Premises Co-operative Society Limited and ₹ 500 being cost of ten ordinary shares of ₹ 50 each of Parekh Market Premises Co-operative Society Limited, which entitle the Company to real estate.

(c) Capital work-in-progress includes	31.12.2014	31.12.2013
Fees for technical services for Capital project	–	15.0
<b>Total</b>	<b>–</b>	<b>15.0</b>

### 30 CONTRACTS ON CAPITAL ACCOUNT

31.12.2014 31.12.2013

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances).	716.3	95.4
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### 31 CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF

31.12.2014 31.12.2013

Claims against the Company not acknowledged as debts:

#### (a) Employees and ex-employees related matters:

(i) Matters pending in Labour Court / Civil Court / High Court for reinstatement of service / recovery of salary	96.8	54.5
(ii) Applicability of provident fund on certain benefits to employees	276.0	230.0
(iii) Demand for discontinuing of contract system and for differential wages	72.7	63.9
(iv) Applicability of Employees State Insurance on certain benefits paid to the employees	9.3	8.0
	<b>454.8</b>	<b>356.4</b>

#### (b) Indirect tax:

(i) <b>Sales tax</b> For non receipt of C Forms and rejection of Company's claim of certain sales as exempt sales in respect of assessment years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10.	45.5	24.0
(ii) <b>Service tax</b> In respect of matters where the Company has received favourable orders / partial relief from the First Appellate authorities but the Central Excise and Customs Department is pursuing further with higher Appellate authorities (excluding the matters if not ultimately allowed, would be allowed in the following assessment years).	2.2	2.1

#### (c) Income tax:

In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	45.0	95.6
In respect of matters where the Company has received favourable orders / partial relief from the First Appellate authorities but the Income Tax Department is pursuing further with higher Appellate authorities (excluding the matters if not ultimately allowed, would be allowed in the following assessment years).	80.3	159.3

### 32 DETAILS OF IMPORTED AND INDIGENOUS RAW MATERIALS, COMPONENTS AND SPARE PARTS CONSUMED DURING THE FINANCIAL YEAR

	Amount	31.12.2014 % of Total Consumption	Amount	31.12.2013 % of Total Consumption
<b>Raw Material</b>				
Imported	–	0%	–	0%
Indigenous	0.3	100%	1.5	100%
<b>Total</b>	<b>0.3</b>	<b>100%</b>	<b>1.5</b>	<b>100%</b>

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

...Continued

(₹ in million)

	31.12.2014		31.12.2013	
	Amount	% of Total Consumption	Amount	% of Total Consumption
<b>Components</b>				
Imported	2,339.3	39%	1,803.4	36%
Indigenous	3,681.2	61%	3,231.9	64%
<b>Total</b>	<b>6,020.5</b>	<b>100%</b>	<b>5,035.3</b>	<b>100%</b>
<b>Spare parts</b>				
Imported	174.9	31%	118.0	27%
Indigenous	391.0	69%	318.3	73%
<b>Total</b>	<b>565.9</b>	<b>100%</b>	<b>436.3</b>	<b>100%</b>

### 33 C.I.F. VALUE OF IMPORTS

31.12.2014 31.12.2013

Raw materials and components	2,414.1	1,731.3
Products purchased for sale	3,126.9	3,257.7
Stores and spares for maintenance of machinery	173.3	109.1
Capital goods	122.0	389.1
<b>Total</b>	<b>5,836.3</b>	<b>5,487.2</b>

### 34 EXPENDITURE IN FOREIGN CURRENCY

31.12.2014 31.12.2013

(Gross) subject to deduction of tax wherever applicable:

(i) Fee for use of technology / trademark	255.7	220.5
(ii) Travelling	13.8	9.2
(iii) Charges for SAP / R3 and its connectivity & maintenance	68.4	55.0
(iv) Management service charges – (outside services)	11.2	124.4
(v) Reimbursement of Expat Cost	28.8	33.0
(vi) Others – [Training, testing charges, catalogues (net), etc.]	16.2	28.3
(vii) Technical services (capitalised)	0.2	21.3
<b>Total</b>	<b>394.3</b>	<b>491.7</b>

### 35 DIVIDEND REMITTANCES IN FOREIGN CURRENCY

31.12.2014 31.12.2013

On 8,529,183 Equity Shares of ₹ 10 each to one non-resident shareholder:

- for the year ended December 31, 2013	51.2	–
- for the year ended December 31, 2012	–	42.6

### 36 EARNINGS IN FOREIGN EXCHANGE

31.12.2014 31.12.2013

Service income	–	0.2
FOB value of export	2,922.5	2,219.4
Others (reimbursement of expenses)	11.8	13.9
<b>Total</b>	<b>2,934.3</b>	<b>2,233.5</b>

37 Research and Development expenses under the respective heads aggregate to ₹ 97.7 million (Previous year ₹ 126.5 million) including of capital nature ₹ 0.2 million (Previous year ₹ 1.7 million).

## NOTES TO THE FINANCIAL STATEMENTS

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- 38** The tax year for the Company being the year ending March 31, 2015, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2014 and the provision based on the figures for the remaining nine months up to December 31, 2014, the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2014 to March 31, 2015.

The Company's international and domestic transactions with associated enterprises are at arm's length as per the independent accountant's report for the year ended March 31, 2014. The Company is in the process of updating the documentation for the international and domestic transactions entered into with the associated enterprises during the period subsequent to March 31, 2014. Management believes that the Company's international and domestic transactions with associated enterprises post March 31, 2014 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements particularly on the amount of the tax expense for the year and the amount of the provision for taxation at the year end.

### 39 SEGMENT REPORTING

The business of the Company falls under a primary single segment i.e. manufacture and sale of "Ball / Roller Bearings and related components" for the purpose of Accounting Standard (AS)-17.

Sales revenue by geographical market:	31.12.2014	31.12.2013
Domestic	13,253.6	11,707.1
Exports	2,922.5	2,219.4
<b>Total</b>	<b>16,176.1</b>	<b>13,926.5</b>

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of segment assets and capital expenditure during the year by geographical area in which the assets are located:

Segment	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	Segment assets		Cost incurred to acquire fixed assets	
Domestic	13,544.2	12,501.8	285.8	640.1
Exports	569.7	602.2	-	-
<b>Total</b>	<b>14,113.9</b>	<b>13,104.0</b>	<b>285.8</b>	<b>640.1</b>

Domestic geographical segment includes certain assets which are common to both the geographical segment (i.e. Domestic and Export). Un-allocable Corporate Assets include investments and other un-allocable assets.

### 40 (A) DISCLOSURE IN RESPECT OF ASSETS TAKEN ON LEASE

#### Operating Leases

The Company has entered into rent agreement for equipment, vehicles and lease & license agreements for certain premises (along with furniture and fixtures in certain cases). The lease typically run for a period ranging between 12 months to 48 months. These leasing arrangements are cancellable, and are renewable on a periodic basis by mutual consent on mutually accepted terms including escalation of lease rent. The agreements contain clause for restriction on sub leasing.

Lease payments recognised in the Statement of Profit and Loss for the year:	31.12.2014	31.12.2013
In respect of premises and equipment taken on lease	13.3	14.6
In respect of vehicles	13.2	9.6
<b>Total</b>	<b>26.5</b>	<b>24.2</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### (B) DISCLOSURE IN RESPECT OF ASSETS GIVEN ON OPERATING LEASE

The Company has entered into lease agreement for certain portion of its factory and office premises. The said agreement does not provide for increase in rent during the tenure of the agreement and contains renewal clause. The lessee is entitled to terminate the lease by giving 3 months notice without assigning any reason. The Company may terminate the lease by giving 3 months notice only on the grounds specified in the agreement:

Category	Gross carrying amount of the portion of premises leased, included in Note 10 'Fixed Assets'	Accumulated depreciation	Net carrying amount	Depreciation recognised in the Statement of Profit and Loss
<b>Buildings</b>				
<b>2014</b>	14.2	3.6	10.6	0.5
<b>2013</b>	14.2	3.1	11.1	0.5

During the year, an amount of ₹ 3.1 million (Previous year ₹ 3.1 million) was recognised as rental income in the Statement of Profit and Loss.

### 41 RELATED PARTY DISCLOSURES AS REQUIRED UNDER AS-18 ARE GIVEN BELOW

#### (1) Name and nature of relationship of the Related Party where Control exists:

FAG Kugelfischer GmbH, Germany: Holding Company holds 8,529,183 equity shares i.e. 51.33% of the equity share capital as at the year end. The ultimate controller lies with INA Holding Schaeffler GmbH & Co. KG – Schaeffler Group.

#### (2) Names of the Related Parties having transactions with the Company during the year

2014	2013
(a) <b>Holding Company</b> FAG Kugelfischer GmbH, Germany	(a) <b>Holding Company</b> FAG Kugelfischer GmbH, Germany
(b) <b>Fellow Subsidiary / Associate Companies</b> Schaeffler Australia Pty. Ltd., Australia Schaeffler Brasil Ltda., Brazil Schaeffler (China) Co. Ltd., China Schaeffler (Ningxia) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler (Nanjing) Co. Ltd., China Schaeffler Middle East FZE, Dubai Schaeffler France S.A.S., France Schaeffler Technologies GmbH & Co. KG, Germany (Formerly known as Schaeffler Technologies AG & Co. KG.) Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany FAG Industrial Services GmbH, Germany LuK Truckparts GmbH & Co. KG, Germany Schaeffler Verwaltung Zwei GmbH, Germany Schaeffler Hong Kong Company Ltd., Hong Kong INA Bearings India Pvt. Ltd., India FAG Roller Bearings Pvt. Ltd., India LuK India Pvt. Ltd., India Schaeffler Bearings Indonesia, PT, Indonesia Schaeffler Japan Co. Ltd., Japan Schaeffler Korea Corporation, Korea Schaeffler Mexico, S. de R.L. de C.V., Mexico Schaeffler Portugal S.A., Portugal Schaeffler Philippines Inc., Philippines	(b) <b>Fellow Subsidiary / Associate Companies</b> Schaeffler Australia Pty. Ltd., Australia Schaeffler Iberia S.L.U., Barcelona Schaeffler Brasil Ltda., Brazil Schaeffler (China) Co. Ltd., China Schaeffler (Ningxia) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler Middle East FZE, Dubai Schaeffler Finland Oy, Finland Schaeffler France S.A.S., France Schaeffler Technologies AG & Co. KG, Germany Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany FAG Industrial Services GmbH, Germany WPB Water Pump Bearing GmbH & Co. KG, Germany LuK Truckparts GmbH & Co. KG, Germany Schaeffler Holding GmbH & Co. KG, Germany FAG Magyarorszag Ipari KFT, Hungary Schaeffler Hong Kong Company Ltd., Hong Kong INA Bearings India Pvt. Ltd., India FAG Roller Bearings Pvt. Ltd., India LuK India Pvt. Ltd., India Schaeffler Bearings Indonesia, PT, Indonesia Schaeffler Japan Co. Ltd., Japan Schaeffler Korea Corporation, Korea Schaeffler Mexico, S. de R.L. de C.V., Mexico

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

# FAG

...Continued

(₹ in million)

2014	2013
SC Schaeffler Romania S.R.L., Romania	Schaeffler Nederland B.V., Nederland
Schaeffler (Singapore) Pte. Ltd., Singapore	Schaeffler Portugal S.A., Portugal
INA Kysuce, spol. s r.o, Slovakia	Schaeffler Philippines Inc., Philippines
Schaeffler (Thailand) Co. Ltd., Thailand	SC Schaeffler Romania S.R.L., Romania
The Barden Corporation (UK) Ltd., UK	Schaeffler (Singapore) Pte. Ltd., Singapore
The Barden Corporation, USA	INA Kysuce, spol. s r.o, Slovakia
Schaeffler Group USA Inc., USA	Schaeffler South Africa (Pty.) Ltd., South Africa
Schaeffler Vietnam Co. Ltd., Vietnam	Schaeffler (Thailand) Co. Ltd., Thailand
	The Barden Corporation (UK) Ltd., UK
	The Barden Corporation, USA
	Schaeffler Group USA Inc., USA
	Schaeffler Vietnam Co. Ltd., Vietnam
<b>(c) Key Management Personnel</b>	<b>(c) Key Management Personnel</b>
Mr. Rajendra Anandpara, Managing Director	Mr. Rajendra Anandpara, Managing Director

### (3) Transactions with related parties during the year ended December 31, 2014:

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Purchase of Finished Goods	–	3,007.1	–	3,007.1
	–	(3,139.6)	–	(3,139.6)
Purchase of Raw materials and Components / Spares	–	753.7	–	753.7
	–	(578.9)	–	(578.9)
Purchase of Tangible Fixed Assets	–	124.4	–	124.4
	–	(419.1)	–	(419.1)
Fees for use of technology / Trademark	–	255.7	–	255.7
	–	(220.5)	–	(220.5)
Charges for SAP / R3 and Connectivity	–	68.0	–	68.0
	–	(55.0)	–	(55.0)
Dividend for the year - 2013	51.2	–	–	51.2
- 2012	(42.6)	–	–	(42.6)
Deputation, Travelling, Training, Testing & Other Costs	–	27.8	–	27.8
	–	(64.5)	–	(64.5)
Reversal of Other cost	–	–	–	–
	–	(26.2)	–	(26.2)
Write Back of Payable	–	–	–	–
	–	(3.0)	–	(3.0)
Management Service charges	–	77.2	–	77.2
	–	(189.8)	–	(189.8)
Expat Cost	–	28.8	–	28.8
	–	(33.0)	–	(33.0)
Sale of finished goods	–	2,857.2	–	2,857.2
	–	(2,133.8)	–	(2,133.8)
Technical services including capitalised	–	3.7	–	3.7
	–	(21.3)	–	(21.3)
Reversal of Technical services including capitalized	–	3.3	–	3.3
	–	–	–	–
Managerial Remuneration	–	–	9.3	9.3
	–	–	(8.9)	(8.9)
Corporate charges recovered	–	30.5	–	30.5
	–	(30.4)	–	(30.4)
Reimbursement of expenses	–	21.0	–	21.0
	–	(17.7)	–	(17.7)

Continued...



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

...Continued

(₹ in million)

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Sale of Tangible fixed assets	–	4.3 (4.0)	–	4.3 (4.0)
Trade and other receivables	–	548.4 (579.1)	–	548.4 (579.1)
Trade payables	–	817.5 (1,321.5)	–	817.5 (1,321.5)
Capital advances	–	107.0 (108.8)	–	107.0 (108.8)
Loans given	–	– (650.0)	–	– (650.0)
Interest on loan given and on current account	–	164.0 (123.7)	–	164.0 (123.7)
Recovery of interest on loan and on current account	–	164.0 (124.0)	–	164.0 (124.0)
Service Income	–	– (0.2)	–	– (0.2)
Lease rent	–	3.1 (3.1)	–	3.1 (3.1)
Recovery of Lease rent	–	3.1 (3.4)	–	3.1 (3.4)

Note: Figures in the brackets represent previous year's figures.

#### (4) Balances outstanding as at December 31, 2014:

Nature of Transaction	Fellow Subsidiaries / Associate Companies
<b>Investment</b>	
FAG Roller Bearings Pvt. Ltd., India	43.5 (43.5)
<b>Capital advance</b>	
FAG Roller Bearings Pvt. Ltd., India	98.7 (25.8)
<b>Trade receivables</b>	
Schaeffler Technologies GmbH & Co. KG, Germany	327.5 (370.3)
Schaeffler Group USA Inc., USA	74.2 (79.7)
Schaeffler Trading (Shanghai) Co. Ltd., China	60.1 (39.3)
Schaeffler Hong Kong Co. Ltd., Hong Kong	7.4 (21.1)
Others	71.8 (48.0)
<b>Trade payables</b>	
Schaeffler Technologies GmbH & Co. KG, Germany	743.4 (1,164.4)
Others	74.1 (157.1)
<b>Loans receivables</b>	
INA Bearings India Pvt. Ltd., India	850.0 (850.0)
LuK India Pvt. Ltd., India	600.0 (600.0)

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

# FAG

...Continued

(₹ in million)

Nature of Transaction	Fellow Subsidiaries/ Associate Companies
<b>Other receivables</b>	
INA Bearings India Pvt. Ltd., India	2.3 (17.0)
LuK India Pvt. Ltd., India	2.0 (2.6)
The Barden Corporation, USA	2.5 (-)
Others	0.1 (1.1)

(5) The significant related party transactions are as under:

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Purchase of finished goods	Schaeffler Tech. GmbH & Co. KG, Germany	2,771.4 (2,861.4)
Purchase of raw material and components / spares	Schaeffler Tech. GmbH & Co. KG, Germany	640.1 (468.7)
	Schaeffler Korea Corporation, Korea	7.7 (19.7)
Purchase of tangible fixed assets	Schaeffler Tech. GmbH & Co. KG, Germany	53.6 (140.5)
	FAG Roller Bearings Pvt. Ltd., India	65.5 (170.2)
	Schaeffler (China) Co. Ltd., China	- (106.7)
Sale of finished goods	Schaeffler Tech. GmbH & Co. KG, Germany	1,422.9 (1,142.3)
	Schaeffler Hong Kong Co. Ltd., Hong Kong	264.1 (250.7)
	Schaeffler Trading (Shanghai) Co. Ltd., China	429.5 (272.0)
	Schaeffler Group USA Inc., USA	300.7 (272.0)
Fees for use of technology / Trademark	Schaeffler Tech. GmbH & Co. KG, Germany	253.7 (218.2)
Charges for SAP / R3 and connectivity	Schaeffler Tech. GmbH & Co. KG, Germany	68.0 (55.0)
Deputation, travelling, training, testing & other costs	Schaeffler Tech. GmbH & Co. KG, Germany	12.3 (38.4)
	FAG Roller Bearings Pvt. Ltd., India	3.5 (5.5)
	INA Bearings India Pvt. Ltd., India	1.5 (1.6)
	Schaeffler (China) Co. Ltd., China	0.1 (14.6)
Reversal of other cost	Schaeffler Tech. GmbH & Co. KG, Germany	- (13.9)
	Schaeffler (China) Co. Ltd., China	- (9.6)
	Schaeffler AG, Germany	- (2.7)

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

<i>...Continued</i>		(₹ in million)
Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Management service charges	Schaeffler Holding Co. (China) Ltd., China	11.2 (124.4)
	INA Bearings India Pvt. Ltd., India	65.6 (64.1)
Technical services - capitalise	Schaeffler Tech. GmbH & Co. KG, Germany	– (5.7)
	Schaeffler (China) Co. Ltd., China	0.2 (15.6)
	FAG Roller Bearings Pvt. Ltd., India	3.5 (–)
Reversal of technical services including capitalised	Schaeffler (China) Co. Ltd., China	3.3 (–)
Expat cost	Schaeffler Tech. GmbH & Co. KG, Germany	19.3 (15.2)
	Schaeffler Korea Corporation, Korea	9.5 (11.3)
	Schaeffler Holding (China) Co. Ltd., China	– (6.5)
Payments on behalf of related parties	LuK India Pvt. Ltd., India	0.8 (1.8)
	INA Bearings India Pvt. Ltd., India	4.3 (1.5)
	The Barden Corporation, USA	6.0 (3.8)
	Schaeffler Holding GmbH & Co. KG, Germany	– (4.9)
	Schaeffler Holding Co. (China) Ltd., China	0.4 (2.0)
	FAG Roller Bearings Pvt. Ltd., India	8.6 (1.8)
Sale of tangible fixed assets	INA Bearings India Pvt. Ltd., India	– (2.7)
	Schaeffler France S.A.S., France	1.4 (–)
	Schaeffler Tech. GmbH & Co. KG, Germany	2.7 (1.3)
Capital advances	FAG Roller Bearings Pvt. Ltd., India	107.0 (108.8)
Write back of payable	FAG Magyarorszag Ipany KFT, Hungary	– (3.0)
Loans given	LuK India Pvt. Ltd., India	– (250.0)
	INA Bearings India Pvt. Ltd., India	– (400.0)
Corporate charges recovered	INA Bearings India Pvt. Ltd., India	19.6 (20.0)
	LuK India Pvt. Ltd., India	10.9 (10.4)
Interest on loan given and on current account	FAG Roller Bearings Pvt. Ltd., India	– (1.0)
	INA Bearings India Pvt. Ltd., India	96.0 (69.7)
	LuK India Pvt. Ltd., India	68.0 (53.0)

*Continued...*

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

# FAG

...Continued

(₹ in million)

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Recovery of interest on loan and on current account	FAG Roller Bearings Pvt. Ltd., India	– (1.3)
	INA Bearings India Pvt. Ltd., India	96.0 (69.7)
	LuK India Pvt. Ltd., India	68.0 (53.0)
Service income	Schaeffler Tech. GmbH & Co. KG, Germany	– (0.2)
Lease rent	FAG Roller Bearings Pvt. Ltd., India	3.1 (3.1)
Recovery of lease rent	FAG Roller Bearings Pvt. Ltd., India	3.1 (3.4)

Note: Figures in the brackets represent previous year's figures.

- 42 (a) Excise duty paid and collected from customers is shown separately and deducted from the Sales turnover (Gross) in the Statement of Profit and Loss.

(b) Excise duty appearing under other expenses represents:	31.12.2014	31.12.2013
(i) the difference between excise duty included in the closing stock and that in opening stock of manufactured finished goods	1.0	9.1
(ii) the excise duty on the free sample, scrap, etc.	2.8	2.6
<b>Total</b>	<b>3.8</b>	<b>11.7</b>

### 43 DERIVATIVE INSTRUMENTS

The Company has entered into foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to firm commitments and highly probable transactions.

During the year the Company has adopted and applied the principles of hedge accounting as set out in Accounting Standard (AS)-30, 'Financial Instruments: Recognition and measurement' issued by the Institute of Chartered Accountants of India with effect from August 1, 2014 to forward contracts in respect of highly probable transactions or firm commitments which were previously accounted following the principles of prudence as per AS-1, 'Disclosure of Accounting Policies':

- (a) Loss representing the loss on fair valuation of foreign currency forward covers, determined on the date of designation, amounting to ₹ 63.2 million has been debited to Statement of Profit and Loss.
- (b) Loss on the fair valuation of forward covers, which qualify as effective cash flow hedge amounting to ₹ 203.0 million, on the Balance Sheet date, has been recognised in the hedging reserves account.

The outstanding forward exchange contracts as at December 31, 2014 are as follows:

Outstanding derivative instruments:

Category	Currency Hedged	31.12.2014	31.12.2013
Forward exchange contracts (to hedge highly probable exports receivable)	USD	764.8	872.6
Forward exchange contracts (to hedge highly probable imports payable)	EURO	2,993.2	1,778.2

Foreign currency exposures as at December 31, 2014:

Particulars	Currency	Amount in Foreign Currency (Gross amount)	Equivalent Amount in Indian Currency
Trade payables	USD	2,063,933.0 (2,202,684.0)	131.3 (137.0)
	EURO	11,177,840.0 (15,323,875.0)	867.5 (1,317.2)

Continued...

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

...Continued (₹ in million)

Particulars	Currency	Amount in Foreign Currency (Gross amount)	Equivalent Amount in Indian Currency
	CHF	478.0 (-)	- (-)
	JPY	1,350,000.0 (604,000.0)	0.7 (0.4)
Trade receivables	USD	3,419,142.0 (3,069,178.0)	215.6 (189.1)
	EURO	4,495,572.0 (4,653,564.0)	344.0 (394.6)
Advances to suppliers (unhedged)	USD	8,940.0 (10,850.0)	0.6 (0.6)
	EURO	36,512.0 (1,860.0)	2.8 (0.2)
	CHF	- (6,832.0)	- (0.5)
Bank balance in EFC accounts	USD	470,569.0 (444,455.0)	29.7 (27.4)
	EURO	300,286.0 (1,306,165.0)	23.0 (110.8)

Note: Figures in the brackets represent previous year's figures.

### 44 EMPLOYEE BENEFITS: POST-EMPLOYMENT BENEFIT PLANS

#### Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund, which is a defined contribution plan. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹ 49.5 million (Previous year: ₹ 41.3 million) and contribution to superannuation fund for the year aggregated to ₹ 22.0 million (Previous year: ₹ 19.2 million).

#### Defined benefit plans

The Company has defined benefit plans that provide gratuity benefit and provident fund for certain employees. The gratuity plan entitles an employee who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement / exit. The scheme is funded by the plan assets.

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of certain employees towards Provident Fund to a Company managed PF Trust. The contributions are charged to Statement of Profit and Loss as they accrue. Based on actuarial valuation report there is no shortfall in the Trust fund as at December 31, 2014.

The following table summarises the position of assets and obligations relating to the two plans.

	Gratuity		Provident Fund	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Fair value of plan assets	246.1	228.9	86.1	86.1
Present value of obligations	265.6	215.2	86.1	86.1
Asset / (Liability) recognised in Balance Sheet	(19.5)	13.7	-	-

#### Classification into current / non-current

The (asset) / liability in respect of each of the two plans comprises of the following non-current and current portions:

	Non-current		Current	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Gratuity	19.5	-	-	(13.7)
Provident Fund	-	-	-	-
Total	19.5	-	-	(13.7)



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

# FAG

(₹ in million)

### Composition of plan assets

	Gratuity		Provident Fund	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Government of India Securities	0%	2%	42%	40%
Insurer Managed Funds	100%	98%	–	–
Corporate Bonds	–	–	48%	46%
Special Deposit Scheme	–	–	1%	9%
Others	–	–	9%	5%

### Movement in present values of defined benefit obligations

	Gratuity		Provident Fund	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Defined benefit obligation at January 1	215.2	225.5	86.1	77.3
Service cost	12.6	13.5	3.7	2.7
Interest cost	19.5	18.4	7.6	4.8
Actuarial losses (gains)	45.7	(21.5)	0.8	(1.5)
Benefits paid / Employees contribution	(27.4)	(20.7)	(12.1)	2.8
<b>Defined benefit obligation at December 31</b>	<b>265.6</b>	<b>215.2</b>	<b>86.1</b>	<b>86.1</b>

### Movement in fair value of plan assets

	Gratuity		Provident Fund	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Fair value of plan assets at January 1	228.9	207.2	86.1	77.3
Expected return	17.3	16.3	7.5	5.4
Actuarial gains and (losses)	7.7	4.1	0.9	(2.1)
Contributions by employer	19.6	22.0	3.7	2.7
Benefits paid / Employees contribution	(27.4)	(20.7)	(12.1)	2.8
<b>Fair value of plan assets at December 31</b>	<b>246.1</b>	<b>228.9</b>	<b>86.1</b>	<b>86.1</b>

### Expense recognised in the Statement of Profit and Loss:

	Gratuity		Provident Fund	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Current service cost	12.6	13.5	3.7	2.7
Interest on obligation	19.5	18.4	7.6	4.8
Expected return on plan assets	(17.3)	(16.3)	(7.6)	(5.4)
Net actuarial losses (gains) recognised in year	38.0	(25.6)	–	0.6
<b>Total included in 'employee benefit expense'</b>	<b>52.8</b>	<b>(10.0)</b>	<b>3.7</b>	<b>2.7</b>

### Actual return on plan assets

	Gratuity		Provident Fund	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Expected return on plan assets	17.3	16.3	7.5	5.4
Actuarial gain / (loss) on plan assets	7.7	4.1	0.9	(2.1)
<b>Actual return on plan assets</b>	<b>25.0</b>	<b>20.4</b>	<b>8.4</b>	<b>3.3</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2014

### Principal actuarial assumptions

(₹ in million)

The following are the principal actuarial assumptions:

	Gratuity		Provident Fund	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Discount rate per annum as at December 31	8.50%	9.25%	8.50%	9.25%
Expected return per annum on plan assets as at December 31	8.00%	8.00%	9.40%	9.19%
Future salary increment	7.00%	7.00%	Not applicable	Not applicable
Retirement age	58 Years	58 Years	Not applicable	Not applicable
Mortality	Indian Assured Lives Mortality (2006-08) Ult table	Indian Assured Lives Mortality (2006-08) Ult table	Not applicable	Not applicable
Attrition rate	1% - 2%	1% - 2%	Not applicable	Not applicable
Discount Rate for the Remaining Term to Maturity of the Investment (p.a.)	Not applicable	Not applicable	8.17%	9.14%
Average Historic Yield on the Investment (p.a.)	Not applicable	Not applicable	9.07%	9.08%
Guaranteed Rate of Return (p.a.)	Not applicable	Not applicable	8.75%	8.75%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

### Five-year information

Particulars	Gratuity				Provident Fund	
	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2014
Defined benefit obligation	170.1	202.1	225.5	215.2	265.6	86.1
Plan assets	161.9	184.9	207.2	228.8	246.1	86.1
Surplus / (Deficit)	(8.2)	(17.2)	(18.3)	13.7	(19.5)	-
Experience adjustment of plan liabilities	11.6	24.9	6.7	(6.1)	32.8	0.8
Experience adjustment of plan assets	1.1	4.9	4.3	4.1	7.7	0.9

## 45 DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management, there are no outstanding dues to the Micro and Small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

## 46 PREVIOUS YEAR FIGURES

Details of regrouping / reclassification for the previous year

Particulars	Amount before reclassification	Adjustment	Amount after reclassification
<b>Other Expenses</b>			
Turnover bonus / discounts	275.9	(275.9)	-
<b>Revenue from operations</b>			
Sales of products - Finished goods	10,788.0	(232.6)	10,555.4
Sales of products - Traded goods	4,597.9	(43.3)	4,554.6

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm's Reg. No. 101248W / W - 100022

**Vijay Mathur**

Partner

Membership No. 046476

Mumbai: February 11, 2015

For and on behalf of the Board of Directors of FAG Bearings India Limited

**Avinash Gandhi**

Chairman

**Rajendra Anandpara**

Managing Director

**Satish Patel**

Chief Financial Officer

**Raj Sarraf**

Company Secretary

Mumbai: February 11, 2015

## NOTICE



To  
The Member(s)  
**FAG Bearings India Limited**

Notice is hereby given that the Fifty Second Annual General Meeting of "**FAG BEARINGS INDIA LIMITED**" will be held on Friday, April 24, 2015 at 3:00 p.m. at Padmabhushan Vasantdada Patil Sabhagruha, Sakhar Bhavan, 12<sup>th</sup> floor, Nariman Point, Mumbai - 400 021, Maharashtra, INDIA, to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2014 and the Statement of Profit and Loss for the year ended on that date along with Directors' and Auditors' Report thereon.
2. To declare dividend for the year ended December 31, 2014.
3. To appoint a Director in place of Mr. R. Sampath Kumar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Frank Huber, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS

6. To appoint a Director in place of Dr. Sanak Mishra, who was appointed with effect from November 6, 2014 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director.

To consider, and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to applicable provisions of the Companies Act, 2013 read with the Rules made thereunder and Corporate Governance norms prescribed under the Listing Agreements, Dr. Sanak Mishra [DIN: 00027288], be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years, with effect from November 6, 2014."

**"FURTHER RESOLVED THAT** Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto."

7. To appoint a Director in place of Mrs. Renu Challu, who was appointed with effect from November 6, 2014 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing her candidature for the office of Director.

To consider, and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to applicable provisions of the Companies Act, 2013 read with the Rules made thereunder and Corporate Governance norms prescribed under the Listing Agreements, Mrs. Renu Challu [DIN: 00157204], be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years, with effect from November 6, 2014."

**"FURTHER RESOLVED THAT** Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto."

8. To appoint a Director in place of Mr. Rakesh Jinsi, who was appointed with effect from February 11, 2015 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director.

To consider, and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to applicable provisions of the Companies Act, 2013 read with the Rules made thereunder and Corporate Governance norms prescribed under the Listing Agreements, Mr. Rakesh Jinsi [DIN: 00182187], be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years, with effect from February 11, 2015."

## NOTICE

**“FURTHER RESOLVED THAT** Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto.”

9. To appoint a Director in place of Mr. Klaus Rosenfeld, who was appointed with effect from February 11, 2015 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director.

To consider, and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution:**

**“RESOLVED THAT** pursuant to applicable provisions of the Companies Act, 2013 read with the Rules made thereunder and Corporate Governance norms prescribed under the Listing Agreements, Mr. Klaus Rosenfeld [DIN: 07087975], be and is hereby appointed as Director of the Company.”

**“FURTHER RESOLVED THAT** Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto.”

10. Approval on Related Party Transactions.

Pursuant to provisions of Clause 49 of the Listing Agreements with the Stock Exchanges, all Material Related Party Transactions will require approval of the Members through a special resolution.

To consider, and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution:**

**“RESOLVED THAT** pursuant to the prevailing norms on Corporate Governance prescribed under the Listing Agreements, consent of the Members of the Company be and is hereby accorded to Material Related Party Transactions with 'Schaeffler Technologies AG & Co. KG', Germany (formerly known as Schaeffler Technologies GmbH & Co. KG) during the year 2015 and such approval is further accorded to an increase of up to 20% over and above the existing value of transactions in the previous year.”

**“FURTHER RESOLVED THAT** Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto.”

By Order of the Board

**Raj Sarraf**  
Company Secretary  
ICSI M. No.: ACS15526

Mumbai: February 11, 2015

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS 52<sup>nd</sup> ANNUAL GENERAL MEETING OF THE COMPANY, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL HAVE NO RIGHT TO SPEAK AT THE MEETING.
2. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY, PROVIDED THAT SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.
3. The instrument of proxy, duly completed, should be lodged at the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting. No Proxy Form shall be considered as valid on its receipt after 3:00 p.m. on April 22, 2015.
4. The Company has notified closure of Register of Members and the Transfer Books from April 1, 2015 to April 6, 2015 (both days inclusive) to determine entitlement of dividend on equity shares. The dividend will be paid to those shareholders, whose name appears on the 'Register of Members' of the Company as at the end of business hours on March 31, 2015. The dividend, as recommended by the Board of Directors and if declared at the Annual General Meeting, will be paid within the specified time limit.
5. (a) Shareholders, who have not encashed the dividend warrants for the years 2007, 2008, 2009, 2010, 2011,

2012 and 2013 are requested to lodge their request with the Company immediately.

- (b) Pursuant to provisions of Section 205A read with Section 205C of the Companies Act, 1956 unclaimed dividends up to the year 2006 were transferred to the Investor Education and Protection Fund in time.
6. National Electronic Clearing Services (NECS) has been permitted by Reserve Bank of India. Shareholders may fill up the option Form and send it to the Registrars by March 31, 2015.
7. As per Section 136 of the Companies Act, 2013 read with Rule 11 of Companies (Accounts) Rules, 2014, financial statements may be sent to the Members:
- (a) by electronic mode to such Members whose shares are held in dematerialised form and whose e-mail IDs are registered with Depository for communication purposes;
- (b) where Shares are held in physical form, to such Members who have positively consented in writing for receiving by electronic mode and
- (c) by dispatch of physical copies through any recognised mode of delivery as specified under Section 20 of the Companies Act, 2013, in all other cases.

In case, you desire to receive the aforesaid documents in electronic mode in lieu of physical mode, kindly update your e-mail ID with:

- (a) Our Registrar & Share Transfer Agent: for the Shares held in physical form and
- (b) Your respective Depository Participants: for the Shares held in dematerialised form.
8. Members, who have not yet dematerialised their shares, are recommended to get their shares dematerialised at the earliest.
9. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, and Clause 35B of the Listing Agreement, Members are provided with the facility to cast their votes electronically, through the e-voting services provided by Central Depository Services (India) Limited [CDSL], on all the resolutions set forth in this Notice.

The Members, whose names appear in the Register of Members / Beneficial Owners as on the cut-off date i.e. Friday, March 20, 2015, may cast their vote electronically. The e-voting period will commence from Wednesday, April 15, 2015 at 9:00 am (IST) and will end at 6:00 pm (IST) on Friday, April 17, 2015. The e-voting module will be disabled on April 17, 2015 at 6:00 pm (IST). The voting right of shareholders shall be in proportion to their share in the paid up equity share capital of the Company as on the cut-off date, being March 20, 2015.

**The instructions for shareholders voting electronically are as under:**

- (i) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- (ii) Now click on Shareholders to cast your votes
- (iii) Now Enter your User ID
- a) For Members holding shares in Demat Form:
- For CDSL: 16 digits beneficiary ID,
  - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
- b) For Members holding shares in Physical Form:
- Enter Folio Number registered with the Company.
- (iv) Next enter the Image Verification as displayed and click on Login.
- (v) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password can be used.
- (vi) If you are a first time user follow the steps given below:

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**For Members holding shares in Demat Form and Physical Form**

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<b>PAN</b>	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. The sequence number is printed on attendance slip.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters, for example, if your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
<b>DOB</b>	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
<b>Dividend Bank Details</b>	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio. <ul style="list-style-type: none"> <li>• Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company then please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>

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## NOTICE

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the EVSN for the relevant FAG Bearings India Limited resolution on which you choose to vote.
- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option Yes implies that you assent to the Resolution and option No implies that you dissent to the Resolution.
- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the same password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) Note for Non - Individual Shareholders and Custodians.
- Corporate / Institutional Members (FIs / FIIs / Trust / Mutual Funds / Banks, etc.)
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a compliance user should be created using the admin login and password. The compliance user would be able to link the account(s) for which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favor of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)
10. Statement under Section 102 of the Companies Act, 2013 in respect of Item nos. 6 to 10 under "Special Business", is attached hereto. All documents referred to in the Notice are open for inspection at the Registered Office of the Company between 10:00 am and 5:00 pm on any working day up to the date of Annual General Meeting.

Statement under Section 102 of the Companies Act, 2013 relating to Special Business mentioned in the Notice convening the 52<sup>nd</sup> Annual General Meeting;

#### ITEM No. 6 Appointment of Dr. Sanak Mishra as an Independent Director

The Board has appointed Dr. Sanak Mishra as an Additional Director with effect from November 6, 2014.

Dr. Sanak Mishra has obtained a Doctorate in Metallurgical Engineering from the University of Illinois at Urbana-Champaign, USA and he served on the Board of Directors of Steel Authority of India Limited and as Managing Director of Rourkela Steel. After over 3 decades of experience, he retired as Vice President - Arcelor Mittal Group, Director of 'Arcelor Mittal India Private Limited' and CEO India Projects. He currently serves as the Secretary General & Executive Head of the Indian Steel Association. Based upon the Board's opinion and declaration received from Dr. Mishra, he meets

the independence criteria and possesses relevant experience and expertise.

His continued association with the Company would be a great advantage. Your Directors therefore recommend his election to the office of Director of the Company. Notice from a Member proposing his candidature together with a deposit of ₹ 100,000/- in terms of Section 160 of the Companies Act, 2013 has been received by the Company.

Except Dr. Sanak Mishra, no other Director, Key Managerial Personnel and their relatives are interested (financially or otherwise) in the resolution.

#### ITEM No. 7 Appointment of Mrs. Renu Challu as an Independent Director

The Board has appointed Mrs. Renu Challu as an Additional Director with effect from November 6, 2014.

Mrs. Renu Challu has a Masters degree in Economics (Gold Medalist), is an Associate of 'Indian Institute of Bankers' and has worked with State Bank of India (SBI) Group for over 38 years, holding top management positions like DMD (Corporate Strategy and New Business) SBI, MD State Bank of Hyderabad, President & Chief Operating Officer, SBI Capital Markets Ltd and MD & CEO, SBI DFHI LTD.

Based upon the Board's opinion and declaration received from Mrs. Challu, she meets the criteria on independence and

possesses relevant experience and expertise.

Her continued association with the Company would be a great advantage. Your Directors therefore recommend her election to the office of Director of the Company. Notice from a Member proposing her candidature together with a deposit of ₹ 100,000/- in terms of Section 160 of the Companies Act, 2013 has been received by the Company.

Except Mrs. Renu Challu, no other Director, Key Managerial Personnel and their relatives are interested (financially or otherwise) in the resolution.

#### ITEM No. 8 Appointment of Mr. Rakesh Jinsi as an Independent Director

The Board has appointed Mr. Rakesh Jinsi as an Additional Director with effect from February 11, 2015.

Mr. Rakesh Jinsi is an electrical engineering graduate with a vast experience of over three decades with renowned automotive industry group like Eicher, Hero and Force Motors among others. His areas of expertise include: materials, manufacturing and plant operations. He takes a keen interest in societal upliftment and ensuring inclusive growth. He had been Secretary General of SOS Children's Villages Of India, a Child Care Social organisation and a member of the Core Group of National Human Rights Commission. Presently, Mr. Jinsi serves as an Independent Director of Hero Motors and president of School of Inspired Leadership, a Business School in Gurgaon. Based upon the Board's opinion and

declaration received from Mr. Rakesh Jinsi, he meets the criteria on independence and possesses relevant experience and expertise.

His continued association with the Company would be a great advantage. Your Directors therefore recommend his election to the office of Director of the Company. Notice from a Member proposing his candidature together with a deposit of ₹ 100,000/- in terms of Section 160 of the Companies Act, 2013 has been received by the Company.

Except Mr. Rakesh Jinsi, no other Director, Key Managerial Personnel and their relatives are interested (financially or otherwise) in the resolution.

## ANNEXURE TO NOTICE

### ITEM No. 9

#### Appointment of Mr. Klaus Rosenfeld as a Director

The Board has appointed Mr. Klaus Rosenfeld as an Additional Director with effect from February 11, 2015.

Since October 2013 Mr. Rosenfeld serves as the Chief Executive Officer of Schaeffler Group. Until April 1, 2015 he also serves as Chief Financial Officer of Schaeffler Group. Mr. Rosenfeld has rich experience in Leadership, Business Management and Strategy with a strong background in Banking and Finance. He joined Schaeffler Group in March 2009 and was a key contributor to the restructuring and repositioning of Schaeffler Group after the takeover of Continental AG.

His continued association with the Company would be a great

advantage. Your Directors therefore recommend his election to the office of Director of the Company. Notice from a Member proposing his candidature together with a deposit of ₹ 100,000/- in terms of Section 160 of the Companies Act, 2013 has been received by the Company.

Except Mr. Klaus Rosenfeld, no other Director, Key Managerial Personnel and their relatives are interested (financially or otherwise) in the resolution.

A brief resume and shareholding of Directors who are being appointed / re-appointed have been included in the Corporate Governance Report.

**A brief resume and shareholding of Directors who are being appointed / re-appointed have been included in the Corporate Governance Report.**

### ITEM No. 10

#### Approval on Related Party Transaction

In order to sustain quality standards of the Schaeffler Group, quantitative benefits, ease of customer reach, global representation and in the best interest of Company and its shareholders, major transactions of the Company pertaining to sale, purchase or supply of goods, materials & services have been since long with Schaeffler Group Company, i.e. Schaeffler Technologies AG & Co. KG, Germany (formerly known as Schaeffler Technologies GmbH & Co. KG). Considering the prevailing market trend these transactions will continue in the year 2015 and thereafter in line with business requirements an increase of up to 20% over and above the existing value of transactions in the previous year.

These transactions as well as the proposed transactions would continue to be in ordinary course of Business and at arm's length basis.

Since the aggregate value of these transactions exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, the said transactions would be considered to be Material Related Party Transactions for the purpose of Clause 49 of the Listing Agreements with the stock exchanges and will require Members approval. The Audit Committee and Board of Directors have reviewed major terms & conditions of these transactions and recommended to the Members for their approval by way of Special Resolution.

Except Mr. Klaus Rosenfeld, no other Director, Key Managerial Personnel and their relatives are interested (financially or otherwise) in the resolution.

Mumbai: February 11, 2015

By Order of the Board

**Raj Sarraf**  
Company Secretary  
ICSI M. No.: ACS15526

## FORM

(Shareholders' option to receive documents through e-mail)

# FAG

To,

**Link Intime India Private Limited**

**The Registrar & Share Transfer Agent**

**Unit: FAG Bearings India Limited**

B-102 & 103, Shangrila Complex, First Floor,  
Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota,  
VADODARA - 390 020 Gujarat, INDIA  
E-mail: vadodara@linkintime.co.in

Dear Sir(s),

**Subject: Update my / our e-mail address(es) in your records.**

Please note my / our following e-mail address(es) and send notice / documents through electronic mode in future:

1 Name of the Shareholder / Beneficial Owner

2 Registered Folio / DP ID and Client ID

3 No. of shares

4 E-mail address of the first named  
Shareholder / Beneficial Owner

5 E-mail address of the second / third named  
Shareholder / Beneficial Owner

6 Contact Numbers

Date:

Place:

Signature of the Shareholder / Beneficial Owner





# PROXY FORM

Form No. MGT - 11



[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN	L29130MH1962PLC012340
Name of the Company	<b>FAG BEARINGS INDIA LIMITED</b>
Registered Office	'Nariman Bhavan', 8 <sup>th</sup> Floor, 227, Backbay Reclamation, Nariman Point, MUMBAI - 400 021, Maharashtra, INDIA

Name of the Member(s)
Registered address

E-mail ID
-----------

Folio No. / Client ID
-----------------------

DP ID
-------

I / We, being the member(s) of \_\_\_\_\_ shares of the above named Company, hereby appoint

**1** Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
E-mail ID \_\_\_\_\_  
\_\_\_\_\_  
Signature \_\_\_\_\_, or failing him \_\_\_\_\_

**2** Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
E-mail ID \_\_\_\_\_  
\_\_\_\_\_  
Signature \_\_\_\_\_, or failing him \_\_\_\_\_

**3** Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
E-mail ID \_\_\_\_\_  
\_\_\_\_\_  
Signature \_\_\_\_\_



as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 52<sup>nd</sup> Annual General Meeting of the Company, to be held on Friday, the 24<sup>th</sup> day of April, 2015 at 3.00 p.m. at Padmabhushan Vasantdada Patil Sabhagruha, Sakhar Bhavan, 12<sup>th</sup> floor, Nariman Point, MUMBAI - 400 021, Maharashtra, INDIA and at any adjournment thereof in respect of such resolutions as are indicated below:

1. To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2014 and the Statement of Profit and Loss for the year ended on that date along with Directors' and Auditors' Report thereon.
2. To declare dividend for the year ended December 31, 2014.
3. To appoint a Director in place of Mr. R. Sampath Kumar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Frank Huber, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.
6. To appoint a Director in place of Dr. Sanak Mishra, who was appointed with effect from November 6, 2014 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director.
7. To appoint a Director in place of Mrs. Renu Challu, who was appointed with effect from November 6, 2014 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing her candidature for the office of Director.
8. To appoint a Director in place of Mr. Rakesh Jinsi, who was appointed with effect from February 11, 2015 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director.
9. To appoint a Director in place of Mr. Klaus Rosenfeld, who was appointed with effect from February 11, 2015 by the Board and pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director.
10. Approval on Related Party Transactions.

Signed this \_\_\_\_\_ (Date) \_\_\_\_\_ day of \_\_\_\_\_ (Month) 2015.

Signature of Shareholder

Signature of Proxy Holder(s)

**Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**

Affix  
₹ 1  
Revenue  
Stamp

## NATIONAL ELECTRONIC CLEARING SERVICE (NECS)

(Credit clearing)

Dear Shareholder,

You can avail of the NECS facility. NECS operates as under:

- You need to send the NECS Form given overleaf after filling up the relevant details to the registrar.

---

- The Company would instruct its dividend banker to credit your account. Your account would get an immediate credit with marking 'NECS' for the amount of dividend.

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- This is an alternative mode of payment and is optional. You would have the right to withdraw from this mode of payment by giving an advance notice of 6 weeks.

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- If you are agreeable to participate in the new payment mechanism, you are requested to fill in the Mandate Form given overleaf. The information to be supplied should be accurate and complete in all respects. The NECS Form should reach the registrar latest by April 1, 2015, who will inform the shareholders opting for this facility about the credit of dividend amount.

---

- Those shareholders who prefer to get dividend warrant and who have not given bank details so far may send the details for printing on dividend warrant.
  - (i) Shareholders with shares in demat mode may send their bank details to their respective depository participants.
  - (ii) Shareholders with physical shares may write to the Registrar or the Company.

## NECS / BANK MANDATE UPDATE FORM

(Shareholders' option to receive payments through Credit Clearing Mechanism)

FOR SHARES HELD IN PHYSICAL MODE	FOR SHARES HELD IN ELECTRONIC MODE
To, <b>Link Intime India Private Limited</b> The Registrar & Share Transfer Agent Unit: FAG Bearings India Limited B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, VADODARA - 390 020 Gujarat, INDIA E-mail: vadodara@linkintime.co.in	To, (Name & Address of Depository Participant) _____ _____ _____

Dear Sir(s),

**Sub.: Payment of Dividend through NECS (NECS Mandate Form)**

I / We hereby give my / our mandate to credit my / our Dividend on the share(s) held by me / us, directly to my / our Bank Account through the National Electronic Clearing System [NECS] / to prepare my / our dividend warrant with details of my / our Bank Account No. and Name of the Bank & Branch.

**The Details of the Bank Account are given below.**

Name of First / Sole Shareholder (in BLOCK letters)

Folio Number as appearing on Share Certificate / DP ID & Client ID

Name of the Bank in full

Branch Name

Address & Telephone No. of the Bank

9 Digit Code No. of the Bank & Branch as appearing on the MICR Cheque issued by the Bank

Type of Account with Code  Saving Bank - 10  Current - 11  Cash Cr. - 13

A/c No. as appearing on the Cheque Book	Bank Ledger No. / Bank Ledger Folio No. (if any, appearing on the Cheque Book)	PAN / GIR No.
---	---	---------------

Address of the Shareholder

I / We enclose a blank cancelled cheque / photocopy of cheque / front page of Savings Bank Passbook to enable you to verify the details. **[This is required only in case of NECS].**

I / We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I / We would not hold the Company / the user institution responsible. I / We undertake to inform any subsequent changes in the above particulars before the relevant Book Closure Date(s). I / We understand that, the above details shall be maintained by you till I / We hold the shares in physical / electronic mode under the captioned Folio No. / DP ID & Client ID.

Date:

Place:

Signature of Sole / First Shareholder

# Preserving India



As a responsible corporate citizen of Vadodara, FAG is proud of the city's rich cultural heritage and its traditional art and architecture. Under our CSR initiative, we facilitated Vadodara Heritage Tour - an innovative concept where about 40 school students in each batch are taken for an edu-tainment tour to Lukshmi Vilas Palace - the magnificent residence of the royal family of Vadodara. So far over 400 students have participated in these tours and the number is growing every month.

The heritage tour is hugely appreciated by the young children as they get a glimpse of the city's magnificent heritage.



## **FAG Bearings India Limited**

Maneja, Vadodara - 390 013  
Gujarat, India.  
Tel.: +91 265 6602000 - 2004  
Fax: +91 265 2638804  
[www.schaeffler.co.in](http://www.schaeffler.co.in)