

SCHAEFFLER

FAG



touching lives

In the 21st century, science and technology have become synonymous with economic and human development. Both aim to improve growth and standards of living. At the same time we believe that technology must contribute to preserve environment, prevent degradation and support sustainability.

As India's leading manufacturers of Rolling Bearings, we find numerous opportunities to contribute to human progress. Bearings move the world, and are omnipresent in wide-ranging applications from ceiling fans to wind mills, motorcycles to mining, tractors to textile machines, and from paper to steel mills. In all these applications we believe FAG is making 'a qualitative difference' by partnering with OEMs and offering solutions that significantly enhance performance while maintaining ecological balance.

Modern day applications, be it mobility or machine tool are very demanding as customers look for high speed, high efficiency, high reliability, increasing load capacities and uncompromising standards of safety. At FAG, we realise our customers' expectations not only by producing excellent quality, but also by applying our keen engineering know-how.

Our 'Sector Approach' enables us to analyse trends and challenges of diverse sectors. Our Application Engineers are trained to see the 'Big Picture in Small Things'. So besides bringing in expertise in the bearing domain, our engineers also develop sub-system and system know-how and are capable of analysing, simulating, optimising interfaces and influences in bearing applications. We partner with our customers at an early stage of development, combine our application know-how with process and manufacturing expertise, and deliver a product that assures our customers of high efficiency, high safety and of course exceptional performance that brings smile and confidence to millions of end users day after day.

In the following pages, while we present and analyse financial performance, we also look at our Company's report in terms of its contribution to technological progress in different sectors.

We take you around various bearing applications to explain how there is a bit of FAG in every aspect of your life and how our engineers are working closely with business associates to make your world smarter, safer, better.

**Touching lives after-all
is the key purpose of technology at FAG !**



Highlights 2013

FAG is BHEL's Preferred Vendor

Bharat Heavy Electricals Limited (BHEL) awarded the coveted 'Best Vendor' Award 2012-2013 for products supplied and services rendered to their Oil Rigs Division based in Hyderabad.



Savli gets ISO 9001, ISO 14001 & OHSAS 18001 Certification

FAG's new Savli plant has set a technology benchmark. The plant was recently certified with ISO 9001, ISO 14001 and OHSAS 18001.



Kudos for the Quality Connoisseurs

Quality has always been one of our core competencies. This year, employees of FAG India received 13 Gold and Silver medals in Kaizen / Quality circles organised by QCFI and CII.



Line Challenger

Quality is No.1 priority at FAG. Our Line Challenger concept follows a focused approach wherein team members analyse current situation scientifically, address all concerns and implement comprehensive improvement plan. The idea is obviously to evaluate all our activities solely through 'customer's eyes.'



VIKAS

As VIKAS - our blue collar employee training module - entered third year of implementation, we revised and revamped the programme content to make it more robust and relevant to current business challenges. Participants of VIKAS initiative in 2013 are undergoing seven phases of comprehensive development to imbibe right set of skills and attitudes.



Scoring on Customer Satisfaction Index

Honda Motorcycle and Scooters India Pvt. Ltd. (HMSI) recognised FAG India for 'Valuable Support and Contribution' for their motorcycle project.



Recognised as Green Guardians

On the occasion of World Environment Day - 5th June 2013, Hero Motocorp Limited recognised FAG India for its contribution in 'Green Supply Chain' initiative.



Creating a Wonderful World

FAG initiated an innovative employee engagement activity - 'WEe Wonder FAG Children Club'. This club provides children of our employees an excellent platform to channelise positive ideas and share them with other kids from diverse backgrounds. The aim is to embed in them the values of collaboration, positive thinking and mutual respect.



Bridging the Generation Gap

Another employee engagement programme, 'Sanskar Setu' was launched with an aim of providing an emotional connect between the employees and their children thus, encouraging communication and mutual learning.



The Competence Advantage



A product is only as good as it functions. Quality is No.1 priority at FAG. We benefit from Schaeffler's global know-how as we constantly improve our products and processes. At the same time, we are developing strong local engineering capabilities in India. Beyond product expertise, our engineers are knowledgeable in domains such as application engineering, calculations, installation, condition monitoring to name a few. This cutting edge competence helps us find efficient solutions to our customers' problems, gives motion to some of the finest ideas our customers have and thus, provides FAG a strong competitive advantage in the market.



Mobility

Driving Efficiency

Megatrends have a transformative impact on the future of mobility. Economic growth in developing countries and urbanisation are driving multi-modal commuting. Trends towards individualism leads to ever increasing need for personal transportation. At the same time, intercity and intra-city mobility needs are pushing development of different concepts of public and shared transportation. Ever increasing pressure on climate change, emission control, depleting resources of fossil fuel and rising fuel prices are some of the challenges that our engineers constantly address while designing bearings for mobility products.

FAG has years of experience in developing bearings for two-wheelers, three-wheelers, passenger cars, commercial vehicles and railways. Our engineers know that our products have a direct bearing on the efficiency of any vehicle - personal or commercial. With our in-depth understanding of automotive systems, we constantly innovate to provide bearing solutions that enable high fuel efficiency, downsizing, emission control, friction reduction, driving comfort and greater safety.

So next time you are driving a bike or car, or taking a journey in the train, do remember FAG moves your world.

With our in-depth understanding of automotive systems, we constantly innovate to provide bearing solutions that enable high fuel efficiency, downsizing, emission control, friction reduction, driving comfort and greater safety.

Automotive

In passenger cars, our maintenance-free Wheel Bearing units provide safe and efficient performance. Besides proven Generation 1 Bearings for driven wheels, we also expanded production of Generation 2 and Generation 3 Wheel Bearings at our Vadodara plant. These bearings have integrated flanges, built-in ABS sensors, effective sealing and facilitate optimised mounting that eliminate adverse influences due to manual errors. With our innovative designs, we offer significant reduction in weight and thus, contribute to reduction in fuel usage.

Since their market introduction in 2012, FAG Generation 2 and Generation 3 Wheel Bearings have gained increasing confidence of our customers in terms of quality, reliability and energy efficiency. Besides Maruti Suzuki Ertiga, Swift and Eco platforms, these innovative solutions will soon find their use in Maruti Suzuki's upcoming model X1, Mahindra Micro SUV and Tata Nano Diesel.



Motorcycles

Along with the need for high speed and high efficiency, motorcyclists also yearn for an overall comfortable driving experience. Our Sector Specialists understand these trends and use their expertise to design products that power the drivetrain of motorcycles to function - faster, smoother and better. Over and above reducing friction, we also reduce noise and drag while increasing sealing efficiency. With eye on fuel efficiency, we also design compact and light-weight solutions without compromising on product performance.

In co-operation with a global leader in two-wheelers, we successfully developed and implemented an optimised design of low friction Ball Bearings for two-wheeler engines. With a strong focus on providing optimum solutions for large and small motorcycles, we collaborated with our valued customers - from development stage and contributed in our small way to the successful launch and subsequent ramp up of models such as Honda Dream Yuga, Mahindra Centuro, Harley Davidson Street 750, TVS Jupiter and many others.

Our collaborative initiative with Schaeffler Group Companies - INA and LuK, helps us to leverage our collective innovation capabilities and offer comprehensive system solutions for modern motorcycles. At Schaeffler India Innovation Days, an event held in Pune in February 2013, we successfully exhibited a Concept Motorcycle comprising future ready, energy-efficient solutions for engine, transmission and chassis applications.



Agricultural and Off Highway equipment

Agriculture has the potential to yield high prosperity in India.

Growing demand of food grains, labour shortages and government subsidies are some of the factors encouraging farmers to opt for modern technologies that boost farm productivity.

At FAG, we are proud to have contributed to India's agriculture growth, in our own small way. Agricultural engineering involves a wide range of machines - Tractors, Power Tillers, Combine Harvesters, Rice Planters and so on. Even if these machines are different, the operating conditions are always harsh. Our Sector Specialists and designers are sensitive to the realities of the Indian rural terrain and accordingly engineer solutions which are robust, reliable, cost-effective and fuel-efficient.

By implementing our approach of development partnership with our customers, we have developed a number of efficient products for transmission and axle drives for our leading customers such as John Deere, Carraro, Mahindra and CNH.

Being part of country's green revolution is satisfying... isn't it?







“The spirit of Innovation and the will to succeed are two guiding factors at Schaeffler, globally. At FAG, our aim is to establish a culture that simulates, supports and sustains a high level of innovation.”

Harish Shah | Head - Technology

Construction Machinery

Construction industry has grown rapidly in the last decade. Large-scale infrastructure projects, urbanisation, housing boom and new applications such as irrigation are some of the factors driving the growth of construction. At the same time construction industry needs technology products and equipment to improve quality, meet timelines of project delivery, lower costs, improve productivity and address environment related concerns. All this augurs well for the extensive development of construction machinery market in India.

FAG is partnering with leading players in the industry like Wirtgen, JCB, Case, Schwing Stetter etc. With our vast portfolio of Ball Bearings, Cylindrical Roller Bearings, Tapered Roller Bearings and Spherical Roller Bearings, we are very well positioned to meet demand of this emerging sector.

Whether it is a highway or your home, FAG has some role in building both.



Power Transmission: E-Motors and Industrial Transmission

Low friction bearings help minimise power losses in industrial transmission. For high performance gearboxes, our X-life Bearings manufactured at Maneja and Savli plants offer higher load rating capabilities in minimum space.

Our engineers use advanced BEARINX® calculations for designing bearing arrangements in a multi-shaft system. During the year, our Application Engineers worked very closely with key accounts like Elecon and Siemens to optimise bearing arrangements in transmission at very early stage of project to ensure that principles of efficiency and optimisation are built into the transmission design.

Low friction Ball Bearings from our Savli plant have set new standards in quality and reduce noise substantially in Electric Motors. Due to their optimised internal construction, excellent geometrical and running accuracies, superior surface finish on raceways & rolling elements and efficient sealing, these bearings offer immense performance advantage to our customers at no extra cost. Low friction Ball Bearings are increasingly gaining customer preferences, as we target even higher utilisation of our Savli capabilities in the coming years.

So when, you switch on a washing machine and hear no noise, that is the proof of quiet efficiency of low friction Ball Bearings from FAG.




Railways

Railways has been a part of India since 1853. Greater connectivity between cities, towns and villages has led to growing demand for passenger traffic. Rail freight traffic has immense possibilities for growth. The growing success of metro rail projects opens up new opportunities.

Trends of high load, high speed and enhanced safety will increasingly influence developments in railways. With our long experience in rail business, in India and globally, FAG is well placed to support the Indian Railways in fulfilling needs of high performance products for wheel-sets and power train applications. In cooperation with global players in metro rail transportation, FAG is actively participating in metro rail projects.

Expansion of manufacturing capabilities at Savli plant will help us to drive the localisation initiative for bearings in rail application and thus remain on track with the Indian Railways.





Raw Material, Energy and Production Machinery

Fuelling Growth

Development of core sectors and infrastructure industries require corresponding advancement in Heavy Engineering Industries. Similarly availability and quality of power is critical to economic development of the country. For years FAG has been part of India's core sector development - supplying a vast range of products including large-size bearings.

With commissioning of large-size bearing plant at Savli we will contribute even more strongly to this development.

Be it steel, cement or paper, there is a little bit of role that FAG bearings play in bringing these core goods to the nation.

Our engineers at Savli know that large-size bearings require special know-how and attention to details. So whether it is an order of 1 piece or 10 pieces, our engineers make sure that they deliver parts 100% right, the first time itself.

Heavy Industries

Engineering applications such as steel making or mining machinery, put extreme demands on bearings. For example, our engineers know that in a hot-strip mill, Rolling Bearings in roughing stand transmit radial load of up to 30,000 kN. When the going gets tough, the tough get going. At FAG, we design bearings based on in-depth understanding of application, speed, load, fluctuations, temperature, lubrication and so on. This in most cases, means that Rolling Bearings have to be customised to perform efficiently in unfavourable operating environment.

One of the key needs of this sector is meeting customer and project specific expectations. At FAG, we collaborate with customers right at the drawing board stage - from designing, calculating bearing arrangements, supplying comprehensive Schaeffler range, to supporting customers in mounting, and thus ensuring that timeline, performance and cost targets of the project are met efficiently.

It is with this end-to-end approach that we endeavour to fulfil expectations of our prestigious customers like L&T, FLS, ThyssenKrupp, SMS and many others.



Power

Electricity is one of the key drivers of rapid industrial growth. At FAG, we aim to light up a million lives, by enhancing the efficiency of power generation equipment. A significant milestone towards achievement of this objective is the commissioning of our large-size bearing plant at Savli, which facilitates several localisation opportunities.

Bearings for a coal pulverising mill, which process more than hundred tons of hard coal every hour are subjected to heavy and intermittent loads. Typical application in journals of so called bowl mill use 'Pin type Welded cages' for performance improvement. Here the cage that can guide maximum number of roller is used with through bored rollers. The cage pins guides the rollers and also separates them.

Our engineers at Savli know that large-size bearings require special know-how and attention to detail. So whether it is an order of 1 piece or 10 pieces, our engineers make sure that they deliver parts 100% right, the first time itself. It is with this enthusiasm, to meet customers' expectations all the time that Savli developed over 70 products last year including bearings for diverse applications such as wind, power plants, steel plants, oil rigs, gearboxes and e-motors.

In the field of oil exploration and oil extraction, bearings are subjected to heavy loads. FAG offers customised products for high performance in oil rig applications. It was thus gratifying when BHEL - a Government of India enterprise in oil rig sector, conferred FAG with 'Best Vendor' Award for the year 2013.

Helping our customers in production and maintenance of reliable power plant equipment is our way of empowering the nation.



“Sharing knowledge with our customers is the first step towards co-creating engineering excellence. Events like Innovation Days, provide just the right platform in this regard.”

Mahipal Singh Panwar | Application Manager







“Precision requires passion.
Our young team endeavours to deliver best-in-class quality
for every piece that we produce at Savli.”

Mallikharjuna Evani | Production Head - LSB, FAG Savli Plant

Production Machinery

Together INA and FAG have comprehensive portfolio to meet bearing requirements for Machine Tools, Textile Machineries, Printing and Packaging Machines.

This market is application intensive and our engineers are well trained to work with customers and find effective solutions for rotary and linear motions.

In India we work with leading textile manufacturers like LMW, Rieter, Truetzschler, etc. In the sector of production machinery, we strengthened our cooperation with leading customers like Jyoti CNC, ACE Group, BFW to name a few.

Whether you are wearing fashionable shirt or a saree, FAG makes sure that you wear confidence of quality on your face every time.



Wind

Renewable energy technologies are clean sources of energy that have much lower environmental impact than conventional sources of energies. Development of renewable energy also provides energy security.

With a view to address twin challenges of growing power needs and sustainability, India aims 20% of electricity to come from clean power by 2020. With regard to Wind, Government wants to have 15 GW of Wind Power installed in India between 2013-2017. Though currently this sector faces financial and structural challenges, its importance in the long-term cannot be underestimated.

Together with INA, FAG has been a pioneer in designing bearing solutions for wind turbines globally. Our specialists in India and at Germany work closely with customers using sophisticated calculation and simulation tools to develop highly reliable products for wind turbine.

We have a comprehensive range of products for wind turbine. We offer various alternatives for rotor shaft arrangement where all the forces and movements induced by the wind, act directly. Bearing arrangements for gearboxes face challenging operating conditions like high dynamic forces with extreme peak loads and minimal

loads, sudden load reversals and widely fluctuating operating temperatures. Here again, customised X-life Cylindrical and Tapered Roller Bearings from FAG are designed to take the rough smoothly.

FAG has partnered with Indian Wind Industry since early years of its development and is currently supplying bearings to leading players like Suzlon, ZF, ReGen Powertech, Wind World, Kenersys, Leitwind to name a few.

In addition to rotor shaft and gearbox bearings, we also offer our customers bearings for pitch arrangement and bearings for generators from Schaeffler overseas plants. The range is intelligently rounded off by condition monitoring systems, lubricants, mounting and maintenance tools. In this way, FAG helps to achieve low operating costs for wind turbines.

Our Savli plant has already developed a number of bearings for rotor shaft application and is now in preparation phase for producing highly reliable gearbox bearings.

All this, just to ensure that you and your children and the generations to follow have enough fresh air to breathe while still enjoying comforts of a modern mechanised world.





Aftermarket

Not just products... performance as well

Offering a great product is good but providing a great product experience is better. At FAG, we consider ourselves partners not only of OEM customers but also of MRO clients.

Wherever our customers need us we are there, directly or through our efficient network of distribution partners, providing comprehensive range of products and services, thus ensuring that our customers' operations run smoothly and without interruptions.

Here again, we leverage our vast experience and application expertise so that our customers get the best performance from their equipment by using our products.

Productivity and prosperity are inseparably linked. By minimising downtime and increasing equipment efficiency, we help our customers reduce waste and thus further the cause of higher productivity.



“Our sector approach is outside-in. Our understanding of customer’s business environment and in-depth application knowledge is what we leverage to constantly improve our products and their performance in real life environment.”

Seshan Iyer | Head - MRO

Always there

Proximity to customers is one of the crucial requirements in aftermarket.

FAG believes that a sophisticated technical product like bearing requires sophisticated channel partners who are located close to customers and can offer best-in-class services. Our distribution partners follow the customers’ needs closely. FAG offers extensive product programme comprising replacement parts for over 60 different industrial sectors. Our distribution partners play a very important role in raising the standards of customer service by tailoring inventory programmes to suit customer needs. This ensures ready availability of bearings for replacement.

During 2013, we kick-started an initiative to enhance technical competence of our channel partners. In order to meet the growing bearing requirements of MSMEs, we also launched our Rural and Retail initiatives.



TCO Approach

Every single day, our customers face the challenge of optimising the availability of their machines, preventing unplanned downtimes and reducing waste. Whether in mines, steel plants, power plants or paper industry our customers are managing Total Cost of Ownership (TCO) and life cycle costs instead of emphasising just on transaction costs.

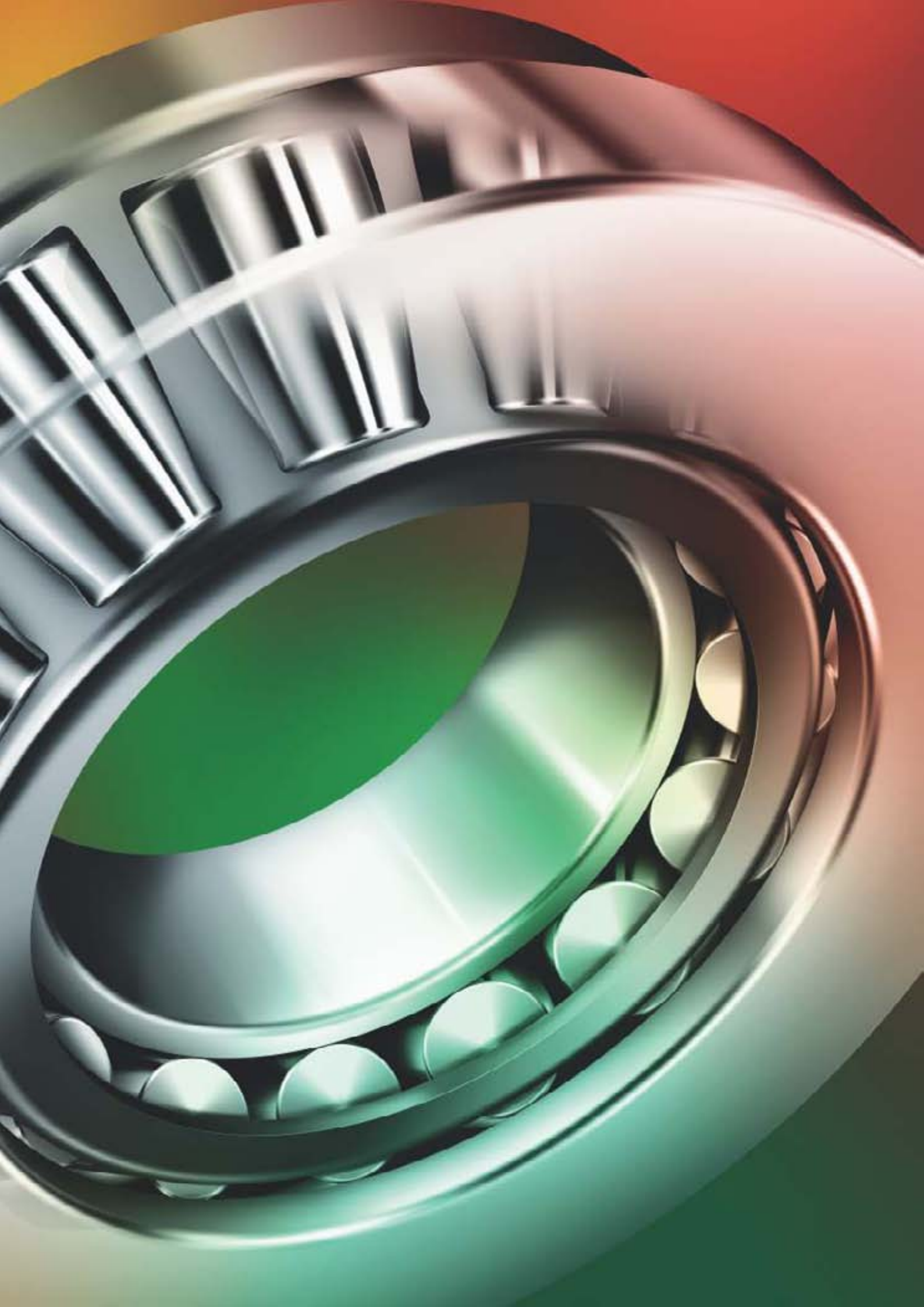
FAG offers its aftermarket customers, comprehensive range of services like mounting, dismantling, alignment and lubrication. Our range of condition monitoring services minimises risk of breakdowns, consequent damages and thus allows significant savings to our customers through predictive maintenance practices.

As a proactive strategy, last year, our engineers carried out technical survey with leading MRO customers and documented clear strategy for improvement in maintenance practices for each of the surveyed customer. This survey then formed the basis for a collaborative initiative with our customers to reduce TCO.

Last year, we also expanded our service capabilities to offer comprehensive roll shop maintenance services in the cold rolling mill of one of the largest steel plants in India. The scope of this one-of-its-kind service contract includes roll handling, roll grinding, bearing inspection, overhauling and assembly in a state-of-the-art cold rolling mill. In summary, our focus is not just on supply of products, but our engineering teams also ensure that our customer’s operations run at high performance level all the time.

At FAG, we are convinced that technology and knowledge are great catalysts for transforming human lives. Last year, we leveraged our capabilities and partnered with our customers to further technological progress. The very idea of being able, in some way, to “touch lives” keeps us motivated to innovate and excel. Always...





COMPANY INFORMATION

Board of Directors

Chairman

Avinash Gandhi

Managing Director

Rajendra Anandpara

Directors

Robert Schullan
Dietmar Heinrich
Frank Huber
Bernhard Steinruecke
Dharmesh Arora
R. Sampath Kumar
Moreshwar Garde

Alternate to Mr. Schullan

Yezad Kapadia

Alternate to Mr. Heinrich

Kamlesh Tapadar

Chief Financial Officer

Satish Patel

Company Secretary

Raj Sarraf

Bankers

ICICI Bank Limited

Auditors

B S R & Co. LLP, Chartered Accountants

Collaborators

Schaeffler Group, Germany

Regd. Office

Nariman Bhavan, 8th Floor, 227,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021

Head Office

P.O. Maneja, Vadodara - 390 013

Manufacturing Location / Plant

1. P.O. Maneja, Vadodara - 390 013
2. Plot No.1 (Alindra), Savli GIDC Phase - III,
Taluka: Savli, Vadodara - 391 775

Sales Offices

Bengaluru, Chennai, Kolkata,
Coimbatore, Hyderabad, Udaipur,
Mumbai, New Delhi,
Pune, Jamshedpur, Kanpur

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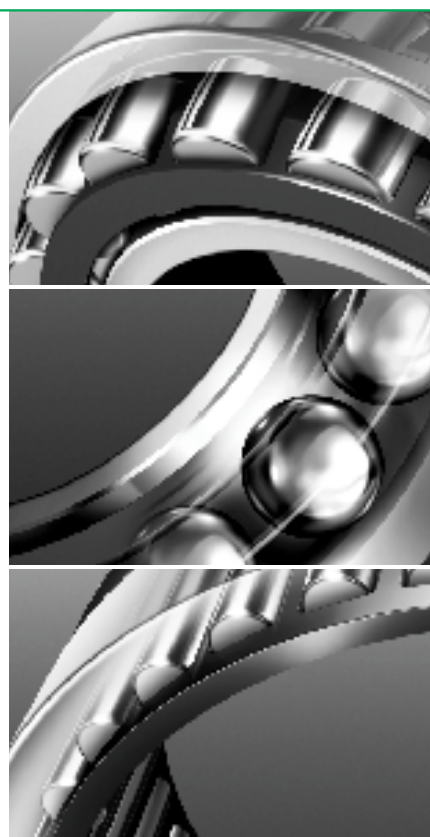
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Dear Shareholders,

Your Directors are pleased to present the 51st Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2013.

Financial Highlights

| Year | 2013 | 2012 | (₹ in million) |
|--|-----------------|-----------------|----------------|
| TOTAL INCOME (Net) | 14,758.7 | 14,912.8 | |
| Gross Operating Profit (Earning before depreciation, interest, tax and prior period adjustments) | 2,294.5 | 2,650.4 | |
| Depreciation / Amortisation | 432.5 | 302.7 | |
| Interest (Net) | 7.6 | 13.0 | |
| Prior period adjustments | - | - | |
| PROFIT BEFORE TAX | 1,854.4 | 2,334.7 | |
| Provision for Tax | 636.1 | 742.9 | |
| PROFIT FOR THE YEAR | 1,218.3 | 1,591.8 | |
| Balance brought forward | 5,739.2 | 4,594.0 | |
| Profit available for appropriation | 6,957.5 | 6,185.8 | |
| APPROPRIATIONS | | | |
| Proposed dividend | 99.7 | 83.1 | |
| Income tax on dividend | 17.6 | 13.5 | |
| Transfer to General Reserve | 350.0 | 350.0 | |
| Balance carried to Balance Sheet | 6,490.2 | 5,739.2 | |
| | 6,957.5 | 6,185.8 | |



Financial and Operational Performance

Against the backdrop of challenging macroeconomic situation and weak business sentiments, the year 2013 proved to be yet another difficult year. The economy which grew at 5% in FY 2012-13 - the slowest since a decade, continued its moderate growth trajectory in the first half of FY 2013-14 when economy expanded by 4.6% (5.3% in the corresponding period of FY 2012-13). It appears likely that GDP growth in year 2013-14 may even be lower than 5%.

The wholesale price index showed deceleration in the month of December 2013 at 6.16%. The Consumer Inflation continues to remain at around 10% reflecting persistently high food prices, currency depreciation, fuel price adjustments and other supply side constraints.

Indian Rupee depreciated considerably during the year 2013. Besides adverse economic climate, factors such as excessive import of gold and other external imbalances contributed to this unexpected development making the cost of imported goods dearer.

Demand growth of your Company's products both from Automotive and Industrial sector slowed down in year 2013

thus limiting top-line development. This also led to relatively lower utilisation of our plants where we have invested significantly in recent years.

Your Company's income was placed at ₹ 14,758.7 million in year 2013, slightly lower than that in year 2012. Increased cost of traded products and lower absorption of fixed costs impacted margins as profits from ordinary activities declined in year 2013 to ₹ 1,850 million (2012: ₹ 2,330 million). Against the backdrop of challenging environment, we consider your Company's performance at par with the market.

Your Company continued its long-term strategy to invest in qualitative growth. At our plant in Maneja - Vadodara, production of advanced Generation 2 and Generation 3 Wheel Bearings gained momentum in the second half of year 2013. We successfully launched production of Low-friction Ball Bearings from our Savli plant. Our large-size bearing plant developed number of technologically advanced products for sectors such as wind, power plants, industrial gearboxes, railways, steel and cement plants etc. The Board is convinced that your Company will benefit from the investments made in plant and technology when the economy returns to growth track.

Your Company continued its emphasis on innovation, R&D and sector approach. Know-how of our customers' business and our ability to design and provide effective value added solutions to our customers' current and future needs provides us distinct competitive advantage in the market. Your Company was successful in developing large number of value added and energy-efficient solutions for our customers in Automotive and Industrial sectors.

At our plants in Maneja and Savli we intensified our actions to improve quality and reduce waste by implementing Schaeffler concepts such as MOVE, Fit for Quality and Line Challenger.

Your Company continued its pursuit towards people excellence by promoting harmonious work culture and by regularly undertaking various initiatives towards people development and employee engagement.

Challenges currently being faced by Indian economy will not disappear soon. The outcome of forthcoming General Election in 2014 will be crucial. Prospects of single party led stable alliance post General Elections can accelerate policy reforms and thus facilitate fast track growth in the coming years.

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 me confidence that your Company is not only prepared to face the current challenges but is also well placed to benefit from medium and long-term growth of Indian economy.

> Dividend

Your Directors recommend for your approval dividend for the year ended December 31, 2013 at the rate of ₹ 6 (2012: ₹ 5) per equity share amounting to ₹ 99.7 million (2012: ₹ 83.1 million).

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

> Transfer to General Reserves

A sum of ₹ 350 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 read with Section 205C of the Companies Act, 1956 the unpaid / unclaimed dividend pertaining to the year ended on December 31, 2005 amounting to ₹ 260,994/- (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.

> Awards / Recognition

Your Company's capabilities were recognised by our customers.

- ✓ FAG India received the coveted Best Vendor Award from Bharat Heavy Electricals Limited (BHEL). FAG supplies bearings for Oil-Rigs, Coal Pulverisers and Electrical Machines to BHEL.

- ✓ Honda Motorcycle and Scooters India Pvt. Ltd. (HMSI) recognised FAG India for 'Valuable Support and Contribution' to their motorcycle project.
- ✓ On the occasion of World Environment Day - June 5, 2013, Hero Motocorp Ltd. recognised FAG India for exceptional improvement in environmental performance as a part of their 'Green Supply Chain' initiative.
- ✓ Employees of FAG India received 13 Gold and Silver medals in Kaizen / Quality circles organised by QCFI and CII.

> 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. Avinash Gandhi and Mr. Moreshwar Garde will retire by rotation and being eligible, 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.

Mr. Robert Schullan, who is presently President - Industrial Schaeffler Group, has been appointed as Additional Director with effect from October 31, 2013. Your Directors recommend his re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

Mr. Wolfgang Dangel, Mr. Udo Bauer and Mr. Bruno Krauss have resigned from the directorship with effect from October 30, 2013, December 21, 2013 and January 31, 2014 respectively. The Board wishes to place on record its appreciation of services rendered by them during their tenure as the Directors of the Company.

Mr. Dietmar Heinrich, who is presently Chief Financial Officer of EMEA Region of the Schaeffler Group, has been appointed as Additional Director with effect from February 11, 2014. Your Directors recommend his re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

Mr. Dharmesh Arora, who is presently President & CEO of Schaeffler India, has been appointed as Additional Director with effect from February 11, 2014. Your Directors recommend his re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

The office of Alternate Directors was considered as vacated on arrival of their original directors and with the consent of original directors they were re-appointed as their Alternate Directors in the respective Board Meetings, the last of which was held on October 31, 2013.

As on date, Mr. Yezad Kapadia is an Alternate Director of Mr. Robert Schullan.

➤ 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 (Guj.), 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 Members are informed that while the registration number of the statutory auditors continues to remain the same, the name of the statutory auditors which was formerly known as B S R & Co., Chartered Accountants has been changed to B S R & Co. LLP, Chartered Accountants with effect from October 14, 2013 consequent to their conversion into a Limited Liability Partnership.

The Statutory Auditors, B S R & Co. LLP, Chartered Accountants, Mumbai, who will retire at the conclusion of 51st Annual General Meeting to be held on April 24, 2014 and being eligible, offer themselves for re-appointment. A certificate from them has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

➤ 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).

Mumbai: February 11, 2014

➤ Environmental Protection and Occupational Health and Safety Policy

Commitment to Environmental protection, Occupational Health and Safety are important part of your Company's management's 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:

- (i) In preparation of Annual Accounts all applicable accounting standards have been followed.
- (ii) 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, 2013 and of the profit of the Company for the accounting year ended on that day.
- (iii) Proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provisions of the Companies Act, 1956 so as to safeguard the assets of the Company and to detect and prevent fraud and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.

➤ 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.

For and on behalf of the Board

Avinash Gandhi
Chairman

A ECONOMIC SCENARIO

SLOW GROWTH CONTINUES

2013 was a difficult year. Indian economy experienced sluggish growth, high inflation, pressure from external imbalances and overall very low business sentiments. The economy which grew at 5% in FY 2012-13 - the slowest since a decade - continued its moderate growth trajectory in the first half of FY 2013-14 as GDP growth slowed down to 4.6% (5.3% in the corresponding period of FY 2012-13).

Based on current trend, the economic growth may fall below 5% in the FY 2013-14.

After reaching high of 7.52% in November 2013, the wholesale price index showed deceleration in the month of December 2013 at 6.16%. The Consumer Inflation continues to remain at around 10% reflecting persistently high food prices, currency depreciation, fuel price adjustments and other supply side constraints.

| | GDP% | WPI% |
|---------------|------|------|
| FY 2009-10 | 8.6 | 3.8 |
| FY 2010-11 | 9.3 | 9.6 |
| FY 2011-12 | 6.2 | 8.9 |
| FY 2012-13 | 5.0 | 7.4 |
| Q1 FY 2013-14 | 4.4 | 4.7 |
| Q2 FY 2013-14 | 4.8 | 6.1 |
| Q3 FY 2013-14 | NA | 6.9 |

Economists expect slow recovery in year 2014 supported by increasing global demand and domestic investments. The outcome of General Elections in year 2014 would be crucial and further growth will be influenced by stability and policy initiatives of new government.

B INDUSTRY STRUCTURE AND DEVELOPMENTS

SLUGGISH DEMAND GROWTH, LONG-TERM PROSPECTS INTACT

Demand of Rolling Bearings in India has remained flat to slightly negative since last two years reflecting overall sluggishness in industrial activity that drives growth in bearing demand.

Bearing demand was estimated to be in the range of ₹ 80~85 billion during the year 2012. Our first estimate suggests slightly negative demand development during the year 2013.

Imports constitute approximately 40~45% of bearing demand in India. Bearing imports from China have been consistently increasing and comprise about 30% of total imports currently. These imports are aggressively priced causing pressure on market prices especially in small and standard range of bearings.

During the year 2013, growth in bearing demand from automotive as well as industrial sectors remained subdued. Due to overall lower capacity utilisation in many of the core sector industries such as Cement, Steel etc., the aftermarket demand showed negative development during the year.

Rolling Bearing have wide-ranging applications and are critical to industrial progress. As Indian industry develops, demand for Rolling Bearings will grow both in quantitative as well as qualitative terms. We anticipate growing customer trend towards bearing solutions that are efficient and support productivity.

As one of the oldest bearing brand in the world, FAG has years of experience in designing and manufacturing products for wide-ranging applications. With expansion of capacity at our Maneja

(Vadodara) plant and commissioning of new plant at Savli (Vadodara), your Company is now in strong position to offer comprehensive product portfolio to our customers.

We continue to develop advanced products such as Generation 3 Wheel Bearings, 'Energy Efficient' Ball Bearings and other customised products, thus addressing the emerging trends in various sectors effectively.

AUTOMOTIVE SECTOR



Indian automotive sector faced challenging times during the year 2013 as production of passenger cars, light trucks and medium & heavy commercial vehicles declined significantly reflecting negative sentiments due to the current state of economy.

Two-wheeler sector grew moderately in year 2013 while Agricultural Tractor Sector surprised by bucking the trend and growing at a smart rate of over 15%.

MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to the Directors' Report)

Production of Automotive Industry January - December 2013

| | Year 2010 | Year 2011 | Year 2012 | Year 2013 | % Growth (2010-11) | % Growth (2011-12) | % Growth (2012-13) |
|--------------------------|-----------|-----------|-----------|-----------|--------------------|--------------------|--------------------|
| Motorcycles + 3 Wheelers | 13,542 | 15,928 | 16,524 | 17,257 | 17.6% | 3.7% | 4.4% |
| Passenger Vehicles | 2,806 | 3,054 | 3,285 | 3,132 | 8.8% | 7.5% | -4.7% |
| Light Truck (LCV) | 391 | 509 | 539 | 516 | 30.3% | 5.8% | -4.3% |
| M & HCVs | 332 | 372 | 338 | 226 | 12.2% | -9.1% | -33.1% |
| Tractor | 496 | 632 | 588 | 683 | 27.3% | -6.9% | 16.2% |

(Quantity in thousand numbers)

Source: SIAM

Notwithstanding current sluggish development, we believe that the medium and long-term outlook for automotive sector remains positive. Rising aspiration of middle class, growing prosperity in rural markets and increasing urbanisation will drive demand of both private and public transportation. High fuel efficiency, right sizing, emission control, friction reduction and increased driving comfort together with high safety are some of the emerging trends in automotive sector.

Together the three Schaeffler brands - INA, LuK and FAG have strong innovation and system development competence in automotive sectors. During customer symposium 'Innovation

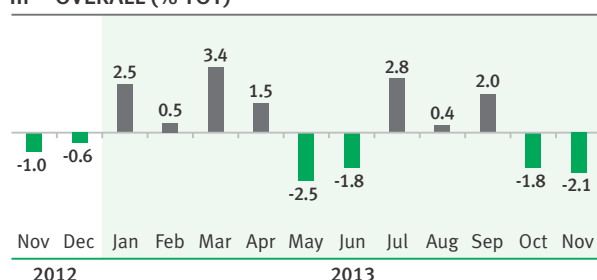
Days' held in Pune in February 2013, the Schaeffler Companies presented their collective engineering strength to top Indian customers. By presenting Concept Car and Concept Motorcycle which effectively address challenges of fuel efficiency, safety and increased comfort, Schaeffler showed clear future orientation in this sector.

From FAG's product portfolio, innovations like Generation 2 and Generation 3 of Wheel Bearing with / without ABS sensors, Low-friction Ball Bearings and customised products for motorcycle and passenger car transmission have received strong customer acceptance.

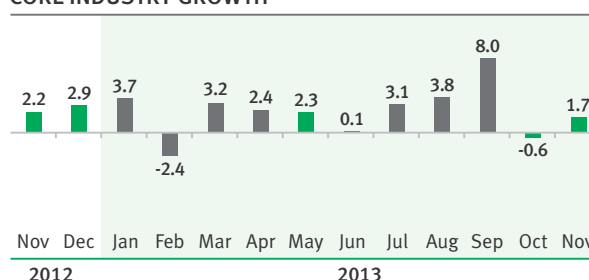
INDUSTRIAL SECTOR



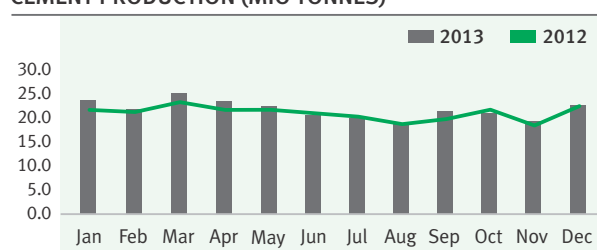
IIP - OVERALL (% YOY)



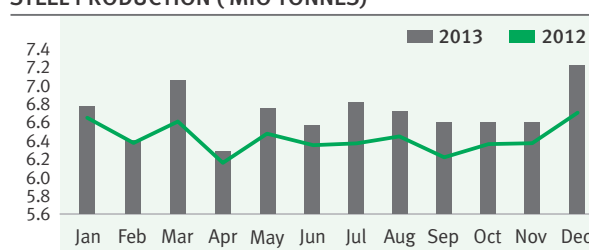
CORE INDUSTRY GROWTH



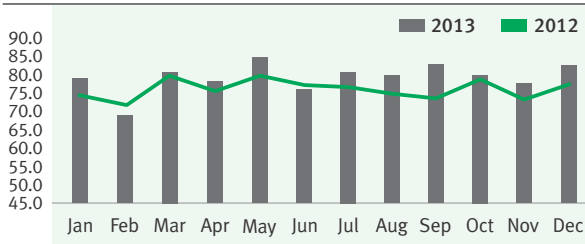
CEMENT PRODUCTION (MIO TONNES)



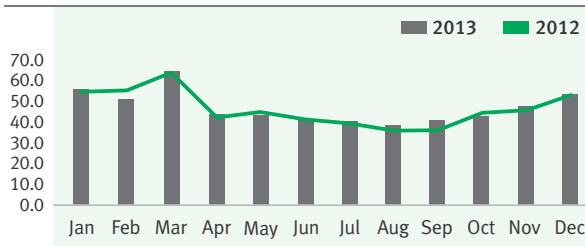
STEEL PRODUCTION (MIO TONNES)



ELECTRICITY (Bn KWH)



COAL (MIO TONNES)



The industrial sector continued to underperform during the year, as Index of Industrial Production (IIP) averaged 0.4% during the period January - November 2013. Core sector industries grew at the rate of 2.3% during January - November 2013. This rate of growth is considered highly inadequate to address the huge developmental challenges in India. To support its developmental ambition, India needs strong investment in manufacturing and must resolve the key constraints such as inadequate power supply, poor infrastructure, absence of enabling government policies and lack of thrust on developing vocational talent.

Of late, government has taken initiatives to clear a number of infrastructure and other investment projects. While the investment momentum, especially in the private sector is still missing, we believe that growth can still return in the second half of year 2014 as sentiments improve. Prospects of single party led stable alliance post General Elections can accelerate policy reforms and thus spur fast track growth in year 2015 and beyond.

FAG has strong presence in industrial business. As India addresses the twin challenges of inclusive growth and

sustainability, the industry will increasingly focus on solutions which are energy-efficient and offer high productivity. Megatrends towards urbanisation will spur demand in sectors such as construction, motorcycle, cement and steel. In order to address diverse needs of mobility, India will have to invest in smart models of mass transportation. At the same time, the challenges of sustainability can only be addressed through aggressive growth in renewable energy such as wind and solar.

At FAG, we have developed sector specific expertise which helps us to understand trends and expectations in all our focus sectors. Our engineers analyse the needs of the customers in each focus sector and work closely with our customers to design and implement futuristic solutions. Your Company has made systematic efforts to significantly enhance engineering and business competence in diverse sectors. Our know-how of customers' business and our ability to design and provide effective value added solutions to their current and future needs provide us a distinct competitive advantage in the market.

Besides strengthening our engineering competence, we are also expanding our manufacturing footprint. Our Savli plant is now operational and has been certified with ISO 9001 certification. During year 2013, Savli developed a number of advanced large-size products that have been approved and widely accepted by customers in sectors such as wind, power plants, industrial gearboxes, railways, steel and cement plants besides others. Our Savli plant started production of Low-friction Ball Bearings which promise to reduce friction by 20%~30% and thus support our customers' objective of high efficiency.

In the field of MRO (Maintenance and Repair Operators) and Aftermarket, we focus on reducing Total Cost of Ownership (TCO) for our customers. With our competence in offering value added services such as Bearing Mounting, Lubrication, Shaft Alignment, Condition Monitoring, Failure Analysis, Comprehensive Maintenance Management, FAG is able to reduce maintenance downtime while significantly improving overall quality and safety in our customers' operation. Our ability to provide comprehensive solutions far beyond mere supply of products, makes us the preferred partner of our customers in industrial aftermarket.

C THREATS

- Bearing industry is capital intensive. Lower economic development could lead to under utilisation of expensive resources and lesser absorption of fixed costs.
- During 2013, Indian Rupee depreciated considerably with respect to Euro and US Dollar. Volatility in exchange rates could increase cost of traded parts.
- Steel is basic raw material used for bearings. Prices of steel are influenced by global trends in commodities. Continued increase in raw material prices remains a threat.
- Increase in labour costs will have to be matched by corresponding increase in productivity to retain competitiveness of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to the Directors' Report)

- Counterfeit bearing products probably account for 20%~30% of bearings sold in replacement market. These fake products of inferior quality represent a threat not only to organised bearing sector but also to gullible customers who buy such products. Our Company is taking active measures to protect FAG brand and has undertaken several raids on counterfeit dealers. The problem, though, remains widespread.
- Bearing industry is very competitive. Due to weakening of global demand, imports of bearings at very low prices especially from China have increased posing a threat to domestic industry.

To counter above threats, your Company is taking a number of measures to improve technical, market and people excellence as described elsewhere in this report and thus strengthen its competitive advantage.

D SEGMENT-WISE PERFORMANCE

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

E RISKS AND CONCERNS

Like any other business, our Company's business too has its inherent risks.

Our Company has a comprehensive Risk Management System towards identification and evaluation of all potential business risks. Management has developed a Risk Management Plan and reviews its implementation regularly. The Risk Management System is constantly improved and updated. Identified risks and related measures are combined at group level by the risk manager, monitored and regularly reported to

the management. The management decides what measures are required and ensures that their implementation is managed on an ongoing basis. The risk report is presented to the Board periodically.

In order to be able to operate successfully in its business environment, the Company has designed and established an effective 'Internal Control System' to prevent fraud and misuse of the Company's resources.

F 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 strong Internal Control Systems have been designed in a way that, they not only prevent fraud and misuse of the Company's resources but also protect shareholders' interest.

The Audit Committee of Board of Directors, on 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 the Schaeffler Group's approval guideline, which are recorded and reported in an organised manner.

G FINANCE

Your Company's Income was placed at ₹ 14,758.7 million in year 2013, slightly lower than that in year 2012. Increased cost of traded products and lower absorption of fixed costs impacted margins as profits from ordinary activities declined in year 2013 to ₹ 1,850 million (2012: ₹ 2,330 million). Against the backdrop of challenging environment, we consider the performance at par with the market.

Our Company has been consistently practising prudent finance and working capital management. The Company has structured Forex risk assessment and mitigation plans in place, which helped in hedging negative impact of currency fluctuation in 2013. 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.

H HUMAN RESOURCE AND INDUSTRIAL RELATIONS

At FAG, our fundamental belief in immense power of human potential and team work is epitomised in our 'WE' approach. To us, 'WE' represents a strong collective energy. A transformational force that stimulates enterprise, accelerates our constant pursuit of excellence and empowers our people to realise their full potential.

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

INVESTING IN OUR PEOPLE

➤ 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.

As VIKAS entered third year of its implementation, we revised and revamped the programme content to make it more robust and relevant to current business challenges. Participants of VIKAS initiative in 2013 are undergoing seven phases of comprehensive development programme that aims to imbibe right set of skills and attitudes in them.

Besides in-depth training in technical topics such as manufacturing processes, quality management, MOVE, TPM etc., the employees are also trained in behavioural aspects and are exposed to customers, markets and best industry practices.

➤ ENGINEERING COMPETENCE DEVELOPMENT

As technology leaders in the business, Schaeffler Group lays a great emphasis on empowering its employees with cutting-edge knowledge of engineering concepts.

Engineering competence model covers all our sales engineers, product designers, application engineers and field service engineers. A comprehensive multi-phased programme is designed to impart 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.

➤ MANAGEMENT AND TALENT DEVELOPMENT

Our talent development programmes are gaining momentum. High potential employees are identified and systematically trained in the necessary skill sets and groomed to become role models and future leaders.

Our EDD (Employee Development Dialogue) programme 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 Programme, Advanced Leadership Programme, Development Circle Leadership, Development Circle Business and Management Pool have proven their effectiveness in preparing the organisation for future.

➤ EMPLOYEE ENGAGEMENT



We lay great emphasis on regular communication with our employees and their families to share and promote organisational values. Besides regular town-hall meetings which are used as a platform to share organisational priorities and best practices with our employees, we also started two innovative concepts namely 'WEe Wonder FAG Children Club' and 'Sanskar Setu' to connect with families of our employees.

'WEe Wonder FAG Children Club' 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. Our initiative 'Sanskar Setu' aims to provide an emotional connect between parents of our employees and their younger generation thus encouraging communication and mutual learning.

➤ HELPING IN CRISIS

Recognising uncertainties of modern life and the harsh realities that families face in the event of untimely demise of an earning member, we at FAG decided to do something special for our employees' families in such a crisis. We 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.

The scheme 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(Annexure to the Directors' Report)

➤ OTHER DETAILS

At the end of this year, employee strength of the Company was 1,495. During the year 2013, 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 Office or at Head Office of the Company.

I ENVIRONMENT

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 Schaeffler's 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 operationalise 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 - Vadodara was also recently certified with ISO 14001 and OHSAS 18001.
- Fulfilling our obligation to 'Consume Less' and 'Spoil Lesser', 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. At Vadodara plant, we have also set up MOVE academy where all our employees are trained 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 Savli plant is successfully producing Low-friction Ball Bearings which besides reducing noise levels also reduces friction significantly.
- Our advanced products such as Wheel Module combine various functionalities within a bearing and thus significantly reduce system weight and improve reliability and efficiency.
- FAG has a strong presence in the Renewable Energy sector. Our comprehensive product portfolio to wind sector includes technologically advanced Main Rotor Shaft Bearings, Gearbox Bearings, Pitch Bearings and Generator Bearings. With commissioning of large-size bearing plant at Savli, we are now able to design and manufacture customised 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 at customer's 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 breakdowns and thus improve overall equipment efficiency.



- During the current year, FAG engineers worked together with other Schaeffler Group Companies - INA and LuK, to present futuristic concept car and concept motorcycle. These concept vehicles, which were presented to our leading customers in February 2013, are designed to suit Indian conditions and have potential to offer significant reduction in fuel cost and emission.

- In our plants, we use effective ways to conserve natural resources. For example, our Savli plant effectively implemented 'Rain Water Harvesting' during the current year.
- We are happy that our customer Hero Motocorp as a part of their 'Green Supply Chain' initiative recognised FAG for exceptional improvement in environmental performance.
- 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.

J CORPORATE SOCIAL RESPONSIBILITY

While continually creating value for itself and its stakeholders, your Company keeps looking for opportunities to make contributions towards the betterment of the society. The Company continues to connect with several voluntary organisations such as Lion's Blind Girls School, Mook Dhvani Trust, Old Age Home, Bal Gokulam Trust at Vadodara and lends need-based support to these institutions.



K 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, 2014

For and on behalf of the Board

Avinash Gandhi
Chairman

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

(Annexure to the Directors' Report)

Particulars under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A ENERGY CONSERVATION MEASURES TAKEN DURING THE YEAR 2013

1. Installation of 150 nos. 20W LED lights in Admin Building in place of the 40W x 2 FTL Fittings.
2. Replacement of 40W x 2 FTL Fittings in BB 140 area by 20 W LED lights - 60 nos.
3. Installation of 14 nos. of 20W LED Lights in Hall 1 Bore & Track Supply System in place of 2 x 40 W FTL lights.
4. Installation of Digital Temperature Control Unit in SRB / CRB Hall 4 Central AC Plant saving 20,000 Kwh / year.
5. Installation of Digital Temperature Control Unit in DRACBB Hall 4 Central AC Plant saving 40,000 Kwh / year.
6. Installation of Digital Temperature Control Unit in Face & OD Hall 3 Central AC Plant saving 30,000 Kwh / year.
7. Installation of 30 HP lower pressure open impeller submersible pumps of MBH make in DRACBB and Face & OD supply system.
8. Replacement of Air Washer 7.5 HP x 2 nos. of pumps by 5.0 HP pumps.
9. Replacement of conventional Aluminum Fan in Air Washer System by FRP Fan saving 30,000 Kwh / year.
10. Replacement of Aluminum Fan by FRP in Power House Cooling towers - 2 nos. saving 18,750 Kwh / year.
11. As usual, the power factor has been maintained at 0.999 resulting in optimised utilisation of power.
12. Purchase of power from alternate source - IEX, leading to a major savings of ₹ 54.4 million for the year 2013.

B TECHNOLOGY ADAPTATION, ABSORPTION & INNOVATION

1. Ramp-up of Generation 3 Wheel Bearing project.
2. Ramp-up of NOVA line CRB 100 as a capacity expansion project.
3. Installation of Automated Packaging Line at finish Bearing Store.
4. Low cost automation for assembly equipment from R&S to convert manual activity to automation.
5. Focus on Lean Organisation for elimination of waste in all production & service function.

C FOREIGN EXCHANGE EARNING AND OUTGO

Import substitution and alternate sourcing is used as a measure of cost reduction, where possible.

(₹ in million)

| Particulars | 31.12.2013 | 31.12.2012 |
|--|----------------|----------------|
| Earning: | | |
| Earning in foreign exchange | | |
| Service Income | 0.2 | 17.0 |
| FOB value of exports | 2,219.4 | 2,008.2 |
| Other | 13.9 | 11.6 |
| Total foreign exchange earned | 2,233.5 | 2,036.8 |
| Outgo: | | |
| Import CIF value of | | |
| Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods and intangible assets | 5,487.2 | 5,534.5 |
| Expenditure in foreign currency | | |
| Interest on foreign currency loans, fees for use of technology, interest on foreign suppliers credit, professional fees and other expenses | 491.7 | 546.1 |
| Dividend paid to Shareholders (net of tax) | 42.6 | 85.2 |
| Total foreign exchange used | 6,021.5 | 6,165.9 |

For and on behalf of the Board

Avinash Gandhi
Chairman

Mumbai: February 11, 2014

1 COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company is committed to and continues to practice good Corporate Governance. The core principles of Corporate Governance are:

- 1** Lay emphasis on integrity and accountability.
- 2** Incorporate several practices aimed at a high level of business ethics and effective supervision.
- 3** 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 enrich the values for stakeholders by achieving business excellence.

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 progress 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 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 and committee chairmanship / membership held by them in Indian public companies are given below. Directorships do not include alternate directorship, directorships of private limited companies, Section 25 companies and companies incorporated outside India. For reckoning the maximum number of chairmanships / memberships, only two committees viz. 'Audit Committee' and 'Investors' Grievance & Share Transfer 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 2013 (Physical) | The last AGM Attended; 'Yes' or 'No' |
|---|----------|----------|----------------------|--|--|--------------------------------------|
| As on December 31, 2013 | | | | | | |
| Mr. Avinash Gandhi | 00161107 | NE & ID | 9 | 5 (4) | 4 | Yes |
| Mr. Rajendra Anandpara | 02461259 | E & NID | 1 | 1 | 4 | Yes |
| Mr. Robert Schullan (appointed as Additional Director on Oct. 31, 2013) | 06717166 | NE & NID | 1 | – | – | NA |
| Mr. Udo Bauer (upto Dec. 21, 2013) | 05287614 | NE & NID | – | – | 1 | No |
| Mr. Frank Huber | 00689169 | NE & NID | 1 | – | 1 | Yes |
| Mr. Bruno Krauss (upto Jan. 31, 2014) | 02946930 | NE & NID | 1 | – | 2 | Yes |
| Mr. Bernhard Steinruecke | 01122939 | NE & ID | 5 | 5 (1) | 4 | Yes |
| Mr. Moreshwar Garde | 00689103 | NE & ID | 2 | 3 (1) | 4 | Yes |
| Mr. R. Sampath Kumar | 00495192 | NE & NID | 1 | 2 | 4 | Yes |
| Mr. Kamlesh Tapadar (Alternate to Mr. Krauss upto Jan. 31, 2014) | 00161186 | NE & ID | 1 | – | 4 (including 2 as Invitee) | Yes |
| Mr. Yezad Kapadia (Alternate to Mr. Schullan from Oct. 31, 2013) | 00161133 | NE & ID | 1 | – | 4 (including 2 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

CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

(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'.
- Mr. Bernhard Steinruecke, 'Director General of Indo-German Chamber of Commerce' is a 'Non-executive and Independent Director'.
- Mr. Moreshwar Garde, having vast experience in insurance and management related affairs, is a 'Non-executive and Independent Director'.

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

- Mr. Robert Schullan, Mr. Bruno Krauss (Director up to January 31, 2014) and Mr. Frank Huber are professionals, working at senior positions with 'Schaeffler' and are 'Non-independent Directors'.
- Mr. Dietmar Heinrich and Mr. Dharmesh Arora are professionals and working at senior positions with 'Schaeffler' and are 'Non-independent Directors' (appointed with effect from February 11, 2014).
- Mr. R. Sampath Kumar is a lawyer, rendering legal services to 'Schaeffler' and is a 'Non-independent Director'.

(vii) **Alternate Directors:**

Mr. Yezad Kapadia is appointed as Alternate Director of Mr. Robert Schullan. Mr. Kamlesh Tapadar acted as Alternate Director of Mr. Bruno Krauss up to January 31, 2014 and is now being appointed as Alternate Director of Mr. Dietmar Heinrich with effect from February 14, 2014.

The 'Board of Directors' is constituted with appropriate combination of Independent, Non-independent Directors, Executive and Non-executive Directors as per Clause 49 of the Listing Agreement with the Stock Exchanges.

➤ **Profile of Director seeking Appointment / Re-appointment in 51st Annual General Meeting (under Section 255 - 256 of the Companies Act, 1956)**



| | |
|---|---|
| Name | Mr. Avinash Gandhi |
| Father's Name | Late Mr. Sitaram Gandhi |
| Date of Birth | October 1, 1938 |
| Director Identification Number | 00161107 |
| Date of Last Appointment | April 21, 2011 |
| Qualification | Degree in Mechanical Engineering |
| Profession / Occupation / Specialisation | Business Management & Advisor Auto Sector Member of Board of many Companies |
| Association | Since 2002 with FAG Bearings India Limited |
| Category | Non-executive and Independent |
| Shareholding in the Company | None |
| Other Directorships* | 1 FAG Bearings India Limited 2 Lumax Industries Limited 3 Uniproducs (India) Limited 4 Fairfield Atlas Limited 5 Havells India Limited 6 Minda Corporation Limited 7 Indo Alusys Industries Limited 8 R. N. Gupta and Company Limited 9 Minda Sai Limited |
| Committee Memberships[§] | 1 FAG Bearings India Limited - Chairman of AC 2 Lumax Industries Limited - Chairman of AC 3 Fairfield Atlas Limited - Chairman of AC 4 Havells India Limited- Chairman of AC 5 Minda Corporation Limited - Member of AC |
| <i>AC: Audit Committee</i> | |
| <i>IGC: Investors' Grievance / Share Transfer Committee</i> | |

* Directorship means directorship in Indian Public Limited Companies.

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

➤ Profile of Director seeking Appointment / Re-appointment in 51st Annual General Meeting
(under Section 255 - 256 of the Companies Act, 1956)



| | |
|---|--|
| Name | Mr. Moreshtar Garde |
| Father's Name | Mr. Digambar Garde |
| Date of Birth | September 19, 1945 |
| Director Identification Number | 00689103 |
| Date of Last Appointment | April 21, 2011 |
| Qualification | Master of Business Administration (MBA) FIII (Member of Insurance Institute of India) IRDA's Composite Brokers Exam BE (Electrical) |
| Profession / Occupation / Specialisation | Consultant (Insurance & Management) Insurance & Management Affairs |
| Association | Since 2002 with FAG Bearings India Limited |
| Category | Non-executive and Independent |
| Shareholding in the Company | None |
| Other Directorships* | 1 FAG Bearings India Limited 2 Gujarat Petrosynthese Limited |
| Committee Memberships[§] | 1 FAG Bearings India Limited - Member of AC & Chairman of IGC 2 Gujarat Petrosynthese Limited - Member of Audit Committee |

* Directorship means directorship in Indian Public Limited Companies.

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

➤ Profile of Director seeking Appointment / Re-appointment in 51st Annual General Meeting
(under Section 257 - 260 of the Companies Act, 1956)



| | |
|---|---|
| Name | Mr. Robert Schullan |
| Father's Name | Mr. Ludwig Schullan |
| Date of Birth | March 1, 1958 |
| Director Identification Number | 06717166 |
| Date of Last Appointment | October 31, 2013 |
| Qualification | Professional qualification in Mechanical Engineering from Munich University of Applied Sciences |
| Profession / Occupation / Specialisation | Employed, Member of Executive Board of Schaeffler AG and CEO Industrial Division of the Schaeffler Group |
| Association | Since 2013 with FAG Bearings India Limited |
| Category | Non-executive and Non-independent |
| Shareholding in the Company | None |
| Other Directorships* | FAG Bearings India Limited |
| Committee Memberships[§] | Nil |

* Directorship means directorship in Indian Public Limited Companies.

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

CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

➤ Profile of Director seeking Appointment / Re-appointment in 51st Annual General Meeting (under Section 257 - 260 of the Companies Act, 1956)



| | |
|--|--|
| Name | Mr. Dietmar Heinrich |
| Father's Name | Mr. Alfred Heinrich |
| Date of Birth | September 9, 1963 |
| Director Identification Number | 00928243 |
| Date of Last Appointment | February 11, 2014 |
| Qualification | Professional qualification in Mechanical Engineering |
| Profession / Occupation / Specialisation | Employed, Chief Financial Officer of EMEA Region of the Schaeffler Group |
| Association | Since 2014 with FAG Bearings India Limited |
| Category | Non-executive and Non-independent |
| Shareholding in the Company | None |
| Other Directorships* | FAG Bearings India Limited |
| Committee Memberships [§] | Nil |

* Directorship means directorship in Indian Public Limited Companies.

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

➤ Profile of Director seeking Appointment / Re-appointment in 51st Annual General Meeting (under Section 257 - 260 of the Companies Act, 1956)



| | |
|--|--|
| Name | Mr. Dharmesh Arora |
| Father's Name | Mr. Subhash Chandra Arora |
| Date of Birth | August 8, 1967 |
| Director Identification Number | 05350121 |
| Date of Last Appointment | February 11, 2014 |
| Qualification | Professional qualification in Mechanical Engineering and Business Administration |
| Profession / Occupation / Specialisation | Employed, President & CEO of Schaeffler India |
| Association | Since 2014 with FAG Bearings India Limited |
| Category | Non-executive and Non-independent |
| Shareholding in the Company | None |
| Other Directorships* | FAG Bearings India Limited |
| Committee Memberships [§] | Nil |

* Directorship means directorship in Indian Public Limited Companies.

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

➤ Profile of Director seeking Appointment / Re-appointment in 51st Annual General Meeting



| | |
|--|--|
| Name | Mr. Rajendra Anandpara |
| Father's Name | Mr. Jayantilal Anandpara |
| Date of Birth | August 2, 1957 |
| Director Identification Number | 02461259 |
| Date of Last Appointment | August 1, 2009 |
| Qualification | Professional qualification in Mechanical Engineering |
| Profession / Occupation / Specialisation | Employed, Managing Director, FAG Bearings India Limited |
| Association | Since 1981 with FAG Bearings India Limited |
| Category | Executive and Non-independent |
| Shareholding in the Company | None |
| Other Directorships* | FAG Bearings India Limited |
| Committee Memberships [§] | Member – Investors' Grievance / Share Transfer Committee Meeting |

* Directorship means directorship in Indian Public Limited Companies.

§ Membership means membership in Committees of Directors of Indian Public Limited 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 2013

In all, four Board Meetings were held during 2013 on the following dates:

| Board Meeting (s) | I | II | III | IV |
|-------------------|-------------|----------|-----------|------------|
| Dates | February 14 | April 25 | July 25 | October 31 |
| Start Timing | 11.15 am | 11.00 am | 11.30 am | 10.30 am |
| Venue | Mumbai | Mumbai | New Delhi | Vadodara |

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 Meeting 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 updates.
2. Capital budgets and any updates.
3. Quarterly results of 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 & 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.

CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

8. Any material default by the Company in financial obligations 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 by the Company with 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 2013 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 the 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, 1956. The Committee acts as link between the Management, Auditors and the Board of Directors. The existing Audit Committee consists of the following members:

| Sr. No. | Name of Director(s) | Acting in the Committee as | Category under Clause 49 of the Listing Agreement |
|---------|----------------------|----------------------------|---|
| 1 | Mr. A.P. Gandhi | Chairman | Independent & Non-executive |
| 2 | Mr. B. Steinruecke | Member | Independent & Non-executive |
| 3 | Mr. M. Garde | Member | Independent & Non-executive |
| 4 | Mr. R. Sampath Kumar | Member | Non-independent & Non-executive |

The Company Secretary is the Secretary of the Audit Committee.

- (B) Details of the Audit Committee Meetings held during 2013 are as follows:

| Audit Committee Meeting(s) | I | II | III | IV |
|----------------------------|---|---|---|---|
| Dates | February 14 | April 25 | July 25 | October 31 |
| Start Timing | 09:45 am | 10:00 am | 10:00 am | 09:15 am |
| Venue | Mumbai | Mumbai | New Delhi | Vadodara |
| Attended by Members | Mr. A.P. Gandhi Mr. M. Garde Mr. B. Steinruecke Mr. R. Sampath Kumar | Mr. A.P. Gandhi Mr. M. Garde Mr. B. Steinruecke Mr. R. Sampath Kumar | Mr. A.P. Gandhi Mr. M. Garde Mr. B. Steinruecke Mr. R. Sampath Kumar | Mr. A.P. Gandhi Mr. M. 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.

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 50th Annual General Meeting held on Thursday, April 25, 2013.

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

| | |
|---|---|
| 1 | Financial performance, periodical results and management discussion on the financial trend. |
| 2 | Significant related party transactions. |
| 3 | Management letters issued / presentations made by the Statutory Auditors on internal controls and system effectiveness. |
| 4 | Reports of the Internal Auditor relating to internal controls and system effectiveness. |
| 5 | Recommendation of appointment / re-appointment of the Auditors. |

(C) Terms of Reference

The terms of reference of this Committee include matters specified in the Companies Act, 1956, Listing Agreement and those specified by the Board in writing. Besides having access to all required information within the Company, the Committee may obtain external professional advice, whenever required. The Committee acts as a link amongst the Management, Auditors and the Board of Directors. It is authorised to select and establish accounting policies, to review reports of Statutory and Internal Auditors, co-ordinate with them to discuss their observations, suggestions and to strengthen the Internal Control System within the Company. The Committee is empowered to review the remuneration payable to the Auditors.

4 MANAGERIAL REMUNERATION

► Remuneration to the Executive Director (Managing Director)

As per the Employment Agreement dated August 1, 2009, Supplemental Employment Agreement dated March 11, 2010 and approval of the Board by way of Board resolution passed on February 9, 2012, the details of remuneration paid / payable during the year to the Managing Director is as follows:

| | (₹ in million) |
|---------------------------------|----------------|
| Salary & Performance Bonus | 5.4 |
| Allowance & Perquisites | 2.6 |
| Company's contribution to funds | 0.9 |
| Total | 8.9 |

Notes:

- (a) 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.
- (b) The Company did not have any Stock Option Scheme as at December 31, 2013.

The remuneration limit of Mr. Rajendra Anandpara for the period up to and including 2014 will be in accordance with the 'Employment Agreement' and 'Supplemental Agreement' and the annual increment for the year 2014 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 Directors | Number of Meetings attended | | | Amount (₹) | | | |
|-----------------------|-----------------------------|------------|-----------------|---|----------------|---------------|----------------|
| | Board | | Audit Committee | Investor's Grievance / Share Transfer Committee | Sitting Fees | Ex-Gratia | Total |
| | As Director | As Invitee | | | | | |
| | @ ₹ 20,000/- per meeting | | | @ ₹ 10,000/- per meeting | | | |
| Mr. A.P. Gandhi | 4 | – | 4 | – | 160,000 | – | 160,000 |
| Mr. B. Steinruecke | 4 | – | 4 | – | 160,000 | – | 160,000 |
| Mr. M. Garde | 4 | – | 4 | 3 | 190,000 | – | 190,000 |
| Mr. R. Sampath Kumar | 4 | – | 4 | 3 | 190,000 | – | 190,000 |
| Mr. Y. Kapadia@ | 2 | 2 | – | – | 40,000 | 40,000 | 80,000 |
| Mr. K. Tapadar@ | 2 | 2 | – | – | 40,000 | 40,000 | 80,000 |
| Total | | | | | 780,000 | 80,000 | 860,000 |

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

CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

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.

► Directors' Shareholding in the Company

Except Alternate Director Mr. Kamlesh Tapadar, who holds 75 Shares, no other director holds shares of the Company as on December 31, 2013.

Transactions of the Non-executive Directors or their relatives with the Company during the year 2013 are as follows:

- (1) Professional consultation fees (excluding Service Tax and reimbursement of expenses) paid / payable to Mr. Avinash Gandhi is ₹ 12,00,000/-
- (2) ₹ 96,000/- was paid to relatives of Mr. Avinash Gandhi towards rent.
- (3) Professional consultation fees paid / payable to Mr. Bernhard Steinruecke is ₹ 5,00,000/-
- (4) Professional consultation fees paid / payable to Mr. Moreshwar Garde is ₹ 3,00,000/-

5 INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE

The Committee comprised one Executive Director and two Non-executive Directors as on December 31, 2013. Mr. Moreshwar Garde, an Independent and Non-executive Director, is the Chairman of the Committee. 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.

Details of the Investors' Grievance & Share Transfer Committee Meeting held during 2013 are as follows:

| Meeting(s) | I | II | III |
|---------------------|--|--|--|
| Dates | February 14 | July 25 | October 31 |
| Start Timing | 1:15 pm | 1:00 pm | 3:00 pm |
| Venue | Mumbai | New Delhi | Vadodara |
| Attended by Members | Mr. M. Garde Mr. R. Anandpara Mr. R. Sampath Kumar | Mr. M. Garde Mr. R. Anandpara Mr. R. Sampath Kumar | Mr. M. Garde Mr. R. Anandpara Mr. R. Sampath Kumar |

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

During 2013, One (1) complaint was received, which was attended to and resolved satisfactorily during the year leaving no complaint pending as on December 31, 2013.

6 GENERAL BODY MEETINGS

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

| Particulars | Meetings | | |
|--------------------------------|--|------------------------------------|-----------------------------------|
| | 50 th AGM | 49 th AGM | 48 th AGM |
| Date | April 25, 2013 | April 20, 2012 | April 21, 2011 |
| 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 | | |
| Resolutions Passed | | | |
| Ordinary Businesses: | | | |
| (1) Adoption of Accounts as at | December 31, 2012 | December 31, 2011 | December 31, 2010 |
| (2) Declaration of Dividend | ₹ 5 per equity share of ₹ 10 each | ₹ 10 per equity share of ₹ 10 each | ₹ 5 per equity share of ₹ 10 each |

Continued...

...Continued

| Particulars | Meetings | | |
|--|--|----------------------|----------------------|
| | 50 th AGM | 49 th AGM | 48 th AGM |
| (3) Re-appointment of Rotational Directors under Section 255-256 | Mr. B. Steinruecke | Mr. F. Huber | Mr. A.P. Gandhi |
| | Mr. B. Krauss | Mr. W. Dangel | Mr. M. Garde |
| (4) Appointment of Auditors & to fix their remuneration | B S R & Co. LLP, Chartered Accountants, Mumbai | | |
| Special Businesses: | | | |
| Appointment of Directors under Section 257-260 | Mr. Udo Bauer | Mr. R. Sampath Kumar | - |

- 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.

7 DISCLOSURES

- (i) The Board has received disclosures from the Senior Management relating to material, financial and commercial transaction, 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 in the 51st Annual Report.
- (ii) 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.
- (iii) 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 as described in Annexure 1D.
- (iv) The requisite certificates from CEO and CFO were placed before the Board Meetings for consideration.
- (v) The Company has adequate risk assessment and minimisation system in place. The risk management procedure is reviewed periodically.

Non-mandatory Requirements of Clause 49 (Annexure 1D)

- (A) **The Board**
Mr. Avinash Gandhi, being Non-executive Chairman, is entitled to re-imbursalment 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.
- (C) **Audit Qualification**
There has been no Audit Qualification in the Audit Report by the Auditor in the year 2013.
- (D) **Training for Management and Board Members**
The Company has well-structured policy on the learning and development programme for each level of employees including senior management and Managing Director.
- (E) **Whistle Blower Policy**
While the Company has not implemented a formal Whistle Blower Policy, employees are not disqualified from reporting to the Management on any matter concerning unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethical policy.

8 MEANS OF COMMUNICATION

➤ Quarterly Results

Pursuant to provisions of the Listing Agreements, periodical financial results of the Company are being published in a widely circulated English newspaper (The 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). 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 under 'Corporate Filing and Dissemination System (CFDS)', www.listing.bseindia.com/login.apex and on www.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.

CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

9 GENERAL SHAREHOLDER INFORMATION

(i) **51st Annual General Meeting is scheduled to be held:**

On: Thursday, the 24th day of April, 2014
At: 3:00 pm

At: Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan,
Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai-400 021.

(ii) **Financial Year**

A twelve month period starting from January 1, 2014 to December 31, 2014.

Financial Reporting for:

- | | |
|--|---------------------------------------|
| (a) 1 st quarter ending March 31, 2014 | - by the end April 2014, |
| (b) 2 nd quarter and half year ending June 30, 2014 | - by the end July 2014, |
| (c) 3 rd quarter ending September 30, 2014 | - by the end October 2014, |
| (d) 4 th quarter and year ending December 31, 2014 | - by the end January / February 2015. |

(iii) **Date of Book Closure**

April 1, 2014 to April 5, 2014 (Both days inclusive)

(iv) **Dividend**

The Dividend for the year 2013 may be declared under agenda item no. 2 of forthcoming 51st Annual General Meeting scheduled on April 24, 2014 and shall be paid within the time limit prescribed in the Companies Act, 1956.

(v) **Audit in 2013**

| Sr. No. | Audits | Auditors in 2013 | 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 | 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, 2014.

(vii) **Custodial Fee to Depositories**

The Company has paid custodial fees for the year 2013 - 2014 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

(viii) **Stock Code**

| | | |
|--|---|-----------------------|
| BSE Limited (BSE), Mumbai | > | 505790 |
| National Stock Exchange of India Limited (NSE), Mumbai | > | 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 2013 | Equity Shares | | | |
|-------------------|--------------------|----------|---|----------|
| | BSE Limited, (BSE) | | National Stock Exchange of India Limited, (NSE) | |
| | High (₹) | Low (₹) | High (₹) | Low (₹) |
| January | 1,700.00 | 1,512.05 | 1,700.00 | 1,520.00 |
| February | 1,659.00 | 1,349.00 | 1,588.00 | 1,341.60 |
| March | 1,570.00 | 1,390.00 | 1,569.70 | 1,390.00 |

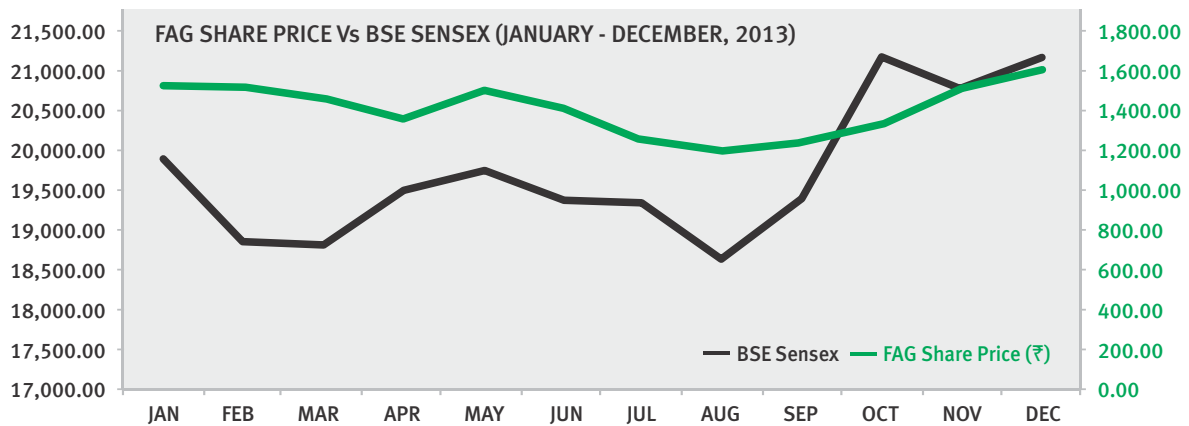
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| For the Year 2013 | Equity Shares | | | |
|-------------------|--------------------|----------|---|----------|
| | BSE Limited, (BSE) | | National Stock Exchange of India Limited, (NSE) | |
| | High (₹) | Low (₹) | High (₹) | Low (₹) |
| April | 1,540.00 | 1,289.70 | 1,529.90 | 1,269.50 |
| May | 1,489.95 | 1,360.00 | 1,498.00 | 1,359.95 |
| June | 1,470.00 | 1,410.00 | 1,480.00 | 1,410.00 |
| July | 1,469.00 | 1,211.00 | 1,594.95 | 1,230.00 |
| August | 1,300.00 | 1,100.00 | 1,380.00 | 1,080.00 |
| September | 1,314.90 | 1,140.00 | 1,325.00 | 1,120.00 |
| October | 1,364.00 | 1,250.20 | 1,365.00 | 1,230.05 |
| November | 1,600.00 | 1,300.00 | 1,600.00 | 1,300.10 |
| December | 1,648.95 | 1,512.05 | 1,660.00 | 1,474.95 |

(x) **Stock Performance**

The performance of the Company's shares relative to the BSE Sensitive Index for the year 2013 is given below:



(xi) **Registrar & Share Transfer Agent (RTA)**

The details are as under:

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

(xii) **Share Transfer System**

Trading of Company's equity shares is possible in physical as well as in dematerialised form. Shares sent for transfer in physical form used to be registered on a fortnightly basis and returned within prescribed period from the date of receipt of document, provided all the documents were 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 this authority to the Managing Director up to 10,000 shares per transfer and to issue duplicate shares certificates in lieu of originals up to 1,000 shares per transaction.

The Company confirms that there is no share transfer pending as on December 31, 2013 for more than fifteen days, from the date of lodgement thereof. All requests for demat / remat received by the Company / Registrar and Transfer Agent were confirmed / rejected within prescribed period from the date of receipt thereof.

CORPORATE GOVERNANCE REPORT

(Annexure to the Directors' Report)

(xiii) Information of Dividend

Pursuant to provisions of the Companies Act, 1956, the Company is committed to make timely payment of dividend. Pursuant to provisions of Section 205A of the Companies Act, 1956 dividend amount that remains unpaid or unclaimed for the financial year ended on December 31, 2006 is due to be transferred, on June 1, 2014, to 'Investor Education and Protection Fund' (IEPF) a Fund constituted by the Central Government under Section 205C of the Companies Act, 1956.

Entitled Members are requested to lodge their claims before the last date for claiming unpaid / 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 / unpaid dividend

| Year ended on | Date of declaration of dividend | Amount due for transfer to IEPF on | Amount lying unclaimed / unpaid (₹) as on 31.12.2013 |
|--|---------------------------------|------------------------------------|--|
| 31.12.2006 | 26.04.2007 | 01.06.2014 | 382,232.00 |
| 31.12.2007 | 17.04.2008 | 25.05.2015 | 376,316.00 |
| 31.12.2008 | 24.04.2009 | 31.05.2016 | 424,555.00 |
| 31.12.2009 | 22.04.2010 | 29.05.2017 | 462,585.00 |
| 31.12.2010 | 21.04.2011 | 28.05.2018 | 531,005.00 |
| 31.12.2011 | 20.04.2012 | 27.05.2019 | 1,007,820.00 |
| 31.12.2012 | 25.04.2013 | 26.05.2020 | 593,560.00 |
| Total amount lying unclaimed / unpaid as on December 31, 2013 | | | 3,778,073.00 |

(xiv) Distribution of Shareholding

(as on 31.12.2013)

| Analysis of Shareholding | 2013 | | 2012 | |
|--------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | Number of Shareholders | Number of Shares held | Number of Shareholders | Number of Shares held |
| 1 - 50 | 4,076 | 80,224 | 4,575 | 87,350 |
| 51 - 100 | 1,340 | 113,604 | 1,423 | 121,065 |
| 101 - 250 | 1,150 | 196,480 | 1,183 | 203,158 |
| 251 - 500 | 574 | 211,036 | 577 | 214,226 |
| 501 - 1,000 | 329 | 246,521 | 346 | 259,172 |
| 1,001 - 5,000 | 235 | 498,036 | 258 | 573,137 |
| 5,001 and above | 104 | 15,271,369 | 103 | 15,159,162 |
| Total | 7,808 | 16,617,270 | 8,465 | 16,617,270 |

Note: The information given above regarding shareholding distribution 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.

➤ Categorywise summary of Shareholding

(as on 31.12.2013)

| Sr. No. | Category | No. of Shareholders | No. of Shares | % |
|---------|-----------------------------------|---------------------|---------------|-------|
| 1 | Promoters (FAG Kugelfischer GmbH) | 1 | 8,529,183 | 51.33 |
| 2 | Mutual Fund | 35 | 2,858,626 | 17.20 |
| 3 | Foreign Institutional Investor | 40 | 2,486,141 | 14.96 |
| 4 | Public | 7,246 | 1,628,975 | 9.80 |
| 5 | Bodies Corporate | 236 | 847,159 | 5.10 |

Continued...

...Continued

| Sr. No. | Category | No. of Shareholders | No. of Shares | % |
|---------|----------------------------|---------------------|-------------------|---------------|
| 6 | Qualified Foreign Investor | 2 | 4,412 | 0.03 |
| 7 | Others | 248 | 262,774 | 1.58 |
| | Total | 7,808 | 16,617,270 | 100.00 |

(xv) Top Ten Shareholders with their Shareholdings

(as on 31.12.13)

| 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 | Sundaram Mutual Fund A/c Sundaram Select Midcap | MF | 580,000 | 3.49 |
| 4 | ACACIA Institutional Partners, LP | FII | 517,959 | 3.12 |
| 5 | IDFC Premier Equity Fund | MF | 422,027 | 2.54 |
| 6 | HDFC Trustee Company Ltd. A/c HDFC Midcap Opportunities Fund | MF | 358,314 | 2.16 |
| 7 | SBI Contra Fund | MF | 330,000 | 1.99 |
| 8 | ICICI Prudential Life Insurance Company Limited | MF | 316,097 | 1.90 |
| 9 | The New India Assurance Company Limited | INS | 214,444 | 1.29 |
| 10 | Shree Capital Services Limited | OBC | 212,470 | 1.28 |
| | TOTAL | | 12,083,182 | 72.71 |

*MF - Mutual Fund, FI - Financial Institutions, FII - Foreign Institutional Investor, OBC - Other Body Corporate, INS - Insurance Companies.

(xvi) Dematerialisation of Shares and Liquidity

98.56% 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, 2013.

| | NSDL | CDSL | Physical | Total |
|---------------|------------|---------|----------|------------|
| Shares (nos.) | 16,042,697 | 334,988 | 239,585 | 16,617,270 |
| Shares (%) | 96.54 | 2.02 | 1.44 | 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) above 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) above, shareholders may correspond at the following addresses:

Registered Office:

Nariman Bhavan, 8th Floor, 227 Backbay Reclamation,
Nariman Point, Mumbai - 400 021 (MH) INDIA.
Phone: +91-22-6681 4444 to 6681 4499
Fax: +91-22-2202 7022

Head Office & Works:

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

(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, www.listing.bseindia.com/login.apex and www.connect2nse.com/LISTING/. Apart from this, the Company's website 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.

Mumbai: February 11, 2014

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 dematerialized 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, 2013 forms part of the Annual Report.

For and on behalf of the Board

Avinash Gandhi
Chairman

To,
The Members of FAG Bearings India Limited

Re.: Declaration by CEO under Clause 49(1)(D)(ii) 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, 2013.

Mumbai: February 11, 2014

Rajendra Anandpara
Managing Director

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, 2013 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, 2013, 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, 2014

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

To,

The Board of Directors

This is to certify that,

- (a) We have reviewed Financial Results for the year ended December 31, 2013 and that to the best of our knowledge and belief:
 - (i) These results 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 our 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, 2013;
 - (ii) Significant changes in accounting policies during the year ended December 31, 2013;
 - (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, 2014

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, 2013, 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, 2013;
- (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.

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, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

Mumbai: February 11, 2014

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

Vijay Mathur
Partner
Membership No. 046476

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

December 31, 2013

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 going 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. 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.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Act, and the rules framed thereunder with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- (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 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, 2013 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 | Dy. Commissioner Sales Tax |
| | | 0.1 | 2003-04 | Joint Commissioner Appeals |
| | | 3.7 | 2008-09 | Joint Commissioner Appeals |

Continued...

...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 |
| | | 12.4 | 2003-04, 2004-05, 2006-07, 2007-08, 2009-10 | Commissioner Appeals |
| | | 2.1 | 2004-05 | Assistant Commissioner Appeals |
| The Income Tax Act, 1961 | Tax and interest | 136.6 | 2000-01 to 2008-09 | Income Tax - Appellate Tribunal and Assessing Officer |

The above are net of amounts paid under protest for Sales Tax ₹ 68.3 million and for Income Tax ₹ 2,285.2 million. The Income Tax dues of ₹ 136.6 million mentioned above represents cases where the Company has received favourable 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. 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

Vijay Mathur
Partner
Membership No. 046476

Mumbai: February 11, 2014

BALANCE SHEET

as at December 31, 2013

(₹ in million)

| | Note | 31.12.2013 | 31.12.2012 |
|-----------------------------------|-------|-----------------|-----------------|
| (I) EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 2 | 166.2 | 166.2 |
| Reserves and surplus | 3 | 9,729.3 | 8,628.8 |
| Non-current liabilities | | | |
| Deferred tax liabilities (net) | 4 | 174.1 | 64.4 |
| Other long-term liabilities | 5 | 16.1 | 15.2 |
| Long-term provisions | 6 | 205.0 | 229.4 |
| Current liabilities | | | |
| Trade payables | 7 | 2,404.7 | 1,786.1 |
| Other current liabilities | 8 | 488.5 | 417.7 |
| Short-term provisions | 9 | 148.8 | 128.8 |
| TOTAL | | 13,332.7 | 11,436.6 |
| (II) ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible fixed assets | 10 | 3,983.4 | 2,782.2 |
| Intangible fixed assets | 10 | 5.5 | 9.4 |
| Capital work-in-progress | 10 | 134.3 | 1,135.5 |
| Non-current investments | 11 | 43.5 | 43.5 |
| Long-term loans and advances | 12 | 1,765.1 | 754.3 |
| Other non-current assets | 13 | 4.6 | 4.6 |
| Current assets | | | |
| Inventories | 14 | 1,705.8 | 1,422.1 |
| Trade receivables | 15 | 2,906.0 | 2,547.1 |
| Cash and bank balances | 16 | 2,376.6 | 1,948.2 |
| Short-term loans and advances | 17 | 347.1 | 755.4 |
| Other current assets | 18 | 60.8 | 34.3 |
| TOTAL | | 13,332.7 | 11,436.6 |
| Significant accounting policies | 1 | | |
| Notes to the financial statements | 29-45 | | |

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

Vijay Mathur
Partner
Membership No. 046476

Mumbai: February 11, 2014

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

Avinash Gandhi
Chairman

Satish Patel
Chief Financial Officer

Mumbai: February 11, 2014

Rajendra Anandpara
Managing Director

Raj Sarraf
Company Secretary

STATEMENT OF PROFIT AND LOSS

for the year ended December 31, 2013

FAG

(₹ in million)

| | Note | 31.12.2013 | 31.12.2012 |
|--|-----------|-----------------|-----------------|
| REVENUE FROM OPERATIONS | 19 | | |
| Sale of products (gross) | | 15,385.9 | 15,499.3 |
| Less: Excise Duty | | 1,183.5 | 1,140.9 |
| Sale of products (net) | | 14,202.4 | 14,358.4 |
| Sale of services | | 17.1 | 28.6 |
| Other operating revenues | | 80.6 | 79.5 |
| Total | | 14,300.1 | 14,466.5 |
| Other income | 20 | 458.6 | 446.3 |
| Total revenue | | 14,758.7 | 14,912.8 |
| EXPENSES | | | |
| Cost of materials consumed | 21 | 5,036.8 | 4,782.9 |
| Purchases of stock-in-trade | 22 | 4,256.1 | 4,045.3 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 23 | (322.0) | 247.7 |
| Employee benefits | 24 | 1,191.3 | 1,128.9 |
| Finance costs | 25 | 7.6 | 13.0 |
| Depreciation and amortisation | 26 | 432.5 | 302.7 |
| Other expenses | 27 | 2,302.0 | 2,057.6 |
| Total expenses | | 12,904.3 | 12,578.1 |
| PROFIT BEFORE TAX | | 1,854.4 | 2,334.7 |
| Tax: | | | |
| Current tax | | 526.4 | 710.3 |
| Deferred tax | | 109.7 | 32.6 |
| PROFIT FOR THE YEAR | | 1,218.3 | 1,591.8 |
| Earnings per equity share [Nominal value of share ₹ 10 each (Previous year: ₹ 10 each)] | 28 | | |
| Basic | | 73.32 | 95.79 |
| Diluted | | 73.32 | 95.79 |
| Significant accounting policies | 1 | | |
| Notes to the financial statements | 29-45 | | |

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

Vijay Mathur
Partner
Membership No. 046476

Mumbai: February 11, 2014

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

Avinash Gandhi
Chairman

Satish Patel
Chief Financial Officer

Mumbai: February 11, 2014

Rajendra Anandpara
Managing Director

Raj Sarraf
Company Secretary

CASH FLOW STATEMENT

for the year ended December 31, 2013

(₹ in million)

| | 31.12.2013 | 31.12.2012 |
|---|----------------|------------------|
| Cash flows from operating activities | | |
| Net profit before tax | 1,854.4 | 2,334.7 |
| Adjustments: | | |
| Depreciation and amortisation | 432.5 | 302.7 |
| Finance costs | 7.6 | 13.0 |
| Unrealised exchange loss / (gain) (net) | 37.6 | 28.6 |
| Interest income | (253.8) | (202.4) |
| Loss / (profit) on fixed assets sold (net) | 4.1 | 0.2 |
| Provision for doubtful debts / advances | (1.4) | 4.9 |
| Provision written back on loans and advances | - | (11.0) |
| Provision written back on investments | - | (38.5) |
| Provision for Gratuity / Leave Encashment | (34.5) | 42.9 |
| Provision no longer required written back - others | (5.8) | (5.4) |
| TDS on other Income | (0.3) | (0.3) |
| | 186.0 | 134.7 |
| Operating cash flow before changes in working capital | 2,040.4 | 2,469.4 |
| (Increase) / decrease in trade and other receivables | (321.1) | (596.4) |
| (Increase) / decrease in inventories | (283.7) | 200.4 |
| Increase / (decrease) in trade and other payables | 680.0 | 22.2 |
| | 75.2 | (373.8) |
| Cash generated from operations | 2,115.6 | 2,095.6 |
| Income tax paid (net of refunds) | (494.9) | (725.0) |
| A Net cash generated from operating activities | 1,620.7 | 1,370.6 |
| Cash flows from investing activities | | |
| Purchase and construction of fixed assets (tangible and intangible fixed assets) (see note below) | (673.6) | (1,411.5) |
| Proceeds from sale of fixed assets | 6.7 | 4.4 |
| Intercorporate loans given | (650.0) | (350.0) |
| (Investment in)/ maturity of fixed deposits (maturity of more than three months) | 569.8 | (174.4) |
| Interest received | 228.6 | 211.0 |
| B Net cash used in investing activities | (518.5) | (1,720.5) |
| Cash flows from financing activities | | |
| Finance costs paid | (7.6) | (13.0) |
| Dividends paid on equity shares | (82.9) | (165.9) |
| Tax paid on dividends | (13.5) | (27.0) |
| C Net cash used in financing activities | (104.0) | (205.9) |
| Net increase (decrease) in cash and cash equivalents (A + B + C) | 998.2 | (555.8) |
| Cash and cash equivalents at the beginning of period (see note below) | 1,108.4 | 1,664.2 |
| Cash and cash equivalents at the end of period (see note below) | 2,106.6 | 1,108.4 |
| | 998.2 | (555.8) |

Continued...

CASH FLOW STATEMENT

for the year ended December 31, 2013

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: (₹ in million)

| | 31.12.2013 | 31.12.2012 |
|---|----------------|----------------|
| Cash on hand | – | 0.6 |
| Cheques on hand | 94.4 | 89.3 |
| With scheduled banks on: | | |
| Current accounts [includes restricted balance of unpaid dividend ₹ 3.8 (Previous year: ₹ 3.6)] | 682.2 | 568.5 |
| Deposit accounts (maturity up to three months) | 1,330.0 | 450.0 |
| | 2,106.6 | 1,108.4 |

As per our report of even date attached

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

Vijay Mathur
Partner
Membership No. 046476

Mumbai: February 11, 2014

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, 2014

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

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 which as per a clarification issued by the Ministry of Corporate Affairs, continues to apply under Section 133 of Companies Act, 2013, (which has superseded Section 211 (3C) of the Companies Act, 1956 with effect from September 12, 2013) 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. The financial statements are presented in Indian rupees rounded off to nearest million.

(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%,

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

The Company may enter into forward exchange contracts to cover its exposure to movements in foreign exchange rates in respect of highly probable transactions or firm commitments. 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. Provision for losses in respect of all outstanding derivative contracts are made at the Balance Sheet date by marking them to market keeping in view the principle of prudence as enunciated in Accounting Standard 1 (AS-1).

(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 sales tax / value added tax and sales returns.
- (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 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.

(J) Warranty

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

(K) Income and deferred taxes

Tax expense comprises of 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

current year timing differences between the 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.

(L) Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders for the period 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 antidilutive.

(M) 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.

(N) 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 in the financial statements.

(O) 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

as at December 31, 2013

FAG

(₹ in million)

| 2 SHARE CAPITAL | 31.12.2013 | 31.12.2012 |
|--|--------------|--------------|
| Authorised 20,000,000 (Previous year: 20,000,000) equity shares of ₹ 10 each | 200.0 | 200.0 |
| Issued 16,818,270 (Previous year: 16,818,270) equity shares of ₹ 10 each | 168.2 | 168.2 |
| Subscribed & Paid-up 16,617,270 (Previous year: 16,617,270) equity shares of ₹ 10 each | 166.2 | 166.2 |
| Total | 166.2 | 166.2 |

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

| | As at 31.12.2013 | | As at 31.12.2012 | |
|--|------------------|--------|------------------|--------|
| | Number | Amount | Number | Amount |
| Equity shares | | | | |
| 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 31.12.2013 | | As at 31.12.2012 | |
|---|--------------------|--------|--------------------|--------|
| | 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 31.12.2013 | | As at 31.12.2012 | |
|---|--------------------|-------------------|--------------------|-------------------|
| | 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 | 31.12.2013 | 31.12.2012 |
|---|----------------|----------------|
| Securities premium account | 200.2 | 200.2 |
| Revaluation reserve | | |
| At the commencement of the year | 21.0 | 21.6 |
| Less: Transferred from Statement of Profit and Loss | (0.6) | (0.6) |
| Closing balance | 20.4 | 21.0 |
| General reserve | | |
| At the commencement of the year | 2,668.4 | 2,318.4 |
| Add: Transfer from surplus | 350.0 | 350.0 |
| Closing balance | 3,018.4 | 2,668.4 |

Continued...

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2013

...Continued

(₹ in million)

| | 31.12.2013 | 31.12.2012 |
|--|----------------|----------------|
| Surplus (Profit and Loss balance) | | |
| At the commencement of the year | 5,739.2 | 4,594.0 |
| Add: net profit for the current year | 1,218.3 | 1,591.8 |
| Appropriations: | | |
| Less: proposed dividend | 99.7 | 83.1 |
| Less: tax on proposed dividend | 17.6 | 13.5 |
| Less: transferred to general reserve | 350.0 | 350.0 |
| Closing balance | 6,490.2 | 5,739.2 |
| Total | 9,729.3 | 8,628.8 |

| 4 | DEFERRED TAX LIABILITIES (NET) | 31.12.2013 | 31.12.2012 |
|---|--|--------------|--------------|
| | Deferred tax liabilities | | |
| | Excess of depreciation / amortisation on fixed assets under income tax law over depreciation / amortisation provided in accounts | 240.9 | 143.0 |
| | Others | 4.6 | – |
| | | 245.5 | 143.0 |
| | Deferred tax assets | | |
| | Provision for employee benefits | 60.0 | 64.0 |
| | Provision for expenses | 9.2 | 12.1 |
| | Provision for doubtful trade receivables | 2.2 | 2.5 |
| | | 71.4 | 78.6 |
| | Total | 174.1 | 64.4 |

| 5 | OTHER LONG-TERM LIABILITIES | 31.12.2013 | 31.12.2012 |
|---|--|-------------|-------------|
| | Security deposits from customers and vendors | 16.1 | 15.2 |
| | Total | 16.1 | 15.2 |

| 6 | LONG-TERM PROVISIONS | 31.12.2013 | 31.12.2012 |
|---|---|--------------|--------------|
| | Provision for employee benefits | | |
| | Gratuity | – | 18.3 |
| | Leave Encashment | 153.2 | 156.9 |
| | Other provisions | | |
| | Provision for tax and other statutory matters (being litigated) | 50.0 | 51.9 |
| | Provision for tax (net of advance tax) | 1.8 | 2.3 |
| | Total | 205.0 | 229.4 |

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)

| | 31.12.2013 | 31.12.2012 |
|--|-------------|-------------|
| Provision for tax and other statutory matters (being litigated) | | |
| At the commencement of the year | 51.9 | 51.9 |
| Provision made during the year | – | – |
| Provision utilised during the year | (1.9) | – |
| Unutilised provision written back during the year | – | – |
| At the end of the year | 50.0 | 51.9 |

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2013

FAG

(₹ in million)

| 7 | TRADE PAYABLES | 31.12.2013 | 31.12.2012 |
|---|----------------|----------------|----------------|
| | Trade payables | 2,404.7 | 1,786.1 |
| | Total | 2,404.7 | 1,786.1 |

For dues to micro and small suppliers, refer note 45

| 8 | OTHER CURRENT LIABILITIES | 31.12.2013 | 31.12.2012 |
|---|-----------------------------------|--------------|--------------|
| | Employee liabilities | | |
| | - Personnel cost | 95.1 | 32.6 |
| | - Contribution to Provident Fund | 3.7 | 3.7 |
| | Accrued expenses | 102.2 | 73.0 |
| | Creditors for capital goods | 94.9 | 112.0 |
| | Advances from customers / dealers | 72.6 | 35.8 |
| | Unclaimed dividends* | 3.8 | 3.6 |
| | Service tax payable | 1.8 | 1.2 |
| | Excise duty payable | 22.9 | 94.0 |
| | TDS payable | 10.4 | 13.4 |
| | Other statutory dues | 36.3 | 35.8 |
| | Other payables | 44.8 | 12.6 |
| | Total | 488.5 | 417.7 |

*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 | 31.12.2013 | 31.12.2012 |
|---|--|--------------|--------------|
| | Provision for employee benefits | | |
| | Current portion of Leave Encashment | 29.4 | 28.3 |
| | Other provisions | | |
| | Provision for proposed dividend | 99.7 | 83.1 |
| | Provision for tax on proposed dividend | 16.9 | 13.5 |
| | Provision for wealth tax | 0.3 | 0.3 |
| | Provision for warranties* | 2.5 | 3.6 |
| | Total | 148.8 | 128.8 |

*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)

| | 31.12.2013 | 31.12.2012 |
|------------------------------------|------------|------------|
| Warranties | | |
| At the commencement of the year | 3.6 | 3.6 |
| Provision made during the year | - | - |
| Provision utilised during the year | (1.1) | - |
| At the end of the year | 2.5 | 3.6 |

10 FIXED ASSETS

| TANGIBLE FIXED ASSETS | Freehold Land | Leasehold Land | Buildings | Plant and Equipment | Furniture & Fixtures | Office Equipments | Vehicles | Total |
|------------------------------------|------------------|-------------------|--------------|------------------------|-------------------------|----------------------|-------------|----------------|
| Gross block | | | | | | | | |
| Balance as at Jan. 1, 2011 | 19.4 | 117.0 | 241.1 | 3,646.1 | 78.7 | 14.6 | 24.3 | 4,141.2 |
| Additions | - | 4.8 | 10.0 | 568.1 | 13.2 | 2.3 | 2.0 | 600.4 |
| Disposals | - | - | - | 37.1 | 1.0 | 0.1 | - | 38.2 |
| Balance as at Dec. 31, 2011 | 19.4 | 121.8 | 251.1 | 4,177.1 | 90.9 | 16.8 | 26.3 | 4,703.4 |

Continued...

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2013

...Continued

(₹ in million)

| TANGIBLE FIXED ASSETS | Freehold Land | Leasehold Land | Buildings | Plant and Equipment | Furniture & Fixtures | Office Equipments | Vehicles | Total |
|---|------------------|-------------------|--------------|------------------------|-------------------------|----------------------|-------------|----------------|
| 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 |
| Balance as at Dec. 31, 2012 | 19.4 | 121.8 | 596.9 | 5,049.4 | 105.1 | 36.0 | 24.6 | 5,953.2 |
| 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 |
| Balance as at Dec. 31, 2013 | 19.4 | 121.8 | 635.8 | 6,408.4 | 115.8 | 40.5 | 18.7 | 7,360.4 |
| Depreciation | | | | | | | | |
| Balance as at Jan. 1, 2011 | – | – | 93.0 | 2,589.9 | 38.4 | 4.7 | 5.9 | 2,731.9 |
| Depreciation for the year | – | – | 7.3 | 208.6 | 7.0 | 0.9 | 2.4 | 226.2 |
| Accumulated depreciation on disposal | – | – | – | 36.8 | 0.5 | – | – | 37.3 |
| Balance as at Dec. 31, 2011 | – | – | 100.3 | 2,761.7 | 44.9 | 5.6 | 8.3 | 2,920.8 |
| 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 |
| Balance as at Dec. 31, 2012 | – | – | 113.5 | 2,991.0 | 50.6 | 7.1 | 8.8 | 3,171.0 |
| 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 |
| Balance as at Dec. 31, 2013 | – | – | 132.9 | 3,171.5 | 56.1 | 8.8 | 7.7 | 3,377.0 |
| Net Block | | | | | | | | |
| As at Dec. 31, 2012 | 19.4 | 121.8 | 483.4 | 2,058.4 | 54.5 | 28.9 | 15.8 | 2,782.2 |
| As at Dec. 31, 2013 | 19.4 | 121.8 | 502.9 | 3,236.9 | 59.7 | 31.7 | 11.0 | 3,983.4 |

| INTANGIBLE FIXED ASSETS | Software | Technical know-how fees | Total |
|------------------------------------|-------------|----------------------------|-------------|
| Gross block | | | |
| Balance as at Jan. 1, 2011 | 35.6 | 13.1 | 48.7 |
| Additions | 0.2 | – | 0.2 |
| Balance as at Dec. 31, 2011 | 35.8 | 13.1 | 48.9 |
| Balance as at Jan. 1, 2012 | 35.8 | 13.1 | 48.9 |
| Additions | 10.9 | – | 10.9 |
| Balance as at Dec. 31, 2012 | 46.7 | 13.1 | 59.8 |
| Balance as at Jan. 1, 2013 | 46.7 | 13.1 | 59.8 |
| Additions | – | – | – |
| Balance as at Dec. 31, 2013 | 46.7 | 13.1 | 59.8 |
| Amortisation | | | |
| Balance as at Jan. 1, 2011 | 34.9 | 13.1 | 48.0 |
| Amortisation for the year | 0.3 | – | 0.3 |
| Balance as at Dec. 31, 2011 | 35.2 | 13.1 | 48.3 |
| Balance as at Jan. 1, 2012 | 35.2 | 13.1 | 48.3 |
| Amortisation for the year | 2.1 | – | 2.1 |
| Balance as at Dec. 31, 2012 | 37.3 | 13.1 | 50.4 |
| Balance as at Jan. 1, 2013 | 37.3 | 13.1 | 50.4 |
| Amortisation for the year | 3.9 | – | 3.9 |
| Balance as at Dec. 31, 2013 | 41.2 | 13.1 | 54.3 |
| Net Block | | | |
| As at Dec. 31, 2012 | 9.4 | – | 9.4 |
| As at Dec. 31, 2013 | 5.5 | – | 5.5 |

Continued...

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2013

FAG

CAPITAL WORK-IN-PROGRESS

(₹ in million)

| TANGIBLE | Freehold Land | Leasehold Land | Buildings | Plant and Equipment | Furniture & Fixtures | Office Equipments | Vehicles | Total |
|------------------------------------|---------------|----------------|-------------|---------------------|----------------------|-------------------|----------|----------------|
| Balance as at Jan. 1, 2011 | – | – | 29.8 | 29.8 | 2.1 | – | – | 61.7 |
| Additions | – | 4.8 | 37.2 | 1,048.4 | 11.5 | 2.3 | 2.0 | 1,106.2 |
| Assets capitalised during the year | – | 4.8 | 10.0 | 568.1 | 13.2 | 2.3 | 2.0 | 600.4 |
| Balance as at Dec. 31, 2011 | – | – | 57.0 | 510.1 | 0.4 | – | – | 567.5 |
| 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 |
| Balance as at Dec. 31, 2012 | – | – | 37.1 | 1,095.6 | 2.8 | – | – | 1,135.5 |
| 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 |
| Balance as at Dec. 31, 2013 | – | – | 20.2 | 113.2 | 0.9 | – | – | 134.3 |

| INTANGIBLE | Software | Total |
|------------------------------------|------------|------------|
| Balance as at Jan. 1, 2011 | – | – |
| Additions | 1.1 | 1.1 |
| Assets capitalised during the year | 0.2 | 0.2 |
| Balance as at Dec. 31, 2011 | 0.9 | 0.9 |
| Balance as at Jan. 1, 2012 | 0.9 | 0.9 |
| Additions | 10.1 | 10.1 |
| Assets capitalised during the year | 11.0 | 11.0 |
| Balance as at Dec. 31, 2012 | – | – |
| Balance as at Jan. 1, 2013 | – | – |
| Additions | – | – |
| Assets capitalised during the year | – | – |
| Balance as at Dec. 31, 2013 | – | – |

11 NON-CURRENT INVESTMENTS

31.12.2013 31.12.2012

| | | |
|--|-------------|-------------|
| 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 |

12 LONG-TERM LOANS AND ADVANCES

31.12.2013 31.12.2012

| | | |
|--|----------------|--------------|
| To parties other than related parties (unsecured and considered good) | | |
| Capital advances | 3.6 | 13.0 |
| Security Deposits (unsecured) | | |
| Security deposits | 32.1 | 28.3 |
| | 35.7 | 41.3 |
| Other loans and advances | | |
| VAT receivable (amount paid under protest) | 68.3 | 72.3 |
| Advance tax recoverable [net of provision (for earlier years)] | 185.3 | 190.7 |
| | 253.6 | 263.0 |
| To related parties (unsecured and considered good) | | |
| Capital advances (secured and considered good) | 25.8 | – |
| Other loans and advances | 1,450.0 | 450.0 |
| | 1,475.8 | 450.0 |
| Total | 1,765.1 | 754.3 |

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2013

(₹ in million)

Capital advances are given to FAG Roller Bearings Private Limited, associate Company ₹ 25.8 (Previous year: Nil) Other loans and advances comprises of loans given to fellow subsidiaries INA Bearings India Private Limited ₹ 850 (Previous year: ₹ 450) and LuKIndia Private Limited ₹ 600 (Previous year: ₹ Nil), 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: ₹ 450) and LuKIndia Private Limited ₹ 600 (Previous year: ₹ Nil).

| 13 OTHER NON-CURRENT ASSETS | 31.12.2013 | 31.12.2012 |
|---|------------|------------|
| Bank deposits (due to mature after 12 months from the reporting date) | 4.6 | 4.6 |
| Total | 4.6 | 4.6 |

| 14 INVENTORIES (valued at the lower of cost and net realisable value) | 31.12.2013 | 31.12.2012 |
|--|----------------|----------------|
| Raw Materials and components [including goods-in-transit ₹ 154.3 (Previous year: ₹ 114.3)] | 489.5 | 534.7 |
| Work-in-progress | 116.4 | 94.7 |
| Finished goods | 334.2 | 260.7 |
| Stock-in-trade [including goods-in-transit ₹ 153.3 (Previous year: ₹ 105.6)] | 599.3 | 372.5 |
| Stores and spares [including goods-in-transit ₹ 1.5 (Previous year: ₹ 4.2)] | 126.4 | 128.7 |
| Loose Tools | 40.0 | 30.8 |
| Total | 1,705.8 | 1,422.1 |

At December 31, 2013, the provision for write-down of the inventories to net realisable value amounted to ₹ 156.1 (Previous year: ₹ 109.1).

| 15 TRADE RECEIVABLES | 31.12.2013 | 31.12.2012 |
|---|----------------|----------------|
| Trade receivables outstanding for a period exceeding six months from the date they became due for payment | | |
| Secured, considered good | 0.3 | 1.1 |
| Unsecured, considered good | 0.6 | 2.3 |
| Doubtful | 6.4 | 7.8 |
| Less: Provision for doubtful debts | (6.4) | (7.8) |
| (A) | 0.9 | 3.4 |
| Other receivables | | |
| Secured, considered good | 6.1 | 6.1 |
| Unsecured, considered good | 2,899.0 | 2,537.6 |
| (B) | 2,905.1 | 2,543.7 |
| Total (A+B) | 2,906.0 | 2,547.1 |

Trade receivables (unsecured, considered good) include ₹ 10.9 (Previous year ₹ 1.1) due from companies in which a Director is a Director.

| 16 CASH AND BANK BALANCES | 31.12.2013 | 31.12.2012 |
|--|----------------|----------------|
| Cash and cash equivalents | | |
| Cash on hand | – | 0.6 |
| Cheques on hand | 94.4 | 89.3 |
| Balances with banks | | |
| On current accounts | 678.4 | 564.9 |
| On deposit accounts (with original maturity of three months or less) | 1,330.0 | 450.0 |
| Restricted deposits (unpaid dividend) | 3.8 | 3.6 |
| | 2,106.6 | 1,108.4 |
| Other bank balances | 270.0 | 839.8 |
| Total | 2,376.6 | 1,948.2 |
| Details of bank balances / deposits | | |
| Bank balances available on demand / deposits with original maturity of three months or less included under 'Cash and cash equivalents' | 1,330.0 | 450.0 |
| Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances' | 270.0 | 839.8 |
| Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 13) | 4.6 | 4.6 |

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2013

FAG

(₹ in million)

| 17 SHORT-TERM LOANS AND ADVANCES | 31.12.2013 | 31.12.2012 |
|---|--------------|--------------|
| To parties other than related parties (unsecured, considered good) | | |
| Advances to employees | 3.0 | 3.2 |
| Balance with tax authorities | | |
| - Excise receivable | 229.9 | 263.2 |
| - VAT receivable | 50.9 | 60.4 |
| - Service tax receivable | 17.4 | 18.5 |
| Sundry prepayments | 8.1 | 7.8 |
| Advances for supply of goods and other sundry advances | 17.1 | 33.5 |
| | 326.4 | 386.6 |
| To related parties (unsecured, considered good, unless otherwise stated) | | |
| Loans and advances to associate / fellow subsidiary companies (secured and considered good) | 20.7 | 18.8 |
| Other loans and advances | - | 350.0 |
| | 20.7 | 368.8 |
| Total | 347.1 | 755.4 |
| Loans and advances to associate / fellow subsidiary companies include: | | |
| Loan to LuK India Private Limited | - | 350.0 |
| Advances to: | | |
| LuK India Private Limited | 2.6 | 1.9 |
| FAG Roller Bearings Private Limited | - | 11.9 |
| INA Bearings India Private Limited | 17.0 | 2.9 |
| Schaeffler Holding (China) Company Limited | 1.1 | - |
| Schaeffler Tech. AG & Co. KG | - | 2.1 |

Loans and advances comprises of loans given to fellow subsidiary LuK India Private Limited ₹ Nil (Previous year: ₹ 350), secured by way of hypothecation of plant and machinery. The maximum amount outstanding of secured loan for LuK India Private Limited is ₹ 350 (Previous year: ₹ 350). The maximum amount outstanding for advances given to FAG Roller Bearings Private Limited, associate Company ₹ 14.0 (Previous year: ₹ 17.6) and fellow subsidiaries LuK India Private Limited ₹ 15.3 (Previous year: ₹ 21.0), INA Bearings India Private Limited ₹ 32.4 (Previous year: ₹ 25.0), Schaeffler Holding (China) Company Limited ₹ 1.1 (Previous year: ₹ 1.2), Schaeffler Tech. AG & Co. KG ₹ 2.5 (Previous year: ₹ 3.7).

| 18 OTHER CURRENT ASSETS | 31.12.2013 | 31.12.2012 |
|------------------------------------|-------------|-------------|
| (Unsecured, considered good) | | |
| Export incentive receivable | 18.5 | 17.5 |
| Receivable from customs | 8.0 | - |
| Interest accrued on fixed deposits | 14.5 | 8.9 |
| Interest accrued - others | 6.1 | 7.9 |
| Gratuity Fund | 13.7 | - |
| Total | 60.8 | 34.3 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

(₹ in million)

| 19 REVENUE FROM OPERATIONS | 31.12.2013 | 31.12.2012 |
|--|-----------------|-----------------|
| Sale of products | | |
| Finished goods | 10,788.0 | 10,563.2 |
| Traded goods | 4,597.9 | 4,936.1 |
| Less: Excise duty | 1,183.5 | 1,140.9 |
| Sale of products (net) | 14,202.4 | 14,358.4 |
| Sale of services | 17.1 | 28.6 |
| Other operating revenues | | |
| Export incentives | 55.8 | 51.2 |
| Scrap sales | 24.8 | 28.3 |
| Total | 14,300.1 | 14,466.5 |
| Break up of revenue from sale of products: | | |
| Manufacturing goods (net of excise)* | | |
| Ball & Roller Bearings | 9,591.7 | 9,412.5 |
| Components | 12.8 | 9.8 |
| Total - (A) | 9,604.5 | 9,422.3 |
| Traded Goods | | |
| Ball & Roller Bearings | 4,358.4 | 4,729.8 |
| Axle box housing, Re-railing equipment and its component** | 200.2 | 168.7 |
| High sea steel bars / rods | 39.3 | 37.6 |
| Total - (B) | 4,597.9 | 4,936.1 |
| Total - (A+B) | 14,202.4 | 14,358.4 |

* Includes bearings partially processed in-house 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.

| 20 OTHER INCOME | 31.12.2013 | 31.12.2012 |
|--|--------------|--------------|
| Interest income on fixed deposits | 130.2 | 125.7 |
| Interest income - others | 142.0 | 103.6 |
| Provisions written back on long-term investment and loans (refer note below) | – | 49.5 |
| Provisions no longer required written back - others | 5.8 | 5.4 |
| Net gain on account of foreign exchange fluctuations | 111.9 | 147.1 |
| Rental income from property lease (refer note 40) | 3.1 | 3.1 |
| Other non-operating income | 65.6 | 11.9 |
| Total | 458.6 | 446.3 |

The provisions made in previous years in respect of investment in and loans given to FAG Roller Bearings Private Limited have been written back during the year ₹ Nil (Previous year: ₹ 49.5) considering its current and budgeted financial performance.

| 21 COST OF MATERIALS CONSUMED*** | 31.12.2013 | 31.12.2012 |
|---|----------------|----------------|
| Inventory of materials at the beginning of the year | 534.7 | 527.8 |
| Purchases | 4,991.6 | 4,789.8 |
| Inventory of materials at the end of the year | 489.5 | 534.7 |
| Total | 5,036.8 | 4,782.9 |
| Break up of cost of materials consumed | | |
| Ferrous Metals | 1.5 | 1.9 |
| Forged Rings | 83.5 | 67.9 |
| Components # | 4,951.8 | 4,713.1 |
| Total | 5,036.8 | 4,782.9 |
| Break up of inventory materials | | |
| Ferrous Metals | 54.5 | 85.5 |
| Forged Rings | 4.0 | 184.1 |
| Components | 431.0 | 265.1 |
| Total | 489.5 | 534.7 |

*** 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, 2013

(₹ in million)

| 22 PURCHASES OF STOCK-IN-TRADE | 31.12.2013 | 31.12.2012 |
|--|----------------|----------------|
| Bearings | 4,084.8 | 3,892.6 |
| Axle box housing, Re-railing equipment and its component | 132.8 | 115.5 |
| High sea steel bars / rods | 38.5 | 37.2 |
| Total | 4,256.1 | 4,045.3 |

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

| Particulars | For the year ended 2013 | | | For the year ended 2012 | | |
|---|-------------------------|-------------------|------------------------------------|-------------------------|-------------------|------------------------------------|
| | Opening inventory | Closing inventory | (Increase) / Decrease in inventory | Opening inventory | Closing inventory | (Increase) / Decrease in inventory |
| Manufactured goods | | | | | | |
| Ball & Roller Bearings | 260.3 | 332.0 | (71.7) | 340.8 | 260.3 | 80.5 |
| Components | 0.4 | 2.2 | (1.8) | 1.6 | 0.4 | 1.2 |
| | 260.7 | 334.2 | (73.5) | 342.4 | 260.7 | 81.7 |
| Traded goods | | | | | | |
| Bearings | 360.1 | 565.9 | (205.8) | 503.2 | 360.1 | 143.1 |
| Component of axle box housing, Re-railing equipment and its component | 12.4 | 33.4 | (21.0) | 14.9 | 12.4 | 2.5 |
| | 372.5 | 599.3 | (226.8) | 518.1 | 372.5 | 145.6 |
| Work-in-progress | | | | | | |
| Work-in-progress - Bearings | 94.7 | 116.4 | (21.7) | 115.1 | 94.7 | 20.4 |
| | 94.7 | 116.4 | (21.7) | 115.1 | 94.7 | 20.4 |
| Total | 727.9 | 1,049.9 | (322.0) | 975.6 | 727.9 | 247.7 |

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

| 24 EMPLOYEE BENEFITS | 31.12.2013 | 31.12.2012 |
|--------------------------------|----------------|----------------|
| Salaries, wages and incentives | 1,017.8 | 929.5 |
| Contributions to | | |
| - Provident Fund | 41.3 | 39.5 |
| - Gratuity Fund | (10.0) | 28.1 |
| - Superannuation Fund | 19.2 | 18.4 |
| Staff welfare expenses | 123.0 | 113.4 |
| Total | 1,191.3 | 1,128.9 |

| 25 FINANCE COSTS | 31.12.2013 | 31.12.2012 |
|------------------|------------|-------------|
| Interest expense | 7.6 | 13.0 |
| Total | 7.6 | 13.0 |

| 26 DEPRECIATION AND AMORTISATION | 31.12.2013 | 31.12.2012 |
|---|--------------|--------------|
| Depreciation of tangible fixed assets | 429.2 | 301.2 |
| Less: Depreciation on revaluation increase transferred to revaluation reserve | (0.6) | (0.6) |
| Amortisation of intangible fixed assets | 3.9 | 2.1 |
| Total | 432.5 | 302.7 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

(₹ in million)

| 27 OTHER EXPENSES | 31.12.2013 | 31.12.2012 |
|---|----------------|----------------|
| Consumption of stores and spare parts | 436.3 | 351.3 |
| Power and fuel | 242.5 | 220.7 |
| Freight, clearing and forwarding | 213.8 | 178.8 |
| Rent | 24.2 | 17.1 |
| Repairs | | |
| Building | 11.5 | 6.6 |
| Machinery | 18.5 | 15.3 |
| Others | 21.8 | 20.1 |
| Insurance | 19.9 | 18.1 |
| Rates and taxes | 29.5 | 23.3 |
| Excise duty (refer note 42) | 11.7 | (0.7) |
| Travelling expenses | 102.9 | 128.1 |
| Legal and professional fees | 20.4 | 26.4 |
| Auditors' remuneration (Refer note below) | 4.6 | 4.1 |
| Fees for use of technology / trademark | 220.5 | 237.9 |
| Turnover bonus / discounts | 275.9 | 292.2 |
| Advertising and sales promotion | 105.9 | 74.1 |
| Bank charges | 4.3 | 5.1 |
| Telephone and other communication expenses | 16.7 | 16.3 |
| Printing and stationery | 7.7 | 8.9 |
| Provision for doubtful debts | – | 4.9 |
| Warranty costs | 0.7 | 0.9 |
| Cash discount | 123.5 | 66.5 |
| Outside services | 362.0 | 321.9 |
| Net loss on sale / retirement of fixed assets | 4.1 | 0.2 |
| Miscellaneous expenses | 23.1 | 19.5 |
| Total | 2,302.0 | 2,057.6 |
| Note: Auditors' remuneration | | |
| As auditor | | |
| Statutory audit | 3.0 | 2.7 |
| Limited review of quarterly results | 1.2 | 1.0 |
| Other services (Certification) | 0.1 | 0.1 |
| Reimbursement of expenses | 0.3 | 0.3 |
| Total | 4.6 | 4.1 |

| 28 EARNINGS PER SHARE (EPS) | 31.12.2013 | 31.12.2012 |
|--|------------|------------|
| (a) Amount used as the numerator | | |
| Profit after tax attributable to equity shareholders | 1,218.3 | 1,591.8 |
| (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 ₹) | 73.32 | 95.79 |

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 provided.
- | | |
|---------------------|-------------|
| Land | 19.1 |
| Buildings and Roads | 19.0 |
| Total | 38.1 |
- (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, 2013

FAG

(₹ in million)

- (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 | 31.12.2013 | 31.12.2012 |
|---|-------------|-------------|
| Fees for technical services for Capital project | 15.0 | 21.8 |
| Allocation of manufacturing and other expenses | – | 39.0 |
| Total | 15.0 | 60.8 |

| 30 CONTRACTS ON CAPITAL ACCOUNT | 31.12.2013 | 31.12.2012 |
|--|------------|------------|
| Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of Capital advances) | 95.4 | 420.8 |

| 31 CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF | 31.12.2013 | 31.12.2012 |
|---|--------------|--------------|
| 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 | 54.5 | 116.0 |
| (ii) Applicability of Provident Fund on certain benefits to employees | 230.0 | 190.4 |
| (iii) Demand for discontinuing of contract system and for differential wages | 63.9 | 102.6 |
| (iv) Applicability of Employees State Insurance on certain benefits paid to the employees | 8.0 | 6.9 |
| | 356.4 | 415.9 |
| (b) Indirect tax: | | |
| (i) Sales tax For non receipt of C Forms and rejection of Company's claim of certain sales as exempt sales in respect of assessment years 2003-04, 2004-05, 2005-06, 2007-08 and 2008-09 | 24.0 | 36.3 |
| (ii) Service tax 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) | 2.1 | 1.9 |
| (c) Income tax: | | |
| In respect of matters decided against the Company, for which the Company is in appeal with higher authorities | 95.6 | 82.8 |
| 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) | 159.3 | 159.3 |

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

| | Amount | 31.12.2013 % of Total Consumption | Amount | 31.12.2012 % of Total Consumption |
|---------------------|------------|---|------------|---|
| Raw Material | | | | |
| Imported | – | 0% | 0.1 | 8% |
| Indigenous | 1.5 | 100% | 1.8 | 92% |
| Total | 1.5 | 100% | 1.9 | 100% |

Continued...

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

...Continued

(₹ in million)

| | 31.12.2013 | | 31.12.2012 | |
|--------------------|----------------|------------------------|----------------|------------------------|
| | Amount | % of Total Consumption | Amount | % of Total Consumption |
| Components | | | | |
| Imported | 1,803.4 | 36% | 1,649.1 | 34% |
| Indigenous | 3,231.9 | 64% | 3,131.9 | 66% |
| Total | 5,035.3 | 100% | 4,781.0 | 100% |
| Spare parts | | | | |
| Imported | 118.0 | 27% | 100.1 | 28% |
| Indigenous | 318.3 | 73% | 251.2 | 72% |
| Total | 436.3 | 100% | 351.3 | 100% |

33 C.I.F. VALUE OF IMPORTS

31.12.2013 31.12.2012

| | | |
|--|----------------|----------------|
| Raw materials and components | 1,731.3 | 1,711.6 |
| Products purchased for sale | 3,257.7 | 3,008.6 |
| Stores and spares for maintenance of machinery | 109.1 | 103.2 |
| Capital goods | 389.1 | 711.1 |
| Total | 5,487.2 | 5,534.5 |

34 EXPENDITURE IN FOREIGN CURRENCY

31.12.2013 31.12.2012

(Gross) subject to deduction of tax wherever applicable:

| | | |
|---|--------------|--------------|
| (i) Fee for use of technology / trademark | 220.5 | 237.9 |
| (ii) Travelling | 9.2 | 20.6 |
| (iii) Charges for SAP / R3 and its connectivity & maintenance | 55.0 | 30.7 |
| (iv) Management service charges – (outside services) | 124.4 | 141.9 |
| (v) Reimbursement of Expat Cost | 33.0 | 31.0 |
| (vi) Others – [Training, testing charges, catalogues (net), etc.] | 28.3 | 14.2 |
| (vii) Technical services (capitalised) | 21.3 | 69.8 |
| Total | 491.7 | 546.1 |

35 DIVIDEND REMITTANCES IN FOREIGN CURRENCY

31.12.2013 31.12.2012

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

| | | |
|--|------|------|
| - for the year ended December 31, 2012 | 42.6 | – |
| - for the year ended December 31, 2011 | – | 85.2 |

36 EARNINGS IN FOREIGN EXCHANGE

31.12.2013 31.12.2012

| | | |
|---------------------|----------------|----------------|
| Service income | 0.2 | 17.0 |
| FOB value of export | 2,219.4 | 2,008.2 |
| Others | 13.9 | 11.6 |
| Total | 2,233.5 | 2,036.8 |

37 Research and Development expenses under the respective heads aggregate to ₹ 126.5 million (Previous year: ₹ 107.8 million) including of Capital nature ₹ 1.7 million (Previous year: ₹ 5.0 million).

(₹ in million)

- 38** The tax year for the Company being the year ending March 31, 2014, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2013 and the provision based on the figures for the remaining nine months up to December 31, 2013 the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2013 to March 31, 2014.

The Company's international transactions with associated enterprises are at arm's length as per the independent accountant's report for the year ended March 31, 2013. 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, 2013. Management believes that the Company's international and domestic transactions with associated enterprises post March 31, 2013 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: | 31.12.2013 | 31.12.2012 |
|---------------------------------------|-----------------|-----------------|
| Domestic | 11,983.0 | 12,350.2 |
| Exports | 2,219.4 | 2,008.2 |
| Total | 14,202.4 | 14,358.4 |

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 | 31.12.2013 | | 31.12.2012 | |
|--------------|-----------------|---------------------------------------|-----------------|---------------------------------------|
| | Segment Assets | Cost incurred to acquire fixed assets | Segment Assets | Cost incurred to acquire fixed assets |
| Domestic | 12,501.8 | 640.1 | 10,764.8 | 1,884.3 |
| Exports | 602.2 | - | 437.6 | - |
| Total | 13,104.0 | 640.1 | 11,202.4 | 1,884.3 |

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 leave and license agreements for certain premises (along with furniture and fixtures in certain cases). The lease typically run for 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 subleasing.

| Lease payments recognised in the Statement of Profit and Loss for the year: | 31.12.2013 | 31.12.2012 |
|---|-------------|-------------|
| In respect of premises and equipment taken on lease | 14.6 | 11.7 |
| In respect of vehicles | 9.6 | 5.4 |
| Total | 24.2 | 17.1 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

(₹ in million)

(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 three months notice without assigning any reason. The Company may terminate the lease by giving three 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 |
|------------------|---|--------------------------|---------------------|---|
| Buildings | | | | |
| 2013 | 14.2 | 3.1 | 11.1 | 0.5 |
| 2012 | 14.2 | 2.6 | 11.6 | 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 control lies with INA Holding Schaeffler GmbH & Co. KG - Schaeffler Group.

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

| 31.12.2013 | 31.12.2012 |
|---|---|
| (a) Holding Company FAG Kugelfischer GmbH, Germany | (a) Holding Company FAG Kugelfischer GmbH, Germany |
| (b) Fellow Subsidiary / Associate Companies 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 | (b) Fellow Subsidiary / Associate Companies Schaeffler Australia Pty. Ltd., Australia Schaeffler Iberia S.L.U., Barcelona Schaeffler Brasil Ltda., Brazil Schaeffler (China) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler (Ningxia) Co. Ltd., China Schaeffler Finland Oy, Finland Schaeffler France S.A.S., France Schaeffler Technologies AG & Co. KG, Germany Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. oHG, Germany FAG Industrial Services GmbH, Germany WPB Water Pump Bearing 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 Schaeffler Nederland B.V., Nederland Schaeffler Portugal S.A., Portugal Schaeffler Philippines Inc., Philippines |

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for the year ended December 31, 2013

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(₹ in million)

| 31.12.2013 | 31.12.2012 |
|---|---|
| Schaeffler Nederland B.V., Nederland | SC Schaeffler Romania S.R.L., Romania |
| Schaeffler Portugal S.A., Portugal | Schaeffler (Singapore) Pte. Ltd., Singapore |
| Schaeffler Philippines Inc., Philippines | INA Skalica Spol. s.r.o, Slovakia |
| SC Schaeffler Romania S.R.L., Romania | Hydrel GmbH, Switzerland |
| Schaeffler (Singapore) Pte. Ltd., Singapore | Schaeffler South Africa (Pty.) Ltd., South Africa |
| INA Kysuce, spol. s r.o, Slovakia | Schaeffler (Thailand) Co. Ltd., Thailand |
| Schaeffler South Africa (Pty.) Ltd., South Africa | The Barden Corporation, USA |
| Schaeffler (Thailand) Co. Ltd., Thailand | Schaeffler Group USA Inc. |
| The Barden Corporation, UK | Schaeffler UK Ltd., UK |
| The Barden Corporation, USA | The Barden Corporation, UK |
| Schaeffler Group USA Inc., USA | Schaeffler Vietnam Co. Ltd., Vietnam |
| Schaeffler Vietnam Co. Ltd., Vietnam | |
| (c) Key Management Personnel | (c) Key Management Personnel |
| Mr. Rajendra Anandpara, Managing Director | Mr. Rajendra Anandpara, Managing Director |

(3) Transactions with Related Parties during the year ended December 31, 2013:

| Nature of Transaction | Holding Company | Fellow Subsidiaries / Associate Companies | Key Management Personnel | Total |
|--|-----------------|---|--------------------------|----------------------|
| Purchase of Finished Goods | – | 3,139.6 (2,927.6) | – | 3,139.6 (2,927.6) |
| Purchase of Raw materials and Components / Spares | – | 578.9 (864.1) | – | 578.9 (864.1) |
| Purchase of Tangible Fixed Assets | – | 419.1 (676.8) | – | 419.1 (676.8) |
| Fees for use of technology / Trademark | – | 220.5 (237.9) | – | 220.5 (237.9) |
| Charges for SAP / R3 and Connectivity | – | 55.0 (30.4) | – | 55.0 (30.4) |
| Dividend for the year - 2012 - 2011 | 42.6 (85.2) | – – | – – | 42.6 (85.2) |
| Deputation, Travelling, Training, Testing, & Other Costs | – | 64.5 (24.3) | – | 64.5 (24.3) |
| Reversal of Other cost | – | 26.2 – | – | 26.2 – |
| Write Back of Payable | – | 3.0 – | – | 3.0 – |
| Management Service charges | – | 189.8 (197.5) | – | 189.8 (197.5) |
| Expat Cost | – | 33.0 (31.0) | – | 33.0 (31.0) |
| Sale of finished goods | – | 2,133.8 (1,961.8) | – | 2,133.8 (1,961.8) |
| Technical services including capitalised | – | 21.3 (71.4) | – | 21.3 (71.4) |
| Managerial Remuneration | – | – | 8.9 (9.2) | 8.9 (9.2) |
| Corporate charges recovered | – | 30.4 (26.6) | – | 30.4 (26.6) |
| Payments on behalf of related parties | – | 17.7 (25.9) | – | 17.7 (25.9) |
| Sale of Tangible fixed assets | – | 4.0 (1.4) | – | 4.0 (1.4) |

Continued...

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

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(₹ in million)

| Nature of Transaction | Holding Company | Fellow Subsidiaries / Associate Companies | Key Management Personnel | Total |
|---|-----------------|---|--------------------------|----------------------|
| Trade and other receivables | – | 579.1 (409.0) | – | 579.1 (409.0) |
| Trade payables | – | 1,321.5 (1,071.9) | – | 1,321.5 (1,071.9) |
| Capital advances | – | 108.8 (209.8) | – | 108.8 (209.8) |
| Investment in equity | – | – (32.5) | – | – (32.5) |
| Reversal of provision on equity contributions made | – | – (11.0) | – | – (11.0) |
| Loans given | – | 650.0 (350.0) | – | 650.0 (350.0) |
| Reversal of provision for doubtful loans | – | – (32.5) | – | – (32.5) |
| Interest on loan given and on current account | – | 123.7 (76.6) | – | 123.7 (76.6) |
| Recovery of interest on loan and on current account | – | 124.0 (76.3) | – | 124.0 (76.3) |
| Service Income | – | 0.2 (17.0) | – | 0.2 (17.0) |
| Lease rent | – | 3.1 (3.1) | – | 3.1 (3.1) |
| Recovery of Lease rent | – | 3.4 (2.8) | – | 3.4 (2.8) |

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

(4) Balances outstanding as at December 31, 2013:

| Nature of Transaction | Fellow Subsidiaries / Associate Companies |
|---|---|
| Investment | |
| FAG Roller Bearings Pvt. Ltd., India | 43.5 (43.5) |
| Capital advance | |
| FAG Roller Bearings Pvt. Ltd., India | 25.8 (–) |
| Trade receivables | |
| Schaeffler Tech. AG & Co. KG, Germany | 370.3 (279.4) |
| Schaeffler Group USA Inc. | 79.7 (61.1) |
| Schaeffler Trading (Shanghai) Co. Ltd., China | 39.3 (30.0) |
| Schaeffler Hong Kong Company Ltd., Hong Kong | 21.1 (10.0) |
| Others | 48.0 (9.7) |
| Trade payables | |
| Schaeffler Tech. AG & Co. KG, Germany | 1,164.4 (939.5) |
| Others | 157.1 (132.4) |
| Loans receivables | |
| INA Bearings India Pvt. Ltd. | 850.0 (450.0) |
| LuK India Pvt. Ltd. | 600.0 (350.0) |

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(₹ in million)

| Nature of Transaction | Fellow Subsidiaries/ Associate Companies |
|--------------------------------------|---|
| Other receivables | |
| FAG Roller Bearings Pvt. Ltd., India | – (11.9) |
| INA Bearings India Pvt. Ltd. | 17.0 |
| LuK India Pvt. Ltd. | – 2.6 |
| Others | – 1.1 (6.9) |

(5) The significant Related Party transactions are as under:

| Nature of Transactions | Fellow Subsidiary / Associate Companies | Amount |
|--|---|----------------------|
| Purchase of finished goods | Schaeffler Tech. AG & Co. KG, Germany | 2,861.4 (2,621.2) |
| Purchase of raw material and components / spares | Schaeffler Tech. AG & Co. KG, Germany | 468.7 (693.9) |
| | Schaeffler Korea Corporation, Korea | 19.7 (90.7) |
| Purchase of tangible fixed assets | Schaeffler Tech. AG & Co. KG, Germany | 140.5 (208.4) |
| | FAG Roller Bearings Pvt. Ltd., India | 170.2 (296.1) |
| | Schaeffler (China) Co. Ltd., China | 106.7 (133.0) |
| Sale of finished goods | Schaeffler Tech. AG & Co. KG, Germany | 1,142.3 (1,252.3) |
| | Schaeffler Hong Kong Co. Ltd., Hong Kong | 250.7 (224.3) |
| | Schaeffler Trading (Shanghai) Co. Ltd., China | 272.0 (205.4) |
| Fees for use of technology / Trademark | Schaeffler Tech. AG & Co. KG, Germany | 218.2 (237.9) |
| Charges for SAP / R3 and connectivity | Schaeffler Tech. AG & Co. KG, Germany | 55.0 (30.4) |
| Deputation travelling, training, testing & other costs | Schaeffler Tech. AG & Co. KG, Germany | 38.4 (8.3) |
| | INA Bearings India Pvt. Ltd., India | 1.6 (4.9) |
| | Schaeffler (China) Co. Ltd., China | 14.6 (1.2) |
| Reversal of other cost | Schaeffler Tech. AG & Co. KG, Germany | 13.9 – |
| | Schaeffler (China) Co. Ltd., China | 9.6 – |
| | Schaeffler AG, Germany | 2.7 – |
| Management service charges | Schaeffler Holding Co. (China) Ltd. | 124.4 (135.3) |
| | INA Bearings India Pvt. Ltd., India | 64.1 (53.5) |

Continued...

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

| <i>...Continued</i> | | (₹ in million) |
|---|--|--------------------|
| Nature of Transactions | Fellow Subsidiary / Associate Companies | Amount |
| Technical services - capitalise | Schaeffler Tech. AG & Co. KG, Germany | 5.7 (58.8) |
| | Schaeffler (China) Co. Ltd., China | 15.6 - |
| | Schaeffler Portugal SA. | - (9.3) |
| Expat cost | Schaeffler Tech. AG & Co. KG, Germany | 15.2 (19.2) |
| | Schaeffler Korea Corporation, Korea | 11.3 (11.8) |
| | Schaeffler Holding (China) Co. Ltd., China | 6.5 - |
| Payments on behalf of related parties | LuK India Pvt. Ltd., India | 1.8 (4.3) |
| | The Barden Corporation, USA | 3.8 (4.0) |
| | Schaeffler Holding GmbH & Co. KG, Germany | 4.9 - |
| | Schaeffler Holding Co. (China) Ltd. | 2.0 (3.9) |
| | FAG Roller Bearings Pvt. Ltd., India | 1.8 (1.5) |
| | INA Bearings India Pvt. Ltd., India | 2.7 (1.4) |
| Sale of tangible fixed assets | Schaeffler Tech. AG & Co. KG, Germany | 1.3 - |
| | | |
| Trade and other receivables | Schaeffler Tech. AG & Co. KG, Germany | 370.3 (281.1) |
| Trade payables | Schaeffler Tech. AG & Co. KG, Germany | 1,164.5 (939.5) |
| Capital advances | FAG Roller Bearings Pvt. Ltd., India | 108.8 - |
| Write back of payable | FAG Magyarorszag Ipari KFT, Hungary | 3.0 - |
| Reversal of provision on equity investments | FAG Roller Bearings Pvt. Ltd., India | - (11.0) |
| Reversal of provision on loans | FAG Roller Bearings Pvt. Ltd., India | - (38.5) |
| Equity contributions made | FAG Roller Bearings Pvt. Ltd., India | - (32.5) |
| Loans given | LuK India Pvt. Ltd., India | 250.0 (350.0) |
| | INA Bearings India Pvt. Ltd., India | 400.0 - |
| Corporate charges recovered | INA Bearings India Pvt. Ltd., India | 20.0 (17.0) |
| | LuK India Pvt. Ltd., India | 10.4 (9.6) |
| Interest on loan given and on current account | FAG Roller Bearings Pvt. Ltd., India | 1.0 (4.7) |
| | INA Bearings India Pvt. Ltd., India | 69.7 (50.4) |
| | LuK India Pvt. Ltd. | 53.0 (21.5) |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

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 (4.4) |
| | INA Bearings India Pvt. Ltd., India | 69.7 (50.4) |
| | LuK India Pvt. Ltd., India | 53.0 (21.5) |
| Service income | Schaeffler Tech. AG & Co. KG, Germany | 0.2 (17.0) |
| Lease rent | FAG Roller Bearings Pvt. Ltd., India | 3.1 (3.1) |
| Recovery of lease rent | FAG Roller Bearings Pvt. Ltd., India | 3.4 (2.8) |

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: | 31.12.2013 | 31.12.2012 |
|---|-------------|--------------|
| (i) the difference between excise duty included in the closing stock and that in opening stock of manufactured finished goods | 9.1 | (2.8) |
| (ii) the excise duty on the free sample, scrap etc. | 2.6 | 2.1 |
| Total | 11.7 | (0.7) |

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 forecast transactions. The outstanding forward exchange contracts entered against the same and other future probable commitments and the foreign currency exposures as at December 31, 2013 are as follows:

Outstanding derivative instruments:

| Category | Currency Hedged | 31.12.2013 | 31.12.2012 |
|---|-----------------|------------|------------|
| Forward exchange contracts (to hedge trade receivables) | USD | 872.6 | 554.2 |
| Forward exchange contracts (to hedge trade payables) | EURO | 1,778.2 | 2,567.2 |

Foreign currency exposures as at December 31, 2013:

| Particulars | | Amount in Foreign Currency (Gross amount) | Equivalent Amount in Indian Currency |
|----------------|------|--|---|
| Trade payables | USD | 2,202,684.0 (2,433,642.0) | 137.0 (133.9) |
| | EURO | 15,323,875.0 (13,255,775.0) | 1,317.2 (965.6) |
| | CHF | – (638.0) | – (0.04) |
| | JPY | 604,000.0 (950,000.0) | 0.4 (0.6) |

Continued...

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

...Continued

(₹ in million)

| Particulars | | Amount in Foreign Currency (Gross amount) | Equivalent Amount in Indian Currency |
|------------------------------|------|--|---|
| Trade receivables | USD | 3,069,178.0 (2,064,019.0) | 189.1 (112.6) |
| | EURO | 4,653,564.0 (3,978,369.0) | 394.6 (286.1) |
| Advances to suppliers | USD | 10,850.0 (254,802.0) | 0.6 (14.0) |
| | EURO | 1,860.0 (4,899.0) | 0.2 (0.4) |
| | CHF | 6,832.0 (2,607.0) | 0.5 (0.2) |
| Bank balance in EFC accounts | USD | 444,455.0 (1,623,656.0) | 27.4 (88.6) |
| | EURO | 1,306,165.0 (1,670,722.0) | 110.8 (120.1) |

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 ₹ 41.3 million (Previous year: ₹ 39.5 million) and contribution to Superannuation Fund for the year aggregated to ₹ 19.2 million (Previous year: ₹ 18.4 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, 2013.

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

| | 31.12.2013 | Gratuity 31.12.2012 | 31.12.2013 | Provident Fund 31.12.2012 |
|---|------------|------------------------|------------|------------------------------|
| Fair value of plan assets | 228.9 | 207.2 | 86.1 | NA |
| Present value of obligations | 215.2 | 225.5 | 86.1 | NA |
| Asset / (Liability) recognised in Balance Sheet | 13.7 | (18.3) | – | NA |

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:

| | 31.12.2013 | Non-current 31.12.2012 | 31.12.2013 | Current 31.12.2012 |
|----------------|------------|---------------------------|------------|-----------------------|
| Gratuity | – | 18.3 | (13.7) | – |
| Provident Fund | – | NA | – | NA |
| Total | – | 18.3 | (13.7) | – |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

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Composition of plan assets

| | Gratuity | | Provident Fund | |
|--------------------------------|------------|------------|----------------|------------|
| | 31.12.2013 | 31.12.2012 | 31.12.2013 | 31.12.2012 |
| Government of India Securities | 2% | 2% | 40% | NA |
| Insurer Managed Funds | 98% | 98% | – | NA |
| Corporate bonds | – | – | 46% | NA |
| Special deposit scheme | – | – | 9% | NA |
| Others | – | – | 5% | NA |

Movement in present values of defined benefit obligations

| | Gratuity | | Provident Fund | |
|--|--------------|--------------|----------------|-------------|
| | 31.12.2013 | 31.12.2012 | 31.12.2013 | 31.12.2012 |
| Defined benefit obligation at January 1 | 225.5 | 202.1 | 77.3 | NA |
| Service cost | 13.5 | 11.2 | 2.7 | NA |
| Interest cost | 18.4 | 17.7 | 4.8 | NA |
| Actuarial losses (gains) | (21.5) | 17.9 | (1.5) | NA |
| Benefits paid / Employees' contribution | (20.7) | (23.4) | 2.8 | NA |
| Defined benefit obligation at December 31 | 215.2 | 225.5 | 86.1 | 77.3 |

Movement in fair value of plan assets

| | Gratuity | | Provident Fund | |
|---|--------------|--------------|----------------|-------------|
| | 31.12.2013 | 31.12.2012 | 31.12.2013 | 31.12.2012 |
| Fair value of plan assets at January 1 | 207.2 | 184.9 | 77.3 | NA |
| Expected return | 16.3 | 14.4 | 5.4 | NA |
| Actuarial gains and (losses) | 4.1 | 4.3 | (2.1) | NA |
| Contributions by employer | 22.0 | 27.0 | 2.7 | NA |
| Benefits paid / Employees' contribution | (20.7) | (23.4) | 2.8 | NA |
| Fair value of plan assets at December 31 | 228.9 | 207.2 | 86.1 | 77.3 |

Expense recognised in the Statement of Profit and Loss

| | Gratuity | | Provident Fund | |
|---|---------------|-------------|----------------|------------|
| | 31.12.2013 | 31.12.2012 | 31.12.2013 | 31.12.2012 |
| Current service cost | 13.5 | 11.2 | 2.7 | NA |
| Interest on obligation | 18.4 | 17.7 | 4.8 | NA |
| Expected return on plan assets | (16.3) | (14.4) | (5.4) | NA |
| Net actuarial losses (gains) recognised in year | (25.6) | 13.7 | 0.6 | NA |
| Total included in 'employee benefit expense' | (10.0) | 28.1 | 2.7 | NA |

Actual return on plan assets

| | Gratuity | | Provident Fund | |
|--|------------|------------|----------------|------------|
| | 31.12.2013 | 31.12.2012 | 31.12.2013 | 31.12.2012 |
| Expected return on plan assets | 16.3 | 14.4 | 5.4 | NA |
| Actuarial gain / (loss) on plan assets | 4.1 | 4.3 | (2.1) | NA |
| Actual return on plan assets | 20.4 | 18.7 | 3.3 | NA |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2013

Principal actuarial assumptions

The following are the principal actuarial assumptions:

| | Gratuity | | | Provident Fund |
|---|--|------------------------------|----------------|----------------|
| | 31.12.2013 | 31.12.2012 | 31.12.2013 | 31.12.2012 |
| Discount rate per annum as at December 31 | 9.25% | 8.25% | 9.25% | NA |
| Expected return per annum on plan assets as at December 31 | 8.00% | 8.00% | 9.19% | NA |
| 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 | LIC 1994-96 Mortality Tables | 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 | 9.14% | NA |
| Average Historic Yield on the Investment (p.a.) | Not applicable | Not applicable | 9.08% | NA |
| Guaranteed rate of return (p.a.) | Not applicable | Not applicable | 8.75% | 8.50% |

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 |
|---|------------|------------|------------|------------|------------|----------------|
| | 31.12.2009 | 31.12.2010 | 31.12.2011 | 31.12.2012 | 31.12.2013 | 31.12.2013 |
| Defined benefit obligation | 159.6 | 170.1 | 202.1 | 225.5 | 215.2 | 86.1 |
| Plan assets | 147.9 | 161.9 | 184.9 | 207.2 | 228.8 | 86.1 |
| Surplus / (Deficit) | (11.6) | (8.2) | (17.2) | (18.3) | 13.7 | 0 |
| Experience adjustment of plan liabilities | 6.3 | 11.6 | 24.9 | 6.7 | (6.1) | (1.5) |
| Experience adjustment of plan assets | 6.9 | 1.1 | 4.9 | 4.3 | 4.1 | (2.1) |

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.

As per our report of even date attached

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

Vijay Mathur
Partner
Membership No. 046476

Mumbai: February 11, 2014

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

Avinash Gandhi
Chairman

Rajendra Anandpara
Managing Director

Satish Patel
Chief Financial Officer

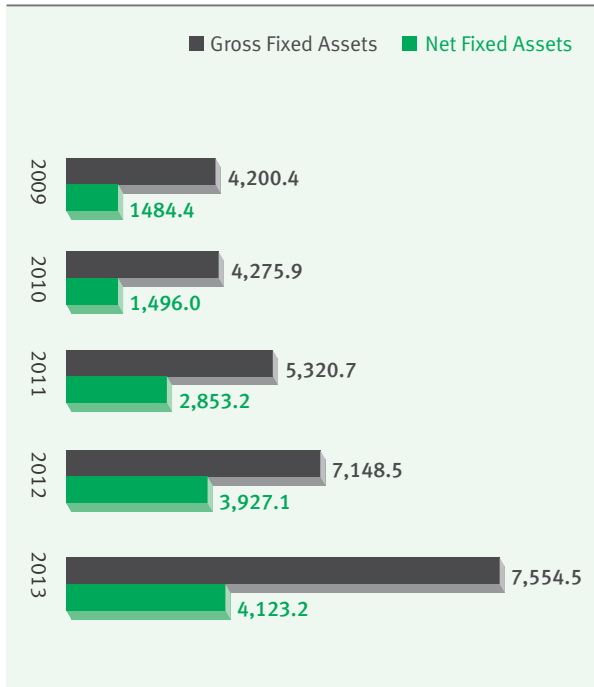
Raj Sarraf
Company Secretary

Mumbai: February 11, 2014

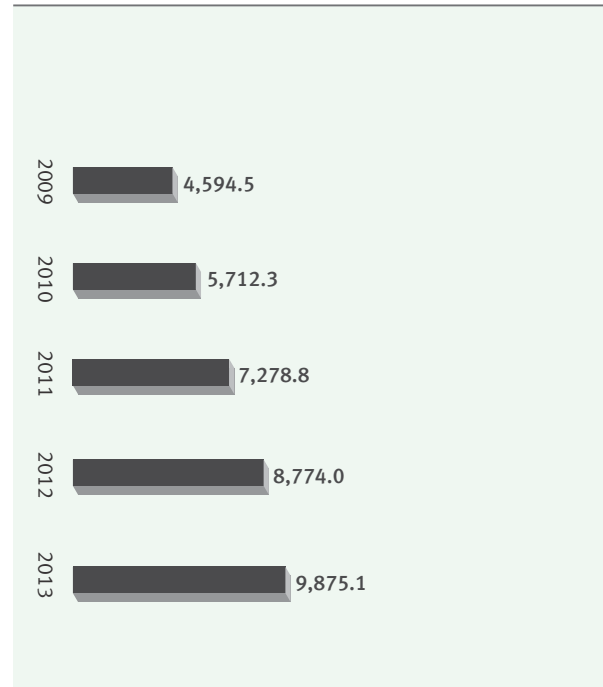
PERFORMANCE HIGHLIGHTS

(₹ in million)

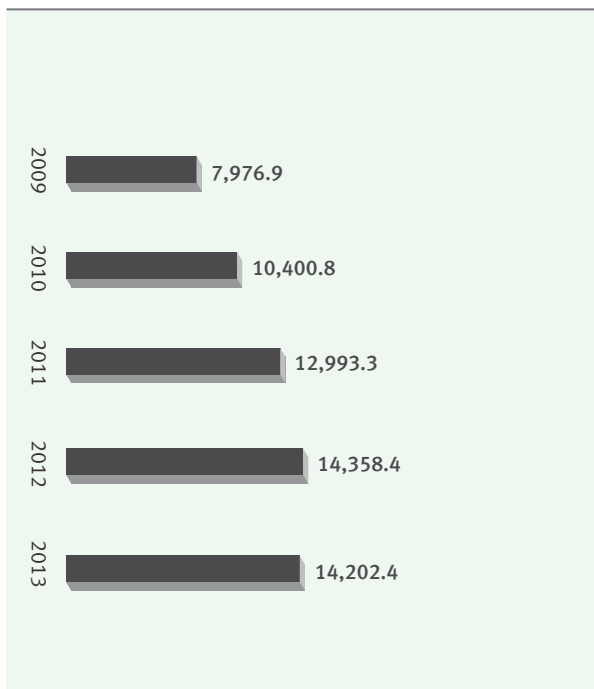
GROSS & NET FIXED ASSETS



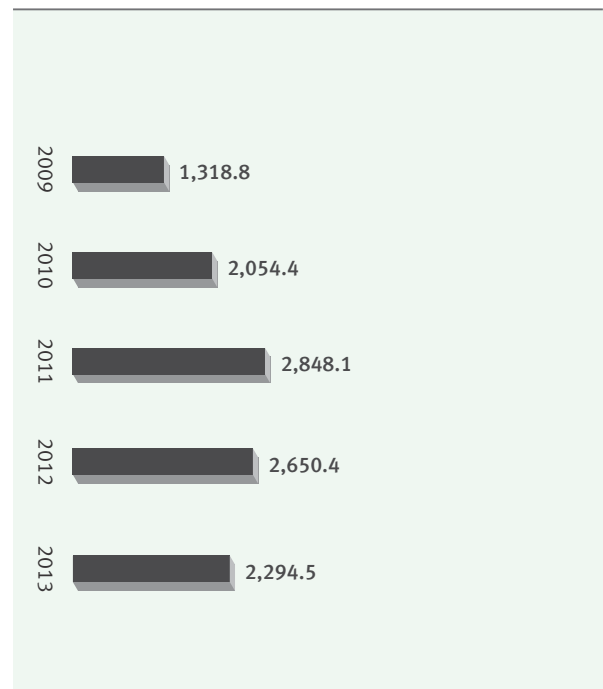
NET WORTH



SALES (NET)

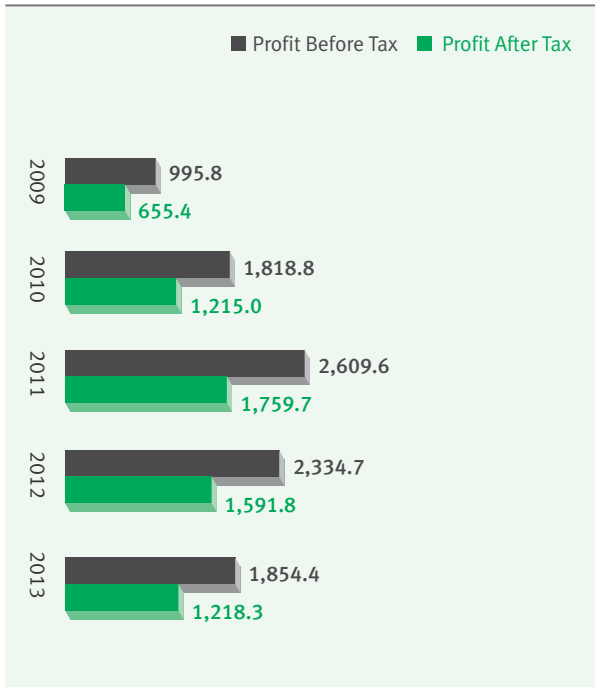


GROSS OPERATING PROFIT

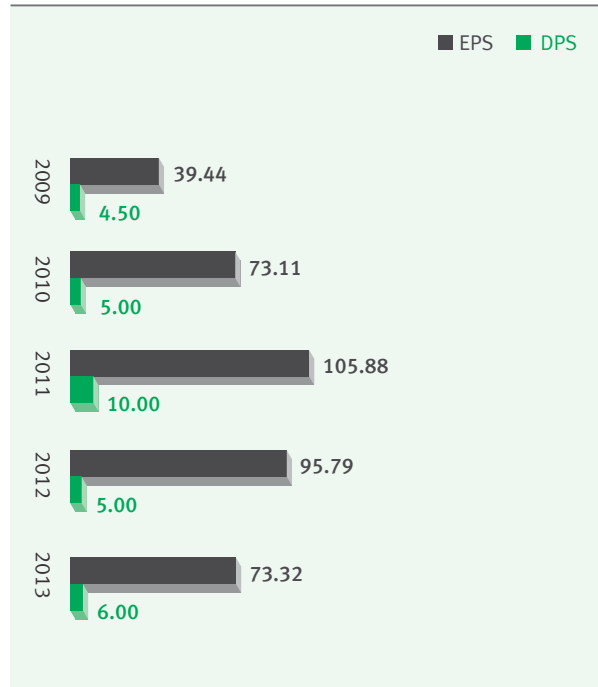


(₹ in million)

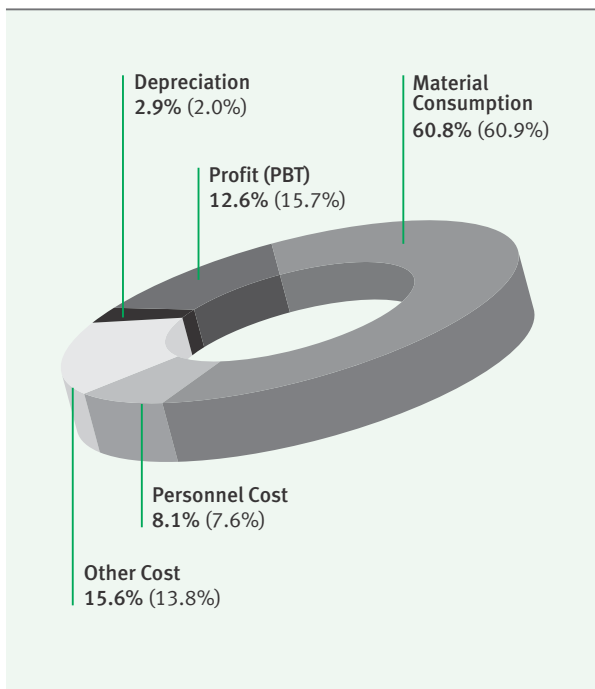
PROFIT BEFORE & AFTER TAX



EARNINGS & DIVIDEND PER SHARE

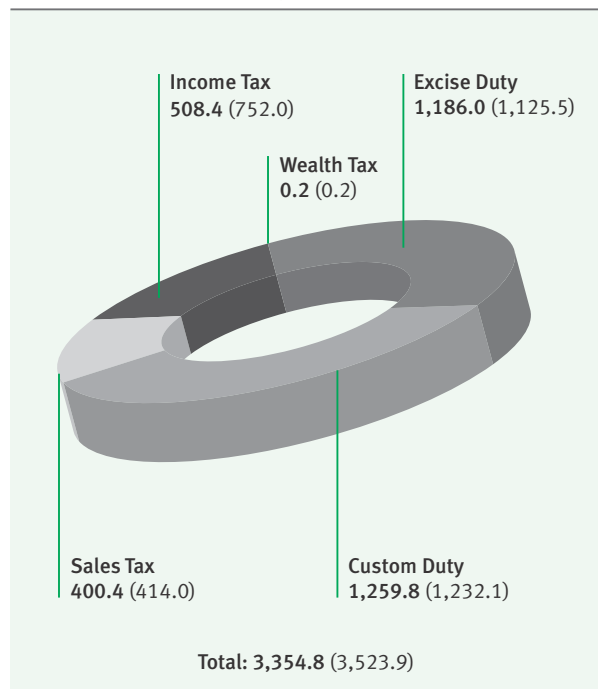


DISTRIBUTION OF INCOME



(Bracket denote previous year's figures)

CONTRIBUTION TO EXCHEQUER



(Bracket denote previous year's figures)

(₹ in million)

| Year | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------------------------|----------|----------|----------|----------|---------|---------|---------|---------|---------|---------|
| SOURCES OF FUNDS | | | | | | | | | | |
| Share capital | 166.2 | 166.2 | 166.2 | 166.2 | 166.2 | 166.2 | 166.2 | 166.2 | 166.2 | 166.2 |
| Reserves* | 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 | 1,212.2 |
| Net worth* | 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 | 1,378.4 |
| Borrowings - long-term | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Funds employed | 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 | 1,378.4 |
| INCOME AND PROFITS | | | | | | | | | | |
| Sales (Net) | 14,202.4 | 14,358.4 | 12,993.3 | 10,400.8 | 7,976.9 | 7,444.1 | 6,413.0 | 5,420.4 | 4,083.2 | 3,231.2 |
| Gross operating profit | 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 | 601.1 |
| Profit before tax | 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 | 434.0 |
| Tax | 636.1 | 742.9 | 849.9 | 603.8 | 340.4 | 516.3 | 449.5 | 370.8 | 198.7 | 125.2 |
| Profit after tax | 1,218.3 | 1,591.8 | 1,759.7 | 1,215.0 | 655.4 | 957.2 | 795.3 | 737.0 | 478.9 | 308.8 |
| Dividend Per Share (₹)** | 6.0 | 5.0 | 10.0 | 5.0 | 4.5 | 4.5 | 4.0 | 4.0 | 3.5 | 3.5 |
| Retained earnings | 1,101.0 | 1,495.2 | 1,566.5 | 1,117.8 | 567.9 | 869.7 | 715.5 | 661.2 | 412.0 | 243.0 |
| OTHER DATA | | | | | | | | | | |
| Gross fixed assets | 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 | 2,709.4 |
| Net worth Per Equity (₹) | 594.3 | 528.0 | 438.0 | 343.8 | 276.5 | 242.3 | 190.0 | 147.5 | 107.7 | 82.9 |
| Debt equity ratio | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Current ratio | 2.4 | 2.9 | 2.7 | 3.1 | 3.2 | 2.8 | 2.5 | 2.1 | 1.8 | 1.9 |
| Production (Nos. in million) | 91.6 | 80.7 | 78.3 | 67.7 | 47.7 | 46.4 | 45.1 | 44.1 | 32.3 | 27.2 |
| Sales (Nos. in million) | 92.9 | 81.5 | 77.4 | 66.3 | 49.2 | 45.4 | 44.6 | 43.0 | 32.1 | 28.4 |
| Employees (Nos.)# | 1,495 | 1,580 | 1,456 | 1,343 | 1,334 | 1,375 | 1,282 | 1,157 | 1,037 | 1,031 |
| Shareholders (Nos.)# | 7,808 | 8,465 | 8,205 | 7,876 | 7,276 | 7,623 | 7,439 | 7,714 | 8,033 | 8,823 |

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

To
The Member(s)
FAG Bearings India Limited

Notice is hereby given that the Fifty First Annual General Meeting of "FAG BEARINGS INDIA LIMITED" will be held on Thursday, April 24, 2014 at 3:00 p.m. at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021, to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at December 31, 2013 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, 2013.
3. To appoint a Director in place of Mr. Avinash Gandhi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Moreshwar Garde, 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 Mr. Robert Schullan, who was appointed with effect from October 31, 2013 by the Board and pursuant to provisions of Section 260 of the Companies Act, 1956 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 257 of the Companies Act, 1956 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, 1956, Mr. Robert Schullan be and is hereby appointed as Director of the Company".

"**FURTHER RESOLVED THAT** the Managing Director, the Chief Financial Officer or the Company Secretary of the Company be and are hereby severally authorised to take the necessary actions and complete all the legal formalities related thereto".

7. To appoint a Director in place of Mr. Dietmar Heinrich, who was appointed with effect from February 11, 2014 by the Board and pursuant to provisions of Section 260 of the Companies Act, 1956 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 257 of the Companies Act, 1956 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, 1956, Mr. Dietmar Heinrich be and is hereby appointed as Director of the Company".

"**FURTHER RESOLVED THAT** the Managing Director, the Chief Financial Officer or the Company Secretary of the Company be and are hereby severally authorised to take the necessary actions and complete all the legal formalities related thereto".

8. To appoint a Director in place of Mr. Dharmesh Arora, who was appointed with effect from February 11, 2014 by the Board and pursuant to provisions of Section 260 of the Companies Act, 1956 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 257 of the Companies Act, 1956 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, 1956, Mr. Dharmesh Arora be and is hereby appointed as Director of the Company".

"**FURTHER RESOLVED THAT** the Managing Director, the Chief Financial Officer or the Company Secretary of the Company be and are hereby severally authorised to take the necessary actions and complete all the legal formalities related thereto".

(₹ in million)

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

"**RESOLVED THAT** the re-appointment of Mr. Rajendra Anandpara (DIN: 02461259), as Managing Director by the Board of Directors be and is hereby confirmed w.e.f. August 1, 2014 for a period of five years on the terms and conditions as agreed between the Company and Mr. Anandpara and whose office shall not be liable to retirement by rotation".

"**FURTHER RESOLVED THAT** in accordance with the applicable provisions of the Companies Act, 1956 and other applicable provisions and the provisions of Companies Act, 2013 (to the extent they are in force and applicable) and subject to other consents, if any, the approval of the Company be and is hereby accorded to re-appointment of Mr. Rajendra Anandpara as Managing Director at such salary and perquisites as per details given below".

| Sr. No. | Particulars | Amount (p.a.) |
|---------|---|---------------|
| A | Fixed Base Salary | 3,850,000 |
| B | Performance Bonus | 1,650,000 |
| C | House Rent Allowance | 508,000 |
| D | Perquisites And Other Allowances | 2,262,000 |
| E | Company's Contribution (Provident Fund & Superannuation Fund) | 1,039,000 |

"**FURTHER RESOLVED THAT** the Managing Director shall also be eligible to the following which shall not be included in the computation of the ceiling on remuneration specified above";

- The Company shall reimburse Mr. Anandpara's travelling and out of pocket expenses in accordance with the Rules of the Company.
- Mr. Anandpara shall be entitled to use an automobile selected by the Company with driver when performing his duties as Managing Director of the Company as well as for private purposes in India. The cost associated with such automobile, including fuel and maintenance expense, shall be to the Company's account. Any income tax levied on the personal use of the Company car shall be borne by Mr. Anandpara.
- Mr. Anandpara shall be entitled to his annual leave during the course of his employment as per the Rules of the Company. Generally, such annual leave must be taken within the current calendar year.
- Should Mr. Anandpara be unable, due to sickness or accident or other incapacity, to discharge the duties being performed by him, leave of up to one month in a year shall be available to him.

"**FURTHER RESOLVED THAT** subject to the overall ceiling as stipulated in the Companies Act, 1956, or in the Companies Act, 2013, whichever of the two shall happen to be in force at the relevant time, the Board be and is hereby authorised to approve increase by way of annual increment as it may think fit within the overall remuneration limit of the Managing Director for the period up to and including 2019 which is as follows":

| Sr. No | Particulars | Amount (p.a.) |
|--------|---|---------------|
| A | Fixed Base Salary | 7,000,000 |
| B | Performance Bonus | 3,000,000 |
| C | House Rent Allowance | 800,000 |
| D | Perquisites And Other Allowances | 3,600,000 |
| E | Company's Contribution (Provident & Superannuation) | 1,890,000 |

"**FURTHER RESOLVED THAT** a fresh Employment Agreement between the Company and Mr. Anandpara for the period August 1, 2014 to July 31, 2019 (on terms and conditions largely similar to those contained in the existing Employment Agreement dated August 1, 2009 barring such modifications as the Board may deem necessary to be incorporated therein) be and is hereby approved".

"**FURTHER RESOLVED THAT** if in any financial year, the Company has no profits or, its profits are inadequate, the remuneration payable to the Managing Director shall be in accordance with the provisions of Schedule XIII of the Companies Act, 1956 or Schedule V of the Companies Act, 2013 read with the rules thereunder, whichever of the two shall happen to be in force at the relevant time, or other applicable rules, if any, and he shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified above";

- (a) Contribution to the Provident Fund and Superannuation Fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961,
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service as per the rules of the Company, and
- (c) Encashment of leave at the end of the tenure as per Rules of the Company.

"FURTHER RESOLVED THAT any one of the existing Directors or the Chief Financial Officer or the Company Secretary of the Company be and is hereby authorised to take the necessary actions and complete all legal formalities".

Registered Office:
Nariman Bhavan, 8th Floor, 227, Backbay Reclamation,
Nariman Point, MUMBAI - 400 021

By Order of the Board

February 11, 2014

Raj Sarraf
Company Secretary

NOTES:

1. A MEMBER, ENTITLED TO ATTEND AND VOTE AT THIS 51ST 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. 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, 2014.
3. The Company has notified closure of Register of Members and the Transfer Books from April 1, 2014 to April 5, 2014 (both days inclusive) to determine entitlement of dividend on equity shares. The Book closure dates have been fixed in consultation with Stock Exchanges. 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, 2014. 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.
4. (a) Shareholders, who have not encashed the dividend warrants for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 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 2005 were transferred to the Investor Education and Protection Fund in time.
5. National Electronic Clearing Service (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, 2014.
6. The Ministry of Corporate Affairs, New Delhi (MCA) has taken "Green Initiative" by permitting paperless compliance by companies vide its Circular No.17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 after considering certain provisions of the Information Technology Act, 2000 and has clarified that the service of documents by a company can be made through electronic mode instead of sending physical copy of document(s). 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
7. Members, who have not yet dematerialised their shares, are recommended to get their shares dematerialised at the earliest.
8. Statement under Section 102 of the Companies Act, 2013 in respect of Item Nos. 6 to 9 under "Special Business", is attached hereto.

Statement under Section 102 of the Companies Act, 2013 relating to Special Business mentioned in the Notice convening the 51st Annual General Meeting;

ITEM No. 6

The Board appointed Mr. Robert Schullan as an Additional Director with effect from October 31, 2013. Mr. Schullan has professional qualification in Mechanical Engineering. He is presently, Member of the Executive Board of Schaeffler AG and CEO Industrial Division of Schaeffler Group.

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 ₹ 500/- in terms of Section 257 of the Companies Act, 1956 has been received by the Company.

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

ITEM No. 7

The Board appointed Mr. Dietmar Heinrich as an Additional Director with effect from February 11, 2014. Mr. Heinrich is a qualified Industrial Engineer. He is presently, Chief Financial Officer of the EMEA region of the Schaeffler Group.

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 ₹ 500/- in terms of Section 257 of the Companies Act, 1956 has been received by the Company.

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

ITEM No. 8

The Board appointed Mr. Dharmesh Arora as an Additional Director with effect from February 11, 2014. Mr. Arora has professional qualification in Mechanical Engineering and Business Administration. He is presently, President & CEO, of Schaeffler India.

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 ₹ 500/- in terms of Section 257 of the Companies Act, 1956 has been received by the Company.

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

ITEM No. 9

Mr. Rajendra Anandpara was appointed as the **Managing Director** with effect from August 1, 2009 for a period of 5 years which ends on July 31, 2014. The Directors are of the view that his services and expert guidance would continue to be useful for the growth of the Company in the future as well and therefore recommend his re-appointment for another period of 5 years.

The terms and conditions of the fresh Employment Agreement will be largely similar to those contained in the existing Employment Agreement dated August 1, 2009 - barring such modifications as the Board may deem necessary to be incorporated therein. The said terms and conditions will be as follows:

A. DUTIES AND POSITION:

- Mr. Anandpara agrees to serve the Company in the capacity of Managing Director for the period August 1, 2014 to July 31, 2019 (subject to earlier termination as hereinafter provided) on the terms and conditions herein contained. Six months prior to the end of the period for which Mr. Anandpara has been appointed, both parties shall mutually agree on whether Mr. Anandpara shall be reappointed as Managing Director for a further period.
- Mr. Anandpara will be overall in charge of all operations of the Company. He shall exercise his powers subject to superintendence, control and directions of the Board of Directors of the Company. He shall report to the Chairman of the Company and on an operational level also to the President Schaeffler in India.

Mr. Anandpara shall faithfully adhere to, execute and fulfil all policies and guidelines as may from time to time be established by the Board of Directors of the Company and by the Corporate Headquarters of the Schaeffler Group, duly noted by the Board of Directors of the Company.

Irrespective of his authority to represent the Company externally within the limits of the power of attorney granted to him and in accordance with the Articles of Association, special shareholders' resolutions or statutory laws, Mr. Anandpara is obliged to observe all Schaeffler Group guidelines and procedures applicable internally to him and to the Company and to ensure that they are observed within the Company, especially with regard to the rights, obligations and restrictions of the Approval Guideline P 170002 as applicable in India to the extent that such Schaeffler Group Guidelines have been taken note of by the Board of Directors of the Company.

Mr. Anandpara further undertakes to ensure adherence to the compliance standards applicable within the Schaeffler Group. This includes in particular observance of the "Anti-Bribery and Anti-Corruption Guideline" (on the handling of acceptance of gratuities and gifts) and the "Competition and Antitrust Guideline" (relating to dealings with competitors and business partners). Mr. Anandpara confirms that he has knowledge of the content of the foresaid guidelines and agrees that he shall take necessary measures to reinforce compliance environment in the Company.

- Mr. Anandpara shall devote the whole of his time and attention to the affairs of the Company and shall not, without its express consent in writing, engage in any business, profession or occupation (whether or not competing with its business) or become a director, consultant, partner or owner thereof.
- Mr. Anandpara shall well and faithfully serve the Company and use his best endeavours to promote the interest thereof. He shall not, while an employee thereof or thereafter, directly or indirectly, divulge any information concerning the affairs, or any information of whatever nature, which he shall have acquired

during his employment, to anyone or to use it for any purpose except performance of his duties in terms of this agreement.

B. REMUNERATION AND BENEFITS:

Mr. Anandpara shall be entitled to receive the remuneration under the fresh Employment Agreement, a brief details of which are as under;

(i) Basic Salary:

₹ 3.850 million per annum from August 1, 2014 to December 31, 2014. The Board is authorized to grant increase by way of annual increment as it may think fit within the overall limit of ₹ 7.000 million per annum for the period up to and including 2019.

(ii) Performance Bonus:

₹ 1.650 million per annum for 2014 and within the maximum of ₹ 3.000 million per annum for the period up to and including 2019 as may be decided by the Board of Directors.

(iii) House Rent Allowance:

₹ 0.508 million per annum for 2014 and within the maximum of ₹ 0.800 million per annum for the period up to and including 2019 as may be decided by the Board of Directors.

(iv) Perquisites and Other Allowances:

₹ 2.262 million per annum for 2014 and within the maximum of ₹ 3.600 million per annum for the period up to and including 2019 as may be decided by the Board of Directors.

(v) Company's Contribution to Provident Fund and Superannuation Fund:

₹ 1.039 million per annum for 2014 and within the maximum of ₹ 1.890 million per annum for the period up to and including 2019 as may be decided by the Board of Directors.

The Managing Director shall also be eligible to the following, which shall not be included in the computation of the ceiling on remuneration specified above;

- The Company shall reimburse Mr. Anandpara's travelling and out of pocket expenses in accordance with the Rules of the Company.
- Mr. Anandpara shall be entitled to use an automobile selected by the Company with driver when performing his duties as Managing Director of the Company as well as for private purposes in India. The cost associated with such automobile, including fuel and maintenance expense, shall be on the Company's account. Any income tax levied on the personal use of the Company car shall be borne by Mr. Anandpara.
- Mr. Anandpara shall be entitled to his annual leave during the course of his employment as per the rules of the Company. Generally, such annual leave must be taken within the current calendar year.
- Should Mr. Anandpara be unable, due to sickness or accident or other incapacity, to discharge the duties being performed by him, leave of up to one month in a year shall be available to him.

C. RESTRAINT OF TRADE / SOLICITATION:

Mr. Anandpara shall not, without the consent of Board of the Company, during the continuation of his employment and for a period of 12 (twelve) months thereafter be directly or indirectly

employed, engaged, concerned or interested in any trade, profession or business which;

- is wholly or partly in competition with any business carried on by the Company by itself or in partnership, common ownership or as a joint venture with any third party; or
- as regards any goods or service is a supplier to or customer of the Company.

Mr. Anandpara shall not, during the continuation of his employment and for a period of 12 (twelve) months thereafter, for any reason whatsoever (including the termination or purported termination of this agreement by the Company in breach of its terms), in competition with the Company or any of its Associated Company either alone or jointly with or on behalf of any other person, directly or indirectly, as principal, partner, agent, shareholder, Director, employee, consultant or otherwise howsoever solicit the employment or engagement of or procure or assist any third party so to solicit any Director, Senior Manager or Manager of the Company or any Associated Company with whom he has personally dealt (whether or not such person would commit any breach of his contract with the Company or any Associated Company).

D. OTHER TERMS AND CONDITIONS:

- (i) At the end of the tenure, Mr. Anandpara will further be entitled to encashment of any earned leave not availed of by him at the rate of the last drawn salary.
- (ii) As per the Gratuity Act, 1972, Mr. Anandpara shall, on ending service with the Company, be entitled to 15 days' base salary for every completed year of service or part thereof in excess of six months. This amount is not payable to him during his service period.
- (iii) The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or a Committee thereof.
- (iv) In case of death during the course of his employment, the Company will pay to his heirs, the salary and other accumulated emoluments payable to him up till the month of said casualty.

The above may be treated as an abstract under Section 302 of the Companies Act 1956 read with Section 190 of the Companies Act, 2013, if applicable.

A copy of the Employment Agreement that will be entered into between the Company on the one part and Mr. Anandpara on the other part is open for inspection by the members at the Registered Office or at the Head Office of the Company on any working day between 10.00 a.m. and 12.00 noon till the Annual General Meeting.

The re-appointment and remuneration paid / payable to Mr. Anandpara is required to be approved by the shareholders in the General Meeting and accordingly this resolution is being placed before the members for approval. The Board of Directors recommends the resolution for acceptance by the shareholders.

Mr. Anandpara is not holding any equity shares in the Company.

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

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

Registered Office:

Nariman Bhavan, 8th Floor, 227, Backbay Reclamation,
Nariman Point, MUMBAI - 400 021

February 11, 2014

By Order of the Board

Raj Sarraf
Company Secretary

To:

Link Intime India Private Limited

The Registrar & Share Transfer Agent

Unit: FAG Bearings India Limited

B-102 & 103, Shangrila Complex, 1st Floor,
Opp. HDFC Bank, Nr. Radhakrishna Char Rasta, Akota,
VADODARA (Gujarat) - 390 020, INDIA.
E-mail: vadodara@linkintime.co.in

Dear Sirs,

Subject: Update my / our e-mail address in your records.

Please note my / our following e-mail address 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 holder where he / she would like notice / documents to be served by the Company

5 E-mail address of the second / third named shareholder / beneficial holder where he / she would like notice / documents to be served by the Company

6 Contact numbers

Date:

Place:

Signature of the Shareholder

ATTENDANCE SLIP

FAG

FAG BEARINGS INDIA LIMITED

Registered Office: "Nariman Bhavan", 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the 51st Annual General Meeting of the Company at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jammalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 on Thursday, April 24, 2014 at 3:00 pm

Member's / Proxy's Name (in BLOCK letters)

DP ID*

Folio No.

Client ID*

No. of Shares

* Applicable only for Investors Holding Shares in Electronic Form.

Note: Please fill in this attendance slip and hand it over at the **ENTRANCE OF THE HALL.**

Shareholders attending the meeting are requested to bring their copies of the Annual Report with them.

Member's / Proxy's Signature

PROXY FORM

FAG

FAG BEARINGS INDIA LIMITED

Registered Office: "Nariman Bhavan", 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021

DP ID*

Client ID*

Folio No.

I/We

of

in the district of

being a Member/s of the Company hereby appoint

of

in the district of

or failing him

of

in the district of

as my / our proxy to vote for me / us on

my / our behalf at the 51st Annual General Meeting of the Company to be held at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jammalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 on Thursday, April 24, 2014 at 3:00 pm and at any adjournment thereof.

Signed this

(Date)

day of

(Month)

2014.

Place

Signature

* Applicable only for Investors Holding Shares in Electronic Form.

Note: This form in order to be effective should be duly stamped, completed and signed must be deposited at the Registered Office at the Company, not less than 48 hours before 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.

- 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.

- 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, 2014, 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.

NATIONAL ELECTRONIC CLEARING SERVICE - MANDATE FORM

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

| FOR SHARES HELD IN PHYSICAL MODE | FOR SHARES HELD IN ELECTRONIC MODE |
|--|--|
| To: Link Intime India Private Limited The Registrar & Share Transfer Agent Unit: FAG Bearings India Limited B-102 & 103, Shangrila Complex, 1st Floor, Opp. HDFC Bank, Nr. Radhakrishna Char Rasta, Akota, VADODARA (Gujarat) - 390 020, INDIA. | To, (Name & Address of Depository Participant) _____ _____ _____ |

Dear Sirs,

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 under the Demat Account mentioned 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 appears on Cheque Book | Bank Ledger No. / Bank Ledger Folio No. if any appearing on the Cheque Book | PAN / GIR No. |
|-----------------------------------|--|---------------|
|-----------------------------------|--|---------------|

Address of the Sareholder

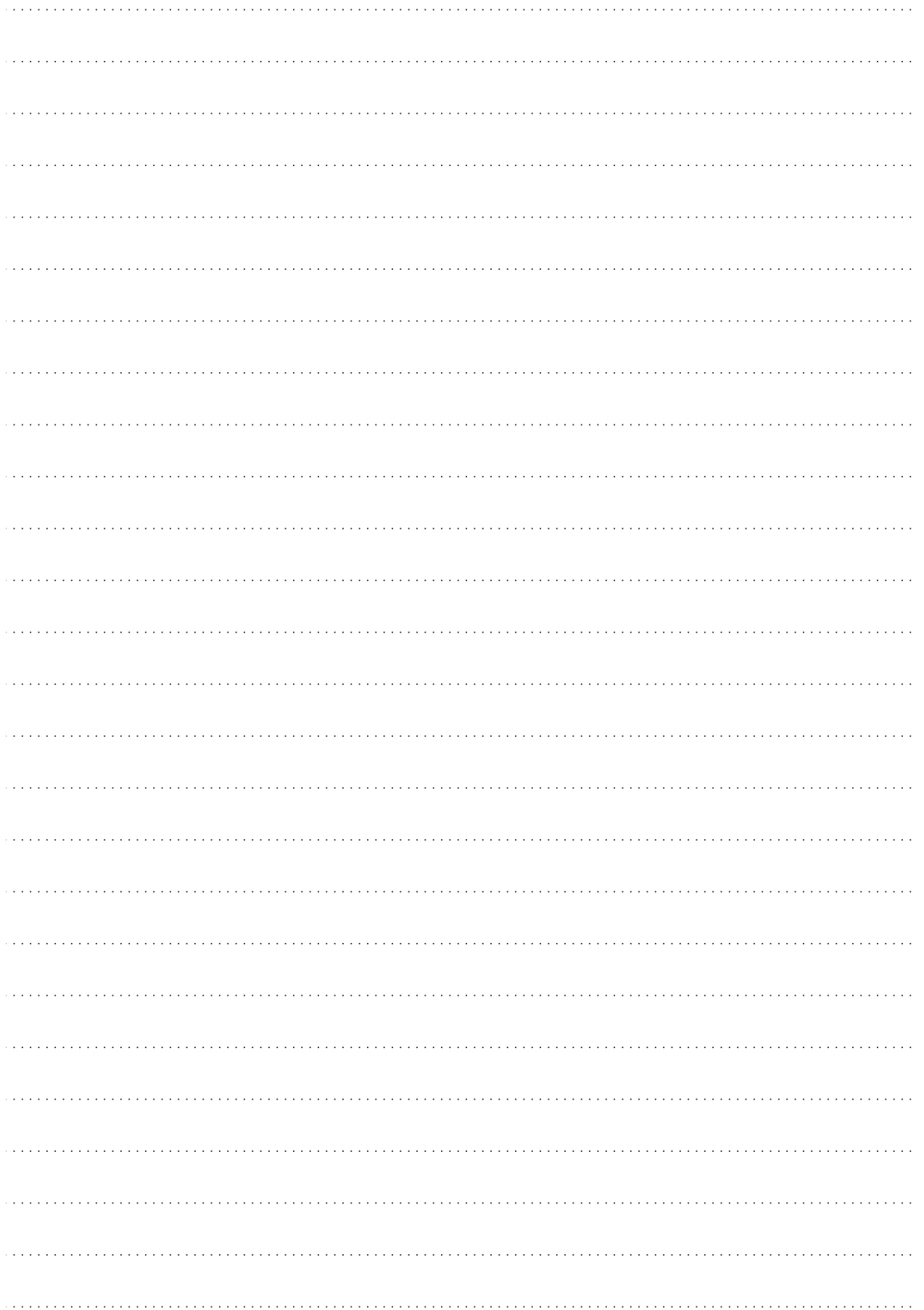
I / We enclose a blank cancelled cheque / xerox copy of cheque / front page of Savings Bank Passbook to enable you to verify the details. (This is required only in case of NECS).

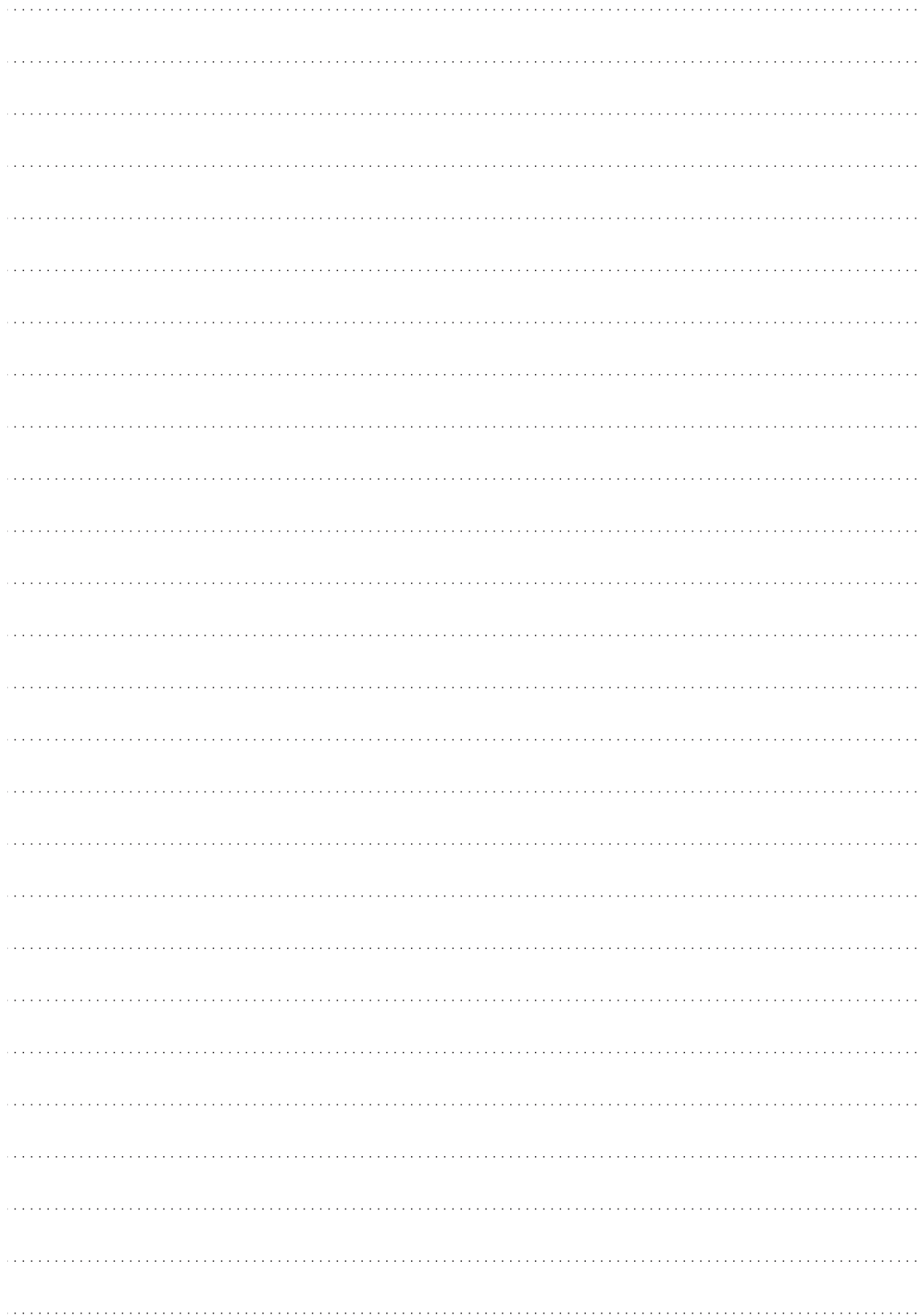
I / We hereby declare that the particulars given above are correct and complete. If the transacting is delayed because of incomplete or incorrect information, I / We would not hold the Company / the user institution responsible. I / We undertake to inform any subsequent changes in the above particulars 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





At FAG, "WE" represents a strong collective energy of a family - the FAG family. Wee Wonder FAG Children Club provides excellent platform to our employees' children to meet, make friends, share ideas and above all build lasting relationships.



While continuously creating value for itself and its stakeholders, FAG keeps looking for opportunities to make contributions towards the betterment of the society. It continues to connect with several voluntary organisations such as Lion's Blind Girls School, Mook Dhvani Trust, Old age Home and Bal Gokulam Trust at Vadodara, and lends need-based support to these institutions.

FAG Bearings India Limited

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