

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, accounting standards issued by Institute of Chartered Accountants of India (ICAI), other accounting principles generally accepted in India and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on an accrual basis except for certain financial instruments which are measured on a fair value 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 million rounded off to one decimal place.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Act. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

(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) Pursuant to the Schedule II to the Act being applicable to Company with effect from January 1, 2015, depreciation is provided on straight line method and the Company has adopted the useful lives as specified in Part 'C' of Schedule II of the Act (refer note 10).

(iii) Assets individually costing ₹ 5,000 or less are depreciated fully in the year when the assets are put to use.

(b) Intangible assets:

These are amortised on straight line method 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.

for the year ended December 31, 2015

(G) Foreign Currency Transactions

Initial Recognition

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

Conversion

Foreign currency monetary items are reported using the closing rate.

Exchange Differences

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

Derivatives

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

in the same period in which the hedged item affects the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in hedging reserve is reclassified in the Statement of Profit and Loss. Also refer note 42.

(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, returns, trade discounts and volume rebates.
- (ii) Commission income on indenting business is recognised based on intimation received for sales made.
- (iii) Dividend income from investments is recognised when the Company's right to receive payment is established.
- (iv) Interest income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (v) Claims are accounted to the extent lodged with the appropriate authorities. Export incentives are accounted on accrual basis based on shipment.
- (vi) Rental Income is accounted for on accrual basis.

(I) Employee Benefits

(i) Short-term employee benefits:

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

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

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

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of certain employees towards Provident Fund to a Company managed PF Trust. The contributions are

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

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

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

(L) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and equivalent diluted equity shares outstanding during the year, except where the results would be 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 recognized when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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

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

(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.

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(₹ in million)

2 SHARE CAPITAL	31.12.2015	31.12.2014
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 31.12.2015		As at 31.12.2014	
	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 31.12.2015		As at 31.12.2014	
	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 31.12.2015		As at 31.12.2014	
	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	31.12.2015	31.12.2014
Capital Reserves		
Opening Balance	-	-
Add: Arising pursuant to scheme of amalgamation (refer note 44)	5.2	-
Closing Balance	5.2	-
Securities premium account	200.2	200.2
Revaluation Reserve		
At the commencement of the year	19.8	20.4
Less: Transferred to Surplus (Profit and Loss balance) / Statement of Profit and Loss on account of additional depreciation on revalued assets (refer note 28)	(0.6)	(0.6)
Closing Balance	19.2	19.8
General Reserve		
At the commencement of the year	3,418.4	3,018.4
Add: Transfer from surplus	400.0	400.0
Closing Balance	3,818.4	3,418.4

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for the year ended December 31, 2015

...Continued

(₹ in million)

	31.12.2015	31.12.2014
Hedging Reserves (refer note 42)		
At the commencement of the year	(203.0)	–
Net transfer during the year	211.6	(203.0)
Closing Balance	8.6	(203.0)
Surplus (Profit and Loss balance)		
At the commencement of the year	7,473.3	6,490.3
Add: net profit for the current year	1,974.8	1,528.8
Add: Amount transferred on account of depreciation on revalued assets from revaluation reserve	0.6	–
Less: Adjustment for depreciation (net of deferred tax ₹ 31.2 million) (refer note 10)	58.8	–
Less: Amount transferred pursuant to the scheme of amalgamation (refer note 44)	109.4	–
Appropriations:		
Less: proposed dividend	166.2	124.6
Less: tax on proposed dividend	39.7	21.2
Less: transferred to general reserve	400.0	400.0
Closing Balance	8,674.6	7,473.3
Total	12,726.2	10,908.7

4 DEFERRED TAX LIABILITIES (NET)	31.12.2015	31.12.2014
Deferred tax liabilities		
Excess of depreciation / amortisation on fixed assets under Income-tax law over depreciation / amortisation provided in accounts	184.1	251.0
Others	–	0.2
	184.1	251.2
Deferred tax assets		
Provision for employee benefits	84.6	83.1
Provision for expenses	6.0	9.2
Provision for doubtful trade receivables	6.7	4.9
	97.3	97.2
Total	86.8	154.0

5 OTHER LONG-TERM LIABILITIES	31.12.2015	31.12.2014
Security deposits from customers and vendors	14.5	15.2
Total	14.5	15.2

6 LONG-TERM PROVISIONS	31.12.2015	31.12.2014
Provision for employee benefits		
Gratuity	16.6	19.5
Leave encashment	189.1	191.9
Other provisions		
Provision for tax and other statutory matters (being litigated)*	10.5	52.0
Provision for corporate tax (net of advance tax)	4.6	65.6
Total	220.8	329.0

* 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)**

	31.12.2015	31.12.2014
Provision for tax and other statutory matters (being litigated)		
At the commencement of the year	52.0	50.0
Provision made during the year	3.6	2.0
Provision utilised during the year	(45.1)	–
At the end of the year	10.5	52.0

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for the year ended December 31, 2015

(₹ in million)

7 TRADE PAYABLES	31.12.2015	31.12.2014
Trade payables		
Total outstanding dues to micro and small enterprise and (refer note 45)	–	–
Total outstanding dues of creditors other than micro and small enterprise	2,404.8	2,160.6
Total	2,404.8	2,160.6

8 OTHER CURRENT LIABILITIES	31.12.2015	31.12.2014
Employee liabilities		
- Personnel cost	54.4	48.0
- Contribution to provident fund	4.5	3.9
Accrued expenses	120.4	100.2
Creditors for capital goods	193.7	54.4
Advances from customers / dealers	98.8	81.2
Unclaimed dividends*	4.3	4.0
Service tax payable	4.5	2.2
Excise duty payable	50.9	11.9
TDS payable	13.9	11.5
Other statutory dues	39.2	42.0
Other payables	105.8	60.7
Total	690.4	420.0

* 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	31.12.2015	31.12.2014
Provision for employee benefits		
Current portion of leave encashment	35.8	39.6
Other provisions		
Provision for proposed dividend	166.2	124.6
Provision for tax on proposed dividend	34.8	21.2
Provision for wealth tax	0.3	0.3
Provision for warranties*	7.0	2.5
Total	244.1	188.2

* 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)**

	31.12.2015	31.12.2014
Warranties		
At the commencement of the year	2.5	2.5
Provision made during the year	6.2	1.8
Provision utilised during the year	(1.7)	(1.8)
At the end of the year	7.0	2.5

10 FIXED ASSETS

TANGIBLE FIXED ASSETS	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Total
Gross block								
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

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for the year ended December 31, 2015

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(₹ in million)

TANGIBLE FIXED ASSETS	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Total
Balance as at Jan. 1, 2014	19.4	121.8	635.8	6,408.4	115.8	40.5	18.7	7,360.4
Additions	-	-	6.6	201.6	6.0	1.4	3.4	219.0
Disposals	-	-	2.0	232.1	4.6	1.2	9.6	249.5
Balance as at Dec. 31, 2014	19.4	121.8	640.4	6,377.9	117.2	40.7	12.5	7,329.9
Balance as at Jan. 1, 2015	19.4	121.8	640.4	6,377.9	117.2	40.7	12.5	7,329.9
Adjustment pursuant to scheme of amalgamation (refer note 44)	-	-	-	34.7	3.9	0.3	-	38.9
Additions	-	-	10.0	461.3	9.9	0.7	-	481.9
Disposals	-	-	-	69.4	0.1	0.2	0.6	70.3
Balance as at Dec. 31, 2015	19.4	121.8	650.4	6,804.5	130.9	41.5	11.9	7,780.4
Depreciation								
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
Balance as at Jan. 1, 2014	-	-	132.9	3,171.5	56.1	8.8	7.7	3,377.0
Depreciation for the year	-	-	20.3	456.9	6.3	2.0	2.2	487.7
Accumulated depreciation on disposal	-	-	1.2	224.6	2.7	0.5	5.2	234.2
Balance as at Dec. 31, 2014	-	-	152.0	3,403.8	59.7	10.3	4.7	3,630.5
Balance as at Jan. 1, 2015	-	-	152.0	3,403.8	59.7	10.3	4.7	3,630.5
Adjustment pursuant to scheme of amalgamation (refer note 44)	-	-	-	17.7	1.1	0.1	-	18.9
Depreciation for the year	-	-	19.8	609.1	9.4	12.4	2.1	652.8
Adjustment on account of adoption of Schedule II (refer note below)	-	-	0.5	76.9	6.6	5.9	-	89.9
Accumulated depreciation on disposal	-	-	-	67.6	0.1	0.1	0.3	68.1
Balance as at Dec. 31, 2015	-	-	172.3	4,039.9	76.7	28.6	6.5	4,324.0
Net Block								
As at Dec. 31, 2014	19.4	121.8	488.4	2,974.1	57.5	30.4	7.8	3,699.4
As at Dec. 31, 2015	19.4	121.8	478.1	2,764.6	54.2	12.9	5.4	3,456.4

On account of applicability of Schedule II of the Companies Act, 2013, depreciation charge for the year ended December 31, 2015 is higher by ₹ 147.6 million due to adoption of the estimated useful life of assets as prescribed in Schedule II. Further, an amount of ₹ 58.8 million has been adjusted against the opening balance of Surplus (Profit and Loss account), net of deferred tax of ₹ 31.2 million on January 1, 2015, in respect of the residual value of assets wherein the remaining useful life has become 'nil'.

INTANGIBLE FIXED ASSETS	Non compete fees	Software	Technical Know-how Fees	Total
Gross block				
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
Balance as at Jan. 1, 2014	-	46.7	13.1	59.8
Additions	-	3.9	-	3.9
Balance as at Dec. 31, 2014	-	50.6	13.1	63.7
Balance as at Jan. 1, 2015	-	50.6	13.1	63.7
Adjustment pursuant to scheme of amalgamation (refer note 44)	10.0	-	-	10.0
Additions	-	0.1	-	0.1
Disposals	-	0.3	-	0.3
Balance as at Dec. 31, 2015	10.0	50.4	13.1	73.5

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(₹ in million)

INTANGIBLE FIXED ASSETS	Non Compete Fees	Software	Technical Know-how Fees	Total
Amortisation				
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
Balance as at Jan. 1, 2014	–	41.2	13.1	54.3
Amortisation for the year	–	6.4	–	6.4
Balance as at Dec. 31, 2014	–	47.6	13.1	60.7
Balance as at Jan. 1, 2015	–	47.6	13.1	60.7
Adjustment pursuant to scheme of amalgamation (refer note 44)	10.0	–	–	10.0
Equity Impact	–	–	–	–
Amortisation for the year	–	2.3	–	2.3
Accumulated depreciation on disposals	–	0.3	–	0.3
Balance as at Dec. 31, 2015	10.0	49.6	13.1	72.7
Net Block				
As at Dec. 31, 2014	–	3.0	–	3.0
As at Dec. 31, 2015	–	0.8	–	0.8

CAPITAL WORK-IN-PROGRESS

TANGIBLE	Freehold Land	Leasehold Land	Buildings	Plant and Equipments	Furniture & Fixtures	Office Equipments	Vehicles	Total
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
Balance as at Jan. 1, 2014	–	–	20.2	113.2	0.9	–	–	134.3
Additions	–	–	5.6	270.4	5.1	1.4	3.4	285.9
Assets capitalised during the year	–	–	6.6	201.6	6.0	1.4	3.4	219.0
Balance as at Dec. 31, 2014	–	–	19.2	182.0	–	–	–	201.2
Balance as at Jan. 1, 2015	–	–	19.2	182.0	–	–	–	201.2
Adjustment pursuant to scheme of amalgamation (refer note 44)	–	–	–	0.9	–	–	–	0.9
Additions	–	–	13.8	774.0	9.9	0.9	–	798.6
Assets capitalised during the year	–	–	10.0	461.3	9.9	0.7	–	481.9
Balance as at Dec. 31, 2015	–	–	23.0	495.6	–	0.2	–	518.8

11 NON-CURRENT INVESTMENTS

31.12.2015 31.12.2014

Trade Investments: Unquoted (Valued at cost unless stated otherwise)		
Investment in equity instruments		
Nil (Previous year: 4,350,000) equity shares of ₹ 10 each fully paid up of FAG Roller Bearings Private Limited, Associate Company*	–	43.5
Total	–	43.5

* The Company has acquired additional 75% equity shares of 'FAG Roller Bearings Private Limited' on January 1, 2015 to make it a 100% subsidiary. Subsequently 'FAG Roller Bearings Private Limited' was amalgamated into the Company under a Scheme of Amalgamation approved by Honorable High Court of Bombay vide its order dated November 3, 2015. The scheme became effective from appointed date i.e. January 1, 2015. (refer note 44)

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12 LONG-TERM LOANS AND ADVANCES	31.12.2015	31.12.2014
To parties other than related parties (unsecured and considered good)		
Capital advances	22.8	5.7
Security deposits	37.3	32.2
VAT receivable (amount paid under protest)	21.8	78.3
Advance tax recoverable [net of provision (for earlier years)]	301.3	184.5
	383.2	300.7
To related parties (unsecured and considered good)		
Capital advances	–	98.7
(secured and considered good)		
Other loans and advances	1,450.0	1,450.0
Less: Current portion of loans and advances (refer note 16)	(550.0)	(850.0)
	900.0	600.0
	900.0	698.7
Total	1,283.2	999.4

Other loans and advances comprises of loans given to fellow subsidiaries INA Bearings India Private Limited ₹ 850 million (Previous year: ₹ 850 million) and LuK India Private Limited ₹ 600 million (Previous year: ₹ 600 million), 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 million (Previous year: ₹ 850 million) and LuK India Private Limited ₹ 600 million (Previous year: ₹ 600 million). The Company has granted the loans to meet the working capital requirement.

13 INVENTORIES (VALUED AT THE LOWER OF COST AND NET REALISABLE VALUE)	31.12.2015	31.12.2014
Raw materials and components [including goods-in-transit ₹ 391.5 (Previous year: ₹ 164.2)]	807.2	631.0
Work-in-progress	112.8	99.7
Finished goods	491.3	396.8
Stock-in-trade [including goods-in-transit ₹ 167.3 (Previous year: ₹ 219.2)]	601.9	574.5
Stores and spares [including goods-in-transit ₹ 0.7 (Previous year: ₹ 5.2)]	139.2	153.6
Loose tools	50.1	53.3
Total	2,202.5	1,908.9

At December 31, 2015, the provision for write-down of the inventories to net realisable value amounted to ₹ 189.2 million (Previous year: ₹ 158.0 million).

14 TRADE RECEIVABLES	31.12.2015	31.12.2014
Trade receivables outstanding for a period exceeding six months from the date they became due for payment		
Secured, considered good	0.6	0.5
Unsecured, considered good	4.8	3.5
Doubtful	19.2	14.3
Less: Provision for doubtful debts	(19.2)	(14.3)
Total (A)	5.4	4.0
Other receivables		
Secured, considered good	5.8	5.4
Unsecured, considered good	3,353.2	2,891.1
Total (B)	3,359.0	2,896.5
Total (A+B)	3,364.4	2,900.5

Trade receivable (unsecured, considered good) include ₹ Nil (Previous year ₹ 1.3 million) due from companies in which a Director is a Director.

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(₹ in million)

15 CASH AND BANK BALANCES	31.12.2015	31.12.2014
Cash and cash equivalents		
Cheques on hand	120.7	75.0
Balances with banks		
On current accounts	529.1	540.9
On deposit accounts (with original maturity of 3 months or less)	–	580.0
Restricted deposits (unpaid dividend)	4.3	4.0
	654.1	1,199.9
Other bank balances		
Deposits due to mature within 12 months from the reporting date	4,050.0	2,094.6
Total	4,704.1	3,294.5

16 SHORT-TERM LOANS AND ADVANCES	31.12.2015	31.12.2014
To parties other than related parties (unsecured, considered good)		
Advances to employees	2.7	2.5
Balance with tax authorities		
- Excise receivable	166.8	225.5
- VAT receivable	60.4	59.6
- Service tax receivable	8.2	10.2
Sundry prepayments	9.9	9.5
Advances for supply of goods and other sundry advances	32.9	37.7
	280.9	345.0
To related parties (unsecured, considered good, unless otherwise stated)		
Loans and advances to associate / fellow subsidiary companies (secured and considered good)	22.2	6.9
Other loans and advances (current portion - refer note 12)	550.0	850.0
	572.2	856.9
Total	853.1	1,201.9
Loans and advances to associate / fellow subsidiary companies include:		
LuK India Private Limited	8.9	2.0
INA Bearings India Private Limited	10.4	2.3
The Barden Corporation	1.5	2.5
Schaeffler Trading (Shanghai) Co. Ltd.	0.1	–
Schaeffler Tech. AG & Co. KG	1.3	0.1

The maximum amount outstanding for advances given to fellow subsidiaries Luk India Private Limited ₹ 16.7 million (Previous year ₹ 18.8 million), INA Bearings India Private Limited ₹ 31.2 million (Previous year ₹ 35.0 million), The Barden Corporation ₹ 2.5 million (Previous year ₹ 2.5 million), Schaeffler Trading (Shanghai) Co. Ltd. ₹ 0.1 million (Previous year ₹ Nil) and Schaeffler Tech. AG & Co. KG ₹ 6.4 million (Previous year ₹ 3.0 million).

17 OTHER CURRENT ASSETS	31.12.2015	31.12.2014
(unsecured, considered good)		
Export incentive receivable	8.6	10.1
Receivable from customs	–	4.0
Interest accrued on fixed deposits	157.6	72.5
Interest accrued - others	4.3	3.0
Total	170.5	89.6

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

(₹ in million)

18 REVENUE FROM OPERATIONS	31.12.2015	31.12.2014
Sale of products		
Finished goods	13,429.1	12,368.9
Traded goods	5,078.6	4,951.7
Less: Excise duty	1,430.1	1,144.5
Sale of products (net)	17,077.6	16,176.1
Sale of services	63.3	32.7
Other operating revenues		
Export incentives	67.5	72.9
Scrap sales	35.9	39.8
Total	17,244.3	16,321.5
Break up of revenue from sale of products:		
Manufacturing goods (net of excise)*		
Ball & roller bearings	11,844.7	11,208.6
Components	18.0	15.8
Sale of machines	136.3	-
Total (A)	11,999.0	11,224.4
Traded Goods		
Ball & roller bearings	4,879.6	4,760.7
Axle box housing, Re-Railing equipment and its component**	197.0	188.6
High sea steel bars / rods	2.0	2.4
Total (B)	5,078.6	4,951.7
Total (A+B)	17,077.6	16,176.1

* 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.

19 OTHER INCOME	31.12.2015	31.12.2014
Interest income on fixed deposits	299.4	167.9
Interest income - others	188.9	181.3
Provisions no longer required written back - others	2.3	2.3
Rental Income from property lease	0.3	3.1
Net profit on sale / retirement of fixed assets	0.1	-
Other non-operating income	70.6	54.9
Total	561.6	409.5

20 COST OF MATERIALS CONSUMED***	31.12.2015	31.12.2014
Inventory of materials at the beginning of the year	631.0	489.5
Purchases	6,468.4	6,162.3
Inventory of materials at the end of the year	807.2	631.0
Total	6,292.2	6,020.8
Break up of cost of materials consumed		
Ferrous Metals	0.1	0.3
Forged Rings	0.5	70.1
Components#	6,291.6	5,950.4
Total	6,292.2	6,020.8
Break up of inventory materials		
Ferrous Metals	54.7	128.1
Forged Rings	1.7	13.5
Components	750.8	489.4
Total	807.2	631.0

*** 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

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(₹ in million)

21 PURCHASES OF STOCK-IN-TRADE	31.12.2015	31.12.2014
Bearings	3,599.5	3,845.9
Axle box housing, Re-Railing equipment and its component	114.7	125.5
High sea steel bars / rods	–	2.1
Total	3,714.2	3,973.5

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

Particulars	For the year ended 31.12.2015			For the year ended 31.12.2014		
	Opening inventory	Closing inventory	(Increase) / Decrease in inventory	Opening inventory	Closing inventory	(Increase) / Decrease in inventory
Manufactured goods						
Ball & Roller Bearings	394.8	487.5	(92.7)	332.0	394.8	(62.8)
Components	2.0	3.8	(1.8)	2.2	2.0	0.2
	396.8	491.3	(94.5)	334.2	396.8	(62.6)
Traded goods						
Bearings	535.2	572.9	(37.7)	565.9	535.2	30.7
Component of axle box housing, Re-Railing equipment and its component	39.3	29.0	10.3	33.4	39.3	(5.9)
	574.5	601.9	(27.4)	599.3	574.5	24.8
Work-in-progress						
Work-in-progress - Bearings	99.7	110.4	(10.7)	116.4	99.7	16.7
Machines	–	2.4	(2.4)	–	–	–
	99.7	112.8	(13.1)	116.4	99.7	16.7
Total	1,071.0	1,206.0	(135.0)	1,049.9	1,071.0	(21.1)

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

23 EMPLOYEE BENEFITS	31.12.2015	31.12.2014
Salaries, wages and incentives	1,080.0	1,122.9
Contributions to: (refer note 43)		
- Provident fund	50.8	49.5
- Gratuity fund	28.3	52.8
- Superannuation fund	23.9	22.0
Staff welfare expenses	134.7	132.2
Total	1,317.7	1,379.4

24 FINANCE COSTS	31.12.2015	31.12.2014
Bank and other financial charges	14.5	9.7
Other interest expenses	6.7	–
Total	21.2	9.7

25 DEPRECIATION AND AMORTISATION	31.12.2015	31.12.2014
Depreciation of tangible fixed assets	652.8	487.7
Less: Depreciation on revaluation increase transferred from revaluation reserve	–	(0.6)
Amortisation of intangible fixed assets	2.3	6.4
Total	655.1	493.5

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

(₹ in million)

26 OTHER EXPENSES	31.12.2015	31.12.2014
Consumption of stores and spare parts	595.5	565.9
Power and fuel	362.2	330.0
Freight, clearing and forwarding	265.9	268.4
Rent (refer note 39)	30.5	26.5
Repairs and maintenance:		
- Building	11.5	11.3
- Machinery	19.3	17.7
- Others	26.5	27.4
Insurance	18.2	18.1
Rates and taxes	31.8	19.7
Excise duty (refer note 41)	19.0	3.8
Travelling expenses	91.7	97.1
Legal and professional fees	22.7	21.0
Auditors' remuneration (refer note below)	6.1	4.9
Fees for use of technology / trademark	274.5	255.7
Advertising and sales promotion	157.9	158.0
Bank charges	5.2	5.3
Telephone and other communication expenses	16.8	18.2
Printing and stationery	9.1	7.6
Provision for doubtful debts	4.9	7.9
Bad debts written off	2.0	15.5
Warranty costs	6.2	1.8
Cash discount	135.4	137.6
Outside services	402.0	337.3
CSR activities (refer note 46)	30.7	4.8
Net loss on account of foreign exchange fluctuations	418.3	139.4
Net loss on sale / retirement of fixed assets	-	11.1
Miscellaneous expenses	38.5	39.5
Total	3,002.4	2,551.5
Note: Auditors' remuneration		
As auditor		
Statutory audit	3.9	3.4
Limited review of quarterly results	1.4	1.3
Other services and certification	0.6	0.1
Reimbursement of expenses	0.2	0.1
Total	6.1	4.9

27 EARNINGS PER SHARE (EPS)	31.12.2015	31.12.2014
(a) Amount used as the numerator		
Profit after tax attributable to equity shareholders (₹ in million)	1,974.8	1,528.8
(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 ₹)	118.84	92.00

28 FIXED ASSETS

	31.12.2015
(a) (i) Land, Buildings and Roads were revalued as at December 31, 1985 at depreciated market value on the basis of valuation made by a Government Registered Valuer. The revalued amounts were revised during the year ended December 31, 1987 by the said Valuer based on certain information provided by the Company. The indices, if any, used are not stated in the valuation. The amounts added on revaluation after the aforesaid revision are given here:	
Land	19.1
Buildings and Roads	19.0
Total	38.1

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(₹ in million)

- (ii) Depreciation on the increase in the value of fixed assets due to revaluation is transferred to Profit & Loss balance (surplus) / Statement of Profit and Loss and no amount of additional depreciation has been recouped from the revaluation reserve. Consequently, the depreciation charge for the year shown in the Statement of Profit and Loss is after deducting an amount of ₹ Nil (Previous year: ₹ 0.6 million) representing depreciation on the increase due to revaluation of Buildings and Roads.
- (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.

29 CONTRACTS ON CAPITAL ACCOUNT

31.12.2015 31.12.2014

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances).

338.8 716.3

30 CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF

31.12.2015 31.12.2014

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
- (ii) Applicability of provident fund on certain benefits to employees
- (iii) Demand for discontinuing of contract system and for differential wages
- (iv) Applicability of Employees State Insurance on certain benefits paid to the employees

138.9 96.8
236.7 276.0
82.6 72.7
10.7 9.3
468.9 454.8

(b) Indirect tax:

(i) Sales tax:

For non receipt of C Forms and non acceptance of Company's claim of certain sales as exempt sales in respect of assessment years 2004-05, 2005-06, 2006-07, 2007-08 and 2009-10

26.1 45.5

(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)

0.9 2.2

(c) Income tax:

In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.

115.2 80.3

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)

40.7 45.0

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

	Amount	2015 % of Total Consumption	Amount	2014 % of Total Consumption
Raw Material				
Imported	0.3	50%	–	0%
Indigenous	0.3	50%	0.3	100%
Total	0.6	100%	0.3	100%

Continued...

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...Continued

(₹ in million)

	2015		2014	
	Amount	% of Total Consumption	Amount	% of Total Consumption
Components				
Imported	2,607.2	41%	2,339.3	39%
Indigenous	3,698.3	59%	3,681.2	61%
Total	6,305.5	100%	6,020.5	100%
Spare parts				
Imported	159.6	27%	174.9	31%
Indigenous	435.9	73%	391.0	69%
Total	595.5	100%	565.9	100%

32 C.I.F. VALUE OF IMPORTS

	2015	2014
Raw materials and components	2,694.7	2,414.1
Products purchased for sale	2,888.6	3,126.9
Stores and spares for maintenance of machinery	143.2	173.3
Capital goods	369.4	122.0
Total	6,095.9	5,836.3

33 EXPENDITURE IN FOREIGN CURRENCY

	2015	2014
(Gross) subject to deduction of tax wherever applicable:		
(i) Fee for use of Technology / Trademark	274.5	255.7
(ii) Travelling	8.8	13.8
(iii) Charges for SAP / R3 and its connectivity & maintenance	85.4	68.4
(iv) Management service charges – (outside services)	0.1	11.2
(v) Reimbursement of Expat Cost	18.7	28.8
(vi) Others – [Training, testing charges, catalogues (net), etc.]	26.5	16.2
(vii) Technical services (capitalised)	1.1	0.2
Total	415.1	394.3

34 DIVIDEND REMITTANCES IN FOREIGN CURRENCY

	2015	2014
On 8,529,183 Equity Shares of ₹ 10 each to one non-resident shareholder:		
- for the year ended December 31, 2014	64.0	–
- for the year ended December 31, 2013	–	51.2

35 EARNINGS IN FOREIGN EXCHANGE

	2015	2014
Service income	9.4	–
FOB value of export	2,973.0	2,922.5
Others (reimbursement of expenses)	14.3	11.8
Total	2,996.7	2,934.3

for the year ended December 31, 2015

(₹ in million)

36 Research and Development expenses under the respective heads aggregate to ₹120.9 million (Previous year ₹ 97.7 million) including of capital nature ₹ Nil (Previous year ₹ 0.2 million).

37 The tax year for the Company being the year ending March 31, 2016, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2015 and the provision based on the figures for the remaining nine months up to December 31, 2015 the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2015 to March 31, 2016.

The Company's international and domestic transactions with associated enterprises are at arm's length as per the independent accountant's report for the year ended March 31, 2015. 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, 2015. Management believes that the Company's international and domestic transactions with associated enterprises post March 31, 2015 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.

38 SEGMENT REPORTING

The business of the Company comprises of sale of 'Ball / Roller Bearings and related components' and 'Sale of Machines'. 'Ball / Roller Bearings and related components' has been identified as a single reportable segment for the purpose of Accounting Standard (AS)-17 on 'Segment Reporting'.

Sales revenue by geographical market:	2015	2014
Domestic	14,104.6	13,253.6
Exports	2,973.0	2,922.5
Total	17,077.6	16,176.1

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 market in which the assets are located:

Segment	2015		2014	
	Segment assets	Cost incurred to acquire fixed assets	Segment assets	Cost incurred to acquire fixed assets
Domestic	15,608.8	799.5	13,544.2	285.8
Exports	643.6	-	569.7	-
Total	16,252.4	799.5	14,113.9	285.8

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.

39 (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 sub leasing.

Lease payments recognised in the Statement of Profit and Loss for the year:	2015	2014
In respect of premises and equipment taken on lease	15.4	13.3
In respect of vehicles	15.1	13.2
Total	30.5	26.5

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(₹ in million)

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

In previous year, the Company had lease agreement for certain portion of its factory and office premises which stand canceled during the year on account of merger. The disclosure required under Accounting Standard (AS)-19 "Leases" is as under.

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				
2015	–	–	–	–
2014	14.2	3.6	10.6	0.5

During the year, an amount of ₹ Nil (Previous year ₹ 3.1 million) was recognised as rental income in the Statement of Profit and Loss from the above factory and office premises. Further, the Company has sub leased part of rented premises for which rental income amounting to ₹ 0.3 million (Previous year ₹ Nil) is recognised in the Statement of Profit and Loss.

40 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:

2015	2014
(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 Brasil Ltda., Brazil Schaeffler Canada Inc., Canada Schaeffler (China) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler (Nanjing) Co. Ltd., China Schaeffler Middle East FZE, Dubai Schaeffler France S.A.S., France Schaeffler Technologies AG & Co. KG, Germany (Formerly Known as Schaeffler Technologies GmbH & Co. KG) Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany FAG Industrial Services GmbH, Germany LuK Truckparts GmbH & Co. KG, Germany Schaeffler Verwaltung Zwei GmbH, Germany WPB Water Pump Bearing GmbH & Co. KG, Germany Schaeffler Hong Kong Company Ltd, Hong Kong INA Bearings India Private Ltd., India LuK India Private 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 Bearings (Malaysia) Sdn. Bhd., Malaysia Schaeffler Portugal S.A., Portugal	(b) Fellow Subsidiary / Associate Companies Schaeffler Australia Pty. Ltd., Australia Schaeffler Brasil Ltda., Brazil Schaeffler (China) Co. Ltd., China Schaeffler (Ningxia) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler (Nanjing) Co. Ltd., China Schaeffler Middle East FZE, Dubai Schaeffler France S.A.S., France Schaeffler Technologies GmbH & Co. KG, Germany (Formerly known as Schaeffler Technologies AG & Co. KG.) Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany FAG Industrial Services GmbH, Germany LuK Truckparts GmbH & Co. KG, Germany Schaeffler Verwaltung Zwei GmbH, Germany Schaeffler Hong Kong Company Ltd., Hong Kong INA Bearings India Pvt. Ltd., India FAG Roller Bearings Pvt. Ltd., India LuK India Pvt. Ltd., India Schaeffler Bearings Indonesia, PT, Indonesia Schaeffler Japan Co. Ltd., Japan Schaeffler Korea Corporation, Korea Schaeffler Mexico, S. de R.L. de C.V., Mexico Schaeffler Portugal S.A., Portugal Schaeffler Philippines Inc., Philippines

Continued...

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...Continued

(₹ in million)

2015	2014
Schaeffler Philippines Inc., Philippines	SC Schaeffler Romania S.R.L., Romania
SC Schaeffler Romania S.R.L., Romania	Schaeffler (Singapore) Pte. Ltd., Singapore
Schaeffler (Singapore) Pte. Ltd., Singapore	INA Kysuce, spol. s r.o, Slovakia
Schaeffler South Africa (Pty.) Ltd., South Africa	Schaeffler (Thailand) Co. Ltd., Thailand
INA Kysuce, spol. s.r.o, Slovakia	The Barden Corporation (UK) Ltd., UK
Schaeffler (Thailand) Co. Ltd., Thailand	The Barden Corporation, USA
Schaeffler (Ningxia) Co. Ltd., China	Schaeffler Group USA Inc., USA
The Barden Corporation (UK) Ltd., UK	Schaeffler Vietnam Co. Ltd., Vietnam
The Barden Corporation, USA	
Schaeffler Group USA Inc, USA	
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, 2015:

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Purchase of Finished Goods	-	2,816.5 (3,007.1)	-	2,816.5 (3,007.1)
Purchase of Raw materials and Components / Spares	-	683.5 (753.7)	-	683.5 (753.7)
Purchase of Tangible Fixed Assets	-	318.0 (124.4)	-	318.0 (124.4)
Fees for use of Technology / Trademark	-	274.5 (255.7)	-	274.5 (255.7)
Charges for SAP / R3 and Connectivity	-	85.1 (68.0)	-	85.1 (68.0)
Dividend for the year - 2014 - 2013	64.0 (51.2)	- -	- -	64.0 (51.2)
Deputation, Traveling, Training, Testing & Other Costs	-	33.5 (27.8)	-	33.5 (27.8)
Reversal of Other cost	-	1.7 -	-	1.7 -
Management Service charges paid	-	13.3 (77.2)	-	13.3 (77.2)
Expat Cost	-	18.7 (28.8)	-	18.7 (28.8)
Sale of finished goods	-	2,985.7 (2,857.2)	-	2,985.7 (2,857.2)
Technical services including capitalised	-	1.1 (3.7)	-	1.1 (3.7)
Reversal of Technical services including capitalised	-	2.6 (3.3)	-	2.6 (3.3)
Managerial Remuneration*	-	-	12.5 (9.3)	12.5 (9.3)
Management Service charges recovered	-	23.3 (30.5)	-	23.3 (30.5)
SAP cost recovered	-	12.0 -	-	12.0 -
Payments on behalf of related parties (Reimbursement)	-	36.2 (21.0)	-	36.2 (21.0)

Continued...

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

...Continued

(₹ in million)

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Sale of Tangible fixed assets	-	-	-	-
	-	(4.3)	-	(4.3)
Trade and other receivables	-	668.8	-	668.8
	-	(548.4)	-	(548.4)
Trade payables	-	1,132.9	-	1,132.9
	-	(817.5)	-	(817.5)
Advance received from Customers	-	31.9	-	31.9
	-	-	-	-
Capital advances	-	-	-	-
	-	(107.0)	-	(107.0)
Interest on loan given	-	159.6	-	159.6
	-	(164.0)	-	(164.0)
Recovery of Interest on loan	-	159.6	-	159.6
	-	(164.0)	-	(164.0)
Service Income	-	12.1	-	12.1
	-	-	-	-
Lease rent	-	0.3	-	0.3
	-	(3.1)	-	(3.1)
Recovery of Lease rent	-	-	-	-
	-	(3.1)	-	(3.1)
Purchase of Investment	43.4	81.9	-	125.3
	-	-	-	-

* Does not include gratuity and leave encashment benefits which are determined for the Company as a whole.

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

(4) Balances Outstanding as at December 31, 2015:

Nature of Transaction	Fellow Subsidiaries / Associate Companies
Investment	
FAG Roller Bearings Pvt. Ltd., India	-
	(43.5)
Capital advance	
FAG Roller Bearings Pvt. Ltd., India	-
	(98.7)
Trade Receivables	
Schaeffler Technologies AG & Co. KG, Germany	374.0
	(327.5)
Schaeffler Group USA Inc., USA	67.8
	(74.2)
Schaeffler Trading (Shanghai) Co. Ltd., China	59.4
	(60.1)
Schaeffler Hong Kong Co. Ltd., Hong Kong	12.3
	(7.4)
Others	133.1
	(71.8)
Trade Payables	
Schaeffler Technologies AG & Co. KG, Germany	919.7
	(743.4)
Others	213.2
	(74.1)
Advance received from Customers	
Schaeffler (Ningxia) Co. Ltd., China	31.9
	-
Loans Receivables	
INA Bearings India Pvt. Ltd., India	850.0
	(850.0)

Continued...

for the year ended December 31, 2015

...Continued

(₹ in million)

Nature of Transaction	Fellow Subsidiaries/ Associate Companies
LuK India Pvt. Ltd., India	600.0 (600.0)
Other Receivables	
INA Bearings India Pvt. Ltd., India	10.4 (2.3)
LuK India Pvt. Ltd., India	8.9 (2.0)
The Barden Corporation, USA	1.5 (2.5)
Others	1.4 (0.1)

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

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Purchase of finished goods	Schaeffler Technologies AG & Co. KG, Germany	2,633.5 (2,771.4)
Purchase of raw material and components / spares	Schaeffler Technologies AG & Co. KG, Germany	520.2 (640.1)
	Schaeffler Korea Corporation, Korea	8.1 (7.7)
	Schaeffler (China) Co. Ltd., China	76.5 (-)
Purchase of tangible fixed assets	Schaeffler Technologies AG & Co. KG, Germany	191.1 (53.6)
	FAG Roller Bearings Pvt. Ltd., India	- (65.5)
	Schaeffler (China) Co. Ltd., China	77.1 (-)
	Schaeffler Brasil Ltda., Brazil	37.9 (-)
Sale of finished goods	Schaeffler Technologies AG & Co. KG, Germany	1,365.7 (1,422.9)
	Schaeffler Hong Kong Co. Ltd., Hong Kong	179.9 (264.1)
	Schaeffler Trading (Shanghai) Co. Ltd., China	414.4 (429.5)
	Schaeffler Group USA Inc., USA	334.9 (300.7)
Capital advances	FAG Roller Bearings Pvt. Ltd., India	- (107.0)
Fees for use of technology / Trademark	Schaeffler Technologies AG & Co. KG, Germany	272.9 (253.7)
Charges for SAP / R3 and connectivity	Schaeffler Technologies AG & Co. KG, Germany	85.1 (68.0)
Deputation, travelling, training, testing & other costs	Schaeffler Technologies AG & Co. KG, Germany	19.5 (12.3)
	FAG Roller Bearings Pvt. Ltd., India	- (3.5)
	INA Bearings India Pvt. Ltd., India	2.0 (1.5)
	Schaeffler (China) Co. Ltd., China	1.2 (0.1)

Continued...

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

<i>...Continued</i>		(₹ in million)
Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Deputation, travelling, training, testing & other costs	Schaeffler Trading (Shanghai) Co. Ltd., China	3.6 (-)
	Schaeffler Hong Kong Company Ltd., Hong Kong	4.7 (-)
Reversal of other cost	Schaeffler Verwaltung Zwei GmbH, Germany	1.7 (-)
Management Service charges paid	Schaeffler Holding Co. (China) Ltd., China	0.1 (11.2)
	INA Bearings India Pvt. Ltd., India	13.2 (65.6)
Technical services including capitalised	Schaeffler Technologies AG & Co. KG, Germany	1.1 (-)
	Schaeffler (China) Co. Ltd., China	-
	FAG Roller Bearings Pvt. Ltd., India	-
Reversal of technical services including capitalised	Schaeffler (China) Co. Ltd., China	-
	Schaeffler Holding (China) Co. Ltd., China	(3.3) 2.6 (-)
Expat cost	Schaeffler Technologies AG & Co. KG, Germany	9.4 (19.3)
	Schaeffler Korea Corporation, Korea	9.3 (9.5)
SAP cost recovered	INA Bearings India Pvt. Ltd., India	6.0 (-)
	LuK India Pvt. Ltd., India	6.0 (-)
Payments on behalf of Related Parties (Reimbursement)	LuK India Pvt. Ltd., India	11.0 (0.8)
	INA Bearings India Pvt. Ltd., India	11.0 (4.3)
	The Barden Corporation, USA	5.0 (6.0)
	Schaeffler Holding Co. (China) Ltd., China	-
	Schaeffler (Thailand) Co. Ltd., Thailand	3.7 (-)
	Schaeffler Technologies AG & Co. KG, Germany	4.3 (-)
	FAG Roller Bearings Pvt. Ltd., India	-
		(8.6)
Sale of tangible fixed assets	Schaeffler France S.A.S., France	-
	Schaeffler Technologies AG & Co. KG, Germany	(1.4) -
Management Service charges recovered	INA Bearings India Pvt. Ltd., India	(2.7) 12.8 (19.6)
	LuK India Pvt. Ltd., India	10.5 (10.9)
Interest on loan given	INA Bearings India Pvt. Ltd., India	93.5 (96.0)
	LuK India Pvt. Ltd., India	66.1 (68.0)

Continued...

for the year ended December 31, 2015

...Continued

(₹ in million)

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Recovery of interest on loan	INA Bearings India Pvt. Ltd., India	93.5 (96.0)
	LuK India Pvt. Ltd., India	66.1 (68.0)
Service income	Schaeffler Technologies AG & Co. KG, Germany	8.5 (-)
	INA Bearings India Pvt. Ltd., India	2.7 (-)
Lease rent	FAG Roller Bearings Pvt. Ltd., India	- (3.1)
	INA Bearings India Pvt. Ltd., India	0.2 (-)
	LuK India Pvt. Ltd., India	0.1 (-)
Recovery of lease rent	FAG Roller Bearings Pvt. Ltd., India	- (3.1)
Purchase of investment	INA Bearings India Pvt. Ltd., India	81.9 (-)
	FAG Kugelfischer GmbH, Germany	43.4 (-)

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

41 (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:	31.12.2015	31.12.2014
(i) the difference between excise duty included in the closing stock and that in opening stock of manufactured finished goods	18.4	1.0
(ii) the excise duty on the free sample, scrap, etc.	0.6	2.8
Total	19.0	3.8

42 DERIVATIVE INSTRUMENTS

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

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

Gain on the fair valuation of forward covers, which qualify as effective cash flow hedge amounting to ₹ 8.6 million (Previous year ₹ 203.0 million - marked to market loss), on the Balance Sheet date, has been recognised in the hedging reserves account.

The outstanding forward exchange contracts as at December 31, 2015 are as follows:

Outstanding derivative instruments:

Category	Currency Hedged	31.12.2015		31.12.2014	
		Notional Amount in Foreign Currency	Equivalent Amount in ₹ at the year end	Notional Amount in Foreign Currency	Equivalent Amount in ₹ at the year end
Forward exchange contracts (to hedge highly probable exports receivable)	USD	15,330,000	1,135.1	11,889,600	764.8
Forward exchange contracts (to hedge highly probable imports payable)	EURO	15,535,000	1,013.2	33,884,000	2,993.2

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

(₹ in million)

Unhedged foreign currency exposures as at December 31, 2015:

Particulars	Currency	Amount in Foreign Currency	Equivalent Amount in Indian Currency
Trade payables	USD	4,458,780.1	297.3
		(2,063,933.0)	(131.3)
	EURO	7,393,322.8	540.2
		(3,747,440.0)	(290.8)
	CHF	–	–
		(478.0)	(–)
	JPY	30,780.0	–
		(1,350,000.0)	(0.7)
	CNY	10,538,789.0	108.1
		(–)	(–)
Advances from Customers	USD	482,113.0	31.9
		(–)	(–)
Trade receivables	USD	2,852,942.8	208.5
		(2,300,742.0)	(145.0)
	EURO	5,235,128.3	377.1
		(4,495,572.0)	(344.0)
Advances to suppliers	USD	172,870.5	11.5
		(8,940.0)	(0.6)
	EURO	55,390.3	4.0
		(36,512.0)	(2.8)
	GBP	766.6	0.1
		(–)	(–)
Bank balance in EFC accounts	USD	264,133.9	17.5
		(470,569.0)	(29.7)
	EURO	1,347,824.6	97.1
		(300,286.0)	(23.0)

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

43 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 ₹ 50.8 million (Previous year: ₹ 49.5 million) and contribution to superannuation fund for the year aggregated to ₹ 23.9 million (Previous year: ₹ 22.0 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, 2015.

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

	Gratuity		Provident Fund	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fair value of plan assets	265.7	246.1	85.3	86.1
Present value of obligations	282.3	265.6	85.3	86.1
Asset / (Liability) recognised in Balance Sheet	(16.6)	19.5	–	–

for the year ended December 31, 2015

(₹ in million)

Classification into current / non-current:

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

	Non-current		Current	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Gratuity	16.6	19.5	-	-
Provident Fund	-	-	-	-
Total	16.6	19.5	-	-

Composition of plan assets:

	Gratuity		Provident Fund	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Government of India Securities	-	-	40%	42%
Insurer Managed Funds	100%	100%	-	-
Corporate Bonds	-	-	49%	48%
Special Deposit Scheme	-	-	1%	1%
Others	-	-	10%	9%

Movement in present values of defined benefit obligations:

	Gratuity		Provident Fund	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Defined benefit obligation at January 1	265.6	215.2	86.1	86.1
Transfer due to amalgamation	2.0	-	-	-
Service cost	12.8	12.6	3.6	3.7
Interest cost	21.7	19.5	6.9	7.6
Actuarial losses (gains)	11.0	45.7	0.8	0.8
Benefits paid / Employees contribution	(30.8)	(27.4)	(12.1)	(12.1)
Defined benefit obligation at December 31	282.3	265.6	85.3	86.1

Movement in fair value of plan assets:

	Gratuity		Provident Fund	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fair value of plan assets at January 1	246.1	228.9	86.1	86.1
Expected return	18.5	17.3	7.7	7.5
Actuarial gains and (losses)	(1.3)	7.7	-	0.9
Contributions by employer	33.2	19.6	3.6	3.7
Benefits paid / Employees contribution	(30.8)	(27.4)	(12.1)	(12.1)
Fair value of plan assets at December 31	265.7	246.1	85.3	86.1

Expense recognised in the Statement of Profit and Loss:

	Gratuity		Provident Fund	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Current service cost	12.8	12.6	3.6	3.7
Interest on obligation	21.7	19.5	6.9	7.6
Expected return on plan assets	(18.5)	(17.3)	(7.7)	(7.6)
Net actuarial losses (gains) recognised in year	12.3	38.0	0.7	-
Total included in 'Employee benefit expense'	28.3	52.8	3.5	3.7

Actual return on plan assets:

	Gratuity		Provident Fund	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Expected return on plan assets	18.5	17.3	7.7	7.5
Actuarial gain / (loss) on plan assets	(1.3)	7.7	-	0.9
Actual return on plan assets	17.2	25.0	7.7	8.4

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

Principal actuarial assumptions

(₹ in million)

The following are the principal actuarial assumptions:

	Gratuity		Provident Fund	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Discount rate per annum as at December 31	8.15%	8.50%	8.15%	8.50%
Expected return per annum on plan assets as at December 31	8.00%	8.00%	9.03%	9.40%
Future salary increment	7.00%	7.00%	Not applicable	Not applicable
Retirement age	58 Years	58 Years	Not applicable	Not applicable
Mortality	Indian Assured Lives Mortality (2006-08) Ult table	Indian Assured Lives Mortality (2006-08) Ult table	Not applicable	Not applicable
Attrition rate	1% - 2%	1% - 2%	Not applicable	Not applicable
Discount Rate for the Remaining Term to Maturity of the Investment (p.a.)	Not applicable	Not applicable	8.03%	8.17%
Average Historic Yield on the Investment (p.a.)	Not applicable	Not applicable	8.91%	9.07%
Guaranteed Rate of Return (p.a.)	Not applicable	Not applicable	8.75%	8.75%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

Five-year information

Particulars	Gratuity					Provident Fund	
	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2015	31.12.2014
Defined benefit obligation	202.1	225.5	215.2	265.6	282.3	85.3	86.1
Plan assets	184.9	207.2	228.8	246.1	265.7	85.3	86.1
Surplus / (Deficit)	(17.2)	(18.3)	13.7	(19.5)	(16.6)	–	–
Experience adjustment of plan liabilities	24.9	6.7	(6.1)	32.8	4.2	0.8	0.8
Experience adjustment of plan assets	4.9	4.3	4.1	7.7	(1.3)	–	0.9

44 AMALGAMATION OF FAG ROLLER BEARINGS PRIVATE LIMITED WITH THE COMPANY

Scheme of Arrangement between FAG Roller Bearings Private Limited and the Company:

During the year, FAG Roller Bearings Private Limited, a wholly owned subsidiary of the Company, incorporated with the main object to manufacture machines, was amalgamated into the Company pursuant to the Scheme of Amalgamation (hereinafter referred to as 'Scheme'), as on and from January 1, 2015 being the appointed date pursuant to the approval of the Board of Directors and shareholders of the Company and sanctioned by the Honorable High Court of Bombay vide its order dated November 3, 2015, which was filed with Registrar of Companies on November 10, 2015.

The Company has carried out the accounting prescribed in the Scheme and made the required disclosure for Amalgamations in the nature of Merger, as required under Accounting Standard (AS)-14 'Accounting for Amalgamations' notified under the Companies (Accounts) Rules, 2014.

Hence, in accordance with the Scheme:

- (i) The Company has taken over all the following assets aggregating to ₹ 240.6 million, liabilities aggregating to ₹ 176.2 million and deficit amounting to ₹ 109.4 million at their respective book values. On cancellation of investments made by the Company in FAG Roller Bearings Private Limited against its share capital as on the appointed date, the resultant surplus of ₹ 5.2 million has been credited to capital reserve.

Particulars	Amount
Tangible assets (net)	20.0
Non compete fees (net)	–
Capital work-in-progress	0.9

Continued...

for the year ended December 31, 2015

<i>...Continued</i>	(₹ in million)
Particulars	Amount
Long term loans and advances	1.0
Inventories	72.3
Trade receivables	22.8
Cash and bank balances	113.1
Short-term loans and advances	8.2
Other current assets	2.3
Total Assets acquired	240.6
Long-term provisions	8.0
Trade payables	26.8
Other current liabilities	138.5
Short-term provisions	2.9
Total Liabilities acquired	176.2
Profit and Loss Account (debit balance)	(109.4)

(ii) No consideration is payable or receivable on implementation of the Scheme as the Scheme involves a Wholly owned Subsidiary.

(iii) In view of the above, the financial statements for the current year are not strictly comparable to those of the previous year.

45 DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

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

46 CORPORATE SOCIAL RESPONSIBILITY

The Company has spent ₹ 30.7 million during the current financial year which consists of capital expenditure amounting ₹ 14.9 million and revenue expenditure amounting ₹ 15.8 million. Out of ₹ 30.7 million, the Company has paid out ₹ 29.9 million in cash during the year and ₹ 0.8 million is yet to be paid.

47 PREVIOUS YEAR FIGURES

Details of regrouping / reclassification for the previous year

Particulars	Amount before reclassification	Adjustment	Amount after reclassification
Cash and Bank balances			
On deposit accounts (with original maturity of 3 months or less)	1,010.0	(430.0)	580.0
Cash and Bank balances			
Other Bank balances			
Deposit due to mature within 12 months from the reporting date	1,664.6	430.0	2,094.6

As per our report of even date attached

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

Chartered Accountants

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

Vijay Mathur

Partner

Membership No. 046476

Mumbai: February 12, 2016

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 12, 2016