

FAG



Annual Report 2012



W E L C O M E T O T H E





F U T U R E



In pursuit of our dream to realise qualitative growth, we at FAG India, invested ₹ 250 crores during 2011 and 2012.

At Vadodara plant, we enhanced capacities, commissioned an advanced Generation 3 Wheel Bearing cell, and invested in technologically superior X-life Cylindrical and Spherical Roller Bearing production

On 29th October 2012, our new sophisticated plant at Savli - near Vadodara - was inaugurated by Mr. Georg F. W. Schaeffler, Partner, Schaeffler Group and Dr. Juergen M. Geissinger, President and CEO, Schaeffler AG. The new plant will produce Low-friction Ball Bearings and Large Size Bearings for a vast range of applications and will create new standards of quality, efficiency and reliability.

Combining our new generation technologies, with invaluable engineering know-how from Schaeffler Group, we at FAG India are ready to support our customers in embracing future challenges of growth and sustainability.

Currently the Indian economy is facing headwinds. We cannot remain unaffected by these changes. These are the times to work hard and sharpen our competitiveness. We will, of course, stay on course with our long-term strategy of investing in high technology plants and robust processes. People are our most important assets; we will continue to create an environment where positive culture simultaneously powers development of the organisation and our employees. Leveraging our innovation capabilities, we will offer solutions to our customers - that increase efficiency, minimise waste and conserve resources.

Together, we will strive for a sustainable future...



PLANT AND PRODUCTS

Operational Excellence through MOVE

MOVE, an acronym derived from German phrase "Mehr Ohne VErschwendung", or "more without waste" in English, represents Schaeffler's innovative and holistic approach towards excellence in Quality and Lean Manufacturing. Schaeffler Production System which is based on MOVE principles, synchronises all processes within the organisation with an objective of maximising customer value and minimising waste.

Work is structured based on value stream analysis, material moves based on Pull Principal and production flow is oriented towards customer's requirements. This ensures high flexibility and productivity at the same time.

But MOVE is more than a process, it's a culture. We established a MOVE Academy in Vadodara in 2009 and have trained over 350 employees for Zero Defect and Lean Manufacturing principles. These specially trained employees put the knowledge gained in practice by implementing diverse projects. With more than 25 MOVE projects implemented in 2012, we increased space utilisation, reduced throughput time, cut costs and improved productivity in our plant.



Supply Chain Excellence

Under the motto "Sustainable Growth Through High Performance Partnership", Schaeffler India hosted its top 70 suppliers at Suppliers' Day 2012 in Pune. During this event our suppliers got first hand information on Schaeffler's business plans, strategies and performance expectations. The supply chain partners responded enthusiastically with new initiatives in the field of quality, cost reduction, logistics and new development.



Setting New Standards

By combining our innovative product designs with the state-of-the-art manufacturing technology, we are setting new standards in our products. For example, Low-friction Ball Bearings being produced at Savli Plant



reduce friction by more than 35%. FAG Generation 3 Wheel Bearings based on integration concept are gaining preference of Indian passenger car manufacturers and we have been chosen as development partners on five platforms.

At the same time, we continue to expand our X-Life product range for Cylindrical Roller and Spherical Roller Bearings offering customers significantly higher bearing life at no extra cost.

Special Machine Building



At the core of sophisticated manufacturing process is always a robust machine tool. As a pioneer in new technologies, Schaeffler designs and manufactures critical machines by itself. Our Special Machine Building division (a part of FAG Roller Bearings) is now capable of designing and building advanced production and assembly machines for bearing manufacturing. SMB division supports FAG's growth projects by providing customised next-generation equipment.

Total Quality Management

Breakthrough in Quality performance is only possible by involvement of all our employees. As a part of Continuous Improvement Process, we encourage our employees to participate in initiatives like Kaizen and Quality Circles.

The enthusiasm and commitment of our employees towards excellence in quality can be judged by the response to Kaizen competition carried out at Vadodara plant in August 2012 when we received over 2,000 implemented Kaizen entries from nearly 1,000 employees.

At the recent Gujarat State level Quality Circle Convention held in September 2012, Six Quality Circles from FAG participated along with 112 other teams from various small and big companies. It was a proud moment for FAG as five out of the six teams won the Gold award, while one won the Silver award in their respective categories.



MARKETS

Innovation

Innovation, widely seen as the new currency for 21st century, is at the very core of Schaeffler's business strategy. At FAG, the innovation process starts with a comprehensive understanding of the customer's world. Our engineers extend know-how far beyond our products to customer application and systems. By accurately understanding our customer's current and future needs, we are able to improve products and bring innovative solutions in the market.



Innovation pervades every process of our value chain and is seamlessly integrated to create maximum value for our customers. At FAG, we are making long-term investments towards raising engineering competence of our people. By investing in sophisticated calculation and project management software, by building expertise in tribology, surface treatment and material technology, and by constantly adding to our testing resources, we are strengthening our competitive position with our customers.

It is with this innovative spirit of the organisation that we were successful in adding over 100 new products to our portfolio in 2012.



Maruti Suzuki Recognises FAG

In 2012, FAG India was recognised by India's largest car manufacturer - Maruti Suzuki at their vendor conference in Thailand. FAG was presented with an award for Excellence in Design and Development. We also received recognition for superior performance in the field of capacity enhancement.



Partnership with Institutes

In the year 2012, FAG India signed a Memorandum of Understanding (MoU) with Indian Machine Tool Manufacturers Association (IMTMA) Technology Centre to become a technology partner and to offer training on bearing maintenance. IMTMA Technology Centre conducts many technical training courses for industry professionals at Bangalore, Pune and New Delhi.



As part of the agreement, FAG provided IMTMA with product displays explaining bearing engineering and shared Schaeffler bearing know-how that will be used during future training courses.

Reducing Total Cost of Ownership

At FAG, we extend the innovation concept beyond products to include innovative service solutions for our customers. FAG supports its customers in increasing machine availability and reducing Total Cost of Ownership. We focus on solving problems of our customers, while we work together with them in their plants to avoid unplanned shutdown, improve quality and increase plant availability. With our competence in Mounting, Lubrication, Alignment and Condition Monitoring, we partner with our customers in proactive reliability maintenance.



Complementing our know-how of customer's processes and applications with our service portfolio, we could demonstrate increased value and significant reduction in Total Cost of Ownership to our customers in Steel, Mining, Cement and Paper industries.

Getting Closer to Customer

Our distribution partners play a very important role in providing efficient customer service. In line with our approach to provide "service at your doorstep", we encourage our distribution partners to set up their showrooms in small industrial towns. Premier (India) Bearings Ltd., a leading industrial distributor of FAG and INA products launched their new showroom in Udhna, the industrial hub of Surat. Besides ensuring timely availability of Schaeffler products, Premier intends to offer extended service support such as Mounting, Condition Monitoring, etc. to the customers in South Gujarat.



PEOPLE

FGI Awards FAG for Excellence in Industrial Relations

"Happy Customers - Happy Employees", this summarises our vision at FAG. That is why we are constantly taking measures to improve employee relations. We create opportunities for employee engagement, encourage them to share their success stories and enthuse in them a shared vision of the Company's future.



Our vision and initiatives towards HR practices were duly recognised by the Federation of Gujarat Industries (FGI) when they awarded FAG for "Excellence in Industrial Relations (IR)" in 2012. This prestigious award was handed over by honourable Chief Minister of Gujarat, Mr. Narendra Modi.

Strategic Roadmap 2016 Launched

As the center of economic gravity shifts from West to East, Asia Pacific region will play an increasingly important role in shaping the global economy. Schaeffler is well positioned to benefit from the rapid development of this region due to its strong presence in countries like China, Korea and India.

Strategic Roadmap 2016 (SR2016) represents a shared vision of Schaeffler Asia Pacific Region. It articulates not only the regional goals but also the clear strategic direction and measures to realise a strong competitive position for Schaeffler in this region.



We realise that transforming the organisation into the one we envision, requires more than strategy and measures. Towards our endeavour to make SR2016 an integral part of the very fibre of our organisation, we aligned all our employees with the vision and the strategy. At the launch event called We Make It Happen Day, employees across all levels of the organisation committed themselves 100% towards realisation of SR2016.



"Development of employee competence is key towards realisation of SR2016. That is why we have clearly defined a roadmap for competence development for each of our engineers. It is only when the employee competence development precedes the market development that organisations like Schaeffler can leverage its leadership position."

Sreepal Rajan Singh Negi, Head of Technical Services

Success in Regional Work Skill India Competition

The Work Skills India Competition is an important annual initiative of Confederation of Indian Industry (CII) to inspire and motivate industrial workers by recognising excellence in work skills.

Trade Apprentices from FAG Learning & Development Centre have been winning awards at the CII competition every year. It was therefore not a surprise when one of our trade apprentice in Tool & Die Maker Trade secured 1st position in the 25th Regional Work Skill Competition organised at Pune and did all of us at FAG proud once again.



Working in Teams

Management is a process of reaching superior goals through teamwork. Solutions to complex business and operational challenges demand multiple skills and temperament. That is why we encourage structured working of multifaceted teams right in the work areas to solve hurdles with speed and quality.

"Daily Gemba Rounds are invaluable source for number of creative ideas leading to continuous improvements. We rely on talent and synergy of team members to overcome complex challenges."

Sameer Mathur, Vice President Operations



Company Information

Board of Directors:

Chairman	Avinash Gandhi
Managing Director	Rajendra Anandpara
Directors	Wolfgang Dangel Udo Bauer Bruno Krauss Frank Huber Bernhard Steinruecke Moreshwar Garde R. Sampath Kumar
Alternate to Mr. Krauss	Kamlesh Tapadar
Alternate to Mr. Dangel	Yezad Kapadia

Chief Financial Officer Satish Patel

Company Secretary Raj Sarraf

Bankers Union Bank of India
ICICI Bank Limited

Auditors B S R & Co.

Collaborators Schaeffler Group,
Germany

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

Head Office & Works Maneja,
Vadodara - 390 013

Savli Plant Plot No.1 (Alindra),
Savli GIDC Phase - III,
Taluka: Savli,
Vadodara - 391 775

Sales Offices Bangalore,
Bhubaneswar,
Chennai, Coimbatore,
Jamshedpur, Kanpur,
Kolkata, Mumbai,
New Delhi, Pune,
Secunderabad, Udaipur

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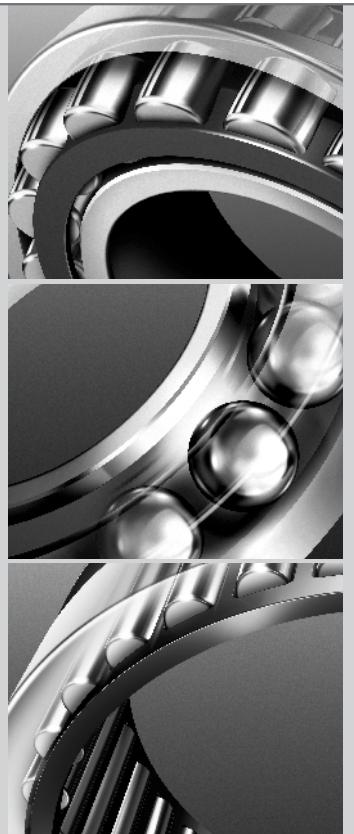
Directors' Report

To the members of the Company,

Your Directors are pleased to present the 50th Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2012.

Financial Highlights

Year	2012	2011	(₹ in million)
TOTAL INCOME (Net)	14,912.8	13,394.0	
Gross Operating Profit (Earning before depreciation, interest, tax and prior period adjustments)	2,650.4	2,848.1	
Depreciation / Amortisation	302.7	225.9	
Interest (Net)	13.0	12.6	
Prior period adjustments	–	–	
PROFIT BEFORE TAX	2,334.7	2,609.6	
Provision for Tax	742.9	849.9	
PROFIT FOR THE YEAR	1,591.8	1,759.7	
Balance brought forward	4,594.0	3,377.5	
Profit available for appropriation	6,185.8	5,137.2	
APPROPRIATIONS			
Proposed dividend	83.1	166.2	
Income tax on dividend	13.5	27.0	
Transfer to General Reserve	350.0	350.0	
Balance carried to Balance Sheet	5,739.2	4,594.0	
	6,185.8	5,137.2	



➤ Financial and Operational Performance

2012 was a difficult year. Indian economy slowed down with GDP estimated to grow only at 5% in 2012-13, slowest since a decade. Besides slowing down of economy, factors such as tight liquidity and generally weak sentiments led to reduced consumption and investments.

Demand growth of your Company's products slowed down in 2012 thus limiting top line development. Increased costs of traded goods due to weakening of Indian Rupee, intense market competition and lower absorption of fixed costs on account of slower volume growth put added pressure on margins.

Amid the sluggish environment, your Company performed reasonably well. Income rose to ₹ 1,491 crores representing growth of 11% (2011: 25%). Profit from ordinary activities in 2012 was placed at ₹ 233 crores (2011: ₹ 261 crores).

Consistent with its long-term strategy to invest in qualitative growth, your Company commissioned a new plant at Savli (near Vadodara) where we commenced production of Low-friction Ball Bearings. Production of Large Size Bearings and a new heat treatment plant will go on stream soon. At the existing plant in Maneja - Vadodara, we ramped up production of advanced Generation 3 Wheel Bearings, besides investing in various capacity and quality improvement projects.

Your Company intensified the implementation of MOVE and Fit for Quality programmes as a part of continuous improvement process to realise the goal of operational excellence.

Continuing its emphasis on innovation, R&D and sector approach, your Company was successful in developing large number of value added and efficient solutions for its customers in automotive and industrial sectors.

By focusing on Schaeffler Group's core competencies of innovation, quality, and productivity, your Company will continue to sharpen its future competitiveness.

Your Company will stay on course with its long-term strategy of investing in development of local production and R&D capabilities. Leveraging strengths of our robust processes, and empowered employees, your Company will continue to strive to become preferred partner to customers in India and thus benefit from India's growth in medium and long-term.

➤ **Dividend**

Your Directors recommend for your approval dividend for the year ended December 31, 2012 at the rate of ₹ 5/- (2011: ₹ 10/- inclusive of a dividend of ₹ 5/- per share in celebration of Company's 50th year of incorporation) per equity share amounting to ₹ 83.1 million (2011: ₹ 166.2 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, 2004, amounting to ₹ 290,804/- (including interest accrued thereon) 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.

➤ **Management 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 Discussion and Analysis. (ANNEXURE - I)

➤ **Directors**

At the forthcoming Annual General Meeting, Mr. Bruno Krauss and Mr. Bernhard Steinruecke 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. Udo Bauer, who is President & CEO of Schaeffler Asia Pacific, has been appointed as Additional Director with effect from May 25, 2012. Pursuant to provisions of Section 260 of the Companies Act, 1956, read with the Articles of Association of the Company, he can hold office only up to the date of the forthcoming Annual General Meeting of the Company. We have received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for directorship and being eligible, your Directors recommend his re-appointment, subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

During the year, the office of Alternate Directors was considered as vacated on arrival of their original directors. 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 26, 2012.

As on December 31, 2012, Mr. Kamlesh Tapadar and Mr. Yezad Kapadia are the Alternate Directors of Mr. Bruno Krauss and Mr. Wolfgang Dangel respectively.

➤ **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

Directors' Report

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 Statutory Auditors, B S R & Co., Chartered Accountants, Mumbai, who will retire at the conclusion of 50th Annual General Meeting to be held on April 25, 2013 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)

➤ Environmental Protection and Occupational Health and Safety Policy

Commitment to Environmental Protection and Occupational Health and Safety is an 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 Discussion and 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 judgments 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, 2012 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

Mumbai: February 14, 2013

Management Discussion and Analysis

(Annexure to the Directors' Report)

FAG

A Economic Scenario

In the aftermath of the slowdown induced by global financial crisis in 2008-09, Indian economy had shown great resilience to achieve a growth rate of 6.7% in 2008-09. Supported by Government stimulus, the economy grew smartly at 8.6% and 9.3% respectively in 2009-10 and 2010-11.

However, rising consumption coupled with supply side constraints led to near double digit inflation in 2010 and 2011. This compelled the Reserve Bank of India (RBI) to maintain a rather stringent monetary policy throughout 2012. High interest cost, tight liquidity accompanied by weak sentiments led to reduced consumption and investments.

The growth forecast for FY 2012-13 has been continuously revised downwardly from the first estimate of 7.5% GDP growth made by Prime Minister's Economic Advisory Council in February 2012.

The GDP growth decelerated from 5.5% in Q1 2012-13 to 5.3% in Q2 2012-13. This has forced CSO (Central Statistical Office) to revise its growth outlook for 2012-2013 downwards to 5% - the lowest since a decade.

Faced by the slowdown in growth and risk of credit down rating, the Government of India announced some reforms over the last few months to revive investments and sentiments. These reforms though are unlikely to lead to sharp economic recovery in short-term.

On the whole, the year 2012 remained a year of economic uncertainties and weak sentiments. Measures now being taken by the Government of India to stabilise economy and revive sentiments are in the right direction and will have positive effect in medium and long-term.

	GDP%	WPI %
FY 2008-09	6.7	8.1
FY 2009-10	8.6	3.8
FY 2010-11	9.3	9.6
FY 2011-12	6.2	8.9
CSO Estimate FY 2012-13	5.0	
Q1 FY 2012-13	5.5	7.5
Q2 FY 2012-13	5.3	7.6
Q3 FY 2012-13		7.3

B Industry Structure and Developments

Rolling bearings are required wherever there is motion. Bearings thus play a critical role in industrial progress.

During 2011, Indian Bearing market size was estimated at ₹ 85 billion (imports evaluated inclusive of duties). While accurate estimates of bearing demand for 2012 are yet not available, the first estimates are placed in the range of ₹ 80-85 billion i.e. demand development in the year 2012 remained more or less flat.

During the year, production of the organised Bearing Industry as represented under BRBMA (Ball and Roller Bearing Manufacturers' Association) was placed at ₹ 43 billion.

It is difficult to arrive at an accurate estimation of production of unorganised sectors as there are number of players who mainly cater to requirements in replacement sector besides supplying to certain niche demands.

Imports comprise approximately 40%-45% of bearing demand in India. Over the last few years imports from Asian countries, especially China, have significantly increased.

Rolling bearings find applications in Automotive and Industrial sectors. Aftermarket requirement from Automotive and Industrial sectors constitute approximately 35% of total bearing demand.



AUTOMOTIVE SECTOR

After registering smart growth in 2010 and 2011, the automotive growth slowed down in 2012. Rising interest rates and fluctuating fuel prices coupled with the negative global and local economic sentiments have been the main reasons for this slowdown.

Management Discussion and Analysis

(Annexure to the Directors' Report)

Production of Automotive Industry January - December 2012

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

Source: SIAM

OUTLOOK:

SIAM's revised forecast for FY 2013 indicates only a moderate optimism for Automotive Industry in the short-term.

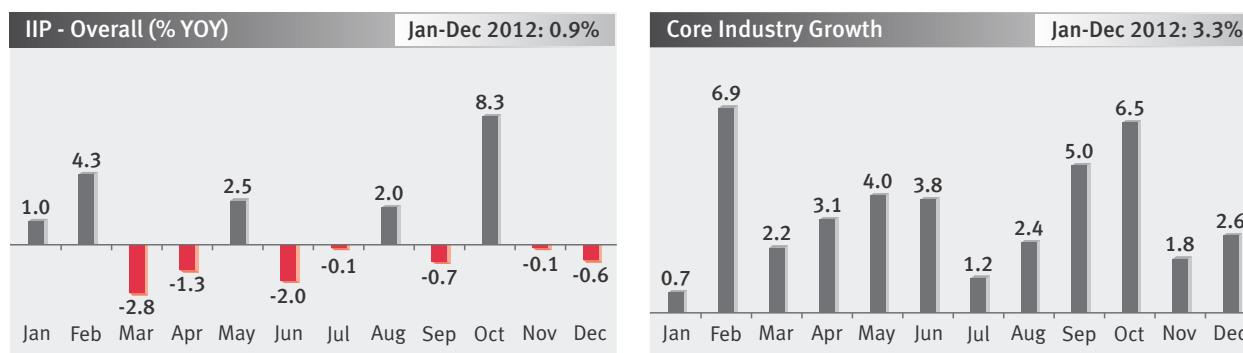
SIAM forecast	Passenger Vehicles	Commercial Vehicles	Two Wheelers	Three Wheelers
FY 2013 Growth (Jan. 2013 estimate)	7 - 10%	0 - 2%	3 - 5%	4 - 7%

Despite the current subdued mood in the automobile sector, medium and long-term prospects of the Automotive Industry remain very positive. Economic expansion, rising aspirations, disposable income of the middle-income households and rural prosperity will continue to drive demand for personal and mass mobility. Automotive Industry should return to fast track soon.



INDUSTRIAL SECTOR

Overall industrial development in 2012 remained very sluggish.



Index of Industrial Production (IIP) showed negative development during 7 out of 12 months in 2012.

The production of capital goods such as machinery and equipment, electrical machinery etc. contracted due to slowdown in investment, decline in new projects and increasing global competition.

In the Infrastructure Industries, production of coal, natural gas and fertilisers was well below the expectations. A large number of public / private sector projects have been delayed due to issues related to land acquisition, regulatory clearances, etc.

Management Discussion and Analysis

(Annexure to the Directors' Report)



OUTLOOK:

It is yet not clear if IIP growth development has reached the bottom. It is expected that due to Government's initiatives to contain deficit, the inflation will stabilise in coming months thus encouraging RBI to relax interest rates and spur industrial development.

Incentives given in the budget towards investments, speedier clearances of project and removal of bottlenecks will lead to positive climate. The Indian infrastructure industry needs substantial improvement and offers immense potential for long-term growth.

Restoration of generation based incentives augurs well for revitalisation of renewable industry.

Developments in Agricultural Machinery sector have always been cyclic. Since 2012, this sector is going through a lean patch. Good monsoon and adequate availability of rural finance are prerequisites for a reasonable recovery of this sector in 2013.

In the Rail sector, growing demand for effective mass mobility solutions continues to lead to steady and long-term development of the sector.

C Opportunities

Over the last few months, Indian Government has taken some measures to stabilise the economy by containing fiscal and current account deficit. It has also taken some measures to improve industry and investment sentiments while promising to address other bottlenecks.

These stability measures will ensure that economic growth will slowly yet steadily return. We thus expect 2013 to be a year of economic stability, while growth at higher trajectory may return in 2014.

D Threats

Bearing Industry is capital intensive. Lower economic development could lead to under utilisation of expensive resources and lesser absorption of fixed costs.

At the same time, Bearing Industry remains very competitive. Due to weakening of global demand, imports of bearings at very low prices especially from China have increased in recent years posing a threat to domestic industry.

Continued increase in raw material and consumables is another area to watch.

Increase in labour costs will have to be matched by corresponding increase in productivity to retain competitiveness of the industry.

Counterfeit bearing products probably account for 20% to 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 - in co-operation with competent agencies. The problem though remains widespread.

To counter the threat posed by low price competition our Company has taken a number of initiatives to strengthen its competitive advantage.

- With our MOVE initiative we are constantly exploring ways to minimise waste, reduce cost and increase productivity.
- With our focus on Application Engineering and R&D, we are partnering with our customers to develop advanced products that significantly increase efficiency.
- We follow a focus sector approach that enables us to understand the customer's world much better. This extensive know-how of customers' processes and applications, global networking of Schaeffler competence, together with our service portfolio gives us significant competitive advantage in the field - as we are able to demonstrate increased value and reduction in total cost of ownership to our customers.
- We are investing in new generation technologies. For example our low friction ball bearings, advanced Generation 3 Wheel Bearings and improved X-Life products from Vadodara and Savli plants have set a benchmark in terms of quality and energy efficiency.
- Considering long-term growth prospects of infrastructure and renewable industries, we have invested in state-of-the-art production facilities for large size bearings. These investments towards sophisticated technology prepare us better to meet India's growing demand for high quality products.

Management Discussion and Analysis

(Annexure to the Directors' Report)

E Segment-wise Performance

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

F 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. The management has developed a Risk Management Plan and reviews its implementation regularly.

In summary our consistent focus on high quality and innovative products, reliable and error-free processes, and empowered people help us to constantly upgrade our competitiveness and thus respond effectively to the market risks.

At the same time, strong Internal Control Systems have been designed to prevent any fraud and misuse of the Company's resources.

G Environment

Environmental protection and occupational safety have been an important part of our Company's management principles. We contribute to sustainable success of our Company by creating and maintaining safe working environments that promote health and performance and by actively pursuing environmental protection. We acknowledge our global responsibility towards employees, society, planet and future generations.

Continuously developing new technologies, constantly striving for further reductions in resources consumed, preventing waste, improving energy efficiency and many other practical environmental protection measures are important components of our Company's sustainable management process.

The following measures were carried out during 2012:

- We carried out systematic and periodic measurement of key environmental indices; such as water consumption, effluent drain & discharge, gas emission, electric consumption, etc. These measurements are transparently shared among management team and employees at all levels. Besides creating general awareness among employees towards environmental protection, the management encourages a number of initiatives that are targeted towards reduction in consumption of resources and improvement of resource efficiency across various processes in the organisation.
- With use of advanced technical solutions to improve energy efficiency, we saved over 1 Million kWh energy in 2012.
- Regular internal and external audits and certifications provide us with continuous information about current status and further development of the Environment & Safety management system, our focus being on continuously improving our performance in this area.

The following audits are carried out regularly to ensure high compliance to standards:

Water Audit	> Every quarter	Energy Audit	> Every three years	Safety Audit	> Every year
Air Audit	> Every quarter	Environmental Audit according to EMAS	> Every six months		

Towards our continuous endeavour to develop a green belt, we encouraged our employees to plant trees. At our newly built plant in Savli, employees participated in green initiatives that led to successful plantation over 1000 trees.



Energy Saving Projects saved 1 Million kWh in 2012



We planted over 1000 trees at Savli Plant

H Occupational Safety

The objective of employee safety has been embedded in our Company's philosophy for years. Our aim is to prevent workplace related injuries and occupational diseases by carrying out systematic risk analysis, defining and implementing appropriate measures to minimise all potential safety risks.

Employee awareness is key to safety and therefore we train all our employees to make them aware about safety standards and strengthen their safety skills in daily work practices. We also conduct mock drills to check the organisational preparedness towards crisis situations.

Management Discussion and Analysis

(Annexure to the Directors' Report)



I Internal Control Systems and their Adequacy

The Company has an adequate 'Internal Audit System' that promotes reliable financial reporting, safeguards assets, propagates ethical conduct, encourages adherence to fair management policies as well as to the 'Schaeffler Group' Guidelines and Specifications, as far as these are applicable. 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 and Signature Guidelines, which are recorded and reported in an organised manner.

J Finance

Despite the sluggish market environment, our Company's turnover rose to ₹ 1,491 crores representing growth of 11% (2011: 25%). Profit from ordinary activities in 2012 was placed at ₹ 233 crores (2011: ₹ 261 crores).

Our Company has been consistently practising sensible finance and working capital management that gives us assurance and confidence to take up new projects and give courage to face challenges. The Company has structured Forex risk assessment and mitigation plans in existence, which helped in hedging negative impact of currency fluctuation in 2012.

Our Company's structured financial policy has helped in setting up a new manufacturing facility at Savli, without dependence on any external funding. The strong focus on working capital and liquidity management has helped timely generation of sufficient internal cash flow to meet long-term strategic objectives.

K Human Resource and Industrial Relations

At FAG, we consider people as our most important asset and create an environment where positive culture simultaneously powers development of the organisation and our employees.

We encourage, involve and enable our employees for the process of empowerment. Training, exposure to global best practices, regular assessment and feedback, independence to take decisions, accepting failures and overcoming fear of failure are being embedded in our work culture.

We are constantly creating opportunities for employee engagement. We encourage them to share their success stories and enthuse in them a shared vision of the Company's future. We have catalysed the process of empowerment through definite initiatives and interventions.

Under our talent development programme, high potential employees are identified and systematically trained in the necessary skill sets and groomed to become role models and future growth leaders.

Specialists are trained at Group headquarters in Germany and at lead plants worldwide for extended periods so that besides acquiring knowledge, they are exposed to working on international projects.

Industrial relations during the year continued to be cordial and peaceful. The Federation of Gujarat Industry (FGI) awarded our Company for "Excellence in Industrial Relations". The award was handed over by the honourable Chief Minister of Gujarat, Mr. Narendra Modi.

At the end of this year, the employee strength of the Company was 1,580.

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 the Head Office of the Company.

The Federation of Gujarat Industry (FGI) awarded our Company for "Excellence in Industrial Relations". The award was handed over by the honourable Chief Minister of Gujarat, Mr. Narendra Modi.

Management Discussion and Analysis

(Annexure to the Directors' Report)

L Corporate Social Responsibility

While continuously creating value for itself and its stakeholders, your Company keeps looking for opportunities to make contributions towards the betterment of the society. The Company has adopted an adequate Corporate Social Responsibility Policy, demonstrating socially, environmentally and ethically responsible behaviour in governance of its operations.

A few highlights of the policy are covered hereunder:

1	CARE FOR STAKEHOLDERS	The Company - in all its decisions and actions - is committed to be proactively responsive towards safeguarding interests of all its stakeholders, including shareholders, employees, customers, suppliers and society at large.
2	ETHICAL FUNCTIONING	The Ethics and Code of Conduct have been defined for all the employees including Board Members and Senior Management persons. A mechanism to monitor adherence of its requirements is in place. The Board Members and Senior Management persons give certificate on compliance on an annual basis.
3	RESPECT FOR WORKERS' RIGHTS & WELFARE	The management has been advocating and is committed to providing a workplace environment that is safe, hygienic and humane, and one which upholds the dignity of the employees.
4	RESPECT FOR ENVIRONMENT	Company's approach towards environmental protection is described in earlier paragraphs.
5	SOCIAL AND INCLUSIVE DEVELOPMENT	<p>A. Care for employee</p> <p>We continued with the following initiatives:</p> <ol style="list-style-type: none">1. Long Service Award2. Education Awards & Certificate of Appreciation to employees' children3. Financial gifts are given to employees for (a) Birth of girl child under "Nanhi Kali" scheme (b) Marriage of daughter under a unique scheme <p>B. Care for Society</p> <p>Donations were given to some institutions / associations rendering social services to variety of people.</p>

M 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.

For and on behalf of the Board

Avinash Gandhi
Chairman

Mumbai: February 14, 2013

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

(Annexure to the Directors' Report)

FAG

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

A Energy Conservation Measures Taken during the Year 2012

- (1) Installation of 170 LED lights (33W) to replace CFLs (85W) in Hall 5 Production area.
- (2) Replacement of 95 HPMV lamps (250W) with CFLs (85W) in Hall 2 Railway Bearings Storage, Bell Furnace area and New Raw Material Storage area.
- (3) Installation of 36 LED lights to replace HPMV lamps (250W) in Hall 4 SRB / CRB Assembly area.
- (4) Installation and commissioning of 200TR Air-cooled Package AC system with advanced scroll compressors in Hall 5 Production area.
- (5) Replacement of old water-cooled AC with 14.0 TR VRFAC system with non-CFC R407 gas in EDP / Server room.
- (6) Replacement of old water-cooled AC with 8.0 TR VRFAC system with non-CFC R407 gas in Ball Inspection room.
- (7) Installation and commissioning of 9 Kishor make Submersible Pumps in place of Extended Shaft Pumps in Emulsion Coolant.
- (8) Providing of VFDs for converting high pressure pumps to low pressure ones by reduction in speed at Coolant plant.
- (9) Continued maintenance of the power factor at 0.999 to ensure optimised utilisation of power.
- (10) Purchase of power from alternate source - IEX, leading to major savings of ₹ 2.06 crore for the period of May 2012 to December 2012.
- (11) Following are some of the initiatives that have been introduced at Savli plant for optimum energy utilisation:
 - VFD device implemented at Air Compressor, Air Handling Unit (AHU) for Air-conditioning and motors in the Supply System of the Production hall.
 - Street lights and Hi-mast lights are controlled through automatic timers and can be adjusted to summer and winter.
 - Power distribution is having AMF (Automatic Power Factor) correction and transformers are synchronised.
 - Motion Sensors are installed in the rest rooms.

B Technology Adaptation, Absorption & Innovation

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

C Foreign Exchange Earning and Outgo

Import substitution and alternate sourcing are used as a measure of cost reduction, wherever possible.

(₹ in million)

Particulars	Year 2012	Year 2011
Earning:		
Earning in foreign exchange		
Service Income	17.0	0.5
FOB value of exports	2,008.2	1,567.5
Other	11.6	12.3
Total foreign exchange earned	2,036.8	1,580.3
Outgo:		
Import CIF value of		
Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods and intangible assets	5,534.5	4,988.1
Expenditure in foreign currency		
Interest on foreign currency loans, fees for use of technology, interest on foreign suppliers credit, professional fees and other expenses	546.2	468.3
Dividend paid to Shareholders (net of tax)	85.2	42.6
Total foreign exchange used	6,165.9	5,499.0

For and on behalf of the Board

Avinash Gandhi
Chairman

Mumbai: February 14, 2013

Corporate Governance Report

(Annexure to the Directors' Report)

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:

- (1) Lay emphasis on integrity and accountability,
- (2) Incorporate several practices aimed at a high level of business ethics, effective supervision and
- (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 well-being of the Company.

(A) Composition of Board

- (i) The management of your Company is entrusted to the Managing Director, who is assisted by a Management Core Team and Senior Executives having rich experience and expertise in their respective fields.
- (ii) None of the directors on the Board is a member of more than 10 committees or a chairman of more than 5 committees (as stipulated in Clause 49 of the Listing Agreement), across all the Indian Public Companies, in which he is a Director. The necessary disclosure regarding the committee position has been made by the Directors.
- (iii) The names and categories of the directors of the Board, their attendance at Board Meetings and at last Annual General Meeting held during the year and number of directorships and committee chairmanship / membership held by him in Indian Public Companies are given herein below. Directorships do not include alternate directorship, directorships of Private Limited Companies, Section 25 Companies and of 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 2012 (Physical)	The last AGM Attended; 'Yes' or 'No'
			As on December 31, 2012			
Mr. Avinash Gandhi	00161107	NE & ID	10	9 (4)	4	Yes
Mr. Rajendra Anandpara	02461259	E & NID	1	1	4	Yes
Mr. Wolfgang Dangel	02589684	NE & NID	1	—	—	No
Mr. Udo Bauer (appointed as Additional Director w.e.f. May 25, 2012)	05287614	NE & NID	1	—	2	NA
Mr. Frank Huber	00689169	NE & NID	1	—	2	Yes
Mr. Bruno Krauss	02946930	NE & NID	1	—	3	Yes
Mr. Bernhard Steinruecke	01122939	NE & ID	5	5 (1)	3	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)	00161186	NE & ID	1	—	4 (including 3 as Invitee)	Yes
Mr. Yezad Kapadia (Alternate to Mr. Dangel)	00161133	NE & ID	1	—	4 (including 1 as Invitee)	Yes

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

*NE & ID: Non-executive and Independent Director

Corporate Governance Report

(Annexure to the Directors' Report)

FAG

(iv) Executive Director:

Except, Mr. Rajendra Anandpara, Managing Director 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 the 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. Wolfgang Dangel, Mr. Udo Bauer, Mr. Bruno Krauss and Mr. Frank Huber are professionals, working at senior positions with "Schaeffler" and are 'Non-independent Directors'.
- Mr. R. Sampath Kumar is a lawyer, rendering legal services to "Schaeffler" and is a 'Non-independent Director'.

(vii) Alternate Directors:

Mr. Yezad Kapadia and Mr. Kamlesh Tapadar are appointed as alternate Directors of Mr. Wolfgang Dangel and Mr. Bruno Krauss respectively.

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 50th Annual General Meeting
(under Section 255 - 256 of the Companies Act, 1956)**

	Name Mr. Bernhard Alfons Steinruecke
	Father's Name Mr. Walter Steinruecke
	Date of Birth June 29, 1955
	Director Identification Number 01122939
	Date of Last Appointment April 22, 2010
	Qualification Professional qualification in Law, Economics & Taxation
	Profession / Occupation / Specialisation Employed, Director General of the Indo-German Chamber of Commerce
	Association Since 2005 with FAG Bearings India Limited
	Category Non-executive and Independent
	Shareholding in the Company None
	Other Directorships* 1 Bosch Limited 2 HDFC Ergo General Insurance Co. Limited 3 Zodiac Clothing Co. Limited 4 Apollo Munich Health Insurance Co. Limited
	Committee Memberships^{\$} <i>AC: Audit Committee</i> <i>IGC: Investors' Grievance / Share Transfer Committee</i> 1 Bosch Limited - Member of AC and IGC 2 HDFC Ergo General Insurance Co. Limited - Member of AC 3 Apollo Munich Health Insurance Co. Limited - Member of AC 4 FAG Bearings India Limited - Member of AC

* 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 50th Annual General Meeting (under Section 255 - 256 of the Companies Act, 1956)



Name	Mr. Bruno Krauss
Father's Name	Mr. Fridrich Krauss
Date of Birth	January 14, 1972
Director Identification Number	02946930
Date of Last Appointment	April 22, 2010
Qualification	Professional qualification in Management, Accounting & Taxation
Profession / Occupation / Specialisation	Employed, Chief Financial Officer - Schaeffler Asia Pacific
Association	Since 2010 with FAG Bearings India Limited
Category	Non-executive and Non-independent
Shareholding in the Company	None
Other Directorship*	None
Committee Membership ^s	None

Profile of Director seeking Appointment / Re-appointment in 50th Annual General Meeting (under Section 257 - 260 of the Companies Act, 1956)



Name	Mr. Udo Bauer
Father's Name	Mr. Erwin Bauer
Date of Birth	October 29, 1969
Director Identification Number	05287614
Date of Last Appointment	May 25, 2012
Qualification	Professional qualification in Economics & Mechanical Engineering
Profession / Occupation / Specialisation	Employed, President & Chief Executive Officer - Schaeffler Asia Pacific
Association	Since 2012 with FAG Bearings India Limited
Category	Non-executive and Non-independent
Shareholding in the Company	None
Other Directorship*	None
Committee Membership ^s	None

* Directorship means directorship in Indian Public Limited Companies.

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

Corporate Governance Report

(Annexure to the Directors' Report)



(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 2012

In all, four Board Meetings were held during 2012 on the following dates:

Board Meeting(s)	I	II	III	IV
Dates	February 09	April 20	July 19	October 26
Start Timing	11:15 am	11:00 am	11:30 am	11:30 am
Venue	Mumbai	Mumbai	New Delhi	New Delhi

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 Meetings Procedure

Annual Calendar of Board Meetings of the year is usually considered in the last Board Meeting of the previous year.

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

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

1. Annual operating plans, budgets and updates.
2. Capital budgets and updates.
3. Quarterly results of the Company and its operating divisions or business segments.
4. Minutes of meetings of the Board & Committees thereof.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default 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 judgment 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 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.

The information as specified in Annexure I to the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges is regularly made available to the Board whenever applicable.

Corporate Governance Report

(Annexure to the Directors' Report)

(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 2012 from all the Board Members and Senior Management Personnel.

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

3 AUDIT COMMITTEE

- (A) The Company has an Audit Committee at the Board level, with the powers and roles in accordance with the requirements of the Listing Agreement and the Companies Act, 1956. The Committee acts as a link amongst 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 2012 are as follows :

Audit Committee Meeting(s)	I	II	III	IV
Dates	February 09	April 20	July 19	October 26
Start Timing	10:00 am	10:00 am	10:15 am	10:15 am
Venue	Mumbai	Mumbai	New Delhi	New Delhi
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. 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 Auditor 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 49th Annual General Meeting held on Friday, April 20, 2012.

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 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.

Corporate Governance Report

(Annexure to the Directors' Report)



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	Allowance & Perquisites	Company's contribution to funds	Total
5.8	2.5	0.9	9.2

Notes:

- Company's contributions to fund include Superannuation Fund and Provident Fund and exclude the accruals for gratuity as it is funded on the basis of an actuarial valuation for the Company as a whole.
- The Company did not have any Stock Option Scheme as at December 31, 2012.

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 Employment Agreement' and the annual increment for the year 2013 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	3	–	3	–	120,000	–	120,000
Mr. M. Garde	4	–	4	3	190,000	–	190,000
Mr. Y. Kapadia@	3	1	–	–	60,000	20,000	80,000
Mr. K. Tapadar@	1	3	–	–	20,000	60,000	80,000
Mr. R. Sampath Kumar	4	–	4	3	190,000	–	190,000
Total					740,000	80,000	820,000

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

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

Transactions of the Non-executive Directors or their relatives with the Company during the year 2012 are as follows:

- Professional consultation fees (excluding Service Tax and reimbursement of expenses) paid / payable to Mr. Avinash Gandhi is ₹ 1,200,000/-.
- ₹ 96,000/- was paid to relatives of Mr. Avinash Gandhi towards rent.
- Professional consultation fees paid / payable to Mr. Bernhard Steinruecke is ₹ 500,000/-.
- Professional consultation fees paid / payable to Mr. Moreshwar Garde is ₹ 300,000/-.

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, 2012.

Corporate Governance Report

(Annexure to the Directors' Report)

5 INVESTORS' GRIEVANCE / SHARE TRANSFER COMMITTEE

The Committee comprised one Executive Director and two Non-executive Directors as on December 31, 2012. 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 relating to transfers, non-receipt of Balance Sheet, non-receipt of declared dividends etc. and to review effectiveness of investor relations system of the Company.

Details of the Investors' Grievance / Share Transfer Committee Meetings held during 2012 are as follows:

Meeting(s)	I	II	III
Dates	February 09	July 19	October 26
Start Timing	12:45 pm	1:15 pm	1:00 pm
Venue	Mumbai	New Delhi	New Delhi
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 2012, seven (7) complaints were received from SEBI, shareholders / investors, which were attended to and resolved satisfactorily during the year leaving no complaint pending as on December 31, 2012.

6 GENERAL BODY MEETINGS

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

Particulars	Meetings		
	49 th AGM	48 th AGM	47 th AGM
Date	April 20, 2012	April 21, 2011	April 22, 2010
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, 2011	December 31, 2010	December 31, 2009
(2) Declaration of Dividend	₹ 10 per equity share of ₹ 10 each	₹ 5 per equity share of ₹ 10 each	₹ 5 per equity share of ₹ 10 each
(3 & 4) Re-appointment of Rotational Directors under Section 255-256	Mr. F. Huber Mr. W. Dangel	Mr. A.P. Gandhi Mr. M. Garde	Mr. F. Huber Mr. B. Steinruecke
(5) Appointment of Auditors & to fix their remuneration	B S R & Co. Chartered Accountants, Mumbai		Mohinder Puri & Co., Chartered Accountants, New Delhi
Special Businesses:			
Appointment of Directors under Section 257-260	Mr. R. Sampath Kumar	–	Mr. B. Krauss Mr. R. Anandpara
Appointment of Managing Director under Section 198, 269, 309, 311 and Schedule XIII	–	–	Mr. R. Anandpara

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

7 DISCLOSURES

- (i) The Board has received disclosures from Key Managerial Personnel 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 the financial statements in the 50th 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 Exchanges, 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 in the Board Meetings periodically.

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

(A) The Board

Mr. Avinash Gandhi, being Non-executive Chairman, is entitled for reimbursement of expenses incurred in performance of his duties.

(B) Shareholder's Rights

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

(C) Audit Qualification

There has been no Audit Qualification in the Audit Report by the Auditor in the year 2012.

(D) Training for Management and Board Members

The Company has a 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 widely circulated English newspaper (The Economic Times / Business Standard) and vernacular Marathi newspaper (Maharashtra Times / 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)" 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.

9 GENERAL SHAREHOLDER INFORMATION

(i) 50th Annual General Meeting is scheduled to be held:

On: Thursday, the 25th day of April, 2013

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, 2013 to December 31, 2013.

Financial Reporting for:

(a) 1st quarter ending March 31, 2013 - by the end April 2013,

Corporate Governance Report

(Annexure to the Directors' Report)

- (b) 2nd quarter and half year ending June 30, 2013 - by the end July 2013,
(c) 3rd quarter ending September 30, 2013 - by the end October 2013,
(d) 4th quarter and year ending December 31, 2013 - by the end January / February 2014.

(iii) Date of Book Closure

April 2, 2013 to April 6, 2013 (Both days inclusive)

(iv) Dividend

The Dividend for the year 2012 may be declared under agenda item no. 2 of forthcoming 50th Annual General Meeting scheduled on April 25, 2013 and shall be paid within the time limit prescribed in the Companies Act, 1956.

(v) Audit in 2012

Sr. No.	Audits	Auditors in 2012	Audit Firm
1	Statutory Audit	Statutory Auditors	B S R & Co. Chartered Accountants, Mumbai
2	Cost Audit	Cost Auditors	Y. S. Thakar and Associates 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, 2013.

(vii) Custodial Fee to Depositories

The Company has paid custodial fees for the year 2012 - 2013 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 2012	Equity Shares			
	BSE Limited, (BSE)		National Stock Exchange of India Limited, (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January	1,203.85	1,023.25	1,245.30	1,006.00
February	1,560.00	1,151.00	1,559.95	1,165.10
March	1,695.95	1,422.05	1,699.40	1,415.00
April	1,792.00	1,515.15	1,813.90	1,535.00
May	1,616.00	1,452.00	1,615.00	1,450.05
June	1,750.00	1,430.00	1,587.00	1,421.00
July	1,558.95	1,415.00	1,554.00	1,422.00

Continued...

Corporate Governance Report

(Annexure to the Directors' Report)

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For the Year 2012	Equity Shares			
	BSE Limited, (BSE)		National Stock Exchange of India Limited, (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
August	1,630.00	1,460.05	1,626.00	1,443.05
September	1,800.00	1,502.00	1,799.85	1,500.10
October	1,826.85	1,670.00	1,849.95	1,665.00
November	1,769.65	1,645.15	1,769.00	1,635.15
December	1,768.45	1,625.00	1,854.60	1,669.15

(x) Stock Performance

The performance of the Company's shares relative to the BSE Sensitive Index for the year 2012 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, 1st 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 dematerialised form. Shares sent for transfer in physical form are registered on a fortnightly basis and returned within prescribed period from the date of receipt of document, provided all the documents are valid and complete in all respects. This practice was changed from October 1, 2012 as per the new guidelines issued by Securities Exchange Board of India. Afterwards, 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 document, provided all the documents are valid and complete in all respects. 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 share 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, 2012 for more than thirty days (as in case up to September 30, 2012) and for more than fifteen days (as in case from October 1, 2012 onwards), from the date of lodgement thereof. All requests for demat / remat received by the Company / Registrar and Share Transfer Agent were confirmed / rejected within prescribed period from the date of receipt thereof.

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, 2005 is due to be transferred, on May 26, 2013, to "Investor Education and Protection Fund" (IEPF) a Fund constituted by the Central Government under Section 205C of the Companies Act, 1956.

A reminder has been sent to the shareholders in December, 2012 to lodge their claims for unclaimed dividend as per their entitlement, before it is transferred to Government's Investor Education and Protection Fund (IEPF).

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 31.12.2012
31.12.2005	20.04.2006	26.05.2013	362,382
31.12.2006	26.04.2007	01.06.2014	403,624
31.12.2007	17.04.2008	25.05.2015	386,368
31.12.2008	24.04.2009	31.05.2016	461,839
31.12.2009	22.04.2010	29.05.2017	483,986
31.12.2010	21.04.2011	28.05.2018	547,365
31.12.2011	20.04.2012	27.05.2019	1,044,080
Total amount lying unclaimed / unpaid as on December 31, 2012			3,689,644

(xiv) Distribution of Shareholding

(As on December 31, 2012)

Analysis of Shareholding	2012		2011	
	Number of Shareholders	Number of Shares held	Number of Shareholders	Number of Shares held
1 - 50	4,575	87,350	4,221	86,641
51 - 100	1,423	121,065	1,427	122,387
101 - 250	1,183	203,158	1,202	206,901
251 - 500	577	214,226	619	233,869
501 - 1,000	346	259,172	365	274,250
1,001 - 5,000	258	573,137	275	603,710
5,001 and above	103	15,159,162	96	15,089,512
Total	8,465	16,617,270	8,205	16,617,270

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

Categorywise summary of Shareholding

(As on December 31, 2012)

Sr. No.	Category	No. of Shareholders	No. of Shares	%
1	Promoters (FAG Kugelfischer GmbH)	1	8,529,183	51.33
2	Mutual Fund	31	2,603,656	15.67
3	Foreign Institutional Investors	39	2,518,925	15.16

Continued...

Corporate Governance Report

(Annexure to the Directors' Report)



...Continued

Sr. No.	Category	No. of Shareholders	No. of Shares	%
4	Public	7,903	1,815,230	10.92
5	Bodies Corporate	272	891,708	5.37
6	Others	219	258,568	1.58
	Total	8,465	16,617,270	100.00

(xv) Top Ten Shareholders with their Shareholdings

(As on December 31, 2012)

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	Sundaram Mutual Fund	MF	647,823	3.90
3	ACACIA Partners, LP	FII	602,688	3.63
4	Acacia Institutional Partners, LP	FII	559,253	3.37
5	SBI MF Magnum Sector	MF	440,382	2.65
6	ICICI Prudential Life Insurance Co.	MF	390,420	2.35
7	HDFC Trustee Company Limited	MF	340,829	2.05
8	IDFC Premier Equity Fund	MF	300,000	1.81
9	Comgest Growth PLC	FII	265,000	1.60
10	ACACIA Banyan Partners	FII	248,376	1.50
	Total		12,581,738	74.19

*MF-Mutual Fund, FII- Foreign Institutional Investors

(xvi) Dematerialisation of Shares and Liquidity

98.47% of the Paid-up Equity Share Capital is held in Dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on December 31, 2012.

	NSDL	CDSL	Physical	Total
Shares (nos.)	16,028,027	335,125	254,118	16,617,270
Shares (%)	96.45	2.02	1.53	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 in 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
Phone: +91-22-6681 4444 to 6681 4499
Fax: +91-22-2202 7022

Head Office & Works:

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

Corporate Governance Report

(Annexure to the Directors' Report)

(xx) Information through Internet / Company's Website

The information pertaining to financial performance, shareholding pattern, compliance with corporate governance and announcements are being uploaded and can be viewed by the general public on www.corpfiling.co.in 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.

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

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

(xii) 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.

(xiii) The Management Discussion and Analysis Report for the year ended on December 31, 2012 forms part of the Annual Report.

For and on behalf of the Board

Avinash Gandhi
Chairman

Mumbai: February 14, 2013

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, 2012.

Mumbai: February 14, 2013

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, 2012 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, 2012, 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.

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

Vadodara: February 14, 2013



CEO and CFO Certificate

To,
The Board of Directors

This is to certify that,

- (a) We have reviewed Financial Results for the year ended December 31, 2012 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, 2012;
 - (ii) Significant changes in accounting policies during the year ended December 31, 2012;
 - (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

Mumbai: February 14, 2013

Satish Patel
Chief Financial Officer

Auditor's Report

To the Members of FAG Bearings India Limited



We have audited the attached Balance Sheet of FAG Bearings India Limited ('the Company') as at December 31, 2012 and the related Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, 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 purposes 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, the Statement of Profit and Loss and the 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 dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) on the basis of written representations received from the directors of the Company as at December 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

Vijay Mathur
Partner
Membership No. 046476

Mumbai: February 14, 2013

Annexure to the Auditor's Report

December 31, 2012

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 significant part of fixed assets were physically verified by the management in the current year and no material discrepancies were noticed on such verification.
(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the ongoing concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stocks lying with 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 4(ii) 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, 2012 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 and Customs duty, which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned below:

(₹ in million)

Name of the statute	Nature of the dues	Amount	Period	Forum where the dispute is pending
State and Central Sales Tax Act	Duty and interest	2.8	2004-05	Joint Commissioner Appeals
		8.3	2006-07	
		0.1	2003-04	Commissioner Appeals
		3.7	2008-09	

Continued...

Annexure to the Auditor's Report

December 31, 2012

FAG

...Continued

(₹ in million)

Name of the statute	Nature of the dues	Amount	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
		11.7	2003-04, 2004-05, 2006-07, 2007-08, 2009-10	Commissioner Appeals
		1.9	2004-05	Assistant Commissioner Appeals
The Income Tax Act, 1961	Tax and interest	106.3	2000-01 to 2008-09	Income Tax - Appellate Tribunal and Assessing Officer

The above are net of amounts paid under protest for Sales tax (₹ 67.3 million; 2011: ₹ 57.3 million), and for Income tax (₹ 1,814.4 million; 2011: ₹ 1,799.4 million).

- (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 and 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.
- (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.**
Chartered Accountants
Firm's Reg. No. 101248W

Vijay Mathur
Partner
Membership No. 046476

Mumbai: February 14, 2013

Balance Sheet

As at December 31, 2012

			(₹ in million)
	Notes	31.12.2012	31.12.2011
(I) EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	2	166.2	166.2
Reserves and surplus	3	8,628.8	7,134.2
Non-current liabilities			
Deferred tax liabilities (net)	4	64.4	31.7
Other long-term liabilities	5	15.2	14.4
Long-term provisions	6	229.4	194.3
Current liabilities			
Trade payables	7	1,786.1	1,754.0
Other current liabilities	8	417.7	452.2
Short-term provisions	9	128.8	221.0
TOTAL		11,436.6	9,968.0
(II) ASSETS			
Non-current assets			
Fixed assets			
Tangible fixed assets	10	2,782.2	1,782.6
Intangible fixed assets	10	9.4	0.6
Capital work-in-progress	10	1,135.5	568.4
Non-current investments	11	43.5	–
Long-term loans and advances	12	754.3	1,201.7
Other non-current assets	13	4.6	–
Current assets			
Inventories	14	1,422.1	1,622.5
Trade receivables	15	2,547.1	2,143.0
Cash and bank balances	16	1,948.2	2,334.2
Short-term loans and advances	17	755.4	220.8
Other current assets	18	34.3	94.2
TOTAL		11,436.6	9,968.0
Significant accounting policies	1		
Notes to the financial statements	29-46		

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

As per our report of even date attached

For B S R & Co.

Chartered Accountants
Firm's Reg. No. 101248W

Vijay Mathur

Partner
Membership No. 046476

Mumbai: February 14, 2013

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 14, 2013

Statement of Profit and Loss

for the year ended December 31, 2012



(₹ in million)

	Notes	31.12.2012	31.12.2011
REVENUE FROM OPERATIONS:	19		
Sale of products (gross)		15,499.3	13,895.2
Less: Excise Duty		1,140.9	901.9
Sale of products (net)		14,358.4	12,993.3
Sale of services		28.6	6.7
Other operating revenues		79.5	85.5
Total		14,466.5	13,085.5
Other income	20	446.3	308.5
Total revenue		14,912.8	13,394.0
EXPENSES:			
Cost of materials consumed	21	4,782.9	4,281.9
Purchases of Stock-in-Trade	22	4,045.3	3,433.7
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	247.7	(141.5)
Employee benefits	24	1,128.9	1,011.8
Finance costs	25	13.0	12.6
Depreciation and amortisation	26	302.7	225.9
Other expenses	27	2,057.6	1,960.0
Total expenses		12,578.1	10,784.4
PROFIT BEFORE TAX		2,334.7	2,609.6
Tax:			
Current tax		710.3	847.5
Deferred tax		32.6	2.4
PROFIT FOR THE YEAR		1,591.8	1,759.7
Earnings per equity share [Nominal value of share ₹ 10 each (2011 : ₹ 10 each)]	28		
Basic		95.79	105.88
Diluted		95.79	105.88
Significant accounting policies	1		
Notes to the financial statements	29-46		

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

As per our report of even date attached

For B S R & Co.

Chartered Accountants
Firm's Reg. No. 101248W

Vijay Mathur

Partner
Membership No. 046476

Mumbai: February 14, 2013

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 14, 2013

Cash Flow Statement

for the year ended December 31, 2012

(₹ in million)

	Year 2012	Year 2011	
Cash flows from operating activities			
Net profit before tax	2,334.7		2,609.6
Adjustments:			
Depreciation and amortisation	302.7	225.9	
Finance costs	13.0	12.6	
Unrealised exchange loss / (gain) (net)	28.6	(101.4)	
Interest income	(202.4)	(249.7)	
Loss / (profit) on fixed assets sold (net)	0.2	(2.2)	
Loss / (profit) on sale of investment	–	0.2	
Provision for doubtful debts / advances	4.9	(7.7)	
Provision written back on loans and advances	(11.0)	–	
Provision written back on investments	(38.5)	–	
Provision for Gratuity / leave encashment	42.9	49.3	
Provision for warranty	–	3.6	
Provision no longer required written back - others	(5.4)	(15.2)	
TDS on other income	(0.3)	(0.6)	
	134.7		(85.2)
Operating cash flow before changes in working capital	2,469.4		2,524.4
(Increase) / decrease in trade and other receivables	(596.4)	(918.1)	
(Increase) / decrease in inventories	200.4	(352.3)	
Increase / (decrease) in trade and other payables	22.2	472.7	
	(373.8)		(797.7)
Cash generated from operations	2,095.6		1,726.7
Income tax paid (net of refunds)	(725.0)		(900.5)
A Net cash from operating activities	1,370.6		826.2
Cash flows from investing activities			
Purchase and construction of fixed assets (tangible and intangible fixed assets, capital work-in-progress) (see note below)	(1,411.5)	(1,474.3)	
Proceeds from sale of fixed assets	4.4	3.1	
Intercorporate loans given	(350.0)	–	
Investment in fixed deposits	(174.4)	(670.0)	
Sale of long-term investment	–	3.0	
Interest received	211.0	205.8	
B Net cash used in investing activities	(1,720.5)		(1,932.4)
Cash flows from financing activities			
Finance costs paid	(13.0)	(12.6)	
Dividends paid on equity shares	(165.9)	(83.0)	
Tax paid on dividends	(27.0)	(14.1)	
C Net cash used in financing activities	(205.9)		(109.7)
Net decrease in cash and cash equivalents (A + B + C)	(555.8)		(1,215.9)
Cash and cash equivalents at the beginning of period (see note below)		1,664.2	2,880.1
Cash and cash equivalents at the end of period (see note below)		1,108.4	1,664.2
	(555.8)		(1,215.9)

Continued...

Cash Flow Statement
for the year ended December 31, 2012



...Continued

(₹ in million)

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:

	31.12.2012	31.12.2011
Cash on hand	0.6	0.8
Cheques on hand	89.3	47.5
With scheduled banks on:		
Current accounts	568.5	475.9
Deposit accounts (maturity upto three months)	450.0	1,140.0
	1,108.4	1,664.2

As per our report of even date attached

For B S R & Co.

Chartered Accountants
Firm's Reg. No. 101248W

Vijay Mathur

Partner
Membership No. 046476

Mumbai: February 14, 2013

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 14, 2013

Notes to the Financial Statements

for the year ended December 31, 2012

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 by Companies (Accounting Standards) Rules, 2006 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.

(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.

(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. Life as per the Company's depreciation / amortisation policy. Acquired intangible assets are recorded at its acquisition price and is amortised over its estimated useful life as per the Company's depreciation / amortisation policy.

(ii) **Depreciation / Amortisation:**

(a) **Tangible assets:**

- (i) Leasehold land is depreciated over the period of the lease except where the lease is convertible to freehold land under lease agreements at future dates.
- (ii) Depreciation on buildings and roads acquired prior to April 2, 1987 is provided on straight-line method at the rates - 3.39% and 2.31% (as applicable) which are different from the principal rates prescribed in Schedule XIV to the Companies Act, 1956.
- (iii) Assets individually costing ₹ 5,000 or less are depreciated fully in the year when the assets are put to use.
- (iv) In respect of the other assets, depreciation is provided on straight-line method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956.

(b) **Intangible assets:**

These are amortised equally over a period of three years.

(D) Impairment

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

Notes to the Financial Statements

for the year ended December 31, 2012

FAG

(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 uses forward exchange contracts to mitigate 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 is made at the Balance Sheet date by marking it 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 generally recognised on shipment or dispatch to customers when the risks and rewards of ownership are transferred to the customers. "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.

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

All 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 compensated absences. These are measured on the basis of year end actuarial valuation in pursuance of the Company's leave rules.

Notes to the Financial Statements

for the year ended December 31, 2012

(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 reflects 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 (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 anti dilutive.

(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, is classified as operating lease. 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, 2012



(₹ in million)

2 SHARE CAPITAL	31.12.2012	31.12.2011
Authorised capital		
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 31.12.2012		As at 31.12.2011	
	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 31.12.2012		As at 31.12.2011	
	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 31.12.2012		As at 31.12.2011	
	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	31.12.2012	31.12.2011
Securities premium account	200.2	200.2
Revaluation reserve		
At the commencement of the year	21.6	22.2
Less: Transferred from Statement of Profit and Loss	(0.6)	(0.6)
Closing balance	21.0	21.6

Continued...

Notes to the Financial Statements

As at December 31, 2012

...Continued

(₹ in million)

	31.12.2012	31.12.2011
General reserve		
At the commencement of the year	2,318.4	1,968.4
Add: Transfer from surplus	350.0	350.0
Closing balance	2,668.4	2,318.4
Surplus (Profit and Loss balance)		
At the commencement of the year	4,594.0	3,377.5
Add: net profit for the current year	1,591.8	1,759.7
Appropriations:		
Less: proposed dividend	83.1	166.2
Less: tax on proposed dividend	13.5	27.0
Less: transferred to general reserve	350.0	350.0
Closing balance	5,739.2	4,594.0
Total	8,628.8	7,134.2

4	DEFERRED TAX LIABILITIES (NET)	31.12.2012	31.12.2011
Deferred tax liabilities			
Excess of depreciation / amortisation on fixed assets under income-tax law over depreciation / amortisation provided in accounts		143.0	93.4
		143.0	93.4
Deferred tax assets			
Provision for employee benefits		64.0	50.1
Provision for expenses		12.1	10.6
Provision for doubtful trade receivables		2.5	1.0
		78.6	61.7
Total		64.4	31.7

5	OTHER LONG-TERM LIABILITIES	31.12.2012	31.12.2011
Security deposits from customers and vendors		15.2	14.4
Total		15.2	14.4

6	LONG-TERM PROVISIONS	31.12.2012	31.12.2011
Provision for employee benefits			
Gratuity		18.3	17.2
Leave encashment		156.9	119.6
Provision for litigation		51.9	51.9
Provision for tax (net of advance tax)		2.3	5.6
Total		229.4	194.3

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

7	TRADE PAYABLES	31.12.2012	31.12.2011
Trade payables		1,786.1	1,754.0
For dues to micro and small suppliers, refer note 45		–	–
Total		1,786.1	1,754.0

Notes to the Financial Statements

As at December 31, 2012



(₹ in million)

8 OTHER CURRENT LIABILITIES	31.12.2012	31.12.2011
Employee liabilities		
- Personnel cost	32.6	33.5
- Contribution to provident fund	3.7	3.4
Accrued expense	73.0	132.2
Creditors for capital goods	112.0	128.9
Advances from customers / dealers	1.8	0.3
Unclaimed dividends*	3.6	3.3
Unclaimed matured deposits*	—	0.1
Service tax payable	1.2	0.7
Excise duty payable	94.0	—
TDS payable	13.4	29.4
Other statutory dues	35.8	35.7
Other payables	46.6	84.7
Total	417.7	452.2

*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	31.12.2012	31.12.2011
Provision for employee benefits		
Current portion of leave encashment	28.3	23.8
Other provisions		
Provision for proposed dividend	83.1	166.2
Provision for tax on proposed dividend	13.5	27.0
Provision for wealth tax	0.3	0.4
Provision for warranties	3.6	3.6
Total	128.8	221.0

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.

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, 2010	19.4	110.5	235.8	3,607.8	76.5	15.0	18.6	4,083.6
Additions	—	6.5	5.3	167.3	10.2	1.2	6.3	196.8
Disposals	—	—	—	129.0	8.0	1.6	0.6	139.2
Balance as at Dec. 31, 2010	19.4	117.0	241.1	3,646.1	78.7	14.6	24.3	4,141.2
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
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
Depreciation								
Balance as at Jan. 1, 2010	—	—	86.0	2,530.3	42.2	5.5	4.4	2,668.4
Depreciation for the year	—	—	7.0	187.5	4.0	0.7	2.1	201.3
Accumulated depreciation on disposal	—	—	—	127.9	7.8	1.5	0.6	137.8
Balance as at Dec. 31, 2010	—	—	93.0	2,589.9	38.4	4.7	5.9	2,731.9

Continued...

Notes to the Financial Statements

As at December 31, 2012

...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, 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
Net Block								
As at December 31, 2011	19.4	121.8	150.8	1,415.4	46.0	11.2	18.0	1,782.6
As at December 31, 2012	19.4	121.8	483.4	2,058.4	54.5	28.9	15.8	2,782.2
INTANGIBLE FIXED ASSETS				Software		Technical know-how fees		Total
Gross block								
Balance as at Jan. 1, 2010				35.2		13.1		48.3
Additions				0.4		–		0.4
Disposals				–		–		–
Balance as at Dec. 31, 2010				35.6		13.1		48.7
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
Amortisation								
Balance as at Jan. 1, 2010				34.8		13.1		47.9
Amortisation for the year				0.1		–		0.1
Balance as at Dec. 31, 2010				34.9		13.1		48.0
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
Net Block								
As at December 31, 2011				0.6		–		0.6
As at December 31, 2012				9.4		–		9.4

CAPITAL WORK-IN-PROGRESS

TANGIBLE	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total
Balance as at Jan. 1, 2010	–	–	5.1	38.3	0.5	–	–	43.9
Additions	6.4	–	29.9	158.8	11.7	1.2	6.3	214.3
Assets capitalised during the year	6.4	–	5.2	167.3	10.1	1.2	6.3	196.5
Balance as at Dec. 31, 2010	–	–	29.8	29.8	2.1	–	–	61.7

Continued...

Notes to the Financial Statements

As at December 31, 2012



...Continued

(₹ 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
INTANGIBLE						Software		Total
Balance as at Jan. 1, 2010						0.4		0.4
Additions						0.4		0.4
Assets capitalised during the year						—		—
Balance as at Dec. 31, 2010						—		—
Balance as at Jan. 1, 2011						1.1		1.1
Additions						0.2		0.2
Assets capitalised during the year						—		—
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						—		—

11 NON-CURRENT INVESTMENTS	31.12.2012	31.12.2011
Trade Investments: Unquoted		
Investment in equity instruments		
4,350,000 (2011: 1,100,000) equity shares of FAG Roller Bearings Private Limited, an associate, of ₹ 10 each fully paid up [at cost less provision for other than temporary diminution of ₹ Nil (December 2011: ₹ 11.0 million) (refer note 20)]	43.5	11.0
Less : Provision for diminution in the value of Investments	—	(11.0)
Total	43.5	—

12 LONG-TERM LOANS AND ADVANCES	31.12.2012	31.12.2011
To parties other than related parties (unsecured and considered good)		
Capital advances	13.0	385.6
Security Deposits (Unsecured)		
Security deposits	28.3	26.8
41.3	412.4	
Other loans and advances		
VAT receivable (amount paid under protest)	72.3	66.4
Advance tax recoverable [net of provision (for earlier years)]	190.7	157.0
	263.0	223.4
To related parties (unsecured and considered good)		
Capital advances	—	115.9
Other loans and advances (secured and considered good)	—	
Other loans and advances	450.0	450.0
	450.0	565.9
Total	754.3	1,201.7

Notes to the Financial Statements

As at December 31, 2012

(₹ in million)

Capital advances are given to FAG Roller Bearings Private Limited, an associate company ₹ Nil (2011: 115.9 million). Other loans and advances comprise of loan given to INA Bearingss India Private Limited, an associate company ₹ 450.0 million (2011: ₹ 450.0 million), secured by way of hypothecation of plant and machinery.

13 OTHER NON-CURRENT ASSETS	31.12.2012	31.12.2011
Bank deposits (due to mature after 12 months from the reporting date)	4.6	–
Total	4.6	–

14 INVENTORIES (valued at the lower of cost and net realisable value)	31.12.2012	31.12.2011
Raw Materials and components [including goods-in-transit ₹ 114.3 million (2011: ₹ 117.9 million)]	534.7	527.8
Work-in-progress	94.7	115.1
Finished goods	260.7	342.4
Stock-in-trade [including goods-in-transit ₹ 105.6 million (2011: ₹ 111.9 million)]	372.5	518.1
Stores and spares [including goods-in-transit ₹ 4.2 million (2011: ₹ 9.0 million)]	128.7	90.0
Loose Tools	30.8	29.1
Total	1,422.1	1,622.5

At December 31, 2012, the provision for write-down of the inventories to net realisable value amounted to ₹ 109.1 million (2011: ₹ 162.2 million).

15 TRADE RECEIVABLES	31.12.2012	31.12.2011
Trade receivables outstanding for a period exceeding six months from the date they became due for payment		
Secured, considered good	1.1	0.2
Unsecured, considered good	2.3	1.0
Doubtful	7.8	2.9
Less: Provision for doubtful debts	(7.8)	(2.9)
(A)	3.4	1.2
Other receivables		
Secured, considered good	6.1	5.6
Unsecured, considered good	2,537.6	2,136.2
(B)	2,543.7	2,141.8
Total (A+B)	2,547.1	2,143.0

16 CASH AND BANK BALANCES	31.12.2012	31.12.2011
Cash and cash equivalents		
Cash on hand	0.6	0.8
Cheques on hand	89.3	47.5
Balances with banks		
On current accounts	565.9	474.4
On deposit accounts (with original maturity of 3 months or less)	450.0	1,140.0
Restricted deposits (unpaid dividend)	2.6	1.5
Other bank balances	839.8	670.0
Total	1,948.2	2,334.2
Details of bank balances / deposits		
Bank balances available on demand / deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	450.0	1,140.0
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	839.8	670.0
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 13)	4.6	–

Notes to the Financial Statements

As at December 31, 2012



(₹ in million)

	31.12.2012	31.12.2011
17 SHORT-TERM LOANS AND ADVANCES		
To parties other than related parties (unsecured, considered good)		
Advances to employees	3.2	3.2
Balance with tax authorities		
- Excise receivable	263.2	86.0
- VAT receivable	60.4	31.9
- Service tax receivable	18.5	15.7
Sundry prepayments	7.8	3.1
Advances for supply of goods	33.5	46.8
	386.6	186.7
To related parties (unsecured, considered good, unless otherwise stated)		
Advances to key managerial person	-	0.2
Loans and advances to associate companies	368.8	33.9
	368.8	34.1
Total	755.4	220.8
Loans and advances to associate companies include:		
Loan to LuK India Private Limited	350.0	-
Loan to FAG Roller Bearings Private Limited	-	38.5
Less: Provision on loan to FAG Roller Bearings Private Limited (refer note 20)	-	(38.5)
Advances to:		
LuK India Private Limited	1.9	9.6
FAG Roller Bearings Private Limited	11.9	17.0
INA Bearings India Private Limited	2.9	7.3
Schaeffler Tech. AG & Co. KG	2.1	-
18 OTHER CURRENT ASSETS	31.12.2012	31.12.2011
(Unsecured, considered good)		
Export incentive receivable	17.5	47.0
Interest accrued on fixed deposits	8.9	42.4
Interest accrued - others	7.9	4.8
Total	34.3	94.2

Notes to the Financial Statements for the year ended December 31, 2012

	31.12.2012	31.12.2011
19 REVENUE FROM OPERATIONS		
Sale of products		
Finished goods	10,563.2	9,453.7
Traded goods	4,936.1	4,441.5
Less: Excise duty	1,140.9	901.9
Sale of products (net)	14,358.4	12,993.3
Sale of services	28.6	6.7
Other operating revenues		
Export incentives	51.2	63.2
Scrap sales	28.3	22.3
Total	14,466.5	13,085.5
Break up of revenue from sale of products:		
Manufacturing goods (net of excise)*		
Ball & roller bearings	9,412.5	8,538.4
Components	9.8	13.4
Total - (A)	9,422.3	8,551.8
Traded Goods		
Ball & roller bearings	4,729.8	4,146.7
Axle box housing, Re-railing equipment and its component**	168.7	168.4
High sea steel bars / rods	37.6	126.4
Total - (B)	4,936.1	4,441.5
Total - (A+B)	14,358.4	12,993.3

* Includes bearings partially processed in-house 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.

Notes to the Financial Statements

for the year ended December 31, 2012

(₹ in million)

20 OTHER INCOME	31.12.2012	31.12.2011
Interest income on fixed deposits	125.7	198.8
Interest income - others	103.6	69.2
Provisions written back on long-term investment and loans (refer note below)	49.5	—
Provisions no longer required written back - others	5.4	15.2
Net profit on sale / write off of fixed assets	—	2.2
Net gain on account of foreign exchange fluctuations (net)	147.1	1.3
Rental Income from property lease (refer note 40)	3.1	2.6
Other non-operating income	11.9	19.2
Total	446.3	308.5

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 considering its current and budgeted financial performance.

21 COST OF MATERIALS CONSUMED***	31.12.2012	31.12.2011
Inventory of materials at the beginning of the year	527.8	366.5
Purchases	4,789.8	4,443.2
Inventory of materials at the end of the year	534.7	527.8
Total	4,782.9	4,281.9
Break up of cost of materials consumed		
Ferrous Metals	1.9	3.3
Forged Rings	67.9	4.0
Components#	4,713.1	4,274.6
Total	4,782.9	4,281.9
Break up of inventory materials		
Ferrous Metals	85.5	133.6
Forged Rings	184.1	147.2
Components	265.1	247.0
Total	534.7	527.8

***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.

22 PURCHASES OF STOCK IN TRADE	31.12.2012	31.12.2011
Bearings	3,892.6	3,186.4
Axle box housing, Re-railing equipment and its component	115.5	123.1
High sea steel bars / rods	37.2	124.2
Total	4,045.3	3,433.7

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

Particulars	For the year ended 31.12.2012			For the year ended 31.12.2011		
	Opening inventory	Closing inventory	(Increase) / Decrease in inventory	Opening inventory	Closing inventory	(Increase) / Decrease in inventory
Manufactured goods						
Ball & Roller Bearings	340.8	260.3	80.5	251.6	340.8	(89.2)
Components	1.6	0.4	1.2	1.9	1.6	0.3
	342.4	260.7	81.7	253.5	342.4	(88.9)
Traded goods						
Bearings	503.2	360.1	143.1	456.4	503.2	(46.8)
Component of axle box housing, Re-railing equipment and its component	14.9	12.4	2.5	20.4	14.9	5.5
	518.1	372.5	145.6	476.8	518.1	(41.3)

Continued...

Notes to the Financial Statements

for the year ended December 31, 2012



...Continued

(₹ in million)

Particulars	For the year ended 31.12.2012			For the year ended 31.12.2011		
	Opening inventory	Closing inventory	(Increase) / Decrease in inventory	Opening inventory	Closing inventory	(Increase) / Decrease in inventory
Work-in-progress						
Work-in-progress - Bearings	115.1	94.7	20.4	103.8	115.1	(11.3)
	115.1	94.7	20.4	103.8	115.1	(11.3)
Total	975.6	727.9	247.7	834.1	975.6	(141.5)

*Closing stock is net of scrapped/reworked items and shortages/excesses.

24 EMPLOYEE BENEFITS	31.12.2012	31.12.2011
Salaries, wages and incentives	929.5	822.8
Contributions to -		
- Provident fund	39.5	35.9
- Gratuity fund	28.1	33.5
- Superannuation fund	18.4	14.2
Staff welfare expenses	113.4	105.4
Total	1,128.9	1,011.8

25 FINANCE COSTS	31.12.2012	31.12.2011
Interest expense	13.0	12.6
Total	13.0	12.6

26 DEPRECIATION AND AMORTISATION	31.12.2012	31.12.2011
Depreciation of tangible fixed assets	301.2	226.2
Less: Depreciation on revaluation increase transferred to revaluation reserve	(0.6)	(0.6)
Amortisation of intangible fixed assets	2.1	0.3
Total	302.7	225.9

27 OTHER EXPENSES	31.12.2012	31.12.2011
Consumption of stores and spare parts	351.3	311.1
Power and fuel	220.7	194.4
Freight, clearing and forwarding	178.8	146.7
Rent	17.1	9.7
Repairs		
Building	6.6	9.2
Machinery	15.3	13.7
Others	20.1	17.4
Insurance	18.1	13.1
Rates and taxes	23.3	20.9
Excise duty (refer note 42)	(0.7)	16.1
Travelling expenses	128.1	101.1
Legal and professional fees	26.4	41.8
Payment to auditors (Refer note below)	4.1	4.5
Fees for use of technology	237.9	205.1
Turnover bonus / discounts	292.2	364.4

Continued...

Notes to the Financial Statements

for the year ended December 31, 2012

...Continued

(₹ in million)

	31.12.2012	31.12.2011
Advertising and sales promotion	74.1	85.7
Bank charges	5.1	5.3
Telephone and other communication expenses	16.3	12.1
Printing and stationery	8.9	6.4
Provision for doubtful debts	4.9	—
Warranty costs	0.9	4.4
Cash discount	66.5	53.3
Outside services	321.9	304.3
Net loss on sale / retirement of fixed assets	0.2	—
Miscellaneous expenses	19.5	19.3
Total	2,057.6	1,960.0
Note: Payments to auditors		
As auditor		
Statutory audit	2.7	2.0
Limited review of quarterly results (for 2011, includes payment to erstwhile auditors ₹ 0.5 million)	1.0	1.1
Fees for IFRS Audit	—	1.3
Other services (Certification)	0.1	—
Reimbursement of expenses	0.3	0.1
Total	4.1	4.5

28 EARNINGS PER SHARE (EPS)	31.12.2012	31.12.2011
(a) Amount used as the numerator Profit after tax attributable to equity shareholders (₹ in million)	1,591.8	1,759.7
(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 ₹)	95.79	105.88

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 as under:

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 (2011: ₹ 0.6 million), representing depreciation on the increase due to revaluation of buildings and roads transferred from the Revaluation Reserve.
- (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 fees for technical services for Capital project ₹ 21.8 million (2011: ₹ 26.1 million) and allocation of manufacturing and other expenses ₹ 39.0 million (2011: 28.7 million).

30 CONTRACTS ON CAPITAL ACCOUNT:	2012	2011
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	420.8	1,240.0

Notes to the Financial Statements

for the year ended December 31, 2012



31 CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF:

Claims against the Company not acknowledged as debts:

(a) Employees and ex-employees related matters:

- Matters pending in labour court / civil court / high court for reinstatement of service / recovery of salary ₹ 116.0 million (2011: ₹ 96.2 million);
- Applicability of Provident Fund on certain benefits to employees ₹ 190.4 million (2011: ₹ 155.9 million);
- Demand for discontinuing of contract system and for differential wages ₹ 102.6 million (2011: ₹ 83.0 million);
- Applicability of Employees State Insurance on certain benefits paid to the employees ₹ 6.9 million (2011: ₹ 6.0 million).

(b) 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, 2006-07, 2007-08 and 2008-09 ₹ 36.3 million (2011: ₹ 22.8 million).

(c) Excise & Service Tax:

Excise

- (i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities ₹ Nil (2011: ₹ 0.6 million).

Service Tax

- (ii) 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) ₹ 1.9 million (2011: ₹ 1.8 million).

(d) Income Tax:

- (i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities ₹ 82.8 million (2011: ₹ 96.8 million).
- (ii) 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 million (2011: ₹ 151.8 million).

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

(₹ in million)

	Value	2012		Value	2011	
		% of Total Consumption			% of Total Consumption	
Raw Material						
Imported	0.1	8%		–		0%
Indigenous	1.8	92%		3.3		100%
Total	1.9	100%		3.3	100%	
Components						
Imported	1,649.1	34%		1,294.8		30%
Indigenous	3,131.9	66%		2,983.8		70%
Total	4,781.0	100%		4,278.6	100%	
Spare parts						
Imported	100.1	28%		76.3		25%
Indigenous	251.2	72%		234.8		75%
Total	351.3	100%		311.1	100%	

Notes to the Financial Statements

for the year ended December 31, 2012

(₹ in million)

33 C.I.F. VALUE OF IMPORTS:	2012	2011
Raw materials and components	1,711.6	1,632.2
Products purchased for sale	3,008.6	2,556.3
Stores and spares for maintenance of machinery	103.2	80.2
Capital goods	711.1	719.4
Total	5,534.5	4,988.1

34 EXPENDITURE IN FOREIGN CURRENCY:

(Gross) subject to deduction of tax wherever applicable:	2012	2011
(i) Fee for use of technology	237.9	205.1
(ii) Travelling	20.6	16.6
(iii) Charges for SAP / R3 and its connectivity & maintenance	30.7	53.0
(iv) Management service charges - (Outside services)	141.9	131.5
(v) Reimbursement of Expat Cost	31.0	22.3
(vi) Others - (Training, testing charges, catalogues (net), etc.)	14.2	4.5
(vii) Technical services (capitalised)	69.8	35.3
Total	546.1	468.3

35 DIVIDEND REMITTANCES IN FOREIGN CURRENCY:

On 8,529,183 Equity Shares of ₹ 10 each to one non-resident shareholder		
- for the year ended December 31, 2011	85.2	
- for the year ended December 31, 2010		42.6

36 EARNINGS IN FOREIGN EXCHANGE:	2012	2011
Service income	17.0	0.5
FOB value of export	2,008.2	1,567.5
Others	11.6	12.3
Total	2,036.8	1,580.3

37 Research and Development expenses under the respective heads aggregate to ₹ 107.8 million (2011: ₹ 61.5 million) including of capital nature ₹ 5.0 million (2011: ₹ 2.9 million).

38 The tax year for the Company being the year ending March 31, 2013, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2012 and the provision based on the figures for the remaining nine months up to December 31, 2012 the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2012 to March 31, 2013.

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, 2012. 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, 2012. Management believes that the Company's international and domestic transactions with associated enterprises post March 31, 2012 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).

Notes to the Financial Statements

for the year ended December 31, 2012



(₹ in million)

Sales revenue by geographical market:

Segment	2012	2011
Domestic	12,350.2	11,425.8
Exports	2,008.2	1,567.5
Total	14,358.4	12,993.3

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	Segment Assets		Cost incurred to acquire fixed assets	
	2012	2011	2012	2011
Domestic	10,764.8	9,327.8	1,884.3	1,106.4
Exports	437.6	483.1	–	–
Total	11,202.4	9,810.9	1,884.3	1,106.4

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).

Lease payments recognised in the Statement of Profit and Loss for the year	2012	2011
In respect of premises and equipment taken on lease	11.7	8.8
In respect of vehicles	5.4	0.9
Total	17.1	9.7

- (i) Under certain agreements, refundable interest free deposits have been given.
- (ii) The agreements
 - contain renewal clause
 - contain clause for restrictions on subleasing

Finance Lease

No asset has been taken on finance lease.

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

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

Category	Gross carrying amount of the portion of premises leased, included in Note 10 'Fixed Assets'	Accumulated depreciation	Net carrying amount	Depreciation recognised in the Statement of Profit and Loss
Buildings				
2012	14.2	2.6	11.6	0.5
2011	(14.2)	(2.1)	(12.1)	(0.2)

During the year, an amount of ₹ 3.1 million (December 2011: ₹ 2.6 million) was recognised as rental income in the Statement of Profit and Loss.

Notes to the Financial Statements

for the year ended December 31, 2012

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 GmbH & Co. KG, Germany (formerly INA Holding Schaeffler KG, Germany) - Schaeffler Group.

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

2012	2011
<p>(a) Holding Company FAG Kugelfischer GmbH, Germany</p>	<p>(a) Holding Company FAG Kugelfischer GmbH, Germany</p>
<p>(b) Fellow Subsidiary / Associate Companies Schaeffler Australia Pty. Ltd., Australia Schaeffler Brasil Ltda, Brazil Schaeffler Iberia S.L.U, Barcelona 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 Tech. AG & Co. KG, Germany (formerly Schaeffler Technologies GmbH & 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 Iparty KFT, Hungary Schaeffler Hong Kong Company Ltd., Hong Kong INA Bearings India Private Ltd., India FAG Roller Bearings 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 Nederland B.V., Nederland Schaeffler Portugal S.A., Portugal Schaeffler Philippines Inc., Philippines SC Schaeffler Romania S.R.L., Romania Schaeffler (Singapore) Pte. Ltd., Singapore Hydrel GmbH, Switzerland INA Skalica Spol. s.r.o, Slovakia Schaeffler South Africa (Pty.) Ltd., South Africa Schaeffler (Thailand) Co. Ltd., Thailand The Barden Corporation, USA Schaeffler Group USA Inc. Schaeffler Vietnam Co. Ltd., Vietnam Schaeffler UK Ltd., UK</p>	<p>(b) Fellow Subsidiary / Associate Companies Schaeffler Australia Pty. Ltd., Australia Schaeffler Brasil Ltda, Brazil Schaeffler (China) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler Technologies GmbH & Co. KG, Germany Schaeffler Tech. 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 Iparty KFT, Hungary Schaeffler Hong Kong Company Ltd., Hong Kong INA Bearings India Private Ltd., India FAG Roller Bearings 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 Nederland B.V., Nederland Schaeffler Portugal S.A., Portugal Schaeffler Philippines Inc., Philippines SC Schaeffler Romania S.R.L., Romania Schaeffler (Singapore) Pte. Ltd., Singapore Hydrel GmbH, Switzerland Schaeffler South Africa (Pty.) Ltd., South Africa Schaeffler (Thailand) Co. Ltd., Thailand The Barden Corporation, UK The Barden Corporation, USA Schaeffler Group USA Inc. Schaeffler Vietnam Co. Ltd., Vietnam Schaeffler UK Ltd., UK</p>
<p>(c) Key Management Personnel Mr. Rajendra Anandpara, Managing Director</p>	<p>(c) Key Management Personnel Mr. Rajendra Anandpara, Managing Director</p>

Notes to the Financial Statements

for the year ended December 31, 2012



(₹ in million)

(3) Transactions with Related Parties during the year ended December 31, 2012:

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Purchase of finished goods	–	2,927.6 (2,492.2)	–	2,927.6 (2,492.2)
Purchase of raw materials and components / spares	–	864.1 (796.5)	–	864.1 (796.5)
Purchase of tangible fixed assets	–	676.8 (658.5)	–	676.8 (658.5)
Fees for use of technology	–	237.9 (205.1)	–	237.9 (205.1)
Charges for SAP / R3 and connectivity	–	30.4 (53.0)	–	30.4 (53.0)
Dividend for the year - 2011 - 2010	85.2 (42.6)	– –	–	85.2 (42.6)
Deputation, travelling, training, testing, & other costs	–	24.3 (10.6)	–	24.3 (10.6)
Management service charges (Outside services)	–	197.5 (129.4)	–	197.5 (129.4)
Expat cost	–	31.0 (22.3)	–	31.0 (22.3)
Sale of finished goods	–	1,961.8 (1,541.0)	–	1,961.8 (1,541.0)
Technical services including capitalised	–	71.4 (33.8)	–	71.4 (33.8)
Managerial remuneration	–	– –	9.2 (9.3)	9.2 (9.3)
Corporate expenses	–	26.6 (27.5)	–	26.6 (27.5)
Reimbursement of expenditure for consultant of market strategy & power pricing	–	– (33.1)	–	– (33.1)
Payments on behalf of related parties	–	25.9 (22.6)	–	25.9 (22.6)
Sale of tangible fixed assets	–	1.4 (–)	–	1.4 (–)
Trade and other receivables	–	409.0 (457.0)	–	409.0 (457.0)
Trade payables	–	1,071.9 (1,153.2)	–	1,071.9 (1,153.2)
Capital advances	–	209.8 (136.7)	–	209.8 (136.7)
Investment in equity	–	32.5 (–)	–	32.5 (–)
Reversal of provision on equity contributions made	–	11.0 (–)	–	11.0 (–)
Loans given	–	350.0 (–)	–	350.0 (–)

Continued...

Notes to the Financial Statements

for the year ended December 31, 2012

...Continued

(₹ in million)

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Reversal of provision for doubtful loans	–	32.5 (–)	–	32.5 (–)
Interest on loan given and on current account	–	76.6 (50.9)	–	76.6 (50.9)
Recovery of interest on loan and on current account	–	76.3 (50.9)	–	76.3 (50.9)
Service income	–	17.0 (0.5)	–	17.0 (0.5)
Lease rent	–	3.1 (2.8)	–	3.1 (2.8)
Recovery of lease rent	–	2.8 (2.8)	–	2.8 (2.8)

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

(4) Balances outstanding as at December 31, 2012:

Nature of Transaction	Fellow Subsidiaries/ Associate Companies
Investment FAG Roller Bearings Pvt. Ltd., India	43.5 (–)
Capital advance FAG Roller Bearings Pvt. Ltd., India	– (115.9)
Trade receivables Schaeffler Tech. AG & Co. KG, Germany	279.4 (326.7)
Schaeffler Group USA Inc.	61.1 (41.3)
Schaeffler Trading (Shanghai) Co. Ltd., China	30.0 (16.7)
Schaeffler Hong Kong Company Ltd., Hong Kong	10.0 (21.1)
Others	9.7 (19.0)
Key management person	– (0.2)
Payables Schaeffler Tech. AG & Co. KG, Germany	939.5 (1,005.3)
Others	132.4 (147.9)
Other receivables FAG Roller Bearings Pvt. Ltd., India	11.9 (17.0)
Others	6.9 (16.9)

Notes to the Financial Statements

for the year ended December 31, 2012



(₹ in million)

(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	2,621.2 (2,311.7)
Purchase of raw materials and components / spares	Schaeffler Korea Corporation, Korea	90.7 (101.2)
	Schaeffler Tech. AG & Co. KG, Germany	693.9 (578.4)
Purchase of tangible fixed assets	Schaeffler Tech. AG & Co. KG, Germany	208.4 (542.2)
	FAG Roller Bearings Pvt. Ltd., India	296.1 (-)
	Schaeffler (China) Co. Ltd., China	133.0 (66.4)
Sale of finished goods	Schaeffler Tech. AG & Co. KG, Germany	1,252.3 (970.8)
	Schaeffler Hong Kong Company Ltd., Hong Kong	224.3 (224.9)
	Schaeffler Trading (Shanghai) Co. Ltd., China	205.4 (-)
Fees for use of technology	Schaeffler Tech. AG & Co. KG, Germany	237.9 (205.1)
Charges for SAP / R3 and connectivity	Schaeffler Tech. AG & Co. KG, Germany	30.4 (53.0)
Deputation travelling, training, testing & other costs	Schaeffler Tech. AG & Co. KG, Germany	8.3 (3.5)
	Schaeffler Holding Co. (China) Ltd.	7.3 (2.2)
	INA Bearings India Pvt. Ltd., India	4.9 (1.5)
Management service charges	Schaeffler Holding Co. (China) Ltd.	135.3 (106.0)
	INA Bearings India Pvt. Ltd., India	53.5 (19.7)
Technical services - capitalise	Schaeffler Tech. AG & Co. KG, Germany	58.8 (31.8)
	Schaeffler Portugal SA.	9.3 (-)
Expat cost	Schaeffler Tech. AG & Co. KG, Germany	19.2 (18.0)
	Schaeffler Korea Corporation, Korea	11.8 (4.3)
Payments on behalf of related parties	Schaeffler Tech. AG & Co. KG, Germany	3.5 (6.9)
	INA Bearings India Pvt. Ltd., India	8.7 (5.9)
	LuK India Pvt. Ltd., India	4.3 (4.5)
	The Barden Corporation, USA	4.0 (3.8)
	Schaeffler Holding Co. (China) Ltd.	3.9 (-)
Sale of tangible fixed assets	INA Bearings India Pvt. Ltd., India	1.4 (-)

Continued...

Notes to the Financial Statements

for the year ended December 31, 2012

...Continued

(₹ in million)

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Trade and other receivables	Schaeffler Tech. AG & Co. KG	281.1 (326.7)
Trade payables	Schaeffler Tech. AG & Co. KG	939.5 (1,005.3)
Capital advances	FAG Roller Bearings Pvt. Ltd., India	— (115.9)
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.	350.0 (—)
Corporate expenses	INA Bearings India Pvt. Ltd., India	17.0 (16.1)
	LuK India Pvt. Ltd., India	9.6 (11.4)
Interest on loan given and on current account	FAG Roller Bearings Pvt. Ltd., India	4.7 (5.9)
	INA Bearings India Pvt. Ltd., India	50.4 (45.0)
	LuK India Pvt. Ltd., India	21.5 (—)
Recovery of interest on loan and on current account	FAG Roller Bearings Pvt. Ltd., India	4.4 (5.9)
	INA Bearings India Pvt. Ltd., India	50.4 (45.0)
	LuK India Pvt. Ltd., India	21.5 (—)
Service income	Schaeffler Tech. AG & Co. KG, Germany	17.0 (0.5)
Lease rent	FAG Roller Bearings Pvt. Ltd., India	3.1 (2.8)
Recovery of lease rent	FAG Roller Bearings Pvt. Ltd., India	2.8 (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 (i) the difference between excise duty included in the closing stock and that in opening stock of manufactured finished goods ₹ 2.8 million net credit (2011: ₹ 7.4 million net debit) and (ii) the excise duty on the free sample, scrap etc. ₹ 2.1 million (2011: ₹ 8.7 million).

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, 2012 are as follows:

Outstanding derivative instruments

Category	Currency Hedged	2012	2011
Forward exchange contracts (to hedge trade receivables)	USD	554.2	—
Forward exchange contracts (to hedge trade payables)	EURO	2,567.2	—

Notes to the Financial Statements

for the year ended December 31, 2012



(₹ in million)

Foreign currency exposures as at December 31, 2012:

Particulars		Amount in Foreign Currency (Gross amount)	Equivalent Amount in Indian Currency
Trade payables	USD	2,433,642 (20,970,504)	133.9 (1,141.0)
	EURO	13,255,775 (844,106)	965.6 (56.6)
	CHF	638 (1,755)	0.04 (0.1)
	AUD	— (1,153)	— (0.1)
	JPY	950,000 (471,400)	0.6 (0.3)
Trade receivables	USD	2,064,019 (8,048,959)	112.6 (426.1)
	EURO	3,978,369 (146,482)	286.1 (10.0)
Advances to suppliers	USD	254,802 (994,204)	14.0 (54.1)
	EURO	4,899 (231,747)	0.4 (16.0)
	CHF	2,607 (—)	0.2 (—)
Bank balance in EFC accounts	USD	1,623,656 (2,197,927)	88.6 (116.4)
	EURO	1,670,722 (6,928)	120.1 (0.5)

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 ₹ 39.5 million (December 2011: ₹ 35.9 million) and contribution to Superannuation Fund for the year aggregated to ₹ 18.4 million (December 2011: ₹ 14.2 million).

Defined benefit plans

The Company has defined benefit plans that provide gratuity benefit. The gratuity plan entitles an employee, who has rendered atleast 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 following table summarises the position of assets and obligations relating to gratuity plans:

	2012	2011
Present value of funded obligations	225.5	202.1
Fair value of plan assets	207.2	184.9
Net liability in the Balance Sheet	18.3	17.2
Expense recognised in the Statement of Profit and Loss:		
Current service cost	11.2	8.7
Interest on obligation	17.7	13.7
Expected return on plan assets	(14.4)	(12.5)
Net actuarial losses (gains) recognised in year	13.7	23.6
Total included in 'employee benefit expense'	28.1	33.5
Actual return on plan assets	18.6	17.4

Continued...

Notes to the Financial Statements

for the year ended December 31, 2012

...Continued

(₹ in million)

	2012	2011
Movement in present value of defined benefit obligations:		
Defined benefit obligation at January 1	202.1	170.1
Service cost	11.2	8.7
Interest cost	17.7	13.7
Actuarial losses (gains)	17.9	28.5
Benefits paid	(23.4)	(18.9)
Defined benefit obligation at December 31	225.5	202.1
Movement in fair value of plan assets:		
Fair value of plan assets at January 1	184.9	161.9
Expected return	14.4	12.5
Actuarial gains and (losses)	4.3	4.9
Contributions by employer	27.0	24.5
Benefits paid	(23.4)	(18.9)
Fair value of plan assets at December 31	207.2	184.9

Classification into current / non-current:

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

	2012	2011
Non-current liability	18.3	17.2
Current liability	–	–

The Company expects to contribute ₹ 25.0 million to its defined benefit pension plans in the year 2013 (previous year ₹ 24.0 million)

	2012	2011
Government of India Securities	2%	2%
Insurer Managed Funds	98%	98%

	2012	2011
Discount rate per annum as at December 31	8.25%	9.00%
Expected return per annum on plan assets as at December 31	8.00%	8.00%
Future salary increment	7.00%	7.00%
Retirement age	58 years	58 years
Mortality	LIC 1994-96 mortality tables	LIC 1994-96 mortality tables
Attrition rate	1% - 2%	1% - 2%

Five-year information

Particulars	2008	2009	2010	2011	2012
Defined benefit obligation	138.4	159.6	170.1	202.1	225.5
Plan assets	125.6	147.9	161.9	184.9	207.2
Surplus / (Deficit)	(12.8)	(11.6)	(8.2)	(17.2)	(18.3)
Experience adjustment of plan liabilities	17.9	6.3	11.6	24.9	6.7
Experience adjustment of plan assets	(1.2)	6.9	1.1	4.9	4.3

Note: The estimates of future salary increases, considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

Notes to the Financial Statements

for the year ended December 31, 2012



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** Consequent to the notification of Revised Schedule VI under the Act, the financial statements for the year ended December 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to confirm to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our report of even date attached

For **B S R & Co.**

Chartered Accountants
Firm's Reg. No. 101248W

Vijay Mathur

Partner
Membership No. 046476

Mumbai: February 14, 2013

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

Avinash Gandhi
Chairman

Rajendra Anandpara
Managing Director

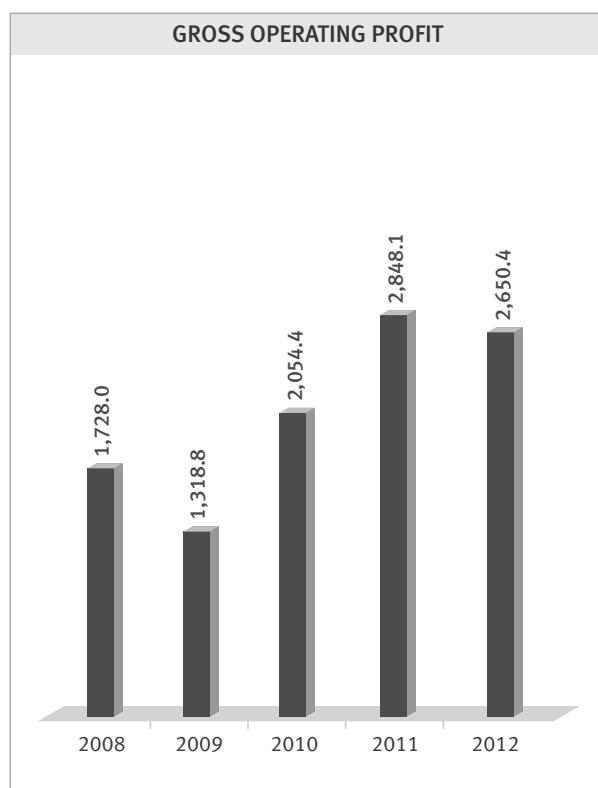
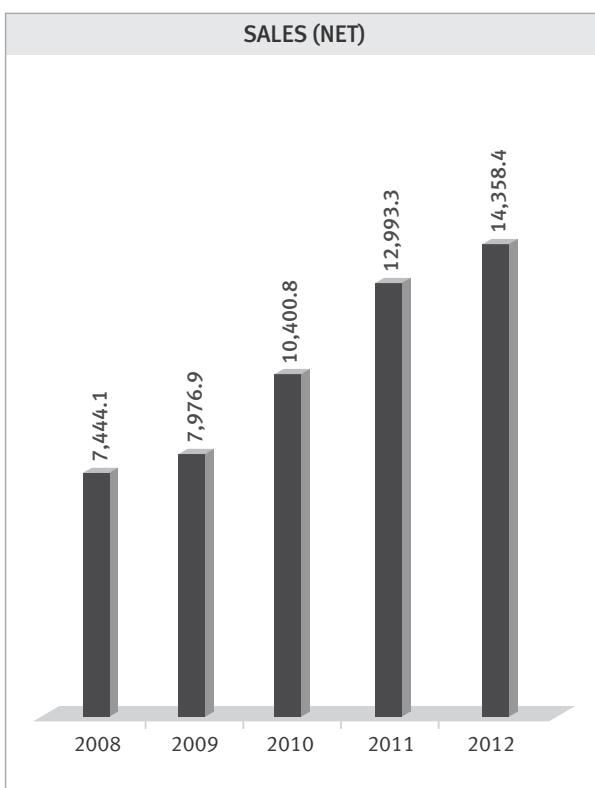
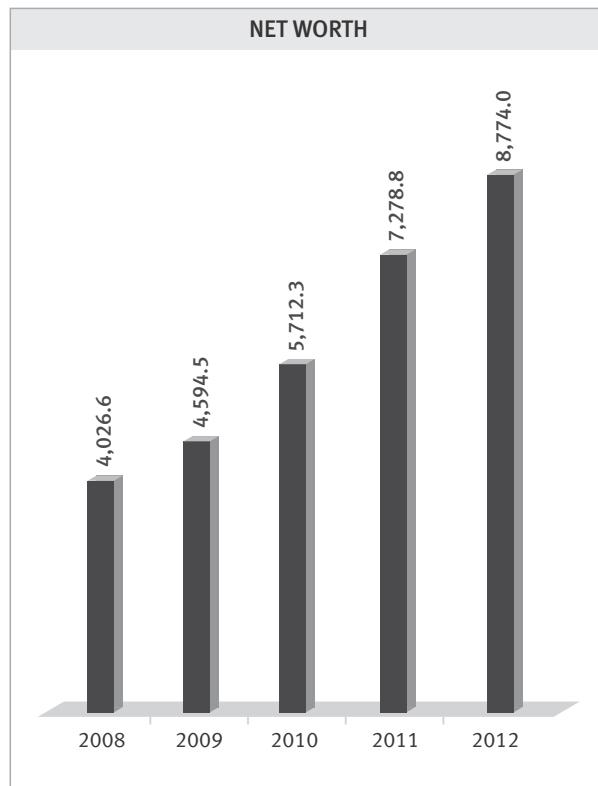
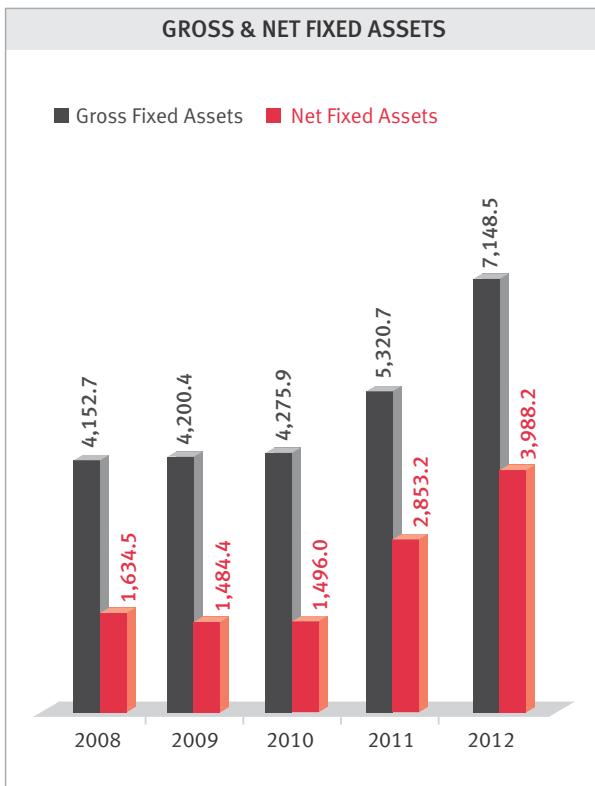
Satish Patel
Chief Financial Officer

Raj Sarraf
Company Secretary

Mumbai: February 14, 2013

Performance Highlights

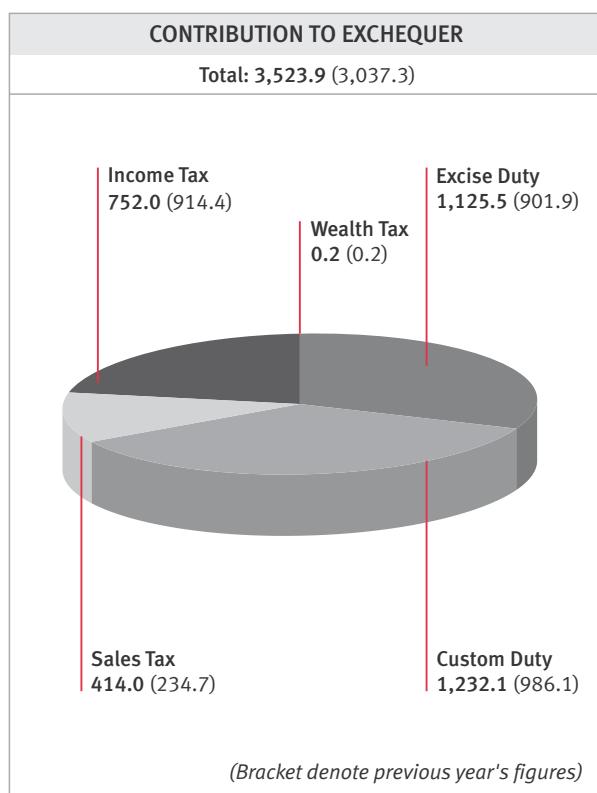
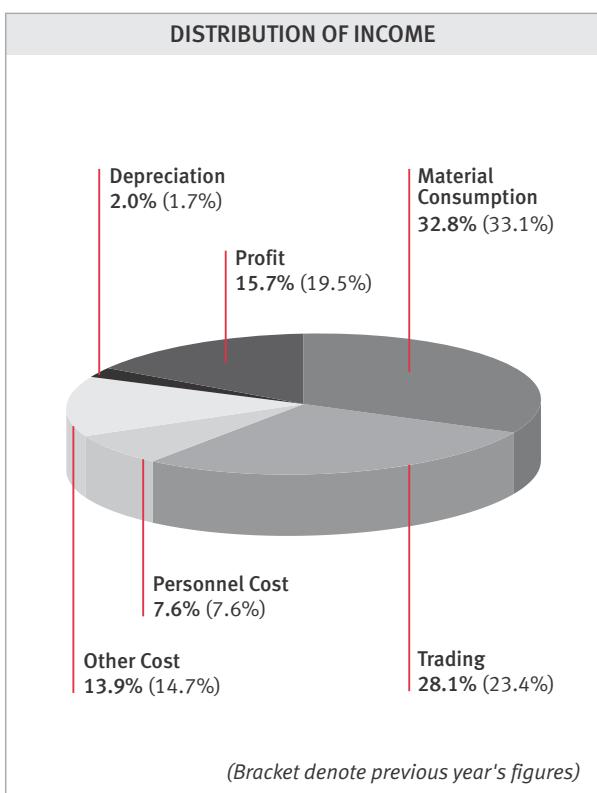
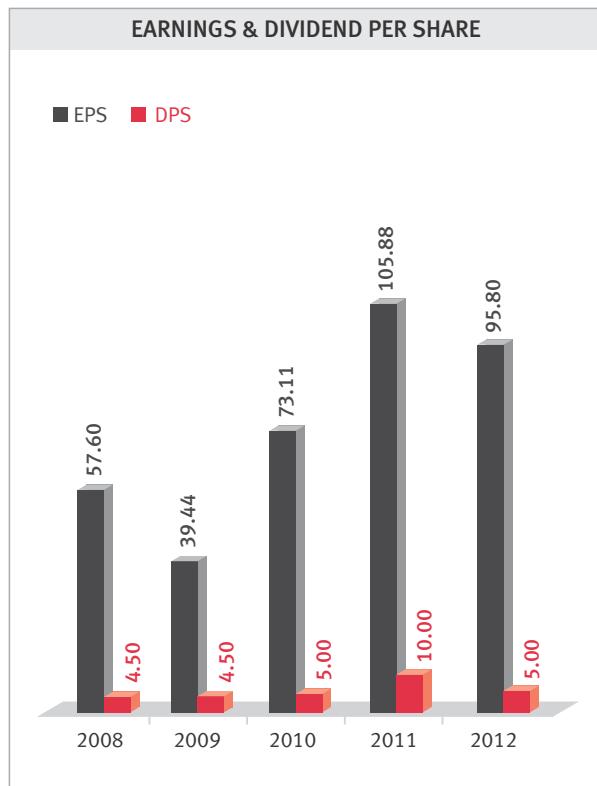
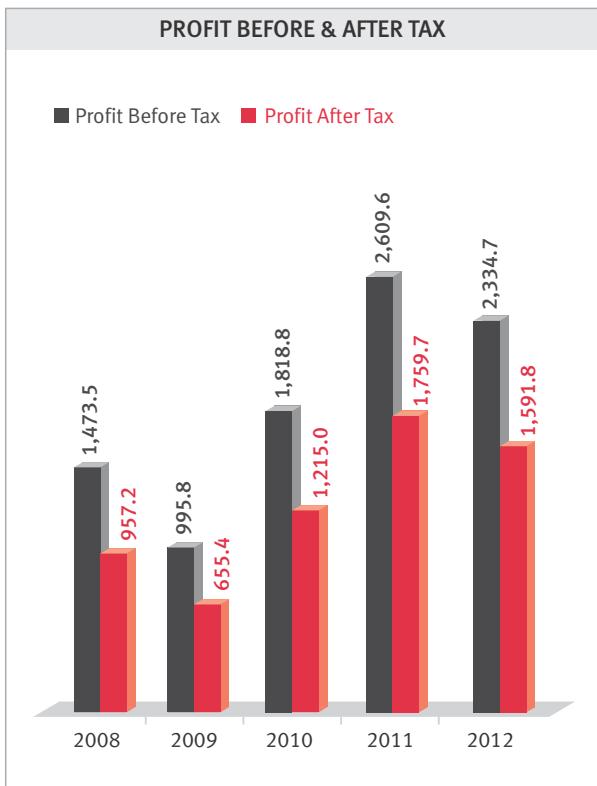
(₹ in million)



Performance Highlights

FAG

(₹ in million)



Ten Years' Highlights

Year	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(₹ in million)									
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*	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	969.2
Net worth*	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	1,135.4
Borrowings - long-term	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	169.9
Funds employed	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	1,305.3
INCOME AND PROFITS										
Sales (Net)	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	2,669.1
Gross operating profit	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	502.0
Profit before tax	2,334.7	2,609.6	1,818.8	995.8	1,473.5	1,244.8	1,107.8	677.6	434.0	309.7
Tax	742.9	849.9	603.8	340.4	516.3	449.5	370.8	198.7	125.2	*** 78.1
Profit after tax	1,591.8	1,759.7	1,215.0	655.4	957.2	795.3	737.0	478.9	308.8	231.6
Dividend Per Share (₹)**	5.0	10.0	5.0	4.5	4.5	4.0	4.0	3.5	3.5	4.5
Retained earnings	1,495.2	1,566.5	1,117.8	567.9	869.7	715.5	661.2	412.0	243.0	138.7
OTHER DATA										
Gross fixed assets	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	2,585.8
Net worth Per Equity (₹)	528.0	438.0	343.8	276.5	242.3	190.0	147.5	107.7	82.9	68.3
Debt equity ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	0.15
Current ratio	2.9	2.6	3.1	3.2	2.8	2.5	2.1	1.8	1.9	1.7
Production (Nos. in million)	80.7	78.3	67.7	47.7	46.4	45.1	44.1	32.3	27.2	25.6
Sales (Nos. in million)	81.5	77.4	66.3	49.2	45.4	44.6	43.0	32.1	28.4	25.8
Employees (Nos.)	1,580	1,456	1,343	1,334	1,375	1,282	1,157	1,037	1,031	1,063
Shareholders (Nos.) (As on December 31)	8,465	8,205	7,876	7,276	7,623	7,439	7,714	8,033	8,823	10,003

*Excluding revaluation reserve **Proposed ***Net off write back

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, 2013, 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.
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Address of the shareholder

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

Date:

Place:

Signature of Sole / First Shareholder

To
The Member(s)
FAG Bearings India Limited

Notice is hereby given that the Fiftieth Annual General Meeting of "FAG BEARINGS INDIA LIMITED" will be held on Thursday, April 25, 2013 at 3:00 pm 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, 2012 and the Statement of Profit and Loss for the year ended on that date along with Directors' and Auditor's Report thereon.
2. To declare dividend for the year ended December 31, 2012.
3. To appoint a Director in place of Mr. Bernhard Steinruecke, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Bruno Krauss, 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. Udo Bauer, who was appointed with effect from May 25, 2012 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. Udo Bauer 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".

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

By Order of the Board

February 14, 2013

Raj Saraf
Company Secretary

NOTES:

1. A MEMBER, ENTITLED TO ATTEND AND VOTE AT THIS 50TH 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 NOT HAVE ANY 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 pm on April 23, 2013.
3. The Company has notified closure of Register of Members and the Transfer Books from April 2, 2013 to April 6, 2013 (both days inclusive) to determine entitlement of dividend on equity shares. The dividend will be paid to those shareholders, whose names appear on the Register of Members of the Company as at the end of business hours on March 31, 2013. The dividend, as recommended by the Board of Directors and if declared at the Annual General Meetings, will be paid within the specified time limit. In respect of shares held in electronic form (demat shares), the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose.

Notice

4. (a) Shareholders, who have not encashed the dividend warrants for the years 2005, 2006, 2007, 2008, 2009, 2010 and 2011 are requested to claim the amount from 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 2004 were transferred to the Investor Education and Protection Fund in time.
- (c) A reminder has been sent to the shareholders in December, 2012 to lodge their claims for unclaimed Dividend as per their entitlement, before it is transferred to Government's Investor Education and Protection Fund (IEPF).
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 April 04, 2013.
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 which provides the validity of sending documents through electronic mode and has clarified that the service of documents by a Company can be made through electronic mode instead of 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 Participant: for the shares held in dematerialised form.
7. Members who have not yet dematerialised their shares are requested to get their shares dematerialised at the earliest.
8. The explanatory statement under Section 173 of the Companies Act, 1956 in respect of item no. 6, under Special Business, is annexed hereto.

Annexure to Notice

Explanatory statement under Section 173 of the Companies Act, 1956 relating to Special Business mentioned in the Notice convening the 50th Annual General Meeting;

ITEM
No. 6

With effect from 25th day of May, 2012, Mr. Udo Bauer was appointed as an Additional Director by the Board of Directors of the Company. Mr. Bauer has professional qualification in Economics and Mechanical Engineering. Presently, Mr. Bauer is acting as 'President & CEO' of Asia Pacific 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. Udo Bauer no other director is interested in the resolution.

A brief resumé and shareholding of directors who are being 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 14, 2013

By Order of the Board

Raj Sarraf
Company Secretary

Form

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

FAG

To:

Link Intime India Private Limited
The Registrar & Share Transfer Agent
Unit: FAG Bearings India Limited
B-102 & 103, Shangrila Complex, 1st Floor,
Opp. HDFC Bank, Nr. Radhakrishna Char Rasta, Akota,
VADODARA (Gujarat) - 390 020, INDIA.

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 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 50th Annual General Meeting of the Company at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 on Thursday, April 25, 2013 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 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 50th Annual General Meeting of the Company to be held at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 on Thursday, April 25, 2013 at 3:00 pm and at any adjournment thereof.

Signed this

(Date)

day of

(Month)

2013.

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

*Cover Image: School children from Vadodara performing on the
'Sustainability Song' during the inauguration ceremony of FAG Savli Plant.*

FAG Bearings India Limited

Maneja, Vadodara - 390013

Gujarat, India.

Tel.: + 91 265 6602000-2004

Fax: + 91 265 2638804

www.schaeffler.co.in