

SCHAEFFLER

SCHAEFFLER INDIA LIMITED
Annual Report 2017

Mobility for tomorrow

**Together
we grow**

Together
we grow



10 Years' Highlights

(₹ In Million)

Year	2017	2016 [^]	2015	2014	2013	2012	2011	2010	2009	2008
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*	16,787.0	14,585.4	12,707.0	10,888.9	9,708.9	8,607.8	7,112.6	5,546.1	4,428.3	3,860.4
Net Worth*	16,953.2	14,751.6	12,873.2	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6
Borrowings -Long Term	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Funds Employed	16,953.2	14,751.6	12,873.2	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6
INCOME AND PROFITS										
Net Total Income **	19,866.5	18,645.8	17,805.9	16,731.0	14,758.7	14,912.8	13,394.0	10,653.5	8,264.2	7,660.5
Gross Operating Profit	4,344.5	3,651.9	3,614.4	2,826.9	2,294.5	2,650.4	2,848.1	2,054.4	1,318.8	1,728.0
Profit Before Tax	3,623.1	2,993.3	2,938.1	2,323.7	1,854.4	2,334.7	2,609.6	1,818.8	995.8	1,473.5
Tax	1,242.9	1,042.7	963.3	794.9	636.1	742.9	849.9	603.8	340.4	516.3
Profit After Tax	2,380.2	1,950.6	1,974.8	1,528.8	1,218.3	1,591.8	1,759.7	1,215.0	655.4	957.2
Dividend Per Share (₹)	17.00 [#]	12.00	10.00	7.50	6.00	5.00	10.00	5.00	4.50	4.50
Retained Earnings	2,139.1	1,749.6	1,768.9	1,383.0	1,101.0	1,495.2	1,566.5	1,117.8	567.9	869.7
OTHER DATA										
Gross Fixed Assets	5,466.7	4,743.3	8,372.7	7,594.8	7,554.5	7,148.5	5,320.7	4,275.9	4,200.4	4,152.7
Net Worth per Equity (₹)	1,020.0	887.6	774.7	665.3	594.3	528.0	438.0	343.8	276.5	242.3
Debt Equity Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current Ratio	4.2	3.7	3.6	3.4	2.4	2.9	2.7	3.1	3.2	2.8
Production (Nos. in million)	136.4	125.7	116.9	112.3	91.6	80.7	78.3	67.7	47.7	46.4
Sales (Nos. in million)	139.8	125.5	118.1	112.7	92.9	81.5	77.4	66.3	49.2	45.4
Employees (Nos.) [§]	1,488	1,525	1,560	1,477	1,495	1,580	1,456	1,343	1,334	1,375
Shareholders (Nos.) [§]	12,871	10,430	9,771	8,701	7,808	8,465	8,205	7,876	7,276	7,623

[^] Ind AS.

* Reserves and net worth includes revaluation reserves as on 31.12.2017 & 31.12.2016 as per Ind AS, whereas 2015 & prior period are excluding as per Indian GAAP.

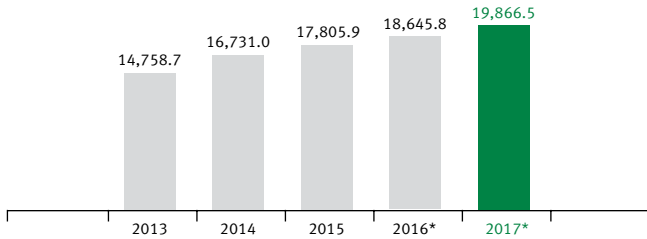
** Net of Excise Duty.

Proposed.

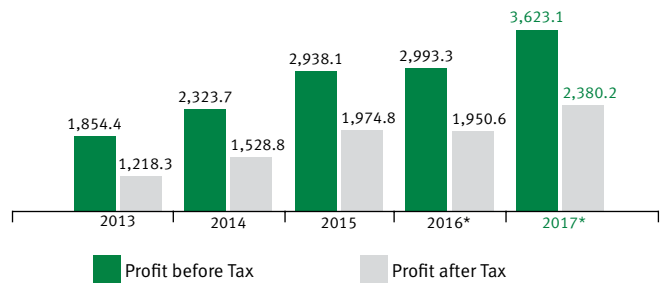
§ As on December 31.

Performance Highlights

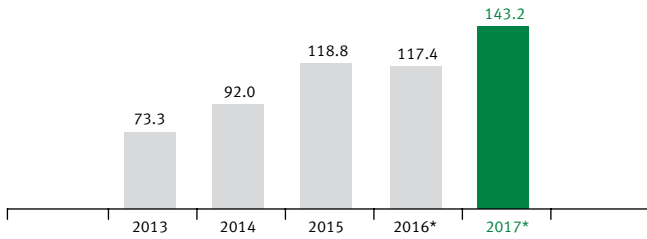
Net Total Income
(₹ In Million)



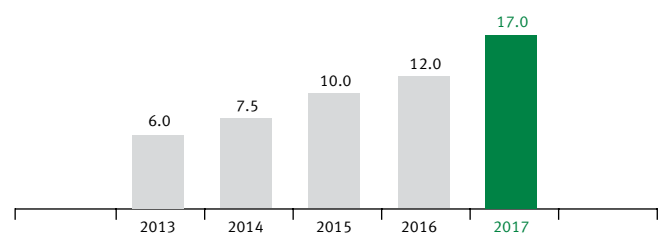
Profit before Tax and Profit after Tax
(₹ In Million)



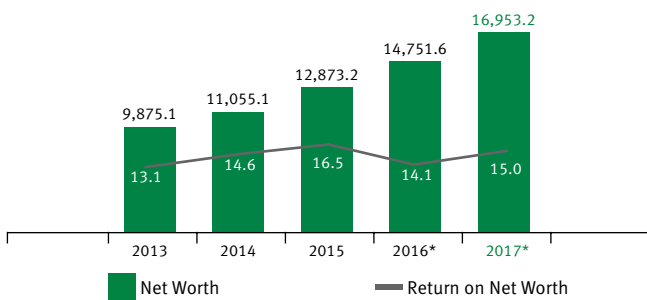
Earnings per Share
(₹)



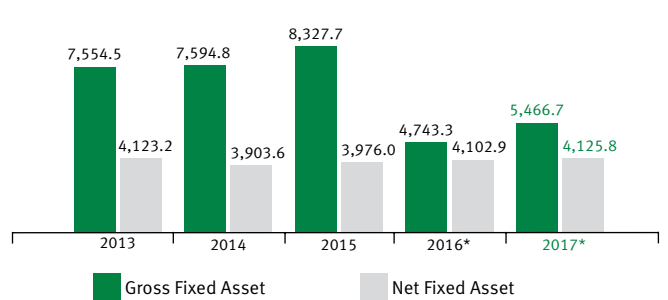
Dividend per Share
(₹)



Net Worth (₹ In Million) and Return on Net Worth (%)



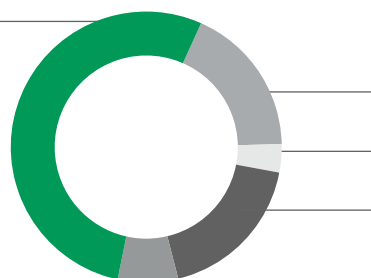
Gross and Net Fixed Assets
(₹ In Million)



Distribution of Income (%)*

Material Consumption
53.70 (53.80)

Personnel Cost
7.40 (7.40)



Other Costs
17.80 (20.70)

Depreciation
3.50 (3.20)

Profit
17.60 (14.90)

Bracket denotes previous year's figures

*As per Ind AS

In 2017, we brought three successful businesses together to create one Schaeffler entity in India. Tracing our roots back to over 50 years, we have come together to build on our portfolio, common purpose and deep commitment to sustainable business. Together we will be sharing best practices, learning from one another, and realising the benefits of our scale. We look forward to a long-term fiscal success, as together we will be financially strong and operationally efficient.

Together, we are committed to grow with all our stakeholders.

Schaeffler India Limited, is one of India's major ball and rolling bearing manufacturers, servicing the automotive and multiple core industrial segments. Erstwhile known as FAG Bearings India Limited, Schaeffler India Limited is part of the world-renowned Euro 14 billion global automotive and industrial supplier - Schaeffler AG, headquartered in Herzogenaurach, Germany. We are the frontrunners in providing not only a wide range of ball and roller bearings, but also services and application support that matches our global quality to the various industries of India.

Following a subdued environment in 2016, we witnessed positive macro level developments with a veritable recovery of the core industries and automobile segments during 2017. We are optimistic that India's gradual economic resurgence and rising consumption will act as a positive growth catalyst for the sector. In line with this belief, we took strategic steps to capitalise on these developments. We re-engineered our internal processes; leveraged on innovative technology improvements; and focused on delivering excellence in quality. We also implemented cohesive strategies to enhance operational efficiencies and scale our manufacturing volumes.

To generate long-term sustainable value for our stakeholders, we started the journey of creating a

single strong entity in India, by merging unlisted Indian entities of Schaeffler Group - INA Bearings India Private Limited and LuK India Private Limited with Schaeffler India Limited. This consolidation will provide significant long-term benefits and allow Schaeffler India to leverage upon its operational synergies, and grow its market share. The consolidation will help in building a robust and diversified portfolio, of both automotive and industrial products, allowing us to capitalise on the significant growth opportunities within India.

Furthermore, we adopted some tactical steps to strengthen our long-term competitiveness. We reinforced our presence in innovation-driven, high-growth sectors, while consistently pursuing aggressive localisation goals to expand our manufacturing and engineering footprint. Moreover, to widen our market, we are developing new products that have the potential to provide persistent business growth.

We are excited about our potential and confident for the future. We are a leading automotive and industrial supplier in the country and over the years we have built an organisation that is both resilient and adaptable to market needs. Confident in our abilities to execute on our plans, we aspire to be an enduring value producer and an excellent long-term wealth creator for our stakeholders.

Together we grow



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About Schaeffler Group



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Together we are one



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Together we are helping our clients in new ways



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Together we deliver operational excellence



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Together we can make a difference

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Company Information

Board of Directors

Chairman	Mr. Avinash Gandhi
Managing Director	Mr. Dharmesh Arora
Directors	Mr. Klaus Rosenfeld Mr. Dietmar Heinrich Mr. Marcus Eisenhuth Mr. Sampath Kumar Raman Dr. Sanak Mishra Mrs. Renu Challu Mr. Rakesh Jinsi

Key Managerial Personnel

Chief Financial Officer	Mr. Satish Patel
Company Secretary	Mr. Chirag Shukla

Bankers ICICI Bank Limited

Auditors B S R & Co. LLP,
Chartered Accountants

Collaborators Schaeffler Group, Germany

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

Head Office P.O. Maneja,
Vadodara - 390 013
Gujarat, India

Manufacturing Locations / Plants 1. P.O. Maneja,
Vadodara - 390 013
Gujarat, India

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

Sales Offices Bengaluru, Chennai,
Coimbatore, Gurugram,
Jamshedpur, Kanpur, Kolkata,
Ludhiana, Mumbai,
Pune, Secunderabad, Udaipur



Dharmesh Arora
Managing Director and Chief Executive Officer

Dear Shareholders,

It gives me immense pleasure to present to you the 2017 Annual Report of Schaeffler India Limited. It was, in many ways, a milestone year for your Company.

The corporate makeover has been a key turning point for the company this year. Your Company completed the process of changing its name from 'FAG Bearings India Limited' to 'Schaeffler India Limited'. A step towards strengthening the umbrella brand "Schaeffler", this change marks a new beginning that builds strong foundation towards our Group strategy of "Mobility for Tomorrow".

Another historic step was the announcement of the merger of the two unlisted entities 'INA Bearings India Pvt Limited' and 'LuK India Pvt Limited' with Schaeffler India Limited (formerly FAG Bearings India Limited), creating one strong organisation and leveraging our collective strength for faster growth. We are at the advanced stage of obtaining all the requisite regulatory approvals to complete the merger. We look forward to successfully completing the merger process by Q3 of 2018.

From a business strategy perspective, this consolidation will accrue significant long-term benefits to your Company. The merger will strengthen the position of the unified Schaeffler brand, helping to consistently improve its market positioning in India. It will allow us to leverage our superior technologies to deliver quality innovative solutions to our customers. The union will also help us to extend our reach and benefit from an optimised and effective distribution channel network.

Macro-Economic Overview

The environment in which we operate has become increasingly dynamic, volatile and less predictable. This holds true for the macro-economic uncertainties to which we are exposed, as well as for the overall operating conditions and technological changes that affect our business worldwide. The financial year 2017, in particular, was a challenging year. A difficult economic environment, short term policy impacts, specifically demonetisation, drove us to work even harder to sustain our performance. The implementation of the Goods & Services Tax (GST) from July 1st, 2017, also impacted various businesses, including our customers. For many, the transition of complying with this new change and policy, presented initial adoption challenges in terms of regulation and systems. While this created a temporary disruption in value chain, we consider this to be a game changer for the industry and economic scenario of India in the long run.

We believe that the host of reforms and initiatives adopted by the Government over the last three years have been driving India towards becoming an attractive destination to do business and establish manufacturing activities. Not surprisingly, India has jumped 30 spots on the World Bank's "Ease of Doing Business Rankings" published during the year. As a participant in the Indian market for more than 50 years, we are very excited of the opportunities ahead of us.

Our Performance

For 2017, Schaeffler India delivered sustained performance in a challenging business environment. The sluggishness in the overall economy was aggravated by muted consumption and investment demand, including growth deceleration in some industry segments, notably the wind energy sector, where we operate in.

However, the overall economic climate failed to deter Schaeffler India's determination. Instead, we made creditable progress towards achieving our goal of leadership and superior performance. We reported a net total income of ₹ 19,867 mn in 2017, registering a 6.5% growth over the previous financial year. Our EBITDA grew by a significant 19.5% to ₹ 3,739 mn, while our net profit grew by a solid 22% to ₹ 2,380 mn. The EBITDA and PAT margins improved by 200 bps and 150 bps respectively, in contrast to the previous year.

A key driving force behind our top and bottom line growth has been the superior performance of our plants. Both our units in Maneja and Savli contributed attractively through improved production volumes and cost management. During the year, we concentrated on enhancing our manufacturing proficiencies and delivery performance. At the same time, we took a hard look at minimising our overall operating expenses, which enabled us to protect and improve our margins. Furthermore, with the launch of new production lines, the Savli plant continued to ramp up its operational capacity, helping us to meet the demand with local production, with less dependency on imports. This allowed us to address our home market requirements with swiftness and precision, while creating flexibility to even address exports markets.

The profitable growth has also been a result of our concerted intent to widen our attention beyond top-line revenue, and to focus acutely on profitability. We were successful in this, in large part, due to our emphasis on localisation and greater cost efficiencies. Consequently, our profit-oriented approach resulted in free cash flows of ₹ 4,334.3 mn, which further strengthened our accruals and our ability to invest into future capabilities.

Our superior bottom line numbers stands testimony to the relevance of our business, which is closely aligned to external opportunities and new technological trends. Our performance also showcases the effort of the entire team in raising the productivity bar. We are confident that we will sustain this cost-control momentum over the coming years.

Recognition

We believe in enduring customer relationships. We constantly strive to improve customer satisfaction and deepen our engagement with them. This appreciation is reflected through multiple awards bestowed on us. During the year, Schaeffler India was accredited with awards from leading corporates including RIETER India, Radicon Powerbuild, Maruti Suzuki and John Deere, among others. These awards recognise the quality, service and technology leadership of the Company. I am also pleased to inform you that the order execution of significant wins from Alstom and GE on new locomotives for Indian Railways, and from Maruti Suzuki for the new DZire are progressing well.

Outlook

India's industrial production displayed a welcomed growth revival during the last quarter of the year. This trend was an indicator that, on a macro level, factory output was gradually reviving from the temporary slowdown triggered by GST and demonetisation. Going forward, we expect India's industrial performance to sustain the momentum and positively influence our business.

Furthermore, we expect a steady growth in the domestic automotive industry, as a result of the Central Government's multiple initiatives. The Union Budget for FY2018-19 clearly outlined the Government's continued thrust on stimulating rural incomes and building infrastructure by increasing the allocation for roads and railways.

India's strong economic reforms; rising infrastructure spend; and generally robust consumption demand, all augur well for our business. They certainly brighten the prospects for a comprehensive automotive and industrial component supplier, like us.

Our presence in key business segments, that overlap with the high priority initiatives of the Government, positions us well to advance in our journey of growth. We are confident that a healthy momentum in demand and improved cost management at our end, will lead to a sustained improvement in both our revenues and returns. The aftermarket segment too is showing signs of stability and revival in addition to our services business.

Going forward, your Company hopes to continuously enhance its strength and capabilities; widen its network; enhance its product portfolio; and reinforce operational excellence. These enterprising measures will take us closer to our vision, and enrich our stakeholders.

Furthermore, as our industry converges towards the next-generation technology breakthroughs of E-Mobility, Industry 4.0, and Digitalisation, we are confident Schaeffler will be at the forefront with products shaping the future of mobility.

The merger further enhances our prospects. Together, our companies will be better positioned to win competitively in the marketplace. Additionally, our joint commitment to offer added value to all our customers and attain operational excellence, should make the combined entity the “preferred technology partner”.

Having said this, we are also sensitive to challenges emanating from the economy, specifically the industrial and automotive sectors. The increase in import duties on automotive components and rising global steel prices could adversely impact our input costs and challenge our profitability. We are committed to expedite our localisation plans and increase investments in the country, while optimising our cost framework to offset these challenges.

Acknowledgement

The responsibility for our employees and good corporate citizenship are deeply embedded in our core. Your Company has a track record of investing in the development and well-being of its people and communities. In recent years, our efforts to connect closely with the society through our contribution in the areas of education and skill development for the under-privileged; healthcare for under-served; and preservation of heritage have been recognised and applauded by all stakeholders. Your Company not only produces products that help increase efficiency and reduce environmental impact but also accepts its corporate responsibility to minimise any adverse ecological and social impact associated with its operations, above and beyond legal requirements.

In closing, I would like to thank our skilled employees for their passion, commitment and ongoing pursuit of excellence. We thank our customers for the opportunity to earn their trust and business. We are also thankful to our bankers and financial institutions for their continuous support.

We are grateful for the support extended by all our stakeholders, particularly our shareholders. With your support, we have reached an exciting tipping point in our journey, and we are optimistic about the long-term opportunities that lie ahead. I am confident that with your continued support we will chart a new growth path for ‘One Strong Schaeffler’.

Sincerely,

Dharmesh Arora

At a Glance: About Schaeffler India Limited



A Snap-shot

1

Incorporated
in 1962

2

Renamed as
Schaeffler India
Limited in 2017

3

Listed and traded
on Bombay Stock
Exchange and
National Stock
Exchange

4

Manufacturing
facility in Maneja and
Savli near Vadadara,
Gujarat

5

Manufacturing units
certified by ISO
9001, TS 16949 and
ISO 18001

6

Presence in
automotive and
across all core
industrial segments

7

Team size of 1,534
employees

State-of-the-art Manufacturing Facilities

Our plants at Maneja and Savli in Gujarat, ranks among the Group's most technologically advanced plants; and features high level of automation and computer-controlled manufacturing technology.

	Maneja, Gujarat	Savli, Gujarat
Year of Establishment	1962	2012
Key Feature	A flexible plant catering to mid-size volumes	A plant for mass production as well as customised low volume solutions
Product Range	Ball Bearing, Wheel Bearing, Roller Bearing	Ball Bearing – Gen C, Large Size Bearing
Quality Certification	ISO 9001, TS 16949 and ISO 18001	ISO 9001, TS 16949 and ISO 18001
Sectors Catered	Cars and Trucks, Two Wheelers, Railways, Renewable Energy, Power Transmission, Heavy Industry, Off Highway, Automation, MRO-Steel, MRO-Raw Material, MRO-Power, MRO-Paper and Pulp	

Comprehensive Product Offering

Schaeffler India offers its customers with one of the most diverse product portfolio in the entire rolling bearing industry in India. We are competent in providing solutions for every conceivable application of the market, right from quality requirements of various industry sectors, to innovations or new application trends.

We constantly advance our products and services as per our customers' and market requirements. Our bearings are manufactured according to the stringent global quality standards of the Schaeffler Group, and are designed to perform efficiently in demanding operating conditions.

Competence in Maintenance

We are the specialists in the field of product lifecycle maintenance and services related to rotating components. The goal of our aftermarket industrial services is to help customers maximise plant availability; prevent unforeseen machine downtimes; and reduce recurring maintenance cost. Our trained technicians provide our customers with a comprehensive range of equipment and services for the mounting and maintenance of rolling bearings.

Schaeffler India's Marketing offices and Manufacturing units

India



2

Manufacturing Units

228+

Distribution Channel Partners

13

Sales Offices

Awards and Accolades



Awarded as India's Best Bearing Company at D&B Corporate Awards, 2017

Schaeffler India has always pursued responsible growth. Over the years, the Company has received several distinguished recognitions.



Awarded as Best Delivery Supplier for 3rd successive year in row 2017 by Rieter



Felicitation at the Maruti Excellence Awards, 2017



Certificate of Appreciation from John Deere India for achieving quality PPM less than 50 PPM in 2017



Awarded as Platinum supplier by Power Build Pvt. Ltd.

About Schaeffler Group



The Schaeffler Group is a global automotive and industrial supplier. Top quality, outstanding technology, and exceptional innovative spirit form the basis for the continued success of the Group.

With over 88,000 employees, the Schaeffler Group is one of the leading global technology company. Its network of manufacturing locations, research and development facilities, and distribution networks are spread over 170 locations across 50 countries. The Group's 74 production facilities are the cornerstone of its operations.

The Schaeffler Group is actively contributing to the shaping of technological progress with its 18 R&D centres in 24 countries. Its 2,316 patent registrations, filed with the German Patent and Trademark Office, make the Schaeffler Group one of the most innovative companies.

Schaeffler AG, the Group's lead company, is a publicly listed stock corporation incorporated under the German law with its registered office in Herzogenaurach.

88,000+
Group Employees

74
Global Production Facilities

18
R&D Centres globally

Mission

Guided by the values of a global family business, we work closely together with our customers as true partners to deliver a compelling value proposition through our best-in-class expertise in manufacturing technology and systems know-how. In doing so, we contribute to the success of our customers, the advancement of our employees, and the prosperity of our society.

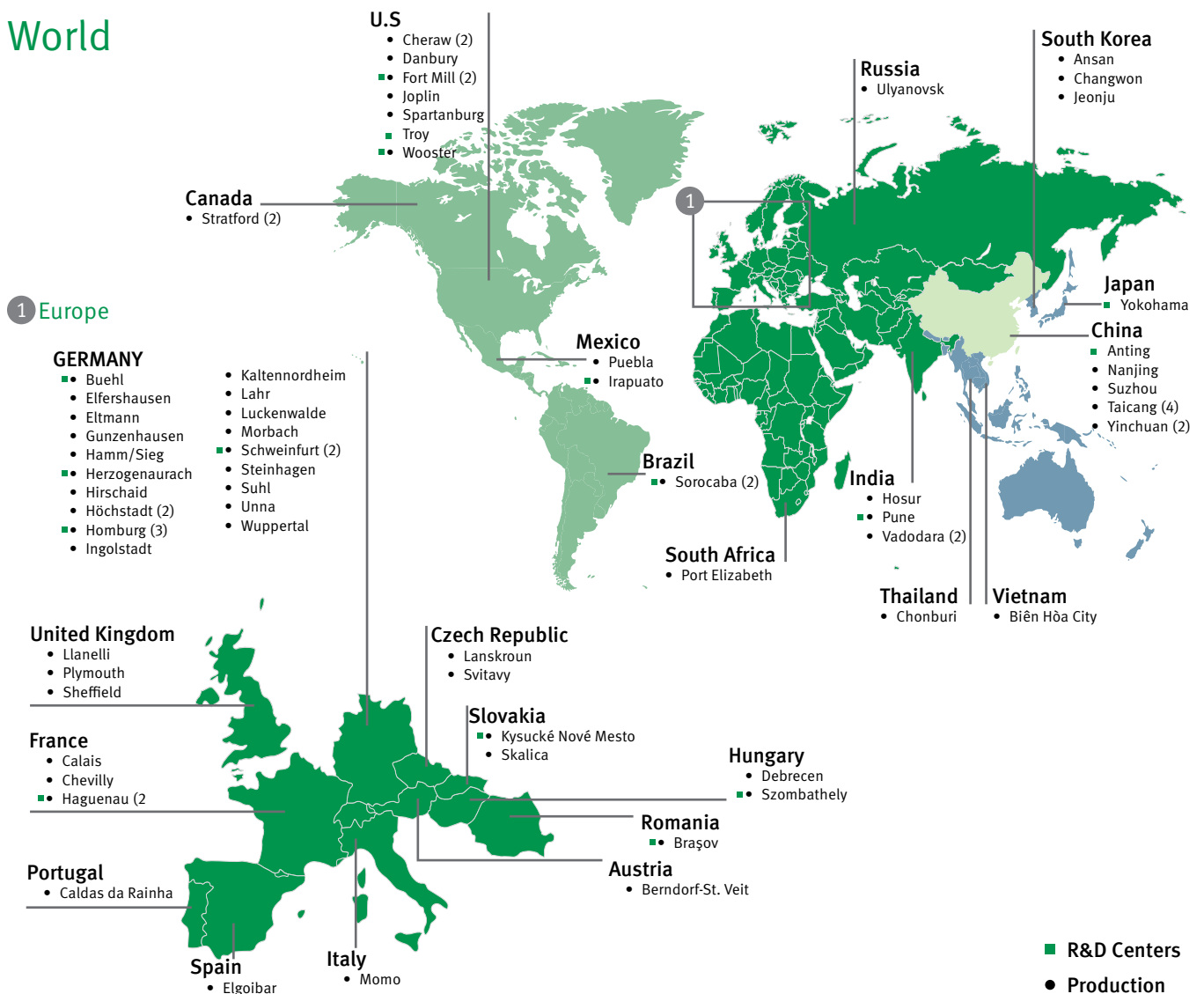
Vision

As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility - for a world that will be cleaner, safer, and smarter.



Schaeffler Group's Plants and R&D centers

World



Group Strategy: Mobility for Tomorrow

In line with the Group's strategy of "Mobility for Tomorrow", Schaeffler India has progressively emerged as a futuristic organisation, constantly innovating and striving for operational excellence.



Group Strategy for Growth: Mobility for Tomorrow

As a leading player, Schaeffler Group is cognisant of the global evolutions and digital transformations impacting the industrial and automotive businesses. The Schaeffler Group has shaped the strategy of “Mobility for Tomorrow” as its long-term approach towards addressing the major challenges and opportunities it faces.

4 Focus Areas

Our strategy “Mobility for Tomorrow” encompasses four main elements.



Eco-friendly drives

Maximum energy efficiency and the lowest possible emission values are required wherever mechanical movement is generated.

Schaeffler India is focused to develop and produce components and systems for optimised internal combustion engines, as well as for hybrid and electric drives.



Urban mobility

New mobility concepts, based on the intelligent combination of individual vehicles with public transportation services, are rapidly gaining acceptance.

Schaeffler India is on track to deliver its expertise for two-wheelers and personal mobility solutions.



Interurban mobility

Increasing rail and air transportation requires innovative technological solutions.

Schaeffler India offers wide range of passenger and freight mobility solutions, aircrafts and off-highway segment.



Energy chain

Climate protection can only be achieved if the entire energy chain from generation to transport to use is continuously optimised.

As one of the leading partners of the energy industry, Schaeffler India supports the expansion of efficient energy generation.

8 Strategic Pillars

In order to achieve profitable growth in all the key areas, Schaeffler has determined 8 strategic pillars that define the scope for future entrepreneurial action. These pillars define the Group's understanding of future opportunities in the automotive and industry sector, along with the prerequisites and values of the Schaeffler Group.

1

We want to be the preferred technology partner for our customers.

2

We are an Automotive and Industrial supplier.

3

We are a global company with a local presence throughout the world.

4

We produce components and systems.

5

We view E-Mobility, Industry 4.0, and Digitalisation as key opportunities for the future.

6

We strive for the highest possible quality, efficiency and delivery performance.

7

We want to be an attractive employer.

8

We live by the values of a global family business.

16 Strategic Initiatives

In developing its strategy, the Group intensively addressed the question of how to implement it as efficiently and consistently as possible. The Group has developed a tailor-made excellence program that summarises the most important strategic initiatives and segmented them in five categories. Fittingly, the Schaeffler Group calls this excellence program “Agenda 4 plus One”.

“Agenda 4 plus One” includes the following five categories and comprises 16 strategic initiatives that are of utmost importance worldwide. The declared goal is to successfully implement all these initiatives by the end of 2020.



By delivering high-precision components and systems in engine, transmission, and chassis applications, as well as rolling and plain bearing solutions for a large number of industrial applications, the Schaeffler Group is shaping “Mobility for Tomorrow” to a significant degree.

Together we are one

“ The merger will help us in leveraging our technology and deliver exceptional solutions to our customers.

- Dharmesh Arora,
Managing Director and CEO, Schaeffler India Limited

“ The merger sharpens our profile as a leading automotive and industrial supplier in India.

- Klaus Rosenfeld,
CEO, Schaeffler AG

“ The merger will raise the corporate profile and presence of Schaeffler in India.

- Dietmar Heinrich,
CFO, Schaeffler AG



From left to right: Mr. Dharmesh Arora, Mr. Klaus Rosenfeld and Mr. Dietmar Heinrich

1.

1. Schaeffler India exhibiting at Automechanika, New Delhi showcasing its state-of-the-art technology and components for repair solutions.



The Schaeffler Group has been represented in India for over 50 years. During the year, the Group strategised to merge its two subsidiaries - INA Bearings India Pvt. Ltd. and LuK India Pvt Ltd. with Schaeffler India Limited (formerly known as FAG Bearings India Ltd).

This merger has the distinctive feature of making great business sense. The combined entity will have a competitive edge in terms of bundling product offerings; leveraging the distribution network; and organisational efficiency improvements.

Over a period, we have graduated from being 'components manufacturer' into a 'complete components and systems supplier'. This merger will also reinforce our presence as a component and systems supplier, by leveraging the collective strengths of our strong brands and our range of products. Going forward, we believe our strategy 'Mobility for Tomorrow' can be realised by implementing the 'One Schaeffler' principle.

The merger announcement has also received overwhelmingly positive reaction from the capital markets. This reflects the confidence reposed by the investors in our Company and fundamentals.

₹ 5,902 mn

Profit Before Tax of the Merged Entity on
proforma basis year

Transaction Highlights

Appointed Date

The appointed date for the proposed merger is January 1, 2018.

Swap Ratio

- 10 shares of Schaeffler India Limited (face value of INR 10 each) for every 65 shares of INA Bearings India Pvt. Ltd., and
- 10 shares of Schaeffler India Limited (face value of INR 10 each) for every 35 shares of LuK India Pvt. Ltd.

Shareholding

- Promoter Group Schaeffler AG holds 51.33% stake in Schaeffler India Limited and 100% stake in both INA Bearings India Pvt. Ltd. and LuK India Pvt. Ltd.
- As per the swap ratio, approximately 8.21 million shares of Schaeffler India Limited will be issued to shareholders of INA Bearings India Pvt. Ltd. and 6.43 million shares of Schaeffler India Limited will be issued to shareholders of LuK India Pvt. Ltd.
- Resultant shareholding of the Promoter Group, post-merger, will be 74.13%.

One “Schaeffler India”

	Schaeffler India Limited	INA Bearings Pvt. Ltd. (INA)	LuK India Pvt. Ltd. (LuK)
Year of Establishment	1962	1997	1995
Stakeholding	Schaeffler AG holds 51.33% stake through its wholly owned subsidiaries	Schaeffler AG indirectly holds 100% stake	Schaeffler AG indirectly holds 100% stake
Products	Ball and Roller bearings of all types for Industrial and Automotive applications	Needle/linear bearings, engine, transmission and chassis precision components for Automotive and Industrial applications	Clutch and transmission components and systems for Automotive applications
Manufacturing Facility	Maneja and Savli, Gujarat	Talegaon, Pune	Hosur, Tamil Nadu
Employee Strength	1,534	663	757

1.
Creating a leading Indian Automotive and Industrial supplier with ₹ 40 bn of revenues, four plants, one R&D center and over 3,000 employees.



Transaction Rationale

Leading Indian Automotive and Industrial Supplier

The combined entity will emerge as one of the largest automotive and industrial suppliers in India with a revenue of ₹ 40 billion and over 3,000 employees.

Over a period, we have successfully grown from a components manufacturer into a complete components and systems supplier by leveraging the collective strengths across our range of products and our strong product brands. Going forward, our strategy Mobility for tomorrow can be realised by implementing the “One Schaeffler” principle. Moreover, the strong capabilities of the combined entity will help us participate with strength in the evolving trends of Industry 4.0 and E-mobility through our strategy ‘Mobility for Tomorrow’.

10.8%

Growth in Net Total Income of the Merged Entity on proforma basis

Diversified and High-growth Product Offering

Until now, Schaeffler India Limited had a predominant focus towards the industrial segment. With the merger, the Company will add the high-growth attractive automotive business to its portfolio. As a result, Schaeffler India will encompass a diversified product offering across the high-growth automotive and industrial segments.

Moreover, the government’s focus on infrastructure and domestic manufacturing is expected to drive our growth. India’s fast growing automotive market; government’s investments in railways, strong thrust on renewable energy; and focus on elevating rural income, will support the organisation’s progress.

Revenue and Cost Synergies

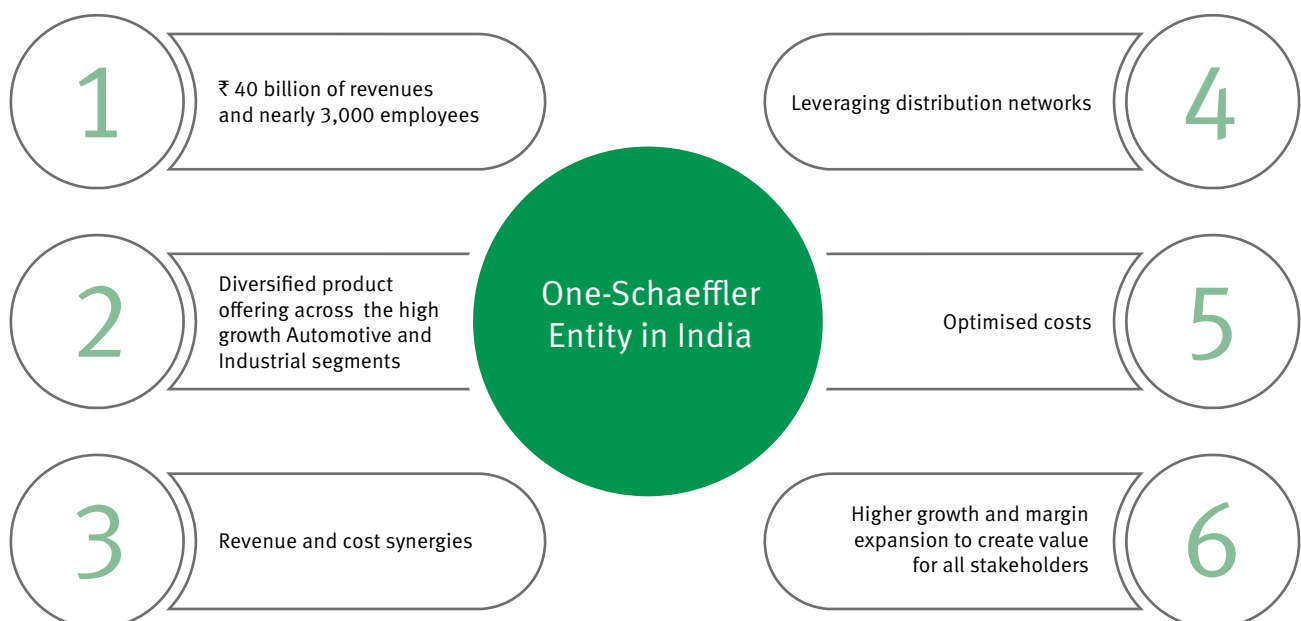
The merger will aid Schaeffler India in realising revenue and cost synergies by bundling the product offerings, leveraging the distribution networks and reducing overhead costs.

Product and Distribution: The merged entity will have superior opportunity to bundle its offerings for package deals for OE customers. In addition, within the distribution space, all three entities have a dedicated and independent distribution channel, which can be leveraged to expand the overall reach.

Optimising Warehousing and Freight Movement: The merged entity can optimise and integrate the logistics and warehouse requirements; and create a positive customer experience through ‘One face’ approach. The merger will help in consolidation of freight movement, warehouse operations and distribution channels.

Efficiency Improvements: The merger will help in efficient deployment on sales team; eliminate duplication of administrative functions and reduce complexity of compliances.

»The merger will combine the strengths and competencies of all three Schaeffler companies in India and establish one strong listed Schaeffler entity in India. It will strengthen our position; and bring significant long-term benefits and synergies for Schaeffler India.«



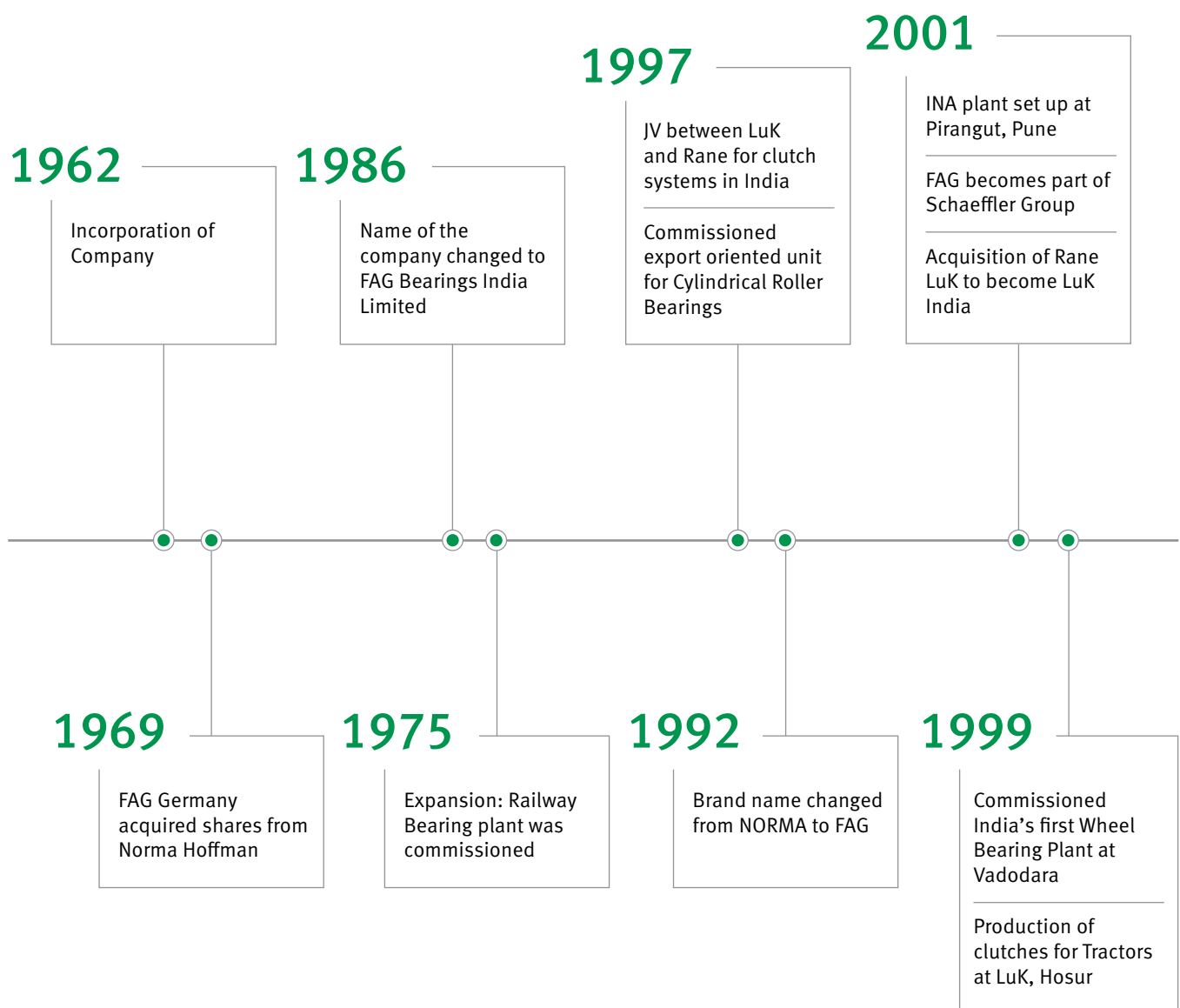


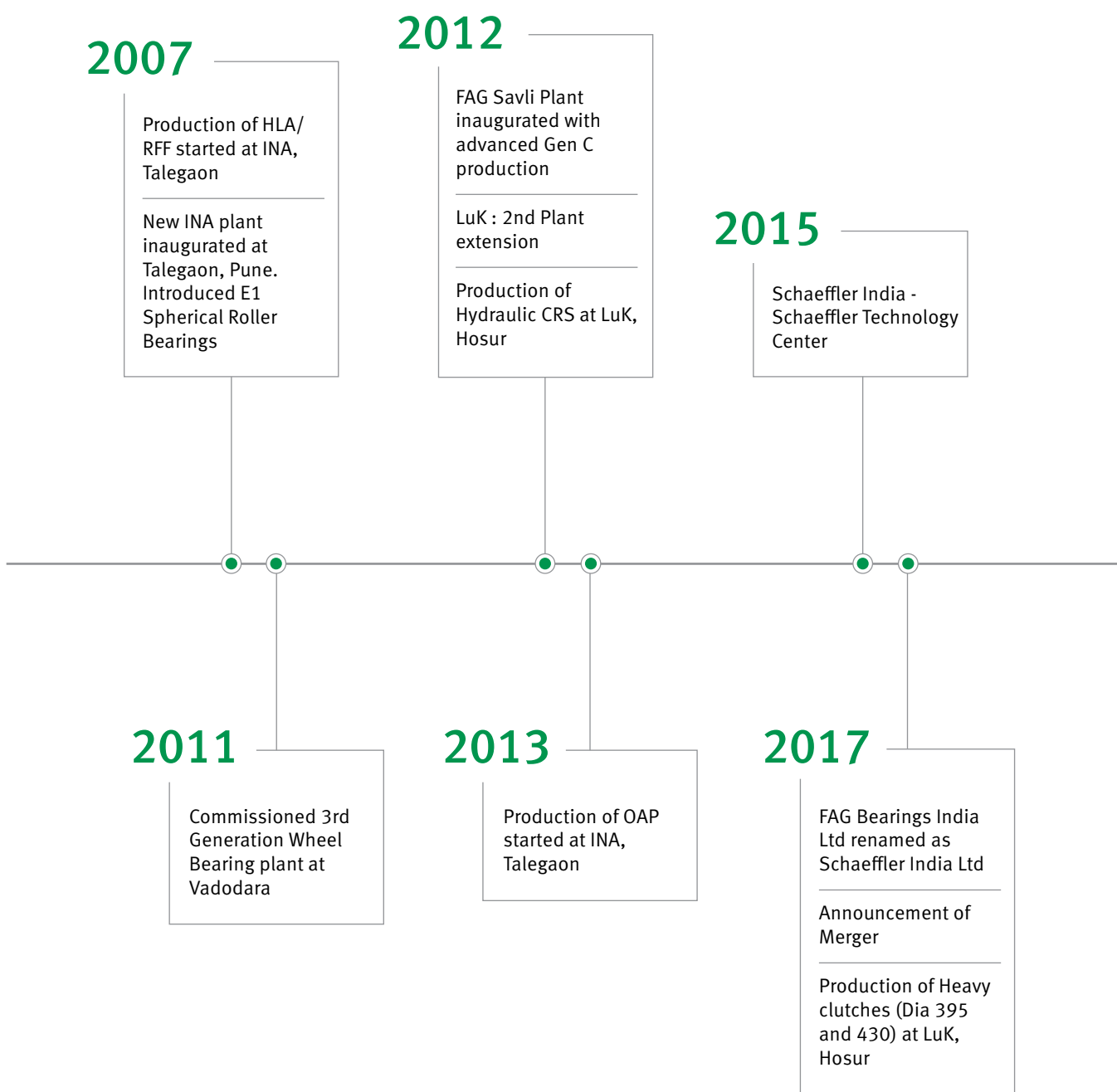
Schaeffler is a resilient market leader on a steady path of quality growth with respectable margins and return ratios.


Schaeffler India made advances towards enhancing its delivery performance and service quality; strengthening customer orientation; as well as cost savings and efficiency improvements. This focused approach has led Schaeffler India to report a robust financial performance and stronger standing. In line with the improved performance, the Board of Directors recommended a dividend of ₹ 17 per share for the year 2017.

<p>₹ 19,867 mn</p> <p>Net Total Income of Schaeffler India</p> <p>↑ 6.5%</p>	<p>₹ 40,216 mn</p> <p>Net Total Income of the Merged Entity on Proforma Basis</p> <p>↑ 10.8%</p>
<p>₹ 3,739 mn</p> <p>EBITDA of Schaeffler India</p> <p>↑ 19.5%</p>	<p>₹ 6,885 mn</p> <p>EBITDA of the Merged Entity on Proforma Basis</p> <p>↑ 16.89%</p>
<p>18.8%</p> <p>EBITDA Margin of Schaeffler India</p> <p>↑ 200 bps</p>	<p>17.1</p> <p>EBITDA Margin of the Merged Entity on Proforma Basis</p> <p>↑ 90 bps</p>
<p>₹ 2,380 mn</p> <p>Net Profit of Schaeffler India</p> <p>↑ 21.9%</p>	<p>₹ 3,896 mn</p> <p>Net Profit of the Merged Entity on Proforma Basis</p> <p>↑ 19.9%</p>

Schaeffler in India: 50+ years of Progress







Together we are helping our clients in new ways

Schaeffler India Limited is persistent to offer superior experience to its customers. As a leading brand in the bearing sector, we are focused on delivering customised solutions and enriching customer experiences at each touch point.

Excellence is embedded in our sales processes. We stepped up our efficiency measures and undertook a number of initiatives to improve the customer experience.

1.

Safe, reliable and high performance solution for drive train and wheels of all segments of railways.

2.

A wide range of Industrial bearing solutions for over 60 sectors.

»Our top priority is to reliably supply our customers with high-quality products, the latest application solutions and dependable services.«

Wide Product Offering

With a product range consisting of over 40,000 catalog products along with numerous special designs, Schaeffler India offers the widest product range to the industrial division in the sector. Customers from over 60 different industrial sectors rely on rolling and plain bearings, linear guides, and direct drives from our brands.

Highest Quality Offering

We strive to consistently ensure high quality and product safety in all applications. Our goal is to serve the customers with the highest-possible efficiency and delivery performance. The production of our products and services are proven in practice, and secured by a quality management system certified to ISO 9001 and TS 16949.

Customer-orientation

We are competent in offering technical tailor-made products to its customers. The key to our success in customised product business is our close engagement with customers at an early stage of development. With our extensive application know-how; sophisticated design; simulation and test capabilities; along with controlled and flexible manufacturing resources, we ensure high value creation for our customers.

Evolving with Key Trends

As a leading technology partner, the Schaeffler Group began engaging in the topics of E-Mobility, Industry 4.0, and digitalisation years ago and has made these areas its clear priority. In line with the Group strategy, Schaeffler India strives in taking an active role in shaping this development for its customers and considers this a key future opportunity.

Core Program

We expanded our core program initiative to ensure products which are in regular demand are available off-the-shelf.

1.



Far-reaching Presence

At Schaeffler India Limited, we extended our market reach through systematic expansion of our distribution network. In particular, we remained focused on penetrating in smaller towns and rural markets, by capitalising on our strong sales network across India.

228+

Distributors

13

Sales Offices

10,000+

Retail Points

5

Sales Warehouses

Competence

We invested in up-gradation of the sales and technical skills of our sales teams and channel partners. This approach helped in effectively understanding market requirements and prudently responding to customer demand.

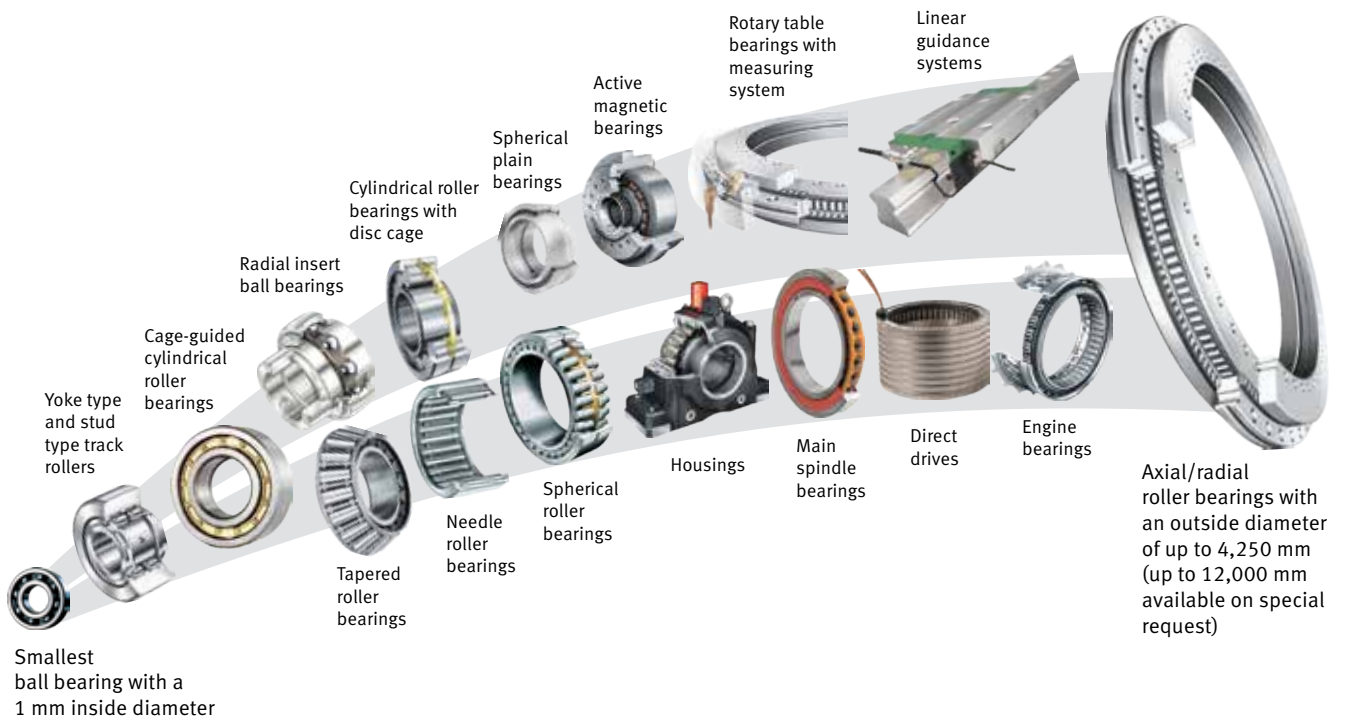
Preventive Maintenance

Within the distribution business space, Schaeffler India promotes the Total Cost of Ownership concept to its customers. Under this philosophy, we offer a comprehensive portfolio of offering that covers all phases in the lifecycle of the rolling bearing. Through this preventive action, we aim to help our customers save on maintenance costs; optimise plant availability; and avoid unforeseen machine downtime.

Competent Services

The Schaeffler Group has centres of competence across the globe. These centres help in delivering customer-specific solutions; quality services; and professional training to our customers spread across the world. All service employees worldwide undergo a comprehensive training programme, which ensures uniform services that conform to high quality standards.

2.





Together we deliver operational excellence

Our production system forms the core of our excellence and are the basis for achieving outstanding results in the areas of quality, process efficiency, and technical excellence. To stay competitive in the business, we continue our relentless pursuit towards operational excellence.



8.5%

Growth in Production
Volumes over the
previous year.

Productivity

Schaeffler India Limited increased its production volume by 8.5% in 2017. The plants reported a higher capacity utilisation to meet the growing demand of our products from customers.

Innovation

Our Company operates in a highly competitive and technologically fast-paced environment. This demands constant improvements in our production processes; reduction in operating expenditures; and evolving with new technology developments. In view of these, we are committed towards maintaining our technology leadership, and continue to manufacture reliable and innovative products cost effectively.

Aiming Zero Defects

We strive to deliver the highest-possible quality to our customers, while maintaining cost efficiency and reliability of supply. To achieve this, we purposefully improved our production system, with the aim to achieve zero defects. Modern quality management techniques and integrated

1.



1. Setting new benchmarks with our more durable, economical and efficient FAG Generation C Deep Groove Ball Bearings.

2. Schaeffler's Industry 4.0 strategy for tooling machines helping to improve overall equipment efficiency.

2.



planning across the entire supply chain, moved us closer to our goals. We realised improvements in quality and efficiency in 2017, resulting in a reduction in the number of customer complaints.

Futuristic Offerings

We aim to delight our customers with innovative applications and customer-oriented system solutions.

At the Group level, we proactively identified the megatrends - climate change, urbanisation, globalisation, and digitalisation, that will influence our business in the future. Based on these trends, we have aligned our technology and R&D advancement with the strategy “Mobility for Tomorrow”.

Localisation

The Schaeffler Group pursues the localisation goal to expand its manufacturing and engineering footprint. With this clear approach and to increase localisation at Schaeffler India, we persistently invest in capacity expansion and introduce new product lines in India. We added over 100 new products in our local range. Furthermore, we invested in strengthening our product development processes and upping our distribution efficiency to reduce the time to market.

Digitalisation and Industry 4.0

The digitalisation megatrend has resulted in a fourth industrial revolution – referred as Industry 4.0, and is having a considerable impact, particularly on production companies. Industry 4.0 stands for intelligent networks that interconnect product development, production, logistics, customers, and suppliers. Its technological basis is intelligent digitally linked systems that maximise the possibilities for autonomous production.

Digitalisation and Industry 4.0 concepts capture the future vision of manufacturing.

Condition monitoring products are a key enabler for the digitalisation of production processes. Proactive condition monitoring helps to achieve longer maintenance intervals and better operating performance. The new FAG Smart Check is an exceptional plug-and-play product for condition monitoring and is effective under diverse applications. Schaeffler has successfully initiated a number of online condition monitoring projects with its customers.

Schaeffler also offers OEMs, plant operators, and industrial service companies specific Industry 4.0 solution packages that are scalable, and enhance machine and equipment availability. Schaeffler’s Smart Eco System provides the IT infrastructure for the integration of smart components, proven visualisation and analysis tools, and digital services.



Together we can make a difference

Regular engagement with different stakeholder groups forms an integral part of our business strategy. We strive to make a meaningful difference guided by the philosophy of “सर्वे भवन्तु सुखिनः” (May everyone be happy). With best of our efforts, we concentrate on long term sustainable development towards improving the quality of life in society and contributing to advancement of culture across the regions of our presence.





1.
Our HOPE initiatives
(Clockwise): Mobile Health Unit;
Nitara Beauty Academy; Project
Jagriti; Quest on Wheels

2.
Lok Vidhyalaya at Lamdapura
near Savli with state-of-the-art
infrastructure.

Year 2017 marked the third year of the operation of our CSR initiative “HOPE”. In line with our strategic CSR roadmap, our initiatives continue to focus on health, occupational skills, preservation of national heritage, art and culture, and education. We strongly believe that our supportive actions in these vital areas will positively impact the communities and individuals around us in their quest for a better quality of life.

Healthcare

Mobile Health Units:

Mobile health units are an integral part of healthcare in remote villages. Our two mobile units covered 52 villages, addressing a population of 2 lakh people. They conduct regular check-ups with emphasis on childhood nutrition and adolescent anaemia. Till date, 90,000 individuals have benefited from this programme in more than 50 villages.

1.



₹ 60.2 mn

Investments towards CSR, 2017

2.



Project Jagriti:

Project Jagriti aims at spreading awareness and inculcating good menstrual hygiene practices. The project has been implemented in 26 villages, covering 5,000 adolescents and young mothers. These awareness programmes have aided in reducing absenteeism in schools and work places by about 40% during their menstruation cycle. Also, the percentage of beneficiaries using the combustion technique as a method of waste disposal stands increased from 40% to 66%, as a result of the programme.

Occupational Skill Building

During the year, a modern and plush beauty academy spread over 1,700 sq. ft. was inaugurated at one of the prime locations in Vadodara. The academy, named as Nitara Beauty Academy, is aimed at providing sustainable livelihood opportunities to the differently-abled.

Preservation of National Heritage, Art and Culture

To promote awareness on India's heritage, we introduced "Quest On Wheels" as a part of our CSR initiative. We organised trips to Lukshmi Vilas Palace, Sayaji Gardens, ISRO Ahmedabad, Amul Dairy, and Anand Agricultural University to spread more awareness on art and culture. Till date, the initiative has covered 12 schools and benefitted 2,300 people.

Education

The Company adopted a grant-in-aid school at Lamdapura village in Savli, Vadodara. The school was renovated and inaugurated as Lok Vidhyalaya with state-of-the-art infrastructure. A school building now provides holistic educational facilities to 340 underprivileged students mostly coming from tribal communities. Going forward, the school can accommodate 800 students and provide education from Nursery to 12th standard.

Along with infrastructural facilities, the school aims to foster imagination, critical thinking and intellectual curiosity of the students.

»In line with our HOPE initiative, our CSR initiatives continue to focus on health, occupational skills, preservation of national heritage, art and culture, and education.«

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 55th Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2017.

Financial Highlights

	(₹ in million)	
	2017	2016
Net Total Income	19,866.5	18,645.8
Gross Operating Profit (Earnings before depreciation, interest, tax and prior period adjustments)	4,344.5	3,651.9
Depreciation / Amortization	711.2	641.0
Interest	10.2	17.6
Profit Before Tax	3,623.1	2,993.3
Provision for Tax	1,242.9	1,042.7
Profit After Tax	2,380.2	1,950.6

Financial and Operational Performance

Economy

The global economy experienced a broad-based cyclical upturn in 2017, with growth increasing in more than half of the world's economies. Global growth is expected to be sustained over the next couple of years and even accelerate in emerging markets and developing economies.

In India, the year 2017 was marked by some major reforms. The transformational Goods and Services Tax (GST) was introduced from July, 2017. This comprehensive tax has replaced the complex multiple indirect tax structure in India. Furthermore, action was taken to address the Twin Balance Sheet challenge, which remained a constraint on Indian growth prospects. The new Indian Bankruptcy Code has provided a resolution framework. The Government has also announced a large recapitalisation package to strengthen the balance sheets of the public-sector banks. These reforms will support firms to resume spending and banks to lend, especially to the sectors of infrastructure and manufacturing.

In the first half of the year 2017, India's economy reported slower growth while the rest of the world economy accelerated. Albeit, India remained the second-best performer amongst major countries with strong macroeconomic fundamentals. The slower growth was a result of a series of developments that pummeled the economy including demonetisation; compliance in the new GST regime; rising real interest rates, banking sector stress; and sharp falls in certain food prices that impacted agricultural incomes.

However, the second half of the year 2017 witnessed robust signs of revival. With corrective actions being implemented, economic growth has rebounded. This is also supported by the global economic recovery which is advancing exports.

Industrial production as reflected by development of Index of Industrial Production (IIP) has started showing signs of improvements. Core infrastructure industry, well supported by public sector investment and favourable policy environment, showed positive growth of 3.8% in year 2017. Mobility sectors and agriculture tractors are on a steady path of growth, supported by the Government's thrust on rural spending, infrastructure creation and irrigation spending.

Performance of the Company and State of Company's Affairs

Your Company's Net Total Income (net of excise duty) was at ₹ 19,866.5 million in year 2017 (Year 2016: ₹ 18,645.8 million) representing a growth of 6.5%. Profit before tax was placed at ₹ 3,623.1 million (Year 2016: ₹ 2,993.3 million) representing a growth of 21.0%. Your Company recorded profit after tax of ₹ 2,380.2 million (Year 2016: ₹ 1,950.6) representing a growth of 22.0%. Better sales mix and operational performance have resulted in the improvements in the EBT margins.

Your Company's sales to mobility sectors grew in-line with market growth. Sales to Industry OEM Mobility sectors like Two Wheelers, rail, power transmission registered slight growth. Distribution sales showed improving trend. The export business of your Company registered positive growth during the year.

Your Directors consider the Company has performed exceedingly well.

Change of name of the Company – Schaeffler India Limited

In consonance with the Schaeffler Group's overall corporate philosophy, your Company has changed its name from FAG Bearings India Limited to 'Schaeffler India Limited' with effect from July 7, 2017.

This change of name has not only increased your Company's visibility globally but has also underlined the presence of Schaeffler Group in India.

Strategic Initiative – One Schaeffler India Entity

During the year under review, your Company has unveiled the strategic initiative of 'One Schaeffler India' entity and has announced merger of two of the Schaeffler Group entities in India viz. INA Bearings India Private Limited and LuK India Private Limited with your Company.

INA Bearings India Private Limited is engaged in manufacture of Needle/linear bearings, engine, transmission and chassis precision components for Automotive and Industrial applications, has its manufacturing facility at Talegaon, Pune and employs around 663 employees.

LuK India Private Limited is engaged in manufacture of Clutch and transmission components and systems for Automotive applications, has its manufacturing facility at Hosur, in Tamilnadu and employs around 757 employees.

With the strengths of the two entities being clubbed with the leadership position of the Company in the Ball, Roller and other special bearings, the merged entity – One Schaeffler India entity will become a major manufacturer and supplier of some of the most important products for the Automotive as well as Industrial Sector as under:

1. Wheel Modules, Transmission Bearings and Axial Bearings by your Company;
2. Engine and Transmission components by INA Bearings; and
3. Components for clutch and Transmission Systems by LuK

The synergies of the proposed merger are envisaged in following major areas:

1. Bundling Opportunity – Enhanced content / car on next generation platforms
2. Distribution Network – Expanded geographical coverage, enhanced portfolio
3. Warehousing and Freight Movement – Economies of scale
4. Efficiency improvements – Internal Sales force reorganisation,
5. Functional cost efficiencies in various service functions
6. Reduced complexities of Compliances

The proposed merger will help your Company to contribute comprehensively to the Schaeffler Group's strategy of "Mobility for Tomorrow". The "Mobility for Tomorrow" strategy, has four focus areas namely Eco-friendly drives, urban mobility, Inter-urban mobility and Energy-chain. Schaeffler's strategic approach combines long-term thinking with proven success factors of Quality, Technology and Innovation to form robust and systematic organisational orientation towards the future.

In conclusion your Company is set to become leading Automotive and Industrial component supplier with a diversified and high-growth product offering which will create value for all stakeholders.

Outlook

GDP growth in FY 2018 is expected to be around 7.3%. The impacts of Goods and Services Tax (GST) implementation in 2017 seems to have been absorbed by the economy.

Overall your Company is positive about its short term and medium term business outlook. We will continue to pursue growth strategy in customised as well as high volume product business. Leveraging our customer and application expertise, we will provide added value to our customers. At the same time, we will accelerate implementation of our operational excellence strategy to systematically build on long term competitive advantage in the business.

Dividend and Transfer to General Reserve

Your Company has a steady dividend payment history and in line with the financial performance of the year 2017, your Directors recommend dividend for the year ended December 31, 2017 at the rate of ₹ 17/- (2016: ₹ 12/-) per equity share amounting to ₹ 282.5 million (2016: ₹ 199.4 million). The Company will pay the tax on dividend as per the provisions of the Income Tax Act, 1961. It is not proposed to transfer any amount to General Reserve for the year under review.

Management Discussion and Analysis

Pursuant to Regulation 34 read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Listing Regulations"), Management Discussion & Analysis Report is annexed to this report. (Annexure - A)

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 is annexed thereto. (Annexure - B)

Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Dietmar Heinrich [DIN: 00928243] will retire by rotation at the ensuing Annual General Meeting ('AGM'). Although he is eligible for reappointment, Mr. Heinrich has expressed his unwillingness to be reappointed at the AGM.

Your Directors express their gratitude for the contribution made by Mr. Heinrich during his tenure as Director of the Company. Further, your Directors have decided not to fill up the vacancy that will be caused by retirement of Mr. Heinrich.

Mr. Frank Huber [DIN: 00689169] resigned from the directorship of the Company with effect from June 30, 2017. Board wishes to place on record its appreciation of services rendered by him during his tenure as the Director of the Company.

Mr. Marcus Eisenhuth [DIN: 07904850] has been appointed as an Additional Director with effect from August 10, 2017. Your Company has received a notice together with a deposit of ₹ 100,000/- for his candidature for the office of Director under section 160 of the Companies Act, 2013. Your Directors recommend his appointment as a Director of the Company.

Mr. Avinash Gandhi [DIN: 00161107] has given a declaration that he meets the requirements for appointment as an Independent Director. Accordingly, upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors of your Company at its Meeting held on February 7, 2018, has appointed Mr. Avinash Gandhi [DIN: 00161107], subject to approval of the Shareholders at the ensuing Annual General Meeting, as an Independent Director to hold office for a term of five consecutive years commencing from February 7, 2018.

Brief profiles of the Directors seeking appointment or reappointment are given separately under the Notice convening 55th Annual General Meeting of the Company.

Key Managerial Personnel (KMP)

Pursuant to provisions of Sections 2(51) and 203 of Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 following persons are acting as Key Managerial Personnel of the Company:

1. Managing Director & Chief Executive Officer: Mr. Dharmesh Arora
2. Chief Financial Officer: Mr. Satish Patel
3. Company Secretary*: Mr. Chirag K. Shukla

*Mr. Raj Sarraf resigned as the Company Secretary of the Company w.e.f. November 13, 2017. Mr. Chirag K. Shukla has been appointed as the Company Secretary of the Company w.e.f. February 7, 2018.

Meetings of Board of Directors

During the year under review, seven meetings of the Board of Directors were held on February 14, 2017, March 6, 2017, April 21, 2017, June 26, 2017, July 25, 2017, August 30, 2017 and November 9, 2017. The details of attendance of each Director at these meetings are provided in the Corporate Governance Report.

Independent Directors' Declaration

Your Company has received the declarations in the prescribed format from each Independent Director confirming that they meet the criteria of independence as envisaged in the provisions of Section 149 of the Companies Act, 2013, read with Regulation 16 of the Listing Regulations.

Policy on Nomination and Remuneration

The Company's Policy on Nomination and Remuneration is framed with objectives as under:

1. To formulate criteria and advise the Board in matters of determining qualifications, competencies, positive attributes and independence of Directors, and policies relating to their appointment and removal,
2. To review corporate goals and objectives, to set norms of performance evaluation and to lay out remuneration principles for Directors, KMP and Senior Management linked to their effort, performance and contribution towards achievement of organisational goals,
3. To evaluate performance and give recommendations to the Board on remuneration payable to the Directors, KMP and Senior Management, and
4. To review and recommend to the Board measures to retain and motivate talent including KMP and Senior Management Personnel with a view to ensuring long term sustainability and competitiveness of the organisation.

Criteria and Qualification for Nomination and Appointment

A person to be appointed as Director, KMP or at Senior Management level should possess adequate relevant qualification, expertise and experience for the position that he / she is being considered for. The Nomination and Remuneration Committee (NRC) evaluates whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position and the NRC then makes appropriate recommendations to the Board of Directors.

Policy on Remuneration

1. The remuneration (including revisions) to Directors is recommended by NRC to the Board for approval. The remuneration (including increments) to the Directors, so recommended by NRC to the Board, should be within the limits under the Companies Act, 2013 read with the Rules thereunder and as approved by the shareholders of the Company.
2. None of the Directors (including Independent Directors) shall be entitled to any stock option of the Company.
3. Non-executive Directors, who are in whole-time employment with other Associate Companies of the Schaeffler Group, will not be entitled to any remuneration, profit related commission or sitting fees.
4. While determining remuneration to KMP, Senior Management Personnel and other Employees, the Company encourages and rewards merit and superior performance. The objective is to set the total remuneration at levels to attract, motivate, and retain high-calibre, and high potential personnel in a competitive global market.

Formal Annual Evaluation

Your Company believes that systematic evaluation contributes significantly to improved performance at three levels; Organisational, Board and Individual Board Member. It encourages the leadership, teamwork, accountability, decision-making, communication and efficiency of the Board. Evaluation also ensures teamwork by creating better understating of Board dynamics, board-management relations and thinking as a group within the board.

The process includes multi-layered evaluation based on well-defined criteria consisting of relevant parameters.

For the year 2017, the Board has carried out an annual performance evaluation of its own and that of its Committees and individual Directors.

Performance evaluation criteria for the Board, its Committees, the Directors and the Chairman of the Company were circulated to and filled up by the Directors. The feedbacks of directors were scaled and measured on defined ratings. The Nomination and Remuneration Committee has further carried out evaluation of all the Directors including Independent Directors. The Board of Directors have carried out the evaluation of its own performance, its committees and that of individual Directors. The report of performance evaluation so arrived at was then noted and discussed by the Nomination and Remuneration Committee and the Board of Directors.

Corporate Social Responsibility (CSR)

Being a responsible Indian Corporate Citizen, we are equally motivated by the Indian ethos of Dharma as a key for organisational self-realisation. Guided by the prevailing regulatory requirements, the Company has constituted a 'Corporate Social Responsibility (CSR) Committee' and framed a Policy on CSR, summary of which together with details of CSR activities undertaken by the Company during the year 2017, have been covered in Separate report on CSR annexed to this report. (Annexure - C)

Contracts and arrangements with Related Parties

The transactions with the related parties are governed by prevailing regulatory requirements and Company's policy on dealing with such transactions. During the year, all transactions with the Related Parties have been carried out in normal course of business and based upon well set principles of arm's length.

A separate report containing details of 'Material Related Party Transactions' carried out during the year is annexed to this report. (Annexure - D)

Particulars of Employees and Related Disclosures

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names of the top ten employees in terms of remuneration drawn and employees drawing remuneration in excess of the limits set out in the said rules forming part of this report is given as an Annexure to this report. However, pursuant to provisions of Section 136(1) of the Companies Act, 2013 all reports and accounts are sent to all the shareholders of the Company except this annexure. Any shareholder, interested in inspecting this report, can write to the Company Secretary for a copy of it. The Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed to this Report. (Annexure - E)

Extract of Annual Return

As per regulatory requirements, 'Extract of Annual Return' is provided in a separate report annexed to this Report. (Annexure - F)

Auditors

Statutory Auditors

The Statutory Auditors, M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, (Firm Registration Number: 101248 W / W-100022) were appointed as Statutory Auditors of the Company in 52nd Annual General Meeting ("AGM") of the Company held on April 24, 2015 for a period of five consecutive years, subject to ratification by members every year in AGM. Based upon the declaration on their eligibility, consent and terms of engagement, your Directors recommend ratification of their appointment in 55th Annual General Meeting until conclusion of 56th Annual General Meeting of the Company.

Secretarial Auditors

M/s. Samdani Kabra & Associates, Company Secretaries, were appointed as 'Secretarial Auditors' to carry out Secretarial Audit of the Company for the year 2017. In terms of provisions of section 204 of the Companies Act, 2013, the Secretarial Audit Report has been annexed to this Report. (Annexure - G)

Cost Auditors

M/s Y. S. Thakar & Co., Cost Accountants, as Cost Auditors had conducted the audit of the cost records of the Company for the Financial Year ended December 31, 2017. Based upon the declaration on their eligibility, consent and terms of engagement, your Directors have made their appointment for the year 2018.

Explanation or Comments on disqualifications, reservations, adverse remarks or disclaimers in the auditor's reports:

With regard to the remarks of the Secretarial Auditors in their Audit report on transfer of Equity Shares to Investor Education and Protection Fund (IEPF) pursuant to the provisions of section 124 (6) of the Companies Act, 2013 and rules made thereunder, we have to state that the Company has already commenced the process of transfer of the Equity Shares on which the dividend amounts have not be paid/claimed for the last seven consecutive years, and it is expected that the said process shall be completed in the month of April, 2018.

There have been no other qualifications, reservations, adverse remarks or disclaimers in the auditor's reports, requiring explanation or comments by the Board.

Audit Committee

The Audit Committee consists of four Directors with Mrs. Renu Challu as the Chairperson of the Committee. The other members of the Audit Committee are Mr. Avinash Gandhi, Dr. Sanak Mishra and Mr. Rakesh Jinsi. The terms of reference of the Audit Committee, details of meetings held during the year and attendance of members are disclosed in the Report on Corporate Governance.

Whistle Blower Policy / Vigil Mechanism

Your Company has well defined 'Whistle Blower Policy' and established Vigil Mechanism to provide for adequate safeguard against victimisation of Directors and employees who follow such mechanism and also make provisions for direct access to the chairperson of Audit Committee in appropriate cases.

Whistle Blower Policy of the Company is available on the Company's website at the web-link:
https://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/03._Vigil_Mechanism_or_Whistle_Blower_Policy.pdf

Risk Management

Your Company has established comprehensive Risk Management System to ensure that the risks to the Company's continued existence as a going concern and to its development are identified and addressed on timely basis.

Particulars of Loans given, Investments made, Guarantees given and Securities provided

The particulars of loans have been disclosed in notes to the Financial Statements.

Deposits

During the year, the Company has not accepted any deposits under the Companies Act, 2013.

Disclosure under the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place a Policy against Sexual Harassment at workplace in line with the requirement of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set-up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary and trainees) are covered under this policy. No complaints were received by the Committee during the year.

Orders passed by The Regulators or The Courts or The Tribunals

There are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its operations.

Directors' Responsibility Statement:

Pursuant to the requirement under Section 134(3)(c) of the Companies Act, 2013, your directors hereby state that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- b) The accounting policies have been selected and these have been applied consistently and judgments and estimates made thereon are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at December 31, 2017 and of the profit of the Company for that period;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) Annual accounts of the Company have been prepared on a 'going concern' basis;
- e) Internal financial controls have been laid down and being followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) Proper systems to ensure compliance with the provisions of all applicable laws have been devised and that such systems are adequate and were operating effectively.

New Delhi: February 7, 2018

Adequacy of Internal Financial Controls

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors and external consultants and the reviews performed by management and the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year ended December 31, 2017.

Material changes and commitments and change in Nature of Business

There have been no material changes and commitments, affecting the financial position of the company from the end of the Year 2017 upto the date of this report. Further, there has been no change in the nature of business carried on by the Company.

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

The particulars as prescribed under section 134(3)(m) of the Companies Act, 2013 read with rule 8 of the Companies (Accounts) Rules, 2014 have been annexed to this report (Annexure - H).

Acknowledgements

Your Directors express their gratitude for the cooperation and support extended by Shareholders, Schaeffler Group, Customers, Suppliers, Stockists & Importers, Banks, Government & Regulatory Authorities and all Employees of the Company for their efforts.

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

Management Discussion and Analysis

1. Global Economy Overview

According to the International Monetary Fund (IMF), Global GDP growth for 2017 is estimated to grow from 2.4% in 2016 to 3.7%. The upturn is broad based, with growth increasing in more than half of the world's economies. This inclusive cyclical recovery is a result of a secular rebound in investment, manufacturing activity and trade.

The IMF further confirms that the growth momentum witnessed in 2017 is expected to carry forward into 2018 and 2019, with global growth estimated to be at 3.9% for both years. This positive outlook is mainly on the back of the sustained strong performance expected out of advanced economies.

2. Indian Economy Overview

The Indian economy is growing strongly and remains a bright spot in the global landscape. It is widely considered as the most dynamic emerging economy among the largest countries, and is expected to continue its pace of rapid growth. This growth will be fuelled by robust expansion in private consumption and the significant structural reforms by the Government in taxation, infrastructure investment and privatisation. During the year, India jumped 30 spots on the World Bank's Ease of Doing Business rankings, while similar actions to liberalise the Foreign Direct Investment (FDI) regime helped increase flows by 20%.

The Government has progressed well on its agenda for important economic reforms, which should support strong and sustainable growth going forward. In particular, over the medium term the implementation of the GST, should help raise India's growth, as it is likely to enhance the efficiency of production and movement of goods and services across Indian states. Furthermore, the long-festering "Twin Balance Sheet" problem was decisively addressed by sending the major stressed companies for resolution under the new Indian Bankruptcy Code, and implementing a major recapitalisation package to strengthen the public sector banks. As a result of these measures, along with the abating effects of earlier policy actions, the economy is set to progress on a sound fiscal foundation.

India's overall outlook remains positive, driven by several factors. Strong private consumption and services are expected to continue to support economic activity. Private investments

are expected to revive as the corporate sector adjusts to the GST, which over the medium term is expected to benefit economic activity and fiscal sustainability. Moreover, the ₹ 2.11 trillion recapitalisation package for public sector banks announced by the Government is expected to uplift the health of the banking sector; to support credit growth to the private sector; and to kick-start further investments. Meanwhile, the steady global trade recovery is expected to encourage exports.

3. Sectoral Overview

Automotive Sector

India has emerged as the world's sixth-largest automobile manufacturer. It accounts for 7% of the GDP and directly or indirectly employs around 19 million people.

India's "Automotive Mission Plan 2026," a joint vision of the country's government and car makers, aims for the auto industry to become one of the world's top three. It also aims the auto industry to contribute 12% of India's GDP, making up 40% of India's manufacturing sector, and generating 65 million jobs by 2026. These targets are part of India's larger quest to emerge as a major industrial power.

During April-December 2017 India produced a total of 21.4 million vehicles, including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers and Quadricycles, comparable to manufacturing 19.2 million in April-December 2016, registering a growth of 11.3%. (Source: SIAM)

Commercial Vehicles

The overall Commercial Vehicles (CV) segment grew by 15.2% in April-December 2017 over the same period in the previous year. Medium & Heavy Commercial Vehicles (M&HCVs) increased by 9.3% and Light Commercial Vehicles grew by 19.3% in April-December 2017 over the same period last year. (Source: SIAM)

According to the research firm ICRA, the total market size for CVs in India is expected to remain at 0.8 million units in FY 2018. The growth for the sector remained low in the first half of the fiscal on account of low component availability as the industry transitioned from BS-III to BS-IV.



The exports of commercial vehicle declined by 18.1% in April-December 2017 when compared to the same period last year. However, the research firm also estimates CV exports from India to grow at a CAGR of 12-15% over the medium-term to touch 160 thousand units by 2020. This will be driven by expansion in the new markets of Asia, Africa and the Middle East; scaling up exports from foreign CV OEMs; and growing demands from existing markets of the SAARC region.

As Schaeffler India Limited ('Company' or 'SIL') supplies reliable and efficient products and components that are essential to the manufacturing of vehicles, your Company is expected to benefit from this resurgence in demand of Commercial Vehicles.

Passenger Vehicles

The sale of Passenger Vehicles grew by 8.1% during April-December 2017 over the same period in the 2016. Within the Passenger Vehicles, Passenger Cars, Utility Vehicles and Vans grew by 4.2%, 19.4% and 6.7% respectively in April-December 2017. Exports of Passenger Vehicles declined by 3.4% during April-December 2017 when compared to the same period in the previous year. (Source: SIAM)

Despite the shift to GST and addition of cess on SUVs and luxury cars by the GST Council, the segment managed to post respectable growth in the first nine months of FY 2018. Many automakers believe that the impact of demonetisation and GST slowed down the growth rate of Passenger Vehicles, which otherwise would have seen a double-digit growth. Looking ahead, the sector is expected to record a double-digit growth for the entire fiscal, driven by improving macro-economic factors, stable interest rates and reviving rural markets.

Your Company is a leading supplier of advanced wheel bearing solutions, efficient ball bearings for chassis systems, and bearings for transmission systems. Your Company's enduring attention on technology and innovation is expected to drive growth ahead of the market in this sector.

»India jumped 30 spots on the World Bank's Ease of Doing Business rankings, and actions to liberalise the Foreign Direct Investment (FDI) regime helped increase flows by 20%.«

Two and Three Wheelers

The auto sector witnessed a revival in local sales of Three-wheelers and a gradual recovery in demand overseas. Three-wheelers sales grew by 7.9% during April-December 2017. For Three-wheelers, both Passenger Carriers and Goods Carriers, a growth in sales potential of 8.3% and 6.4% was observed during April-December 2017. (Source: SIAM)

Two-wheelers are by far the most popular form of vehicle in India. Two-wheelers sales registered a growth at 11.8% in April-December 2017. Within the Two-wheelers segment, Scooters and Motorcycles grew by 18.5% and 9.8% respectively, while Mopeds declined by 6.2% in April-December 2017. (Source: SIAM)

As all top scooter and motorcycle manufacturers have lined up their clean-energy products for launch starting the next fiscal, two-wheelers are set to outpace four-wheelers in India's ambitious drive towards all-electric mobility. In addition, there are positive signals of the rural markets coming back on track after two good monsoon years. Better crops and more disposable income in the hands of the rural populace is raising the demand for Two-wheelers.

On the export front, the Two and Three-wheeler segments registered a growth of 17.8% and 30.3% respectively in April-December 2017 over the same period last year.

Your Company produces high volumes of ball bearings, which are required by the Two and Three-wheeler industry. The enhanced efficiency of the manufacturing unit has resulted in enhanced production. With this, your Company is geared to support the industry's growth and garner a sizeable market share.

Tractors

Experts estimate the domestic tractor industry to touch an all-time high sale in FY 2018 led by improved farm sentiments and two consecutive normal monsoons. The domestic tractor industry is expected to record a volume growth of 12-13% during FY 2018 with positive growth momentum for the next fiscal as well.

The tractor industry recorded a robust growth of 15.7% in April-November 2017. The normal monsoons precipitation coupled with healthy reservoir levels (apart from south India) is expected to have direct positive impact on farm output in the current fiscal. This, along with an expectation of improvement in non-farm income, supported by the Government's thrust on rural spending, infrastructure creation and irrigation spending, is likely to drive the demand for tractors.

Your Company is a leading supplier of wide ranging products for transmission and chassis application in agricultural tractors. Your Company's wide qualitative offering will help it benefit from the positive developments of the industry.

»The domestic tractor industry is estimated to touch an all-time high sale in FY 2018 led by improved farm sentiments and two consecutive normal monsoons.«

Industrial Sectors

After a prolonged subdued period, India's industrial production (IIP), which measures the country's factory output, expanded at a rapid clip in November 2017, to hit a 17-month high. The muted period put pressure on capital expenditure across many core sectors but as the year progressed, manufacturing activities picked up. As per the CSO data, IIP stood at 8.4% in November 2017, as compared to 2.2% in October 2017, and 4.1% in September 2017.

The year also saw the policy decisions of GST. This along with demonetisation impacted the traded goods market, while the counter sales remained sluggish. By the end of the fiscal the industry returned to normal stocking levels. Your Company has a wide product portfolio to serve diverse industry sectors. Its understanding of markets and applications is one of its key factors to its success in industrial markets. Your Company's decades of experience in the industry and engineering knowhow, has helped in excelling across its focus sectors.



Manufacturing Unit at Maneja, Gujarat

With the clear approach to increase localisation, your Company continues to invest in capacity expansion and introduce of new product lines in India. Your Company works in close co-operation with its customers to expand its customised product offerings and satisfy the increasing demand for highly reliable products.

Distribution Business

The demand for the distribution business is linked to capacity utilisation and new projects in sectors such as Steel, Mining, Cement and Paper, to name a few. Majority of your Company's customers within these sectors are yet to utilise their full capacities and hence the progression of demand for this business remained subdued.

The competition in this business sector intensified during the year as more brands, both local and imported, entered the market to get a share of the demand. This segment was also impacted by the after-effect of demonetisation and the short-term challenges in implementation of GST. During the year, sales of Company's product in the distribution market was impacted as distributors restricted purchases.

Your Company continued on its added value-oriented approach in the distribution segment with the goal of reducing total cost of ownership. Your Company not just offered quality products to its customers, but continually supported them in improving reliability, quality and productivity of their processes and plants. Its basket of services includes condition monitoring, mounting, dismounting, alignment and lubrication, among others. Some of your Company's service initiatives such as roll-shop maintenance in steel industry and on-line condition monitoring projects in cement and steel sectors, have found growing acceptance in the market.

Bearing Industry

The demand for bearings is largely dynamic as the industry is closely linked to global GDP trends, owing to its extensive applications in production and engineering industries across the world. Several key industrial sectors and user segments are expected to drive the production of industrial and automotive equipments. In particular, an increase in demand for railway equipment, electronics, aircraft and automobiles will drive growth.

India is regarded amongst the fastest growing market for bearings in the world. The Indian bearings industry is bullish with robust growth prospects, owing to spurts of progress in the automobile and industrial sector, which has given substantial rise to the demand for bearings.

The bearings market in India is anticipated to grow at a higher rate in the coming years, owing to the stable economic growth and continued support from the Government. The Make in India initiative has also acted as a catalyst for inclining manufacturing activities in the country which will further increase the bearings consumption over the years.

However, the bearing industry has always been highly competitive with challenges from reputed global brands. In particular, the market is witnessing a growing presence of Chinese bearing brands which leverage their large domestic capacities to offer very low prices in the market. Furthermore, due to weak implementation of Intellectual Property Rights (IPR) in India, counterfeit products continue to pose unhealthy competition to reputed brands.

Your Company is focused on technology, quality and innovation as its core competencies. It emphasises on high product quality, efficiency and total cost of ownership, as opposed to low cost products. With this strategy to invest in best-in-class products and services, your Company is poised to meet the growing expectation of the sector.

4. About the Company

Your Company was established at Vadodara, Gujarat in 1962. It is India's leading manufacturer of Ball and Roller Bearings, known for its technologically advanced products and production facilities. Servicing the marketplace for over five decades, your Company has grown from a bearing manufacturer to a multi-dimensional automotive and industrial supplier.

Your Company is fully committed to the global standards of excellence - from design and engineering to manufacturing and service. Your Company leverages the expertise and application knowledge of the global Schaeffler network, to bring advanced product development to its Indian customers. Continuous innovation in the areas of research, development, design, simulation and validation, testing and services, are the key value creation driver for the organisation.

1,534
Strength of the Workforce

19,867 mn
Net Total Income, 2017

Manufacturing Facilities

Maneja, Gujarat: This unit produces a vast range of ball bearings, cylindrical roller bearings, and spherical roller bearing and wheel bearings. These products are sold under the brand name of FAG.

Savli, Gujarat: This unit produces next generation deep groove ball bearings and large size roller bearings. These products are sold under the name of FAG.

In addition to this, Schaeffler possesses a dedicated and qualified Engineering, Research and Development Support team in India to augment the product teams.

Quality Standards

All the plants of your Company are certified with international quality standards including ISO 9001, TS 16949 and OHSAS 18001. The plants are also certified with ISO 14001 which stages your Company's attention on the environment.

Offerings

Your Company has its presence in automotive and across all core industrial segments.

Your Company's offerings are largely directed towards the automotive industry. As a reliable partner for nearly all automotive manufacturers and key suppliers, your Company offers its expertise across the value chain from engines, chassis, transmissions and to accessory units in passenger cars, two and three wheelers, tractors, and commercial vehicles.

Within the Industrial Division, Schaeffler offers a wide range of products which includes over 40,000 volume produced catalog products that cover applications for over 60 sectors in the industry. Your Company enjoys deep manufacturing capabilities and know-how in mechatronics, materials and lubricants, that makes it a trusted partner.

5. Key Business Developments, 2017

During the year, your Company changed its the name from 'FAG Bearings India Limited' to 'Schaeffler India Limited' effective July 7, 2017. A step towards strengthening the umbrella brand "Schaeffler", the new name harmonises with the global Schaeffler brand and enhances brand visibility.

»The Company was renamed from 'FAG Bearings India Limited' to 'Schaeffler India Limited' in 2017.«

20%

Reduction in Customer Complaints

One of the key development for the year was the announcement of the proposed merger of INA Bearings India Private Limited and LuK India Private Limited with your Company. The key objective of this merger is to combine the strengths and competencies of all three Schaeffler entities in India and establish one strong listed Schaeffler entity in India in line with Schaeffler Group's strategy "Mobility for Tomorrow".

This consolidation will provide significant long-term benefits and allow your Company to leverage upon operational synergies, and grow its market share. This consolidation will help in building a robust and diversified portfolio, of both automotive and industrial products. The merged entity will have significant presence in India with four plants, 19 sales offices, and three major product brands - FAG, INA and LUK.

On the performance front, despite the challenges from impact of demonetisation and teething problems of GST implementation, your Company successfully achieved its targets. It recorded a double-digit bottomline growth. This was a result of better sales mix and operational performance.

For a systematic orientation towards the future and mega-trends, Schaeffler Group developed the strategy "Mobility for tomorrow". There are 8 strategic pillars that define its scope for action along with an excellence program – "Agenda 4 plus One" which comprises 16 strategic initiatives, to aid in execution of the strategy. In line with the Group's strategy on execution, your Company also made significant progress on the 'Agenda 4 plus One'. This forms the building blocks of your Company's strategy and encompasses a significant role of the entire team in various capacities to enable implementation.

6. Financial Overview

Your Company's Net Total Income (net of excise duty) was at ₹ 19,866.5 million in year 2017 (Year 2016: ₹ 18,645.8 million) representing a growth of 6.5 %. Profit before tax was placed at ₹ 3623.1 million (Year 2016: ₹ 2,993.3 million) representing a growth of 21.0%. Your Company recorded profit after tax of ₹ 2380.2 million (Year 2016: 1950.6) representing a growth of 22.0%. Better sales mix and operational performance have resulted in the improvements in the EBT margins.

Your Company has been consistently practicing prudent finance management. The strong focus on liquidity and working capital management helped in achieving generation of sufficient free cash flow for the long term strategic objectives of the company. The Company has Structured Hedging Policy to neutralise the volatility in the foreign currency development. The consistent implementation and monitoring thereof has helped avoidance of negative Forex impact during the year.



Manufacturing Unit at Savli, Gujarat

In the challenging market environment, we consider your Company has performed exceedingly well.

7. Quality

Quality is of paramount importance for your Company. It has always been your Company's goal to consistently ensure high quality and product safety in all applications.

As a part of Schaeffler Group strategy, your Company has also widened the scope of quality to include two additional aspects - efficiency and reliability. Using advanced technologies, Your Company has achieved continuous cost and efficiency improvements. At the same time, your Company aims for better synchronised control, capacity utilisation, and optimised logistics.

Your Company's plants in India are certified by ISO 9001:2008 and ISO/TS 16949:2009. In addition, these ISO certifications are audited on a regular basis. Your Company's plant at Savli has set a global benchmark in terms of quality and productivity.

8. Outlook

With the economy showing signs of upward momentum, the transitional effects of demonetisation and the implementation of GST are steadily fading away. The automotive sector, a leading bellwether for economic performance, remains buoyant, while raw materials segments such as steel, mining and cement are continuing to look positive, firming sustained demand within the industrial business segment. To achieve its budgeted goal, your

Company has adopted well-conceived strategies through partnering with customers in their development processes; by anticipating their needs ahead of the demand cycle; and by ensuring the seamless alignment of research, engineering, production and delivery to meet their requirements.

The proposed merger of INA Bearings India Private Limited and LuK India Private Limited with Schaeffler India Limited remains on track to be completed by Q3 of 2018. In order to fully realise the synergistic benefits expected from the merger, your Company shall pay great attention in executing its integration plans for combining these entities to form a seamless single company.

To further protect its path towards profitable and sustainable growth, your Company intends to manage the impact of rising raw material costs by implementing a series of initiatives that ensure optimum use of its production capabilities with operational efficiencies. Furthermore, to maintain its competitiveness, your Company shall continue to focus on its core competencies - namely quality, technology and innovation.

9. Risk Management System

Like any other ongoing business, your Company is exposed to a large number of potential risks that can adversely affect its business. Your Company has established comprehensive Risk Management System to ensure that risks to the Company's continued existence as a going concern and to its development are identified and addressed on timely basis. Consciously dealing with identified risks and regularly monitoring risk factors increases risk awareness and ensures continuing improvement.

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

Risks are classified in different categories such as financial risk, operational risk, legal risk and strategic risk. These risks are then classified and quantified depending on probability of occurrence and the extent of potential damage. This analytical approach clearly leads to categorisation of risks as follows:

- **Material Risks:** Risk with high probability and high negative impact on net assets, financial position and earnings.
- **Significant Risks:** Risk with medium probability and medium negative impact on net assets, financial position and earnings.
- **Non-critical Risks:** Risk with either low probability of occurrence or which has negligible impact on net assets, financial position and earnings.

The Risk Management strategy as approved by the Board of Directors is implemented by your Company management. The risk evaluation is performed semi-annually. The management presents the risk management report along with planned mitigation measures to the Board of Directors periodically.

10. Internal Control System

Your Company has a system of Internal Controls over financial reporting (IFC) ensuring the accuracy of the accounting system and the related financial reporting. The Internal Control System provides for well-documented policies and procedures that are aligned with Group standards and processes. It adheres to local statutory requirements for orderly and efficient conduct of business, safeguarding of assets, the detection and prevention of frauds and errors, adequacy and completeness of accounting records and timely preparation of reliable financial information. The efficacy of the internal checks and control systems are validated by Internal as well as Statutory Auditors.

Your Company's IFC is conceptually based on regulatory framework, as applicable. The Controls defined in the framework are applied to all levels - Entity Level, Process Level and IT System Level. The management assesses the appropriateness and effectiveness of the Controls in place on yearly basis. To this end, your Company uses a standardised methodology to identify the processes relevant to IFC, define the required controls and document them in accordance with uniform requirements. This is then followed up with a review of the effectiveness of the defined controls that is performed using a risk-based approach. The Process Controls are self evaluated as well as audited by the Internal and the Statutory Auditors. The measurement plans are laid out and monitored regularly to overcome the deficiencies as detected during self evaluation and confirmed by the Auditors.

The Audit Committee reviews the adequacy and effectiveness of the internal control systems, significant audit observations and monitors the sustainability of remedial measures.

11. Human Resource Management

With total workforce strength of 1,534 (including 46 apprentices), the prime objective of the Human Resource function is employee development. To achieve success and profitability, your Company relies on its greatest assets- its intellectual capital.

Recruitment

Your Company believes in hiring quality manpower for accomplishment of its growth objectives with a strong attention on their career and growth. To overcome the challenge of attracting qualified professionals and skilled manpower in today's dynamic market, your Company adopted the scheme for cross functional rotation.

Training & Development

People with different level of experience and education become a part of the Company. Your Company consistently invests in the training of its employees to enhance their skills and competencies.

Induction training: Your Company introduced a NHI (New Hire Integration) process, which has created a benchmark within the Schaeffler Group. Under this programme, new recruits undergo an induction training which offers a broad overview of your Company's corporate strategy and growth objectives. Further, in line with our digitalisation strategy, your Company introduced e-learning methods and modules which give an in-depth understanding of the tools and processes of the organisation. This allows the new incumbent to fit seamlessly within the organisation structure, culture and environment.

Training & Development: Your Company has a structured annual calendar divided in monthly training plans based on the individual needs that are in line with the organisational requirements. In addition, your Company has an extensive focus towards soft skill development of its employees.

38 years
Average Employee Age

69%
Employees Associated with
the Company for five years or more



A Learning Organisation

At Schaeffler India Limited, the robust talent management framework facilitates in identifying and nurturing employees with long-term potential to take up critical leadership roles. The objective of this effort is to build a strong talent pool for the future.

A structured process is in place for young potential employees through Young Leadership Programme; for seniors through Accelerated Leadership Programme; and for senior management group through International Leadership Programme. Your Company also introduced Team Leader Development programme, where over 50 blue-collar employees were identified to work as white-collar employees towards attaining organisation objectives.

The Prestigious Golden Peacock award is a testimony of your Company's initiatives towards learning and development.

Employee Engagement Initiatives

Your Company has been successful in creating positive changes in the employee's behaviour while shaping the future of the organisation. Your Company carried various employee engagement activities including the following:

- Celebrations of New Year, Republic day, Women's Day and Independence Day, among others.
- Organised 'Health Week' to encourage employees to maintain good health.
- Conducted Town Hall Meetings periodically to update employees on business and market scenario; company achievements; challenges and concerns.
- Celebrations on Birthdays of the employees regularly.
- Organised Education Awards for the children of employees.
- Recognised and rewarded loyalty and commitment of long serving employees.

»The talent and relentless quest for excellence at workforce have helped your Company in positioning itself as a leading player in the industry.«

»The work force is well trained in preventive aspects of safety and is highly motivated to achieve the target of “ZERO” work related accidents.«

12. Health Safety and Environment

Your Company is committed towards creating a Safe and Healthy work environment by designing work stations and workflows based on the principles of Occupational Safety and ergonomics. The work force is well trained in preventive aspects of safety and is highly motivated to achieve the target of “ZERO” work related accidents.

Your Company's plant at Maneja, Vadodara has all requisite validations for environmental protection with regards to EMAS and ISO 14001 certification. Its Occupational Safety function is certified in accordance with OHSAS 18001. Your Company is also accredited with energy certification ISO 50001:2011. The Savli unit is also certified with E-MAS, ISO 14001 and OHSAS 18001.

A systematic and periodic measurement of indices such as Water Consumption, Effluent Discharge, Gas Emission and Electric Consumption is undertaken. This helps in tracking the progress of the environment sustainability measures implemented by your Company and target a further reduction in the consumption of resources.

Your Company has been effective in identifying waste in the processes and improving overall process efficiency in line with the organisation wide initiative - MOVE (German acronym for “More without Waste”).

While being responsible to the environment in its operations, your Company has a strong impetus on manufacturing and designing energy efficient products. Your Company produces high performance X-Life bearings at its Vadodara facilities. These bearings are designed and manufactured to carry higher load ratings within the existing boundary dimensions. Besides, its advanced products such as Wheel module combine various functionalities within a bearing and thus significantly reduce system weight and improve efficiency.

The Savli unit has been successfully producing Low Friction Ball bearings which besides reducing noise levels also reduces friction significantly. Further, your Company has a strong presence in the Renewable Energy sector.

Various activities including Safety Week Celebration, Environment Day Celebration, Safety Training, Safety Audit, Health Week Celebration and Blood Donation Camp were organised.

Several measures were also taken by your Company during the year on energy conservation. These are mentioned in the report under 'Energy Conservation, Technology absorption and Foreign Exchange Earnings and Outgo' segment, which is a part of the Directors' Report and enclosed as Annexure-H thereto.

Cautionary Statement

Statement made in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be “Forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.



Corporate Governance Report

(Annexure - B to the Directors' Report)

1. Company's Philosophy On Code Of Corporate Governance

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

- Lay emphasis on integrity and accountability.
- Incorporate several practices aimed at a high level of business ethics and effective supervision.
- Provide for enhancement of value for all stakeholders.

Schaeffler India's Corporate Governance conforms to all regulatory and legal requirements. The basic philosophy behind an endeavour towards better Corporate Governance is to achieve business excellence and strengthen the confidence of all stakeholders. It is very important for the Company to combine economic success with acting responsibly towards the environment, people and society. The Company's manner of conducting business is based on compliance of law, fairness, mutual respect and integrity. Under its comprehensive Code of Conduct applicable to the Board, Senior Management and every single employee, Schaeffler India is committed to a culture of sustainability and views it as a prerequisite for the Company's long-term success. This Corporate Governance Report sets out a description of Schaeffler India's Corporate Governance practices.

2. Board Of Directors

Your Board of Directors, closely monitors the performance of the Company and Management, approves the plans, reviews the strategy and strives to achieve organisational growth. 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) The 'Board of Directors' is constituted with appropriate combination of Executive Director, Non-Executive Directors, Independent Directors and Woman Director, as per the prevailing regulatory requirements. As on December 31, 2017 the Company had nine Directors, out of which eight Directors are Non-executive Directors and out of these eight, three are Independent Directors including one Woman Director.
- (iii) None of the Directors on the Board is a member of more than 10 committees or a Chairperson of more than 5 committees [as stipulated in Regulation 26(1) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Listing Regulations)] across all the Indian Public Companies, in which he / she is a Director. The necessary disclosure regarding the committee position and other Directorship has been made by the Directors.
- (iv) The names and categories of the Directors on the Board, their attendance at Board Meetings, last Annual General Meeting held during the year, number of directorships held by them in Indian Companies (Public and Private) and committee chairmanship / membership held by them in Indian Public Companies are given below. For reckoning the maximum number of chairmanships / memberships in committees, only two committees viz. 'Audit Committee' and 'Stakeholders Relationship Committee' of the Board are considered.

Name of Director(s)	Director Identification Number (DIN)	Category*	Number of Directorships	Number of Membership (Chairmanship) in Committees	Attendance in Board Meetings held in 2017	Attendance at last AGM held on April 21, 2017
			As on December 31, 2017			Yes or No or NA**
Mr. Avinash Gandhi	00161107	NE & NID	12	6(3)	7	Yes
Mr. Rajendra Anandpara ¹	02461259	E & NID	-	-	1	NA
Mr. Dharmesh Arora ²	05350121	E & NID	3	1	6	Yes
Mr. Klaus Rosenfeld	07087975	NE & NID	1	0	3	Yes
Mr. Dietmar Heinrich	00928243	NE & NID	1	0	4	Yes
Mr. Frank Huber ³	00689169	NE & NID	-	-	3	Yes
Mr. Marcus Eisenhuth ⁴	07904850	NE & NID	1	0	1	NA
Mr. R. Sampath Kumar	00495192	NE & NID	2	0	6	Yes
Dr. Sanak Mishra	00027288	NE & ID	1	2	7	Yes
Mrs. Renu Challu	00157204	NE & ID	11	9(3)	6	Yes
Mr. Rakesh Jinsi	00182187	NE & ID	3	1	6	Yes

*Category: E & NID: Executive and Non-Independent Director, NE & NID: Non-Executive and Non-Independent Director, NE & ID: Non-Executive and Independent Director
**NA: Not Applicable

- 1 Ceased to be a Director effective from March 3, 2017
2 Appointed as the Managing Director effective from March 6, 2017
3 Ceased to be a Director effective from June 30, 2017
4 Appointed as an Additional Director effective from August 10, 2017

(v) Executive Director:

- Mr. Dharmesh Arora, having professional qualification in Mechanical Engineering and Business Administration and vast experience in the Automotive Industry, is the Managing Director with effect from March 6, 2017.

(vi) Independent Directors:

- Dr. Sanak Mishra, "Fellow Member of the Indian National Academy of Engineering" is a 'Non- Executive and Independent Director'.
- Mrs. Renu Challu, having vast experience in Banking and Finance, is a 'Non-Executive and Independent Director'.
- Mr. Rakesh Jinsi having vast experience in Automotive Industry, is a 'Non-Executive and Independent Director'.

(vii) Non- 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 Non-Independent Director'.
- Mr. Klaus Rosenfeld, Mr. Dietmar Heinrich and Mr. Marcus Eisenhuth are professionals, working at senior positions with "Schaeffler Group of Companies" and are classified as 'Non-Executive and Non-Independent Director'.
- Mr. R. Sampath Kumar is a lawyer, rendering legal services to "Schaeffler Group" and is a 'Non-Executive and Non-Independent Director'.

None of the Directors is related inter-se.

Directors' Shareholding in the Company

Except Mrs. Renu Challu, who holds 124 Equity Shares of the Company, none of the Directors holds any Equity Share of the Company as on December 31, 2017

(B) Board Meeting(s) During 2017

In all, Seven Board Meetings were held during 2017 on the following dates:

Board Meeting(s)	I	II	III	IV	V	VI	VII
Dates	February 14	March 6	April 21	June 26	July 25	August 30	November 9
Start Timing	11:30 AM	2:00 PM	9:30 AM	11:30 AM	11:30 AM	2:00 PM	10:30 AM
Venue	Mumbai	New Delhi	Mumbai	New Delhi	Anand	Mumbai	Gurugram

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

(C) Board Meeting Procedure

Annual Calendar of Board Meetings for 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 or circulation of relevant documents during the meeting. The Managing Director briefs the Board on the financial performance of the Company during the previous quarter and trend analysis as compared to the budgets, operational performance and market scenario.

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

- Annual operating plans, budgets and any updates;
- Capital budgets and any updates;
- Quarterly results for the Company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee & other committees of the Board;
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary;
- Show cause, demand, prosecution notices and penalty notices which are materially important;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company;
- Details of any joint venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property;
- 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;
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- Quarterly details of foreign exchange exposure and the steps taken by the Management to limit the risks of adverse exchange rate movement, if material;
- Non-compliance of any regulatory, statutory or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer, etc.

(D) Code of Conduct

The Company has laid down a Code of Conduct, for all its Board Members and Senior Management Personnel for avoidance of conflicts of interest. The declarations with regard to its compliance have been received for the year 2017 from all the Board Members and Senior Management Personnel.

There were no material financial and commercial transactions, in which Board Members or 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 on following web link;

https://www.schaeffler.co.in/content.schaeffler.co.in/en/company/schaeffler_in_india/investorsrelations/codeofconduct/codeofconduct_1.jsp

Guided by the principles laid down for Corporate Governance under the Listing Regulations and the Companies Act, 2013, Independent Directors are appraised through familiarisation programmes to provide insights into the Company, including; nature of Industry in which the Company operates, business model of the Company, relevant information on business processes and roles, responsibilities, duties and rights of Independent Directors.

The details of such familiarisation programmes have been disclosed on the website of the Company on following web-link;

https://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/independent_directors/Familiarisation_Programme_Schaeffler_India.pdf

(E) Familiarisation Programmes to Independent Directors

Induction, orientation or familiarisation programmes are part of our culture and applicable to all layers of management and the Board Members, which are designed based upon the position / job requirements.

3. Audit Committee

(A) Composition of Audit Committee

The Company has duly constituted Audit Committee, with the powers and roles in accordance with the prevailing regulatory requirements. The Committee acts as a link amongst the Management, Auditors and the Board of Directors. The members of the Audit Committee are:

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

The Company Secretary acts as the Secretary to the Audit Committee.

(B) Meetings of Audit Committee and Attendance of Members

Details of the Audit Committee Meetings held during 2017 are as follows:

Audit Committee Meeting(s)	I	II	III	IV	V
Dates	February 14	April 20	July 25	August 30	November 9
Start Timing	8:30 AM	2:45 PM	9:00 AM	12:00 PM	9:00 AM
Venue	Mumbai	Mumbai	Anand	Mumbai	Gurugram
Attended by	All the members				

The Audit Committee invites such executives as it considers appropriate to be present at the meeting particularly the Managing Director, the Chief Financial Officer, the representative of Statutory and Cost Auditors and the Internal Auditor of the Company.

All the members of Audit Committee are financially literate and majority of them have accounting and financial management expertise. The Chairperson of the Audit Committee, Mrs. Renu Challu, attended the 54th Annual General Meeting held on April 21, 2017.

The Audit Committee mandatorily reviews:

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

(C) Terms of Reference

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

The Audit Committee acts in accordance with the terms of reference which, inter alia, include:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the Management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the 'Directors' Responsibility Statement'
 - b) Changes, if any, in accounting policies and practices and reasons for the same
 - c) Major accounting entries involving estimates based on the exercise of judgment by Management
 - d) Significant adjustments made in the financial statements arising out of audit findings
 - e) Compliance with listing and other legal requirements relating to financial statement
 - f) Disclosure of any related party transactions
 - g) Qualifications / Modified opinion(s) in the draft audit report
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;

- | | |
|--|---|
| <p>11. Evaluation of internal financial controls and risk management systems;</p> <p>12. Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems;</p> <p>13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;</p> <p>14. Discussion with internal auditors of any significant findings and follow up thereon;</p> <p>15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;</p> | <p>16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;</p> <p>17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;</p> <p>18. To review the functioning of the Whistle Blower Mechanism;</p> <p>19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;</p> <p>20. Carrying out any other function as is included in the terms of reference of the Audit Committee.</p> |
|--|---|

4. Nomination And Remuneration Committee

Pursuant to provisions of Section 178 of the Companies Act, 2013 read with Regulation 19 of the Listing Regulations, Nomination and Remuneration Committee of the Board (hereinafter referred as 'NRC') is duly constituted.

(A) Composition of NRC

The members of the Nomination and Remuneration Committee are:

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

(B) Meetings of NRC

During the year 2017 two meetings of NRC were held, details of which are as follows;

NRC Meeting(s)	I	II
Dates	February 13	March 6
Start Timing	07:00 PM	12:30 PM
Venue	Mumbai	New Delhi
Attended by	Dr. Sanak Mishra Mr. Avinash Gandhi Mr. Dietmar Heinrich Mr. Rakesh Jinsi	Dr. Sanak Mishra Mr. Avinash Gandhi Mr. Rakesh Jinsi

(C) Terms of Reference of NRC

The Committee acts as a link between the Management and the Board of Directors. Besides having access to all required information within the Company, the Committee may investigate any activity within its terms of reference, seek information from any employee, secure attendance of outsiders with relevant expertise, or obtain legal or other professional advice from external sources, whenever required. The Committee shall act in accordance with the terms of reference which shall, inter alia, include:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, key managerial personnel and other employees;
2. Formulation of criteria for performance evaluation of Independent Directors and the Board;

3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
5. Whether to extend or continue the term of appointment of the Independent Directors, on the basis of the report of performance evaluation of Independent Directors.

(D) Performance Evaluation Criteria for Independent Directors:

The criteria for performance evaluation of Independent Directors include attendance at the Meetings, preparedness for the Meeting, Constructive Contribution at the Meetings, being objective, protecting interest of shareholders, ensuring integrity on financial statements / internal controls.

5. Managerial Remuneration**(A) Remuneration to the Executive Director (Managing Director)**

As per the Employment Agreement, approval of the shareholders and the Board of Directors, the details of remuneration paid / payable for 2017 to the Managing Director are as follows:

(₹ in million)				
Name	Salary & Performance Bonus	Allowance & Perquisites	Company's contribution to funds	Total
Mr. Rajendra Anandpara (upto March 3, 2017)	2.28	4.19	0.27	6.74
Mr. Dharmesh Arora (effective March 6, 2017)	6.45	4.53	0.77	11.75

Notes:

- a) Company's contributions to fund include Superannuation Fund and Provident Fund and exclude the accruals for gratuity as it is funded on the basis of an actuarial valuation for the Company as a whole.
- b) The Company did not have any Stock Option Scheme as at December 31, 2017.

(B) Remuneration to the Non-Executive Directors

As per shareholders' approval by way of Ordinary Resolution passed at 53rd Annual General Meeting held on April 27, 2016, Directors (except 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 'Profit Related Commission' based on performance of the Company.

The details of sitting fees for attending Board / Committee Meetings and profit related commission paid to them during the year are as follows:

Name of the Directors	Number of Meetings attended					Amount in ₹	
	Board Meetings	Audit Committee Meetings	Stakeholders Relationship Committee Meetings	Nomination & Remuneration Committee Meetings	Corporate Social Responsibility Committee Meetings	Sitting Fees	Commission
	₹ 50,000/- per meeting	₹ 40,000/- per meeting	₹ 30,000/- per meeting				
Mr. Avinash Gandhi	7	5	-	2	-	610,000	1,050,000
Mrs. Renu Challu	6	5	1	-	2	590,000	700,000
Dr. Sanak Mishra	7	5	1	2	-	640,000	700,000
Mr. Rakesh Jinsi	6	5	-	2	2	620,000	700,000
Mr. R. Sampath Kumar	6	-	-	-	-	300,000	700,000
Total						2,760,000	3,850,000

All the Directors have been reimbursed expenses incurred by them in discharge of their duties. The payments made to a Director in his / her individual capacity or to his / her 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 holding company, subsidiaries and its associates which may affect their independence. The Company has not entered into any materially significant transaction with promoters, Directors or their relatives or its management or subsidiary that may have potential conflict with the interests of the Company.

Transactions of the Non-Executive Directors or their relatives with the Company during the year 2017 are as follows;

– Professional consultation fees paid to Mr. R. Sampath Kumar is ₹ 7,47,325/-

6. Stakeholders Relationship Committee

Pursuant to provisions of Section 178(5) of the Companies Act, 2013 read with Regulation 20 of the Listing Regulations, 'Stakeholders Relationship Committee' (hereinafter referred as 'SRC') of the Board has been constituted.

(A) Composition of SRC

The Committee consist of following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category
1	Mrs. Renu Challu	Chairperson	Non-Executive & Independent
2	Mr. Dharmesh Arora	Member	Executive & Non- Independent
3	Dr. Sanak Mishra	Member	Non-Executive & Independent

(B) Meetings of SRC & Attendance of Members

The Committee meets to deal with matters relating to redressal of complaints from shareholders regarding transfers, non-receipt of Annual Report, non-receipt of declared dividends, etc. and to review effectiveness of Investors' relations system of the Company. During the year SRC met on April 20, 2017 and the meeting attended by all the members.

The Company Secretary Mr. Chirag Shukla is the Compliance Officer of the Company with effect from February 7, 2018.

During 2017, one (1) complaint was received, which was attended to and resolved satisfactorily. There was no complaint pending as on December 31, 2017.

7. Corporate Social Responsibility Committee

The 'Corporate Social Responsibility Committee' (hereinafter referred as 'CSR Committee') of the Board constituted pursuant to the provisions of section 135 of the Companies Act, 2013, comprises of following members:

(A) Composition of CSR Committee

Sr. No.	Name of Director(s)	Acting in the Committee as	Category
1	Mr. Rakesh Jinsi	Chairman	Non-Executive & Independent
2	Mr. Dharmesh Arora	Member	Executive & Non- Independent
3	Mrs. Renu Challu	Member	Non-Executive & Independent

(B) Meetings of CSR Committee & Attendance of Members

During the year 2017, two meetings of CSR Committee were held, details of which are as follows:

CSR Committee Meeting(s)	I	II
Dates	February 13	July 25
Start Timing	05:00 PM	10:15 AM
Venue	Mumbai	Anand
Attended by	All the members	

8. General Body Meetings & Postal Ballot

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

Particulars	Meetings		
	54 th AGM	53 rd AGM	52 nd AGM
Date	April 21, 2017	April 27, 2016	April 24, 2015
Start Timing	3:00 PM	3:00 PM	3:00 PM
Venue	Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai-400 021, Maharashtra, India	Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai-400 021, Maharashtra, India	Padmabhushan Vasantdada Patil Sabhagruha, Sakhar Bhavan, 12 th Floor, Nariman Point, Mumbai-400 021, Maharashtra, India
Resolutions Passed			
Ordinary Business:			
1 Adoption of Accounts as at	December 31, 2016	December 31, 2015	December 31, 2014
2 Declaration of Dividend	₹ 12 per equity share of ₹ 10 each	₹ 10 per equity share of ₹ 10 each	₹ 7.5 per equity share of ₹ 10 each
3 Re-appointment of Rotational Directors	Mr. Klaus Rosenfeld Mr. R. Sampath Kumar	Mr. Avinash Gandhi Mr. Dietmar Heinrich	Mr. R. Sampath Kumar Mr. Frank Huber
4 Appointment / Ratification of Appointment of Auditors & to fix their remuneration	Ratification of Appointment	Ratification of Appointment	Appointment
	B S R & Co. LLP, Chartered Accountants, Mumbai		
Special Business:			
1 Appointment of Directors	Mr. Dharmesh Arora as a Director Mr. Dharmesh Arora as the Managing Director	-	Dr. Sanak Mishra Mrs. Renu Challu Mr. Rakesh Jinsi Mr. Klaus Rosenfeld
2 Approval on	Material Related Party Transactions (Ordinary Resolution)	Material Related Party Transactions (Ordinary Resolution) Remuneration to Non-executive Directors	Material Related Party Transactions (Special Resolution)
3 Ratification of Remuneration	Remuneration to the Cost Auditors	Remuneration to the Cost Auditors	-

- No 'Extraordinary General Meeting' was held during the last three years.
- During the year 2017, the Company approached shareholders through Postal Ballot. The details of Special resolutions passed through Postal Ballot are as follows:

Date of Postal Ballot Notice : May 4, 2017

Date of Declaration of Postal Ballot Results: June 19, 2017

Sr. No.	Resolution	Type of Resolution	No. of valid votes Received	No. and % of Votes in Favour	No. and % of Votes Against
1	Approval for change of name of the Company from 'FAG Bearings India Limited' to 'Schaeffler India Limited' with consequential alteration to Memorandum of Association and Articles of Association of the Company.	Special	13,619,195	13,618,897 (99.99%)	298 (0.01%)
2	Approval on adoption of new set of 'Articles of Association'.	Special	13,596,828	13,596,551 (99.99%)	277 (0.01%)

Mr. Suresh Kumar Kabra, Company Secretary of M/s. Samdani Kabra & Associates, Company Secretaries was appointed as the scrutinizer for carrying out the postal ballot process in a fair and transparent manner.

The Company has followed the procedure prescribed for conduct of Postal Ballot under the provisions of the Companies Act, 2013 and rules made thereunder read with the Listing Regulations.

Postal Ballot and E-voting for the National Company Law Tribunal convened Meeting of the Shareholders of the Company

The Hon'ble National Company Law Tribunal, Mumbai Bench has vide its order dated January 12, 2018, directed the Company to convene Meeting of its Equity Shareholders on March 20, 2018 to consider and approve, the Scheme of Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with Schaeffler India Limited and their respective Shareholders and Creditors ("Scheme") as well as to provide facility of Postal Ballot and E-voting to vote on the resolution approving the Scheme. Accordingly, the Company shall provide facility of Postal Ballot and E-voting to the Equity Shareholders of the Company.

9. Means Of Communication

Financial Results:

Pursuant to provisions of the Listing Regulations, periodical financial results and other publications of the Company are being published in a widely circulated English newspaper (Business Standard or Economic Times) and a Vernacular Marathi newspaper (Tarun Bharat). Financial results, as soon as they are approved by the Board, are forwarded to the Stock Exchanges (BSE & NSE) and also displayed on Company's Website: www.schaeffler.co.in

Filings with Stock Exchanges:

All the reports, statements, documents, filings and any other information that are required to be submitted with the recognised stock exchange(s) as per the Listing Regulations, are disseminated / uploaded on website <https://listing.bseindia.com/> under "BSE Listing Centre" and on <https://www.connect2nse.com/> under "NSE Electronic Application Processing System (NEAPS)."

During the year, the Company conducted Analysts and Investors call on 'Merger of three Indian entities of Schaeffler Group' and Earnings & Results of Q3 of 2017. The Presentations made by the Company to Analysts are forwarded to the Stock Exchanges (BSE & NSE) and also available on the Company's website. The transcripts of calls are also available on the Company's website.

10. General Shareholder Information

i) 55th Annual General Meeting is scheduled to be held;

On: Tuesday, the 17th day of April, 2018
At: 3:00 PM
At: Y B Chavan Centre, General Jagannath
Bhosle Marg, Besides Sachivalaya
Gymkhana, Mumbai – 400 021,
Maharashtra, India

ii) Financial Year

The Hon'ble Bench of Company Law Board, New Delhi has approved the petition filed by the Company under Section 2(41) of the Companies Act, 2013 and allowed the Company to continue to follow 'Calendar Year' as the 'Financial Year'.

Financial year of the Company is a twelve month period starting from January 1 to December 31.

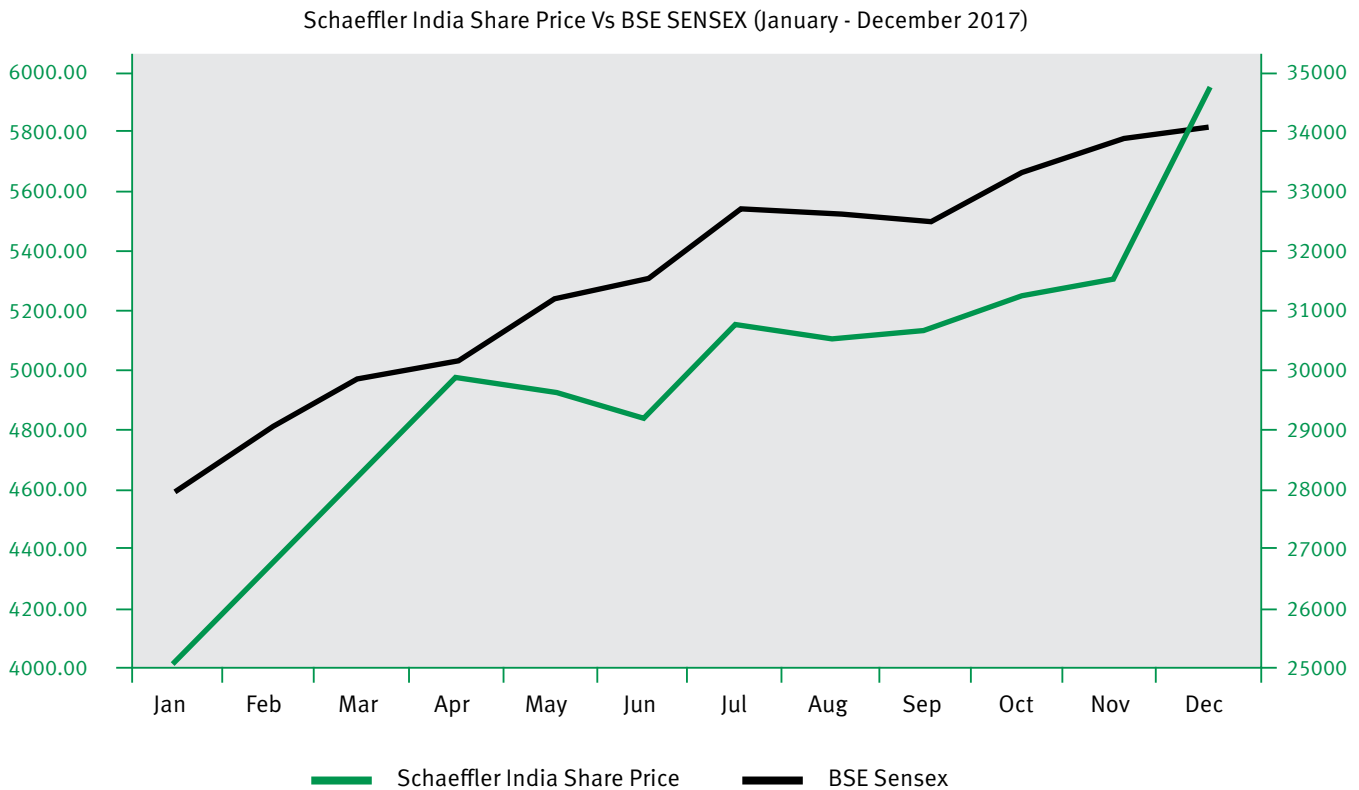
Financial Reporting for the respective quarters of 2018 would be carried out within time limit, as per prevailing regulatory requirements.

- iii) **Date of Book Closure:** April 11, 2018 to April 16, 2018 (Both days inclusive) The requisite listing fees have been paid to the Stock Exchanges up to March 31, 2018.
- iv) **Dividend**
The Dividend for the year 2017 if declared at the 55th Annual General Meeting scheduled on April 17, 2018, shall be paid within the time limit prescribed in the Companies Act, 2013.
- v) **Listing of Equity Shares on Stock Exchanges**
The Equity Shares of the Company are listed on
- BSE Limited (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001, Maharashtra, India
 - National Stock Exchange of India Limited (NSE), Exchange Plaza, C-1, Block "G", Bandra Kurla Complex, Bandra (E) Mumbai - 400 051, Maharashtra, India
- vi) **Custodial Fee to Depositories**
The Company has paid custodial fees for the year 2017 – 18 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
- vii) **Stock Code**
- | | |
|---|-----------------------|
| BSE Limited (BSE) | 505790 |
| National Stock Exchange of India Limited (NSE) | SCHAEFFLER |
| International Security Identification Number (ISIN) | INE513A01014 |
| Corporate Identity Number [CIN] | L29130MH1962PLC012340 |
- viii) **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 2017	Equity Share Price			
	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January	4005.00	3802.60	3997.40	3773.70
February	4339.85	3926.00	4278.00	3921.20
March	4646.00	4060.00	4650.00	4042.20
April	4973.35	4475.05	4983.90	4466.00
May	4925.00	4400.00	4936.70	4400.00
June	4847.00	4410.05	4815.00	4414.05
July	5149.00	4426.00	5167.00	4425.05
August	5115.40	4136.05	5109.05	4128.05
September	5145.00	4701.15	5149.00	4706.05
October	5250.00	4760.00	5225.00	4761.15
November	5311.65	4988.00	5293.00	4976.05
December	5960.00	4877.65	5988.70	4975.00

ix) Stock Performance

The performance of the Company's shares relative to the BSE Sensitive Index for the year 2017 is given below:



x) Registrar and 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 Near. Radhakrishna Char Rasta, Akota, Vadodara (Gujarat) - 390 020 INDIA
Phone No.: +91-265-2356573, 2356794
E-mail: vadodara@linkintime.co.in
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.

xi) Share Transfer System

Trading of Company's equity shares is possible in physical as well as dematerialized 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. The authority to approve the share transfer / transmission lies with the Board of Directors.

Further, with an intention to expedite the process of share transfer / transmission, the Board has delegated authority in favour of 'Key Managerial Personnel' up to 5,000 shares per transfer deed including demat request and to issue duplicate share certificates in lieu of originals up to 3,500 shares per request.

Pursuant to Regulation 40(9) of the Listing Regulations, certificates on half yearly basis have been issued by a Company Secretary in Practice for due compliance of Share transfer formalities by the Company. Pursuant to the Securities and Exchange Board of India (Depositories and Participants) Regulation, 1996, certificates have been received from a Company Secretary in Practice for timely dematerialisation of Shares and for reconciliation of the Share Capital of the Company on a quarterly basis.

xii) Information of Dividend

The unclaimed or unpaid amount of dividend declared for the financial year ended on December 31, 2010 is due for transfer to "Investor Education and Protection Fund (IEPF)" by May 28, 2018.

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.

Details of unclaimed and unpaid dividend			
Dividend for year ended	Date of declaration of dividend	Amount due for transfer to IEPF on	Amount lying unpaid (₹) as on 31.12.2017
31.12.2010	21.04.2011	28.05.2018	501,095.00
31.12.2011	20.04.2012	27.05.2019	949,250.00
31.12.2012	25.04.2013	26.05.2020	557,155.00
31.12.2013	24.04.2014	26.05.2021	617,028.00
31.12.2014	24.04.2015	24.05.2022	711,300.00
31.12.2015	27.04.2016	30.05.2023	964,800.00
31.12.2016	21.04.2017	28.05.2024	1,158,768.50
Total amount lying unpaid as on December 31, 2017			5,459,396.50

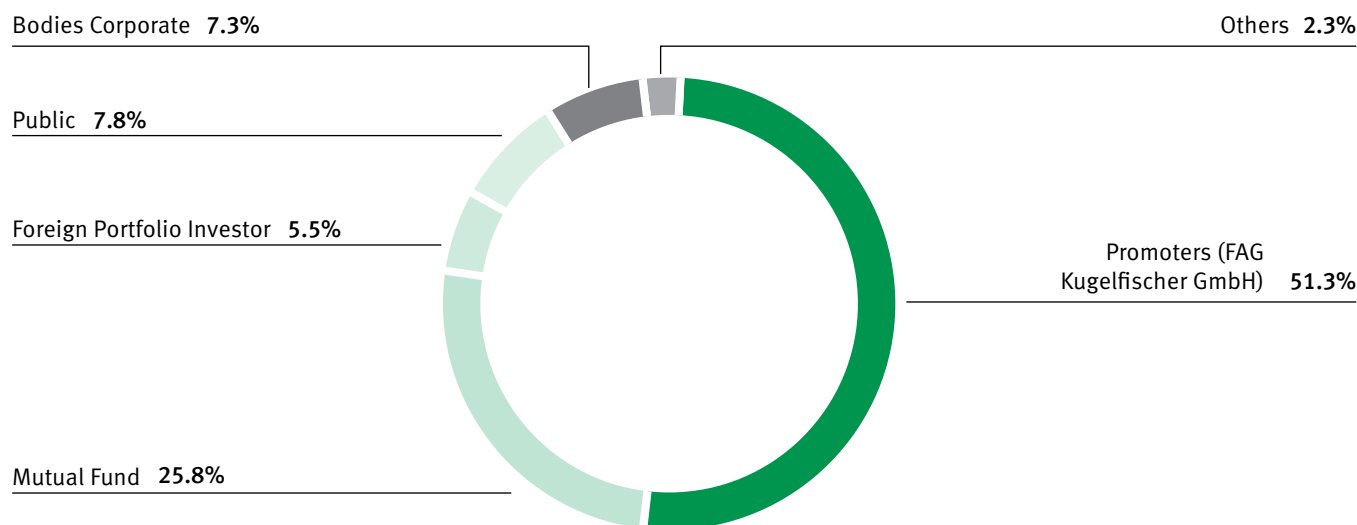
xiii) Distribution of Shareholding

As on >	December 31, 2017			December 31, 2016		
	Distribution of Shareholding	No. of Shareholders	No. of Shares held	% to Paid up Capital	No. of Shareholders	No. of Shares held
1 - 50	9,431	120,482	0.73	7,038	106,647	0.64
51 - 100	1,312	108,738	0.65	1,244	103,693	0.62
101 - 250	1,008	170,645	1.03	1,005	171,407	1.03
251 - 500	490	181,689	1.09	498	182,931	1.10
501 - 1000	301	225,638	1.36	306	227,622	1.37
1001 - 5000	213	462,233	2.78	219	479,554	2.89
5001 & above	116	15,347,845	92.36	120	15,345,416	92.35
Total	12,871	16,617,270	100.00	10,430	16,617,270	100.00

xiv) Category wise summary of Shareholding (as on December 31, 2017)

Sr. No.	CATEGORY	No. of shareholders	No. of shares	%
1	Promoters (FAG Kugelfischer GmbH)	1	8,529,183	51.33
2	Mutual Fund	78	4,280,664	25.76
3	Foreign Portfolio Investor	41	917,174	5.52
4	Public	11563	1,295,805	7.80
5	Bodies Corporate	299	1,218,279	7.33
6	Others	889	376,165	2.26
Total		12871	16,617,270	100.00

Categorywise Shareholders



xv) Top Ten Shareholders with their Shareholdings

(As on December 31, 2017)				
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	HDFC Trustee Company Ltd – A/c HDFC Midcap Opportunities Fund	MF	409,314	2.46
3	HDFC Standard Life Insurance Company Limited	OBC	369,008	2.22
4	IDFC Premier Equity Fund	MF	347,219	2.09
5	Sundaram Mutual Fund A/c Sundaram Select Midcap	MF	313,398	1.89
6	Franklin Templeton Mutual Fund A/c Franklin India Prima Fund	MF	265,692	1.60
7	Shree Capital Services Limited	OBC	221,675	1.33
8	Franklin India Smaller Companies Fund	MF	215,636	1.30
9	TVF Fund Limited	FPI	204,324	1.23
10	SBI Blue Chip Fund	MF	197,974	1.19
Total			11,073,423	66.64

* MF - Mutual Fund, OBC - Other Body Corporate, FPI - Foreign Portfolio Investor

xvi) Dematerialisation of Shares and liquidity

98.94% of the Paid-up Equity Share Capital is held in Dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on December 31, 2017.

	NSDL	CDSL	Physical	Total
Shares (nos.)	1,60,87,081	3,53,207	1,76,982	1,66,17,270
Shares (%)	96.81	2.13	1.06	100.00

xvii) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity: NIL

xviii) Commodity Price Risks or Foreign Exchange Risks and Hedging Activities:

The Company has adequate risk assessment and minimization system in place. The risk management procedure is reviewed periodically.

xix) Plant Location

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

xx) Address for correspondence

Shareholders / Beneficial owners are requested to correspond with the Company's RTA as shown in Para (x) 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. Additionally shareholders may correspond at the following addresses:

Registered Office:

Nariman Bhavan, 8th Floor,
227 Backbay Reclamation,
Nariman Point, Mumbai - 400 021(MH) INDIA
Phone: +91 22 66814444 to 66814499
Fax: +91 22 22027022

Head Office:

P.O. Maneja, Vadodara - 390 013 (GJ) INDIA
Phone: +91 265 6602000 - 2004
E-mail: investorsupport.in@schaeffler.com

xxi) Information through Internet / Company's Website

The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements are being uploaded on the website of BSE & NSE and can be viewed by the general public on www.bseindia.com and www.nseindia.com. 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.

**xxii) Other useful information to shareholders
ECS / NECS Facility**

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

To enable remittance of dividend through NECS, Members are requested to provide their 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 sent to the Depository.

xxiii) The Management Discussion and Analysis Report for the year ended on December 31, 2017, forms part of the Annual Report.

11. Disclosures

- i) The Board has received disclosures from the Senior Management relating to material, financial and commercial transactions, where they and / or their relatives have personal interest. There are no materially significant related party transactions of the Company, which have potential conflict with the interest of the Company at large; however, transactions with related parties as per requirements of applicable Accounting Standard are disclosed under notes to accounts.
- ii) All transactions with related party, as defined under the Companies Act, 2013, the Listing Regulations, during the year were in ordinary course of business and at arm's length basis and do not attract provisions of Section 188 of the Companies Act, 2013. The Board has approved a policy on dealing with related party transactions, and the same has been uploaded on the Company's website on following web link:

https://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/02_Policy_on_Related_Party_Transactions.pdf

- iii) The Company has established Vigil Mechanism to provide for the safeguards against victimisation of Directors and employees who follow such mechanism. The Board has approved Whistle Blower Policy / establishment of Vigil Mechanism pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, the same has been put up on the website of the Company on following web link:

https://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/03_Vigil_Mechanism_or_Whistle_Blower_Policy.pdf

As per the Policy no personnel has been denied access of the Audit Committee.

- iv) There have been no instances of any non-compliance and no penalties or strictures have been imposed on the Company on any matter relating to the capital markets, either by Stock Exchanges, the Securities and Exchange Board of India or any statutory authority during the last three years.
- v) The Company has adopted and complied with mandatory requirements as per provisions of the Listing Regulations. Some of the non-mandatory requirements have also been complied with.
- vi) The requisite certificates from CEO and CFO were placed before the Board Meetings for consideration.
- vii) The Company has complied with the Corporate Governance requirements specified in regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Listing Regulations.
- viii) To determine 'material subsidiary', the Company has adopted a 'Policy on Determination of 'Material' Subsidiary and the same has been hosted on the website of the Company on the following web link:
- https://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/09_Policy_on_Determination_of_Material_Subsiary.pdf
- ix) The Company has formulated the Dividend Distribution Policy as required under Regulation 43A of the Listing Regulations and the same is disclosed on the website of the Company.

Adoption of Discretionary Requirements [Reg. 27(1) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 read with Schedule II – Part E]

A) The Board

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

B) Modified Opinion(s) in Audit Report

The Statutory Auditors have issued Audit Report for the year 2017 with unmodified opinion(s).

C) Separate Posts of Chairman and CEO

The Chairman and Managing Director are two separate individuals having vast experience and expertise.

D) Reporting of Internal Auditor

Internal Auditor submits report to the Audit Committee regularly.

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

New Delhi: February 7, 2018

To,
The Members of Schaeffler India Limited
Re.: Declaration by CEO

I, Dharmesh Arora, Managing Director of Schaeffler 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, 2017.

New Delhi: February 7, 2018

Dharmesh Arora
Managing Director
DIN: 05350121

Certificate

SAMDANI KABRA
and Associates

To the Members of Schaeffler India Limited

(Erstwhile FAG Bearings India Limited)

We have examined the compliance of the conditions of Corporate Governance by Schaeffler India Limited (Erstwhile FAG Bearings India Limited) for the year ended December 31, 2017 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 Regulations.

We state that in respect of investor grievances received during the year ended December 31, 2017, no investor grievance is pending against the Company, as per the records maintained by the Company and presented to the Stakeholders Relationship 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
ACS/CP NO. 9711/9927

Samdani Kabra & Asso.
Company Secretaries

Vadodara: February 7, 2018

Annual Report on Corporate Social Responsibility Activities

(Annexure - C to the Directors' Report)

(I) CSR Policy of the Company

At Schaeffler India Limited, we believe that science and technology are synonymous with economic and human development as both aim to drive progress and improve standard of living while preserving environment and supporting sustainability.

Being a part of the Schaeffler Group and a leading manufacturer of rolling bearings in the country, we find numerous opportunities to contribute to human progress through our innovative technologies and thus touch lives of people. At the same time, being an Indian Company, we are equally motivated by Indian ethos of Dharma as a key plank for organisational self-realization. We constantly strive to contribute in our humble way to the motto 'सर्वे भवन्तु सुखिनः' (May everyone be happy) and take up the cause of welfare amongst communities in which we operate.

Delineating our responsibility as a Corporate Citizen, we at Schaeffler India are committed to operate our business in an economically, socially & environmentally sustainable manner. At the same time we endeavour to reach out to different sections of the society, with socially relevant projects, that benefit these communities and in small ways enhance the quality of their lives. These initiatives are independent of the normal operations of our Company's business. Programmes, projects and activities (collectively "CSR Programmes") are framed within the purview of Schedule VII of the Companies Act, 2013 as amended from time to time and are the subject matter of this Policy.

The Company's CSR Policy is available at below link;

https://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/01._Policy_on_Corporate_Social_Responsibility~1.pdf

Objectives

We aim to constantly identify and implement unique initiatives which are scalable and sustainable and which have capacity to create a positive impact on the lives of people

especially the weaker and underserved or marginalized sections. By contributing to development of health, science and culture, we wish to further all round progress. With a view to extending the reach of CSR initiatives and leveraging collective expertise, Schaeffler India will explore opportunities of partnerships with likeminded stakeholders.

This Policy lays a framework to identify and implement different CSR initiatives of the Company within the context of this Policy and in alignment with relevant provisions of the Companies Act, 2013 while following high standards of Corporate Governance.

Focus Areas

Schaeffler India, as a part of its CSR policy plans to consolidate its activities and focus exclusively on few core areas which will be meaningful for the region and where it can make some real impact.

- Health Care
- Occupational Skill for Employability
- Preservation of National Heritage Art & Culture
- Empowerment of Society

CSR Committee of the Board of Schaeffler India reviews, improves, directs and monitors effective implementation of the Company's CSR Policy.

(II) CSR Committee

The Committee comprises of the following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category
1	Mr. Rakesh Jinsi	Chairman	Non-executive & Independent
2	Mr. Dharmesh Arora	Member	Executive & Non Independent
3	Mrs. Renu Challu	Member	Non-executive & Independent

(III) CSR Budget - 2017

An amount of INR 60.0 million had been budgeted for spending in the year 2017. The amount allocated is higher than 2% of the average net profit of the Company [i.e. INR 55 million (2% of INR 2760 million)] of preceding three years.

(IV) CSR Expenditure - 2017

(a) Amount spent: INR 60.2 million

CSR Programme that are sustainable and making true impact on the deserving sections of the society and programmes that support livelihood and infuse a sense of pride of living especially amongst the underprivileged sections of the society, have been the focus of CSR initiatives. The project-wise details is given in this report.

Summary of the Projects:

1. Adoption of grant-in-aid secondary school at Lamdapura village, Savli :

Need: The students, especially tribal and economically backward are deprived of good educational infrastructure as well as quality education.

Project: In order to provide good infrastructural facilities to the underprivileged students, the Company has undertaken a project to construct a state of the art school building near its Savli Plant. Further, to enhance the quality of education with a holistic approach, the Company has undertaken a specific initiative on various levels of educational interventions and trainings.

Impact: The transformation of a 50 year long withstanding Government Grant-in-aid Secondary School which had hardly less than 200 students, now aspired by many is the face changing story of Grant-in-aid School at Lamdapura village in Savli, District Vadodara.

Schaeffler India Limited under its CSR banner "HOPE" on July 25, 2017 inaugurated a School "Lok Vidhyalaya" with state-of-the-art infrastructure. The inauguration event was graced by CEO of Schaeffler (Europe Region) - Mr. Dietmar Heinrich, Chairman of the Company – Mr. Avinash Gandhi and CEO of the Company – Mr. Dharmesh Arora along with other Board members.

A decent school building, which was a pressing need now provides holistic educational facilities to 340 underprivileged students mostly coming from tribal communities. The School in future shall accommodate 800 students which is nearly four times the old capacity and also enables education from Nursery to 12th standard.

Under the aegis of this project, aim was to create a cheerful, well-constructed, vibrant campus thus equipping them with state-of-the-art educational facilities. Along with infrastructural facilities, focus is also to foster imagination, critical thinking and intellectual curiosity emphasizing upon holistic development of the students.

2. Special Education: Skill for Employability (Setting up Nitara Beauty Academy & Salon)

Need: People living with disabilities encounter many disadvantages in society and are often subject to stigma and discrimination. Livelihood is critical to combating poverty as spelt out in the Millennium Development Goals and is closely linked to the basic human rights. We learnt that differently abled students struggle to find a suitable career - with limited opportunities after schooling.

Project: The Company under its CSR banner "HOPE" has undertaken a project to set up state-of-the-art Beauty Academy and Salon for training differently-enabled girls to open the door of opportunity for the differently abled. Replacing the 'sans' of their lives with a 'sense' of pride and accomplishment, the Company under its initiative aims to empower the differently abled girls of our society - helping them to rise to their potential.

Impact: On July 26, 2017, a very modern and plush beauty academy was inaugurated within a premises of 1700 sq. ft. at one of the prime locations in Vadodara. The inauguration event was graced by Chairman of the Company – Mr. Avinash Gandhi and CEO of the Company – Mr. Dharmesh Arora along with other Board members. The objective of the initiative is to focus on establishing demonstrative models for enhanced, better and sustainable livelihood opportunities for the differently-abled than opting for traditional vocational training courses, thus making them independent.

3. Healthcare: Mobi-Health Units

The Company, as a part of its Healthcare initiative launched Mobi-Health Units since last three years for providing preventive and curative health care services. At present there are two Mobi-Health Units covering 52 villages with a population of 2,00,000 people.

No. of beneficiaries covered by Mobi-Health Units till date	90,000 Approx.
No. of beneficiaries recovered under Malnutrition programme in 2017	118
No. of beneficiaries recovered under Adolescent Anemia programme in 2017	135

Mobi-Health encourages improved disease management and increased use of preventive services. By regularly connecting with the communities we hope to contribute to prevention of diseases in rural areas.

4. Project Jagriti

Project Jagriti aims at inculcating best menstrual care and hygiene practices for women's empowerment. The purpose is 'de-stigmatising menstruation' to move forward and reclaim the fundamental right to life, equality and dignity for women.

- The project helped creating awareness and improving hygiene practices amongst the 5000 rural adolescents and young mothers in 26 villages surrounding our plants.

- Prior to implementation of project Jagriti, 75% respondents believed that the menstrual flow was impure. This belief was drastically changed to 22% as a result of the awareness sessions conducted under the project.
- There has been a decline of 40% in the number of beneficiaries who had to take leave from their School or work during menstruation.
- The percentage of beneficiaries using combustion technique as a method of disposal increased from 40% to 66%.

5. Quest on Wheels: Preservation of National Heritage, Art & Culture

Need: The City of Vadodara and State of Gujarat has a rich culture. However, the inhabitants are in general not well informed about this. Also the rich heritage sites in and around Vadodara have not been sufficiently explored. There has been no tourist or travel coach operational in the city.

Project: In order to promote awareness about the city's heritage, culture and history, a uniquely designed travel coach 'Quest on Wheels' was introduced by the Company.

Guided tours are conducted twice a week covering attractions like; the majestic Lukshmi Vilas Palace, Sayaji Garden, Vadodara Museum, Nature Park, Narmada Dam and Vikram Sarabhai Space Exhibition at ISRO etc. mainly for the benefit of the students and senior citizens.

The tours provide excellent understanding about the heritage and cultural richness of Vadodara and surrounding places.

Impact: The 'Quest on Wheels' tours have been well received by the students as well as senior citizens and helped in creating increased awareness about rich culture and history of city of Vadodara and its surrounding locations.

During the year over 2300 students from 12 schools have availed benefit of these initiatives.

A Video showing impact of some of these projects is available at below link:

https://www.schaeffler.co.in/content.schaeffler.co.in/en/company/schaeffler_in_india/csr/csr.jsp

Manner of spending:

Sr. No.	CSR Project	Sector in which the project is covered	Projects/Programs 1. Local Area/Other 2. Specify the state and district where project was implemented	Amount Outlay (Budget) Project or Programme (TINR)	Direct Expenditure on Projects or Programmes (TINR)	Overheads (TINR)	Cumulative Expenditure upto the reporting period (Direct Exp. + Overheads in 2017) (TINR)	Amount Spent : Direct/through implementation agency
1	Providing preventive & curative health services through Mobi-Health Unit	Health Care	52 Villages surrounding Savli Plant, Maneja Plant & Sindhrot, Dist. Vadodara, Gujarat	7200	6987	320	7307	Deepak Foundation
2	Inculcating best menstrual hygiene and health practices among rural women	Health Care	26 villages surrounding Savli plant, Dist. Vadodara, Gujarat	800	297	10	307	Jagriti Foundation
3	Promoting livelihood for differently-abled	Skill Training & Development	Vadodara, Gujarat	10000	11164	515	11679	LabourNet
4	Construction of secondary School & providing holistic quality educational support	Education	Lamdapura Village surrounding Savali Plant, Dist. Vadodara, Gujarat	22500	31760	1450	33011	Direct Implementation
5	Heritage & Educational Trips	Art, Heritage & Culture	Municipal Corporation Schools & NGOs working for differentally-abled in Dist. Vadodara, Gujarat	2500	2554	120	2674	Creations
6	Rain Water Harvesting	Environment	Maneja & School at Savli, Vadodara, Gujarat	-	2307	110	2417	Direct Implementation
7	Chief Minister Flood Relief Fund	Environment	Banaskantha Flood Relief Fund, Banaskantha, Gujarat	-	2500	125	2824	Govt. of Gujarat
8	Other projects to identify	-	-	17000	-	-	-	-
TOTAL				60000	57569	2650	60219	-

(V) The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and CSR Policy of the Company.

For Schaeffler India Limited

Rakesh Jinsi
Chairman of CSR Committee
(DIN: 00182187)

Dharmesh Arora
Managing Director
(DIN: 05350121)

Report on Related Party Transactions: Form AOC - 2

(Annexure - D to the Directors' Report)

[Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

[A] Details of contracts or arrangements or transactions not at arm's length basis: Nil

[B] Details of material contracts or arrangements or transactions at arm's length basis:

Name(s) of related party & nature of relationship	Schaeffler Technologies AG & Co. KG, Germany Associate Company		
Nature of contracts / arrangements / transactions	Sale, Purchase or Supply of Goods, Material & Services including Sale and Purchase of tangible fixed assets.		
	Summary of Transactions carried out with Schaeffler Technologies AG & Co. KG, Germany		2017 mioINR
			Actual Cumulative
	1	Purchase of Finished Goods	2972.9
	2	Sales of Finished Goods	1052.7
	3	Purchase of Raw Material & Components	562.5
	4	Purchase of Tangible Fixed Assets/Technical Services	95.8
Nature of contracts / arrangements / transactions	5	Service Income - Received	2.7
	6	Charges for SAP / R 3 and connectivity - Paid	132.9
	7	Expat Cost – Paid	13.8
	8	Fees for use of technology / trademark -paid	317.5
	9	Deputation, Traveling, Training, Testing, Insurance , Support Fee & Other Cost - Reimbursed	45.4
	10	Payments on behalf of related parties - Received	11.3
Duration of contracts / arrangements / transactions	Ongoing		
Salient terms of the contracts / arrangements / transactions including the value, if any	As per transfer pricing guidelines		
Date(s) of approval by the Board	The Transactions were approved in the Meeting of Audit Committee and Board of Directors held on February 14, 2017. These transactions being 'Material' Related Party Transactions were also approved by the Shareholders in their 54 th Annual General Meeting held on April 21, 2017.		
Amount paid as advance, if any	--		

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

New Delhi: February 7, 2018

Particulars of Employees

(Annexure - E to the Directors' Report)

Information as per Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- 1 The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2017 and percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year 2017.

Sr. No.	Name of Director / Key Managerial Personnel	Designation / Category	Ratio of Remuneration of Directors to Median Remuneration	% of increase in Remuneration in Financial Year 2017
I	Executive Director			
	Mr. Rajendra Anandpara	Managing Director (Upto March 3, 2017)	9.7	-
	Mr. Dharmesh Arora	Managing Director (W.e.f. March 6, 2017)	16.8	-
II	Non- Executive Directors			
1	Mr. Avinash Gandhi	Chairman & Non-Independent	2.4	9.2
2	Mr. Klaus Rosenfeld	Non Independent	-	-
3	Mr. Dietmar Heinrich	Non Independent	-	-
4	Mr. Frank Huber	Non Independent (Upto June 30, 2017)	-	-
5	Mr. Marcus Eisenhuth	Non Independent (W.e.f. August 10, 2017)	-	-
6	Mr. R. Sampath Kumar	Non Independent	1.4	5.3
7	Mr. Rakesh Jinsi	Independent	1.9	7.3
8	Mrs. Renu Challu	Independent	1.8	7.5
9	Dr. Sanak Mishra	Independent	1.9	11.7
III	Key Managerial Personnel			
10	Mr. Satish Patel	Chief Financial Officer	NA	8.0
11	Mr. Raj Sarraf	Company Secretary (Upto November 13, 2017)	NA	9.0

- 2 The percentage increase in the median remuneration of employees in the financial year:
The median remuneration of employees of the Company was increased by 15.9% during 2017 (from 0.602 to 0.698 mioINR p.a.).

- 3 The number of permanent employees on the rolls of company as on December 31, 2017 was 1488.

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

Internally, performance ratings of all employees are always spread across a normal distribution curve. The rating obtained by an employee is used as an input to determine his variable and merit pay increases. Variable and merit pay increases are calculated using a combination of individual performance and Company performance.

Average Increase in the salaries of employees other than MD. : 11%

Average percentile increase in salaries of KMP in 2017 : 8.5%

There are no exceptional circumstances for increase in managerial remuneration.

- 5 Affirmation that the remuneration is as per the remuneration policy of the company:

We affirm that remuneration paid to the Employees & Directors is as per the remuneration policy of the Company.

For and On behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

Extract of Annual Return - Form MGT 9

As on Financial Year ended on December 31, 2017

(Annexure - F to the Directors' Report)

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management & Administration) Rules, 2014.

1 Registration and Other Details

i	Corporate Identity Number [CIN]	L29130MH1962PLC012340
ii	Registration Date	April 27, 1962
iii	Name of the Company	Schaeffler India Limited [Formerly Known as FAG Bearings India Limited]
iv	Category / Sub- Category of the Company	Public Company - Limited by Shares
v	Address of the Registered Office and Contact Details	8 th Floor, Nariman Bhavan, 227, Backbay Reclamation, Nariman Point, Mumbai- 400 021, Maharashtra, India Tel: 022 66814444 to 66814499 Fax: 022 22027022 Website: www.schaeffler.co.in
vi	Whether listed company	Yes
vii	Name, Address and Contact details of Registrar and Transfer Agent	"Link Intime India Private Limited B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota Vadodara- 390 020, Gujarat, India Tel: 0265-2356573 :: Fax: 0265-2356791 E Mail: vadodara@linkintime.co.in Website: www.linkintime.co.in

2 Principal Business Activities of the Company

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

SN	Name and Description of Main Products / Services	NIC Code of the Product / Service	% to Total Turnover of the Company
1	Ball & Roller Bearings & Related Components	2814	98.9%

3 Particulars of Holding, Subsidiary and Associate Companies

SN	Name and Address of the Company	CIN / GLN	Holding/ Subsidiary /Associate	% of shares held	Applicable Section
1	FAG Kugelfischer GmbH Georg-Schäfer-Straße 30, 97421 - Schweinfurt, Germany	-	Holding	51.33%	2(46)

Category of shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	919,230	184,617	1,103,847	6.64	918,608	167,061	1,085,669	6.53	(0.11)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	210,236	-	210,236	1.27	210,136	-	210,136	1.26	-
c) Others (specify)									
Trusts	460	-	460	0.00	410	-	410	0.00	-
Hindu Undivided Family	68,290	-	68,290	0.41	65,794	-	65,794	0.40	(0.02)
Non Resident Individuals (Repatriable)	15,283	-	15,283	0.09	18,125	-	18,125	0.11	0.02
Non Resident Individuals (Non - Repatriable)	42,198	-	42,198	0.25	11,879	-	11,879	0.07	(0.18)
Clearing Member	13,696	-	13,696	0.08	99,689	-	99,689	0.60	0.52
Sub-total (B)(2)	2,496,631	189,293	2,685,924	16.16	2,538,244	171,737	2,709,981	16.31	0.15
Total Public Shareholding (B)=(B)(1)+ (B)(2)	7,893,544	194,543	8,088,087	48.67	7,911,105	176,982	8,088,087	48.67	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	16,422,727	194,543	16,617,270	100.00	16,440,288	176,982	16,617,270	100.00	-

ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of Total Shares of the company	% of Shares pledged / encumbered to Total Shares	No. of Shares	% of Total Shares of the company	% of Shares pledged / encumbered to Total Shares	
1	FAG Kugelfischer GmbH	8,529,183	51.33%	-	8,529,183	51.33%	-	-

iii) Change in Promoters' Shareholding

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of Total Shares of the company	No. of Shares	% of Total Shares of the company
At the beginning of the year	8,529,183	51.33	8,529,183	51.33
Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer / bonus/ sweat equity etc.)	-	-	-	-
At the end of the year	8,529,183	51.33	8,529,183	51.33

iv) Shareholding Pattern of Top Ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs)

SN	Name of the Shareholder*	Date	Reason	Shareholding at the beginning of the year		Increase / (Decrease) in No. of Shares	Cumulative Shareholding During the year	
				No. of Shares	% of total Shares of the Company		No. of Shares	% of total Shares of the Company
1	HDFC Trustee Company Ltd. A/c - HDFC MID CAP Opportunities Fund	At the beginning of the Year Jan. 01, 2017		348,314	2.10			
		24/Sep/2017	Transfer			53,000	401,314	2.42
		8/Dec/2017	Transfer			8,000	409,314	2.46
		At the end of the year Dec. 31, 2017					409,314	2.46
2	HDFC Standard Life Insurance Company Limited	At the beginning of the Year Jan. 01, 2017		339,595	2.04			
		6/Jan/2017	Transfer			7,000	346,595	2.09
		20/Jan/2017	Transfer			9,696	356,291	2.14
		27/Jan/2017	Transfer			2,683	358,974	2.16
		17/Feb/2017	Transfer			(12,739)	346,235	2.08
		24/Feb/2017	Transfer			1,390	347,625	2.09
		10/Mar/2017	Transfer			(489)	347,136	2.09
		17/Mar/2017	Transfer			9,405	356,541	2.15
		24/Mar/2017	Transfer			200	356,741	2.15
		31/Mar/2017	Transfer			554	357,295	2.15
		7/Apr/2017	Transfer			13,200	370,495	2.23
		14/Apr/2017	Transfer			(100)	370,395	2.23
		21/Apr/2017	Transfer			(50)	370,345	2.23
		28/Apr/2017	Transfer			(203)	370,142	2.23
		5/May/2017	Transfer			(1,000)	369,142	2.22
		12/May/2017	Transfer			50	369,192	2.22
		19/May/2017	Transfer			136	369,328	2.22
		26/May/2017	Transfer			7,000	376,328	2.26
		2/Jun/2017	Transfer			(14)	376,314	2.26
		9/Jun/2017	Transfer			(587)	375,727	2.26
		30/Jun/2017	Transfer			(26)	375,701	2.26
		7/Jul/2017	Transfer			(1,216)	374,485	2.25
		14/Jul/2017	Transfer			(50)	374,435	2.25
		21/Jul/2017	Transfer			255	374,690	2.25
		18/Aug/2017	Transfer			17,904	392,594	2.36
		25/Aug/2017	Transfer			3,300	395,894	2.38
		1/Sep/2017	Transfer			(50)	395,844	2.38
		8/Sep/2017	Transfer			50	395,894	2.38
		15/Sep/2017	Transfer			100	395,994	2.38
		22/Sep/2017	Transfer			2,000	397,994	2.40
		29/Sep/2017	Transfer			(53)	397,941	2.39
		6/Oct/2017	Transfer			393	398,334	2.40
27/Oct/2017	Transfer			(15,024)	383,310	2.31		
3/Nov/2017	Transfer			(109)	383,201	2.31		
24/Nov/2017	Transfer			55	383,256	2.31		
1/Dec/2017	Transfer			(3)	383,253	2.31		
8/Dec/2017	Transfer			(265)	382,988	2.30		
15/Dec/2017	Transfer			144	383,132	2.31		
22/Dec/2017	Transfer			(175)	382,957	2.30		
29/Dec/2017	Transfer			(13,949)	369,008	2.22		
		At the end of the year Dec. 31, 2017					369,008	2.22
3	IDFC Premier Equity Fund	At the beginning of the Year Jan. 01, 2017		432,016	2.60			
		2/Jan/2017	Transfer			(55,185)	376,831	2.27
		18/Aug/2017	Transfer			(999)	375,832	2.26
		25/Aug/2017	Transfer			(32)	375,800	2.26
		1/Sep/2017	Transfer			(12,204)	363,596	2.19
		10/Nov/2017	Transfer			(16,377)	347,219	2.09
		At the end of the year Dec. 31, 2017					347,219	2.09

*Shareholder appearing in the list of top 10 Shareholders as on December 31, 2017

SN	Name of the Shareholder*	Date	Reason	Shareholding at the beginning of the year		Increase / (Decrease) in No. of Shares	Cumulative Shareholding During the year	
				No. of Shares	% of total Shares of the Company		No. of Shares	% of total Shares of the Company
4	Sundaram Mutual Fund A/c Sundaram Select Midcap	At the beginning of the Year Jan. 01, 2017		374,675	2.25			
		27/Jan/2017	Transfer			(3,776)	370,899	2.23
		3/Feb/2017	Transfer			(899)	370,000	2.23
		28/Apr/2017	Transfer			(1,270)	368,730	2.22
		5/May/2017	Transfer			(730)	368,000	2.21
		12/May/2017	Transfer			(2,598)	365,402	2.20
		19/May/2017	Transfer			(4)	365,398	2.20
		29/Sep/2017	Transfer			(52,000)	313,398	1.89
		At the end of the year Dec. 31, 2017						313,398
5	Franklin Templeton Mutual Fund A/c Franklin India Prima Fund	At the beginning of the Year Jan. 01, 2017		275,740	1.66			
		7/Jul/2017	Transfer			(48)	275,692	1.66
		1/Sep/2017	Transfer			(10,000)	265,692	1.60
		At the end of the year Dec. 31, 2017						265,692
6	Shree Capital Services Limited	At the beginning of the Year Jan. 01, 2017		212,470	1.28			
		31/Mar/2017	Transfer			9,205	221,675	1.33
		At the end of the year Dec. 31, 2017						221,675
7	Franklin India Smaller Companies Fund	At the beginning of the Year Jan. 01, 2017		218,136	1.31			
		8/Sep/2017	Transfer			(2,500)	215,636	1.30
		At the end of the year Dec. 31, 2017						215,636
8	TVF Fund Ltd.	At the beginning of the Year Jan. 01, 2017		201,424	1.21			
		29/Dec/2017	Transfer			2,900	204,324	1.23
		At the end of the year Dec. 31, 2017						204,324
9	SBI Blue Chip Fund	At the beginning of the Year Jan. 01, 2017		197,974	1.19			
		No Change -				-	-	-
		At the end of the year Dec. 31, 2017						197,974
10	Kotak Emerging Equity Scheme	At the beginning of the Year Jan. 01, 2017		95239	0.57			
		6/Jan/2017	Transfer			1,663	96,902	0.58
		13/Jan/2017	Transfer			1,500	98,402	0.59
		20/Jan/2017	Transfer			1,000	99,402	0.60
		10/Feb/2017	Transfer			1,300	100,702	0.61
		17/Feb/2017	Transfer			2,651	103,353	0.62
		17/Mar/2017	Transfer			2,912	106,265	0.64
		24/Mar/2017	Transfer			3,136	109,401	0.66
		31/Mar/2017	Transfer			358	109,759	0.66
		5/May/2017	Transfer			4,187	113,946	0.69
		12/May/2017	Transfer			4,077	118,023	0.71
		19/May/2017	Transfer			4,048	122,071	0.73
		26/May/2017	Transfer			4,221	126,292	0.76
		2/Jun/2017	Transfer			2,185	128,477	0.77
		23/Jun/2017	Transfer			4,500	132,977	0.80
		7/Jul/2017	Transfer			1,998	134,975	0.81
		21/Jul/2017	Transfer			2,000	136,975	0.82
		28/Jul/2017	Transfer			208	137,183	0.83
		4/Aug/2017	Transfer			2,955	140,138	0.84
		11/Aug/2017	Transfer			5,500	145,638	0.88
		1/Sep/2017	Transfer			3,000	148,638	0.89
		8/Sep/2017	Transfer			12,000	160,638	0.97
		29/Sep/2017	Transfer			1,216	161,854	0.97
		27/Oct/2017	Transfer			1,815	163,669	0.98
		3/Nov/2017	Transfer			5,000	168,669	1.02
		17/Nov/2017	Transfer			39	168,708	1.02
		8/Dec/2017	Transfer			9,930	178,638	1.08
15/Dec/2017	Transfer			1,037	179,675	1.08		
22/Dec/2017	Transfer			5,293	184,968	1.11		
At the end of the year Dec. 31, 2017						184,968	1.11	

*Shareholder appearing in the list of top 10 Shareholders as on December 31, 2017

v) Shareholding of Directors and Key Managerial Personnel

SN	Shareholding of Directors and Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Increase / Decrease in No. of Shares	Cumulative Shareholding during the year	
				No. of Shares	% of Total Shares of the Company		No. of Shares	% of Total Shares of the Company
Director								
1	Mrs. Renu Challu	At the beginning of the Year Jan. 01, 2017		-	-	-	-	-
		7/Sep/2017	Transfer	-	-	120	120	0.00072
		1/Dec/2017	Transfer	-	-	4	124	0.00075
		At the end of the year Dec. 31, 2017					124	0.00075
Key Managerial Personnel								
1	Mr. Raj Sarraf *	At the beginning of the Year Jan. 01, 2017		1	0.00001	No Change	1	0.00001
		At the end of the year Dec. 31, 2017		-	-	-	-	-

*Resigned w.e.f. November 13,2017.

5 Indebtedness

Indebtedness of the Company including interest outstanding / accrued but not due for payment

Particulars	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount				
ii) Interest due but not paid			Nil	
iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the financial year				
Addition				
Reduction			Nil	
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid			Nil	
iii) Interest accrued but not due				
Total (i+ii+iii)				

6 Remuneration Of Directors And Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

Amount in (₹)

SN	Particulars of Remuneration paid to the Managing Director	Mr. Rajendra Anandpara ¹	Mr. Dharmesh Arora ²	Total Amount
1	Gross salary	6,810,263	10,974,834	17,785,097
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	6,678,625	10,974,834	17,653,459
	(b) Value of perquisites u/s 17(2) of Income-Tax Act, 1961	131,638		
	(c) Profits in lieu of salary under section 17(3) of Income- Tax Act, 1961	-	-	
2	Stock Option	-	-	
3	Sweat Equity	-	-	
4	Commission	-	-	
	- as % of profit	-	-	
	- others, specify	-	-	
5	Others, please specify	-	-	
	Total (A)	6,810,263	10,974,834	17,785,097
	Ceiling as per the Companies Act, 2013			182.0 Million

1 Mr. Rajendra Anandpara resigned as Managing Director with effect from March 3, 2017.

2 Mr. Dharmesh Arora has been appointed as Managing Director with effect from March 6, 2017.

B. Remuneration to other Directors

Amount in (₹)

SN	Particulars of Remuneration	Name of Directors					Total
		Mr. Avinash Gandhi	Mrs. Renu Challu	Dr. Sanak Mishra	Mr. Rakesh Jinsi	Mr. R Sampath Kumar	
1	Independent Directors						
	Fee for attending Board/ Committee Meetings	-	590,000	640,000	620,000	-	1,850,000
	Commission	-	700,000	700,000	700,000	-	2,100,000
	Others, please specify	-	-	-	-	-	-
	Total (1)	-	1,290,000	1,340,000	1,320,000	-	3,950,000
2	Other Non-Executive Directors						
	Fee for attending Board/ Committee Meetings	610,000	-	-	-	300,000	910,000
	Commission	1,050,000	-	-	-	700,000	1,750,000
	Others, please specify	-	-	-	-	-	-
	Total (2)	1,660,000	-	-	-	1,000,000	2,660,000
	Total (B) = (1)+(2)	1,660,000	1,290,000	1,340,000	1,320,000	1,000,000	6,610,000
	Total Managerial Remuneration						21,635,097
	Overall Ceiling as per the Companies Act, 2013						400.4 Million

Notes :

a. Managerial Remuneration includes Remuneration paid to Managing Director(s) and 'Profit Related Commission' paid to other Directors during 2017.

b. As per the Remuneration Policy of the Company, Mr. Klaus Rosenfeld, Mr. Dietmar Heinrich and Mr. Marcus Eisenhuth are not entitled for any remuneration from the Company.

C. Remuneration to Key Managerial Personnel other than MD / MANAGER / WTD

SN	Particulars of Remuneration	Key Managerial Personnel		
		CFO	CS*	Total
1	Gross salary	9,013,009	3,423,888	12,436,897
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	8,574,621	3,416,171	11,990,792
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	438,388	7,717	446,105
	(c) Profits in lieu of salary under section 17(3) of the Income-Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
Total		9,013,009	3,423,888	12,436,897

*Company Secretary Mr. Raj Sarraf has resigned with effect from November 13, 2017.

7 Penalties / Punishment/ Compounding of Offences

Type	Section of the Companies Act, 2013	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment			Nil		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			Nil		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			Nil		
Compounding					

For and On behalf of the Board

Mr. Avinash Gandhi
Chairman
DIN: 00161107

New Delhi: February 7, 2018

Secretarial Audit Report

for the Financial Year ended December 31, 2017

(Annexure - G to the Directors' report)

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Schaeffler India Limited
(Erstwhile FAG Bearings India Limited)
Nariman Bhavan, 8th Floor,
227, Backbay Reclamation,
Nariman Point,
Mumbai – 400 021,
Maharashtra, India.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Schaeffler India Limited (hereinafter referred to as 'the company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the company has, during the audit period covering the Financial Year ended on December 31, 2017, complied with the statutory provisions listed hereunder and also that the company has proper Board-Processes and Compliance-Mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Company for the Financial Year ended on December 31, 2017, according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

We further report that, there were no actions/events in pursuance of the following regulations requiring compliance thereof by the company during the period of this report:-

- (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (b) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

We have also examined compliance with the applicable clauses/regulations of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and
- (ii) The Listing Agreements entered into by the Company with BSE Ltd. and National Stock Exchange of India Ltd. read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observation:

Pursuant to the provisions of Section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and amendments thereof, the equity shares of the Company in respect of which dividend amounts have not been paid / claimed for the last seven consecutive years are required to be transferred by the Company to the demat account of IEPF

and we report that the Company has already taken actions for transfer of such Shares to IEPF and is in process to comply with aforesaid requirement.

We further report that the Board of directors of the company is duly constituted with proper balance of executive directors, non-executive directors and independent directors. The changes in the composition of the Board of Directors that took place during the period under review, if any, were carried out in compliance with the provisions of the Act.

Adequate notice is given to all the Directors to schedule the Board Meetings, Agenda and detailed notes on Agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarification on the Agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

We further report that there are adequate systems and processes in place, whereby the company ensures and monitor compliances of applicable laws, rules, regulations and guidelines.

We further report that 'The Compliance Management Tool / System' is adequate, commensurate with the size and operations of the company and operating effectively.

We further report that during the audit period, the Company had following events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

- The Company has changed its name from FAG Bearings India Limited to Schaeffler India Limited with effect from 7th July, 2017.
- The Board of Directors of the Company in its meeting held on August 30, 2017 have approved the Scheme of Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the company subject to approval of National Company Law Tribunal.

Suresh Kumar Kabra
Partner
ACS No. 9711
CP No. 9927

Samdani Kabra & Asso.
Company Secretaries

Vadodara: February 7, 2018

This Report is to be read with our letter of even date which is annexed as Appendix A and forms an integral part of this report.

Appendix A

To,
The Members,
Schaeffler India Limited
Nariman Bhavan, 8th Floor,
227, Backbay Reclamation,
Nariman Point,
Mumbai – 400 021,
Maharashtra, India.

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records and compliances based on our audit. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our Examination was limited to the verification of procedure on the test basis.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Vadodara: February 7, 2018

Suresh Kumar Kabra
Partner
ACS No. 9711
CP No. 9927

Samdani Kabra & Asso.
Company Secretaries

Conservation Of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

(Annexure H to the Directors' Report)

A. Conservation of Energy

Overall approach for energy conservation has been continued for 2017 also with best possible availability at Schaeffler India to support environment and energy conservation. Power Factor remains at 1 constantly since many years, Avoiding water cooling to save water consumptions in compressors and cooling towers, Energy efficient Centralised AC and electric motors are being installed to save energy at all the time.

1. The steps taken / impact on conservation of energy:

- VRF based AC with non CFC gases resulted in energy consumption.
- Optimized KW Pumps in systems by optimizing system operations.
- Replaced old lines for air distribution to optimize compressed air usage
- Installed new ETP system to improve effluent quality at lower energy consumption
- Implementation in all cleaning systems EXXOL D 95 leading to savings and reduction in Safety Hazard.
- Demagnetizer coil converted in pulse setting to avoid continuous working of coil.
- 50% in consumption reduction of nitrogen by using alternate Technology furnace to improve productivity and Energy consumption in heat treatment area
- Minimize Environment impact by recycling grinding dust to reuse by end users

2. The steps taken by the company for utilizing Alternate Sources of Energy:

We continued the same status of last year, expanded using natural resources of solar power in lighting, as well alternative material used in place of consumable paper rolls for Filtration system. Alternative source of water resources by optimization of rain water harvesting.

- Filtration media recyclable plastic family band filter installed in place of paper filter and support environment friendly drive in utilities.
- Rain water Harvesting system optimization by ground water level improved

3. The capital investment on energy conservation equipment:

A future plan for a long term energy conservation challenges, we invested this year in many area of energy conservation and environment preservation

- New ETP Plant
- 2 I4 Efficiency class motorized compressor
- Energy efficient centralized AC for operational enhancement at segments
- Surge protection system installed in LT Panels and at all stabilizer units
- Replaced electrical operated doors to Hydraulically operated door to save energy

B) Technology Absorption

- Schaeffler India being a Technology driven company, constantly focusses in up gradation of existing Technologies with latest group Technologies.
- Schaeffler India invested in latest Vertical series super finishing machines for Cylindrical Bearing segment.
- As a part of “Make in Region for the Region” Schaeffler India is localizing manufacturing of Taper Rollers at Savli Location.
- Low cost Technological solution is need of the Hour and We continuously strive to achieve this.
- As a solution provider for the region, we have identified a local Face Grinding Machine supplier for our Face Grinding Technology and are in the process of developing this supplier for all our future requirements in the region.
- Up gradation of Technology is one of the key focus area of Schaeffler India and we do this based on our QCD Mapping of Machines.
- Human capital development in Technology is in focus and people are Trained to be at par with the requirements.
- Key investments are planned to expand the capacity with latest technology in Wheel Bearings, and DGBB which will further enhance our edge of competitiveness.
- With all these initiatives we are equipped with necessary information for next level of quality achievement.

C. Foreign Exchange Earnings and outgo

(₹ in million)

Particulars	December 31,	
	2017	2016
Earnings:		
Earnings in foreign exchange		
Service Income	9.5	1.2
FOB value of exports	3,516.6	2,947.30
Other	11.4	13.5
Total foreign exchange earned	3,537.5	2,962.00
Outgo:		
CI value of Imports:		
Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods and intangible assets	6,604.26	6,794.20
Expenditure in foreign currency		
Interest on foreign currency loans, Fees for use of technology, interest on foreign suppliers credit, Professional fees and other expenses	536.6	488
Dividend paid to Shareholders (net of tax)	102.4	85.3
Total foreign exchange used	7,243.26	7,367.50

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

New Delhi: February 7, 2018

Business Responsibility Report

Section A: General Information about the Company

1	Corporate Identity Number (CIN) of the Company	L29130MH1962PLC012340
2	Name of the Company	Schaeffler India Limited (Formerly known as FAG Bearings India Limited)
3	Registered address	Nariman Bhavan 8 th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai (MH) - 400021 INDIA
4	Website	www.schaeffler.co.in
5	E-mail id	info.in@schaeffler.com
6	Financial Year reported	January 1, 2017 to December 31, 2017
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Ball & Roller Bearings NIC code of the product - 2814
8	List three key products/services that the Company manufactures / provides (as in balance sheet)	Ball Bearings Cylindrical Roller Bearings Spherical & Taper Roller Bearings
9	Total number of locations where business activity is undertaken by the Company (a) Number of International Locations (Provide details of major 5) (b) Number of National Locations	Registered Office: Mumbai Manufacturing Locations: Maneja & Savli (Vadodara) Sales Offices: Gurugram, Kolkata, Chennai, Pune, Bengaluru, Secunderabad, Coimbatore, Jamshedpur, Ludhiana, Kanpur and Udaipur
10	Markets served by the Company – Local / State /National / International	All : Local, State, National and International.

Section B: Financial Details of the Company

1	Paid up Capital (INR)	As on December 31, 2017 the paid up capital of the Company was ₹ 166,172,700 consisting of 16,617,270 nos. of Equity Shares of ₹ 10 each.
2	Total Turnover (INR)	For the Financial Year ended on December 31, 2017 the Turnover of the Company was 20,590.0 mioINR
3	Total profit after taxes (INR)	For the Financial Year ended on December 31, 2017 the net profit of the Company was 2,380.2 mioINR.
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Please refer Summary of CSR spending on page no. 75
5	List of activities in which expenditure in 4 above has been incurred:-	Please refer Projectwise summary under CSR Report on page no. 76

Section C: Other Details

1	Does the Company have any Subsidiary Company/ Companies?	Company has no Subsidiary as on December 31, 2017
2	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary Company(s)	Not applicable
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No.

Section D: BR Information

1. Details of the Director and BR responsible for implementation of the BR policy / policies

1	Director Identification Number	05350121
2	Name	Mr. Dharmesh Arora
3	Designation	Managing Director
4	Telephone No.	+91 265 6602000
5	E-mail id	aroradar@schaeffler.com

2. Principle-wise (as per NVGs) BR Policy/Policies

Question	Policies / Guidelines on									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	
	Ethics, Bribery & Corruption	Sustainability	Treatment of Employees & Colleagues	Behaviour towards Stakeholders	Human Rights	Environment, Health & Safety	Industrial Policy	CSR	Customer Centricity	
1	Do you have a policy/ policies for...	Yes, Company's Code of Conduct sets out the principle & practices that must be observed toward Business Partner and Third Parties								
2	Has the policy being formulated in consultation with the relevant stakeholders?	Yes, while formulating the policy documents - rights & obligations of concerned stakeholders are analysed in view of best Industry Practices.								
3	Does the policy conform to any national / international standards? If yes, specify?	Fairness, mutual respect and integrity are the cornerstones within the Company and the Schaeffler Group upon which our actions are based. Being member of Schaeffler Group, the Company believes in benchmarking practices and global standards - to the best possible extent.								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	All Statutory Policies and Codes are adopted considering prevailing Legal requirements and approvals of respective body [Board of Directors, its Committees and Company Management].								
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Implementation mechanism of all the Policies & Codes is presented to and reviewed by the respective body periodically.								
6	Indicate the link for the policy to be viewed online?	https://www.schaeffler.co.in/content.schaeffler.co.in/en/company/schaeffler_in_india/investorsrelations/investorrelations.jsp								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes, requisite awareness programs are carried out to all the stakeholders, which help them understand behavioural expectation from them. In critical areas online training followed by test and certification is made mandatory for all the employees.								
8	Does the company have in-house structure to implement the policy / policies?	Compliance Management System of the Company and Company's Vigil Mechanism / Whistle Blower Policy are effective tool towards grievance redressal mechanism.								
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Compliance Management System of the Company and Company's Vigil Mechanism / Whistle Blower Policy are effective tool towards grievance redressal mechanism.								
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	In addition to Statutory Audits, a periodical internal assessments are part of our culture to oversee implementation of principles laid down.								

Section E: Principle wise Performance

Principle 1: Ethics, Transparency and Accountability

Schaeffler India Limited believes in pursuing its business objectives ethically, transparently and responsibly with its stakeholders across the value chain. Fairness, mutual respect and integrity are the cornerstones upon which the actions of the Company are based. Further, the Company only engages in business deals with third parties that conduct business ethically and do not subject the Company to any reputational harm.

The Company's Code of Conduct is in compliance with the standards of business conduct and ethics, as well as the regulatory requirements. The Code of Conduct is communicated to all stakeholders through its website. The Company's Whistle Blower Policy also encourages employees to bring instances of unethical behaviour to the knowledge of the management.

The Company has a system in place to undertake measures to resolve grievances. During the year, the Company received Nil complaints with regard to violation of the Code of Conduct.

Principle 2: Sustainability

The role of developing products that ultimately go towards avoiding the undesirable environmental and social impacts is increasingly gaining importance over the years. With its high-quality products and sustainable system solutions, the Company is helping its customers to meet the expectations of changing markets. In doing so, the Company also assumes the responsibility of protecting the environment. In line with this, it is helping new technologies gain acceptance, in particular, those technologies which contribute to a cost-efficient and reliable energy balance. Further, the Company manufactures products that have low impact on the environment and helps customers in meeting their growing challenges such as reducing CO₂ emissions.

Principle 3: Treatment of Employees and Colleagues

Schaeffler India Limited drives individuals to explore their full potential and prepares them for leadership roles. The Company does not discriminate on the basis of religion, gender, caste or disabilities, and has a policy of equal opportunity for all. The Company employs a total of 1,534 (including 46 apprentices) employees as on December 31, 2017.

The Company recognises that its employees are an invaluable asset and fundamental driver of its growth. The Company has implemented the following policies and initiatives which promote the welfare of all its employees:

Fair Working Conditions and Employee Development: The Company recognises its employees' entitlement to adequate remuneration, and it observes the legally guaranteed minimum wages in the respective labour markets. The Company also provides a comprehensive training program, which offers every employee the opportunity to get trained according to his capabilities and professional interests, in line with the objectives of the Company.

Diversity and the Principle of Equal Treatment: The Company is committed to a diverse working environment, in which each person's uniqueness is recognised and every individual is treated with courtesy, honesty and dignity. The Company works consistently to provide a workplace that is free of discrimination and harassment on the basis of gender, ethnic background, religion, age, disability or sexual orientation. This diversity is promoted and respected without exception.

Work-life Balance: The Company is committed to achieving a balance between the economic interests of the Company and the employees. It strives to enhance employee satisfaction and motivation, by means of employee-friendly arrangements and provisions.

Refusal to Forced and Child Labour: The Company does not accept any form of forced labour or child labour. It condemns exploitation or discrimination and strictly complies with legal regulations.

Dialogue with Employees and Employee Representatives: The Company respects its employees' right to freedom of association. Irrespective of this right, the Company always allows its employees to express their interests directly.

Principle 4: Behaviour towards Stakeholders

The Company focuses on integrating business strategies with community development. In doing so, it leverages its core competencies while addressing needs of various stakeholders. The Company firmly believes that business sustainability is possible only by taking along all stakeholders, internal as well as external.

The Company follows a systematic approach in identifying its internal and external stakeholders. It also has a framework in place for recording and analysing the concerns of the stakeholders; and redressal of their grievances.

The Company works towards maintaining transparency that helps in building trust for long lasting collaboration. It acknowledges and assumes responsibility by being transparent about the impact of its policies, decisions, product and services, and associated operations on the stakeholders.

Principle 5: Respect for Human Rights

As a socially responsible organisation, the Company is committed to protect and safeguard human rights. Aspects of human rights such as child labour, occupational safety, non-discrimination are covered by its Human Resource Policies.

Respect for human rights is an integral part of the Company's Corporate Responsibility. The Company respects the dignity and individual rights of every employee as well as third parties with whom it engages in business.

Principle 6: Environment

At Schaeffler India Limited, environmental initiatives for sustainable development plays a vital role. Environmental protection and work safety are a fundamental part of the management principles. The Company maintains a safe working environment that promotes health and performance of the employees, while taking active measures to protect the environment.

Environmentally conscious, the Company is committed and compliant with all environmental regulations and standards applicable to its operations. The Company has implemented systems that ensure the safety, control and measurability of all activities occurring in the areas of transportation, disposal and recycling of waste. This prevents any adverse effects of wastes on human health and the environment.

The Company also uses a global work safety and environmental management system which undergoes continual improvement. Regular checks are conducted across all areas of operation to monitor the success of the implemented management system.

The Company has a periodic systematic mechanism for environmental impact assessment, as a part of its Environmental Management system certifications of ISO 14001 and Occupational Health and Safety Management system certification of OHSAS 18001.

Principle 7: Policy Advocacy

The Company works closely with various trade chambers and industry associations in evolving policies that govern the functioning and regulations of industries. It is associated with Ball and Roller Bearings Manufacturers' Association (BRBMA); Auto Component Manufacturers' Association (ACMA); Indo-German Chamber of Commerce (IGCC); Confederation of Indian Industry (CII); and Federation of Gujarat Industries (FGI).

The Company actively engages with these trade bodies to identify opportunities that bolster domestic manufacturing; fosters innovation; enhances skill development; protects intellectual property; and builds best in class manufacturing infrastructure in the country.

Principle 8: Inclusive Growth and Equitable Development

The Company believes in inclusive growth and facilitates creation of an empowered society through continuous and purposeful engagement with the society around. The Company has a Corporate Social Responsibility (CSR) Policy which derives its core values and covers various aspects as per the requirements of the Companies Act, 2013. The Policy has been developed considering the requirement of the Companies Act, 2013, the organisation's focus and international best practices. With the responsibility of a corporate citizen, the Company is committed to operate its business in an economically, socially and environmentally sustainable manner.

The Company constantly identifies and implements unique initiatives which are scalable, sustainable and have the credential to create a positive impact on the lives of people, especially the weaker and under-served sections. Currently, the Company is working towards better healthcare; promoting education and social development; addressing social inequalities by empowering the vulnerable section of society; and preserving national heritage and culture.

Principle 9: Customer Centricity

The Company's focus is to be a supplier of choice in all markets of its presence, while improving the well-being of customers and society in general. Schaeffler India Limited is committed to operate its processes and conduct marketing promotions, in a transparent and responsible manner by sharing product information. It engages in efficient customer feedback mechanism and conducts regular customer satisfaction surveys to understand their expectations and concerns.

The Company's sustainable manner of conducting business is based on fairness, mutual respect and integrity. As per the Company's corporate management principles, it also takes into account the ecological and social impact of its business; and focuses on reducing the consumption of resources.

To deliver value to its customers, the Company strives to offer the highest possible quality while maintaining cost efficiency and reliability of supply. It continues to improve its production system across all locations, by consistently applying the zero defects principle. Furthermore, modern quality management techniques and integrated planning across the entire supply chain ensure that all of these requirements are being met.

Commitment to quality and its innovative strength, coupled with sophisticated technological expertise and an in-depth understanding of systems are the key factors for success of Schaeffler India Limited.

Compliance Certificate

To,
The Board of Directors,
Schaeffler India Limited

This is to certify that;

- (a) We have reviewed Financial Statements for the year ended December 31, 2017 and that to the best of our knowledge and belief;
 - i) these statements do not contain any false or misleading statement or figures and do not 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, 2017;
 - ii) Significant changes in accounting policies during the year ended December 31, 2017 and that the same have been disclosed in the notes to the Financial Statements, if any; and
 - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

For Schaeffler India Limited

January 29, 2018

Dharmesh Arora
Managing Director

Satish Patel
Chief Financial Officer

Independent Auditors' Report

To the Members of Schaeffler India Limited
(formerly known as FAG Bearings India Limited)

Report on the Indian Accounting Standards (Ind AS) Financial Statements

We have audited the accompanying Ind AS financial statements of Schaeffler India Limited (formerly known as FAG Bearings India Limited) ('the Company'), which comprise the Balance Sheet as at 31 December 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31 December 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 'A', a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards notified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors as on 31 December 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2017, from being appointed as a director in terms of Section 164(2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 'B' to this report; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements - refer note 34 to the Ind AS financial statements.
 - ii. The Company has made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - refer note 37 to the Ind AS financial statements.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Vijay Mathur
Partner
Membership No.: 046476

New Delhi: February 7, 2018

Annexure 'A' to the Independent Auditors' Report

December 31, 2017 (Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. applicable. Further, in our opinion and according to the information and explanations given to us, provisions of Section 186 of the Companies Act, 2013 in respect of loans given have been complied with by the Company.
- (b) The Company has a programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, a part of the fixed assets were physically verified by the management in the current year and no material discrepancies were noticed on such verification. (v) The Company has not accepted any deposits to which the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 apply. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the company, the title deeds of immovable properties included in fixed assets are held in the name of the Company. (vi) 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 148(1) of the Companies Act, 2013, in respect of bearings for the year ended 31 December 2017 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.
- (ii) The inventory, except goods-in-transit and stocks lying with certain third parties, has been physically verified by the management during the year. For stocks lying with third parties at the year-end, written confirmations have been obtained. In our opinion, the frequency of such verification is reasonable. No material discrepancies were noticed on such physical verification. (vii) (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, Goods and services tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3(iii) of the Order is not applicable to the Company. (b) 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, Goods and services tax and other material statutory dues were in arrears as at 31 December 2017 for a period of more than six months from the date they became payable.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, guarantees or securities in respect of which provisions of Section 185 of the Companies Act, 2013 are

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

Name of statute	Nature of dues	Amount (INR in million)	Period	Forum where dispute is pending
State and Central Sales Tax Act	Duty and interest	9.9	2009-10	Commissioner (Appeals)
		0.1	2006-07	Dy. Commissioner Sales Tax
		1.2	2012-13	Dy. Commissioner Sales Tax
		2.0	2013-14, 2014-15	Dy. Commissioner Sales Tax
Income Tax Act, 1961	Tax and interest	11.6	2004-05, 2005-06, 2007-08	Income Tax Appellate Tribunal

Above amounts are net of amounts paid under protest for sales-tax aggregating to INR 20.5 million and for Income-tax aggregating to INR 292.3 million.

- (viii) In our opinion and according to the information and explanations given to us, the Company does not have any loans or borrowing from financial institutions or banks or Government or dues to debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable to the Company.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans. Accordingly, paragraph 3(ix) of the Order is not applicable to the Company.
- (x) In our opinion and according to the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers and employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and Section 188 of the Companies Act, 2013 where applicable and details of such transactions have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them, as referred to in Section 192 of the Companies Act, 2013. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Vijay Mathur
Partner
Membership No.: 046476

Annexure 'B' to the Independent Auditors' Report

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of Schaeffler India Limited (formerly known as FAG Bearings India Limited) ('the Company') as at 31 December 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

New Delhi: February 7, 2018

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 December 2017 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Vijay Mathur
Partner
Membership No.: 046476

Balance Sheet

as at December 31, 2017

(₹ in million)

	Notes	2017	2016	As at January 1, 2016
A) ASSETS				
1 Non-current assets				
a) Property, plant and equipment	3	3,799.1	3,861.2	3,456.4
b) Capital work-in-progress	3	326.6	241.3	518.8
c) Other intangible assets	3	0.1	0.4	0.8
d) Financial assets	4			
(i) Loans		660.0	990.0	900.0
(ii) Other financial assets		35.2	35.8	37.3
e) Deferred tax assets (net)	5	26.0	23.7	-
f) Income-tax assets (net)	6	386.8	358.4	301.3
g) Other non-current assets	7	66.9	32.5	44.6
Total non-current assets		5,300.7	5,543.3	5,259.2
2 Current assets				
a) Inventories	8	2,736.2	2,739.9	2,202.5
b) Financial assets				
(i) Trade receivables	9	3,198.9	3,262.8	3,320.9
(ii) Cash and cash equivalents	10	776.9	972.6	649.8
(iii) Bank balances other than (ii) above	11	7,529.5	5,432.9	4,054.3
(iv) Loans	12	530.0	-	550.0
(v) Other financial assets	13	412.9	175.5	170.5
c) Other current assets	14	444.6	410.1	303.1
Total current assets		15,629.0	12,993.8	11,251.1
TOTAL ASSETS		20,929.7	18,537.1	16,510.3
B) EQUITY & LIABILITIES				
1 Equity				
a) Equity share capital	15	166.2	166.2	166.2
b) Other equity	16	16,787.0	14,585.4	12,895.8
Total Equity		16,953.2	14,751.6	13,062.0
2 Liabilities				
Non-current liabilities				
a) Financial liabilities				
(i) Other financial liabilities	17	10.1	12.7	14.5
b) Long-term provisions	18	285.6	257.9	216.2
c) Deferred tax liabilities (net)	5	-	-	74.7
Total non-current liabilities		295.7	270.6	305.4
Current liabilities				
a) Financial liabilities				
(i) Trade payables	19	2,867.9	2,710.0	2,404.8
(ii) Other financial liabilities	20	632.5	636.3	483.1
b) Other current liabilities	21	108.6	118.6	207.3
c) Short-term provisions	22	71.8	50.0	47.7
Total current liabilities		3,680.8	3,514.9	3,142.9
Total Liabilities		3,976.5	3,785.5	3,448.3
TOTAL EQUITY AND LIABILITIES		20,929.7	18,537.1	16,510.3
Significant accounting policies	2			
Notes to the financial statements	3 - 46			

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

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Vijay Mathur

Partner

Membership No: 046476

New Delhi: February 7, 2018

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Chief Financial Officer

New Delhi: February 7, 2018

Dharmesh Arora

Managing Director

DIN: 05350121

Chirag Shukla

Company Secretary

Statement of Profit and Loss

for the year ended December 31, 2017

(₹ in million)

	Notes	2017	2016
Income			
Revenue from operations	23	19,910.7	19,451.6
Other income	24	679.3	682.6
Total Income (I)		20,590.0	20,134.2
Expenses			
Cost of materials consumed	25	7,273.3	6,828.7
Purchases of stock-in-Trade	26	3,708.8	4,588.4
Changes in inventories of finished goods, work-in-progress and stock-in-trade	27	74.1	(591.1)
Excise duty		723.5	1,488.4
Employee benefits expense	28	1,530.9	1,492.3
Finance costs	29	10.2	17.6
Depreciation and amortisation expense	30	711.2	641.0
Other expenses	31	2,934.9	2,675.6
Total Expenses (II)		16,966.9	17,140.9
Profit before tax (I - II)		3,623.1	2,993.3
Tax expense			
Current tax	32	1,287.2	1,084.0
Tax adjustment of earlier years		(8.9)	25.3
Deferred tax (credit)		(35.4)	(66.6)
Profit for the year	(A)	2,380.2	1,950.6
Other Comprehensive Income			
(i) Items that will not be reclassified subsequently to profit or loss:			
Loss on remeasurement of post employment benefits obligation		(11.7)	(20.7)
Tax relating to items that will not be reclassified to profit or loss		4.0	7.2
(ii) Items that will be reclassified subsequently to profit or loss:			
Effective portion of gain / (loss) on hedging instruments in cash flow hedge		107.3	(71.1)
Tax relating to items that will be reclassified to profit or loss		(37.1)	24.6
Total Other Comprehensive Income for the year (net of tax)	(B)	62.5	(60.0)
Total comprehensive income for the year	(A + B)	2,442.7	1,890.6
Earnings per equity share [Nominal value of share ₹10 each]	33		
Basic (in ₹)		143.2	117.4
Diluted (in ₹)		143.2	117.4
Significant accounting policies	2		
Notes to the Ind AS financial statements	3 - 46		

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

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Vijay Mathur

Partner

Membership No: 046476

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Chief Financial Officer

Dharmesh Arora

Managing Director

DIN: 05350121

Chirag Shukla

Company Secretary

New Delhi: February 7, 2018

New Delhi: February 7, 2018

Cash Flow Statement

for the year ended December 31, 2017

(₹ in million)

	2017	2016
Cash flows from operating activities		
Net profit before tax	3,623.1	2,993.3
Adjustments:		
Depreciation and amortisation	711.2	641.0
Finance costs	10.2	17.6
Unrealised exchange loss / (gain) (net)	190.3	(90.4)
Interest income	(605.1)	(521.4)
Loss/ (profit) on fixed assets sold (net)	(5.4)	21.1
Provision for doubtful debts/advances	18.4	66.5
Bad debts written off	1.2	-
Provision for Gratuity/leave encashment	25.4	46.9
Provision no longer required written back - others	(4.5)	(3.1)
Provision for warranty	0.3	0.5
Provision for / write off of inventory	(113.6)	-
	228.4	178.7
Operating cash flow before changes in working capital	3,851.5	3,172.0
(Increase) in trade and other receivables	(184.0)	(110.7)
Decrease / (Increase) in inventories	3.7	(537.4)
(Decrease) / Increase in trade and other payables	(48.1)	527.3
	(228.4)	(120.8)
Cash generated from operations	3,623.1	3,051.2
Income tax paid (net of refunds)	(1,215.1)	(1,123.1)
A Net cash from operating activities	2,408.0	1,928.1
Cash flows from investing activities		
Purchase and construction of property, plant and equipment and capital work-in-progress	(584.0)	(930.4)
Proceeds from sale of property, plant and equipment	32.6	-
Investment in fixed deposits (maturity of more than three months)	(2,096.6)	(1,378.6)
Proceeds from repayment of long-term loans	100.0	500.0
Long-term loans given	(300.0)	(40.0)
Interest received	495.1	461.7
B Net cash used in investing activities	(2,352.9)	(1,387.3)
Cash flows from financing activities		
Finance costs paid	(10.2)	(17.6)
Dividends paid on equity shares	(198.8)	(165.6)
Tax paid on dividends	(41.8)	(34.8)

Continued...

... Continued

(₹ in million)

	2017	2016
C Net cash used in financing activities	(250.8)	(218.0)
Net (decrease) / increase in cash and cash equivalents (A + B + C)	(195.7)	322.8
Cash and cash equivalents at the beginning of period (see note 2 below)	972.6	649.8
Cash and cash equivalents at the end of period (see note 2 below)	776.9	972.6
	(195.7)	322.8
Notes:		
1) The above cash flow statement has been prepared under the Indirect Method as set out in Ind AS 7 - Cash Flow Statement notified pursuant to Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.		
2) Cash and cash equivalents comprise of :		
	2017	2016
Cheques on hand	84.1	91.0
With scheduled banks on :		
Current accounts	692.8	581.6
Deposit accounts (maturity upto three months)	-	300.0
	776.9	972.6

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

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Vijay Mathur

Partner

Membership No: 046476

New Delhi: February 7, 2018

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Chief Financial Officer

New Delhi: February 7, 2018

Dharmesh Arora

Managing Director

DIN: 05350121

Chirag Shukla

Company Secretary

Statement of changes in equity

for the year ended December 31, 2017

(A) Equity Share Capital

(₹ in million)

Notes	Amount
As at January 1, 2016	166.2
Changes in equity share capital	-
As at December 31, 2016	166.2
Changes in equity share capital	-
As at December 31, 2017	166.2

(B) Other equity

	Reserves and surplus				Other Comprehensive Income (OCI)		Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Effective portion of cash flow hedges	Remeasurement of defined benefit	
As at 1 January 2016	5.2	200.2	3,818.4	8,866.4	5.6	-	12,895.8
Profit for the year	-	-	-	1,950.6	-	-	1,950.6
Other Comprehensive Income for the year	-	-	-	-	(46.5)	(13.5)	(60.0)
Total Comprehensive Income for the year	-	-	-	1,950.6	(46.5)	(13.5)	1,890.6
Dividends	-	-	-	(166.2)	-	-	(166.2)
Tax on dividends	-	-	-	(34.8)	-	-	(34.8)
Transfer to general reserve	-	-	400.0	(400.0)	-	-	-
As at 31 December 2016	5.2	200.2	4,218.4	10,216.0	(40.9)	(13.5)	14,585.4
Profit for the year	-	-	-	2,380.2	-	-	2,380.2
Other Comprehensive Income for the year	-	-	-	-	70.2	(7.7)	62.5
Total Comprehensive Income for the year	-	-	-	2,380.2	70.2	(7.7)	2,442.7
Dividends	-	-	-	(199.4)	-	-	(199.4)
Tax on dividends	-	-	-	(41.7)	-	-	(41.7)
Transfer to general reserve	-	-	-	-	-	-	-
As at 31 December 2017	5.2	200.2	4,218.4	12,355.1	29.3	(21.2)	16,787.0

Significant accounting policies 2

Notes to the Ind AS financial statements 3 - 46

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

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Vijay Mathur

Partner

Membership No: 046476

New Delhi: February 7, 2018

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Chief Financial Officer

New Delhi: February 7, 2018

Dharmesh Arora

Managing Director

DIN: 05350121

Chirag Shukla

Company Secretary

Notes to Ind AS Financial Statements

for the year ended 31 December 2017

1. Corporate information

Schaeffler India Limited (formerly known as FAG Bearings India Limited) ("the Company") is a public limited company domiciled and incorporated in India and having its registered office at Nariman Bhavan, 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai – 400 021. The name of the Company was changed with effect from July 7, 2017. The Company's shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India. The Company is inter alia engaged in the development, manufacturing and supply of high precision and high quality rolling bearings—ball, cylindrical, spherical and taper for mechanical engineering, wind energy, railways, aerospace and the automotive industry worldwide and related machine building activities. The Company's manufacturing units are located in the State of Gujarat at Vadodara and Savli locations.

2. Significant accounting policies

2.1 Basis of preparation

- (i) The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified pursuant to Section 133 of the Companies Act, 2013 ("the Act"), read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

For all periods upto and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with the accounting standards notified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP). These financial statements for the year ended December 31, 2017 are first such financial statements of the Company prepared in accordance with Ind AS. The transition date is 1 January 2016. Refer Note 41 for information on first time adoption of Ind AS and how the transition from Previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

The accounting policies adopted in the preparation of these financial statements are consistent for all the periods presented, including the preparation of the Opening Ind AS Balance Sheet as at 1 January 2016 being the beginning of the earliest period for which the Company has presented full comparative information under Ind AS.

The financial statements are presented in Indian Rupees, which is the Company's functional currency and all values are rounded off to the nearest million with one decimal place, except when otherwise indicated.

- (ii) The Ind AS financial statements have been prepared on a historical cost convention basis, except for the following:
- certain financial assets and liabilities (including derivatives) that are measured at fair value;
 - defined benefit plans - net defined benefit (asset) / liabilities – Fair value of plan assets less present value of defined benefit obligation.

2.2 Current and non-current classification

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

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. Actual results could differ from those estimates.

Estimates and judgments are reviewed on an ongoing basis. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstance. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below

a) Impairment of Property, Plant and Equipment (PPE)

The evaluation of applicability of indicators of impairment of assets requires assessment of external factors (significant decline in asset's value, significant changes in the technological, market, economic or legal environment, market interest rates etc.) and internal factors (obsolescence or physical damage of an asset, poor economic performance of the asset etc.) which could result in significant change in recoverable amount of the PPE.

b) Determination of the estimated useful lives

Useful lives of all PPE are based on the estimation done by the Management which is in line with the useful lives as prescribed in Part 'C' of Schedule II to the Act. In cases, where the useful lives are different from those prescribed in Schedule II and in case of intangible assets, they are estimated by management based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

c) Current and deferred taxes

Significant management judgment is required to determine the amount of current and deferred taxes that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

d) Employee benefits

Management's estimate of the Company's obligation is determined based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds. Future salary increases and gratuity increases are based on expected future inflation rates for India.

Refer note 40 for details of the key assumptions used in determining the accounting of these plans.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Depreciation/amortization:

- (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 cost of PPE is provided on straight-line method (SLM) over the useful lives as specified in Part 'C' of Schedule II to the Act. Useful lives are reviewed by the management at each Balance Sheet date and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the revised remaining useful life.
- (iii) Depreciation on additions/deletions to PPE during the year is provided for on a pro-rata basis with reference to the date of additions/deletions except low value of items costing ₹ 5,000 or less which are fully depreciated in the year when the assets are put to use.
- (iv) Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.
- (v) Cost of assets not ready for intended use, as on the reporting date, is shown under capital work-in-progress. Advances given towards acquisition of property, plant and equipment outstanding as at reporting date are disclosed as other non-current assets.

An item of PPE is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Intangible assets are recorded at its acquisition price and amortised on the straight-line method over a period of three years.

On transition to Ind AS, the Company has elected to continue with the carrying value of all its PPE recognised as at January 1, 2016 (transition date) measured as per the Previous GAAP and use that carrying value as the deemed cost of the PPE.

2.4 Property, Plant and Equipment

Property, Plant and Equipment (PPE) are stated at cost of acquisition or construction (including directly attributable expenses thereto), 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.

2.5 Impairment

The carrying amounts of PPE 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. 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 estimated discounted cash flows of projections based on current prices.

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

2.6 Inventories

Inventories comprise of all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials 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, finished goods and traded goods are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis. In case of work-in-progress and manufactured finished goods, cost includes material, labour and production overheads. Fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realisable value of work-in-progress is determined with reference to the estimated selling price less estimated cost of completion and estimated costs necessary to make the sale of related finished goods. Raw materials held for production of finished goods are not written down below cost except it is estimated that the cost of the finished product will exceed its net realisable value.

2.7 Foreign Currency Transactions

Initial recognition

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

Conversion

Foreign currency monetary items as at balance sheet date are translated using the closing exchange rate on that date.

Exchange differences

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the Statement of Profit and Loss in the year in which they arise, except exchange differences arising from the translation of qualifying cash flow hedges to the extent that the hedges are effective, which are recognized in Other comprehensive income.

Cash flow hedges

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable and forecast transactions. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge reserve under OCI, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in cash flow hedge reserve are reclassified to surplus (profit and loss balance) in the same period during which the forecasted transaction occurs.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve is retained there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in cash flow hedge reserve is immediately transferred to the Statement of Profit and Loss for the period.

2.8 Operating Lease

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets during the lease term, are classified as operating leases. Operating lease payments are recognized as expense in the Statement of Profit and loss on a straight-line basis over the lease term, unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

2.9 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and taxes:

- (i) Revenue from sale of goods is recognised on transfer of significant risk and rewards of ownership of products to the customers.
- (ii) Commission income on indenting business is recognised based on intimation received for sales made.
- (iii) Interest income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.

- (iv) Claims are accounted to the extent lodged with the appropriate authorities. Export incentives are accounted on accrual basis based in shipment of eligible exports.
- (v) Rental income is accounted for on accrual basis.

2.10 Employee benefits

a) 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.

b) Post-employment benefits

Defined benefit plans

All employees are covered under Employees' Gratuity Scheme, which is a defined benefit plan. The Company contributes to a fund maintained with Life Insurance Corporation of India (LIC) on the basis of the year-end liability determined based on actuarial valuation using the Projected Unit Cost Method. Remeasurements of the net defined benefit liability, which comprise actuarial gains/losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized in Other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

In respect of few employees, the Company makes contributions determined based on specified percentage of salaries, towards Provident Fund to a Company managed Provident Fund Trust. These contributions are charged to Statement of Profit and Loss as they accrue. The Company has an obligation to fund any shortfall in the Trust Fund, as determined based on the year-end actuarial valuation.

Defined contribution plans

All other employees are covered under contributory provident fund benefit of a contribution of 12% of basic salary. Certain employees are also covered by a Company managed superannuation fund. 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 funds.

Long-term employee benefits:

Provision for long-term employee benefits comprise of compensated absences. These are measured on the basis of year-end actuarial valuation in line with the Company's rules for compensated absences. Remeasurement gains or losses are recognized in profit or loss in the period in which they arise.

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement:

Financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets not recorded at fair value through profit and loss) are added to the fair value of financial assets. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit and loss are recognised immediately in Statement of Profit and Loss.

Subsequent measurement:

For the purposes of subsequent measurement, financial assets are classified into below categories:

- Financial assets at amortised cost;
- Financial assets including derivatives at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business where the objective is to hold these assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables, loans and other financial assets.

(ii) Financial assets including derivatives at fair value through profit or loss (FVTPL)

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost of fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognized in the Statement of Profit and Loss.

(iii) Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Derivative instruments included in FVTOCI category are measured initially as well as at each reporting date at fair value. Movement in fair value is recognized in OCI.

Derecognition:

A financial asset is derecognized when the right to receive cash flows from the asset has expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and the Company has transferred substantially all risks and rewards of the asset or has transferred control of the asset to a third party. On derecognition of a financial asset in its entirety, the differences between the carrying amounts at the date of derecognition and the consideration received is recognized in the Statement of Profit and Loss.

Impairment of financial assets:

The Company applies the expected credit loss (ECL) model for measurement and recognition of impairment losses on trade receivables or any other financial assets that result from transactions that are within the scope of Ind AS 11 and Ind AS 18. The Company follows the simplified approach for recognition of impairment loss allowance on trade receivables (net of advances). The application of the simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. ECL impairment loss allowance (or reversal) recognized during the period is recognized in the Statement of Profit and Loss. This amount is reflected under the head 'other expenses' in the Statement of Profit and Loss.

Financial liabilities***Initial recognition and measurement:***

Financial liabilities are classified, at initial recognition, as measured at amortised cost or financial liabilities at fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading or is a derivative or it is designated as such on initial recognition. The Company's financial liabilities include trade and other payables.

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue cost.

Subsequent measurement:

Financial liabilities, including derivatives which are designated for measurement at FVTPL are subsequently measured at fair value. All other financial liabilities such as deposits are measured at amortised cost using Effective Interest Rate (EIR) method..

Derecognition:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.12 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 provisions of the Indian Income Tax Act, 1961. Deferred tax is provided using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax relating to items recognized outside Statement of Profit and Loss is recognized outside Statement of Profit and Loss. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

At each reporting date, the Company reassesses unrecognized deferred tax assets. It recognises unrecognized deferred tax assets to the extent that it has become probable that sufficient future taxable income will be available against which such deferred tax assets can be realised.

2.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, 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 of the amount of obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are not recognised or disclosed in the financial statements.

2.14 Warranties

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

2.15 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

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

2.16 Cash and cash equivalents

Cash and cash equivalents include cheques in hand, cash at bank and deposits with banks having original maturity of not more than three months. Bank deposits with original maturity period of more than three months but less than twelve months are classified as other bank balances.

2.17 Fair value measurement

The Company's accounting policies and disclosures require the measurement of fair values for, both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has an established control framework with respect to the measurement of fair values. The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of a financial asset or a financial liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value includes discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result from general approximation of value and the same may differ from the actual realised value. Further information about the assumptions made in measuring fair value is included in the note 2.12 on financial instruments.

(₹ in million)

3 Property Plant and Equipment

	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total
Cost								
As at January 1, 2016 (Deemed cost)	19.4	121.8	478.1	2,764.6	54.2	12.9	5.4	3,456.4
Additions	-	-	9.1	1,008.1	24.2	5.9	-	1,047.3
Disposals	-	-	-	2.2	-	0.3	-	2.5
As at December 31, 2016	19.4	121.8	487.2	3,770.5	78.4	18.5	5.4	4,501.2
Additions	-	-	8.6	641.1	11.2	4.3	2.4	667.6
Disposals	-	-	3.2	22.5	3.0	0.1	0.7	29.5
As at December 31, 2017	19.4	121.8	492.6	4,389.1	86.6	22.7	7.1	5,139.3
Accumulated Depreciation								
Depreciation for the year 2016	-	-	20.7	588.4	20.6	9.5	1.4	640.6
Deletions/Adjustments	-	-	-	0.5	-	0.1	-	0.6
As at December 31, 2016	-	-	20.7	587.9	20.6	9.4	1.4	640.0
Depreciation for the year 2017	-	-	19.1	663.6	20.7	6.4	1.1	710.9
Deletions/Adjustments	-	-	0.3	8.3	1.5	0.1	0.5	10.7
As at December 31, 2017	-	-	39.5	1,243.2	39.8	15.7	2.0	1,340.2
Net Block								
As at December 31, 2016	19.4	121.8	466.5	3,182.6	57.8	9.1	4.0	3,861.2
As at December 31, 2017	19.4	121.8	453.1	3,145.9	46.8	7.0	5.1	3,799.1

Intangible assets

	Software	Total
Cost		
As at January 1, 2016 (Deemed cost)	0.8	0.8
Additions	-	-
Disposals	-	-
As at December 31, 2016	0.8	0.8
Additions	-	-
Disposals	-	-
As at December 31, 2017	0.8	0.8
Accumulated Amortisation		
Amortisation for the year 2016	0.4	0.4
Deletions/Adjustments	-	-
As at December 31, 2016	0.4	0.4
Amortisation for the year 2017	0.3	0.3
Deletions/Adjustments	-	-
As at December 31, 2017	0.7	0.7
Net Block		
As at December 31, 2016	0.4	0.4
As at December 31, 2017	0.1	0.1

Notes:

- a) The Company has availed exemption available under Ind AS 101 to continue with carrying value as at January 1, 2016, determined in accordance with Previous GAAP for all property, plant and equipment and intangible assets as deemed cost of such assets on transition to Ind AS.
- 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.

(₹ in million)

Capital work-in-progress

	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total
As at January 1, 2016	23.0	495.6	-	0.2	-	518.8
Additions	5.9	749.6	24.2	9.4	-	789.1
Deductions / adjustments	19.3	-	-	-	-	19.3
Assets capitalised during the year	9.1	1,008.1	24.2	5.9	-	1,047.3
As at December 31, 2016	0.5	237.1	-	3.7	-	241.3
Additions	22.8	716.4	11.2	8.5	2.4	761.3
Deductions / adjustments	8.4	-	-	-	-	8.4
Assets capitalised during the year	8.6	641.1	11.2	4.3	2.4	667.6
As at December 31, 2017	6.3	312.4	-	7.9	-	326.6

4 Non-current Financial Assets

		2017	2016	As at January 1, 2016
(i) Loans				
Other than related parties (Secured and considered good)		40.0	40.0	-
Less: Current portion disclosed under "Current Financial Assets - Loans" (refer Note 12)		(30.0)	-	-
	(A)	10.0	40.0	-
To related parties (Secured and considered good)		1,150.0	950.0	1,450.0
Less: Current portion disclosed under "Current Financial Assets - Loans" (refer Note 12)		(500.0)	-	(550.0)
	(B)	650.0	950.0	900.0
Total	(A + B)	660.0	990.0	900.0
(ii) Other financial assets				
Security deposits		35.2	35.8	37.3
Total		35.2	35.8	37.3

Loans given to related parties comprise of:

Loans given to fellow subsidiaries INA Bearings India Private Limited ₹ 1,150.0 million (2016: ₹ 850.0 million ; January 1, 2016: ₹ 850.0 million) and LuK India Private Limited ₹ Nil (2016: ₹ 100.0 million; January 1, 2016: ₹ 600.0 million), secured by way of hypothecation of plant and machineries. The maximum amount outstanding of secured loans from fellow subsidiaries INA Bearings India Private Limited is ₹ 1,150.0 million (2016: ₹ 850.0 million ; January 1, 2016: ₹ 850.0 million) and LuK India Private Limited ₹ 100.0 million (2016: ₹ 600.0 million ; January 1, 2016: ₹ 600.0 million). The Company has granted loans to fellow subsidiaries for their working capital requirements.

(₹ in million)

5 Deferred tax assets / (liabilities) (net)

	2017	2016	As at January 1, 2016
Deferred tax liabilities			
Excess of depreciation / amortisation on property, plant and equipment under tax law over depreciation /amortisation provided in accounts	143.5	166.5	184.1
Effective portion of gain / (loss) on hedging instruments in cash flow hedge	15.5	-	3.0
(A)	159.0	166.5	187.1
Deferred tax assets			
Provision for employee benefits	109.6	100.8	84.6
Provision for expenses	24.3	23.1	6.0
Provision for credit loss allowance on trade receivables	51.1	44.7	21.8
Effective portion of gain / (loss) on hedging instruments in cash flow hedge	-	21.6	-
(B)	185.0	190.2	112.4
Net deferred tax assets / (liabilities)	26.0	23.7	(74.7)

Movement in deferred tax assets / (liabilities) net

	Property, plant and equipment	Provision for employee benefits	Provision for expenses	Provision for doubtful trade receivables	Effective portion of gain / (loss) on cash flow hedge	Total
As at January 1, 2016	(184.1)	84.6	6.0	21.8	(3.0)	(74.7)
(Charged) / credited to:						
Statement of Profit and Loss	17.6	9.0	17.1	22.9	-	66.6
Other Comprehensive Income	-	7.2	-	-	24.6	31.8
As at December 31, 2016	(166.5)	100.8	23.1	44.7	21.6	23.7
(Charged) / credited to:						
Statement of Profit and Loss	23.0	4.8	1.2	6.4	-	35.4
Other Comprehensive Income	-	4.0	-	-	(37.1)	(33.1)
As at December 31, 2017	(143.5)	109.6	24.3	51.1	(15.5)	26.0

6 Income-tax assets (net)

	2017	2016	As at January 1, 2016
Advance tax recoverable (net of provisions)	386.8	358.4	301.3
Total	386.8	358.4	301.3

(₹ in million)

7 Other non-current assets

	2017	2016	As at January 1, 2016
VAT receivable (paid under protest)	19.3	19.3	21.8
Capital advance	47.6	13.2	22.8
Total	66.9	32.5	44.6

8 Inventories

(Valued at the lower of cost and net realisable value)

	2017	2016	As at January 1, 2016
Raw materials and components (including goods-in-transit ₹284.8 million; 2016: ₹ 295.0 million; as at January 1, 2016: ₹ 391.5 million)	810.1	748.6	807.2
Work-in-progress	124.9	177.8	112.8
Finished goods	840.1	656.3	491.3
Stock-in-trade (including goods-in-transit ₹258.1 million; 2016: ₹ 245.1 million; as at January 1, 2016: ₹ 167.3 million)	758.0	963.0	601.9
Stores and spares (including goods-in-transit ₹1.8 million; 2016: ₹ 3.5 million, as at January 1, 2016: ₹ 0.7 million)	203.1	194.2	189.3
Total	2,736.2	2,739.9	2,202.5

As at December 31, 2017, provision for write-down of inventories to net realisable value amounted to ₹ 244.5 million (2016: ₹ 232.9 million; as at January 1, 2016: ₹ 189.2 million).

9 Current financial assets - Trade receivables

	2017	2016	As at January 1, 2016
Other than related parties	2,526.7	2,755.4	2,808.7
From related parties (refer Note 36)	819.8	636.6	574.9
Less: Allowance for doubtful receivables	(147.6)	(129.2)	(62.7)
	3,198.9	3,262.8	3,320.9
Secured and considered good	7.0	7.8	6.4
Unsecured and considered good	3,191.9	3,255.0	3,314.5
Considered doubtful	147.6	129.2	62.7
	3,346.5	3,392.0	3,383.6
Less: Allowance for doubtful receivables	(147.6)	(129.2)	(62.7)
Total	3,198.9	3,262.8	3,320.9

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 38.

(₹ in million)

10 Current financial assets - Cash and cash equivalents

	2017	2016	As at January 1, 2016
Balances with banks:			
on current accounts	692.8	581.6	529.1
on deposit accounts (with original maturity of 3 months or less)	-	300.0	-
Cheques on hand	84.1	91.0	120.7
Total	776.9	972.6	649.8

11 Current financial assets - Bank balances other than (ii) above

	2017	2016	As at January 1, 2016
Bank deposits with original maturity of more than 3 months and less than 12 months.	7,524.0	5,428.0	4,050.0
Restricted deposits (unclaimed dividend)	5.5	4.9	4.3
Total	7,529.5	5,432.9	4,054.3

12 Current financial assets - Loans

	2017	2016	As at January 1, 2016
Secured and considered good			
Current portion of loans to related parties (refer Note 4)	500.0	-	550.0
Current portion of loans to others (refer Note 4)	30.0	-	-
Total	530.0	-	550.0

13 Other financial assets

	2017	2016	As at January 1, 2016
Unsecured and considered good			
Interest accrued - fixed deposits	214.2	172.1	157.6
Interest accrued - others	4.1	3.4	4.3
Derivative forward exchange contracts	47.4	-	8.6
Insurance claim receivable	147.2	-	-
Total	412.9	175.5	170.5

(₹ in million)

14 Other current assets

	2017	2016	As at January 1, 2016
Unsecured and considered good			
Other receivables - related parties (refer Note 36)	20.3	10.3	22.2
Balance with Government authorities	324.1	319.3	235.4
Advances for supply of goods	41.3	43.5	24.3
Export incentives receivable	45.1	19.3	8.6
Advances to employees	5.5	2.6	2.7
Prepaid expenses	8.3	15.1	9.9
Total	444.6	410.1	303.1

15 Equity share capital

	2017	2016	As at January 1, 2016
Authorised capital			
20,000,000 equity shares of ₹10 each (2016: 20,000,000; as at January 1, 2016: 20,000,000)	200.0	200.0	200.0
Issued, subscribed and paid-up			
16,617,270 equity shares of ₹10 each (2016: 16,617,270; as at January 1, 2016: 16,617,270)	166.2	166.2	166.2
Total	166.2	166.2	166.2

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

	2017		2016		As at January 1, 2016	
	Number	Amount	Number	Amount	Number	Amount
Equity shares						
Shares outstanding at the beginning and end of the year	16,617,270	166.2	16,617,270	166.2	16,617,270	166.2

Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares having par value of 10 per share. Accordingly, all equity shares rank equally with regard to one vote per share held. The dividends proposed by the board of directors is subject to the approval of shareholders in the ensuing Annual General meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive assets of the company, after distribution of all preferential amounts, in the proportion to their shareholding.

(₹ in million)

Shares held by holding / ultimate holding company and / or their subsidiaries/ associates

Name of Shareholder	2017		2016		As at January 1, 2016	
	No. of Shares held	Amount	No. of Shares held	Amount	No. of Shares held	Amount
Equity shares of ₹ 10 each fully paid up held by						
FAG Kugelfischer GmbH (the holding company)	8,529,183	85.29	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	2017		2016		As at January 1, 2016	
	No. of Shares held	% of total shares	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%	8,529,183	51.33%

16 Other equity

	2017	2016	As at January 1, 2016
Capital reserve	5.2	5.2	5.2
Securities premium account	200.2	200.2	200.2
General reserve			
At the commencement of the year	4,218.4	3,818.4	3,418.4
Add: Transfer from retained earnings	-	400.0	400.0
Closing balance	4,218.4	4,218.4	3,818.4
Retained earnings			
At the commencement of the year	10,216.0	8,866.4	7,473.3
Add: Net profit for the year	2,380.2	1,950.6	1,974.8
Add: Revaluation reserve *	-	-	19.8
Less: Adjustment of depreciation (net of tax)	-	-	58.8
Less: Amount transferred pursuant to the scheme of amalgamation	-	-	109.4
Less: Impact of transition to Ind AS (net of tax) (refer Note 41)	-	-	28.4
Less: Appropriations			
- Proposed dividend	199.4	166.2	-
- Tax on proposed dividend	41.7	34.8	4.9
- Transferred to general reserve	-	400.0	400.0
	12,355.1	10,216.0	8,866.4
Other Comprehensive Income			
At the commencement of the year	(54.4)	5.6	5.6
Cash flow hedge reserve (FVTOCI)	70.2	(46.5)	-
Remeasurements of defined benefit liability / asset (net of tax) (FVTOCI)	(7.7)	(13.5)	-
	8.1	(54.4)	5.6
Total	16,787.0	14,585.4	12,895.8

* The Company decided to apply the Cost model under Ind AS 16 on the date of transition to Ind AS. Accordingly, revaluation reserve aggregating to ₹ 19.8 million as at January 1, 2016 recognised under Previous GAAP is now being transferred to retained earnings.

(₹ in million)

Nature and purpose of reserves:

- a) Capital reserve was created on account of merger of subsidiary in earlier years.
- b) Securities premium is used to record premium received on issues of shares. It is utilised in accordance with provisions of the Companies Act, 2013.
- c) General reserve is created out of profits earned by the Company by way of transfer from surplus in the statement of profit and loss. The Company can use this reserve for payment of dividend and issue of fully paid-up shares.
- d) Retained earnings are the profits that the Company has earned till date, less any transfers to General reserve and payment of dividend. It is utilised in accordance with the provisions of the Companies Act, 2013.
- e) Cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Cash flow hedge reserve is determined based on mark-to-market valuation of effective hedges as required by Ind AS 109.
- f) Remeasurements of defined benefit liability / asset comprises of actuarial gains and losses and return on plan asset (excluding interest income).
- g) The following dividends were declared and paid by the Company during the year:

	December 31, 2017	December 31, 2016
₹ 12 per equity share (2016: ₹ 10)	199.4	166.2
Dividend distribution tax (DDT) on dividend to equity shareholders	41.7	34.8
	241.1	201.0

After the reporting dates, the following dividends (excluding dividend distribution tax) were proposed by the Directors subject to the approval at the annual general meeting and hence, dividends have not been disclosed as liabilities. Dividends would attract dividend distribution tax when declared or paid.

	December 31, 2017	December 31, 2016
₹ 17 per equity share (2016: ₹ 12)	282.5	199.4

17 Other financial liabilities (non-current)

	2017	2016	As at January 1, 2016
Security deposits from customers and vendors	10.1	12.7	14.5
Total	10.1	12.7	14.5

18 Long term provisions

	2017	2016	As at January 1, 2016
Provision for employee benefits			
Gratuity (refer Note 40)	50.3	38.0	16.6
Compensated absences	224.8	209.4	189.1
Other provisions			
Provision for tax and other statutory matters (being litigated) *	10.5	10.5	10.5
Total	285.6	257.9	216.2

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

(₹ in million)

Additional disclosures relating to certain provisions (as per Ind AS-37)

Movement in provision for tax and other statutory matters (being litigated)

	2017	2016	As at January 1, 2016
At the commencement of the year	10.5	10.5	10.5
Provision made during the year	-	-	-
Provision utilised during the year	-	-	-
At the end of the year	10.5	10.5	10.5

19 Current financial liability - Trade payables

	2017	2016	As at January 1, 2016
Dues to micro and small enterprises (refer Note 43)	-	-	-
Dues to other than micro and small enterprises	1,454.4	1,533.1	1,271.9
Dues to related parties	1,413.5	1,176.9	1,132.9
Total	2,867.9	2,710.0	2,404.8

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in Note 38.

20 Other financial liabilities

	2017	2016	As at January 1, 2016
Employee liabilities			
- Personnel cost	83.0	171.7	54.4
- Contribution to provident fund	5.0	4.7	4.5
Creditors for capital goods	237.8	42.9	193.7
Accrued expense	286.7	229.3	120.4
Derivative forward exchange contracts	-	93.1	-
Unclaimed dividends*	5.5	4.9	4.3
Other payables	14.5	89.7	105.8
Total	632.5	636.3	483.1

*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.

(₹ in million)

21 Other current liabilities

	2017	2016	As at January 1, 2016
Advances from customers	82.7	47.4	98.8
TDS payable	20.3	13.8	13.9
Balance payable to government authorities	-	52.7	55.4
Other statutory dues	5.6	4.7	39.2
Total	108.6	118.6	207.3

22 Short-term provisions

	2017	2016	As at January 1, 2016
Provision for employee benefits			
Current portion of compensated absences	38.7	41.0	35.8
Other provisions			
Provision for wealth tax	-	0.3	0.3
Provision for tax (net of advance tax)	26.1	1.7	4.6
Provision for warranties *	7.0	7.0	7.0
Total	71.8	50.0	47.7

* Warranty provision is estimated for expected warranty claims in respect of products sold during the year 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. The timing and amount of cashflows will be determined upon receipt of claims.

Additional disclosures relating to certain provisions (as per Ind AS 37):

Warranties	2017	2016	As at January 1, 2016
At the commencement of the year	7.0	7.0	2.5
Provision made during the year	0.3	0.5	6.2
Provision utilised during the year	(0.3)	(0.5)	(1.7)
At the end of the year	7.0	7.0	7.0

(₹ in million)

23 Revenue from operations

	2017	2016
Sale of products		
Finished goods	14,421.1	14,024.2
Traded goods	5,212.0	5,187.0
	19,633.1	19,211.2
Sale of services	71.8	53.2
Other operating revenues		
Export incentives	170.3	159.6
Scrap sales	35.5	27.6
Total	19,910.7	19,451.6

For periods upto June 30, 2017, revenue from operations are gross of excise duty. Effective July 1, 2017, revenue from operations are net of Goods and Services Tax. Accordingly, the figures for previous period are not comparable.

24 Other income

	2017	2016
Interest income		
On fixed deposits	443.8	359.6
On loans	161.3	161.9
Provisions no longer required written-back	4.5	3.1
Other non-operating income	64.3	126.3
Gain on account of foreign exchange fluctuations (net)	-	31.7
Profit on sale / retirement of assets (net)	5.4	-
Total	679.3	682.6

25 Cost of materials consumed*

	2017	2016
Inventory of materials at the beginning of the year	748.6	807.2
Purchases	7,334.8	6,770.1
Inventory of materials at the end of the year	810.1	748.6
Total	7,273.3	6,828.7

* The consumption figures shown above have been ascertained on the basis of materials consumed and after considering excess / shortages ascertained on physical verification.

26 Purchases of stock-in-trade

	2017	2016
Purchase of traded goods	3,708.8	4,588.4
Total	3,708.8	4,588.4

(₹ in million)

27 Changes in inventories of finished goods, work-in progress and stock in trade*

	2017	2016
(Increase) in inventory of manufactured goods		
Opening inventory	656.3	491.3
Less: Closing inventory	840.1	656.3
(A)	(183.8)	(165.0)
Decrease / (Increase) in inventory of traded goods		
Opening inventory	963.0	601.9
Less: Closing inventory	758.0	963.0
(B)	205.0	(361.1)
Decrease / (Increase) in inventory of work-in-progress		
Opening inventory	177.8	112.8
Less: Closing inventory	124.9	177.8
(C)	52.9	(65.0)
Total (A + B + C)	74.1	(591.1)

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

28 Employee benefits expense

	2017	2016
Salaries, wages and incentives	1,279.6	1,275.6
Contributions to : (refer note 40)		
-Provident fund	65.5	57.0
-Gratuity fund	21.9	19.6
-Superannuation fund	25.2	25.9
Compensated absences	43.1	32.3
Staff welfare expenses	95.6	81.9
Total	1,530.9	1,492.3

29 Finance costs

	2017	2016
Bank and other financial charges	10.2	16.2
Other interest expenses	-	1.4
Total	10.2	17.6

30 Depreciation and amortisation expense

	2017	2016
Depreciation of property, plant and equipment	710.9	640.6
Amortisation of intangible assets	0.3	0.4
Total	711.2	641.0

(₹ in million)

31 Other expenses

	2017	2016
Consumption of stores and spare parts	783.3	773.5
Power and fuel	401.3	356.2
Freight, clearing and forwarding	227.6	225.8
Rent	35.2	36.6
Repairs		
- Building	20.8	11.9
- Machinery	0.1	8.5
- Others	69.3	50.2
Insurance	13.5	12.5
Rates and taxes	20.0	28.0
Excise duty*	(74.7)	17.6
Travelling expenses	106.5	98.2
Legal and professional fees	107.1	35.8
Payments to auditors (refer note below)	6.2	6.5
Fees for use of technology	320.1	295.0
Advertising and sales promotion	77.1	88.9
Bank charges	10.1	3.7
Telephone and other communication expenses	13.8	14.1
Printing and stationery	11.8	9.6
Provision for doubtful debts	18.4	66.5
Bad debts written off	1.2	-
Loss on sale / retirement of assets (net)	-	21.1
Loss on account of foreign exchange fluctuations (net)	44.5	-
Warranty costs	0.3	0.5
Outside services	664.8	479.7
Corporate Social Responsibility expenditure (refer note below)	60.2	62.9
Miscellaneous expenses	30.6	17.1
Less: Capitalised for own consumption	(34.2)	(44.8)
Total	2,934.9	2,675.6

* Excise duty appearing under other expenses represents difference between the closing and opening of manufactured finished goods of ₹ (74.7) million (2016: ₹ 17.6 million).

Note : Payments to auditors	2017	2016
As auditors		
- Statutory audit	4.3	4.3
- Limited review	1.4	1.4
- Other services	0.3	0.6
Reimbursement of expenses	0.2	0.2
Total	6.2	6.5

(₹ in million)

Note : Corporate Social Responsibility expenditure	2017	2016
Amount required to be spent as per Section 135 of the Act	55.2	47.5
Amount incurred during the year on:		
(i) Construction/acquisition of assets	24.1	47.5
(ii) On purpose other than (i) above	36.1	15.4
	60.2	62.9
Amount yet to be paid on:		
(i) Construction/acquisition of assets	-	11.2
(ii) On purpose other than (i) above	1.1	4.2
Total	1.1	15.4

32 Tax expense

	2017	2016
(a) Current tax		
Current tax on profit during the year	1,287.2	1,084.0
Tax adjustments of earlier years	(8.9)	25.3
Total current tax expense	1,278.3	1,109.3
(b) Deferred tax		
Deferred tax (credit) attributable to origination and reversal of temporary differences	(35.4)	(66.6)
Total tax expense	1,242.9	1,042.7
Reconciliation of effective tax rate		
Profit before tax	3,623.1	2,993.3
Current tax at the Indian tax rate of 34.608%	1,253.9	1,036.0
Tax adjustments of earlier years	(8.9)	25.3
Tax effect of amounts which are not deductible in calculating taxable income:		
Expenses allowable when paid and other timing differences	33.3	48.0
Current tax expense (A)	1,278.3	1,109.3
Deferred tax		
On WDV of property, plant and equipment	(23.0)	(17.6)
Provision for employee benefits	(4.8)	(9.0)
Provision for expenses	(1.2)	(17.1)
Provision for doubtful trade receivables	(6.4)	(22.9)
Deferred tax expense (B)	(35.4)	(66.6)
Tax expense recognised in Statement of Profit and Loss (A + B)	1,242.9	1,042.7
Tax impact recognised in Other Comprehensive Income (OCI)		
Remeasurement of defined benefits obligation	4.0	7.2
Effective portion of gain / (loss) on hedging instruments in cash flow hedge	(37.1)	24.6

(₹ in million)

33 Earnings Per Share (EPS)

	2017	2016
a) Amount used as the numerator		
Profit after tax attributable to equity shareholders (₹ in million)	2,380.2	1,950.6
b) Weighted average number of equity shares used as the denominator (Nos.)	16,617,270	16,617,270
c) Nominal value of share (in ₹)	10.0	10.0
d) Earnings per share (Basic and Diluted) (in ₹)	143.2	117.4

34 Contingent liabilities not provided for in respect of:

	2017	2016
Claims against the company not acknowledged as debts:		
a) Employees and ex-employees related matters:		
(i) Matters pending in labor court / civil court / High Court for reinstatement of service / recovery of salary	129.9	111.2
(ii) Demand for discontinuing of contract system and for differential wages	12.7	0.8
	142.6	112.0
b) (i) Sales-tax For non receipt of C Forms and non acceptance of Company's claim of certain sales as exempt sales in respect of assessment years 2004-05, 2006-07, 2007-08, 2009-10, 2012-13, 2013-14 and 2014-15	28.2	23.4
(ii) Service tax		
i) In respect of matters where the Company has received favourable orders/partial relief from the First Appellate authorities but the Central Excise and Customs Department is pursuing further with higher Appellate authorities (excluding the matters if not ultimately allowed, would be allowed in the following assessment years).	-	0.9
(iii) Excise duty: In respect of matters decided against the Company, for which the Company is in appeal with higher authorities	13.1	8.1
c) Income tax:		
i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	146.4	147.7
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).	11.6	40.7

35 Contracts on capital account:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance).	287.7	187.1
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36 Related Party disclosures as required under Ind AS-24 are given below:

- 1) Name and nature of relationship of the related party where control exists:
FAG Kugelfischer GmbH, Germany: Holding Company holds 8,529,183 equity shares i.e. 51.33% of the equity share capital as at the year end. The ultimate control lies with INA Holding Schaeffler GmbH & Co. KG – Germany.
- 2) Names of the Related Parties having transactions with the Company during the year.

2017	2016
Holding Company	Holding Company
FAG Kugelfischer GmbH, Germany	FAG Kugelfischer GmbH, Germany
Fellow subsidiaries / Affiliates	Fellow subsidiaries / Affiliates
Schaeffler Australia Pty. Ltd., Australia	Schaeffler Australia Pty. Ltd., Australia
Schaeffler Brasil Ltda., Brazil	Schaeffler Brasil Ltda., Brazil
Schaeffler (China) Co. Ltd., China	Schaeffler (China) Co. Ltd., China
Schaeffler Trading (Shanghai) Co. Ltd., China	Schaeffler Holding (China) Co. Ltd., China
Schaeffler (Nanjing) Co. Ltd., China	Schaeffler Trading (Shanghai) Co. Ltd., China
Schaeffler (Ningxia) Co. Ltd., China	Schaeffler (Nanjing) Co. Ltd., China
Schaeffler Holding (China) Co. Ltd., China	Schaeffler (Ningxia) Co. Ltd., China
Schaeffler Middle East FZE, Dubai	Schaeffler Middle East FZE, Dubai
Schaeffler France SAS, France	Schaeffler Technologies AG & Co. KG, Germany
Schaeffler Technologies AG & Co. KG, Germany	Schaeffler AG, Germany
Schaeffler AG, Germany	Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany
Schaeffler Elfershausen AG & Co. KG, Germany	Schaeffler Elfershausen AG & Co. KG, Germany
Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany	FAG Industrial Services GmbH, Germany
FAG Industrial Services GmbH, Germany	WPB Water Pump Bearing GmbH & Co. KG, Germany
LuK Truckparts GmbH & Co. KG, Germany	Schaeffler Hong Kong Company Ltd, Hong Kong
LuK GmbH & Co. KG, Germany	INA Bearings India Pvt. Ltd., India
Schaeffler Hong Kong Company Ltd, Hong Kong	LuK India Pvt. Ltd. India
INA Bearings India Pvt. Ltd., India	Schaeffler Bearings Indonesia, PT, Indonesia
LuK India Pvt. Ltd. India	Schaeffler Japan Co. Ltd. Japan
Schaeffler Bearings Indonesia, PT, Indonesia	Schaeffler Korea Corporation, Korea
Schaeffler Japan Co. Ltd. Japan	Schaeffler Mexico, S. de R.L. de C.V., Mexico
Schaeffler Korea Corporation, Korea	Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia
LuK Puebla, S. de R.L. de C.V., Mexico	Schaeffler Portugal Unipessoal Lda., Portugal
Schaeffler Mexico, S. de R.L. de C.V., Mexico	Schaeffler Philippines Inc., Philippines
Schaeffler Nederland B.V., Netherlands	SC Schaeffler Romania S.R.L., Romania
Schaeffler Philippines Inc., Philippines	Schaeffler (Singapore) Pte. Ltd., Singapore
Schaeffler Portugal Unipessoal Lda., Portugal	Schaeffler South Africa (Pty.) Ltd., South Africa
SC Schaeffler Romania S.R.L., Romania	Schaeffler Kysuce, spol. s.r.o, Slovakia
Schaeffler (Singapore) Pte. Ltd., Singapore	Schaeffler (Thailand) Co. Ltd., Thailand
Schaeffler Kysuce, spol. s.r.o, Slovakia	Schaeffler (UK) Ltd. UK
Schaeffler (Thailand) Co. Ltd., Thailand	The Barden Corporation, USA
Schaeffler Group USA Inc, USA	Schaeffler Group USA Inc, USA
Schaeffler (UK) Ltd. UK.	Schaeffler Vietnam Co. Ltd., Vietnam
The Barden Corporation (U.K.) Ltd., UK.	
Schaeffler Vietnam Co. Ltd., Vietnam	

Key Management Personnel

Mr. Dharmesh Arora, Managing Director
(w.e.f. March 6, 2017)

Mr. Rajendra Anandpara, Managing Director
(upto March 3, 2017)

(₹ in million)

3) Transactions with related parties during the year:

Nature of transactions	Holding company	Fellow subsidiaries/ Affiliates	Key Management Personnel	Total
Purchase of finished goods	-	3,154.5	-	3,154.5
	-	(3573.6)	-	(3573.6)
Purchase of raw materials and components / spares	-	730.7	-	730.7
	-	(802.3)	-	(802.3)
Purchase of tangible assets	-	388.0	-	388.0
	-	(280.9)	-	(280.9)
Fees for use of technology / trademark	-	320.1	-	320.1
	-	(295.0)	-	(295.0)
Charges for IT support and connectivity	-	132.9	-	132.9
	-	(103.3)	-	(103.3)
Dividend for the year -2016	102.4	-	-	102.4
2015	(85.3)	-	-	(85.3)
Deputation, travelling, training, testing & other costs	-	57.3	-	57.3
	-	(54.6)	-	(54.6)
Reversal of other cost	-	6.6	-	6.6
	-	-	-	-
Lease rent paid	-	9.6	-	9.6
	-	(9.5)	-	(9.5)
Management service charges paid	-	27.9	-	27.9
	-	(22.7)	-	(22.7)
Expat cost	-	13.8	-	13.8
	-	(14.5)	-	(14.5)
Sale of finished goods	-	3,558.0	-	3,558.0
	-	(2945.3)	-	(2945.3)
Reversal of Technical services including capitalised	-	-	-	-
	-	(9.7)	-	(9.7)
Managerial remuneration*	-	-	18.2	18.2
	-	-	(13.5)	(13.5)
Payment to Directors	-	-	7.3	7.3
	-	-	(6.5)	(6.5)
Management service charges recovered	-	35.4	-	35.4
	-	(30.2)	-	(30.2)
Loan recovered	-	100.0	-	100.0
	-	(500.0)	-	(500.0)
Payments on behalf of related parties (Reimbursement)	-	16.1	-	16.1
	-	(16.5)	-	(16.5)
Interest on loans given	-	119.8	-	119.8
	-	(142.6)	-	(142.6)
Service income	-	12.5	-	12.5
	-	(2.3)	-	(2.3)
Lease rent recovered	-	1.6	-	1.6
	-	(1.7)	-	(1.7)

* In the case of present key management personnel, remuneration does not include gratuity and leave encashment benefits which are determined for the Company as a whole.

(₹ in million)

4) Balances outstanding as at 31 December 2017:

Nature of Transaction	Fellow subsidiaries / Affiliates
Trade receivables	
Schaeffler Technologies AG & Co. KG, Germany	305.9
	(277.7)
Schaeffler Group USA Inc., USA	234.4
	(81.5)
Others	279.5
	(277.4)
Trade payables	
Schaeffler Technologies AG & Co. KG, Germany	1,163.2
	(1,099.5)
Schaeffler Group USA Inc., USA	158.9
	(2.9)
Others	91.4
	(74.5)
Advance received from customers	
Schaeffler (Ningxia) Co. Ltd., China	-
	(3.6)
LuK India Pvt. Ltd. India	28.9
	(17.6)
Others	1.6
	-
Loans Receivables	
INA Bearings India Pvt. Ltd., India	1150.0
	(850.0)
LuK India Pvt. Ltd. India	-
	(100.0)
Other receivables	
INA Bearings India Pvt. Ltd., India	2.2
	(1.7)
LuK India Pvt. Ltd. India	5.0
	(1.1)
The Barden Corporation, USA	2.1
	(2.3)
Schaeffler (Ningxia) Co. Ltd., China	4.2
	(2.5)
Schaeffler Technologies AG & Co. KG, Germany	6.4
	(2.6)
Others	0.4
	(0.1)

(₹ in million)

5) The significant related party transactions are as under:

Nature of Transactions	Fellow subsidiary / Affiliates	Amount
Purchase of finished goods	Schaeffler Technologies AG & Co. KG, Germany	2,972.9
		(3406.8)
Purchase of raw material and components/ spares	Schaeffler Technologies AG & Co. KG, Germany	562.5
		(635.4)
	Schaeffler (China) Co. Ltd. China	94.6
		(75.4)
Purchase of tangible fixed assets	Schaeffler Technologies AG & Co. KG, Germany	95.8
		(125.5)
	Schaeffler (China) Co. Ltd. China	121.2
		(153.8)
	Schaeffler Group USA Inc., USA	158.9
		-
Sale of finished goods	Schaeffler Technologies AG & Co. KG, Germany	1,052.7
		(1112.1)
	Schaeffler Trading(Shanghai) Co. Ltd; China	669.3
		(507.1)
	Schaeffler Group USA Inc., USA	687.2
		(336.4)
Fees for use of technology / Trademark	Schaeffler Technologies AG & Co. KG, Germany	317.4
		(292.8)
Charges for IT support and connectivity	Schaeffler Technologies AG & Co. KG, Germany	132.9
		(103.3)
Deputation travelling, training, testing & other costs	Schaeffler Technologies AG & Co. KG, Germany	45.4
		(25.9)
	Schaeffler (Nanjing) Co. Ltd., China	-
		(10.5)
	Schaeffler Japan Co. Ltd. Japan	0.2
		(11.0)
	Schaeffler AG, Germany	6.2
		(1.4)
Reversal of other cost	Schaeffler (Nanjing) Co. Ltd., China	6.6
		-
Lease rent paid	INA Bearings India Pvt. Ltd., India	9.6
		(9.5)
Management service charges paid	INA Bearings India Pvt. Ltd., India	27.9
		(22.7)
Reversal of technical services including capitalised	Schaeffler (Nanjing) Co. Ltd., China	-
		(9.7)
Expatriate cost	Schaeffler Technologies AG & Co. KG, Germany	13.8
		(8.7)
	Schaeffler Korea Corporation, Korea	-
		(5.5)
Loan recovered	LuK India Pvt. Ltd., India	100.0
		(500.0)

Continued...

...Continued

(₹ in million)

Nature of Transactions	Fellow subsidiary / Affiliates	Amount
Payments on behalf of related parties (Re- imbursement)	INA Bearings India Pvt. Ltd., India	4.0
		(2.2)
	The Barden Corporation, USA	-
		(5.6)
	Schaeffler (Ningxia) Co. Ltd., China	-
		(2.5)
	Schaeffler Technologies AG & Co. KG, Germany	11.3
		(5.4)
Management service charges recovered	INA Bearings India Pvt. Ltd., India	21.7
		(18.3)
	LuK India Pvt. Ltd., India	13.8
		(11.9)
Interest on loans given	INA Bearings India Pvt. Ltd., India	118.5
		(92.2)
	LuK India Pvt. Ltd., India	1.3
		(50.4)
Service income	INA Bearings India Pvt. Ltd., India	1.7
		(1.2)
	Schaeffler (Ningxia) Co. Ltd., China	2.6
		(0.9)
	LuK India Pvt. Ltd., India	1.3
		-
	Schaeffler Group USA Inc., USA	1.9
	-	
	Schaeffler Technologies AG & Co. KG, Germany	2.7
		(0.2)
Lease rent recovered	INA Bearings India Pvt. Ltd., India	1.2
		(1.3)
	LuK India Pvt. Ltd., India	0.4
		(0.4)
Dividend paid	FAG Kugelfischer GmbH, Germany	102.4
		(85.3)
Payment to Directors	Mr. Avinash P. Gandhi	1.7
		(1.6)
	Mrs. Renu Challu	1.3
		(1.2)
	Mr. R. Sampath Kumar	1.7
		(1.3)
	Dr. Sanak Mishra	1.3
		(1.2)
Mr. Rakesh Jinsi	1.3	
	(1.2)	

(₹ in million)

37 Derivative instruments:

The Company's exposure to foreign currency fluctuations relates to foreign currency assets, liabilities and forecasted cash flows. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives like forward contracts. The Company has entered into foreign currency forward contracts, majority having maturity of less than one year from reporting date, to hedge its risks associated with foreign currency fluctuations relating to such highly probable transactions. The currencies in which these transactions are mainly denominated are US Dollars and Euro.

Gain / (loss) on the fair valuation of forward contracts, which qualify as effective cash flow hedge amounting to ₹ 44.8 million (2016: Loss ₹ (62.5) million) on the Balance Sheet has been recognised in Cash Flow Hedge Reserve.

Outstanding derivative instruments

Category	Currency hedged	2017		2016	
		Notional amount in foreign currency	Equivalent amount	Notional amount in foreign currency	Equivalent amount
Forward exchange contracts (to hedge highly probable export receivables)	USD	20,057,000	1,281.1	14,285,140	968.4
Forward exchange contracts (to hedge highly probable import payables)	EUR	24,727,000	1,894.3	21,994,240	1,571.5

The Company holds the following instruments to hedge exposures to changes in foreign currency:

Maturity	2017		2016		As at January 1, 2016	
	1-6 months	6-12 months	1-6 months	6-12 months	1-6 months	6-12 months
Foreign currency risk						
Forward exchange contracts						
Net exposure (₹ in million)	1,861.1	1,314.3	1,511.9	1,028.0	1,208.8	939.5
Average INR: USD forward contract rate	66.19	67.53	69.20	71.53	67.98	69.44
Average INR: EUR forward contract rate	77.84	80.42	76.56	79.78	74.71	76.47

(₹ in million)

Foreign currency exposures as at December 31, 2017:

Particulars	Currency	Amount in foreign currency	Equivalent amount
Trade Payables	USD	5,850,735.9	372.8
		(2,142,027.4)	(145.2)
	EUR	16,281,807.0	1,244.2
		(16,131,037.3)	(1,152.5)
	CHF	478.0	0.0
		(41,323.5)	(2.7)
JPY	7,454,489.0	4.2	
	(1,221,800.0)	(0.7)	
CNY	9,217,505.4	90.2	
	(9,495,077.7)	(92.7)	
Advances from customers	USD	20,284.0	1.5
		(52,820.5)	(3.6)
Trade Receivables	USD	7,486,168.5	477.0
		(5,107,993.1)	(346.3)
	EUR	4,527,132.7	346.0
		(4,202,786.7)	(300.3)
Advances to Suppliers	USD	4,325.0	0.3
		(26,752.3)	(1.8)
	EUR	473,630.6	34.4
		(34,630.8)	(2.5)
	CHF	-	-
		(5,588.0)	(0.4)
	GBP	2,699.5	0.2
		(766.6)	(0.1)
AUD	5,496.1	0.3	
	-	-	
JPY	150,000.0	0.1	
	-	-	
Bank balance in EEFC accounts	USD	802,095.4	51.1
		(254,691.4)	(17.3)
	EUR	1,036,888.7	79.2
		(1,253,141.7)	(89.5)

(₹ in million)

The Company's exposure to foreign currency risk at the end of reporting period are as follows:

	2017	2016	January 1, 2016
Financial assets			
Trade receivables			
USD	477.0	346.3	257.9
EUR	346.0	300.3	377.1
Bank Balances in EEFC account			
USD	51.1	17.3	17.5
EUR	79.2	89.5	97.1
Total Exposure to foreign currency assets	953.3	753.4	749.6

	2017	2016	January 1, 2016
Financial liabilities			
Trade payables			
USD	372.8	145.2	297.3
EUR	1,244.2	1,152.5	956.7
CHF	0.0	2.7	-
JPY	4.2	0.7	-
CNY	90.2	92.7	108.1
Total Exposure to foreign currency liabilities	1,711.4	1,393.8	1,362.1

38. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- market risk [refer 38 (A) below]
- liquidity risk [refer 38 (B) below]
- credit risk [refer 38 (C) below]

In the course of its business, the Company is exposed primarily to aforesaid risks, which may impact the fair value of its financial instruments. The Company has a risk management system which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as credit risks. The risk management strategy is approved by Board of Directors which is implemented by the Company's management. The risk management framework aims to create a stable business planning environment by reducing the impact of market related risks, credit risks and currency fluctuations on the Company's earnings. The risks identified through the risk management system are analysed and evaluated by the Company's management and reported to the Board of Directors periodically along with report of planned mitigation measures.

A) Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

(₹ in million)

(i) **Foreign currency risk**

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollars and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (Indian Rupees).

The Company has import and export transactions in foreign currencies. Imports are higher than exports and hence the Company has foreign currency exposure to the extent of purchases being higher than exports. The risk of foreign currency fluctuation is mitigated through hedging. Please refer Note 37 for details of foreign currency exposure.

Foreign Currency Sensitivity

The following table demonstrates sensitivity to a reasonable possible change in major foreign currencies like USD and EUR with all other variables held constant:

		Effect on Profit Before Tax	
		2017	2016
USD	+ 5%	7.8	10.9
	- 5%	(7.8)	(10.9)
EUR	+ 5%	(40.9)	(38.1)
	- 5%	40.9	38.1
CHF	+ 5%	(0.0)	(0.1)
	- 5%	0.0	0.1
JPY	+ 5%	(0.2)	(0.0)
	- 5%	0.2	0.0
CNY	+ 5%	(4.5)	(4.6)
	- 5%	4.5	4.6

(ii) **Interest rate risk**

The Company has granted loans to related parties and third parties. The Company recovers interest as per the terms of the agreement which approximates the prevailing market rate of interest, from time to time. Accordingly, interest rate risk for loans given is not considered to be substantial.

The Company does not have any borrowings. Surplus funds are being invested in bank deposits at fixed interest rates and the tenure is managed to match with the Company's liquidity profile.

B) Liquidity Risk

The Company's principal sources of liquidity are cash and cash equivalents and cash flows generated from operations. The Company regularly monitors actual cash flows and forecasts to ensure that the Company maintains sufficient liquidity to meet the operation needs.

C) Credit Risk

Credit risk is the unexpected loss in financial instruments if the counter parties fails to discharge it's contractual obligations in entirety and timely. The Company is exposed to credit risks arising from it's operating and financing activities such as trade receivables, loans and advances and other financial instruments. The carrying amounts of financial assets represent the maximum credit exposure.

Trade receivables

Credit risk on trade receivables is limited due to the Company's diversified customer base which includes public sector enterprises and reputed private corporates. For trade receivables, the Company computes expected credit loss allowance based on provision matrix which is prepared considering customer's industry segment and historically observed overdue rate over expected life of trade receivables. The expected credit loss allowance is considered as a percentage of net receivable position.

(₹ in million)

	2017		2016		January 1, 2016	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Gross carrying amount	3,193.5	153.0	3,240.4	151.6	3,359.0	24.6
Expected credit losses (Loss allowance provision)	(65.5)	(82.1)	(55.4)	(73.8)	(43.5)	(19.2)
Carrying amount of trade receivables (net)	3,128.0	70.9	3,185.0	77.8	3,315.5	5.4

Reconciliation of expected credit loss allowance is as follows:

As at January 1, 2016	62.7
Change in loss allowance	66.5
As at December 31, 2016	129.2
Change in loss allowance	18.4
As at December 31, 2017	147.6

Other financial assets

The Company does not have significant credit risk from loans given considering available securities against which such loans have been given.

39. Capital management

For the purpose of Company's capital management, capital includes equity share capital and all other reserves attributable to equity shareholders. The Company has a long-term strategy of pursuing profitable growth. Capital is managed proactively to secure the existence of the Company as a going concern in the long-term and create financial flexibility for profitable growth in order to add value to the Company. A further aim of the capital management is to ensure long-term availability of liquidity, maintain strong credit ratings and ensure optimal capital structure in order to support business through continuing growth and maximising shareholders value. The Company funds its operations through internal accruals and the Management along with the Board of Directors regularly monitor the returns on capital as well as dividend levels to shareholders.

40 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 ₹ 65.5 million (2016: ₹ 57.0 million) and contribution to superannuation fund for the year aggregated to ₹ 25.2 million (2016: ₹ 25.9 million).

Defined benefit plans

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

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of certain employees towards Provident Fund to a Company managed PF Trust upto August 31, 2017. The contributions are charged to Statement of Profit and Loss as they accrued till that date. Effective September 1, 2017 the Company has started contributing directly to Provident Fund authorities.

(₹ in million)

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

	Gratuity	
	2017	2016
Present value of funded obligations	331.4	321.6
Fair value of plan assets	281.1	283.6
(Asset)/Liability recognised in balance sheet	50.3	38.0

Classification into current / non-current

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

	Gratuity	
	2017	2016
Noncurrent liability	50.3	38.0
Current liability	-	-
Total	50.3	38.0

Movement in present values of defined benefit obligations:

	Gratuity	
	2017	2016
Defined benefit obligation at January 1	321.6	282.4
Service cost	20.6	18.2
Interest cost	20.3	21.1
Actuarial (gains)/ losses recognised in Other Comprehensive Income due to:		
Change in assumptions	(2.5)	14.2
Experience changes	15.0	9.4
Benefits paid / Employees contribution	(43.6)	(23.7)
Defined benefit obligation at December 31	331.4	321.6

Movement in fair value of plan assets:

	Gratuity	
	2017	2016
Fair value of plan assets at January 1	283.6	265.7
Return on plan assets recognised in other comprehensive income	0.8	2.9
Interest on plan assets	19.1	19.8
Contributions by employer	21.2	18.9
Benefits paid / Employees contribution	(43.6)	(23.7)
Fair value of plan assets at December 31	281.1	283.6

Expense recognized in the Statement of Profit and Loss:

	Gratuity	
	2017	2016
Current service cost	20.6	18.2
Interest on net defined benefit liability / (asset)	1.3	1.4
Total included in Employee benefits expense	21.9	19.6

(₹ in million)

Remeasurements recognised in other comprehensive income

	Gratuity	
	2017	2016
Actuarial (gain)/ loss on defined benefit obligation	12.5	23.6
Return on plan assets excluding interest income	(0.8)	(2.9)
	11.7	20.7

Principal actuarial assumptions at the balance sheet date (expressed as weighted average)

	Gratuity	
	2017	2016
Discount rate per annum as at December 31	7.10%	7.00%
Expected return per annum on plan assets as at December 31	7.50%	7.50%
Future salary increment	6.50%	6.50%
Retirement age	58 Years	58 Years
Mortality	Indian Assured Lives Mortality (2006-08) Ult table	Indian Assured Lives Mortality (2006-08) Ult table
Attrition rate	1%- 2%	1%- 2%

At December 31, 2017, the weighted-average duration of the defined benefit obligation was 7.58 years (31 December 2016: 7.17 years).

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

Sensitivity Analysis

The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 100 basis points:

	2017		2016	
	Increase	Decrease	Increase	Decrease
Discount rate (100 bps movement on DBO)	-7.06%	8.18%	-6.69%	7.73%
Salary escalation rate (100 bps movement pn DBO)	8.14%	-7.16%	7.69%	-6.78%

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analyses.

The major categories of plan assets are as follows

	2017		
	Quoted	Unquoted	Total
Insurer managed funds	-	280.7	280.7
Others	-	0.4	0.4

(₹ in million)

41 Explanation of transition to Ind AS

As stated in Note 2.1, these are the Company's first financial statements prepared in accordance with Ind AS. For the year ended December 31, 2016, the Company has prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('Previous GAAP').

The accounting policies set out in Note 2 have been applied in preparing these financial statements for the year ended December 31, 2017 including the comparative information for the year ended December 31, 2016 and the opening Ind AS balance sheet as on the date of transition i.e. January 1, 2016.

In preparing the Company's Ind AS balance sheet as at January 1, 2016 and in presenting the comparative information for the year ended December 31, 2016, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Previous GAAP. This note explains the principal adjustments made by the Company in restating its Previous GAAP financial statements, and how the transition from Previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

(A) Exemptions availed

Ind AS 101 - "First-time Adoption of Indian Accounting Standards" allows first-time adopters certain optional / mandatory exemptions. The Company has accordingly availed the following exemptions:

- (i) The Company has elected to apply Ind AS 103 - "Business Combinations" prospectively from the date of transition. Hence, business combinations occurring prior to the transition date have not been restated.
- (ii) The Company has elected to continue with the carrying value determined in accordance with Previous GAAP for all of its property, plant and equipment and intangible assets as deemed cost of such assets at the transition date.
- (iii) The estimates as at January 1, 2016 and December 31, 2016, are consistent with those made for the same dates in accordance with Previous GAAP (after adjustments to reflect any differences in accounting policies) apart from the following item where application of Previous GAAP did not require estimation:
- Impairment of financial assets based on expected credit loss model.

(B) Reconciliations between previously reported Previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliation from Previous GAAP to Ind AS:

(i) Reconciliation of Equity between Previous GAAP and Ind AS

	Notes	2016	As at January 1, 2016
Equity (Shareholders funds) as per Previous GAAP		14,525.2	12,892.4
Impairment of financial assets based on expected credit loss model	1	(55.4)	(43.5)
Tax impact on above adjustment	3	19.1	15.1
Reversal of proposed dividend and tax thereon	4	241.1	201.0
Tax impact on effective portion of cash flow hedge	7	21.6	(3.0)
		14,751.6	13,062.0

(₹ in million)

(ii) Reconciliation of Net Profit After Tax as reported under Previous GAAP and the Total Comprehensive Income as per Ind AS for the year ended December 31, 2016:

	Notes	2016
Net Profit After Tax (Previous GAAP)		1,945.0
Impairment of financial assets based on expected credit loss model	1	(11.9)
Tax impact on above adjustments	3	4.0
Remeasurement of post-employment benefits plan	2	20.7
Tax impact on above adjustments	3	(7.2)
Net Profit After Tax as per Ind AS		1,950.6
Other Comprehensive Income (net of tax)	2, 3 & 7	(60.0)
Total Comprehensive Income as per Ind AS		1,890.6

(iii) Reconciliation of Cashflows between Previous GAAP and Ind AS for the year ended December 31, 2016

The transition from Previous GAAP to Ind AS does not have any material impact on the Statement of Cash Flows.

Notes:

- Under Previous GAAP, the allowance for doubtful debts were calculated based on ageing. As per Ind AS 109, the Company is expected to estimate provision based on expected credit loss model. Consequent to this change, the Company has recognised ₹ 43.5 million as at January 1, 2016 as additional allowance with a corresponding charge to opening retained earnings. Further, the company has recognised ₹ 11.9 million during the year ended December 31, 2016 as an additional allowance.
- Under Previous GAAP, the total expenses estimated on post-employment benefit plan, including actuarial gains and losses, were charged to the Statement of Profit and Loss. As per Ind AS, remeasurements comprising of actuarial gains and losses are required to be recognised through Other Comprehensive Income. Accordingly, the company has reclassified an amount of ₹ 20.7 million from “Employee benefits expense” to “Other Comprehensive Income” during the year ended December 31, 2016.
- Tax adjustments include deferred tax impact on account of differences between Previous GAAP and Ind AS. On January 1, 2016 the net impact on deferred tax asset aggregating to ₹ 15.1 million has been adjusted to opening retained earnings. Also, deferred tax asset aggregating to ₹ 11.2 million has been recognised in the Statement of Profit and Loss for the year ended December 31, 2016.
- Under Previous GAAP, dividends proposed by the Board of Directors after the reporting date but before the approval of financial statements were considered to be adjusting events and accordingly recognised as liabilities at the reporting date (including dividend distribution tax thereon). Under Ind AS, dividends so proposed by the Board of Directors are considered to be non adjusting event. Accordingly, proposed dividend and dividend distribution tax recognised under Previous GAAP has been reversed as at the transition date and for financial year 2016 respectively and adjusted in retained earnings in financial year 2016 and 2017 respectively when paid. This has resulted in an increase in other equity by ₹ 201.0 million as at January 1, 2016 and ₹ 241.1 million as at December 31, 2016.
- Under Previous GAAP, cash discounts and other discounts directly attributable to sales was recognised as part of “Other expenses” which has been adjusted against the revenue under Ind AS during the year ended December 31, 2016.
- Under Previous GAAP, revenue was presented net of excise duty. However, as per Schedule III to the Companies Act, 2013, revenue from operations is to be shown inclusive of excise duty. Accordingly, excise duty has been included in revenue from operations and shown separately as an expense.
- Under Previous GAAP, the Company had adopted hedge accounting principles as provided in Accounting Standard 30, Financial Instruments: Recognition and Measurement, issued by the Institute of Chartered Accountants of India, and accordingly the cost relating to hedging was expensed in the profit or loss to the extent considered ineffective. Under Ind AS 109, costs relating to hedging are accounted as a part of the other comprehensive income (net of tax) to the extent considered as effective and aligned to the hedging strategy. However, this has no impact on total comprehensive income and total equity as at January 1, 2016 and December 31, 2016.

(₹ in million)

42 Financial instruments

A) Accounting classifications

The following tables shows the carrying amount / fair values of financial assets and financial liabilities:

Financial instruments category	Carrying value / Fair value		
	2017	2016	As at January 1, 2016
Financial Assets			
a) Measured at fair value through Profit or Loss (FVTPL)			
Derivative contracts not designated as cash flow hedges	2.7	-	-
b) Measured at fair value through Other Comprehensive Income (OCI)			
Derivative contracts designated as cash flow hedges	44.7	-	8.6
c) Measurement at amortised cost:			
Trade receivables	3,198.9	3,262.8	3,320.9
Cash and cash equivalents	776.9	972.6	649.8
Bank balances other than cash and cash equivalents	7,529.5	5,432.9	4,054.3
Loans	1,190.0	990.0	1,450.0
Other financial assets	400.7	211.3	199.2
Total Financial Assets	13,143.4	10,869.6	9,682.8
Financial Liabilities			
a) Measured at fair value through Profit or Loss (FVTPL)			
Derivative contracts not designated as cash flow hedges	-	30.6	0.6
b) Measured at fair value through Other Comprehensive Income (OCI)			
Derivative contracts designated as cash flow hedges	-	62.5	-
c) Measurement at amortised cost:			
Trade payables	2,867.9	2,710.0	2,404.8
Other financial liabilities	642.6	555.9	497.0
Total Financial Liabilities	3,510.5	3,359.0	2,902.4

The carrying amounts of all financial instruments (except derivative instruments which are measured at fair value through Other Comprehensive Income and long-term loans) are not materially different from their fair values, since these are of short term nature

(₹ in million)

B) Fair value hierarchy

The following table provides quantitative disclosures of fair value measurement hierarchy of financial instruments as referred above:

December 31, 2017

	Level 1	Level 2	Level 3	Total as at December 31, 2017
Financial Assets				
Derivative contracts not designated as cash flow hedges	-	2.7	-	2.7
Derivative contracts designated as cash flow hedges	-	44.7	-	44.7
Trade receivables	-	-	3,198.9	3,198.9
Loans	-	-	1,190.0	1,190.0
Other financial assets	-	-	400.7	400.7
Total	-	47.4	4,789.6	4,837.0

	Level 1	Level 2	Level 3	Total as at December 31, 2017
Financial Liabilities				
Trade payables	-	-	2,867.9	2,867.9
Other financial liabilities	-	-	642.6	642.6
Total	-	-	3,510.5	3,510.5

December 31, 2016

	Level 1	Level 2	Level 3	Total as at December 31, 2016
Financial Assets				
Trade receivables	-	-	3,262.8	3,262.8
Loans	-	-	990.0	990.0
Other financial assets	-	-	211.3	211.3
Total	-	-	4,464.1	4,464.1

	Level 1	Level 2	Level 3	Total as at December 31, 2016
Financial Liabilities				
Derivative contracts not designated as cash flow hedges	-	30.6	-	30.6
Derivative contracts designated as cash flow hedges	-	62.5	-	62.5
Trade payables	-	-	2,710.0	2,710.0
Other financial liabilities	-	-	555.9	555.9
Total	-	93.1	3,265.9	3,359.0

Continued...

...Continued

(₹ in million)

January 1, 2016

	Level 1	Level 2	Level 3	Total as at January 1, 2016
Financial Assets				
Derivative contracts designated as cash flow hedges	-	8.6	-	8.6
Trade receivables	-	-	3,320.9	3,320.9
Loans	-	-	1,450.0	1,450.0
Other financial assets	-	-	199.2	199.2
Total	-	8.6	4,970.1	4,978.7
Financial Liabilities				
Derivative contracts not designated as cash flow hedges	-	0.6	-	0.6
Trade payables	-	-	2,404.8	2,404.8
Other financial liabilities	-	-	497.0	497.0
Total	-	0.6	2,901.8	2,902.4

Valuation techniques and significant unobservable inputs

Specific valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments include:

- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of remaining financial instruments is determined using the quoted discounted cash flow analysis

43 Dues to Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 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

44 Segment reporting

The business of the Company mainly comprises of sale of “Ball / Roller Bearings and related components”, which has been identified as a single reportable segment for the purpose of Ind AS 108 on ‘Operating Segments’.

The geographical information analyses the Company’s revenues and non-current assets by the Company’s country of domicile (i.e. India) and outside India. In presenting the geographical information, segment revenue has been based on geographical location of customers and segment assets which have been based on the geographical location of the assets.

(₹ in million)

i) Revenues

	2017	2016
India	16,178.7	16,315.9
Outside India	3,526.1	2,948.5
Total	19,704.8	19,264.4

ii) Non-current assets*

	2017	2016
India	4,579.6	4,493.8
Outside India	-	-
Total	4,579.6	4,493.8

*Non-current assets exclude financial instruments, deferred tax, post employment benefit assets and rights arising under insurance contracts, if any.

- 45** The tax year for the Company being the year ending March 31, 2018, provision for taxation for the year ended December 31, 2017 is aggregate of provision made for three months ended March 31, 2017 and provision based on amounts for remaining nine months ended December 31, 2017, the ultimate tax liability of which will be determined on the basis of figures for the fiscal year April 1, 2017 to March 31, 2018.

The Company's international and domestic transactions with associated enterprises are at arm's length, as per the independent accountant's report for the year ended March 31, 2017. The Management believes that the Company's international and domestic transactions with associated enterprises post March 31, 2017 continue to be at arm's length and that transfer pricing legislations will not have any impact on the Ind AS financial statements, particularly on the amount of tax expenses for the year and the amount of provision for taxation at the year end.

- 46** A Scheme of Amalgamation ('the Scheme') of INA Bearings India Private Limited and Luk India Private Limited with the Company was approved on August 30, 2017 by the Board of Directors of the respective companies with appointed date as January 1, 2018. The Company has filed the draft Scheme before the respective National Company Law Tribunal (NCLT) benches in Mumbai and Chennai. Pending such regulatory approvals, no effect of the aforesaid draft Scheme has been given in the financial statements.

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Vijay Mathur

Partner

Membership No: 046476

New Delhi: February 7, 2018

For and on behalf of the Board of Directors**Avinash Gandhi**

Chairman

DIN: 00161107

Satish Patel

Chief Financial Officer

New Delhi: February 7, 2018

Dharmesh Arora

Managing Director

DIN: 05350121

Chirag Shukla

Company Secretary

Notice of AGM

To
The Members
Schaeffler India Limited
 (Formerly known as FAG Bearings India Limited)

Notice is hereby given that the 55th Annual General Meeting of **SCHAEFFLER INDIA LIMITED** ('Company') will be held on Tuesday, April 17, 2018 at 3:00 p.m. at Y B Chavan Centre, General Jagannath Bhosle Marg, Besides Sachivalaya Gymkhana, Nariman Point, Mumbai – 400 021, Maharashtra, India, to transact the following businesses:

Ordinary Business

1. To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2017 and the Statement of Profit and Loss for the year ended on that date along with Directors' and Auditors' Report thereon.
2. To declare Dividend for the year ended December 31, 2017.
3. To ratify the appointment of Auditors and to fix their remuneration.

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

"RESOLVED THAT pursuant to the provisions of sections 139, 142 and such other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder, as amended from time to time and in line with the Ordinary Resolution passed by the Members at 52nd Annual General Meeting held on April 24, 2015, appointment of M/s. B S R & Co. LLP, Chartered Accountants [Reg. No. 101248 W / W-100022], Mumbai, as the Statutory Auditors of the Company (for five years from the conclusion of 52nd Annual General Meeting) and for them to hold office from the conclusion of this Annual General Meeting till the conclusion of 56th Annual General Meeting to be held in the year 2019, be and is hereby ratified.

RESOLVED FURTHER THAT the Audit Committee and / or Board of Directors be and is hereby authorized to fix their remuneration according to the scope of their services in line with prevailing provisions of applicable rules and regulations made in this regard.

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

Special Business

4. To resolve not to fill up the vacancy caused by retirement of Mr. Dietmar Heinrich [DIN: 00928243] by rotation:

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

"RESOLVED THAT the vacancy caused due to retirement of Mr. Dietmar Heinrich [DIN: 00928243] by rotation at this Annual General Meeting, be not filled up."

5. Appointment of Mr. Marcus Eisenhuth as Director.

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

"RESOLVED THAT pursuant to the provisions of sections 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Marcus Eisenhuth [DIN: 07904850] who was appointed as an Additional Director by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing under section 160 of the Act from a member, proposing his candidature for the office of Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

6. Appointment of Mr. Avinash Gandhi as an Independent Director.

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

"RESOLVED THAT pursuant to the provisions of sections 149, 150, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), and pursuant to the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any modification or amendment thereof, Mr. Avinash Gandhi [DIN: 00161107] who has been Director of the Company since July 25, 2002, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years commencing from February 7, 2018.

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

7. Remuneration to the Cost Auditors.

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

“**RESOLVED THAT** pursuant to the provisions of section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and pursuant to the recommendation of the Audit Committee, M/s. Y. S. Thakar & Co., Cost Accountants having Firm Registration No. 000318, appointed by the Board of Directors of the Company as Cost Auditors to conduct the audit of the cost records of the Company for the Financial Year ending December 31, 2018, be paid a remuneration of ₹ 1,25,000 (Rupees One Hundred Twenty Five Thousand only), excluding all taxes and reimbursement of out of pocket expenses.

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

By Order of the Board

Chirag K. Shukla
Company Secretary

New Delhi: February 7, 2018

Schaeffler India Limited

(Formerly known as FAG Bearings India Limited)

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

CIN: L29130MH1962PLC012340

Ph.: +91-22-6681 4444 Fax: +91-22-2202 7022

e-mail:investorsupport.in@schaeffler.com;

website: www.schaeffler.co.in

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS 55TH ANNUAL GENERAL MEETING OF THE COMPANY, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL HAVE NO RIGHT TO SPEAK AT THE MEETING.
2. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY, PROVIDED THAT SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

3. The instrument of proxy, duly completed, should be lodged at the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting. No Proxy Form shall be considered as valid if received after 3:00 p.m.(IST) on April 15, 2018.
4. Corporate members intending to send their authorised representatives to attend the Meeting pursuant to Section 113 of Companies Act, 2013 (“the Act”) are requested to send to the Company a certified copy of the Board resolution authorising their representatives to attend and vote on their behalf at the Meeting.
5. The Register of Members and the Transfer Books of the Company shall remain closed from April 11, 2018 to April 16, 2018 (both days inclusive) to determine entitlement of dividend on equity shares.
6. The Dividend as recommended by the Board of Directors and if declared at the Annual General Meeting, will be paid within statutory time limit of 30 days, as under :
 - a. To all beneficial Owners in respect of shares held in dematerialised form as per the data made available by National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on April 10, 2018.
 - b. To all Members in respect of shares held in Physical Form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on April 10, 2018.
7. In terms of the provisions of Section 124 and other applicable provisions of the Companies Act, 2013, the amount of dividend not encashed or claimed within 7 (seven) years from the date of its transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund established by the Central Government. Accordingly, the unclaimed dividend in respect of Financial Year 2010 is due for transfer to the said Fund in May, 2018. Members who have not yet encashed their dividend warrant(s) pertaining to the dividend for the Financial Year 2010 onwards, are requested to lodge their claims with the Company or with the Registrar and Share Transfer Agents (“RTA”) of the Company at the earliest.
8. Attention of Members is invited to the provisions of section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 amended from time to time, which inter alia requires the Company to transfer the equity shares, on which the dividend has remained unpaid or unclaimed for a continuous period of seven years, to the Investor Education and Protection Fund (IEPF), a Fund constituted by the Government of India under section 125 of the Act. The said Shares, once transferred to IEPF can be claimed after following due procedure prescribed under the said IEPF rules.

9. The Company has intimated individually to all such shareholders, dividend on whose shares has remained unpaid or unclaimed for a continuous period of seven years and a notice in this regard has also been published in the Business Standard (English) and Tarun Bharat (Marathi), Mumbai edition on January 12, 2018. The Statement dividend amount remained unpaid/ Unclaimed for 7 consecutive years and Shares due for transfer to IEPF is placed on the website of the Company at;

https://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/Details_Shareholders_whose_shares_are_liable_to_be_transferred_to_IEPF_Demat_Account.pdf

Members are therefore requested to approach the RTA of the Company to claim their unpaid dividend, if any.

10. In terms of section 72 of the Companies Act, 2013, Nomination facility is available to individual shareholders holding shares in the physical form. The shareholders who are desirous of availing this facility, may kindly write to RTA of the Company, M/s. Link Intime India Private Limited at B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara 390020, Gujarat, India, quoting their folio number.
11. National Electronic Clearing Services (NECS) has been permitted by Reserve Bank of India. The Shareholders may fill up the NECS form and send it to the RTA by March 31, 2018 to receive credit of dividend directly into their bank accounts.
12. As per section 136 of the Companies Act, 2013 read with Rule 11 of Companies (Accounts) Rules, 2014, financial statements may be sent to the Members -
- by electronic mode to such Members whose shares are held in dematerialised form and whose email Ids are registered with Depository for communication purposes;
 - where Shares are held in physical form, by electronic mode to such Members who have positively consented in writing for receiving by electronic mode; and
 - by dispatch of physical copies through any recognised mode of delivery as specified under section 20 of the Act, in all other cases.

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

- RTA of the Company: for the Shares held in physical form and
 - Your respective Depository Participants: for the Shares held in Dematerialised form.
13. Members, who have not yet dematerialised their shares, are requested to get their shares dematerialised at the earliest.

14. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulation'). Members are provided with the facility to cast their votes electronically, through the e-voting services provided by Central Depository Services (India) Limited ('CDSL'), on all the resolutions set forth in this Notice.

The Members, whose names appear in the Register of Members / Beneficial Owners as on the record date (cut-off date) i.e. Tuesday, April 10, 2018, may cast their vote electronically. The e-voting period will commence from Saturday, April 14, 2018 at 9:00 am (IST) and will end at 5:00 pm (IST) on Monday, April 16, 2018. The e-voting module will be disabled on April 16, 2018 at 5:00 pm (IST). The voting right of shareholders shall be in proportion to their share in the paid up equity share capital of the Company as on the cut-off date, being April 10, 2018.

Any person who acquires shares of the Company and becomes a Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. Tuesday, April 10, 2018, may obtain User ID and password by sending a request to the RTA i.e. Link Intime India Pvt Ltd e-mail id: vadodara@linkintime.co.in. However, Shareholders who are already registered with CDSL for remote e-voting, can use their existing User ID and password for casting their votes.

The instructions for shareholders voting electronically are as under:

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

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department. (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company / Depository Participant are requested to use the Sequence Number which is printed on attendance slip indicated in the PAN field.
DOB*	Enter the Date of Birth as recorded in your demat account or in the Company records in dd/mm/yyyy format
Dividend Bank Details*	Enter the Dividend Bank Details as recorded in your demat account or in the Company records.

*Please enter the DOB or Dividend Bank Details in order to login. If both the details are not recorded with the depository or Company, please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iii).

- (vii) After entering these details appropriately, click on 'SUBMIT' tab.
- (viii) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the relevant E-voting Sequence Number (EVSN) for SCHAEFFLER INDIA LIMITED for which you choose to vote.
- (xi) On the voting page, you will see 'RESOLUTION DESCRIPTION' and against the same the option 'YES/NO' for voting. Select the option YES or NO as desired. The option Yes implies that you assent to the Resolution and option No implies that you dissent to the Resolution.
- (xii) Click on the 'RESOLUTIONS FILE LINK' if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on 'SUBMIT'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'OK', else to change your vote, click on 'CANCEL' and accordingly modify your vote.
- (xiv) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.

- (xv) You can also take out print of the voting done by you by clicking on 'Click here to print' option on the Voting page.
- (xvi) If Demat account holder has forgotten the login password, then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for all mobile users. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xviii) Note for Non-individual Shareholders and Custodians i.e. Corporate / Institutional Members (FIs / FII's / Trust / Mutual Fund / Banks, etc.):
 - a) Non-individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - b) A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - c) After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - d) The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - e) A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutiniser to verify the same.
- (xix) In case of any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com
- 15. Statement under Section 102 of the Companies Act, 2013 in respect of Item nos. 4,5, 6 and 7 under "Special Business", is attached hereto. All documents referred to in the Notice are open for inspection at the Registered Office of the company between 11:00 am (IST) to 1:00 pm (IST) on any working day except Saturdays up to the date of Annual General Meeting.

Statement under section 102 of the Companies Act, 2013 relating to Special Business mentioned in the Notice convening the 55th Annual General Meeting:

ITEM No. 4. Not to fill up the vacancy caused by retirement of Mr. Dietmar Heinrich by rotation:

Mr. Dietmar Heinrich [DIN: 00928243], who is a Director liable to retire by rotation, is due for retirement by rotation at the ensuing Annual General Meeting in terms of the requirements of section 152 of the Companies Act 2013.

Mr. Dietmar Heinrich, although eligible for re-appointment, has conveyed his unwillingness to be reappointed at the ensuing Annual General Meeting. The Board of Directors while extending their gratitude for the valuable contribution of Mr. Dietmar Heinrich during his tenure as the Director of the Company, have decided not to fill the vacancy that will be caused by Mr. Dietmar Heinrich not offering himself for reappointment on retirement.

In terms of provisions of Section 152 of the Companies Act, 2013, it is proposed to expressly resolve not to fill the vacancy caused by the retirement of Mr. Dietmar Heinrich as a Director of the Company. Hence, the resolution at Item No. 4 is placed before the Members for their approval.

Except Mr. Dietmar Heinrich, none of the Directors or any Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the Ordinary Resolution as set out at Item No. 4 of the Notice.

The Board recommends the Resolution under item No. 4 of the Notice for approval of the Members as an Ordinary Resolution.

ITEM No. 5. Appointment of Mr. Marcus Eisenhuth as Director:

Mr. Marcus Eisenhuth was appointed as an Additional Director by the Board with effect from August 10, 2017. Pursuant to provisions of Section 161 of the Companies Act, 2013, Mr. Marcus Eisenhuth holds office upto the date of this Annual General Meeting.

Mr. Marcus Eisenhuth is an Engineer by qualification and also holds a Masters degree in Business Administration. Mr. Eisenhuth has many years of worldwide experience in the fields of Sales and Marketing as well as Research and Development.

His continued association with the Company as a Director would be of a great advantage. Your Directors therefore recommend his election to the office of Director of the Company. The Company has received notice together with a deposit of ₹ 100,000/- (Rupees One Hundred Thousand) for his candidature for the office of Director under Section 160 of the Companies Act, 2013.

The details of Mr. Marcus Eisenhuth as required under the provisions of Regulation 36 (3) of the SEBI (Listing Obligations and Disclosures Requirement) Regulations, 2015 and provisions of Secretarial Standard 2 on General Meetings are disclosed under Annexure 1 to this Statement.

Except Mr. Marcus Eisenhuth none of the Directors or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out in Item No. 5 of the Notice.

The Board recommends the Resolution under Item No. 5 of the Notice for approval of the Members as an Ordinary Resolution.

ITEM No. 6. Appointment of Mr. Avinash Gandhi as an Independent Director:

Mr. Avinash Gandhi has been on the Board of the Company since July 25, 2002. Presently, he is the Non-Executive Chairman of the Company.

Mr. Avinash Gandhi has given a declaration that he meets with the criteria on independence and possesses relevant experience and expertise for appointment as an Independent Director. Mr. Avinash Gandhi is a Mechanical Engineer by qualification. He is a professional, having vast experience in the Automotive Industry. He is a freelance consultant who advised on strategic matters to Indian automobile component manufacturers.

In the opinion of the Board, the Mr. Avinash Gandhi fulfils the conditions specified in the Act and the rules made thereunder and that Mr. Avinash Gandhi is independent of the management.

Therefore, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of your Company has appointed Mr. Gandhi as an Independent Director, subject to approval of the Shareholders at this Annual General Meeting for a term of five consecutive years commencing from February 7, 2018.

The details of Mr. Avinash Gandhi as required under the provisions of Regulation 36 (3) of the SEBI (Listing Obligations and Disclosures Requirement) Regulations, 2015 and provisions of Secretarial Standard 2 on General Meetings are disclosed under Annexure-1 to this statement.

Except Mr. Avinash Gandhi, none of the Directors or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out in Item No. 6 of the Notice.

The Board recommends the Resolution under Item No. 6 of the Notice for approval of the Members as an Ordinary Resolution.

ITEM No. 7. Remuneration to the Cost Auditors:

Upon the recommendation of the Audit Committee, the Board of Directors of the Company in its meeting held on February 7, 2018 has, based upon the eligibility and consent to act as such, re-appointed M/s Y. S. Thakar & Co., Cost Accountants, as the Cost Auditors of the Company for conducting the audit of the cost records of the Company for the Financial Year ending December 31, 2018.

The Audit Committee and the Board have approved a remuneration of ₹ 125,000 (Rupees One Hundred Twenty Five Thousand only) for 2018, excluding all taxes and reimbursement of out of pocket expenses.

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, Members of the Company are required to ratify the remuneration to be paid to the cost auditors of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 7 of the Notice for

ratification of the remuneration to be paid to the Cost Auditors for conducting the audit of the cost records of the Company for the Financial Year ending December 31, 2018.

None of the Directors, Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out in Item No. 7 of the Notice.

The Board recommends the Resolution under Item No. 7 of the Notice for approval of the Members as an Ordinary Resolution.

Annexure - 1

Information on Directors seeking appointment at 55th Annual General Meeting pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and pursuant to provisions of Secretarial Standard 2 on General Meetings:

Name	Mr. Marcus Eisenhuth	Mr. Avinash Gandhi
Date of Birth	March 21, 1964	October 1, 1938
Qualification	Mechanical Engineering, Masters of Business Administration	Degree in Mechanical Engineering
Occupation / Specialisation	President Industrial, Schaeffler Group Europe region	Directorship / Advisory Auto Sector
Date of First appointment on the Board	August 10, 2017	July 25, 2002
Category	Non-Executive and Non-Independent Director	Non-Executive and Independent Director
Relationship with other Directors and Key Managerial Personnel	Not related	Not related
Shareholding in the Company	NIL	NIL
No. of Meetings of the Board attended during the year	1 of 2	7 of 7
Directorship	1 Schaeffler India Limited	1 Schaeffler India Limited 2 Lumax Industries Limited 3 Uniproducts (India) Limited 4 Minda Autoelektrik Limited 5 Indo Alusys Industries Limited 6 Minda Corporation Limited 7 Minda Sai Limited 8 Avinar Consulting Pvt. Limited 9 EV Motors India Private Limited 10 Minda Furukawa Electric Pvt. Ltd. 11 Hyundai Motor India Limited 12 QRG Enterprises Limited
Committee Membership/Chairmanship		1 Schaeffler India Limited - Member of Audit Committee 2 Schaeffler India Limited - Member of Nomination & Remuneration Committee 3 Hyundai Motor India Limited - Member of Audit Committee 4 Hyundai Motor India Limited - Member of Nomination & Remuneration Committee 5 Lumax Industries Limited - Chairman of Audit Committee 6 Lumax Industries Limited - Member of CSR Committee 7 Lumax Industries Limited - Member of Nomination & Remuneration Committee 8 Minda Corporation Limited - Member of Audit Committee 9 Minda Corporation Limited - Chairman of Nomination & Remuneration Committee 10 Minda Corporation Limited - Chairman of Stakeholder Relationship Committee 11 Minda Corporation Limited - Chairman of Corporate Social Responsibility Committee 12 Minda Sai Limited - Chairman of Audit Committee

By Order of the Board

Chirag K. Shukla
Company Secretary

New Delhi: February 7, 2018

Schaeffler India Limited

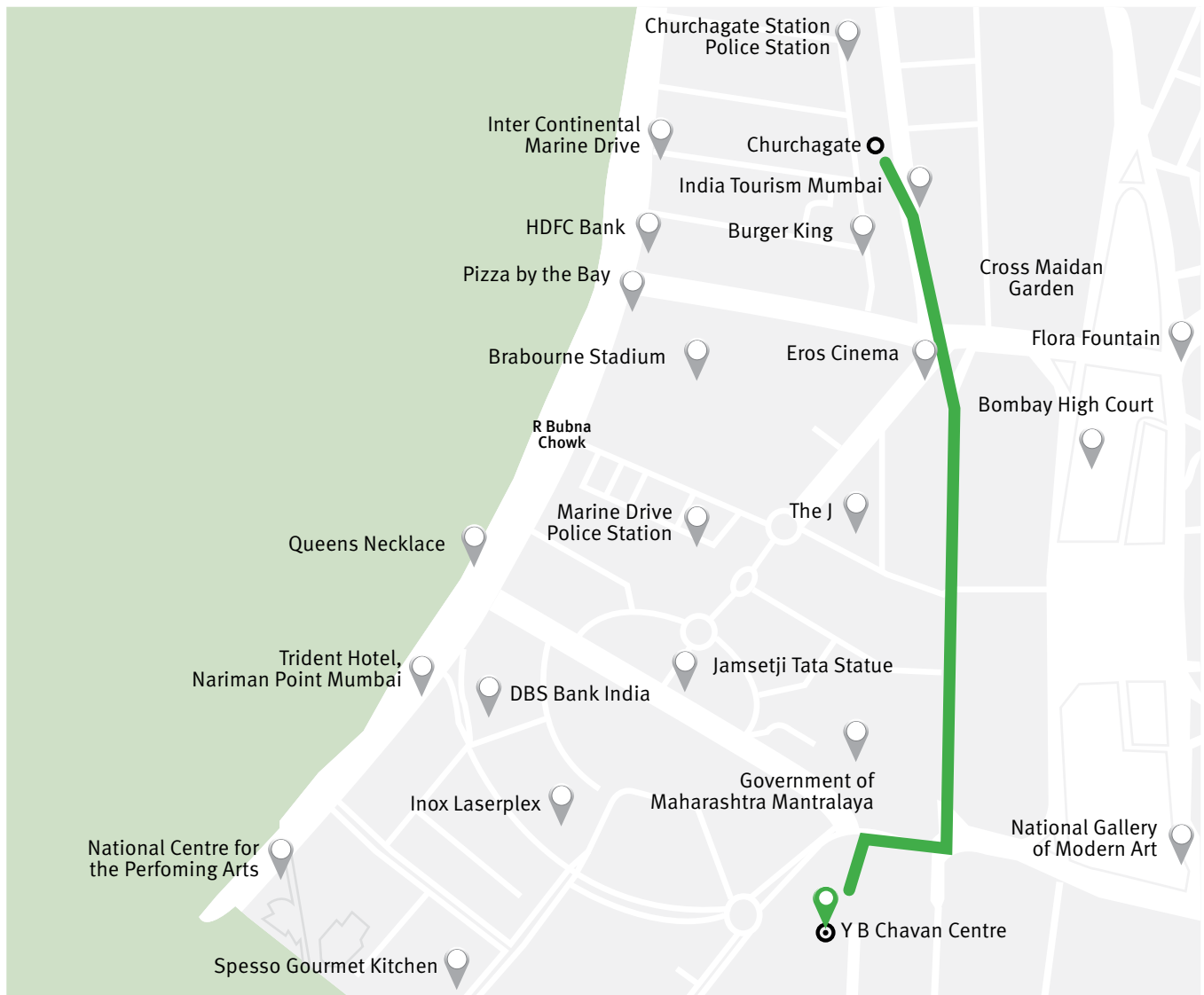
(Formerly known as FAG Bearings India Limited)

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

CIN: L29130MH1962PLC012340

Ph.: +91-22-6681 4444 Fax: +91-22-2202 7022 e-mail:investorsupport.in@schaeffler.com; website: www.schaeffler.co.in

Route Map



Y B Chavan Center,
General Jangannath Bhosle Road,
Besides Sachivalaya Gymkhana,
Nariman Point, Mumbai,
Maharashtra 400021, India.

Landmark: Government of Maharashtra Mantralaya

Form

(Shareholder's option to receive documents in electronic form)

To
Link Intime India Private Limited.
Unit: Schaeffler India Limited
B-102 -103, Shangrila Complex, First Floor,
Opp. HDFC Bank, Near Radhakrishna Char Rasta,
Akota, Vadodara-390 020, Gujarat, India
E-mail: vadodara@linkintime.co.in
Ph. No.: 0265-2356573, 2356794

Dear Sir(s),

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

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

Name of the Shareholder / Beneficial Owner

Registered Folio No. / DP ID and Client ID

No. of Shares

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

Email address of the second / third named Shareholder / Beneficial Owner

Date:

Place:

.....
Signature of the shareholder / Beneficial Owner



Proxy Form
Form No. MGT - 11

Schaeffler India Limited
[Formerly Known as FAG Bearings India Limited]

CIN: L29130MH1962PLC012340

Regd. Office : Nariman Bhavan, 8th Floor, 227 Backbay Reclamation, Nariman Point, Mumbai - 400 021, Maharashtra, India.
Ph.: +91-22-6681 4444 Fax: +91-22-2202 7022 e-mail:investorsupport.in@schaeffler.com; website: www.schaeffler.co.in

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

55th Annual General Meeting - April 17, 2018

Name of the Member(s) :
Registered Address:
E-mail ID:
Folio No. / Client ID:
DP ID:
I / We, being the member(s) ofshares of the above named company, hereby appoint

1	Name:	_____
	Address:	_____
	E-mail ID:	_____
	Signature:	_____ or failing him

2	Name:	_____
	Address:	_____
	E-mail ID:	_____
	Signature:	_____ or failing him

3	Name:	_____
	Address:	_____
	E-mail ID:	_____
	Signature:	_____

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 55th Annual General Meeting of the Company, to be held on Tuesday, the 17th day of April, 2018 at 03.00 p.m. at Y B Chavan Center, General Jangannath Bhosle Road, Besides Sachivalaya Gymkhana, Nariman Point, Mumbai, Maharashtra 400 021, India, and at any adjournment thereof in respect of such resolutions as are indicated below:

Ordinary Business

1. To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2017 and the Statement of Profit and Loss for the year ended on that date along with Directors' and Auditors' Report thereon.
2. To declare dividend for the year ended December 31, 2017.
3. To ratify the appointment of Auditors and to fix their remuneration.

Special Business

4. To resolve not to fill up the vacancy caused by retirement of Mr. Dietmar Heinrich by rotation.
5. Appointment of Mr. Marcus Eisenhuth as Director.
6. Appointment of Mr. Avinash Gandhi as an Independent Director.
7. Remuneration to the Cost Auditors.

Signed this _____ (Date) _____ day of _____ (Month) _____ 2018.

Signature of Shareholder

₹1 Revenue Stamp with Proxy's Signature
--

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

National Electronic Cleaning Services (NECS)

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 RTA of the Company.
- 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 March 31, 2018, 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 RTA of the Company.

FOR SHARES HELD IN PHYSICAL MODE

To,
Link Intime India Private Limited
Unit: Schaeffler India Limited
 B-102 & 103, Shangrila Complex, First Floor,
 Opp. HDFC Bank, Near Radhakrishna Char Rasta,
 Akota, Vadodara -390 020, Gujarat, India

FOR SHARES HELD IN ELECTRONIC MODE

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 Folio No. / Demat Account mentioned, directly to my / our Bank Account through the National Electronic Clearing System [NECS] / to prepare my / our dividend warrant with details of my / our Bank Account No. and Name of the Bank & Branch.

The Details of the Bank Account are given below.

Name of First / Sole shareholder [IN BLOCK LETTERS]

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

Name of the Bank in Full

Branch Name

Address & Telephone No. of the Bank

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

Type of Account with Code	Saving Bank – 10	Current – 11	Cash Cr. - 13
A/C No. as appears on Cheque Book	Bank Ledger No./ Bank Ledger Folio No. (If any, appearing on the Cheque Book)		PAN / GIR No.

Address of the share holder

I / We enclose a blank cancelled cheque / self-attested photo copy of front page of Savings Bank Account passbook to enable you to verify the details.

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

Place :

Signature of Sole / First Shareholder.

Date :

Signature of Second / Third Joint Shareholder.



Schaeffler India Limited's Board of Directors at the inauguration of Lamdapura School, a school that inspires underprivileged kids to reach for their dreams. Schaeffler India is enabling quality education for the children in Vadodara.

Schaeffler India Limited
[formerly known as FAG Bearings India Ltd]

Maneja, Vadodara - 390 013
Gujarat, India.
Tel.: +91 265 6602000 - 2004
Fax: +91 265 2638804
www.schaeffler.co.in

SCHAEFFLER